

Red Gum Resources Limited
ACN 119 641 986
(to be renamed "MCS Services Limited")

PROSPECTUS

**For the offer of 90,000,000 Shares at an issue price of \$0.05 each
to raise \$4,500,000 (before costs) (Public Offer).**

This Prospectus also contains:

- (a) an offer of an aggregate total of 30,000,000 Shares to the MCS Shareholders (or their nominees) in consideration for the MCS Acquisition (**MCS Offer**). Refer to Section 1.2 of this Prospectus for more information in respect of the MCS Offer;
- (b) an offer of 18,000,000 Shares to Mr John Boardman (or his nominee) in consideration for the Intiga Acquisition (**Intiga Offer**). Refer to Section 1.2 of this Prospectus for more information in respect of the Intiga Offer;
- (c) an offer of 8,000,000 Shares to the Facilitator who assisted in facilitating the Acquisitions (**Facilitator Offer**). Refer to Section 1.3 of this Prospectus for more information in respect of the Facilitator Offer.

It is proposed that the Public Offer will close at 5.00pm (WST) on 6 November 2015. The Directors reserve the right to close the Public Offer earlier or to extend this date without prior notice. Applications must be received before that time.

This is a re-compliance prospectus for the purposes of satisfying Chapters 1 and 2 of the Listing Rules and to satisfy ASX's requirements for re-quotation of the Shares on the Official List, following a change to the nature and scale of the Company's activities.

The Shares offered pursuant to this Prospectus should be regarded as speculative. Refer to Section 7 for a summary of the key risks associated with an investment in the Company.



Lead Manager
Patersons Securities Limited

CORPORATE DIRECTORY

Directors

Mr Josh Russell Puckridge – Executive Director

Mr Edwin Edward Bulseco – Non-Executive Director

Mr Thomas Jon Pickett – Non-Executive Director

Proposed Director

Ms Melissa Chapman - Non-Executive Director

Company Secretary

Mr Malcolm Lucas-Smith

Registered Office

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Adelaide SA 5000

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Lead Manager

Patersons Securities Limited
Level 23, Exchange Plaza
2 The Esplanade
Perth WA 6000

Auditor*

Stantons International Audit and Consulting Pty Ltd
Level 2, 1 Walker Avenue
West Perth
WA 6005

Investigating Accountant

Stantons International Securities Pty Ltd
Level 2, 1 Walker Avenue
West Perth
WA 6005

Share Registry*

Computershare Investor Services Pty Limited
Level 5, 115 Grenfell Street
Adelaide SA 5000

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Lawyers

DLA Piper Australia (Perth)
Level 31, Central Park
152-158 St Georges Terrace
Perth WA 6000

ASX Code

Current: RGX

Proposed: MSG

Website

www.redgumresources.com

* These entities are included for information purposes only. They have not been involved in the preparation of this Prospectus.

CONTENTS

IMPORTANT NOTICE	3
LETTER FROM THE BOARD	6
KEY DETAILS OF THE OFFERS	7
INVESTMENT OVERVIEW	9
1. Details of Offers	20
2. Company, MCS and Intiga Overview	30
3. Industry Overview	35
4. Board, Management and Corporate Governance	36
5. Investigating Accountant's Report	44
6. Material Contracts	70
7. Risk Factors	77
8. Rights Attaching to Securities and Summaries of the Executive Share Plan and Employee Option Plan	84
9. Additional Information	91
10. Authorisation	96
11. Glossary of Terms	97

IMPORTANT NOTICE

This Prospectus is dated, and was lodged with ASIC, on 26 October 2015. Neither ASIC nor ASX (or their respective officers) take any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates. The expiry date of this Prospectus is 5:00pm (WST) on the date which is 13 months after the date this Prospectus was lodged with ASIC. No Shares will be issued on the basis of this Prospectus after that expiry date.

Application will be made to ASX within seven (7) days after the date of this Prospectus for Official Quotation of the Shares the subject of the Offers.

No person or entity is authorised to give any information or to make any representation in connection with the Offers which is not contained in this Prospectus. Any information or representation not contained in this Prospectus should not be relied on as having been made or authorised by the Company or the Directors in connection with the Offers.

Before applying for Shares, potential investors should carefully read the Prospectus so they can make an informed assessment of:

- the rights and liabilities attaching to the Shares;
- the assets and liabilities of the Company; and
- the Company's financial position and performance and prospects.

It is important that you read this Prospectus in its entirety and seek professional advice where necessary. The Shares the subject of the Offers should be considered speculative.

Change in Nature and Scale of Activities and Re-Compliance with Chapters 1 and 2 of the Listing Rules

The Company has entered into the Acquisition Agreements pursuant to which it has agreed, subject to Shareholder approval and the satisfaction of certain other conditions, to acquire all of the issued shares in the capital of MCS and Intiga. Refer to Section 2 for information on MCS and Intiga, and Section 6.1 for further details of the terms and conditions on which the Acquisitions are to be completed.

The Acquisitions and the Public Offer will involve a significant change in the nature and scale of the Company's activities, which requires approval of Shareholders under Chapter 11 of the Listing Rules. At the General Meeting, Shareholders will be asked to consider and approve, among other things, the Acquisitions, the issue of Shares pursuant to the Offers and the change in nature and scale of the Company's activities.

The Company must also comply with ASX requirements for re-quotation of the Shares on the Official List, which includes re-complying with Chapters 1 and 2 of the Listing Rules. This Prospectus is issued to assist the Company to meet these requirements and to facilitate the Offers. The Public Offer under this Prospectus is conditional on the satisfaction of certain conditions. Refer to Section 1.7 for further details.

Trading in Shares will be suspended on the morning of the day of the General Meeting. If Shareholders pass all Acquisition Resolutions, trading in Shares on ASX will be suspended until the Company satisfies the requirements of Chapters 1 and 2 of the Listing Rules.

There is a risk that the Company may not be able to meet the requirements of ASX for re-quotation of the Shares on the Official List. In the event the conditions to the Offers are not satisfied or the Company does not receive conditional approval for re-quotation of the Shares on the Official List, then the Company will not proceed with the Public Offer or the Acquisitions and will repay all Application Monies (without interest) in accordance with the provisions of the Corporations Act.

Electronic Prospectus and Public Offer Application Forms

This Prospectus will generally be made available in electronic form by being posted on the Company's website at www.redgumresources.com. Persons having received a copy of this Prospectus in its electronic form may obtain an additional paper copy of this Prospectus and a Public Offer Application Form (free of charge) from the Company's registered office during the period of the Public Offer by contacting the Company. Contact details for the Company are detailed in the Corporate Directory. The Public Offer

constituted by this Prospectus in electronic form is only available to persons receiving an electronic version of this Prospectus and the Public Offer Application Form within Australia.

Applications under the Public Offer will only be accepted on a Public Offer Application Form attached to, or accompanying, this Prospectus or in its paper copy form as downloaded in its entirety from www.redgumresources.com. The Corporations Act prohibits any person from passing on to another person a Public Offer Application Form unless it is accompanied by or attached to a complete and unaltered copy of this Prospectus.

Prospective investors wishing to apply for Shares under the Public Offer should complete a Public Offer Application Form. If you do not provide the information required on a Public Offer Application Form, the Company may not be able to accept or process your Application.

Website

No document or information included on the Company's website is incorporated by reference into this Prospectus.

Foreign Investors

No action has been taken to register or qualify the Shares the subject of this Prospectus, or the Offers, or otherwise to permit the public offering of the Shares, in any jurisdiction outside Australia. The distribution of this Prospectus in jurisdictions outside of Australia may be restricted by law and persons who come into possession of this Prospectus outside of Australia should seek advice on, and observe, any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. This Prospectus does not constitute an offer of Shares in any jurisdiction where, or to any person to whom, it would be unlawful to issue this Prospectus.

No Exposure Period

The Shares are 'quoted securities' as defined in the Corporations Act. This is a prospectus for an offer of 'quoted securities' of the Company. Accordingly, no exposure period applies to this Prospectus.

Speculative Investment

The Shares offered under this Prospectus should be considered speculative. There is no guarantee that the Shares offered under this Prospectus will make a return on the capital invested, that dividends will be paid on the Shares or that there will be an increase in the value of the Shares in the future.

Prospective investors should carefully consider whether the Shares offered under this Prospectus are an appropriate investment for them in light of their personal circumstances, including their financial and taxation position. Refer to Section 7 for details of the key risks applicable to an investment in the Company.

Privacy Statement

To apply for Shares you will be required to provide certain personal information to the Company and the Share Registry. The Company and the Share Registry will collect, hold and use your personal information in order to assess your Application, service your needs as an investor, provide facilities and services that you request and carry out appropriate administration. The Corporations Act and taxation law require some of this personal information to be collected. If you do not provide the information requested, your Application may not be able to be processed efficiently, or at all.

By submitting an Application Form, each Applicant agrees that the Company may use the information provided by an Applicant on the Application Form for the purposes detailed in this Privacy Statement and may disclose it for those purposes to the Share Registry, the Company's related bodies corporate, agents, contractors and third party service providers, including mailing houses and professional advisers, and to ASX and other regulatory authorities.

If an Applicant becomes a Shareholder, the Corporations Act requires the Company to include information about the Shareholder (including name, address and details of the Shares held) in its public register. The information contained in the Company's public register must remain there even if that person ceases to be a Shareholder. Information contained in the Company's public register is also used to facilitate distribution payments and corporate communications (including the Company's financial results, annual reports and

other information that the Company may wish to communicate to Shareholders) and compliance by the Company with its legal and regulatory requirements.

Forward-looking Statements

This Prospectus contains forward-looking statements which are identified by words such as "believes", "estimates", "expects", "intends", "may", "will", "would", "could", or "should" and other similar words that involve risks and uncertainties. These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Prospectus, are expected to take place.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, the Directors and management of the Company. Key risk factors associated with an investment in the Company are detailed in Section 7. These and other factors could cause actual results to differ materially from those expressed in any forward-looking statements.

The Company has no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

The Company cannot and does not give assurances that the results, performance or achievements expressed or implied in the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

No Forecast Financial Information

Given that the Company will only complete the Acquisitions shortly before re-quotation of the Shares on the Official List and there will be an integration period following that, there are significant uncertainties associated with forecasting future revenues and expenses of the Company. On this basis, and after considering ASIC Regulatory Guide 170, the Directors believe that reliable financial forecasts for the Company cannot be prepared, and accordingly, financial forecasts have not been included in this Prospectus.

Diagrams

Diagrams used in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the date of this Prospectus.

Currency

All financial amounts contained in this Prospectus are expressed as Australian dollars unless otherwise stated.

Rounding

Any discrepancies between totals and sums and components in tables contained in this Prospectus are due to rounding.

Time

All references to time in this Prospectus are references to WST, unless otherwise stated.

Glossary

Defined terms and abbreviations used in this Prospectus are detailed in the glossary of terms in Section 11.

LETTER FROM THE BOARD

Dear Investor,

On behalf of the Board of Directors, it is my pleasure to invite you to become a Shareholder in Red Gum Resources Limited, to be renamed "MCS Services Limited" (**Company**). As a result of the Acquisitions, investors will have the opportunity to invest in two established Western Australian security personnel businesses.

The existing Board firmly believes in the proposed new management of the Company and the opportunities the New Businesses present to investors and existing Shareholders.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Josh Puckridge". The signature is written in a cursive style with a large, stylized initial "JP".

Josh Puckridge
Executive Director

KEY DETAILS OF THE OFFERS

Key Information	Details
Shares on issue at the date of this Prospectus	55,610,212
Public Offer	
Price per Share offered under the Public Offer	\$0.05
Shares offered for subscription under the Public Offer	90,000,000
Proceeds of the Public Offer (before costs)	\$4,500,000
Vendor Offers	
Shares issued pursuant to the MCS Offer	30,000,000
Shares issued pursuant to the Intiga Offer	18,000,000
Facilitator Offer	
Shares issued to the Facilitator in connection with the Acquisitions	8,000,000
General	
Total cash on completion of the Offers and Acquisitions (estimate)	\$1,138,676
Total Shares on issue upon completion of the Offers and the Acquisitions	201,610,212
Market capitalisation on completion of the Offers and the Acquisitions based on the price per Share under the Public Offer	\$10,080,511

Note: Please refer to section 1.11 for further details relating to the proposed capital structure of the Company.

INDICATIVE TIMETABLE

Lodgement of Prospectus with ASIC	26 October 2015
Opening Date of the Offers	26 October 2015
General Meeting of the Company	28 October 2015
Closing Date of the Offers	6 November 2015
Completion of the Acquisitions	16 November 2015
Issue of Shares under the Offers	18 November 2015
Despatch of holding statements	18 November 2015
Expected date for re-quotation of the Shares on the Official List	23 November 2015

The above dates are indicative only and may change without notice. The Company reserves the right to amend the timetable at any time.

INVESTMENT OVERVIEW

This Section is not intended to provide full information for investors intending to apply for Shares offered pursuant to this Prospectus. Investors should read and consider this Prospectus in its entirety before deciding whether to apply for Shares.

Topic	Summary	Further Information
A. Company Overview		
Who is the issuer of this Prospectus?	Red Gum Resources Limited ACN 119 641 986 (to be renamed "MCS Services Limited") (Company), an Australian public company listed on the Official List since 13 January 2012 (ASX code: RGX).	Section 2.1
What does the Company do?	The Company's principal activities are mineral exploration and the accumulation and acquisition of areas for mineral exploration in Latin America. As at the date of this Prospectus, the Company has an interest in the La Negra Project in Chile. Since April 2014, the Company has discontinued exploration activities on the La Negra Project.	Section 2.1
What is the Company's strategy?	<p>As previously announced to ASX, the Board has been reviewing a number of new opportunities as part of a strategy to reinvigorate shareholder value. One of these opportunities led to the announcement of the Acquisitions on 3 August 2015.</p> <p>In addition, as part of the strategic review process, the Board has also reviewed the Company's future direction, including the appropriateness of retaining its existing mining interest and has concluded that the mining assets of the Company are unlikely to be relevant to the future business of the Company. Following Completion, the Company will assess its options regarding the La Negra Project, including divestment.</p>	Section 2.2
B. Acquisitions		
What are the Acquisitions?	<p>The Company has entered into an agreement (MCS Acquisition Agreement) pursuant to which it agreed to acquire all of the issued capital of MCS Security Group Pty Ltd (MCS) (the MCS Acquisition).</p> <p>The Company has entered into an agreement (Intiga Acquisition Agreement) pursuant to which it agreed to acquire all of the issued capital of John Boardman Pty Ltd, trading as 'Intiga Security' (Intiga) (the Intiga Acquisition).</p> <p>Together, the MCS Acquisition and the Intiga Acquisition are the Acquisitions.</p>	Section 6.1
Who is MCS?	MCS is an Australian proprietary company, incorporated in Western Australia on 23 June 2005. MCS provides security services at major commercial property sites and retail shopping centres throughout the Perth metropolitan area and regional country areas of Western Australia.	Section 2.3

Topic	Summary	Further Information
Who is Intiga?	Intiga is an Australian proprietary company, incorporated in Western Australia on 17 December 2010. Intiga provides customer focused security professionals to sporting stadiums, events, retail, construction and resource industries in Western Australia.	Section 2.3
What are the key terms of the Acquisitions?	<p>The key terms of the Acquisitions are as follows:</p> <ul style="list-style-type: none"> • in consideration for the Acquisitions, the Company will: <ul style="list-style-type: none"> ○ at Completion, pay the MCS Shareholders the Cash Consideration, being the sum of A\$3,780,000; ○ at Completion, issue an aggregate total of 30,000,000 Shares to the MCS Shareholders and 18,000,000 Shares to Mr John Boardman; and ○ subject to the satisfaction of the Financial Milestone (refer to Section 6.1), issue to Mr John Boardman the Deferred Consideration Shares, being 6,000,000 Shares; • Completion is conditional upon the satisfaction or waiver of, the following conditions precedents: <ul style="list-style-type: none"> ○ the Company completing financial and legal due diligence, in relation to MCS and Intiga; ○ the Company obtaining all necessary Shareholder approvals; ○ the Company completing the Public Offer; ○ the Company entering into executive service agreements with the CEO and COO (refer to Section 6.2); ○ the Company adopting the Executive Share Plan and the Employee Options Plan; ○ MCS and Intiga being free of any finance leases, hiring agreements and conditional purchase agreements; ○ the receipt of all necessary statutory and regulatory approvals and any other third party consents or waivers necessary or desirable, to complete the Acquisitions; and ○ both the MCS Acquisitions and the Intiga Acquisition becoming unconditional, other than in relation to the condition requiring the other to become unconditional. 	Section 6.1
What are the effects of the Acquisitions on the Company?	<p>Upon Completion:</p> <ul style="list-style-type: none"> • the MCS Shareholders will hold an aggregate total of 14.88% of the issued Shares in the Company: <ul style="list-style-type: none"> ○ Mr Paul Simmons will hold approximately 7.44% of the issued Shares in the Company; and 	Section 1.12

Topic	Summary	Further Information
	<ul style="list-style-type: none"> ○ Ms Maureen Simmons will hold approximately 7.44% of the issued Shares in the Company; and • Mr John Boardman will hold approximately 8.93% of the issued Shares in the Company. 	
C. Summary of the Offers		
What is the Public Offer and what are its key terms?	<p>Under the Public Offer, the Company is offering 90,000,000 Shares at an issue price of \$0.05 per Share to raise \$4,500,000 (before costs) (Public Offer).</p> <p>The Public Offer is subject to a minimum subscription of 90,000,000 Shares to raise \$4,500,000. There will be no oversubscriptions in respect of the Public Offer.</p>	Sections 1.1 and 1.4
What is the MCS Offer and the Intiga Offer?	<p>In addition to the Public Offer, this Prospectus also contains separate offers to:</p> <ul style="list-style-type: none"> • the MCS Shareholders for the issue of an aggregate total of 30,000,000 Shares in part consideration for the MCS Acquisition (MCS Offer); and • Mr John Boardman for the issue of 18,000,000 Shares in consideration for the Intiga Acquisition (Intiga Offer), <p>(together, the Vendor Offers).</p>	Section 1.2
What is the Facilitator Offer	<p>In addition to the Public Offer and the Vendor Offers, this Prospectus also contains an offer of 8,000,000 Shares to the Facilitator, in accordance with the Acquisition Agreements, for assisting with the facilitation of the Acquisitions (Facilitator Offer).</p>	Section 1.3
What are the conditions of the Public Offer?	<p>Completion of the Public Offer is conditional on:</p> <ul style="list-style-type: none"> • the Company achieving the Minimum Subscription (refer to Section 1.4); • the Company obtaining Shareholder approval for the Acquisitions Resolutions (refer to Section 6.1); • the Acquisitions becoming unconditional, save for the condition relating to the completion of the Public Offer; and • receiving conditional approval for re-quotations of the Shares on the Official List. <p>If above conditions are not satisfied, the Company will repay all Application Monies (without interest) in accordance with the provisions of the Corporations Act.</p> <p>If the Public Offer does not proceed, the Vendor Offers will not proceed and neither will the Acquisitions.</p>	Section 1.7

Topic	Summary	Further Information
<p>What is the purpose of the Offers?</p>	<p>The purpose of the Public Offer is to:</p> <ul style="list-style-type: none"> • assist the Company to meet the requirements of ASX and satisfy Chapters 1 and 2 of the Listing Rules; • provide the Company with sufficient funding to: <ul style="list-style-type: none"> ○ complete the Acquisitions; ○ further the New Businesses, following Completion; and ○ assist it to achieve its objectives; and • provide the Company with additional working capital for its current and future expanded business. <p>The purpose of the Vendor Offers is to issue the Consideration Shares to the MCS Shareholders and Mr John Boardman in accordance with the Acquisition Agreements. As such, no funds will be raised pursuant to the Vendor Offers.</p> <p>The purpose of the Facilitator Offer is to issue the Facilitator Shares to the Facilitator in accordance with the Acquisition Agreements.</p> <p>The Directors are satisfied that on completion of the Offers, the Company will have sufficient funds to carry out its stated objectives.</p>	<p>Section 1.8</p>
<p>What is the proposed use of funds raised pursuant to the Public Offer?</p>	<p>The Company intends to apply its existing cash reserves, and the funds raised pursuant to the Public Offer, as detailed in the table in Section 1.10.</p>	<p>Section 1.10</p>
<p>What is the effect of the Offers on the capital structure of the Company?</p>	<p>The Shares issued under the Offers will represent approximately 72.4% of the enlarged issued share capital of the Company following completion of the Offers and the Acquisitions.</p>	<p>Sections 1.11 and 1.12</p>
<p>Who are the Substantial Shareholders?</p>	<p>Shareholders holding 5% or more of the Shares on issue as at the date of this Prospectus and post Completion are detailed in the table in Section 1.12.</p>	<p>Section 1.12</p>
<p>Is the Public Offer underwritten?</p>	<p>The Public Offer is not underwritten.</p>	<p>Section 1.21</p>
<p>What are the terms of the Shares offered pursuant to this Prospectus?</p>	<p>A summary of the rights and liabilities attached to the Shares offered pursuant to this Prospectus is set out in Section 8.1.</p>	<p>Section 8.1</p>
<p>Who is the lead manager to the Public Offer?</p>	<p>Patersons is the lead manager to the Public Offer.</p>	<p>Section 1.22</p>

Topic	Summary	Further Information
<p>What are the tax implications of investing in Shares under the Public Offer?</p>	<p>The Company is and will be subject to tax at the Australian corporate tax rate.</p> <p>The acquisition and disposal of Shares will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Shares from a taxation viewpoint and generally.</p> <p>To the maximum extent permitted by law, the Company, its officers and each of their respective advisers accept no liability and/or responsibility with respect to the taxation consequences of subscribing for Shares under this Prospectus.</p>	<p>Section 1.28</p>
<p>D. Re-compliance with Chapters 1 and 2 of the Listing Rules</p>		
<p>What approvals are being sought at the General Meeting?</p>	<p>At the General Meeting, the Company will seek Shareholder approval for, among other things, the following:</p> <ul style="list-style-type: none"> • the change in nature and scale of the activities of the Company as a result of the Acquisitions; • approval of the Acquisitions, including the issue of the Consideration Shares; • approval of the issue of the Deferred Consideration Shares to Mr John Boardman; • approval of the issue of the Shares pursuant to the Public Offer; • change of the Company's name; • approval of the issue of the Facilitator Shares; • adoption of the Executive Share Plan; • adoption of the Employee Option Plan; and • appointment of Ms Melissa Chapman as a Director. 	<p>Sections 2.2 and 6.1</p>
<p>Why the Company needs to re-comply with Chapters 1 and 2?</p>	<p>The Company is required to re-comply with chapters 1 and 2 of the Listing Rules to give effect to a change in the nature and scale of the Company's activities as a result of the Acquisitions.</p> <p>At the General Meeting, the Company will seek Shareholder approval for, among other things, a change in the nature and scale of the Company's activities as a result of the Acquisitions.</p> <p>The Company will be suspended from trading from the time of the General Meeting and will not be reinstated until the Company has satisfied the Conditions of the Offers, including re-compliance with Chapters 1 and 2 of the Listing Rules.</p> <p>There is a risk that the Company may not be able to meet the requirements of re-quotations on the ASX. In the event the Conditions of the Offers are not satisfied or the</p>	<p>Section 1.6</p>

