

## June 2017 Quarterly Activities Report

### Finance and Corporate

- Royalty payment of \$0.5M received during the Quarter from Galaxy Resources (ASX: GXY) for production from the Mt Cattlin spodumene mine in WA for the December 2016 and March 2017 quarters.
- Gold shipments valued at A\$4.8M were made in July 2017 from gold recovered from the processing of medium-low grade stockpiles, which commenced during May 2017. A further, smaller shipment is expected within the September Quarter.
- The Group's cash balance, including refined gold held in the metal account, following a shipment in July 2017, as at 24 July 2017 was A\$16.0M.
- Red 5 is continuing to actively progress potential new corporate opportunities.

### Operations – Siana Gold Project, Philippines

- Open pit mining activities were suspended at the Siana Gold Project in April 2017 as a result of ongoing uncertainty regarding regulatory and government mining policy in the Philippines.
- Processing of existing medium-to-low grade ore stockpiles was undertaken to maximise the use of existing tailings storage capacity and the existing stock of reagents, resulting in the recovery of 3,543 ounces of gold for the Quarter. Processing continued until mid-July 2017.
- Ore stockpiles at Quarter-end totalled 181,344 tonnes at 0.94 g/t Au.
- The Group will continue to maintain environmental and regulatory compliance at the Siana Gold Project during the period of suspension and perform core activities including community relations activities and de-watering of the open pit.

### Siana Underground Development

- Combined underground development reached 445 metres.
- Incline development from Portal 3 joined with the main Portal 1 decline.
- Construction of important surface infrastructure including the bulk emulsion depot, batching plant and heavy vehicle workshop was completed.
- Underground development work was suspended in May 2017.
- Ongoing work identified opportunities to enhance the financial outcomes of the proposed underground mine.

## OVERVIEW

On 18 April 2017, Red 5's Philippine-affiliated company, Greenstone Resources Corporation, advised the Philippines Mines and Geosciences Bureau (MGB) that mining operations at the Siana Gold Project would be suspended with immediate effect. This decision was made as a result of:

- The operational impact which the ongoing uncertainty regarding regulatory and government mining policy in the Philippines has had on the Group's operations; and
- The Group's assessment of the likely resulting changes to open pit operations after taking into account the delay in the approval of the Environmental Compliance Certificate amendment for the long-term Tailings Storage Facility (TSF) and other mining challenges referred to in previous announcements.

The Group will continue to closely monitor political developments in the Philippines, particularly following the recent appointment of Mr Roy Cimatu as the new Acting Secretary of the Department of Environment and Natural Resources (DENR). Red 5 notes that there have been no material developments during the Quarter with the processing of the Environmental Compliance Certificate (ECC) amendment for the long-term Tailings Storage Facility (TSF).

It has been reported that the declaration of martial law by the Philippines' President on the island of Mindanao has been extended until 31 December 2017. This was in response to continuing rebel activities in Marawi City, which is located in the western part of Mindanao, approximately 370 kilometres south-west of the Siana project. These activities and the martial law declaration have not impacted on the Siana Gold Project.

## OPERATIONS

### Mining Activities

Notice was provided to the mining contractor to cease operations in April 2017 and all open pit mining activities have now been completed and non-essential mining equipment demobilised. As previously advised, during the suspension the Group will continue to maintain environmental and regulatory compliance and perform core activities including community relations activities and de-watering of the open pit.

Ore stockpiles, including low-grade material, at Quarter-end were 181,344 tonnes at 0.94 g/t Au.

Following the suspension of open pit mining activities and for cost effective operational reasons, the water level in the open pit has been allowed to rise to the -60m RL, with pumping activity continuing to maintain the pit water at this level. All portal entrances have been sealed to prevent unauthorised entry. Monitoring of geotechnical issues and pit wall stability is continuing.

