

22 January 2016

December 2015 Quarterly Activities Report

Siana Gold Project continuing to perform strongly; results from geotechnical drilling support proposed transition to underground mining as Feasibility Study update begins

Highlights

Operations – Siana Gold Project, Philippines

- 14,431 oz recovered for the quarter (September 2015 Quarter: 17,737 oz) and gold sales of 14,762 oz (September 2015 Quarter: 15,281 oz).
- FY 2016 year-to-date production is 32,168 oz.
- Reconciliation of ore tonnes and grade continues to exceed expectations.
- Ore stockpiles at Quarter-end of ~9,841 tonnes, with stockpiles as at 19 January 2016 being ~ 49,000 tonnes at ~3.2 g/t. Ore is currently being mined in good quantities from Stage 3 of the Siana open pit.
- The East pit wall material movement continues to be effectively managed with good progress being made on the remediating cut-back from surface, in parallel with internal waste stripping to access ore.

Outlook

- Forecast remains unchanged with 7-10,000 oz of gold expected to be recovered in the March 2016 Quarter in accordance with the mine plan as the Siana open pit transitions between mining ore tonnes from Stage 2 to Stage 3.
- JORC 2012 Mineral Resource estimate for the Siana Underground is expected to be completed in Q1 2016. Work has commenced on an updated Feasibility Study for the Siana Underground, targeted for completion by mid-2016, with specialist consultants Mining One Pty Ltd appointed to complete the updated study.
- Scoping Study to commence on the Mapawa LSY deposit during Q1 2016.

Exploration

- High-grade assay results received from geotechnical drill hole SMDD159 at Siana. Results reinforce the potential of the existing underground resource and will contribute to the updated Mineral Resource estimate and mine plan being completed as part of the updated Underground Feasibility Study.
- High grade assay results were also returned from hole SMDD161, a geotechnical drill-hole targeting the area under the North East pit wall. The assay results confirm the continuation of narrow high grade lenses occurring in the hanging wall of the main resource.
- Encouraging results were also received from hole SMDD158, which has intersected the potential copper mineralised margins of what appears to be an interpreted intrusive porphyry at depth, highlighting an important new exploration target for the Siana Gold Project.

Finance

- Gold sales for the Quarter of A\$23.3 M (September 2015 Quarter: A\$23.8 M).
- EBITDA from operations of A\$11.6 M (September 2015 Quarter: A\$13.1 M).
- A\$8.5 million cash balance as at 31 December 2015 (30 September 2015: A\$8.2 million).

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Figure 1: Articulated dump trucks exiting and entering the Siana open pit via the primary ramp

OVERVIEW

Red 5 Limited (ASX: RED) is pleased to report on a strong production performance at the Siana Gold Project in the Philippines during the December 2015 Quarter, with gold production capping a solid performance for the first half of the 2016 financial year.

A total of 14,431 ounces of gold was recovered for the December 2015 Quarter and taking production for the 2015 calendar year (since the restart of production in January 2015) to 55,813 ounces and for the 2016 financial year-to-date (YTD) to 32,168 ounces.

The continued strong production results reflected a solid performance by the open pit at Siana, with reconciliation of ore tonnes and grade continuing to exceed expectations and mining focusing on higher grade parts of the current open pit design.

As outlined in the September 2015 Quarterly Report, a revised open pit mining strategy has been implemented at Siana following the completion of a detailed Technical Study. The new mine plan is forecast to recover ~181,000 ounces from July 2015 at an estimated AISC of US\$740-790/oz, via a progressively staged cut-back to allow the base of the open pit to be mined to a final depth of -130RL.

The revised strategy is designed to optimise the extraction of open pit Ore Reserves over the remaining life of the open pit up to December 2017 in order to maximise cash flows, while at the same time mitigating as far as possible geotechnical risks and striving to preserve the integrity and safety of the open pit operation.

Outlook

A co-ordinated program has been developed and implemented to manage the previously reported material movement in the Eastern pit wall, including civil and geotechnical work, detailed planning and progressive execution. It is expected that this philosophy will need to continue throughout the life of the open pit.

During the Quarter, the Company appointed underground mining consultants Mining One Pty Ltd to prepare an updated Feasibility Study for the proposed transition to underground mining at Siana. This builds on the positive Underground Concept Study completed last year. The updated Feasibility Study is targeted for completion by mid-2016.