Topic	Summary	Further Information
	<p>Company does not receive conditional approval for re-quotations on ASX then the Company will not proceed with the Public Offer and will repay all Application Monies received (without interest). If the Company does not proceed with the Public Offer, it will not proceed with the Acquisitions.</p>	
E. Overview of MCS and Intiga		
<p>What are MCS's and Intiga's businesses?</p>	<p>MCS provides security services at major commercial property sites and retail shopping centres throughout the Perth metropolitan area and regional country areas of Western Australia. These security services include mobile patrols and response vehicle services. In addition, MCS provides electronic security services including the design, supply, installation and commissioning of security alarms, CCTV, biometric and access control systems to commercial, industrial and domestic sectors.</p> <p>Intiga provides customer focused security professionals to sporting stadiums, events, retail, construction and resources industries in Western Australia, at venues such as Nib stadium, Domain Stadium, Perth Convention and Exhibition Centre, Perth Concert Hall, His Majesty's Theatre and Crown Resort.</p>	<p>Sections 2.3 and 2.4</p>
<p>What are MCS's and Intiga's plans and objectives?</p>	<p>Upon Completion, the Company aims to:</p> <ul style="list-style-type: none"> • expand the operations of MCS and Intiga in the Perth Metropolitan area; • offer additional complementary services such as maintenance and cleaning; • expand interstate through the identification and acquisition of suitable targets; and • expand into regional Western Australia through opportunities in towns such as, Broome, Onslow, Port Hedland and other towns in the Pilbara region. 	<p>Section 2.6</p>
<p>How do MCS and Intiga make revenue?</p>	<p>Customarily, MCS and Intiga enter into contracts with clients on a "cost plus margin" basis. The margin attributed to each contract varies according to a number of factors including the size of the monitored area, the location and the risk profile.</p> <p>At present, MCS has entered into various contracts which are expected to generate revenues of approximately \$12.28 million in the financial year ending 30 June 2016. Similarly, Intiga has also entered into various contracts which are expected to generate revenues of approximately \$1.85 million in the financial year ending 30 June 2016.</p>	<p>Section 2.4</p>
<p>Are there any key dependencies affecting the Business?</p>	<p>Multiple factors contribute to the level of activity in the security industry, including:</p> <ul style="list-style-type: none"> • the level of criminal activity (actual or perceived); • demand for general insurance; and 	<p>Section 2.8</p>

Topic	Summary	Further Information
	<ul style="list-style-type: none"> • general economic activity. 	
<p>What are the key strengths and advantages of the New Businesses?</p>	<p>The key advantages flowing from the New Businesses include:</p> <ul style="list-style-type: none"> • exposure to future potential cash flows from two established and profitable businesses; • greater likelihood of restoring Shareholder value by changing the nature of the Company's business to focus on the security industry rather than remaining a junior mineral explorer; • potential increase in market capitalisation of the Company, following the Completion may lead to increased coverage from investment analysts, access to improved equity market opportunities and increased liquidity; and • reduced foreign exchange exposure by divesting foreign projects in favour of local businesses that deal in Australian dollars. 	Section 2.9
<p>F. Financial Information</p>		
<p>What is the Company's financial performance?</p>	<p>Based on the pro-forma audited accounts of the Company, MCS and Intiga as at 30 June 2015, the Company will have net assets of \$7,485,003 and cash and cash equivalents of approximately \$1,138,676 at Completion.</p> <p>The information in respect of the historical business of MCS and Intiga should not be regarded as an indication of the future performance of the Company. Prospective investors should be aware that there is no certainty that the future performance of the Company will be similar to the historical performance of MCS and Intiga.</p> <p>Relevant financial information in respect of the Company, including a pro-forma Statement of Financial Position detailing the effect of the Acquisitions (including the Public Offer), is in set out in Section 5.</p> <p>Section 5 also contains historical financial information in relation to MCS and Intiga, including Statements of Financial Position for the financial year ended 30 June 2015 and condensed consolidated Statements of Profit and Loss and Other Comprehensive Income for the financial years ended 30 June 2015, 2014 and 2013.</p>	Section 5
<p>What is the Company's dividend policy?</p>	<p>Dividends and other distributions with respect to the Shares are only made at the discretion of the Board. The payment of dividends is not guaranteed and the Company's dividend policy may change.</p> <p>Subject to compliance with the Corporations Act and its Constitution, the Company will target a dividend payout ratio of 80% of audited NPAT in a manner consistent with its dividend policy.</p>	Section 1.25

Topic	Summary	Further Information
G. Key Risks		
<p>What are the key risks of investing in the Company?</p>	<p>Some of the key risks of investing in the Company are detailed below. The list of risks is not exhaustive and further details of these risks and other risks associated with an investment in the Company are detailed in Section 7.</p> <p>In undertaking its business activities, the Company will be exposed to risks, which include, but are not limited to:</p> <ul style="list-style-type: none"> • re-compliance with Chapters 1 and 2 of the Listing Rules: there is a risk that the Company will not be able to satisfy one or more of the requirements under the Listing Rules and that its Shares will remain suspended from quotation; • failure to renew existing contracts or win new contracts: failure to renew existing contracts or to win new contracts could negatively impact the Company's financial performance; • failure to properly understand customer requirements and customer demand: this can occur for a variety of reasons, including a failure to understand the scope and requirements of a contract, a failure to assess accurately the costs of delivering the contracted services, a failure to model the drivers of customer demand or a failure to adhere to the business' internal risk assessment and contracting process guidelines. If the Company enters into low margin contracts, the Company's revenue and profitability could be adversely impacted; • insurance risks: the Company risks being adversely affected by not carrying sufficient insurance or not being able to obtain insurance on suitable items; • risk of termination or re-negotiation during the contract term: If contract re-negotiation results in parties entering into new contracts on terms less favourable for the Company, or if the customer terminates an existing contract, the Company's revenue and profitability could be adversely impacted. Some customers have the right to terminate contracts at their election by the giving of 30 days' notice; • customers may choose to change from outsourcing to in-sourcing of services: a decline in outsourcing of security services by customers, or an increase in customers taking security services back in house may adversely affect the Company's future revenue and profitability and its prospects for growth; • reliance on key personnel: the New Businesses currently employ a number of key personnel, in particular, the proposed CEO and the proposed COO. There is no guarantee that the Company will be able to attract and retain suitably qualified personnel, and a failure to do so could materially affect the Company's business; 	<p>Section 7</p>

Topic	Summary	Further Information
	<ul style="list-style-type: none"> • regulation: the Company and the New Businesses are subject to Australian laws and regulations. Additional or amended laws and regulations may increase the cost of compliance, adversely impact the Company's ability to comply, or expose the Company to additional expenses or liabilities where, for example, changes to the regulatory framework result in higher or more onerous regulatory standards; and • contractual risks: the Company's financial performance will depend upon performance by counterparties to each of the agreements, of their respective obligations in those agreements. If any counterparty defaults, it may be necessary for the Company to seek legal remedy in court. Legal action can be costly and there is no guarantee that a legal remedy will be granted on appropriate terms or at all. 	
H. Directors and Related Party Interests and Arrangements		
Who are the directors of the Company?	<p>The Directors (as at the date of this Prospectus) are:</p> <ul style="list-style-type: none"> • Mr Edwin Bulseco – Non-Executive Director; • Mr Thomas Pickett – Non-Executive Director; and • Mr Josh Puckridge – Executive Director. <p>Mr Edwin Bulseco will resign at Completion.</p> <p>For further details regarding the Directors' qualifications and experience refer to Section 4.1.</p>	Section 4.1
Who is the Proposed Director?	<p>Ms Melissa Chapman will be appointed as a Non-Executive Director at Completion.</p> <p>For further details regarding Ms Chapman's qualifications and experience refer to Section 4.2.</p>	Section 4.2
What experience do the Directors and Proposed Director have?	<p>Mr Edwin Bulseco has experience in capital markets and corporate strategic planning. Prior to being a Director of the Company, Mr Bulseco worked for two of Australia's oldest stockbrokers and for Royal Dutch Shell.</p> <p>Mr Josh Puckridge has experience in funds management and mergers and acquisitions. Mr Puckridge is currently a non-executive director of Top Tung Limited and Naracoota Resources Limited.</p> <p>Mr Pickett has broad experience in the mining industry and has held a number of corporate roles in the mining and finance industry.</p> <p>Ms Melissa Chapman is a certified practising accountant with over 12 years of experience in the finance industry.</p>	Sections 4.1 and 4.2
What interests do the Directors and Proposed Directors have in the Securities and the	<p>The interests of the Directors are detailed in Section 9.1.</p> <p>The Shares and Options held by each Director are detailed in Section 9.2.</p>	Sections 9.1 and 9.2

Topic	Summary	Further Information
Offers?		
I. Applications and Other Information		
How can I apply for Shares under the Public Offer?	<p>You may apply for Shares offered pursuant to the Public Offer by completing a valid Public Offer Application Form attached to, or accompanying, this Prospectus.</p> <p>Applications must be for a minimum of \$2,000 (40,000 Shares) and thereafter in multiples of \$500 (10,000 Shares) and payment for all the Shares must be made in full at the issue price of \$0.05 per Share.</p> <p>To the extent permitted by law, a completed Public Offer Application Form lodged together with a cheque for the Application Monies constitutes a binding and irrevocable offer to subscribe for the number of Shares specified in the Public Offer Application Form.</p>	Section 1.15
How to apply for Shares under the Vendor Offers?	<p>A personalised Vendor Offer Application Form will be issued to each of the MCS Shareholders and Mr John Boardman, together with a copy of the Prospectus.</p> <p>The Company will only provide the Vendor Offer Application Form to persons entitled to participate in the Vendor Offers.</p>	Section 1.15
How to apply for Shares under the Facilitator Offer	<p>A personalised Facilitator Offer Application Form will be issued to the Facilitator, together with a copy of the Prospectus.</p> <p>The Company will only provide the Facilitator Offer Application Form to the Facilitator</p>	Section 1.15
What is the allocation policy under the Public Offer?	<p>The allotment of Shares will be determined by the Directors, in conjunction with the Lead Manager. The Directors reserve the right to issue Shares in full for any Application or any lesser number or to decline any Application.</p>	Section 1.16
Is there any brokerage, commission or stamp duty payable by Applicants?	<p>No brokerage, commission or stamp duty is payable by Applicants on subscription or issue of Shares pursuant to the Offers.</p>	Section 1.15
Can the Offers be withdrawn?	<p>The Directors may at any time decide to withdraw this Prospectus and the Offers in which case the Company will return all Application Monies (without interest) in accordance with the provisions of the Corporations Act.</p>	Section 1.20

Topic	Summary	Further Information
How can I obtain further information?	Further information can be obtained by reading this Prospectus and consulting your professional advisers. You can also contact Mr Josh Puckridge, Executive Director, by calling the Company's office on +61 8 8223 1680.	Section 1.29

1. Details of Offers

1.1 The Public Offer

This Prospectus invites investors to apply for 90,000,000 Shares at an issue price of \$0.05 each to raise \$4,500,000 (before costs) (**Public Offer**).

The Shares offered under this Prospectus will rank equally with other Shares on issue. Refer to Section 8.1 for details of the rights and liabilities attaching to Shares.

1.2 The Vendor Offers

MCS Offer

Pursuant to this Prospectus, the Company is also offering the MCS Shareholders an aggregate total of 30,000,000 Shares in part consideration for the MCS Acquisition (**MCS Offer**).

In addition, aggregate cash consideration of \$3,780,000 will be paid to the MCS Shareholders at Completion as part consideration for the MCS Acquisition. Refer to Section 6.1 for further details.

No funds will be raised from the MCS Offer.

Intiga Offer

Pursuant to this Prospectus, the Company is also offering Mr John Boardman an aggregate total of 18,000,000 Shares in consideration for the Intiga Acquisition (**Intiga Offer**).

No funds will be raised from the Intiga Offer.

1.3 Facilitator Offer

Pursuant to this Prospectus, the Company is also offering the Facilitator 8,000,000 Shares in consideration for assisting with facilitating the Acquisitions (**Facilitator Offer**). Under the terms of the Acquisition Agreements, the Company agreed to issue 8,000,000 to the Facilitator. Refer to Section 6.1 for further details.

1.4 Minimum Subscription - Public Offer

The Public Offer is subject to a minimum subscription of 90,000,000 Shares to raise \$4,500,000 (**Minimum Subscription**). If the Minimum Subscription has not been raised within three (3) months from the date of this Prospectus, the Company will not issue any Shares under the Public Offer and will repay all Application Monies for the Shares within the time prescribed under the Corporations Act, without interest.

1.5 Oversubscription

There will be no oversubscriptions in respect of the Public Offer.

1.6 Re-compliance with the Listing Rules

At the General Meeting, the Company will seek Shareholder approval for, among other things, a change in the nature and scale of the Company's activities as a result of the

Acquisitions. To give effect to these changes, ASX requires the Company to re-comply with Chapters 1 and 2 of the Listing Rules. This Prospectus is issued to assist the Company to re-comply with these requirements.

The Company will be suspended from trading from the time of the General Meeting and will not be reinstated until the Company has satisfied the Conditions of the Offers, including re-compliance with Chapters 1 and 2 of the Listing Rules.

There is a risk that the Company may not be able to meet the requirements for re-quotations on the ASX. If the Conditions of the Public Offer are not satisfied, or the Company does not receive conditional approval for re-quotations on ASX, then the Company will not proceed with the Public Offer and will repay Application Monies received (without interest). If the Company does not proceed with the Public Offer, it will not proceed with the Acquisitions (or the Vendor Offers).

The Company will apply to ASX no later than seven days from the date of this Prospectus for Official Quotation of the Shares issued pursuant to this Prospectus. If the Shares are not admitted to quotation within three months after the date of this Prospectus, no Shares will be issued and Application Monies will be refunded in full, without interest, in accordance with the Corporations Act.

Neither ASX nor ASIC take responsibility for the contents of this Prospectus. The fact that ASX may grant Official Quotation to the Shares issued pursuant to this Prospectus is not taken in any way as an indication by ASX as to the merits of the Company or the Shares.

1.7 Conditions of the Public Offer

Completion of the Public Offer is conditional on:

- (a) the Company achieving the Minimum Subscription (refer to Section 1.4);
- (b) Shareholders approving the Acquisition Resolutions (refer to Section 6.1);
- (c) the Acquisitions becoming unconditional, save for the condition relating to completion of the Public Offer; and
- (d) ASX approving the Company's re-compliance with the requirements of Chapters 1 and 2 of the Listing Rules and receiving conditional approval for re-quotations from ASX on terms which the Company believes are capable of satisfaction.

If the above conditions are not satisfied, the Company will not proceed with the Public Offer or the Acquisitions and will return to Applicants all the Application Monies (without interest) in accordance with the provisions of the Corporations Act.

If the Public Offer does not proceed, the Acquisitions will not proceed and neither will the Vendor Offers or the Facilitator Offers.

1.8 Purpose of the Public Offer

The purpose of the Public Offer is to:

- (a) assist the Company to meet the requirements of ASX and satisfy Chapters 1 and 2 of the Listing Rules; and
- (b) provide the Company with sufficient funding to:

- (i) enable it to complete the Acquisitions (refer to Sections 1.2 and 6.1); and
 - (ii) assist it to achieve the objectives detailed in Section 1.9;
 - (iii) satisfy the working capital requirements for the Company's future expanded business, following Completion; and
 - (iv) meet the costs of the Offers; and
- (c) enhance the public profile of MCS, Intiga and the Company.

1.9 Objectives of the Company

The Company's main objectives upon completion of the Public Offer and the Acquisitions are as follows:

- (a) further the New Businesses;
- (b) expand the customer base and operations of the New Businesses; and
- (c) expand the New Businesses through the addition of complementary services and potential acquisitions interstate.

1.10 Use of Funds

As at 30 June, the Company had cash reserves of \$1,216,564 (refer to Section 5).

The expected use of funds in the 12 month period following completion of the Public Offer is as follows:

Item	(\$)
Cash on hand	1,216,564
Capital raised under Public Offer	4,500,000
Total funds available	5,216,564
Use of funds	
Payments of Cash Consideration to vendors of MCS	3,780,000
Transaction costs ¹	320,180
Lead Manager fee	330,000
Corporate overheads ²	147,700
Working capital	638,604
Total funds applied	5,216,564

Notes:

1. This item comprises all fees included in the table in Section 9.6, with the exception of the Lead Manager fee.
2. This represents the Company's operating expenses from 1 July 2015 up until Completion and comprises ASIC fees, company secretary fees and 30 June 2015 audit cost.

The Board believes that its current cash reserves and the funds raised from the Public Offer, together with the contracted revenues of the New Businesses for the financial year ending 30 June 2016 (refer to Section 2.4), will provide the Company with sufficient working capital to achieve the Company's objectives detailed in Section 1.9.

1.11 Capital Structure

On the basis that the Company completes the Public Offer and the Acquisitions on the terms in this Prospectus, the Company's capital structure at Completion will be as follows:

	Shares	Options
Existing Securities on issue at the date of this Prospectus	55,610,212	5,505,414 ¹
Shares to be issued under the Public Offer	90,000,000	
Shares to be issued under the Vendor Offers	48,000,000	
Shares to be issued under the Facilitator Offer	8,000,000	
Total Securities following completion of the Offers ^{2 3}	201,610,212	5,505,414

Notes:

- 1,391,730 listed Options with an exercise price of \$4.40 expiring on 1 March 2016; 4,000,047 listed Options with an exercise price of \$0.44 expiring 15 November 2017; and 113,637 unlisted Options with an exercise price of \$6.60 expiring 30 April 2016.
- As noted in Section 6.1(a), a further 6,000,000 Deferred Consideration Shares may be issued, subject to the Company achieving the Financial Milestone.
- Subject to the adoption of the Executive Share Plan and receipt of any necessary Shareholder approvals at the time of issue, the Company will be required to issue an aggregate total of up to a further 40,000,000 Shares to the CEO and COO upon the satisfaction of certain milestones (refer to Section 6.2).

1.12 Effect of the Offers on Control and Substantial Shareholders

As at the date of this Prospectus, Shareholders holding a relevant interest in 5% or more of the Shares on issue are as follows:

Name	Number of Shares	Percentage of Shares
Nero Resource Fund Pty Ltd	3,927,077	7.06%
Willowdale Holdings Pty Ltd	3,014,286	5.42%

Based on the information known as at the date of this Prospectus, the following persons will have a relevant interest in 5% or more of the Shares on issue, following completion of the Offers and the Acquisitions:

Name	Number of Shares	Percentage of Shares
Mr John Boardman	18,000,000	8.93%
Mr Paul Simmons	15,000,000	7.44%
Ms Maureen Simmons	15,000,000	7.44%

The Directors will allocate Shares so that the issue of Shares pursuant to this Prospectus will not result in any Shareholder or Applicant increasing its voting power in the Company:

- from 20% or below to more than 20%; or
- from a starting point that is above 20% and below 90%.

1.13 Market Price of Shares

The highest and lowest market sale prices of the Shares on ASX during the three (3) months immediately preceding the date of this Prospectus and the respective dates of those sales were:

Highest: \$0.06 on 15 September 2015; and

Lowest: \$0.046 on 3 August 2015.

1.14 Restricted Securities

Chapter 9 of the Listing Rules prohibits holders of Restricted Securities from disposing of those securities or an interest in those securities, or agreeing to dispose of those securities or an interest in those securities, for the relevant restriction periods.

ASX has provided the Company with in-principle advice that it will not treat any of the Consideration Shares, Facilitator Shares or Shares issued under the Public Offer as Restricted Securities.

Prior to re-quotations of the Shares on the Official List, the Company will enter into voluntary restriction agreements with the MCS Shareholders and Mr John Boardman. The effect of these voluntary restriction agreements will be to restrict the MCS Shareholders and Mr John Boardman from disposing of 80% of the Consideration Shares which will be held by them, or disposing of an interest in 80% of the Consideration Shares which will be held by them (or agreeing to do any of those things) for a period of 12 months from the date of re-admission of the Shares to ASX. This means that 38,400,000 Shares will be subject to voluntary restriction agreements.

1.15 How to Apply

(a) Public Offer

If you wish to apply for Shares under the Public Offer, complete the relevant Public Offer Application Form attached to, or accompanying, this Prospectus. Alternatively, complete a paper copy of the electronic Public Offer Application Form which accompanies the electronic version of this Prospectus which can be found and downloaded from www.redgumresources.com. Completed Public Offer Application Forms should be returned to and received by the Company, together with the Application Monies in full, prior to 5:00pm (WST) on the Closing Date.

Applications must be for a minimum of \$2,000 (40,000 Shares) and thereafter in multiples of \$500 (10,000 Shares) and payment for all the Shares must be made in full at the issue price of \$0.05 per Share.

Completed Public Offer Application Forms and Application Monies should be returned to the Company as follows:

By Post To:	Or Delivered To:
79 Angas Street Adelaide SA 5000	79 Angas Street Adelaide SA 5000

Refer to the instructions on the back of the Public Offer Application Form when completing your Application. Cheques must be made payable to "**Red Gum Resources Limited**" and crossed "**Not Negotiable**". All cheques must be in Australian dollars.

An original completed and lodged Public Offer Application Form, together with a cheque for the Application Monies, constitutes a binding and irrevocable offer to subscribe for the number of Shares specified in the Public Offer Application Form. The Public Offer Application Form does not have to be signed to be a valid Application. An Application will be deemed to have been accepted by the Company upon allotment of the Shares.