Pending approval for the amendment to the Siana ECC to enable construction of a long-term TSF and in compliance with JORC 2012 reporting criteria, management has elected that an Ore Reserve statement for the Siana open pit will not be reported as at 30 June 2017. It should be noted that the underground Reserve is not impacted by the unavailability of surface tailings storage capacity, as the underground development will see tailings back-filled into the stoped-out areas. The non-reporting of an open pit Ore Reserve will not impact the reporting of the remaining Siana open pit and underground resources.

### Processing

As outlined in the March 2017 Quarterly Report, operations at the Siana processing plant were suspended in late January 2017. During the June Quarter, the Group re-commenced ore processing for a period of 10 weeks, concluding in mid-July 2017, in order to maximise cash-flow and maximise the use of the existing tailings storage capacity and the existing stock of reagents.

A total of 108,686 tonnes of ore was processed for the Quarter. The average head grade and recovery was 1.35 g/t Au and 75% respectively.

### Quarterly Gold Production – Key Statistics

Key Indicators	Unit	Sep. 16 Quarter	Dec. 16 Quarter	Mar. 17 Quarter	Jun. 17 Quarter
<b>Mine Production</b>					
Waste Mined (ex-pit)	BCM <sup>1</sup> 000s	313	563	471	-
Ore Mined	T	423,529	196,478	-	-
Mining Cost per tonne (ore and waste)	\$/t	4.5	4.09	3.81	-
<b>Mill Production</b>					
Ore Processed	T	232,154	207,695	40,926	106,686
Head Grade – Gold	g/t	2.8	3.3	2.3	1.4
Head Grade – Silver	g/t	7.3	7.9	6.5	5.1
Processing Cost per Tonne	\$/t	24	29	31	22
Recovery – Gold	%	83	83	85	75
Recovery – Silver	%	31	28	26	24
Gold Recovered	oz	17,062	18,195	2,570	3,543
Silver Recovered	oz	16,787	14,733	2,242	4,295
Gold Sold	oz	15,148	18,589	7,559	(iv)
Silver Sold	oz	19,655	18,925	7,377	(iv)
Average Gold Price Received	US\$/oz	1,339	1,194	1,266	(iv)
	A\$/oz	1,778	1,597	1,683	(iv)
Cash Operating Costs (i)	A\$/oz	650	876	1,172	(v)
Total Operating Costs (ii)	A\$/oz	1,014	1,299	1,493	(v)
All In Sustaining Costs (iii)	A\$/oz	1,035	1,076	1,293	(v)

(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.

(iv) Gold and silver recovered during the period was not sold during the Quarter.

(v) Operating and sustaining costs have not been reported as mining operations were suspended in April 2017.

#### SIANA UNDERGROUND MINE DEVELOPMENT

Underground development work was suspended in May 2017 following the completion of a one-month notice period given to the underground mining contractor, Paramina Earth Technologies Inc. (Paramina).

Paramina, a well-regarded Philippine underground mining contractor, has made good progress with the underground mine development utilising low-cost methods including hand-held rock drills and small loaders, with a peak workforce of 80 personnel.

To date, combined development of the main, escape way and ventilation declines (including sundry development) has reached approximately 445 metres. Incline development from Portal 3 broke through to join up with the main Portal 1 decline prior to the completion of activities in May 2017, marking a significant milestone in the underground development. Paramina has maintained an excellent safety record at all times.