Subsequent to Quarter-end, the Company received assay results from the geotechnical drilling beneath the open pit at Siana, which have reinforced the existing underground resource and are expected to contribute to a revised Mineral Resource estimate and mine plan being completed as part of the update to the Underground Feasibility Study.

Work is also scheduled to commence during the March Quarter on a Scoping Study for the Mapawa LSY deposit, located 20 kms north of Siana, to assess its potential to provide a source of satellite ore feed for the Siana processing plant during the underground phase of operations. The Mapawa LSY Scoping Study is targeted for completion in Q2 2016.

Quarterly Gold Production – Key Statistics

Key Indicators	Unit	Mar. 15 Quarter	Jun. 15 Quarter	Sep. 15 Quarter	Dec. 15 Quarter
Mine Production					
Waste Mined (ex-pit)	BCM' 000s	230	600	482	1,088
Ore Mined	t	-	190,392	173,906	121,068
Mining Cost per tonne (ore and waste)	\$/t	11	6	4.5	4
Mill Production					
Ore Processed	t	140,222	157,941	210,572	173,601
Head Grade – Gold	g/t	3.3	2.6	3.1	3.1
Head Grade – Silver	g/t	7.0	5.3	6.4	6.1
Processing Cost per Tonne	\$/t	25	31	25	27
Recovery – Gold	%	87	83	85	85
Recovery – Silver	%	50	37	39	32
Gold Recovered	oz	12,638	11,007	17,737	14,431
Silver Recovered	oz	14,170	10,627	16,962	11,245
Gold Sold	oz	8,791	10,591	15,281	14,762
Silver Sold	oz	7,036	11,523	11,586	12,273
Average Gold Price Received	US\$/oz	1,161	1,198	1,116	1,130
Cash Operating Costs (i)	A\$/oz	528	809	612	680
Total Operating Costs (ii)	A\$/oz	982	1,242	1,083	1,144
All In Sustaining Costs (iii)	A\$/oz	1,353	1,849	1,389	1,673

- (i) Includes all site expenditure, royalties, doré shipping and refining costs, silver credits and inventory movement adjustments. Does not include actual waste stripping costs which are deferred and amortised over the life of the open pit.
- (ii) Includes Cash Operating Costs (i) plus plant and equipment depreciation and amortisation of capitalised waste stripping, pre-production mining and exploration costs.
- (iii) Includes Cash Operating Costs (i) plus actual waste mining, sustaining capital and corporate costs.

Mining Activities

Mining activities during the December 2015 Quarter were focused on completion of Stage 2, as the primary ore source and wet-season dewatering sump to -85RL; Stage 3 and the associated removal of slough material from the East wall; Stage 4 West wall waste stripping; and Stage 5, being the East wall cut-back. In addition, material suitable for delivery for Tailings Storage Facility construction was ongoing.

Reconciliations of actual ore tonnes and grade mined against the block model have continued to exceed expectations in the base of the open pit. This is considered to be a positive indication for the grade profile of the open pit over the next 18 months.

A total of 121,068 tonnes at 3.6 g/t Au of ore and 1,087,790 bank cubic metres (BCM) of waste was moved ex-pit during the Quarter. An additional 83,703 BCM of waste material, mainly relating to the East perimeter drain, was also moved during the Quarter. Revisions to the mining fleet during the Quarter aided this increased of waste material moved. The current high strip ratio is forecast to reduce to an average ~4.5:1 over the life of the open pit from July 2015 onwards, as the mine deepens and the large waste material component from the East and West wall cutbacks diminish.

Ore stockpiles at Quarter-end of ~9,841 tonnes, with stockpiles as at 19 January 2016 being ~ 49,000 tonnes at ~3.2 g/t Au as ore is currently being mined in good quantities from Stage 3 of the Siana open pit. Forecast remains unchanged with 7-10,000 oz of gold expected to be recovered in the March 2016 Quarter. This is in accordance with the mine plan as the Siana open pit transitions between mining ore tonnes from Stage 2 to Stage 3.



Figure 2: View of the Siana open pit Stage 4 West wall looking north

Eastern Pit Wall

The East pit wall material movement continues to be effectively managed with good progress being made on the remediating cut-back from surface, in parallel with internal waste stripping to access ore.

A co-ordinated program for management of the material movement in the Eastern pit wall has been developed and implemented including civil and geotechnical work, detailed planning and rational execution. It is expected that this managed and proactive approach will continue throughout the life of the open pit.