The Directors reserve the right to close the Public Offer early without prior notice. Applicants are therefore encouraged to submit their Public Offer Application Forms as early as possible. However, the Company reserves the right to extend the Public Offer or accept late Applications.

No brokerage, commission or stamp duty is payable by Applicants on subscription or issue of Shares pursuant to the Public Offer.

(b) Vendor Offers

The Vendor Offers consist of the MCS Offer and the Intiga Offer.

Only the MCS Shareholders and Mr John Boardman can accept the Vendor Offers. A personalised Vendor Offer Application Form will be issued to each of the MCS Shareholders and Mr John Boardman, together with a copy of this Prospectus. The Company will only provide the Vendor Offer Application Forms to the persons entitled to participate in the Vendor Offers.

No brokerage, commission or stamp duty is payable by Applicants on subscription or issue of Shares pursuant to the Vendor Offers.

(c) Facilitator Offer

Only the Facilitator can accept the Facilitator Offer. A personalised Facilitator Offer Application Form will be issued to the Facilitator, together with a copy of this Prospectus.

No brokerage, commission or stamp duty is payable by the Facilitator on subscription or issue of Shares pursuant to the Facilitator Offer.

1.16 Issue and Allocation of Shares under the Public Offer

The Directors, in conjunction with the Lead Manager, will determine the allocation of all the Shares under the Public Offer. The Directors reserve the right to issue Shares in full for any Application or to issue any lesser number or to decline any Application provided that no Shareholder or Applicant increases its voting power in the Company:

- (a) from 20% or below to more than 20%; or
- (b) from a starting point that is above 20% and below 90%.

Where the number of Shares issued is less than the number applied for, or where no issue is made, the surplus Application Monies will be returned by cheque to the Applicant within seven (7) days of the issue date.

Subject to the conditions to the Offers being satisfied (refer to Sections 1.7 and 6.1), Shares issued pursuant to the Offers will be issued as soon as practicable after the Closing Date.

Pending the issue of the Shares or refund of Application Monies pursuant to this Prospectus, all Application Monies shall be held by the Company on trust (refer to Section 1.17).

The Company will be entitled to retain all interest that accrues on the Application Monies and each Applicant waives the right to claim any part of such interest.

1.17 Application Monies held in Trust

Until the Shares are issued under this Prospectus, the Application Monies for Shares under the Public Offer will be held by the Company on trust, on behalf of the Applicants, in a separate bank account maintained solely for the purpose of depositing Application Monies received pursuant to this Prospectus. If the Shares to be issued under this Prospectus are not admitted to quotation within three months after the date of this Prospectus, no Shares will be issued and Application Monies will be refunded in full without interest in accordance with the Corporations Act.

1.18 CHESS

The Company participates in the Clearing House Electronic Subregister System (**CHESS**). ASX Settlement Pty Limited, a wholly owned subsidiary of ASX, operates CHESS in accordance with the Listing Rules and the ASX Settlement Operating Rules. Investors who do not wish to participate through CHESS will be issuer sponsored by the Company.

Electronic sub-registers means that the Company will not issue certificates to investors. Instead, investors will be provided with holding statements (similar to a bank account statement) that set out the number of Shares issued to them under this Prospectus. The holding statements will also advise holders of their Holder Identification Number (if the holder is broker sponsored) or Security Holder Reference Number (if the holder is issuer sponsored) and explain, for future reference, the sale and purchase procedures under CHESS and issuer sponsorship. Electronic sub-registers also mean ownership of Shares or Options can be transferred without having to rely on paper documentation.

Further, monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month. Security holders may request a holding statement at any other time. However, there may be a charge for such additional statements.

1.19 ASX Waivers

Listing Rule 2.1 Condition 2 provides that the issue price or sale price of all securities for which an entity seeks quotation (except options) must be at least \$0.20. ASX has granted the Company a waiver from Listing Rule 2.1 Condition 2 to the extent necessary not to require the issue price of the Shares the subject of the Public Offer to be at least \$0.20, on the condition that the issue price is not less than \$0.05 each and Shareholders approve the issue price. Shareholder approval for the issue of the Shares, the subject of the Public Offer, will be sought at the General Meeting.

The Company will therefore not be required to consolidate its capital in order to re-comply with Chapters 1 and 2 of the Listing Rules.

ASX has also granted the Company a waiver from Listing Rule 7.3.2 to the extent necessary to permit the Deferred Consideration Shares to be issued on a date more than 3 months after the date of the General Meeting. Shareholder approval for the issue of the Deferred Consideration Shares will be sought at the General Meeting.

1.20 Withdrawal

The Directors may at any time decide to withdraw this Prospectus and the Offers, in which case, the Company will return all Application Monies (without interest) in accordance with the provisions of the Corporations Act.

1.21 Underwriting

The Public Offer is not underwritten.

1.22 Lead Manager

The Company has appointed Patersons as the lead manager to the Public Offer on the terms and conditions of a mandate agreement dated 2 August 2015 (**Lead Manager Mandate**). Refer to Section 6.3 for further details on the Lead Manager Mandate.

1.23 Commission

The Company reserves its right to pay a commission of up to 6% of amounts subscribed through any Australian financial services licensee in respect of any Applications lodged and accepted by the Company and bearing the stamp of the Australian financial services licensee, including pursuant to the Lead Manager Mandate (refer to Section 6.3). Payment will be made subject to the receipt of a proper tax invoice from the Australian financial services licensee.

1.24 Financial Information

The Investigating Accountant's Report contained in Section 5 of this Prospectus sets out:

- (a) the audited condensed Statement of Financial Position of the Company as at 30 June 2015;
- (b) the audited condensed Statement of Profit or Loss and other Comprehensive Income of the Company as at 30 June 2015 and 30 June 2014;
- (c) the audited Statement of Financial Position of MCS as at 30 June 2015;
- (d) the audited Statement of Profit or Loss and other Comprehensive Income of MCS as at 30 June 2015, 30 June 2014 and 30 June 2013;
- (e) the audited Statement of Financial Position of Intiga as at 30 June 2015;
- (f) the audited Statement of Profit or Loss and other Comprehensive Income of Intiga as at 30 June 2015, 30 June 2014 and 30 June 2013; and
- (g) the unaudited pro-forma Statement of Financial Position of the Company (based upon completion of the Offers and the Acquisitions) as at 30 June 2015.

Investors are urged to read the Investigating Accountant's Report in full.

The full financial statements of the Company for its financial year ended 30 June 2015, which includes notes to the financial statements, can be found on the Company's ASX announcements platform page at www.asx.com.au.

1.25 Dividend Policy

Dividends and other distributions with respect to the Shares will be made at the discretion of the Board. The payment of dividends is not guaranteed and the Company's dividend policy may change. The Board's decision in relation to the level of reserves and retentions may affect any dividends or distributions Shareholders receive from the Shares.

In determining dividends payable to Shareholders, the Company must comply with the Corporations Act and the Constitution. Factors expected to influence the Board's decision to pay dividends over time include:

- (a) any statutory or regulatory requirements;
- (b) the performance of the New Businesses;
- (c) one-off or non-recurring events;
- (d) non-cash items such as provisions;
- (e) the Company's capital expenditure and liquidity requirements;
- (f) the availability of imputation credits;
- (g) prevailing business and economic conditions;
- (h) the outlook for all of the above; and
- (i) any other factors deemed relevant by the Board.

Subject to the above, the Company intends to target a dividend payout ratio of 80% of audited NPAT.

1.26 Overseas Investors

No action has been taken to register or qualify the Shares, or the Offers, or otherwise to permit the public offering of the Shares, in any jurisdiction outside Australia.

The distribution of this Prospectus outside Australia may be restricted by law and persons into whose possession this Prospectus comes should observe all applicable restrictions. Any failure to comply with these restrictions may constitute a violation of those laws.

This Prospectus does not constitute an offer of Shares in any jurisdiction where, or to any person to whom, it would be unlawful to issue this Prospectus.

It is the responsibility of any overseas Applicant to ensure compliance with all laws of any country relevant to its Application. The return of a duly completed Public Offer Application Form will be taken by the Company to constitute a representation and warranty that there has been no breach of such laws and that all necessary approvals and consents have been obtained.

1.27 Risks

As with any securities investment, there are risks associated with investing in the Company. Key risk factors that could affect the financial and market performance of the Company are detailed in Section 7. The Shares offered under this Prospectus should be considered highly speculative. Before deciding to invest in the Company, investors should read this Prospectus in its entirety and should consider all factors in light of their personal circumstances and seek appropriate professional advice.

1.28 Taxation

It is the responsibility of all persons to satisfy themselves of the particular taxation treatment that applies to them in relation to the Offers, by consulting their own professional tax advisers. Neither the Company nor any of its Directors or officers accepts any liability or responsibility in respect of the taxation of the matters referred to above.

1.29 Enquiries in relation to the Offers

This Prospectus provides information for prospective investors in the Company, and should be read in its entirety. If, after reading this Prospectus, you have any questions about any aspect of an investment in the Company, please contact your stockbroker, accountant or independent financial adviser. Any investment in the Company under this Prospectus should be considered highly speculative.

Questions relating to the Offers and completion of the Application Forms can be directed to the Company Secretary on +61 8 8223 1680.

2. Company, MCS and Intiga Overview

2.1 Overview of the Company

The Company is an Australian public company which has been listed on the Official List since 13 January 2012 (current ASX code: RGX). The Company's principal activities are mineral exploration and the accumulation and acquisition of areas for mineral exploration in Latin America.

The Company's current exploration asset is the La Negra Project in Chile. Since April 2014, the Company has not carried out any exploration activities on the La Negra Project.

Further details on the Company's existing project can be found in the Company's quarterly activities reports located on the Company's website and the ASX's company announcements platform.

2.2 Proposed Future Direction

The Directors have been mindful of the state of the Australian share market and the financing difficulties in the global junior resources sector. It has become evident that current market conditions make it difficult to raise funds to continue to explore the La Negra Project. The Board has assessed a number of opportunities to enhance Shareholder value. One of these opportunities led to the announcement of the Acquisitions on 3 August 2015. Refer to Section 6.1 for further details regarding the Acquisition Agreements.

Following Completion, the Company will assess its options regarding the La Negra Project, including divestment.

In addition, pursuant to the terms of the Acquisition Agreements, the Company has called the General Meeting to seek Shareholder approval of, among other things, the Acquisition Resolutions.

2.3 Overview of the New Businesses

MCS

MCS is an Australian proprietary company, which was incorporated in Western Australia on 23 June 2005. MCS has two existing shareholders, Mr Paul Simmons and Ms Maureen Simmons (**MCS Shareholders**) who each hold 1 share in MCS.

MCS provides security services at major commercial property sites and retail shopping centres throughout the Perth metropolitan area and regional country areas of Western Australia. These security services include mobile patrols and response vehicle services. In addition, MCS provides electronic security services including the design, supply, installation and commissioning of security alarms, CCTV, biometric and access control systems to commercial, industrial and domestic sectors.

MCS currently employs over 300 operational staff and 40 supervisors in Western Australia.

Intiga

Intiga is an Australian proprietary company, which was incorporated in Western Australia on 17 December 2010. Mr John Boardman is the sole shareholder of Intiga.

Intiga provides customer focused security professionals to sporting stadiums, events, and the retail, construction and resources industries in Western Australia, at venues such as Nib stadium, Domain Stadium, Perth Convention and Exhibition Centre, Perth Concert Hall, His Majesty's Theatre and Crown Resort.

Intiga currently employs 115 operational staff and 10 supervisors in Western Australia.

2.4 Business and Revenue Model of the New Businesses

MCS Contracts and Revenue Model

The revenue of MCS is generated from the provision of security personnel at major commercial property sites and retail shopping centres. Customarily, MCS enters into contracts with customers on a "cost plus margin" basis. The margin attributed to each contract varies and is dependent on a number of factors including size of monitored area, location and risk profile.

At present, MCS is party to contracts that are expected to generate revenues of approximately \$12.28 million in the financial year ending 30 June 2016.

Intiga Contracts and Revenue Model

The revenue of Intiga is generated from the provision of security personnel to the event, construction and mining industries. Customarily, Intiga enters into contracts with customers on a "cost plus margin" basis. The margin attributed to each contract varies and is dependent on a number of factors including size of monitored area, location and risk profile.

At present, Intiga is a party to contracts that are expected to generate revenues of approximately \$1.85 million in the financial year ending 30 June 2016.

2.5 Clients and Venues where the New Businesses provide Security Services

MCS

MCS currently provides security services to clients at the following venues:

- (a) Garden City, Karrinyup and Ocean Keys Shopping Centres;
- (b) Raine Square CBD;
- (c) Wanneroo, Secret Harbour, Swan View, Ballajura and Carnarvon Shopping Centres;
- (d) Innaloo Megaplex and Phoenix, Dog Swamp and Woodvale Shopping Centres;
- (e) Rockingham and Midland Gate Shopping Centres;
- (f) Hillarys Boat Harbour;
- (g) Cockburn Central, Belmont Forum, Mirrabooka Square, Wyatt Grove, Harvest Lakes and Carramar Shopping Centres;
- (h) Lakeside Joondalup Shopping Centre;
- (i) Armadale Central Shopping Centre;

- (j) Livingston and Ellenbrook Shopping Centres; and
- (k) Kingsway Shopping Centre.

Intiga

Intiga provides its security services to clients at the following venues and events:

- (a) Nib Stadium;
- (b) Domain Stadium;
- (c) Crown Resort and Casino;
- (d) Perth Convention and Exhibition Centre;
- (e) His Majesties Theatre and Perth Concert Hall;
- (f) educational institutions, including universities; and
- (g) miscellaneous events – such as charity events, large company annual general meetings, outdoor events and festivals.

2.6 Plans and Objectives of the New Businesses

Following Completion and the re-quotation of Shares on the Official List, the Company will have in excess of 400 operational staff and will be providing security services to a significant number of Western Australian clients. Accordingly, the Company will provide the following services to its new clients and to existing clients of the New Businesses:

- (a) provision of security personnel (such as uniformed guards for shopping centres and sporting events);
- (b) installation and monitoring of commercial CCTV systems; and
- (c) integrated commercial security systems (that incorporate CCTV, door entry systems and monitoring services).

While the Company will be able to provide the above services to its clients, the Company intends to focus on the provision of uniformed security guards and focus the provision of its services on the following venues and events:

- (a) shopping centres;
- (a) major commercial property sites;
- (b) construction sites;
- (c) sporting events;
- (d) sports stadiums (such as Nib Stadium);
- (e) outdoor festivals and events (such as the Avon Decent and City to Surf);
- (f) private business events (such as shareholder meetings); and

- (g) trade shows (such as the Good Food & Wine Festival and the Perth Motor Show).

2.7 Growth Initiatives of the New Businesses

Following Completion, the Company intends to focus on the following opportunities:

- (a) expand its operations in the Perth metropolitan area, through the identification of potential new business opportunities in high rise office space, located in the central business district, and prominent Perth event venues;
- (b) offer additional complementary services such as maintenance and cleaning to its existing clients, which may occur through the future acquisition of an existing business;
- (c) expand interstate through the identification and acquisition of suitable targets; and
- (d) expand into regional Western Australia through opportunities in towns such as, Broome, Onslow, Port Hedland, which present higher margin contracts than those in the Perth metropolitan area.

2.8 Key Drivers of the New Businesses

The key drivers for the New Business include:

- (a) the level of criminal activity: increased crime rates, both real and perceived, increase the demand for security services;
- (b) demand from general insurance: demand for security services may be driven by insurance provider requirements. This demand sees increases to both residential and commercial security services where policy holders may be required to maintain a certain a level of security services under their insurance policy; and
- (c) economic activity: the increase in economic activity drives the construction of commercial and residential properties and centres. Similarly, as disposable income increases, so does the patronage of hospitality venues and sporting events by the general population.

2.9 Key Strengths and Advantages of the New Businesses

Advantages of the New Businesses include:

- (a) exposure to the future potential cash flows of established and profitable businesses;
- (b) in the current market environment there is a greater likelihood of restoring Shareholder value by changing the nature of the Company's business to focus on the security industry rather than remaining a junior mineral explorer;
- (c) the potential increase in market capitalization of the Company, following Completion, may lead to increased coverage from investment analysts, access to improved equity capital market opportunities and increased liquidity; and

-
- (d) reduced foreign exchange exposure by divesting foreign projects in favour of local businesses that deal in Australian dollars.

3. Industry Overview

3.1 Market Overview

The Company defines the security personnel industry as all guards, patrol services and crowd control services not provided by governmental departments such as police and fire departments.

The industry has relatively low barriers to entry given the low degree of skill or formal qualifications required by guards. These low barriers to entry have likely contributed to a lack of concentration in the industry where only three suppliers of security personnel services are estimated to have achieved more than 5% of market share – together accounting for less than 20% of market share. SIS Australia Holdings Pty Ltd (operating as MSS Security) holds approximately 6.7% of the market, followed by Linfox Properties Limited with 6.5% and Wilson Parking Australia 1992 Pty Ltd with 5.4%. This sees 81% of the market held by companies with less than 5% market share (IBISWorld Industry Report 07712, "Investigation and Security Services in Australia", May 2015).

3.2 Regulatory Environment

The security industry is a highly regulated industry. In order for the Company to operate as a security company, it requires, as a minimum, a commercial agent's licence. MCS and Intiga hold commercial agent's licences and have been granted, and maintain, a number of additional licences which enable them to provide the following:

- (a) security officers;
- (b) security bodyguards;
- (c) security consultants;
- (d) security installers; or
- (e) security crowd controllers.

Security companies in Western Australia are required to comply with the following legislation:

- (a) Security and Related Activities (Control) Act 1996; and
- (b) Security and Related Activities (Control) Regulations 1997.

4. Board, Management and Corporate Governance

4.1 Directors' Profiles

The names and details of the Directors in office as at the date of this Prospectus are as follows:

(a) **Mr Josh Puckridge – Executive Director**

Mr Puckridge is formerly executive director of Discovery Resources Limited (ASX: DIS) (now Aquis Entertainment Limited ASX: AQS) and currently non-executive director of Top Tung Limited (ASX: TTW) (formerly Krucible Metals Limited ASX: KRB) and Naracoota Resources Limited (ASX: NRR). Mr Puckridge has experience in funds management, and mergers and acquisitions. Mr Puckridge was a former founding director and secretary of Windward Resources Limited (ASX: WIN) and holds a Bachelor of Commerce.

(b) **Mr Edwin Bulseco – Non-Executive Director**

Mr Edwin Bulseco holds a Bachelor of Commerce (Graduating with Merit) from the University of Wollongong in NSW.

Mr Bulseco has a wealth of experience in capital markets and corporate strategic planning. From 2010 to 2014 Mr Bulseco served as senior equity research analyst at two of Australia's oldest stockbrokers and has raised over \$100 million in new capital and worked on a number of successful corporate restructures.

In addition, Mr Bulseco's prior experience includes internal consulting, corporate and strategic planning and commercial roles with Royal Dutch Shell where he worked for seven years.

(c) **Mr Thomas Pickett – Non-Executive Director**

Mr Pickett holds a Bachelor of Laws and was admitted as a solicitor of the Supreme Court of Queensland in 1996. Mr Pickett has broad experience in the mining industry and has held a number of corporate roles in the mining and finance industries. Mr Pickett was also a director of CuDeco Ltd (ASX:CDU) from 2002 to 2005, and continued as in-house counsel until 2009. Mr Pickett was involved in all aspects of the company's governance and compliance, operations as well as the implementation of policies and procedures surrounding mine planning. Mr Pickett is also the non-executive director of Discovery Resources Limited (ASX: DIS) and executive chairman of Cannindah Resources Limited (ASX: CAE).

4.2 Proposed Director Profile

On Completion, Ms Melissa Chapman will be appointed as a non-executive Director.

Ms Melissa Chapman – Non-Executive Director

Ms Chapman is a certified practising accountant with over 12 years of experience in the mining industry. She has worked extensively in Australia and the United Kingdom, including five years as Group Financial Controller for the Beny Steinmetz Group. Ms Chapman holds a Bachelor of Accounting from Murdoch University and has been a member of CPA Australia since 2000. Ms Chapman has also completed a Graduate

Diploma of Corporate Governance with Chartered Secretaries of Australia Ltd. Ms Chapman is also the CFO and Company Secretary of Cape Lambert Resources Limited (ASX: CFE).

4.3 Proposed Management Profiles

On Completion, the following persons will be appointed to the following positions:

(a) **Mr Paul Simmons - Chief Executive Officer (CEO)**

Mr Paul Simmons is a shareholder and a director of MCS and has operated MCS since 2005. Mr Simmons has more than 35 years' experience in the security and law enforcement industry. His prior experience includes working as a police officer in the United Kingdom, being State security manager for the retail giant K-Mart and an equal partner in the privately owned Perth Security Services. Over the years, Mr Simmons has established a strong network in the Perth security industry, with much of the MCS Business being borne from existing clients and contacts.

(b) **Mr John Boardman - Chief Operating Officer (COO)**

Mr John Boardman is the sole shareholder and director of Intiga and has operated Intiga since 2010. Mr Boardman has operated a number of successful businesses since 2007, including training company Worldwide global training (trading as TTS-100 And Sec24 training), a company that provides industry training to WA security companies.

4.4 Corporate Governance

The Company has adopted comprehensive systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs.

To the extent applicable, the Company has adopted the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (**Recommendations**).

The primary responsibility of the Board is to represent and advance Shareholders' interests and to protect the interests of all stakeholders. To fulfil this role the Board is responsible for the overall corporate governance of the Company including its strategic direction, establishing goals for management, and monitoring the achievement of these goals.

The Board recognises the need for the Company to operate with the highest standards of behaviour and accountability.

The table in Section 4.5 provides a summary and explanation of the Company's departure from the Recommendations. The Company will also provide an explanation of any departures from the Recommendations in its future annual reports.

In light of the Company's size and nature, the Board considers that the current Board is a cost effective and practical method of directing and managing the Company. As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance policies and structures will be reviewed.

The Company's main corporate governance policies and practices as at the date of this Prospectus are outlined below. All of the Company's corporate governance policies, together with a copy of the Constitution, are available on the Company's website www.redgumresources.com.au.

(a) **Board charter**

The Board has adopted a board charter which prescribes certain principles for the operation and structure of the Board. The charter also establishes certain principles and procedures in accordance with which the Board is required to act and allocates the functions of the Company between the Board and management of the Company.

(b) **Code of conduct**

The Board has adopted a code of conduct which sets basic principles of business conduct to which the directors, officers and employees of the Company must adhere.

