Red5Limited ABN 73 068 647 610

ASX ACTIVITIES REPORT

3 months ended 30 June 2013

Red5Limited is a publicly listed company on the ASX - ticker symbol RED

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OVERVIEW

Siana Gold Project, Philippines

Operations

- Milling ceased 25 April 2013 following tailings dam wall compromise, and has not recommenced
- Remedial works on tailings dam completed by end of May 2013 – no spill recorded
- Mine site placed on care and maintenance during May/June 2013, with 750 people effected
- Cease and Desist order issued by Mining and Geosciences Bureau to suspend milling operations on 6 June 2013.
- New operating plan formulated
- Gold shipments total 5,090 ounces
- Material movement of 591,000 bcm (25% improvement on the previous quarter)
- Mill throughput 62,384t from 25 days (double unit throughput of the previous quarter)

Finance

- Cash operating costs A$765/ounce, total operating costs A$1,154/ounce
- Cash at end of quarter A$7.6 million, down A$3.5 million in the quarter
- Principal Lender reserves position with respect to US$25 million loan

Corporate

- Company negotiates standstill agreements with earthmoving contractors and major suppliers
- Financing alternatives being actively pursued
- Company shares voluntarily suspended on the ASX Limited

Post period end

- Standstill with Principal lender negotiated for 60 days expiring 15 September 2013
- Prospectus for non-renounceable issue to raise minimum $35 million at 35 cents per share released 19 July 2013

Steve Norregaard
Managing Director
31 July 2013

CHAIRMAN'S AND MANAGING DIRECTOR'S REVIEW

The events of 25 April 2013 have been well documented. During a routine inspection of the tailings dam wall perimeter a small soil disturbance was detected. In keeping with conservative practice the milling operations was immediately suspended and supernatant water from the surface of the dam was removed. The regulatory authorities and local communities were immediately advised.

Within twenty days the risk of any failure was mitigated. This involved building a 900 metre long containment bund and a river diversion with the old river course back filled. Part of the area within the bund was purchased. The tailings dam is now on care and maintenance requiring only a rock capping to complete the closure obligations.

For absolute clarity, there was and has been no tailings spill. However, the process plant will remain off-line until a new facility is in place.

Attention then turned to the establishment of a facility to allow operations to recommence. This involved substantial test work and engineering design. The final recommended solution is described in detail later in the report. With the inevitable delay before operations can recommence, the mine site was placed on care and maintenance. This necessitated standstill arrangements with, in particular, the earthmoving contractors and other suppliers. The site workforce and Manila office staff numbers were dramatically reduced. The only major activity on site remains the pit dewatering which in turn necessitates the operation of one of the diesel generating sets. The carbon in the process circuit was fully stripped to recover the remaining gold inventory.

This event was a great disappointment to all concerned, even more so because the operation for the first time was meeting and, in some cases exceeding forecast under the guidance of the new Managing Director. The new earthmoving contractor, under management direction from Red5 was achieving three times the previous material movement rate. The in-pit dewatering system and associated motor control centre and piping reticulation had also been moved to its final and permanent location. The process plant was operating at double the previous throughput and the last weekly gold pour was the heaviest to date. The recently expanded ROM pad, at 43,600 tonnes was full. The intermediate conveyor had been upgraded to an apron feeder and the down-comers installed in the carbon-in-leach tanks. Further initiatives were also scheduled in the process plant.

With the plant off-line for thirteen weeks and therefore no income, and at a time when remediation work and test work and, care and maintenance activity was initiated or on-going, the balance sheet came under pressure. We have been in constant discussion with numerous corporates, investment banks and our senior lender and shareholders. No corporate or financing transaction to re-instate the operations is off the table.

However, the changing investment landscape which has seen gold decline by US$150 per ounce and up to US$300 per ounce since the cessation of operations has seen a very conservative approach by all interested parties. The gold price decline has been mirrored by gold equity performance with some indices now down 40% this calendar year which has led in some cases to significant resource fund redemptions.

Shareholders would be cognisant of the non-renounceable rights issue prospectus launched mid-July 2013. This required extensive negotiation with our senior lender to achieve a temporary standstill, noting that the first capital and interest repayment on the US$25 million loan is due today.