Processing

The Siana processing plant continues to perform well, with a total of 173,601 tonnes of ore processed for the Quarter (September 2015 Quarter 210,572 tonnes). The average head grade and recovery was 3.05 g/t Au and 85% respectively (September 2015 Quarter: 3.1 g/t Au and 85%).

A total of 14,431 ounces of gold was recovered for the Quarter. The average unit ore processing cost for the Quarter was A\$26.60/tonne, compared with A\$25/tonne for the September 2015 Quarter.

To take advantage of the transition between mining ore tonnes from Stage 2 to Stage 3, a planned annual maintenance of the processing plant will be undertaken during January 2016 and early February 2016 with the plant being shut-down for ~ 30 days. Planned work includes:

- Jaw Crusher – a new concrete foundation to be constructed;
- Auto Sampler – installation of a new Auto Sampler to monitor the tails quality and subsequently improve gold recovery;
- SAG Mill – complete rubber reline, the first in the life of the Process Plant;
- SAG Mill - upgrade the three lubricating oil pumps;
- Rubber Lining – renew rubber lining of various cyclone parts, spools, and CIL tank agitator blades;
- CIL Tanks – drain, clean and inspect CIL tanks;
- Powerhouse – carry out routine 8,000 hour maintenance on all engines and generators.

Tailings Storage Facilities

A planned tailings storage solution has been implemented for the Siana Gold Project. This involved the construction of a High Density Poly Ethylene (HDPE) lined Tailings Storage Facility (HDPE TSF5) for additional storage capacity and strength. This facility was successfully commissioned early in 2015 with all three TSFs (3, 4 and 5) available for the deposition of tails.

During the Quarter, construction of TSF3 Stage 2 was completed, with sign-off by Knight Piésold Consulting that construction has been accomplished to the approved design and technical standards.

Planning continued during the Quarter for additional long-term storage capacity. Concept designs have been completed and a preferred optimal location has been selected. Sterilisation works to the selected location are scheduled to commence in late January 2016. International consultants AECOM continued their work during the Quarter and have commenced preparation of the required statutory Environmental Performance Report and Management Plan (EPRMP). Proposals have been received from consultants for the geotechnical investigations and detailed designs and are currently being evaluated.

Dewatering

Five scoping holes were completed during the Quarter aimed at evaluating the lithology and understanding the ground conditions for future dewatering holes along the west and southwest wall of the Siana open pit. All holes were completed as monitoring installations for hydrological purposes and geo-technically logged.

Two holes were drilled in proximity to the possible location of the underground access decline and will also be assessed for geotechnical purposes.

Results from these scoping holes were as expected, generally confirming the previously identified geotechnical and hydrogeological conditions.

Future Development Strategy – Siana Underground Feasibility Study

Following the positive results from the Underground Concept Study completed during the September 2015 Quarter, underground mining consultants Mining One Pty Ltd have been commissioned to complete an updated Feasibility Study for the proposed underground mine development at Siana. Work on the updated Underground Feasibility Study is now underway and is expected to be completed by mid-2016.

A specialist Underground Project Engineer/Manager will be appointed to oversee the remainder of the Feasibility Study work, together with other subsequent preparatory activities for the underground operation. Applications for this position have been very strong and initial interviews have been conducted, with the Company expecting to make a formal appointment in February 2016.

A JORC 2012 Mineral Resource estimate for the underground deposit at Siana expected to be released during the March 2016 Quarter.

The underground development is targeted to commence 2H CY2016 and is expected to be funded from internal cash flow.



Figure 3: View of the Siana open pit Stage 4 West wall highlighting the estimated position of the planned U/G portal

Future Development Strategy – Mapawa LSY deposit

A maiden JORC 2012 Mineral Resource estimate has been reported for the Mapawa LSY deposit, a strategic development and growth opportunity located 20km north of Siana in the Surigao del Norte region.

The resource, which was independently estimated by geological consultants Optiro Pty Ltd with the reported figures below based on a 0.7 g/t gold cut-off (the same cut-off used at the Siana Gold Project), comprises:

- Indicated Resource 3.3Mt grading 1.0g/t gold for 103,000 contained ounces
- Inferred Resource 5.5Mt grading 1.0g/t gold for 185,000 contained ounces

• **Total Mineral Resource 8.8Mt grading 1.0g/t gold for 289,000 contained ounces**

The Company is now preparing to commence a Scoping Study for the Mapawa LSY deposit to assess its potential to provide a source of satellite ore feed for the Siana processing plant. This Scoping Study is planned to commence in February 2016 and is targeted for completion in Q2 2016. Specialist consultants, Mining One Pty Ltd will complete the Scoping Study.