(c) **Board of Directors**

The Board is responsible for the corporate governance of the Company. The Board develops strategies for the Company, reviews strategic objectives and monitors performance against those objectives. The goals of the corporate governance processes are to:

- (i) maintain and increase Shareholder value;
- (ii) ensure a prudential and ethical basis for the Company's conduct and activities; and
- (iii) ensure compliance with the Company's legal and regulatory objectives.

Consistent with these goals, the Board assumes the following responsibilities:

- (i) developing initiatives for profit and asset growth;
- (ii) reviewing the corporate, commercial and financial performance of the Company on a regular basis;
- (iii) acting on behalf of, and being accountable to, the Shareholders;
- (iv) identifying business risks and implementing actions to manage those risks and corporate systems to, the Shareholders; and
- (v) identifying business risks and implementing actions to manage those risks and corporate systems to assure quality.

The Company is committed to the circulation of relevant materials to Directors in a timely manner to facilitate Directors' participation in the Board's discussions on a fully-informed basis.

(d) **Composition of the Board**

Election of Board members is substantially the province of the Shareholders in general meeting.

However, subject thereto, the Company is committed to the following principles:

- (i) the Board is to comprise persons with a blend of skills, experience and attributes appropriate for the Company and its business; and
- (ii) the principal criterion for the appointment of new director is their ability to add value to the Company and its business.

No formal nomination committee or procedures have been adopted for the identification, appointment and review of the Board's membership but an informal assessment process, facilitated in consultation with the Company's professional advisors, has been committed to by the Board.

The Board currently consists of Mr Edwin Bulseco, Mr Thomas Pickett and Mr Josh Puckridge.

(e) **Identification and management of risk**

The Board's collective experience will assist in the identification of the principal risks that may affect the Company's business. Key operational risks and their management will be recurring items for deliberation at Board meetings.

(f) **Continuous disclosure policy**

The Board has adopted a continuous disclosure policy to ensure the Company will be in a position to comply with its disclosure obligations following re-quotations of the Shares on the Official List.

Under the policy, the Company Secretary has primary responsibility for ensuring the Company complies with its continuous disclosure obligations.

(g) **Ethical standards**

The Board is committed to the establishment and maintenance of appropriate ethical standards.

(h) **Independent professional advice**

Subject to the Chairman's approval (not to be unreasonably withheld), the Directors, at the Company's expense, may obtain independent professional advice on issues arising in the course of their duties.

(i) **Remuneration and Nomination Committee**

The Board will decide the remuneration of an executive Director without the affected executive Director participating in the decision making process.

The total maximum remuneration of non-executive Directors is initially set by the Constitution and subsequent variation is by ordinary resolution of Shareholders in general meeting in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of non-executive Director's remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each non-executive Director. The fees paid to Directors for the years ending 30 June 2014 and 30 June 2015 are set out in Section 9.3.

In addition, a Director may be paid fees or other amounts (i.e. subject to any necessary Shareholder approval, non-cash performance incentives such as options) as the Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director.

Directors are also entitled to be paid reasonable travelling, accommodation and other expenses incurred by them, respectively, in or about the performance of their duties as Directors.

The Board reviews and approves the remuneration policy to enable the Company to attract and retain executives and Directors who will create value for Shareholders, having regard to the amount considered appropriate for a company of its size and level of activity as well as the relevant Director's time, commitment and responsibility. The Board is also responsible for reviewing any employee incentive and equity-based plans, including the appropriateness of performance hurdles and total payments proposed.

(j) **Trading policy**

The Board has adopted a security trading policy that provides guidelines on the sale and purchase of Securities by Directors, officers, and other key management personnel and employees of the Company and their associates. The security trading policy prohibits trading during the designated "blackout periods" and recommends trading only during certain "trading windows". The policy generally provides that the written acknowledgement of the Chairman (or the Board in the case of the Chairman) must be obtained prior to trading.

(k) **External audit**

Shareholders in general meetings are responsible for the appointment of the external auditors of the Company, and the Board, from time to time, will review the scope, performance and fees of those external auditors.

(l) **Audit & Compliance Committee**

The Company does not have a formal Audit & Compliance Committee. This function is currently performed by the full Board. In carrying out this function, the Board's role includes, but is not limited to, monitoring and reviewing any matters of significance affecting financial reporting and compliance, the integrity of the financial reporting of the Company, the Company's internal financial control system, the Company's risk management systems, the identification and management of business, economic, environmental and social sustainability risk and the external audit function.

(m) **Diversity policy**

The Board values diversity and recognises the benefits it can bring to the organisation's ability to achieve its goals. Accordingly, the Company has put in place a diversity policy. The diversity policy outlines the Company's diversity objectives in relation to gender, age, cultural background and ethnicity. It includes requirements for the Board to establish measurable objectives for achieving diversity, and for the Board to assess annually both the objectives, and the Company's progress in achieving them.

4.5 Departures from the Recommendations

The Company's departures from the Recommendations as at the date of re-admission to the Official List are detailed in the table below.

Principles and Recommendations	Explanation for Departure
<p>Recommendation 2.1</p> <p>The board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <p>(i) has at least three members, a majority of whom are independent directors; and</p> <p>(ii) is chaired by an independent director,</p> <p>and disclose:</p> <p>(iii) the charter of the committee;</p> <p>(iv) the members of the committee; and</p> <p>(v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, experience, independence and knowledge of the entity to enable it to discharge its duties and responsibilities effectively.</p>	<p>Due to the size and nature of the Board, and the magnitude of the Company's operations, the Company will not have a Nomination Committee. Pursuant to the Company's Board Charter, the full Board carries out the duties that would ordinarily be assigned to the Nomination Committee under the written terms of reference for that committee.</p> <p>The duties of the Nomination Committee are outlined in Schedule 5 of the Company's Corporate Governance Plan available online on the Company's website.</p> <p>The Board devotes time at on an annual basis to discuss Board succession issues. All members of the Board will be involved in the Company's nomination process, to the maximum extent permitted under the Corporations Act and ASX Listing Rules.</p> <p>The Board will regularly update the Company's board skills matrix (in accordance with recommendation 2.2) to assess the appropriate balance of skills, experience, independence and knowledge of the entity.</p>
<p>Recommendation 2.5</p> <p>The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.</p>	<p>There is no formal Chairman and the collective of non-executive Directors will ensure that the roles and functions of the Chairman are carried out by delegating those responsibilities to members of the board from time to time.</p>
<p>Recommendation 4.1</p> <p>The board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <p>(i) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and</p> <p>(ii) is chaired by an independent director, who is not the chair of the board,</p> <p>and disclose:</p> <p>(iii) the charter of the committee;</p>	<p>Due to the size and nature of the Board, and the magnitude of the Company's operations, the Company will not have an Audit and Risk Committee. Pursuant to the Company's Board Charter, the full Board carries out the duties that would ordinarily be assigned to the Audit and Risk Committee under the written terms of reference for that committee.</p> <p>The role and responsibilities of the Audit and Risk Committee are outlined in Schedule 3 of the Company's Corporate Governance Plan available online on the Company's website.</p>

Principles and Recommendations	Explanation for Departure
<ul style="list-style-type: none"> (iv) the relevant qualifications and experience of the members of the committee; and (v) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or <p>(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its financial reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p>	<p>The Board will devote time annually to fulfilling the roles and responsibilities associated with maintaining the Company's internal audit function and arrangements with external auditors. All members of the Board will be involved in the Company's audit function to ensure the proper maintenance of the entity and the integrity of all financial reporting.</p>
<p>Recommendation 7.1</p> <p>The board of a listed entity should:</p> <ul style="list-style-type: none"> (a) have a committee or committees to oversee risk, each of which: <ul style="list-style-type: none"> (i) has at least three members, a majority of whom are independent directors; and (ii) is chaired by an independent director, <p>and disclose:</p> <ul style="list-style-type: none"> (iii) the charter of the committee; (iv) the members of the committee; and (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the process it employs for overseeing the entity's risk management framework.</p>	<p>Due to the size and nature of the Board, and the magnitude of the Company's operations, the Company will not have an Audit and Risk Committee. Pursuant to the Company's Board Charter, the full Board will carry out the duties that would ordinarily be assigned to the Audit and Risk Committee under the written terms of reference for that committee.</p> <p>The role and responsibilities of the Audit and Risk Committee are outlined in Schedule 3 the Company's Corporate Governance Plan available online on the Company's website.</p> <p>The Board will devote time annually to fulfilling the roles and responsibilities associated with overseeing risk and maintaining the entity's risk management framework and associated internal compliance and control procedures.</p>
<p>Recommendation 7.3</p> <p>A listed entity should disclose:</p> <ul style="list-style-type: none"> (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes. 	<p>Schedule 3 of the Company's Corporate Governance Plan provides for the internal audit function of the Company. The Charter outlines the monitoring, review and assessment of a range of internal audit functions and procedures.</p> <p>Due to the size and nature of the Board, and the magnitude of the Company's operations, the Company will not have an internal audit function.</p>

Recommendation 8.1

The board of a listed entity should:

- (a) have a remuneration committee which:
 - (i) has at least three members, a majority of whom are independent directors; and
 - (ii) is chaired by an independent director,and disclose:
 - (iii) the charter of the committee;
 - (iv) the members of the committee; and
 - (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.

Due to the size and nature of the Board, and the magnitude of the Company's operations, the Company will not have a Remuneration Committee. Pursuant to the Company's Board Charter, the full Board will carry out the duties that would ordinarily be assigned to the Remuneration Committee under the written terms of reference for that committee.

The role and responsibilities of the Remuneration Committee are outlined in Schedule 4 the Company's Corporate Governance Plan available online on the Company's website.

The Board will devote time annually to fulfilling the roles and responsibilities associated with setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.

5. Investigating Accountant's Report

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22 October 2015

The Directors
Red Gum Resources Limited
(To be renamed MCS Services Limited)
79 Angus Street
ADELAIDE SA 5000

Dear Sirs

RE: INVESTIGATING ACCOUNTANT'S REPORT

1. Introduction

This report has been prepared at the request of the Directors of Red Gum Resources Limited ("Red Gum" or "the Company") for inclusion in a Prospectus to be dated on or around 23 October 2015 ("the Prospectus") relating to the proposed offer and issue by Red Gum of 90,000,000 Shares to be issued at a price of 5 cents each to raise a gross \$4,500,000 (the Public Offer as described in the Prospectus).

The Company proposes to change its name to MCS Services Limited ("MCS Services") following shareholder approval as noted below.

Further details are outlined below, including summary details on the proposed acquisitions of all of the shares in MCS Security Group Pty Ltd ("MCS") and John Boardman Pty Ltd (trading as Intiga Security) ("Intiga") as noted below and elsewhere in the Prospectus.

2. Basis of Preparation

This report has been prepared to provide investors with information on historical results, the condensed statement of financial position (balance sheet) of Red Gum and the pro-forma consolidated statement of financial position of Red Gum as noted in *Appendix 2*. The historical and pro-forma financial information is presented in an abbreviated form, insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial reports in accordance with the *Corporation Act 2001*. This report does not address the rights attaching to the securities to be issued in accordance with the Prospectus, nor the risks associated with the investment. Stantons International Securities Pty Ltd (trading as Stantons International Securities) has not been requested to consider the prospects for Red Gum (including its proposed subsidiaries, MCS and Intiga), the securities on offer and related pricing issues, nor the merits and risks associated with becoming a shareholder and accordingly, has not done so, nor purports to do so.

Stantons International Securities Pty Ltd accordingly takes no responsibility for those matters or for any matter or omission in the Prospectus, other than responsibility for this report. Risk factors are set out in Section 7 of the Prospectus.

3. Background

Red Gum is currently an Australian Securities Exchange (“ASX”) listed company having achieved an ASX listing on 17 January 2012 as a mineral explorer concentrating on its projects in Chile and Peru. In 2014 the Company announced the proposed acquisition of the travel businesses of Holiday Planet, Asia Escape and Motive Travel with plans to trade as the Australian Travel Group. As part of the process, the Company consolidated the share capital of the Company on a 1 for 44 basis. The plans to acquire the above businesses were shelved in February 2015 (announced to the market on 13 February 2015).

In April 2015, the Company issued 2,800,000 shares at 3.5 cents to raise a gross \$98,000 for working capital. The Company has also completed an 11 for 12 rights issue as noted below and a convertible note raising of \$490,000 (and the Notes were converted to 14,000,007 shares in May 2015). After finalising the rights issue, 19,900,699 shares have been issued to raise a gross \$696,839. Following the rights issue and note conversion, there are now 55,610,212 shares on issue.

The Company plans to either sell its remaining Chilean mineral interests in the near future (the Peruvian interests were sold for US\$50,000 (equivalent to \$64,499) in the second quarter of 2015) to concentrate on commercialising its planned entry into the security business.

On 3 August 2015, the Company announced that it had been able to identify two synergistic businesses in the asset security industry specialising in security at commercial property sites, retail shopping centres, sports stadiums, construction sites and other ancillary sectors such as events for potential acquisitions by the Company. These businesses are run through MCS and Intiga, the companies noted above. The proposed acquisitions of these companies are referred to as the Proposed Transactions in this report. A brief summary on MCS and Intiga as noted in the announcement of the Proposed Transactions on 3 August 2015 are as follows:

MCS

“MCS is an established, growing and profitable 100% Australian owned and operated company and member of the Security Agents Institute of WA. MCS currently employs 300 operational staff and 40 supervisors in Western Australia. MCS specialises in providing security services at commercial property sites and retail shopping centres throughout the Perth metropolitan area and regional country areas of Western Australia. MCS has a number of tier 1 commercial property clients and has an enviable record of long term contracts with its existing clients, some of which are held for up to 9 years. MCS’s website can be viewed here: www.mcssecurity.com.au for a full review of the business.”

Intiga

“Intiga like MCS, is an established 100% Australian owned business and a member of the Australian Industry Security Limited. Intiga currently employs 115 operational staff and 10 supervisors in Western Australia. Intiga provides customer focused security professionals to sporting stadiums, events, retail, construction and resource industries in Western Australia. Intiga has a number of key clients on multi-year contracts such as NIB Stadium, Domain Stadium, Perth Convention Centre, Perth Concert Hall, His Majesty’s Theatre, Coles Liquorland (WA) and the Crown Resort in Perth. Intiga’s website can be viewed here: www.intiga.com.au for a full review of the business.”

Further information on MCS and Intiga are outlined in the Prospectus, particularly Section 2.

On 3 August 2015, the Company announced that it had entered into a Binding Agreement with all the respective shareholders, to acquire 100% of the issued capital in each of the MCS and Intiga. Shareholders' approval for the Proposed Transactions and other ancillary resolutions are being sought at the upcoming Annual General Meeting which will be held on 28 October 2015 ("AGM").

Completion of the Proposed Transactions is subject to a number of condition precedents being satisfied or waived. These conditions include, inter-alia completing satisfactory due diligence, the receipt of Shareholder approval for all the resolutions being sought at the AGM, completion of a capital raising which is being conducted under this Prospectus (a minimum of \$4,500,000 at 5 cents each) and the Company re-complying with Chapters 1 and 2 of the ASX Listing Rules.

In the event that Shareholders of the Company approve the Proposed Transactions (and all other conditions precedents being satisfied or waived), this will result in the Company changing the scale of its activities. Therefore, in accordance with Listing Rules, the Company's securities will become suspended and remain so, until it has re-complied with Chapters 1 and 2 of the Listing Rules.

The acquisitions of MCS and Intiga are outlined in detail in the Investment Overview and Section 2 of the Prospectus and are summarised as follows:

MCS

- The issue of 30,000,000 shares in Red Gum; and
- The payment of up to \$3,780,000 cash to the MCS vendors.

Intiga

- The issue of 18,000,000 shares in Red Gum; and
- The issue of 6,000,000 shares in Red Gum on the Company (then to be called MCS Services) achieving a Net Profit after Tax ("NPAT") of \$1,920,000 for the financial year ended 30 June 2016.

From Completion, the Company will be responsible for the entitlements of the employees of MCS and Intiga which accrue from Completion and holds MCS and Intiga harmless for all claims in respect of the employees which accrue from Completion. The Company will be responsible for acquiring the entitlements of the guards of MCS and Intiga at Completion ("Guards Entitlements") up to a maximum of \$200,000 ("Guards Entitlements Threshold"). To the extent that the Guards Entitlements exceeds the Guards Entitlements Threshold, the Company shall be entitled to pay the amount of any excess out of the MCS Retained Cash and the Intiga Retained Cash on a pro-rata basis.

On or before Completion, the MCS Vendors and John Boardman will transfer 75% of the cash balance standing to the account of MCS and Intiga respectively as a dividend to the shareholders of MCS and John Boardman respectively and the remaining cash balance standing to the account of MCS and Intiga respectively shall be retained by the Company ("Retained Cash").

As soon as is practicable after Completion and, in any event, within 30 days of completion, the MCS Vendors (in relation to MCS) and John Boardman (in relation to Intiga) are required to provide reconciliation accounts, consisting of a balance sheet and the profit or loss statements to the Company, to indicate:

- the income;
- the profits; and
- the liabilities of,

each of MCS and Intiga as at Completion and to ensure that, as at Completion, neither MCS nor Intiga had any amounts owing to third parties ("Reconciliation Accounts").

The Company is then required to agree the Reconciliation Accounts with the MCS Vendors in respect of MCS ("MCS Reconciliation Accounts") and with John Boardman in respect of Intiga ("Intiga Reconciliation Accounts").

To the extent that the MCS Reconciliation Accounts indicate that there is a surplus of MCS Retained Cash (as a result of the MCS Retained Cash exceeding the liabilities or other amounts owing by MCS to third parties as at Completion), the Company shall pay the surplus amount to the MCS Vendors in equal proportions to the nominated bank accounts of the MCS Vendors.

To the extent that the MCS Reconciliation Accounts indicate that there is insufficient MCS Retained Cash (as a result of the MCS Retained Cash being insufficient to satisfy the amount of liabilities or other amounts owing by MCS to third parties as at Completion), the MCS Vendors are jointly and severally liable to pay the amount of the shortfall to the nominated bank account of the Company.

To the extent that the Intiga Reconciliation Accounts indicate that there is a surplus of Intiga Retained Cash (as a result of the Intiga Retained Cash exceeding the liabilities or other amounts owing by Intiga to third parties as at Completion), the Company shall pay the surplus amount to the nominated bank account of John Boardman. To the extent that the Intiga Reconciliation Accounts indicate that there is insufficient Intiga Retained Cash (as a result of the Intiga Retained Cash being insufficient to satisfy the amount of liabilities or other amounts owing by Intiga to third parties as at Completion), John Boardman is liable to pay the amount of the shortfall to the nominated bank account of the Company.

As part of the recapitalisation of Red Gum and associated with the Proposed Transactions, the following are also to occur (in addition to completion of the Proposed Transactions and the Capital Raising):

- Consultants to the Proposed Transactions will be issued up to 8,000,000 shares in Red Gum in exchange for services regarding the completion of the Proposed Transactions;
- Red Gum will implement an Executive Incentive Scheme where subject to all necessary approvals, the Chief Executive Officer ("CEO") (proposed to be Paul Simmons, the owner of MCS) and the Chief Operating Officer ("COO") (proposed to be John Boardman, the owner of Intiga) will each be issued the following shares in Red Gum on achievement of the following Milestones:
 - 10,000,000 shares in Red Gum on Red Gum (as an expanded entity, incorporating MCS and Intiga) achieves a NPAT greater than \$3,500,000 within 24 months of completing the Proposed Transactions;
 - 5,000,000 shares in Red Gum on Red Gum (as an expanded entity, incorporating MCS and Intiga) achieves a NPAT greater than \$5,000,000 within 24 months of completing the Proposed Transactions; and
 - 5,000,000 shares in Red Gum on Red Gum (as an expanded entity, incorporating MCS and Intiga) achieves a NPAT greater than \$7,500,000 within 36 months of completing the Proposed Transactions.
- Red Gum is to repay the cost of the audit of both MCS and Intiga for the financial years ended 30 June 2012 to 2015 to the shareholders of MCS and Intiga;
- Paul Simmons will become the CEO of Red Gum on an agreed salary of \$160,000 per annum. Further details are outlined in the Material Contracts Section 6 of the Prospectus;
- John Boardman will become the COO of Red Gum on an agreed salary of \$160,000 per annum. Further details are outlined in the Material Contracts Section 6 of the Prospectus;

- MCS and Intiga will be free of any finance leases, hiring agreements and other similar arrangements, including leases and conditional purchase agreements (this is a condition precedent);
- Red Gum will not incur more than \$50,000 in expenses between 3 August 2015 and the date of completion of the Proposed Transactions other than:
 - expenses relation to completion of the Proposed Transactions;
 - expenses relating to Red Gum maintaining its current business operations and regulatory obligations such as, but not limited to, registered office fees, ASX listing fees, insurances and share registry fees; and
 - expenses incurred with the prior written consent of MCS and Intiga.

A summary of the audited balance sheets (statements of financial position) of MCS and Intiga as at 30 June 2015 is noted elsewhere in this report.

On 29 September 2015, the Company issued a Notice of Meeting (“Notice”) and an Explanatory Memorandum attached to the Notice (“EM”) that requests shareholder approval for the following:

Resolution 1 - Approve the change in nature and scale of activities of the Company;

Resolution 2 – Approve the issue of 30,000,000 shares as part of the approval process to acquire all of the shares in MCS and the issue of 18,000,000 shares as part of the acquisition of Intiga;

Resolution 3 – Approve the issue of 6,000,000 Deferred Consideration Shares to John Boardman (or his nominee) as part consideration to acquire Intiga;

Resolution 4 – Approve the issue of up to 90,000,000 Capital Raising Shares at 5 cents each;

Resolution 5 – Approve the change of name to MCS Services Limited;

Resolution 6 – Approve the issue of 8,000,000 shares to the Facilitators;

Resolution 7 – Approve the adoption of an Executive Share Plan and the issue of 40,000,000 Shares under the Executive Share Plan to Paul Simmons and John Boardman (refer below);

Resolution 8 – Approve the adoption of an Employee Option Plan;

Resolution 9 – Approve the appointment of Melissa Chapman as a Director of the Company;

Resolution 10 – Approve the re-election of Josh Puckridge as a Director of the Company;

Resolution 11 – Approve the re-election of Thomas Pickett as a Director of the Company; and

Resolution 12 – Approve the entry into Directors’ Deeds of Indemnity, Access and Insurance.