Whilst the equity issue is not the preferred outcome for many shareholders it does achieve a focal point given that remaining funds are rapidly declining. The Company continues to engage with corporates, private equity groups and potential cornerstone investors and as such the prospectus could be modified or even withdrawn should there be a material change in circumstances.

Colin G Jackson – *Chairman,* and
Steve Norregaard – *Managing Director*

PRODUCTION COST SUMMARY

Total operating costs for the quarter was A$7.8 million of which A$4.9 million was related to care and maintenance costs incurred during the months of May and June 2013.

Cash costs per ounce based on April gold sales and costs were A$765/oz and total production costs (including depreciation and amortisation) was A$1,154/oz.

No gold was produced in May and June 2013, however 1,294 ounces of gold recovered from in-circuit stocks was sold in May 2013.

	Quarter ending			
	Mar 2013		** Jun 2013*	
	A$m	*A$/oz*	*A$m*	*A$/oz*
Mining Costs	0.56	96	0.28	74
Processing Costs	3.82	650	1.33	351
G&A Costs	2.01	342	0.60	157
Other Costs	0.37	63	0.90	238
Silver Credits	(0.41)	(70)	(0.21)	(55)
Care and Maintenance Costs			4.91	
Cash Operating Costs	**6.35**	**1,081**	**7.82**	**765**
Depreciation	0.37	62	0.24	64
Amortisation	1.98	338	1.23	325
Care and Maintenance Costs			0.75	
Depreciation and Amortisation	**2.35**	**400**	**2.22**	**389**
Total Costs	**8.70**	**1,481**	**10.04**	**1,154**

* *the costs per ounce relate only to the month of April 2013 as the mine was under care and maintenance during the months of May 2013 and June 2013.*

QUARTERLY PRODUCTION SUMMARY

Production statistics for the June quarter relate mainly to April 2013 during which the Company recorded its highest material movement and processed tonnes since the start of the project.

Mining during May 2013 totaled 24,179 tonnes of ore and 522,245 tonnes of waste. The waste was mainly used for the tailings dam remedial works.

		Quarter ending	
Key Indicators	***Units***	***Mar 2013***	**** Jun 2013***
Mine Production			
Waste Mined	*BCM '000s*	429	555
Ore Mined	*t*	110,546	94,453
Mining cost per tonne	*$/t*	5.11	4.01

		Quarter ending	
Key Indicators	***Units***	***Mar 2013***	**** Jun 2013***
Mill Production			
Ore Processed	*t*	106,200	62,384
Head Grade - Gold	*g/t*	2.5	2.3
Head Grade - Silver	*g/t*	10.5	11.4
Processing cost per tonne	*$/t*	35.95	21.37
Recovery - Gold	*%*	74	68
Recovery - Silver	*%*	47	37
Gold Recovered	*oz*	6,375	3,169
Silver Recovered	*oz*	17,318	8,564
Gold Sold	*oz*	5,875	5,090
Silver Sold	*oz*	14,468	12,389
Average Gold Price received	*US$/oz*	1,628	1,426
Cash Operating Costs *(i)*	*A$/oz*	1,081	765
Total Operating Costs *(ii)*	*A$/oz*	1,481	1,154

* *The mine was on Care and Maintenance during May and June 2013*

(i) Includes all site expenditure, royalties, dore shipping & 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 all cash operating costs plus plant & equipment depreciation and amortisation of waste stripping costs and capitalised pre production mining and exploration costs.

FINANCIAL SUMMARY

	Quarter ending	
	Mar 2013	**** Jun 2013***
	A$m	*A$m*
Sales Proceeds	9.2	7.3
Cost of Sales	(6.3)	(2.9)
Care and Maintenance Costs		(4.9)
EBITDA from Operations	2.9	(0.5)
Depreciation and Amortisation	(2.4)	(2.2)
Net Earnings from Operations	0.5	(2.8)
Philippine and Australian Corporate costs	(1.6)	(1.7)
Net Earnings/(Loss)	(1.0)	(4.4)
Capital Expenditure		
Waste Stripping Costs *(i)*	4.5	4.1
Plant and Equipment	1.5	0.6
Exploration	0.1	0.1

* *The mine was on Care and Maintenance during May and June 2013*

(i) All waste stripping costs for the period are capitalised and amortised over the life of the open pit.