Exploration

Geotechnical Drilling

Assay analysis of diamond drill core from geotechnical drilling returned positive results that support the proposed transition to underground mining, as well as providing a new exploration target.

The geotechnical drilling was completed to gain further understanding of the rock lithology and material strength of the rock mass within the shear zone (East wall structural corridor) exposed in the East wall of the Siana pit.

The geotechnical holes were also designed to test the shear zone and its contacts for any Siana-style gold mineralisation existing within or adjacent to the structural corridor.

Hole SMDD159, which was drilled into the north-east pit wall at Siana, returned a number of significant high-grade assay results, as shown in Table 1 below:

Table 1: Significant Gold Assays for Hole SMDD159

From (m)	To (m)	Depth below surface (m)	Length (m)	Gold (g/t)	Comments
265.0	285.0	125	20.0	1.3	Includes 1m @ 5.21 g/t Au and 3m @ 2.16 g/t
296.0	299.0	140	3.0	2.2	Includes 1.3 m @ 4.3 g/t
343.0	347.0	165	4.0	3.3	Includes 0.4m @ 17.5 g/t
425.0	427.3	210	2.3	1.4	
431.9	445.0	220	13.1	1.3	Includes 1.1m @ 5.2 g/t
461.0	471.0	230	10.00	5.4	Includes 1m @ 27.8g/t, 1m @ 8.4 g/t and 1m @ 11.7g/t
478.0	483.0	240	5.00	35.9	Includes 1m @ 173 g/t
494.1	495.0	250	0.90	12.1	

Note that due to the shallow intercept angle to the near-vertical mineralisation of hole SMDD159 the lengths quoted are near to true width. No grade cuts have been applied.