This report (and the Prospectus) assumes that shareholders will approve all of the 12 Resolutions on 28 October 2015. In effect, Resolutions 2 to 3 relate to the acquisitions (of all of the shares in either MCS or Intiga).

Potential investors should read the Prospectus in full. We make no comments as to ownership or values of the current and proposed assets of the Red Gum Group. Further details on all significant (material) contracts entered into by the Company, MCS and Intiga relevant to new and existing investors and are referred to in Section 6 of the Prospectus.

4. Scope of Examination

Red Gum has requested Stantons International Securities to prepare an Independent Accountant's Report on:

- a) The consolidated statement of profit or loss and other comprehensive income of Red Gum for the year ended 30 June 2015 and the year ended 30 June 2014;
- b) The consolidated statement of financial position of Red Gum as at 30 June 2015; and
- c) The consolidated pro-forma statement of financial position of Red Gum at 30 June 2015 adjusted to include funds to be raised by the Prospectus and the completion of transactions referred to in note 2 of Appendix 3.

All of the financial information referred to above has been audited (except for the pro-forma statement of financial position of Red Gum as at 30 June 2015). The financial accounts of MCS and Intiga have also been audited for the years ended 30 June 2013 to 2015 as noted elsewhere in this report. The Directors of Red Gum are responsible for the preparation and presentation of the historical and pro-forma financial information, including the determination of the pro-forma transactions. We have however examined the financial statements and other relevant information and made such enquiries, as we considered necessary for the purposes of this report.

The scope of our examination was substantially less than an audit examination conducted in accordance with Australian Auditing Standards and accordingly, we do not express such an opinion.

Our examination included:

- a) Discussions with Directors and other key management of Red Gum;
- b) Review of contractual arrangements;
- c) A review of publicly available information; and
- d) A review of work papers, accounting records and other documents.

5. Opinion

In our opinion, the pro-forma consolidated statement of financial position as set out in Appendix 2 presents fairly, the pro-forma consolidated statement of financial position of Red Gum as at 30 June 2015 in accordance with the accounting methodologies required by Australian Accounting Standards on the basis of assumptions and transactions set out in Appendix 3. It is our view that the historic financial information set out in Appendices 1, 2 and 3 (including the financial information on MCS and Intiga as well as Red Gum) presents fairly and no adjustments on the historical results and statements of financial position, as shown in Appendices 1, 2 and 3 (including MCS and Intiga financial information) (audited by the parent entity of Stantons International Securities Pty Ltd) are required. We state that nothing has come to our attention which would require any further modification to the financial information relating to Red Gum, MCS and Intiga in order for it to present fairly, the consolidated statements of profit or loss and other comprehensive income for MCS and Intiga for the years ended 30 June 2013, 2014 and 2015 (Refer Notes 19 and 20 to Appendix 3) and for Red Gum for the years ended 30 June 2015 and 30 June 2014 (refer Appendix 1) and the consolidated statements of financial position as at 30 June 2015 for Red Gum (refer Appendix 2), MCS and Intiga (refer Note 18 to Appendix 3).

To the best of our knowledge and belief, there have been no other material items, transactions or events subsequent to 30 June 2015 that have come to our attention during the course of our review which would cause the information included in this report to be misleading.

6. Other Matters

At the date of this report, Stantons International Securities Pty Ltd or Stantons International Audit and Consulting Pty Ltd (Trading as Stantons International) do not have any interests in Red Gum either directly or indirectly, or in the outcome of the offer. Stantons International are the auditors of Red Gum and have conducted audits of the financial accounts for the years ended 30 June 2012 to 2015 for MCS and Intiga. Stantons International Securities Pty Ltd and Stantons International were not involved in the preparation of any other part of the Prospectus, and accordingly, make no representations or warranties as to the completeness and accuracy of any information contained in any other part of the Prospectus.

Stantons International Securities consents to the inclusion of this report (including Appendices 1 to 3) in the Prospectus in the form and content in which it is included. At the date of this report, this consent has not been withdrawn.

Yours faithfully

STANTONS INTERNATIONAL SECURITIES PTY LTD

A handwritten signature in black ink, appearing to read 'John Van Dieren', with a long horizontal flourish extending to the right.

**John Van Dieren – FCA
Director**

INVESTIGATING ACCOUNTANT'S REPORT

APPENDIX 1 – CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Red Gum Year ended 30 June 2015 (Audited) \$	Red Gum Year ended 30 June 2014 (Audited) \$
Revenue- interest income	19,327	4,296
Revenue- net profit from sale of exploration assets	14,739	-
Total Revenue	<u>34,066</u>	<u>4,296</u>
Exploration expenditure impaired expense	(510,771)	(4,584,160)
Exploration expenses written off	(81,423)	(226,409)
Office and administration fees	(46,832)	(107,773)
Professional fees	(357,392)	(656,817)
Transaction costs	(1,135,387)	-
Director fees and remuneration	(218,877)	(296,571)
Depreciation expenses	(584)	(720)
Finance costs	(4,256)	(8,785)
Other expenses	(90,328)	(53,700)
Net (loss) before tax	<u>(2,411,784)</u>	<u>(5,930,639)</u>
Income tax expense	(48,068)	(111,082)
Net (loss) after tax	<u>(2,459,852)</u>	<u>(6,041,721)</u>
Net (loss) attributable to the members	<u>(2,459,852)</u>	<u>(6,041,721)</u>
Other Comprehensive Income		
Exchange differences on translating foreign operations	(10,780)	(126,361)
Total Comprehensive (Loss) for the period	<u>(2,470,632)</u>	<u>(6,168,082)</u>
(Loss) attributable to:		
Equity holders of the Company	<u>(2,459,852)</u>	<u>(6,041,721)</u>
	<u>(2,459,852)</u>	<u>(6,041,721)</u>
Total Comprehensive(Loss) attributable to:		
Equity holders of the Company	<u>(2,470,372)</u>	<u>(6,168,082)</u>
	<u>(2,470,372)</u>	<u>(6,168,082)</u>

APPENDIX 2 – AUDITED AND UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	Red Gum Consolidated 30 June 2015	Red Gum Pro-forma Unaudited Consolidated 30 June 2015
		\$	\$
Current Assets			
Cash assets	3	1,216,564	1,138,676
Receivables and prepayments	4	166,327	242,931
Inventories	5	-	32,131
Total Current Assets		<u>1,382,891</u>	<u>1,413,738</u>
Non-Current Assets			
Receivables	4	-	-
Plant and vehicles	6	-	392,792
Deferred tax	7	-	213,235
Intangibles – Goodwill	8	-	5,920,257
Investment in subsidiaries	9	-	-
Total Non Current Assets		<u>-</u>	<u>6,526,284</u>
Total Assets		<u>1,382,891</u>	<u>7,940,022</u>
Current Liabilities			
Trade and other payables	10	77,708	-
Provisions- employee entitlements	11	-	121,123
Income tax	12	-	-
Financial liabilities	13	-	15,482
Total Current Liabilities		<u>77,708</u>	<u>136,605</u>
Non-Current Liabilities			
Provisions- employees entitlements	11	-	13,375
Financial liabilities	13	-	5,039
Contingent consideration	14/18	-	300,000
Total Non-Current Liabilities		<u>-</u>	<u>318,414</u>
Total Liabilities		<u>77,708</u>	<u>455,019</u>
Net Assets		<u>1,305,183</u>	<u>7,485,003</u>
Equity			
Issued capital	15	11,621,646	18,421,646
Share based payment reserve	16	201,743	201,743
Foreign currency translation reserve	16	20,379	20,379
Accumulated losses	17	(10,538,585)	(11,158,765)
Total Equity		<u>1,305,183</u>	<u>7,485,003</u>

Condensed Notes to and forming part of the above condensed statements of financial position are attached. The audited condensed statements of financial positions of MCS and Intiga are outlined in Note 18 of Appendix 3.

INVESTIGATING ACCOUNTANT'S REPORT

APPENDIX 3

CONDENSED NOTES TO THE UNAUDITED CONDENSED STATEMENTS OF FINANCIAL POSITION

1. Statement of Significant Accounting Policies

(a) Basis of Accounting

The audited and unaudited condensed consolidated Statement of Profit and Loss and Other Comprehensive Income and unaudited condensed consolidated Statements of Financial Position have been prepared in accordance with applicable accounting standards, the Corporations Act 2001 and mandatory professional reporting requirements in Australia (including the Australian equivalents of International Financial Reporting Standards) and we have made such disclosures as considered necessary. They have also been prepared on the basis of historical cost and do not take into account changing money values. The accounting policies have been consistently applied, unless otherwise stated. The financial statements have been prepared on a going concern basis that is dependent on the capital raising being successful.

(b) Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantially enacted as at balance date. Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxation profit or loss. Deferred income tax assets are recognised to the extent that it is probable that the future tax profits will be available against which deductible temporary differences will be utilised. The amount of the benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in the income taxation legislation and the anticipation that the economic unit will derive sufficient future assessable income to enable the benefits to be realised and comply with the conditions of deductibility imposed by law.

(c) Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value, less where applicable, any accumulated depreciation and impairment losses. The carrying amount of the plant and equipment is reviewed annually by the Directors to ensure it is not in excess of the recoverable amount of these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employed and their subsequent disposal. The expected net cash flows have been discounted to their present value in determining recoverable amounts.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the Company commencing from the time the asset is held ready for use. The asset's residual value and useful lives are reviewed and adjusted if appropriate, at each balance sheet date.

An asset's carrying value is written down immediately to its recoverable amount if the asset's carrying value is greater than the estimated recoverable amount. Gains and losses on disposal are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement.

- (d) **Trade and other accounts payable**
Trade and other accounts payable represent the principal amounts outstanding at balance date, plus, where applicable, any accrued interest.
- (e) **Recoverable Amount of Non Current Assets**
The carrying amounts of non-current assets are reviewed annually by Directors to ensure they are not in excess of the recoverable amounts from those assets. The recoverable amount is assessed on the basis of the expected net cash flows, which will be received from the assets employed and subsequent disposal. The expected net cash flows have been or will be discounted to present values in determining recoverable amounts.
- (f) **Revenue and Other Income**
Revenue is recognised when the amount of the revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the entity and specific criteria relating to the type of revenue as noted below, has been satisfied.

Revenue is measured at the fair value of the consideration received or receivable and is presented net of returns, discounts and rebates. Revenue relating to rendering of services is determined with reference to labour hours provided under contractual arrangements with customers.

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at the end of the reporting period and where outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that expenditure is recoverable.

Interest revenue is recognised on an accrual basis.

All revenue is stated net of the amount of goods and services tax (GST)

- (g) **Issued Capital**
Ordinary shares are classified as equity.
Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.
- (h) **Principles of Consolidation**
The consolidated financial statements comprise the financial statements of Red Gum and its subsidiaries ("the Group").

Subsidiaries are all those entities over which the Company has control. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are carried at their cost of acquisition in the Company's financial statements.

In preparing the consolidated financial statements all intercompany balances and transactions, income, expenses and profit and loss resulting from intergroup transactions have been eliminated in full.

Minority interests held by the Company are allocated their share of net profit after tax in the statement of comprehensive income and are presented within equity in the statement of financial position, separately from parent shareholders' equity.

- (i) **Employee benefits**
Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave, and long service leave.

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

- (j) **Critical accounting estimates and judgements**
In preparing this Financial Report, the Company has been required to make certain estimates and assumptions concerning future occurrences. There is an inherent risk that the resulting accounting estimates will not equate exactly with actual events and results.

Significant accounting judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Key judgements – employee benefits

For the purpose of measurement, AASB 119: Employee Benefits (September 2011) defines obligations for short-term employee benefits as obligations expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related services. As the company expects that most employees will not use all of their annual leave entitlements in the same year in which they are earned or during the 12 month period that follows, the directors believe that obligations for annual leave entitlements satisfy the definition of other long-term employee benefits and, as a result, are required to be measured at the present value of the expected future payments to be made to employees.

Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period include impairment of capitalised case funding costs, goodwill on consolidation and investments in subsidiaries.

(k) Financial Instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets ‘at fair value through profit or loss’ (“FVTPL”), ‘held-to-maturity’ investments, ‘available-for-sale’ (“AFS”) financial assets and ‘loans and receivables’. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it has a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition in consistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group’s documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and AASB 139 ‘Financial Instruments: Recognition and Measurement’ permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the ‘other gains and losses’ line item.

AFS financial assets

Listed shares held by the Company that are traded in an active market are classified as AFS and are stated at fair value. The Company also has investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets and stated at fair value (because the directors consider that fair value can be reliably measured). Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

(l) Foreign currencies

The financial statements are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Australian dollars ('\$'), which is the functional currency of the Company and the presentation currency for the consolidated financial statements. All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

(m) Intangible assets

(i) Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment. If impaired, a write down will occur.

(ii) Acquired both separately and from a business combination

Intangible assets acquired separately are acquired at cost and from a business combination are acquired at fair value as at the date of acquisition. Following initial recognition, the cost model is applied to the class of intangible assets.

The useful lives of these intangible assets are assessed to be either finite or indefinite. Where amortization is charged on assets with finite lives, this expense is taken to the income statement.

Intangible assets, excluding development costs, created within the business are not acquired and expenditure is charged against the income statement in the year in which the expenditure is incurred.

Intangible assets are tested for impairment where an indicator of impairment exists and in the case of indefinite life intangibles annually, either individually or at the cash generating unit level. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

(iii) Other intangible assets

Other intangible assets that are acquired by the consolidated entity are stated at cost less accumulated amortisation (see below) and impairment losses.

Expenditure on internally generated goodwill and brands is recognised in the statement of comprehensive income as an expense as incurred.

(iv) Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

(v) Amortisation

A summary of the policies applied to the consolidated entity's intangible assets is as follows:

Goodwill and intangible assets with an indefinite life are systematically tested for impairment at each balance sheet date. Capitalised development costs and patents and trademarks with a finite life are amortized. Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted as appropriate. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised.

(n) Accounting for business combinations

The Company has adopted IFRS 3 *Business Combinations*. All business combinations are accounted for by applying the acquisition method.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Company takes into consideration potential voting rights that currently are exercisable. The acquisition date is the date on which control is transferred to the acquirer. Judgment is applied in determining the acquisition date and determining whether control is transferred from one party to another.

The Company measures goodwill as the fair value of the consideration transferred including the acquired amount of any non-controlling interest in the acquiree, less the net acquired amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Company to the previous owners of the acquiree, and equity interests issued by the Company. Consideration transferred also includes the fair value of any contingent consideration and share-based payment awards of the acquiree that are replaced mandatorily in the business combination (see below). If a business combination results in the termination of pre-existing relationships between the Company and the acquiree, then the lower of the termination amount, as contained in the agreement, and the value of the off-market element is deducted from the consideration transferred and recognized in other expenses.

Transaction costs that the Company incurs in connection with a business combination, such as stamp duty, finder's fees, legal fees, due diligence fees, and other professional and consulting fees are expensed as incurred.

A contingent liability of the acquiree is assumed in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

When share-based payment awards (replacement awards) are exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then a part of the market-based measure of the replacement awards is included in the consideration transferred. If future services are required, then the difference between the amount included in consideration transferred and the market-based measure of the replacement awards is treated as post-combination compensation cost.

(o) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the company are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amount equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

2 Actual and Proposed Transactions to Arrive at Pro-forma Unaudited Consolidated Statement of Financial Position

Actual and proposed transactions adjusting the 30 June 2015 audited consolidated condensed Statement of Financial Position of Red Gum in the pro-forma consolidated Statement of Financial Position of Red Gum are as follows:

- (a) The issue of 90,000,000 Shares raising the amount of \$4,500,000 from the capital raising at 5 cents each (there is no maximum);
- (b) The incurring of capital raising costs and indirect Acquisition costs estimated at \$500,000;
- (c) The acquisition of all of the shares in MCS by way of an issue of 30,000,000 Consideration Shares at a deemed issue price of 5 cents per share for a total share consideration of \$1,500,000 and the payment of cash to the vendors of MCS of \$3,780,000 and accounting for intangibles (including goodwill and value of contracts) recognised initially on acquisition of MCS of \$4,809,927. The goodwill may be impaired in the future depending upon the potential financial performance of MCS and the value, if any attributed to existing contracts will be amortised over the remaining terms of the contracts;
- (d) The acquisition of all of the shares in Intiga by way of an issue of 18,000,000 Consideration Shares at a deemed issue price of 5 cents per share for a total share consideration of \$900,000 and accounting for intangibles (including goodwill and value of contracts) recognised initially on acquisition of Intiga of \$810,330. The Company will also issue 6,000,000 shares in Red Gum on Red Gum (then to be called MCS Services) achieving a NPAT of \$1,920,000 for the financial year ended 30 June 2016. The management prepared draft forecasts for the year ended 30 June 2016 have been prepared on a upside, middle and downside basis and the draft middle forecast indicates that the milestone NPAT of \$1,920,000 may be achieved. Thus, for the purposes of this report, the Contingent Consideration has been ascribed at value of \$300,000 being 6,000,000 shares at 5 cents each and thus the excess of acquisition price over the net assets acquired are

increased by \$300,000 to \$1,110,330. The goodwill may be impaired in the future depending upon the potential financial performance of Intiga;

- (e) The issue of 8,000,000 shares in the Company at 5 cents each to consultants to the Proposed Transactions at a deemed cost of \$400,000;
- (f) The payment of 30 June 2015 payables and accruals of approximately \$77,708 (Red Gum only);
- (g) The incurring of further administration costs incurred by Red Gum only post 30 June 2015 to 31 October 2015 estimated at \$120,000; and
- (h) Reimbursing the shareholders of MCS and Intiga the costs relating to the audits of MCS and Intiga for the years ended 30 June 2012 to 2015 estimated at \$100,180.

	Note	Audited Consolidated Red Gum 30 June 2015	Unaudited Consolidated Red Gum Pro-forma 30 June 2015
		\$	\$
3. Cash Assets			
The movements in cash assets are as follows:			
As at 30 June 2015		1,216,564	1,216,564
Issue of New Shares	2(a)	-	4,500,000
Prospectus and Acquisition issue costs	2(b)	-	(500,000)
Payment to vendors of MCS	2(c)	-	(3,780,000)
Repayment of payables	2(f)	-	(77,708)
Cash of MCS and Intiga	218	-	-
Incurring of further costs	2(g)	-	(120,000)
Cash reimbursement	2(h)	-	(100,180)
		<u>1,216,564</u>	<u>1,138,676</u>
4. Receivables and Prepayments			
Current			
Other receivables		166,327	166,327
Trade Receivables and prepayments of MCS and Intiga	18	-	76,604
Other receivables of MCS and Intiga	18	-	-
Tax receivable - MCS	18	-	-
		<u>166,327</u>	<u>242,931</u>
Non current			
Other- MCS and Intiga	18	-	-
		<u>-</u>	<u>-</u>

	Note	Audited Consolidated Red Gum 30 June 2015 \$	Unaudited Consolidated Red Gum Pro-forma 30 June 2015 \$
5. Inventories			
At cost	18	-	32,131
		<u>-</u>	<u>32,131</u>
6. Plant and equipment and vehicles			
Plant at written down values		-	301,355
Motor vehicles at written down values		-	71,617
Software at written down values		-	19,820
Net (MCS and Intiga – pro-forma)	18	<u>-</u>	<u>392,792</u>
7. Deferred tax			
MCS and Intiga	18	-	213,235
		<u>-</u>	<u>213,235</u>
The benefits of the temporary differences and unused tax losses will be realised when the conditions for deductibility occur.			
8. Intangibles			
Goodwill and other intangibles on acquisition – MCS	18	-	4,809,927
Goodwill and other intangibles on acquisition – Intiga	18	-	1,110,330
		<u>-</u>	<u>5,920,257</u>
9. Investments in subsidiaries			
Shares in wholly owned subsidiaries			
4 subsidiaries relating to mineral exploration activities (100% owned)		-	70,000
MCS (to be 100% owned)	18	-	5,280,000
Intiga (to be 100% owned)	18	-	1,200,000
		<u>-</u>	<u>6,550,000</u>
Less eliminated on consolidation		<u>-</u>	<u>(6,550,000)</u>
		-	-
Loans to exploration subsidiaries		-	3,129,252
Loan to MCS and Intiga		-	-
Less: Impairment provision		-	-
Less eliminated on consolidation		<u>-</u>	<u>(3,129,252)</u>
		-	-
Total Investments		<u>-</u>	<u>-</u>
10. Trade and other payables			
Trade and other payables		77,708	77,708
Payables of MCS and Intiga	18	-	-
Less: Payment of payables	2(f)	<u>-</u>	<u>(77,708)</u>
		<u>77,708</u>	<u>-</u>

	Note	Audited Consolidated Red Gum 30 June 2015 \$	Unaudited Consolidated Red Gum Pro-forma 30 June 2015 \$
11. Provisions			
Current			
Annual and long service leave –MCS and Intiga	18	-	121,123
		-	121,123
Non-Current			
Long service leave – MCS	18	-	13,375
		-	13,375
12. Income tax payable			
Provision for income tax- MCS	18	-	-
		-	-
13. Financial liabilities			
Current			
Finance leases on motor vehicles- MCS	18	-	15,482
		-	15,482
Non-Current			
Finance leases on motor vehicles –MCS	18	-	5,039
14. Deferred Consideration Liability			
Deferred consideration of 6,000,000 shares	2(d),18	-	300,000
		-	300,000
15. Issued Capital			
55,610,212 shares as at 30 June 2015 (net)		11,621,646	11,621,646
90,000,000 Shares pursuant to the Prospectus	2(a)	-	4,500,000
30,000,000 Consideration Shares to acquire MCS	2(c)	-	1,500,000
18,000,000 Consideration Shares to acquire Intiga	2(d)	-	900,000
8,000,000 Shares to consultants	2(e)	-	400,000
		11,621,646	18,921,646
Less: estimated share issue costs	2(b)	-	(500,000)
Pro-forma (201,610,212 shares)		11,621,646	18,421,646

The number of Red Gum shares on issue after the Proposed Transaction is completed will be 201,610,212 (before the issue of any deferred shares as noted below).

Refer note 16 relating to the possible issue of 6,000,000 shares to the vendors of Intiga and the issue of up to 20,000,000 Executive Incentive Shares (ordinary shares) in Red Gum of certain Milestones are achieved.