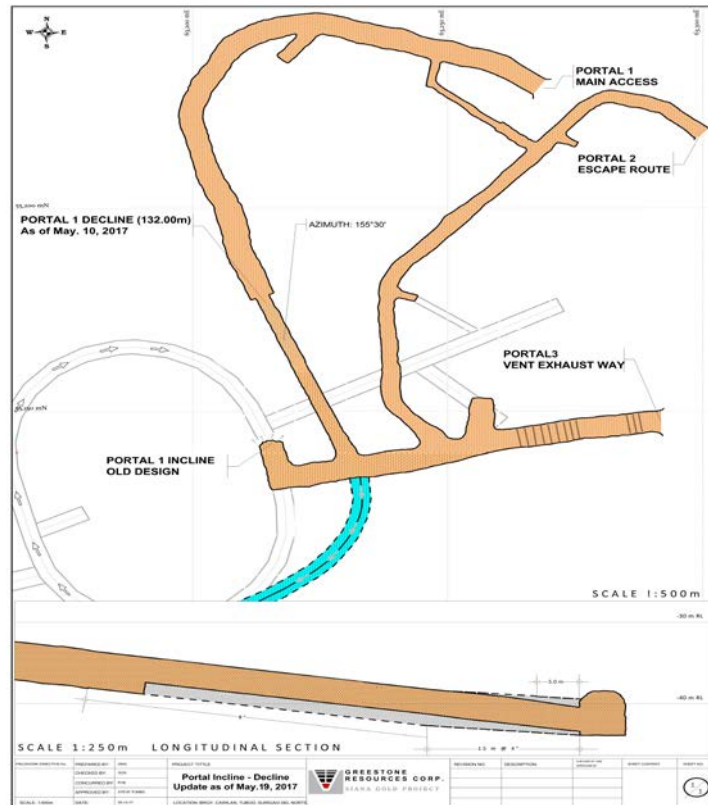


Figure 1: Siana underground mine development as at May 2017

Construction of important surface infrastructure, namely the bulk emulsion depot, underground batching plant and heavy vehicle workshop, was completed prior to the suspension of operations at Siana.



Figures 2, 3 and 4: Underground batching plant (top left), heavy vehicle workshop (top right) and bulk emulsion depot (bottom)



### Underground Mine Optimisation

In conjunction with the first phase of underground development, during the Quarter the Group also completed engineering studies which have demonstrated the potential to enhance the financial outcomes of the proposed underground mine development.

An internal review of the June 2016 Feasibility Study completed by Mining One Pty Ltd (see ASX Announcement – 14 June 2016) is ongoing, with the aim of identifying opportunities to further reduce capital and operating costs associated with the proposed underground mining operation. Results from this process have been positive, with key outcomes including:

- Forecast production remains at 504,000oz at ~60,000oz pa over an initial 8-year production mine life<sup>1</sup>;
- Forecast life-of-mine All-in Cost of ~US\$900-US\$950 per ounce (previously US\$930-US\$980) and All-in Sustaining Cost (AISC) of ~US\$790-US\$840 per ounce (previously US\$800-US\$850); and
- Updated maximum draw-down capital cost, staged over 27 months, is now estimated at US\$46 million (including US\$3.0 million contingency and US\$3.5 million already expended) compared to US\$60 million CAPEX outlined in the June 2016 Feasibility Study.

Opportunities to further reduce costs are being investigated.

### Internal Review of Feasibility Study and Qualifying Remarks

The factual basis and thus reasonableness of all key assumptions are detailed in the Feasibility Study report and subsequent internal reviews. The reduction in capital expenditure from the Feasibility Study has been achieved through the use of a local contractor for mining and infrastructure development, as well as a reduction in the contingency cost as a result of firm quotes having now been obtained.

The reduction in operating costs is based on the receipt of contractor quotes for the provision of mining services. The forecast reduction in All-in Costs is due to a combination of reductions in both capital and operating costs while the forecast reduction in AISC relates to operating costs savings.

A gold price of US\$1,200 per ounce was used and is consistent with current market trends. Productivity assumptions are based on equipment specifications and methods outlined in the relevant handbook and checked against what has been achieved at similar mines.

Summary of Key Parameters from updated Underground Financial Model		
Life of Mine (LOM) including development	Years	9
LOM Ore Mined	Mt	3.8
Maximum Plant Feed Rate	Mtpa	1.1
Average Gold Head Grade	g/t	4.6
Average Gold Recovery	%	90
Average Forecast Gold Price	US\$/oz	1,200
Forecast FX Rate	AUD:USD	0.72
Initial Capital Cost	US\$M	46
Average AISC Costs	US\$/oz	790-840

Refer to the Red 5 announcement dated 14 June 2016 for further details of the underground mine development and Feasibility Study assumptions.