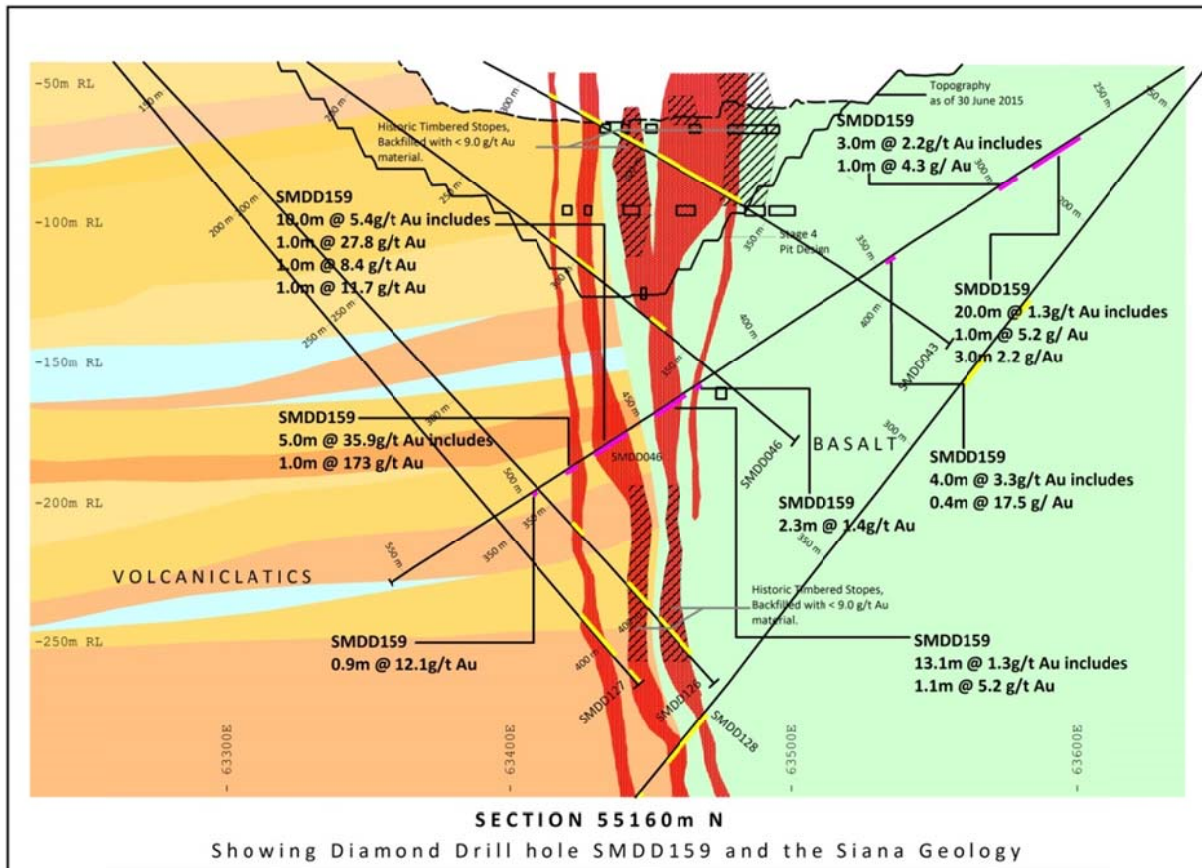


Figure 4: showing the cross-section of SMDD159 through section 55160mN (+/-10m), with mineralisation lenses based on a nominal 2g/t gold cut-off

The results from SMDD159 support the existing underground Mineral Resource model for the Siana Gold Project and also reinforce the results of the original Underground Feasibility Study completed in 2009, which highlighted the potential to extract resources below the -130RL level (see ASX Announcement dated 24 September 2015).

The assay data will feed into the revised underground Mineral Resource estimate and mine plan being completed as part of the updated Siana Underground Feasibility Study, which is targeted for completion during 2016.

In addition, geotechnical hole SMDD158 also provided encouraging assay results, returning a zone of anomalous copper mineralisation (chalcopyrite) and alteration grading 0.6m @ 0.38% Cu which may represent the outer margin of a copper mineralised porphyry at depth.

While still at a very early stage, the identification of a potential porphyry at depth at Siana is considered encouraging, as it may represent the source of the epithermal gold mineralisation currently being mined from the Siana open pit, as well as additional undiscovered shoots of epithermal gold in the near-mine environment.

The interpreted position of the potential porphyry is located beneath limestone, basalt and andesitic cover. However it corresponds with an area previously considered likely to host an intrusive based on early geophysical and geochemical anomalies and a topographic circular feature. Additional exploration work is planned to further test the copper and gold potential of this target and any additional associated epithermal shoots.

Full details of the Company's exploration results are available in the Company's ASX Announcement dated 11 January 2016.

Regional

Geochemical sampling, stream sediment and float sampling and geological mapping covering the area north east and to the south of the Siana open pit was conducted during the quarter. The work covers the exploration targets previously identified. From this work key structural corridors have been identified and mapped. To date elevated gold assays from the sampling have also been identified. This program will be used to develop drill targets for potential gold mineralisation.

ISO Accreditation

During the Quarter the Company obtained accreditation for ISO 14001: Environmental Management System. This is in compliance of the Philippines Department of Environment and Natural Resources (DENR) requirement for all mining contractors.

In addition to ISO 14001, the Company has also obtained formal accreditation for ISO 9001: Quality Management Systems and OHSAS 18001: Occupational Health and Safety Management Systems.

Financial

Gold sales for the Quarter totalled A\$23.3 million (September 2015 Quarter: A\$23.8 million) from the sale of 14,762 ounces (September 2015 Quarter: 15,281 ounces) at an average received price of US\$1,130 per ounce (June 2015 Quarter: US\$1,116 per ounce).

The total operating cost for the quarter (including depreciation and amortisation charges) was A\$1,144 per ounce. This was slightly higher than the September 2015 Quarter (A\$1,083 per ounce). The AISC for the quarter reflects the large waste component moved from both the East and West wall cut backs and is forecast to reduce in line with the reduction of the strip ratio in future months. From July 2015 the AISC average for the life of the open pit is estimated at US\$740-790/oz.

The Siana operation generated EBITDA of A\$11.6 million for the Quarter with net earnings of A\$4.7 million. The consolidated cash position as at the end of December 2015 was A\$8.5 million (September 2015 Quarter: A\$8.2 million). As at 19 January 2016, the cash position was A\$9.9 million.