	Note	Audited Consolidated Red Gum 30 June 2015	Unaudited Consolidated Red Gum Pro-forma 30 June 2015
		\$	\$
16. Reserves			
Share Based Payments - Balance as at 30 June 2015		201,743	201,743
Foreign Exchange – Balance 30 June 2015		20,379	20,379
		222,122	222,122

The number of share options on issue are as follows:

113,637 exercisable at \$6.60 each by 30 April 2016 (unlisted)
1,391,730 exercisable at \$6.60 each by 1 March 2016 (listed) and;
4,000,047 exercisable at 44 cents each by 15 November 2017 (listed).

17. Accumulated losses			
Balance as at 30 June 2015		10,538,585	10,538,585
Consultants fees	2(e)	-	400,000
Further costs	2(g)	-	120,000
Reimbursement of costs	2(h)	-	100,180
		10,538,585	11,158,765

18. Summary of Intiga and MCS from audited Statements of Financial Position as at 30 June 2015

<u>Intiga</u>	Note	Audited Intiga 30 June 2015	Unaudited Intiga Pro-forma 30 June 2015
		\$	\$
Current Assets			
Cash at bank		168,119	-
Receivables and deposits		300,119	-
Income tax receivable		10,735	-
Inventory		20,131	20,131
Total Current Assets		499,104	20,131
Non Current Assets			
Plant and equipment		32,351	32,351
Deferred tax asset		37,188	37,188
Other non-current assets		152	-
Total Non-Current Assets		69,691	69,539
Total assets		568,795	89,670
Current Liabilities			
Creditors and accruals		1,058,103	-
Provisions- Employee liabilities		26,937	-
Total liabilities		1,085,040	-
Net Assets (Liabilities)		(516,245)	89,670

We have adjusted the unaudited financial statements of Intiga to reflect the pre-acquisition transactions that will take place pursuant to the acquisition agreement with Intiga Vendors so that only limited assets and liabilities are acquired at the date of acquisition by Red Gum.

	Red Gum
	30 June 2015
	\$
The costs of the Intiga Acquisition is as follows:	
Shares issued (18,000,000 Consideration Shares at a deemed 5 cents each)	900,000
Contingent Consideration (6,000,000 shares)	300,000
Total Acquisition costs	<u>1,200,000</u>
Excess of cost of acquisition over net assets acquired representing goodwill and value of contracts on consolidation – see note below	<u>1,110,330</u>

The excess of the cost of acquisition over the net liabilities acquired is estimated at approximately \$1,110,330 and this figure has been attributable by the Directors of Red Gum as relating to the fair value of the goodwill on consolidation and value of interests in contracts as at the date that Intiga becomes a 100% owned subsidiary of Red Gum.

The actual intangibles on consolidation figure may alter once the final statement of financial position of Intiga is determined at the actual date of acquisition.

Recoverability of the investment in the subsidiary Intiga and recoverability of the intangibles on consolidation is dependent on the success of existing and future business of Intiga. The Company, in the absence of justifiable profits in the future by Intiga may need to impair the investment (including any loan funds) and any goodwill on consolidation.

<u>MCS</u>	Note	Audited MCS 30 June 2015 \$	Unaudited MCS Pro-forma 30 June 2015 \$
Current Assets			
Cash at bank		1,336,844	-
Receivables, other receivables and prepayments		1,168,424	76,604
Receivables from related party		868,253	-
Inventory		12,000	12,000
Total Current Assets		<u>3,385,521</u>	<u>88,604</u>
Non-Current Assets			
Plant and equipment/motor vehicles		627,339	360,441
Deferred tax asset		176,047	176,047
Total Non-Current Assets		<u>803,386</u>	<u>536,488</u>
Total assets		<u>4,188,907</u>	<u>625,092</u>
Current Liabilities			
Creditors and accruals		791,489	-
Provisions- Employee liabilities		121,123	121,123
Tax liability		72,758	-
Financial liabilities		78,697	15,482
Total Current Liabilities		<u>1,064,067</u>	<u>136,605</u>
Non-Current Liabilities			
Financial liabilities		186,541	5,039
Provisions- employee liabilities		13,375	13,375
Total Non-Current Liabilities		<u>199,916</u>	<u>18,414</u>
Total Liabilities		<u>1,263,983</u>	<u>155,019</u>
Net Assets		<u>2,924,924</u>	<u>470,073</u>

We have adjusted the unaudited financial statements of MCS to reflect the pre-acquisition transactions that will take place pursuant to the acquisition agreement with MCS Vendors so that only limited assets and liabilities are acquired at the date of acquisition by Red Gum.

The costs of the MCS Acquisition is as follows:

	Red Gum 30 June 2015
Shares issued (30,000,000 Consideration Shares at a deemed 5 cents each)	1,500,000
Cash consideration	3,780,000
Total Acquisition costs	<u>\$5,280,000</u>
Excess of cost of acquisition over net assets acquired representing goodwill and value of contracts on consolidation – see note below	<u>\$4,809,927</u>

The excess of the cost of acquisition over the net assets acquired is estimated at approximately \$4,809,927 and this has been attributable by the Directors of Red Gum as relating to the fair value of the goodwill on consolidation and value of contracts as at the date that MCS becomes a 100% owned subsidiary of Red Gum. The actual goodwill on consolidation figure may alter once the final statement of financial position of MCS is determined at the actual date of acquisition.

Recoverability of the investment in the subsidiary MCS and recoverability of the intangibles on consolidation is dependent on the success of existing and future business of MCS. The Company, in the absence of justifiable profits in the future by MCS may need to impair the investment (including any loan funds) and any goodwill on consolidation.

19. Intiga Condensed Consolidated Statement of Profit or Loss and other Comprehensive Income

	Year Ended 30 June 2015 (Audited)	Year Ended 30 June 2014 (Audited)	Year ended 30 June 2013 (Audited) \$
	\$	\$	
Revenue	2,490,687	2,728,988	2,485,546
Cost of Sales	<u>(1,608,971)</u>	<u>(1,569,120)</u>	<u>(1,728,242)</u>
Gross Profit	881,716	1,159,868	757,341
Other income	129,804	1,713	2,071
Employee benefit expenses	(472,351)	(12,781)	(266,302)
Insurance expenses	(114,818)	(63,650)	(23,342)
Consultants and management fees	(7,338)	(118,787)	(33,350)
Depreciation	(7,590)	(12,170)	(10,803)
Finance costs	(13,519)	(20,708)	(55,351)
Occupancy expenses	(21,407)	(24,360)	(11,211)
Administration expenses	(45,070)	(119,828)	(133,676)
Loss on disposal of plant	(22,649)	-	-
Impairment of receivables	-	(74,832)	(14,500)
Proprietor consulting fees and other costs	(582,323)	(762,369)	(30,473)
Operating Profit (Loss)	<u>(275,545)</u>	<u>(47,904)</u>	<u>180,404</u>
Net profit before income tax	(275,545)	(47,904)	180,404
Income Tax Expense	<u>(13,620)</u>	<u>(83,263)</u>	<u>(15,102)</u>
Net Profit after income tax	<u>(289,165)</u>	<u>(131,167)</u>	<u>165,302</u>
Other Comprehensive Income (Dividend paid)	<u>-</u>	<u>-</u>	<u>(66,534)</u>
Total Comprehensive Income (Loss) attributable to the members of the parent entity	<u>(289,165)</u>	<u>(131,167)</u>	<u>98,768</u>

No adjustments have been made by us to the NPAT (such as Proprietor Expenses) to represent the underlying profitability of Intiga once incorporated into Red Gum as a subsidiary of a public company.

The above figures are not a guide as to future profitability to be earned by Intiga and actual results may be materially different.

20. MCS Consolidate Statement of Profit or Loss and other Comprehensive Income

	Year Ended 30 June 2015 (Audited) \$	Year Ended 30 June 2014 (Audited) \$	Year ended 30 June 2013 (Audited) \$
Revenue	13,504,882	13,050,159	12,477,396
Cost of Sales	<u>(10,400,971)</u>	<u>(10,343,351)</u>	<u>(9,725,826)</u>
Gross Profit	3,103,911	2,706,808	2,751,570
Other income	377,781	240,864	113,665
Employee benefit expenses	(586,861)	(584,433)	(539,013)
Insurance expenses	(427,358)	(323,374)	(328,779)
Consultants and management fees	(21,929)	(29,468)	(17,790)
Depreciation	(135,270)	(85,590)	(55,592)
Finance costs	(14,382)	(2,143)	(15,778)
Occupancy expenses	(101,201)	(67,584)	(64,221)
Administration expenses	(262,578)	(410,067)	(247,620)
Loss on disposal of plant	(32,744)	(8,021)	(7,922)
Impairment of receivables	(8,216)	(1,653)	(6,759)
Proprietor consulting fees and other costs	(188,311)	-	-
Operating Profit	<u>1,702,842</u>	<u>1,435,339</u>	<u>1,581,761</u>
Net profit before income tax	1,702,842	1,435,339	1,581,761
Income Tax Expense	(517,750)	(432,338)	(478,033)
Net Profit after income tax	<u>1,185,092</u>	<u>1,003,001</u>	<u>1,103,728</u>
Other Comprehensive Income (Dividend paid)	-	-	-
Total Comprehensive Income attributable to the members of the parent entity	<u>1,185,902</u>	<u>1,003,001</u>	<u>1,103,728</u>

No adjustments have been made by us to the NPAT (such as Proprietor Expenses) to represent the underlying profitability of MCS once incorporated into Red Gum as a subsidiary of a public company.

The above figures are not a guide as to future profitability to be earned by MCS and actual results may be materially different.

21. Contingent Assets, Liabilities and Commitments

The Company has the following contingent liabilities and commitments that have not been accounted for in the pro-forma consolidated statement of financial position as at 30 June 2015.

From Completion, the Company will be responsible for the entitlements of the employees of MCS and Intiga harmless for all claims in respect of the employees, and indemnifies and holds MCS and Intiga harmless from all claims by the employees. The Company will be responsible for acquiring the entitlements of the guards of MCS and Intiga at Completion ("Guards Entitlements") up to a maximum of \$200,000 ("Guards Entitlements Threshold"). To the extent that the Guards Entitlements Threshold exceeds the Guards Entitlements Threshold, the Company shall be entitled to pay the amount of any excess out of the MCS Retained Cash and the Intiga Retained Cash on a pro-rata basis. On or before Completion, the MCS Vendors and John Boardman will transfer 75%

of the cash balance standing to the account of MCS and Intiga respectively as a dividend to the MCS and John Boardman respectively and the remaining cash balance standing to the account of MCS and Intiga respectively shall be retained by the Company (“Retained Cash”).

The Company is to employ for a 2 year period, Paul Simmons and John Boardman at annual salaries of \$160,000 per annum each (exclusive of statutory superannuation) plus will reimburse both employees reasonable operating costs of vehicles for business purposes.

MCS and Intiga have entered into other contracts that are considered normal to operate the businesses. A brief summary of such contracts are noted in Section 6 of the Prospectus.

Red Gum may issue of 6,000,000 shares in Red Gum on Red Gum (then to be called MCS Services) achieving a NPAT of \$1,920,000 for the financial year ended 30 June 2016. This relates to a contingent consideration pertaining to the acquisition of all of the shares in Intiga. As the Company has a high expectation of achieving the NPAT target, a deferred consideration liability has been raised as a non-current liability (6,000,000 shares times 5 cents = \$300,000). In the event that the NPAT target is not achieved, the deferred consideration liability will be reversed to \$nil.

Red Gum will implement an Executive Incentive Scheme where subject to all necessary approvals, the Chief Executive Officer (“CEO”) (proposed to be Paul Simmons, the owner of MCS) and the Chief Operating Officer (“COO”) (proposed to be John Boardman, the owner of Intiga) will each be issued shares in Red Gum on achievement of the following Milestones:

- 10,000,000 shares in Red Gum on Red Gum (as an expanded entity, incorporating MCS and Intiga) achieves a NPAT greater than \$3,500,000 within 24 months of completing the Proposed Transactions;
- 5,000,000 shares in Red Gum on Red Gum (as an expanded entity, incorporating MCS and Intiga) achieves a NPAT greater than \$5,000,000 within 24 months of completing the Proposed Transactions; and
- 5,000,000 shares in Red Gum on Red Gum (as an expanded entity, incorporating MCS and Intiga) achieves a NPAT greater than \$7,500,000 within 36 months of completing the Proposed Transactions.

Furthermore, employment agreements have been entered into with various key management personal of MCS and Intiga. Details are noted in section 6 of the Prospectus.

In addition, the Company has entered into Indemnity Deeds with each Executive and Non-Executive Director.

Based on discussions with the Directors and legal advisors, to our knowledge, the Company has no other material commitment or contingent liabilities not otherwise disclosed in this Investigating Accountant’s Report (refer Background section 3) and in the Prospectus. Investors should read the Prospectus for further possible contingencies and commitments.

For details on proposed commitments pertaining to the expanded Red Gum Group, refer to the Details of the Offer (Use of Funding) Section 1.9 of the Prospectus.

Contingent Liability: Worker's Compensation Claim

Intiga (one of the two proposed acquisitions and future subsidiaries) has a particular worker's compensation claim that may result in, up to, an estimated \$150,000 claim should it be, in any way, successful. Intiga does not accept the claim and will continue to dispute it. No liability is admitted and, thus, no liability associated with this issue has been represented in the financial statements at 30 June 2015. Shareholders will be informed on the progress of the claim as required.

6. Material Contracts

6.1 Acquisition Agreements

On 23 September 2015, the Company entered into the Acquisition Agreements with the MCS Shareholders (in respect of the MCS Acquisition) and Mr John Boardman (in respect of the Intiga Acquisition).

The principal terms of the Acquisition Agreements are as follows:

- (a) In consideration for the Acquisitions, the Company will:
 - (i) at Completion, pay the MCS Shareholders aggregate cash consideration of \$3,780,000 (**Cash Consideration**);
 - (ii) at Completion, issue the following Shares:
 - (A) an aggregate of 30,000,000 Shares to the MCS Shareholders; and
 - (B) 18,000,000 Shares to Mr John Boardman,(together the **Consideration Shares**); and
 - (iii) if the Company declares a net profit after tax of not less than \$1,920,000 for the financial year ending 30 June 2016 (**Financial Milestone**), the Company will issue a further 6,000,000 Shares to Mr John Boardman (**Deferred Consideration Shares**),
- (b) Completion is conditional on the satisfaction or waiver of, the following conditions precedent:
 - (i) the Company completing financial and legal due diligence, in relation to MCS and Intiga;
 - (ii) the Company obtaining the following Shareholder approvals required under the Corporations Act and the Listing Rules (together, the **Acquisition Resolutions**):
 - (A) approval of a significant change to the nature and scale of the Company's activities resulting from the Acquisitions pursuant to Listing Rule 11.1.2;
 - (B) approval of the Acquisitions and the allotment and issue of the Consideration Shares pursuant to Listing Rule 7.1;
 - (C) approval of the issue of the Deferred Consideration Shares to Mr John Boardman pursuant to Listing Rule 7.1;
 - (D) approval of the issue of the Shares pursuant to the Public Offer pursuant to Listing Rule 7.1;
 - (E) approval of the change of the Company's name;

- (F) approval of the issue of the Facilitator Shares pursuant to Listing Rule 7.1;
 - (G) adoption of the Executive Share Plan (refer to Section 8.2);
 - (H) adoption of the Employee Option Plan (refer to Section 8.3); and
 - (I) appointment of the Proposed Director,
- (iii) the Company completing the Public Offer;
 - (iv) the Company entering into executive services agreements with the CEO and COO on the terms set out in Section 6.2;
 - (v) MCS and Intiga being free of any finance leases, hiring agreements and other similar arrangements, including leases and conditional purchase agreements;
 - (vi) all necessary statutory and regulatory approvals and other third party consents or waivers necessary or desirable, to complete the Acquisitions being obtained; and
 - (vii) both the MCS Acquisition and the Intiga Acquisition becoming unconditional other than the condition relating to the other becoming unconditional,
- (together the **Conditions**).
- (c) Upon Completion, Mr Edwin Bulseco will resign and, prior to his resignation, the Company will procure the appointment of Ms Melissa Chapman as a Director.
 - (d) From Completion, the Company will be responsible for the entitlements of the employees of MCS and Intiga accruing from Completion, and indemnifies and holds MCS and Intiga harmless from all claims in respect of the employees from Completion. The Company will be responsible for acquiring the entitlements of guards of MCS at Completion (**Guards' Entitlements**), up to a maximum of \$200,000 (**Guards' Entitlement Threshold**). To the extent that the Guards' Entitlements exceed the Guards' Entitlement Threshold, the Company shall be entitled to pay the amount of any excess out of the MCS Retained Cash. Each of the MCS Shareholders and Mr John Boardman shall be responsible for the respective entitlements of the MCS and Intiga employees who are not guards, and who do not accept employment with the Company at Completion.
 - (e) The MCS Shareholders and Mr John Boardman will enter into voluntary restriction agreements in respect of 80% of their Consideration Shares, restricting the disposal of those Consideration Shares for a period of 12 months following re-admission of the Shares to ASX.
 - (f) On or before Completion, MCS will transfer 75% of the cash balance standing to the account of MCS as a dividend to the MCS Shareholders and the remaining 25% of the cash balance standing to the account of MCS shall be retained by the Company (**MCS Retained Cash**).

- (g) On or before Completion, Intiga will transfer 75% of the cash balance standing to the account of Intiga as a dividend to Mr John Boardman and the remaining 25% of the cash balance standing to the account of Intiga shall be retained by the Company (**Intiga Retained Cash**).
- (h) As soon as practicable after Completion and, in any event, within 30 days of completion, the MCS Shareholders (in relation to MCS) and Mr John Boardman (in relation to Intiga) are required to provide reconciliation accounts, consisting of a balance sheet and the profit and loss statement to the Company, to indicate:
 - (i) the income;
 - (ii) the profits; and
 - (iii) the liabilities of,

each of MCS and Intiga as at Completion and to ensure that, as at Completion, neither MCS nor Intiga had any amounts owing to third parties (**Reconciliation Accounts**).

The Company is then required to agree the Reconciliation Accounts with the MCS Shareholders in respect of MCS (**MCS Reconciliation Accounts**) and with Mr John Boardman in respect of Intiga (**Intiga Reconciliation Accounts**).

To the extent that the MCS Reconciliation Accounts indicate that there is a surplus of MCS Retained Cash (as a result of the MCS Retained Cash exceeding the liabilities or other amounts owing by MCS to third parties as at Completion), the Company shall pay the surplus amount to the MCS Shareholders in equal proportions to the nominated bank accounts of the MCS Shareholders. To the extent that the MCS Reconciliation Accounts indicate that there is insufficient MCS Retained Cash (as a result of the MCS Retained Cash being insufficient to satisfy the amount of liabilities or other amounts owing by MCS to third parties as at Completion), the MCS Shareholders are jointly and severally liable to pay the amount of the shortfall to the nominated bank account of the Company.

To the extent that the Intiga Reconciliation Accounts indicate that there is a surplus of Intiga Retained Cash (as a result of the Intiga Retained Cash exceeding the liabilities or other amounts owing by Intiga to third parties as at Completion), the Company shall pay the surplus amount to the nominated bank account of Mr John Boardman. To the extent that the Intiga Reconciliation Accounts indicate that there is insufficient Intiga Retained Cash (as a result of the Intiga Retained Cash being insufficient to satisfy the amount of liabilities or other amounts owing by Intiga to third parties as at Completion), Mr John Boardman is liable to pay the amount of the shortfall to the nominated bank account of the Company.

In addition to Mr Boardman's obligation to indemnify the Company in respect of any insufficiency of Retained Cash, Mr Boardman has provided an indemnity in favour of the Company and Intiga in respect of certain contingent liabilities (whether insured or uninsured) which the Company presently estimates to be approximately \$150,000. Should the Company's estimate of the value of these contingent liabilities change, it will update the market.

- (i) The MCS Shareholders and Mr John Boardman have provided customary warranties in relation to MCS and Intiga, respectively.

- (j) The MCS Acquisition Agreement may be terminated by the MCS Shareholders and the Company:
- (i) by agreement in writing; or
 - (ii) where the Conditions have not been satisfied (or waived) by the End Date.

Either the MCS Shareholders or the Company (**Non-Defaulting Party**) may terminate the MCS Acquisition Agreement if:

- (i) the other party (**Defaulting Party**) fails to perform and comply, in all material respects, with its obligations under the MCS Acquisition Agreement; or
- (ii) the Defaulting Party fails to deliver all documents and instruments required to be delivered at Completion or fails to perform all of its obligations at Completion,

but only where the Defaulting Party does not remedy any such failure within 10 business days of the Non-Defaulting Party giving the Defaulting Party written notice setting out details of the specific failure to perform, comply or deliver.

The Intiga Acquisition Agreement may be terminated by Mr John Boardman and the Company:

- (i) by agreement in writing; or
- (ii) where the Conditions have not been satisfied (or waived) by the End Date.

Either Mr John Boardman or the Company (**Non-Defaulting Party**) may terminate the Intiga Acquisition Agreement if:

- (i) the other party (**Defaulting Party**) fails to perform and comply, in all material respects, with its obligations under the Intiga Acquisition Agreement; or
- (ii) the Defaulting Party fails to deliver all documents and instruments required to be delivered at Completion or fails to perform all of its obligations at Completion,

but only where the Defaulting Party does not remedy any such failure within 10 business days of the Non-Defaulting Party giving the Defaulting Party written notice setting out details of the specific failure to perform, comply or deliver.

- (k) The MCS Shareholders and Mr John Boardman have provided certain indemnities in favour of the Company in respect of certain tax liabilities, losses arising from breach of warranty, losses relating to litigation in respect of an event occurring prior to completion and losses resulting from the material amendment, or termination, of client contracts prior to Completion.
- (l) The Company is obliged to reimburse MCS and Intiga for the costs of their respective audits in respect of the financial years ended 30 June 2012, 2013, 2014 and 2015.