<sup>1</sup> Red 5 understands that that all material assumptions underpinning the production target set out in the Red 5 announcement dated 14 June 2016 continue to apply and have not materially changed.



*Figure 5: Portal to Main Access Decline*

### **Workforce and Stakeholders**

The Group has implemented a number of significant reductions in overhead and operating costs including reductions in operating and administration personnel. Greenstone Resources continues to work closely with all local communities and Government officials in Surigao del Norte Province to minimise the impact from the decision to suspend operations and to provide support and assistance wherever possible.

The Group believes that the suspension of operations at Siana is the best way to preserve the significant inherent value of the large in-situ gold inventory and infrastructure at Siana, and to protect the Group's balance sheet and shareholders' interests. The Group believes the Siana Gold Project, including the proposed underground mining operation, represents a valuable strategic asset, and will continue to assess the potential to re-start open pit mining and/or underground development in the future as well as actively investigate all other opportunities to maximise the value of the Siana Project for shareholders.

### **EXPLORATION PROJECTS**

The Group has continued to undertake limited exploration activities on its project areas such as the Madja Prospect, located in the southern Siana tenement, as well as the Mapawa tenements in order to comply with its commitments. Refer to Appendix A for results of an initial drill program at the Madja Prospect that was terminated as a result of the suspension of mining operations at the Siana Project.

### **FINANCIAL**

After discharging the major portion of the costs associated with demobilising contractors, employee redundancies and recommencing processing, the Group's cash balance at the end of the June 2017 Quarter was A\$13.2 million (including refined gold held in the metal account). The Group's cash balance including refined gold held in the metal account following a shipment in July 2017 as at 24 July 2017 was A\$16.0 million. A further, smaller shipment is expected within the September quarter. The Group had not drawn down on its debt facility.

### **Mt Cattlin Royalty**

Red 5 owns the right to receive a royalty of \$1.50 per tonne of ore processed from the Mt Cattlin lithium-tantalum mine in Western Australia, which is owned and operated by ASX-listed Galaxy Resources Limited (ASX: GXY). Red 5 previously received an amount of \$1.7 million from Galaxy Resources for the period of May 2011 to January 2013 before the Mt Cattlin operation was placed on care and maintenance.

The Mt Cattlin mine re-commenced processing operations in 2016 and Red 5 received a payment of \$0.5 million during the Quarter, for production royalty entitlements for the December 2016 and March 2017 Quarters. Galaxy Resources has reported that 334,036 tonnes of ore were treated at Mt Cattlin for the June 2017 Quarter.

Galaxy Resources has publicly stated that it will ramp-up production at Mt Cattlin to a throughput rate of 1.6Mtpa of spodumene (lithium concentrate) and tantalum, based on a total reported resource of 16 million tonnes of spodumene and tantalum<sup>2</sup>.

The Board of Red 5 considers the right to receive the Mt Cattlin royalty as a valuable asset and is evaluating ways to maximise that value to the Group.

### **Business Development**

As advised previously, Red 5 has established a corporate team for the purpose of actively pursuing potential new corporate opportunities and that team continues to work with external consultants to this end. A number of opportunities have been identified and the Company is focused on progressing two of those opportunities, each of which the Group considers will enhance value to its shareholders.

### **Corporate**

Mr Joe Mobilia has retired as Chief Financial Officer after seven years of valued service with Red 5. The Board acknowledges Mr Mobilia's dedicated service and substantial contribution to the Red 5 Group during this period, and wishes him well in retirement.