Financial Summary	Mar 2015 A\$M	Jun 2015 A\$M	Sep 2015 A\$M	Dec 2015 A\$M
Sale proceeds	12.0	15.4	23.8	23.3
Operating costs/care and maintenance	(5.0)	(8.6)	(9.6)	(10.5)
Philippine and Australian corporate costs	(1.1)	(1.1)	(1.1)	(1.2)
EBITDA	5.9	5.7	13.1	11.6
Depreciation and amortisation	(4.0)	(4.6)	(7.2)	(6.8)
Net earnings/(loss) from operations	1.9	1.2	5.9	4.7
Capital expenditure				
Plant/equipment/development	7.0	10.8	11.4	14.1

ENDS

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About Red 5 Limited

Red 5 Limited (ASX: RED) through its associated Philippine company Greenstone Resources Corporation is a gold producer which operates the Siana Gold Project, located in the established gold mining region of Surigao del Norte in the Philippines. This richly endowed region hosts epithermal gold systems and porphyry copper-gold deposits.

The Siana Gold Project re-commenced operations in January 2015 following the redevelopment of tailings storage capacity and is now focused on steady-state gold production and laying the foundations for the Company's future growth. The Company is focusing on the following key areas to create value for shareholders:

- **Reliable production** – to progress a steady and methodical ramp-up of operations at Siana based on achievable targets;
- **Technical strength** – to implement high standards across all aspects of the business, including mining, processing, the management of the Tailings Storage Facility (TSF) and the pit wall cut-backs; and
- **Growth** – to begin laying the foundations for the Company's future growth by finalising its long-term mining plans for the open pit and future underground mines, and by recommencing exploration activities to grow its resource and reserve inventory and unlock the potential of its highly prospective exploration portfolio.

Tenement Schedule

Project	Tenement number	Registered holder	Equity interest	
			Red 5 group	Other
Philippines Siana gold project	MPSA 184-2002-XIII	Greenstone	40%	SHIC 60%
	APSA 46-XIII	Greenstone	40%	SHIC 60%
Mapawa gold project	MPSA 280-2009-XIII	Greenstone	40%	SHIC 60%
Western Australia Montague	ML57/429, ML57/485, EL57/793		25% free carried	

No interests in mining tenements or farm-in or farm-out agreements were acquired or disposed of during the quarter.

Abbreviations

Greenstone: Greenstone Resources Corporation
SHIC: Surigao Holdings and Investments Corporation
MPSA: Mineral Production Sharing Agreement
APSA: Application for MPSA
ML: Mining Lease
EL: Exploration Licence

Competent Person Statements for JORC 2012 Exploration Results and Mineral Resource

The information in this report that relates to the Exploration Results at the Siana Open Operations is extracted from the report titled *High grade intersections from geotechnical drilling at Siana*, dated 11 January 2016 and is available on the ASX web-site. The information in this report that relates to the Mineral Resources at the Mapawa Project is extracted from the report titled *Maiden 289,000oz Gold Resource for Mapawa LSY Deposit*, dated 21 October 2015 and is available on the ASX web-site. Red 5 Limited confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and that all material assumptions and technical parameters underpinning the estimates in the relevant market announcements continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Persons' findings are presented have not been materially modified from the original market announcements.

Production forecast

The ore reserves underpinning the production forecast in this report are probable ore reserves and have been prepared by a competent person in accordance with the requirements of JORC 2012.

Forward-Looking Statements

Certain statements made during or in connection with this statement contain or comprise certain forward-looking statements regarding Red 5's Mineral Resources and Reserves, exploration operations, project development operations, production rates, life of mine, projected cash flow, capital expenditure, operating costs and other economic performance and financial condition as well as general market outlook. Although Red 5 believes that the expectations reflected in such forward-looking statements are reasonable, such expectations are only predictions and are subject to inherent risks and uncertainties which could cause actual values, results, performance or achievements to differ materially from those expressed, implied or projected in any forward looking statements and no assurance can be given that such expectations will prove to have been correct. Accordingly, results could differ materially from those set out in the forward-looking statements as a result of, among other factors, changes in economic and market conditions, delays or changes in project development, success of business and operating initiatives, changes in the regulatory environment and other government actions, fluctuations in metals prices and exchange rates and business and operational risk management. Except for statutory liability which cannot be excluded, each of Red 5, its officers, employees and advisors expressly disclaim any responsibility for the accuracy or completeness of the material contained in this statement and excludes all liability whatsoever (including in negligence) for any loss or damage which may be suffered by any person as a consequence of any information in this statement or any error or omission. Red 5 undertakes no obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after today's date or to reflect the occurrence of unanticipated events other than required by the Corporations Act and ASX Listing Rules. Accordingly you should not place undue reliance on any forward looking statement.