6.2 Executive Service Agreements

Executive Service Agreement - CEO

The principal terms of the CEO's executive service agreement are as follows:

- (a) the term of employment will be for a period of 2 years following Completion (with the Company having the ability to extend the term for an additional 2 years);
- (b) a base salary of \$160,000 (exclusive of statutory superannuation) per annum;
- (c) the Company will reimburse all reasonable operating costs of a vehicle for business purposes only including fuel, insurance and servicing costs;
- (d) subject to the adoption of the Executive Share Plan and receipt of any necessary Shareholder approvals at the time of issue, the CEO will be issued the following Shares upon the achievement of the following milestones:

Number of Shares	Milestone	Deadline for Satisfaction of Milestone
10,000,000	Audited NPAT of greater than \$3,500,000 in a consecutive period of 12 months	24 months from Completion
5,000,000	Audited NPAT of greater than \$5,000,000 in a consecutive period of 12 months	24 months from Completion
5,000,000	Audited NPAT of greater than \$7,500,000 in a consecutive period of 12 months	36 months from Completion

- (e) a restraint of trade pursuant to which it is agreed that the CEO will not, at any time during the term of his appointment (or for a period of 2 years after the termination of his appointment), without the prior consent in writing of the Company, be engaged, employed, concerned or interested directly or indirectly in any business, company, proposal, project, assignment or development:
 - (i) situated within Australia; and
 - (ii) which is in or connected with the industry in which the Company, MCS or Intiga are concerned.

Executive Service Agreement - COO

The principal terms of the COO's executive service agreement are as follows:

- (a) the term of employment will be for a period of 2 years following Completion (with the Company having the ability to extend the term for an additional 2 years);
- (b) a base salary of \$160,000 (exclusive of statutory superannuation) per annum;

- (c) the Company will reimburse all reasonable operating costs of a vehicle for business purposes only including fuel, insurance and servicing costs;
- (d) subject to the adoption of the Executive Share Plan and receipt of any necessary Shareholder approvals at the time of issue, the COO will be issued the following Shares upon the achievement of the following milestones:

Number of Shares	Milestone	Deadline for Satisfaction of Milestone
10,000,000	Audited NPAT of greater than \$3,500,000 in a consecutive period of 12 months	24 months from Completion
5,000,000	Audited NPAT of greater than \$5,000,000 in a consecutive period of 12 months	24 months from Completion
5,000,000	Audited NPAT of greater than \$7,500,000 in a consecutive period of 12 months	36 months from Completion

- (e) restraint of trade pursuant to which it is agreed that the COO will not, at any time during the term of his appointment (or for a period of 2 years after the termination of his appointment), without the prior consent in writing of the Company, be engaged, employed, concerned or interested directly or indirectly in any business, company, proposal, project, assignment or development:
- (i) situated within Australia; and
- (ii) which is in or connected with the industry in which the Company, MCS or Intiga are concerned.

6.3 Lead Manager Mandate

The Company has appointed Patersons to act as lead manager to the Public Offer. In consideration for its services, Patersons will receive a fee of 6.0% of the total amount raised under the Public Offer and a corporate advisory fee of \$60,000 (exclusive of GST) on completion of the Public Offer. In addition, Patersons will be entitled to be reimbursed for reasonable out of pocket expenses incurred in connection with the assignment.

Pursuant to the Lead Manager Mandate, Patersons will have a right of first refusal to act as lead manager to any capital raising or similar corporate transaction that the Company undertakes in the 24 months following completion of the Public Offer.

The Lead Manager Mandate contains covenants, warranties, representations and indemnities that are customary for such an agreement.

6.4 Deeds of Access, Indemnity and Insurance

Upon Completion, the Company will enter into deeds of indemnity, insurance and access with Ms Chapman and Messrs Pickett and Puckridge. Under the deeds of indemnity, insurance and access the Company will indemnify the Directors to the extent permitted by the Corporations Act against any liability arising as a result of the officer acting as an

officer of the Company. The Company will also be required to maintain insurance policies for the benefit of the Directors, as well as existing Directors and must also allow the Proposed Directors to inspect Board papers in certain circumstances.

7. Risk Factors

The Shares offered under this Prospectus are considered speculative. An investment in the Company is not risk free and the Directors strongly recommend that potential investors consult their professional advisers and consider the risk factors described below, together with information contained elsewhere in this Prospectus, before deciding whether to apply for Shares pursuant to this Prospectus.

The below list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by Shareholders. The proposed future activities of the Company are subject to a number of risks and other factors which may impact its future performance. Some of these risks can be mitigated by the use of safeguards and appropriate controls. However, many of the risks are outside the control of the Company or the Directors and cannot be mitigated.

7.1 Specific Risks.

(a) **Conditional Acquisitions and Re-compliance with Chapters 1 and 2 of the Listing Rules**

As part of the Company's change in nature and scale of activities, ASX will require the Company to re-comply with Chapters 1 and 2 of the Listing Rules. A Prospectus will be issued to assist the Company to re-comply with these requirements. The Shares will be suspended from the date of the Meeting. It is anticipated that the Shares will remain suspended until Completion, re-compliance by the Company with Chapters 1 and 2 of the Listing Rules and compliance with any further conditions ASX imposes on such reinstatement. There is a risk that the Company will not be able to satisfy one or more of those requirements and that its Shares will consequently remain suspended from quotation.

Further, if any of the Conditions are not satisfied (or waived), the Acquisitions will not proceed.

(b) **Failure to renew existing contracts or win new contracts**

The Company's and the New Businesses' ability to renew contracts with existing customers and win new contracts with existing and new customers is fundamental to the Company's business, growth and profitability. The Company will face competition in the security industry following Completion. New contracts, including contracts entered into with an existing customer where a previous contract has expired, are usually subject to a competitive process. There is a risk that the Company and the New Businesses may not win these contracts for any of a number of reasons. These include, for example:

- (i) lower pricing from competitors;
- (ii) increased competition;
- (iii) the Company's inability to differentiate its services and to market them effectively;
- (iv) the Company's failure to maintain the quality or efficiency of its service offerings or to anticipate, identify or react to changes in customer preferences or requirements;

- (v) the Company's failure to react to new developments in service delivery technology; and
- (vi) negative perceptions adversely affecting the Company's brand and reputation as a result of the eventuation of some of the other risk factors listed in this Section 7.

Failure to successfully renew existing contracts or to win new contracts could negatively impact the Company's financial performance, including, in the case of a failure to retain an existing customer of the New Businesses, by leaving the Company with excess capacity or redundancy costs, and adversely impact its ability to grow its operations.

(c) **Failure to properly understand customer requirements and customer demand**

A large number of the New Businesses' material contracts are long term contracts, and many are not able to be terminated by the New Businesses unless the customer is in breach. The Company and New Businesses may from time to time enter into contracts where the agreed revenue is insufficient to cover the costs of delivering the security services or to provide adequate profit margins. This can occur for a number of reasons, including a failure to properly understand the scope and requirements of a contract, a failure to assess accurately the costs of delivering the contracted services, a failure to properly model the drivers of customer demand or a failure to adhere to the business' internal risk assessment and contracting process guidelines. The risk of such failures occurring may increase as the Company seeks to expand its services into new markets. If the Company enters into low margin contracts, the Company's revenue and profitability could be adversely impacted.

(d) **Risks associated with increased staff numbers**

An increase in the number of New Businesses' contracts may result in an increase in the number of contracted and employed staff of the Company. This greater number of staff could result in a greater risk of worker's compensation claims made against the Company. The increased risk of these claims may also result in a disproportionate increase in the Company's insurance premiums. Accordingly, the increased costs associated with a greater number of worker's compensation claims and heightened insurance premiums may result in a decrease in the Company's profitability.

(e) **Failure to comply with regulations including workplace health and safety obligations**

The New Businesses operate in Australia and are subject to Australian laws and regulations, including with respect to health and safety. Additional or amended laws and regulations may increase the cost of compliance, adversely impact the Company's ability to comply, or expose the Company to additional expenses or liabilities where, for example, changes to the regulatory framework result in higher or more onerous regulatory standards.

(f) **Failure to manage working capital may negatively impact the Company**

At any point in time, the Company will hold a significant level of trade receivables, and will therefore be exposed to the risk that it may not be able to collect the full

value of its trade receivables if the creditworthiness of its individual customers were to deteriorate. While the concentration of the New Businesses' credit risk is limited as a result of the diversity of its customer base, an economic downturn could affect the solvency of customers, which in turn could adversely affect the Company's revenue and profitability and result in losses.

Similarly, the Company must ensure that trade payables are maintained at appropriate levels over time and that its key suppliers are paid within reasonable periods. Any misalignment between the movement in receivables and payables could significantly impact the Company's cash position.

(g) **Public liability exposure**

An increase in the number of the New Businesses' customers or contracts may result in an increase in the number of locations where the Company operates and the number of members of the general public that are likely to interact with the Company and its staff. This increases the potential for public liability claims made against the Company and may result in a disproportionate increase in the Company's insurance premiums. The increased costs associated with a greater number of public liability claims and heightened insurance premiums may result in a decrease in the Company's profitability.

(h) **Deregulation of Industry**

Governmental changes in policy may occur whereby the industry becomes deregulated and the licences that the New Businesses maintain are no longer required. This may result in a significant decline in the barriers to entry of the industry and may result in increased competition and a reduction in margins, which may lead to a reduction in the Company's profitability.

(i) **Insurance risks**

Whilst the Company will endeavour to maintain appropriate insurances for the New Businesses, there is no guarantee that such insurances will be available to the Company at economically viable premiums (or potentially at all). Further, in the event of claim, there can be no guarantee that the level of insurance held by the Company will be sufficient. As a result, the Company risks being adversely affected by not carrying sufficient insurance or not being able to obtain insurance on suitable terms.

(j) **Risk of termination or renegotiation during the contract term**

Some customers have a right to terminate contracts on 30 days' notice at the clients election. Other contracts may be terminated where a party acquires control of MCS or Intiga (as the case may be), or where MCS or Intiga (as the case may be) is in material breach of the contract. In addition, contracts with government entities customarily contain a right for the customer to terminate for convenience. Termination of the New Businesses' services by a customer before the end of a contract's term will reduce the Company's future revenue and, in some situations, may leave the Company with excess capacity or excess labour or redundancy costs. Upon termination, the Company may not receive adequate compensation, or any compensation, for such losses and costs.

From time to time, customers may seek to renegotiate existing contracts for various reasons during the term of the contract. To the extent such customers

have a right to terminate a contract (for convenience or otherwise), they may seek to use this right as leverage in the renegotiation process. Although the frequency of contract renegotiations has historically been low, the frequency of contract renegotiations may increase in the future. If contract renegotiations lead to the parties entering into new contracts on terms less favourable to the Company, or if the parties fail to reach an agreement and the customer terminates the existing contract, the Company's revenue and profitability could be adversely impacted. The Company may have potential liabilities for redundancies and other liabilities as a consequence of any contracts that are renegotiated or terminated before they would otherwise expire.

(k) **Customers may choose to change from outsourcing to in-sourcing of services**

The Company's and the New Businesses' financial performance depends on customers continuing to outsource security services. The Company's anticipated future growth depends in part on security services being outsourced in the future. A reduction in outsourcing may result from a variety of factors, including changing economic conditions or industry trends, changes in the specific strategies of customers or poor performance by outsourced service providers. A decline in outsourcing of security services by customers, or an increase in customers taking security services back in-house ("in-sourcing") may adversely affect the Company's future revenue and profitability and its prospects for growth.

(l) **Reliance on key personnel**

The Company and New Businesses currently employ a number of key management and personnel, and the Company's future depends on retaining and attracting suitably qualified personnel.

In particular, Mr Paul Simmons and Mr John Boardman will be crucial to the Company in their respective roles as CEO and COO, and, as the founders of the New Businesses, they have valuable relationships with customers.

There is no guarantee that the Company will be able to attract and retain suitably qualified personnel, and a failure to do so could materially adversely affect the Company's business, operating results and financial prospects.

(m) **Licence risk**

The New Businesses rely on the grant and maintenance of a Commercial Agent's Licence, Crowd Control Licence, Investigator's Licence, Inquiry Agent's Licence, Security Consultant's Licence and a Security Agent's Licence (together the **Licences**). The *Security and Related Activities (Control) Act 1996 (WA)* provides that these Licences can only be issued to a natural person. While a natural person may hold the Licences on behalf of a body corporate if they are an officer of the body, the Licences terminate automatically (and are non-transferable) if the person ceases to be an officer of the body corporate. The Licences are currently held by Paul Simmons in relation to MCS and Gary Hodgson in relation to Intiga.

If Mr Paul Simmons or Mr Gary Hodgson cease to be involved with MCS or Intiga (as the case may be), a new officer approved to hold the relevant Licences will be required in order to operate the relevant business. If a new Licence holder is required, there is a risk that delays could occur in the approval of a new Licence holder which, if protracted, could result in the New Businesses experiencing

business interruption until such time as appropriate Licences are granted to a new holder.

(n) **Competition**

The New Businesses operate in markets with established competitors and no assurance can be given that the actions of existing or future competitors will not have a material adverse effect on the businesses operations or financial condition. The market for security services is highly competitive and the New Businesses' ability to compete will in part depend on its ability to provide quality services.

(o) **Contractual risk**

The New Businesses have a significant dependence on counterparties and their ability to meet their contractual obligations pursuant to the agreements and arrangements entered into with the New Businesses.

The Company's financial performance will depend upon the performance of counterparties, to each of the agreements to provide security services, of their respective obligations in those agreements. If any counterparty defaults, it may be necessary for the Company to seek legal remedy in court. Legal action can be costly and there is no guarantee that a legal remedy will be granted on appropriate terms or at all.

7.2 General Risks

(a) **Securities investments**

There are risks associated with any securities investment. The prices at which the Shares trade on the Official List may fluctuate in response to a number of factors including:

- (i) the recruitment or departure of key personnel;
- (ii) actual or anticipated changes in estimates as to financial results, development timelines or recommendations by securities analysts;
- (iii) variations in the Company's financial results or those of companies that are perceived to be similar to the Company including changes caused by changes in financial accounting standards or practices or taxation rules or practices;
- (iv) announcements regarding litigation or other proceedings that involve the Company;
- (v) war or acts of terrorism or catastrophic disasters that disrupt world trade or adversely affect confidence in financial markets;
- (vi) other general economic, industry and market conditions; and
- (vii) other factors described in this Section 7.

(b) **Share market conditions**

The market price of the Shares may fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

(c) **Liquidity risk**

There is no guarantee that there will be an ongoing liquid market for the Shares. Accordingly, there is a risk that, should the market for the Shares become illiquid, Shareholders will be unable to realise their investment in the Company.

(d) **Economic risk**

Factors such as inflation, currency fluctuations, interest rates and supply and demand of capital have an impact on business costs and stock market prices. The Company's operating costs, possible future revenues and future profitability can be affected by these factors which are beyond the control of the Company.

(e) **Insurance**

The Company will, where possible and economically practicable, endeavour to mitigate some business risks by procuring relevant insurance coverage. However, such insurance coverage may not always be available or economically justifiable and the policy provisions and exclusions may render a particular claim by the Company outside the scope of the insurance coverage.

(f) **Taxation**

There is the potential for changes to tax laws and changes in the way tax laws are interpreted. Any change to the current rates of taxes imposed on the Company is likely to affect returns to Shareholders.

The Company obtains external expert advice on the application of the tax laws to its operations. An interpretation of taxation laws by a revenue authority that is contrary to the Company's interpretation of those laws may increase the amount of tax to be paid.

In addition, an investment in the Shares involves tax considerations which may differ for each Shareholder. Each prospective Shareholder is encouraged to seek professional tax advice in connection with any investment in the Company.

(g) **Policies and legislation**

The introduction of new legislation or amendments to existing legislation by governments, and the decisions of courts and tribunals, can impact adversely on the assets, operations and, ultimately, the financial performance of the Company.

Any adverse developments in political and regulatory conditions could materially affect the Company's prospects. Political changes, such as changes in both monetary and fiscal policies, expropriation, methods and rates of taxation and currency exchange controls may impact the performance of the Company as a whole.

7.3 Investment Speculation

The above list of risk factors ought not to be taken as an exhaustive list of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Shares offered under this Prospectus.

Therefore, the Shares to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares.

Potential investors should consider that the investment in the Company is highly speculative and should consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

8. Rights Attaching to Securities and Summaries of the Executive Share Plan and Employee Option Plan

8.1 Rights attaching to Shares

The following is a summary of the more significant rights and liabilities attaching to Shares to be issued pursuant to this Prospectus. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

Full details of the rights and liabilities attaching to Shares are set out in the Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

(a) General meetings

Shareholders are entitled to be present in person, or by proxy or attorney to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with section 249D of the Corporations Act.

(b) Voting rights

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at general meetings of Shareholders or classes of shareholders:

- (i) each shareholder entitled to vote may vote in person or by proxy or attorney;
- (ii) on a show of hands, every person present who is a shareholder or a representative of a shareholder has one vote in respect of each share carrying the right to vote; and
- (iii) on a poll, every person present who is a shareholder or a proxy, attorney or representative of a shareholder shall, in respect of each share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for each share held, but in respect of partly paid shares shall have a fraction of a vote equivalent to the proportion which the amount paid up bears to the total issue price for the share.

(c) Dividend rights

The Directors alone may declare a dividend to be paid to shareholders. The dividend is payable at a time determined in the directors' discretion. No dividend may be declared or paid except as allowed by the Corporations Act. No interest is payable in respect of unpaid dividends. The Directors may set aside the Company's profit any amount that they consider appropriate. This amount may be used in any way that profits can be used, and can be invested or used in the Company's business in the interim.

(d) **Winding-up**

If the Company is wound up, the liquidator may, with the authority of a special resolution, divide among the Shareholders in kind the whole or any part of the property of the Company, and may for the purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of shareholders.

The liquidator may, with the authority of a special resolution of the Company, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Shareholder is compelled to accept any Shares or other securities in respect of which there is liability.

(e) **Shareholder liability**

As the Shares to be issued under the Offers are fully paid shares, they are not subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

(f) **Transfer of Shares**

Generally, Shares in the Company are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act and the Listing Rules.

(g) **Variation of rights**

Pursuant to Section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of Shareholders vary or abrogate the rights attaching to shares.

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up, may be varied or abrogated with the consent in writing of the holders of three quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

(h) **Alteration of Constitution**

The Constitution can only be amended by a special resolution passed by at least three quarters of Shareholders present and voting at the general meeting. In addition, at least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

8.2 Summary of the Executive Share Plan

Information about the Executive Share Plan is set out below.

(a) Participation

Carefully designed, performance linked, equity plans are widely considered to be effective in providing long term incentives to executives. They are also used to attract and retain the executives by providing them with the opportunity to participate in the creation of a valuable personal asset – a financial stake in the Company.

As part of the Company's strategy, the Board wishes to be in a position to grant Shares under the Executive Share Plan to the Executives to achieve the objectives outlined above.

(b) Overview of the Executive Share Plan and terms and conditions

The Board is aware of general Shareholder concern that long-term equity based rewards for Executives should be linked to achievements by the Company. Accordingly, the Shares under the Executive Share Plan will only be issued upon the satisfaction of certain performance conditions.

The main features of the Executive Share Plan are summarised as follows:

- (i) **Eligible Executive:** The Company may from time to time make an invitation to an Executive of the Company.
- (ii) **Invitation:** Each invitation to an eligible Executive must be in writing and must specify the number of Shares being offered, the subscription price (if any), the manner in which the subscription price is to be paid, and the date by which the invitation must be accepted, the performance conditions, and other matters required under the Corporations Act, Listing Rules or any regulatory instrument issued by ASIC.
- (iii) **Excluded Information:** If the Shares under the Executive Share Plan are not issued in reliance of an applicable ASIC class order, the issue of the Shares must be postponed until such time as any excluded information in respect of the Company (as defined in section 708A(7) of the Corporations Act) ceases to be excluded information and the Company shall upon the issue of the Shares give ASX a notice that complies with section 708A(5) of the Corporations Act or lodge a prospectus with ASIC that qualifies the Shares for resale under section 708A(11) of the Corporations Act.
- (iv) **Restrictions:** The Board may, in its sole discretion, impose restrictions on the ability of an Executive to deal with the Shares issued under the Executive Share Plan for an identified period of time, following their issue, and may request the application of a holding lock to ensure that such dealing restrictions are observed.
- (v) **Limits on Entitlement:** An offer of Shares may only be made under the Executive Share Plan if the number of Shares that may be issued, when aggregated with:

- (A) the number of Shares which would be issued if each outstanding offer, right or option to acquire unissued Shares, made or acquired pursuant to the Executive Share Plan or any other incentive scheme, was to be accepted or exercised (as the case may be); or
- (B) the number of Shares issued during the previous 3 years pursuant to the Executive Share Plan or any other incentive scheme,

but disregarding an offer made or Share issued by way of or as a result of:

- (A) an offer to a person situated at the time or receipt of the offer outside of Australia;
- (B) an offer that did not need disclosure to investors because of section 708 of the Corporations Act; or
- (C) an offer made under a disclosure document,

must not exceed 10% (or such other maximum number permitted under any ASIC class order providing relief from the disclosure regime of the Corporations Act) of the total number of issued Shares as at the time of the offer.

8.3 Summary of the Employee Option Plan

Information about the Employee Option Plan is set out below.

(a) **Participation**

Carefully designed, performance linked, equity plans are widely considered to be effective in providing long term incentives to staff. They are also used to attract and retain staff by providing them with the opportunity to participate in the creation of a valuable personal asset – a financial stake in the Company.

As part of the Company's strategy, the Board wishes to be in a position to grant Employee Options under the Employee Option Plan to employees (excluding Directors) to achieve the objectives outlined above. An Employee Option is a right to subscribe for a Share during the exercise period, subject to the satisfaction of any additional Exercise Conditions that are attached to the Employee Option, as determined by the Board.

(b) **Overview of the Employee Option Plan and terms and conditions**

The Board is aware of general Shareholder concern that long-term equity based rewards for staff should be linked to achievements by the Company. Employee Options granted under the Employee Option Plan to eligible participants may be subject to Exercise Conditions as determined by the Board from time to time. The Exercise Conditions must be satisfied in order for the Employee Options to be exercisable. Upon Employee Options being duly exercised, Shares are issued or transferred to the participant in accordance with the Employee Option Plan.

The Board considers the Employee Option Plan a crucial mechanism to encourage and retain high level executive and employee performance. The Board intends to implement the Employee Option Plan, and set the Exercise Conditions, in a manner designed to incentivise and reward high level executive and employee performance.