A short-term consultancy agreement has been entered into with non-executive director Ian Macpherson to provide financial advisory and corporate support services to Red 5 for a period of six months at the rate of \$1,200 per day for a commitment of two days per week.

Mr John Tasovac has been appointed as Chief Financial Officer of Red 5, effective from 15 August 2017. Mr Tasovac is an accomplished senior finance and commercial executive with over 20 years' experience in all aspects of operational, strategic, commercial and financial management in resources in Australia, South America and South-East Asia.

Commenting on Mr Tasovac's appointment, Red 5's Managing Director, Mr Mark Williams, said: "It gives me great pleasure to have John join the leadership team and assist the Company through its next stage of development."

**ENDS**

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<sup>2</sup> Refer to Galaxy Resources announcement dated 2 June 2017 and General Mining Limited announcement dated 4 August 2015 for details regarding the reserves and resources position of Mt Cattlin.

## Tenement Schedule

Project	Tenement number	Registered holder	Equity interest	
			Red 5 group	Other
<b>Philippines</b>				
Siana gold project	MPSA 184-2002-XIII APSA 46-XIII	Greenstone Greenstone	40% 40%	SHIC 60% SHIC 60%
Mapawa gold project	MPSA 280-2009-XIII	Greenstone	40%	SHIC 60%
<b>Western Australia</b>				
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*

## 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.

## Competent Person Statement for Exploration Results

The information in the report to which this statement is attached that relates to Exploration Results is based upon information compiled by Mr Byron Dumbleton, a Competent Person, who is a Member of the Australian Institute of Geoscientists (membership number 1598). Mr Dumbleton is a full-time employee of Red 5 Limited. Byron Dumbleton has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore reserves'. Byron Dumbleton consents to the inclusion in the report of matters based on his information in the form and context in which it appears.



## APPENDIX A

An initial drill program was completed at the Madja Prospect, located in the southern Siana tenement known as Alegria, to target a deep porphyry copper-gold target coincident with a magnetic high, and near-surface epithermal veins down dip from a series of small-scale artisanal workings. The locations of the drill holes are shown below:

Hole ID	Depth	Northing	Easting	RL	Azi	Dip
ALDD008	699.7	1049228	785003	277	90	-60
ALDD009	299.7	1049232	785300	277	330	-60
ALDD010	299.9	1049376	785077	303	330	-60
ALDD011	258.9	1049325	785011	296	330	-70
ALDD012	9.1	1049164	784942	235	160	-60

While no significant mineralisation was encountered, the Group considers that the porphyry copper-gold prospect at Madja warrants further exploration work. This work will be considered as part of potential future exploration programs.

Madja drilling gold assays above 0.3 g/t							
HOLEID	From (m)	To (m)	Interval (m)	Au (g/t)	Cu (ppm)	Pb (ppm)	Zn (ppm)
ALDD008	300.60	301.40	0.80	1.06	133	50	4121
ALDD008	302.35	303.35	1.00	0.46	286	30	3708
ALDD009	100.70	101.00	0.30	1.65	132	26	416
ALDD009	148.40	148.90	0.50	1.52	62	10	155
ALDD009	47.10	47.60	0.50	0.60	36	8	749
ALDD009	46.10	46.60	0.50	0.58	86	85	1070
ALDD009	141.80	142.30	0.50	0.46	7	5	146
ALDD009	53.90	54.40	0.50	0.36	773	109	15374
ALDD010	37.00	38.00	1.00	0.32	303	94	2214
ALDD011	51.50	52.00	0.50	4.94	4967	620	17532
ALDD011	63.60	63.90	0.30	0.80	901	178	898
ALDD011	52.50	52.80	0.30	0.71	28	2.5	179
ALDD011	69.80	70.30	0.50	0.63	401	121	891
ALDD011	52.80	53.10	0.30	0.50	39	2.5	172
ALDD011	70.30	70.70	0.40	0.36	912	721	4441
ALDD012	No assay conducted, hole terminated at 9.1m						