TAILINGS DAM COMPROMISE AND FORWARD PLANNING

As reported, on 25 April 2013 the tailings dam developed a crack which progressively expanded to 250m in length along the axis of the wall, with a downstream vertical displacement of 3m – a classical circular failure.

Immediate actions and those completed during the following month led to preservation of the intrinsic value of the asset with no discharge of any effluent or tailings to the environment occurring.

Subsequent to the completion of the remedial works the Company received a Cease and Desist Order from the Philippines Mines and Geosciences Bureau Central office instructing the Company to cease milling operations and to no longer use the failed tailings dam. The Company has complied with the order fully and has worked with the various regulatory bodies to have the order removed. This remains ongoing.

With the tailings dam remedial works complete to the extent needed to ensure the facility is stable, in a care and maintenance status. It has not been fully closed, with capping to ensure no risk of longer term erosion still outstanding.

The Company has devised a new operating strategy to handle tailings involving a three step process as follows:

Stage 1 – Interim small capacity lined tailings storage facility

A small lined tailings storage facility is proposed to be constructed downstream of TSF 4 to accept slurry tailings for a period of approximately 4 months. The facility is proposed to be lined with a plastic liner to avoid the potential for saturation of the underlying foundation and or the embankment, which may have been a causal contributing factor behind the TSF 4 failure. A construction and permitting timeframe of up to 3 months is anticipated.

Stage 2 – Cemented paste tailings and co-deposition with waste

Concurrent with construction of Stage 1 above the processing plant will be modified to allow for the installation of a thickener (and filter) and a cement paste plant to make a product which would allow for deposition with normal mine waste.

The paste product will be trucked from the process plant to the co-deposition area which is planned to occupy the entire footprint occupied by the current TSF4, TSF 3, and Stage 1 tailings storage facility. Location proximity to the processing plant and open pit will minimise transport costs. In particular, there will be a reduction in waste transport by 150m elevation and 1.5km laterally compared with the current operation.

The plant modifications proposed would in any case be implemented in 3 to 4 years time when the mine transitions to underground mining, as the mining method calls for paste fill to fill the mined out voids within the ore body.

The current dump location identified may have up to 6 million bcm of capacity thus it is anticipated it can accommodate 18 months to 2 years tails production as a minimum however this remains to be confirmed through test work and engineering studies currently under way.

Stage 3 – Ultimate valley style tailings storage

The long term solution for the Company involves a new dedicated facility located outside the current foot print of the mine site. An ideal site has been chosen 800m south of the open pit and preliminary estimates suggest it is readily expandable with a deemed maximum capacity of up to 25 million tonnes of tailings. Whilst this is an ideal outcome it has inherent risk from a timing perspective given it requires acquisition of land from over 100 separate landowners plus permitting and construction, all of which have a degree of uncertainty attached. The Company believes this process could be completed in 12-18 months including 6 months contingency to allow for uncertainty.

COMPETENT PERSON DECLARATION

The information in this Public Report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on, and accurately reflects, information compiled by Mr Rohan D Williams who is a full-time employee of Red 5 Limited and is a Member of The Australasian Institute of Mining and Metallurgy. Mr Williams has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code). Mr Williams consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

CORPORATE INFORMATION

Directors and Executive Management

Colin Jackson *(Chairman)*
Steve Norregaard *(Managing Director)*
Kevin Dundo *(Non-executive Director)*
Mark Milazzo *(Non-executive Director)*

Joe Mobilia *(Chief Financial Officer)*
Rohan Williams *(Group Exploration)*
Frank Campagna *(Company Secretary)*
Lolot Manigsaca *(Philippines Finance)*

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Stock Exchange Listing

Australian Stock Exchange
Ticker Symbol: RED

Issued Capital

Issued capital – 135,488,008 shares
Unlisted options – 220,000

Share Price

$0.62 (at date of suspension)

Substantial Shareholders

Baker Steel Capital Managers 8.6%
Van Eck Associates 8.1%
Franklin Resources Inc. 6.6%

Shareholder Enquiries

Matters related to shares held, change of address and tax file numbers should be directed to:

Securities Transfer Registrar
770 Canning Hwy Applecross WA 6153
Telephone: +61 8 9315 2333
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