The main features of the Employee Option Plan are summarised as follows:

- (i) **Eligible Participants:** The eligible participants under the Employee Option Plan are the employees and the contractors of the Company (**Eligible Employees**).
- (ii) **Limits on Entitlement:** An offer of Employee Options may only be made under the Employee Option Plan if the number of Shares that may be acquired on exercise of those Employee Options, when aggregated with:
 - (A) the number of Shares which would be issued if each outstanding offer, right or option to acquire unissued Shares, being an offer made or right or option acquired pursuant to the Employee Option Plan or any other incentive scheme, was to be accepted or exercised (as the case may be); or
 - (B) the number of Shares issued during the previous 3 years pursuant to the Employee Option Plan or any other incentive scheme,but disregarding an offer made or Employee Option acquired or Share issued by way of or as a result of:
 - (A) an offer to a person situated at the time or receipt of the offer outside of Australia;
 - (B) an offer that did not need disclosure to investors because of section 708 of the Corporations Act; or
 - (C) an offer made under a disclosure document,must not exceed 10% (or such other maximum number permitted under any ASIC class order providing relief from the disclosure regime of the Corporations Act) of the total number of issued Shares as at the time of the offer. For the avoidance of doubt, where an Employee Option lapses without being exercised, the Shares concerned shall be excluded from the calculation.
- (iii) **Consideration Payable:** Employee Options will be issued for no consideration but may have an Exercise Price payable by the Eligible Employee at the time of exercise.
- (iv) **Offer and Exercise Conditions:** The Employee Options issued under the Employee Option Plan to Eligible Employees may be subject to Exercise Conditions, determined by the Board from time to time and expressed in a written offer letter made by the Company to the Eligible Employee which is subject to acceptance by the Eligible Employee

within a specified period. The Board in its absolute discretion determines whether Exercise Conditions have been met.

- (v) **Expiry Date & Lapse:** Employee Options will have such expiry date, being the last exercise date, as the Board may determine in its absolute discretion and specify in the offer letter. Irrespective of whether an Exercise Condition of an Employee Option has been achieved, any Employee Options which have not been exercised by the expiry date will lapse.
- (vi) **Retirement, Disability, Redundancy, Death or Removal as a Director:** Under the Employee Option Plan, upon total and permanent disability, redundancy, death of a participant, or any other circumstances as the Board may determine, then in respect of those Employee Options which have not lapsed, the Board may at its discretion bring forward the first exercise date and waive or vary any Exercise Conditions in regard to the Employee Option.
- (vii) **Assignment:** The offer letter is personal to the Eligible Employee and the Eligible Employee may not in whole or in part assign, transfer or in any other manner, deal with the offer letter.
- (viii) **Takeover Bid or Change of Control:** All Employee Options automatically vest if:
 - (A) a takeover bid (as defined in the Corporations Act) for the Company's issued Shares is made and the bidder obtains voting power (as defined in the Corporations Act) in the Company of 50% or more and the takeover offers are made or declared unconditional (which includes where the takeover offers are unconditional other than for the happening of the events or circumstances set out in section 652C(1) and (2) of the Corporations Act or the condition set out in section 625(3) of the Corporations Act);
 - (B) the Company announces that Shareholders have at a Court convened meeting of Shareholders voted in favour, by the necessary majority, of a proposed scheme of arrangement (excluding a merger by way of scheme of arrangement for the purposes of a corporate restructure (including change of domicile, consolidation, sub division, reduction or return) of the issued capital of the Company) and the Court, by order, approves the scheme of arrangement under section 411(4)(b) of the Corporations Act; or
 - (C) an event or transaction by which an entity obtains or is to obtain voting power (as defined in the Corporations Act) in the Company of 50% or more is approved or accepted by a majority of members of the Company.
- (ix) **New Issues:** Eligible Employees are not entitled to participate in any new issue to existing holders of Shares, unless they have become entitled to exercised their Employee Options and they do so before the record date for the determination of entitlements to the new issue of Shares and participate as a result of being Shareholders.

- (x) **Pro Rata Issue of Shares:** If, during the term of any Employee Options, the Company makes a pro rata issue of Shares to the Shareholder, and no Share has been issued in respect of an Employee Option before the record date for determining entitlements to the issue, the Exercise Price of the Employee Option may be reduced by the Board.
- (xi) **Bonus Issue:** If, during the term of any Employee Options, the Company completes a bonus issue, the number of Shares each Employee Options holder is then entitled, shall be increased by that number of securities which the holder would have been issued if the Employee Options then held by the holder were exercised immediately prior to the record date for the bonus issue.
- (xii) **No Conferred Rights:** The Employee Option Plan:
 - (A) does not confer on an employee of the Company the right to receive an offer letter;
 - (B) does not confer on an employee of the Company the right to continue as an employee;
 - (C) do not affect the rights which the Company or any of its subsidiaries may have to terminate the Eligible Employee's employment;
 - (D) may not be used to increase damages in an action brought against the Company or any of its subsidiaries in respect of that termination; and
 - (E) does not confer any voting rights to an Eligible Employee, rights to dividends or any other form of benefit prior to the Employee Options being exercised.
- (xiii) **Amendment:** The Board may amend the Employee Option Plan at any time, subject to consent requirements and the Listing Rules to the extent any such amendment would adversely affect the rights of holders of existing Employee Options.

9. Additional Information

9.1 Interests of Directors

No Director (or entity in which they are a partner or director) has, or has had in the two (2) years before the date of this Prospectus, any interests in:

- (a) the formation or promotion of the Company;
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion of the Offers; or
- (c) the Offers, and

no amounts have been paid or agreed to be paid and no value or other benefit has been given or agreed to be given to:

- (a) any Director to induce him or her to become, or to qualify as, a Director; or
- (b) any Director of the Company for services which he or she (or entity in which they are a partner or director) has provided in connection with the formation or promotion of the Company or the Offers,

except as disclosed in this Prospectus.

9.2 Director Holdings

As at the date of this Prospectus, the interests of the Directors and the Proposed Director and their associated entities in the Securities are as follows:

Director	Shares	Options
Edwin Bulseco	399,351	28,410 ¹
Josh Puckridge	-	-
Thomas Pickett	-	-
Melissa Chapman	-	-

Note:

- 1. Exercisable at \$0.44 per Option on or before 15 November 2017.

No Directors or any of their associates intend to participate in the Offers.

9.3 Remuneration of Directors

The remuneration (including superannuation) of existing Directors for the past two (2) financial years and for this financial year is as follows:

Director	Financial Year 2015 (\$)	Financial Year 2014 (\$)
Edwin Bulseco	36,000	12,000
Josh Puckridge ¹	3,000	-
Thomas Pickett	3,000	-
TOTAL	42,000	12,000

Notes:

1. Mr Puckridge has been paid an executive salary of \$10,000 per month to manage this transaction and on completion of the transaction Mr Puckridge's remuneration will revert to \$3,000 per month.

Following Completion, it is proposed that the remuneration of the Directors will be as follows:

Director	Remuneration per annum ¹ (\$)
Josh Puckridge	30,000
Thomas Pickett	30,000
Melissa Chapman	30,000
TOTAL	90,000

Notes:

1. Inclusive of superannuation.

9.4 Interests of Promoters, Experts and Advisers

No promoter or other person named in this Prospectus as having performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus (or entity in which they are a partner or director) holds, has, or has had in the two (2) years before the date of this Prospectus, any interest in:

- the formation or promotion of the Company;
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offers; or
- the Offers,

and no amounts have been paid or agreed to be paid and no value or other benefit has been given or agreed to be paid to a promoter or any person named in this Prospectus as having performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus (or entity in which they are a partner or director), provided in connection with the formation or promotion of the Company or the Offers, except as disclosed in this Prospectus and as follows:

- Computershare Investor Services Pty Limited is the Company's share registry, and will be paid for these services on standard industry terms and conditions. However, the Company is responsible for the management of all Applications and the reconciliation of funds received under the Public Offer.
- Patersons has acted as lead manager to the Public Offer. In respect of this work, Patersons will be paid approximately \$330,000 as detailed in Section 6.3. During the two years preceding lodgement of this Prospectus with ASIC, Patersons has received fees from the Company totalling \$152,718.

- (c) Stantons International Audit and Consulting Pty Ltd has acted as the auditor to the Company. During the two years preceding lodgement of this Prospectus with ASIC, Stantons International Audit and Consulting Pty Ltd has received fees from the Company totalling \$51,567.
- (d) Stantons International Securities Pty Ltd has acted as the Investigating Accountant and has prepared the investigating accountants report and the financial information in this Prospectus which has been included in Section 5. The Company estimates it will pay Stantons International Securities Pty Ltd \$15,000 for these services. During the two years preceding lodgement of this Prospectus with ASIC, Stantons International Securities Pty Ltd has not received any fees from the Company.
- (e) DLA Piper Australia has acted as the Australian lawyers to the Offers. The Company estimates it will pay DLA Piper Australia \$100,000 for these services. Subsequently, fees will be charged in accordance with normal charge out rates. During the two years preceding lodgement of this Prospectus with ASIC, DLA Piper Australia has received fees from the Company totalling \$274.

The amounts disclosed above are exclusive of GST.

9.5 Related Party Transactions

Except as set out in this Prospectus, the Directors are not aware of any material transactions between the Company and related parties and/or Directors.

9.6 Expenses of Offers

The total expenses of the Offers payable by the Company is as follows:

Item	Amount (\$)
ASIC Lodgement Fee	2,500
ASX Quotation Fee	65,081
Lead Manager Fee	330,000
Legal Fees	100,000
Investigating Accountant Fee	15,000
Audit Fees ¹	100,000
Consultancy Fees ²	30,000
Other costs	7,599
TOTAL	650,180

Notes:

1. Reimbursement of MCS and Intiga audit costs for the financial years ended 30 June 2012, 2013, 2014 and 2015. Refer to Section 6.1(l) for further details.
2. Consulting fees paid to Mr Josh Puckridge as an executive Director, on the basis of \$10,000 per month. Refer to Note 1 in Section 9.3 for further information.

9.7 Company Tax Status and Financial Year

The Directors expect the Company will be taxed in Australia as a public company.

The financial year of the Company ends on 30 June annually. The taxation year of the Company ends on 30 June annually.

Revenues and expenditures disclosed in this Prospectus are presented exclusive of the amount of GST, unless otherwise disclosed.

9.8 Taxation Implications

The acquisition and disposal of Shares will have taxation consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in Company are urged to take independent financial advice about the taxation and any other consequences of acquiring and selling the Shares.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisers accept no liability or responsibility with respect to the taxation consequences of subscribing for Shares under this Prospectus.

9.9 Litigation and Claims

So far as the Directors are aware, there is no current or threatened civil litigation, arbitration proceedings or administrative appeals, or criminal or governmental prosecutions of a material nature in which the Company (or any other member of the Group) is directly or indirectly concerned which is likely to have a material adverse effect on the business or financial position of the Company or the Group.

9.10 Consents

Each of the parties referred to in this Section 9.10:

- (a) has given the following consents in accordance with the Corporations Act which have not been withdrawn as at the date of lodgement of this Prospectus with ASIC; and
- (b) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section.

None of the parties referred to in this Section authorised or caused the issue of this Prospectus or the making of the Offers.

Patersons has given its written consent to being named as lead manager to the Public Offer in this Prospectus.

Stantons International Audit and Consulting Pty Ltd has given its written consent to be named as auditor to the Company in this Prospectus.

Stantons International Securities Pty Ltd has given its written consent to be named as Investigating Accountant in this Prospectus and to the inclusion of the Investigating Accountant's Report in Section 5 in the form and context in which the report is included.

DLA Piper Australia has given its written consent to being named as Australian legal adviser to the Company in this Prospectus.

Computershare Investor Services Pty Limited has given its written consent to being named as Share Registry in this Prospectus.

Each of the Directors and the Proposed Director has given their written consent to being named in this Prospectus in the context in which they are named.

9.11 Continuous Disclosure

The Company is a "disclosing entity" (as defined in section 111AC of the Corporations Act) and, as such, is subject to regular reporting and disclosure obligations. The Company will be required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company's securities.

Price sensitive information will be publically released through ASX before it is disclosed to Shareholders and market participants. Distribution of other information to Shareholders and market participants will also be managed through disclosure to the ASX.

9.12 Electronic Prospectus

Pursuant to Regulatory Guide 107, ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic copy of this Prospectus on the basis of a paper Prospectus lodged with ASIC and the issue of Shares in response to an electronic Public Offer Application Form, subject to compliance with certain provisions. If you have received an electronic copy of this Prospectus, please ensure that you have received the entire Prospectus accompanied by the Public Offer Application Form. If you have not, please contact the Company and the Company will send to you, for free, either a hard copy or a further electronic copy of this Prospectus or both.

The Company reserves the right not to accept a Public Offer Application Form from an Applicant if it has reason to believe that when that Applicant was given access to the electronic Public Offer Application Form, it was not provided together with an electronic copy of this Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered. In such a case, the Application Monies shall be held by the Company on trust and returned (without interest) to the Applicant as soon as practicable.

9.13 Documents Available for Inspection

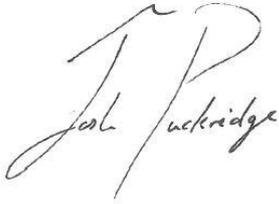
The following documents are available for inspection during normal business hours at the registered office of the Company:

- (a) this Prospectus;
- (b) the Constitution; and
- (c) the consents referred to in Section 9.10.

10. Authorisation

This Prospectus is authorised by each of the Directors and the Proposed Director.

This Prospectus is signed on 26 October 2015 for and on behalf of the Company by:

A handwritten signature in black ink, appearing to read 'Josh Puckridge'. The signature is stylized with large, flowing letters.

Mr Josh Puckridge
Executive Director

11. Glossary of Terms

These definitions are provided to assist persons in understanding some of the expressions used in this Prospectus.

AASB	Australian Accounting Standards Board.
Acquisitions	MCS Acquisition and Intiga Acquisition.
Acquisition Agreements	The MCS Acquisition Agreement and the Intiga Acquisition Agreement.
Acquisition Resolutions	Has the meaning given in Section 6.1(b)(ii).
Application Forms	The Public Offer Application Form, the Vendor Offer Application Form and the Facilitator Application Form.
Applicant	A person who submits a Public Offer Application Form, a Vendor Offer Application Form or a Facilitator Application Form (as the case may be).
Application	A valid application for Shares under the Public Offer, the Vendor Offers, or the Facilitator Offer (as the case may be) made pursuant to an Application Form.
Application Monies	Application monies for Shares under the Public Offer received and banked by the Company.
ASIC	Australian Securities and Investments Commission.
ASX	Australian Securities Exchange Limited ACN 008 624 691 or, where the context requires, the financial market operated by it.
ASX Settlement Operating Rules	ASX Settlement Operating Rules of ASX Settlement Pty Ltd ABN 49 008 504 532.
Board	The board of Directors from time to time.
Cash Consideration	Has the meaning given in Section 6.1(a)(i).
CEO	Has the meaning given in Section 4.3(a).
CHESS	Has the meaning given in Section 1.18.
Closing Date	The closing date of the Offers detailed in the Indicative Timetable.
Company	Red Gum Resources Limited ACN 119 641 986.

Completion	Completion of the Acquisitions.
Conditions	Has the meaning given in Section 6.1(b).
Consideration Shares	Has the meaning given in Section 6.1(a).
Constitution	The constitution of the Company.
COO	Has the meaning given in Section 4.3(b).
Corporations Act	<i>Corporations Act 2001</i> (Cth).
Defaulting Party	Has the meaning given in Section 6.1(j).
Deferred Consideration Shares	Has the meaning given in Section 6.1(a)(iii).
Directors	The Directors of the Company.
Eligible Employees	Has the meaning given in Section 8.3(b)(i).
Employee Option	An Option under the Employee Option Plan.
Employee Option Plan	The employee option plan a summary of which is set out in Section 8.3.
End Date	30 November 2015.
Executives	An executive of the Company from time to time.
Executive Share Plan	The executive share plan a summary of which is set out in Section 8.2.
Facilitator	Risely Resources Pty Ltd ACN 147 700 052.
Facilitator Shares	8,000,000 Shares issued to the Facilitator.
Financial Milestone	Has the meaning given in Section 6.1(a)(iii).
General Meeting	The general meeting of the Company to be held at Level 31 Central Park, 152-158 St Georges Terrace, Perth, Western Australia on 28 October 2015 at 10:30am.
Group	The Company and each of its subsidiaries.
GST	Goods and Services Tax.
Guards' Entitlements	Has the meaning given in Section 6.1(d).
Guards' Entitlement Thresholds	Has the meaning given in Section 6.1(d).

IASB	International Accounting Standards Board.
Indicative Timetable	The indicative timetable for the Offers on page 8 of this Prospectus.
Intiga	John Boardman Pty Ltd, trading as 'Intiga Security' ABN 62 147 925 559.
Intiga Acquisition	Acquisition of all of the shares in Intiga pursuant to the Intiga Acquisition Agreement
Intiga Acquisition Agreement	Share sale agreement dated 23 September 2015 between Intiga and the Company.
Intiga Business	Security business carried on by Intiga.
Intiga Offer	Has the meaning given in Section 1.2.
Intiga Reconciliation Accounts	Has the meaning given in Section 6.1(h).
Intiga Retained Cash	Has the meaning given in Section 6.1(g).
Investigating Accountant	Stantons International Securities Pty Ltd.
Investigating Accountant's Report	The Investigating Accountant's report in Section 5.
Investment Overview	The investment overview in respect of the Company commencing on page 9 of this Prospectus.
La Negra Project	The La Negra Project located in Chile.
Lead Manager Mandate	Has the meaning given in Section 1.22.
Listing Rules	The official listing rules of ASX.
MCS	MCS Security Group Pty Ltd ACN 114 919 925.
MCS Acquisition	Acquisition of all of the shares in MCS pursuant to the MCS Acquisition Agreement
MCS Acquisition Agreement	Share sale agreement dated 23 September 2015 between MCS and the Company.
MCS Business	Security business carried on by MCS.
MCS Offer	Has the meaning given in Section 1.2.
MCS Reconciliation	Has the meaning given in Section 6.1(h).

Accounts

MCS Retained Cash	Has the meaning given in Section 6.1(f).
MCS Shareholders	Has the meaning given in Section 2.3.
Minimum Subscription	Has the meaning given in Section 1.4.
New Businesses	The MCS Business and the Intiga Business.
Non-Defaulting Party	Has the meaning given in Section 6.1(j).
NPAT	Net profit after tax.
Offers	Public Offer, the Vendor Offers and the Facilitation Offer.
Official List	The official list of ASX.
Official Quotation	Official quotation by ASX in accordance with the Listing Rules.
Opening Date	The date specified as the opening date in the Indicative Timetable.
Option	An option to acquire a Share.
Patersons	Patersons Securities Limited ACN 008 896 311 and AFSL 239 052
Privacy Statement	The privacy statement detailed on pages 4 and 5.
Proposed Director	Ms Melissa Chapman.
Prospectus	This prospectus dated 26 October 2015.
Public Offer	Has the meaning given in Section 1.1.
Public Offer Application Form	The application form attached to, or accompanying, this Prospectus.
Recommendations	Has the meaning given in Section 4.4.
Reconciliation Accounts	Has the meaning given in Section 6.1(h).
Resolutions	The resolutions that will be put to Shareholders at the General Meeting.
Restricted Securities	Has the meaning given in the Listing Rules.
Section	A section of this Prospectus.

Securities	A Share, Option or other form of security issued or granted (as the case may be) by the Company.
Share Registry	Computershare Investor Services Pty Limited ACN 078 279 277.
Shareholder	A registered holder of a Share.
Shares	Fully paid ordinary shares in the capital of the Company.
Vendor Offers	The MCS Offer and Intiga Offer.
Vendor Offer Application Form	The personalised application form provided to the MCS Shareholders and Mr John Boardman, attached to or accompanying this Prospectus, pursuant to the Vendor Offers.
WST	Western standard time, being the time in Perth, Western Australia.

INSTRUCTIONS TO COMPLETION OF THIS PUBLIC OFFER APPLICATION FORM

YOU SHOULD READ THE PROSPECTUS CAREFULLY BEFORE COMPLETING THIS PUBLIC OFFER APPLICATION FORM

Please complete all relevant sections of this Application Form using BLOCK LETTERS
The below instructions are cross-referenced to each section of the Application Form.

1 Number of Shares

Insert the number of Shares you wish to apply for in section 1. Your application must be for a minimum of 40,000 Shares and in multiples of 10,000 Shares thereafter.

2 Payment Amount

Enter into section 2 the total amount payable. Multiply the number of Shares applied for by \$0.05 – the application price per Share.

3 Name(s) in which the Shares are to be registered

Note that ONLY legal entities can hold Shares. The application must be in the name of a natural person(s), companies or other legal entities acceptable by the Company. At least one full given name and surname is required for each natural person.

CORRECT FORMS OF REGISTRABLE TITLE

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Trusts	Mr John Richard Sample <Sample Family A/C>	John Sample Family Trust
Superannuation Funds	Mr John Sample & Mrs Anne Sample <Sample Family Super A/C>	John & Anne Superannuation Fund
Partnerships	Mr John Sample & Mr Richard Sample <Sample & Son A/C>	John Sample & Son
Clubs/Unincorporated Bodies	Mr John Sample < Food Help Club A/C>	Food Help Club
Deceased Estates	Mr John Sample <Estate Late Anne Sample A/C>	Anne Sample (Deceased)

4 Postal Address

Enter into section 4 the postal address to be used for all written correspondence. Only one address can be recorded against a holding. With exception to annual reports, all communications to you from the Company will be mailed to the person(s) and address shown. Annual reports will be made available online when they are released. Should you wish to receive a hard copy of the annual report you must notify the Share Registry. You can notify any change to your communication preferences by visiting the registry website – www.computershare.com.au

5 CHESS Holders

If you are sponsored by a stockbroker or other participant and you wish to have your allocation directed into your HIN, please complete the details in section 5.

6 Email Address

As permitted under the Corporations Act, Red Gum Resources Limited will only be forwarding printed annual reports to shareholders electing to receive one. Our company annual report and company information will be available at www.redgumresources.com You may elect to receive all communications despatched by Red Gum Resources Limited electronically (where legally permissible) such as a notice of meeting, proxy form and annual report via email.

7 TFN/ABN/Exemption

If you wish to have your Tax File Number, ABN or Exemption registered against your holding, please enter the details in section 7. Collection of TFN's is authorised by taxation laws but quotation is not compulsory and it will not affect your Public Offer Application Form.

8 Cheque Details

Cheques must be drawn on an Australian branch of a financial institutional in Australian currency, made payable to **Red Gum Resources Limited** and crossed "Not Negotiable". Please complete the relevant details in section 8.

9 Contact Details

Please enter contact details where we may reach you between the hours of 9:00am and 5:00pm should we need to speak to you about your application.

