

19 January 2017

Revised Operational Strategy, Open Pit Mine Plan and Operations Update for Siana Gold Project, Philippines

Red 5 Limited (ASX: RED) advises that a revised operational strategy and open pit mine plan is to be implemented for the Siana Gold Project in the Philippines in response to the delay in obtaining regulatory approval for amendments to the Environmental Compliance Certificate (ECC) required to enable construction of a long-term Tailings Storage Facility (TSF) for the open pit operation.

Greenstone Resources Corporation (Red 5's Philippine affiliated company) submitted an application for an amendment to the ECC in July 2016. However, over the past six months the Philippines Department of Environment and Natural Resources' (DENR) focus has been on completing its audit of operating mining companies in the Philippines. Greenstone Resources Corporation successfully completed its audit review as part of this process in July and August 2016 and was cleared to continue operations at Siana.

On 11 January 2017, Greenstone Resources Corporation was informed that the Mines and Geosciences Bureau (MGB) had recommended to the Environmental Management Bureau that the requested ECC amendment be processed.

As previously announced, the existing TSF facilities can accommodate the operational needs of the open pit until the end of the March 2017 Quarter with the original objective being to commence construction of the new long-term TSF by January 2017, subject to the receipt of the required regulatory approvals.

Due to the uncertainty arising from the regulatory delays, the Siana processing plant will be temporarily placed on standby by the end of January 2017.

The Group remains in a sound financial position with a strong cash balance of approximately A\$30 million (including gold doré in the metal account) and no drawn debt facility as at 31 December 2016. This provides a strong working capital position to fund business activities throughout the plant standby period. Reductions in overhead and operating costs are also planned that include but are not limited to a temporary suspension of some personnel requirements pending the recommencement of milling operations.

Revised Open Pit Mine Plan

In light of the regulatory delay and previously reported pit wall stability concerns in the open pit, a revised mining strategy for the Siana open pit is to be implemented. The revised strategy will see an extension of the East wall cut-back which is designed to optimise remaining open pit gold production and cash flows while minimising operational risks and regulatory uncertainties.

As a result of the implementation of the new mine plan and the temporary suspension of processing from later this month, gold sales for the March 2017 Quarter are forecast to be in the range of 5,000 - 7,000 ounces.

Subject to the receipt of ECC amendment approval and obtaining access to higher-grade ore from the Eastern section of the open pit, the Siana processing plant is expected to re-commence processing ore in the June 2017 Quarter, with a further 55,000 - 60,000 ounces expected to be processed from the open pit up to the end of the current calendar year at a forecast All-In Sustaining Cost (AISC) in the range of US\$700 to US\$760 per ounce.

This will enable the Group to target a further strong build-up in its cash position in the second half of 2017 to underpin its long-term objective of achieving the staged development of a long-term underground mining operation at Siana.

Mining of the Siana open pit is expected to be completed by around November 2017, which remains broadly in line with the Group's original timetable. Technical studies are underway to assess the potential to extract a portion of the remaining open pit Mineral Resources and Ore Reserves from the future underground mining operation. In the event that such technical studies indicate a material change to the Mineral Resources and Ore Reserves of the Siana open pit and Siana underground deposits, Red 5 will update its Reserves and Resources position as required.

Operations Update, Underground Development and Outlook

The strong operational performance of the Siana Gold Project continued throughout the December 2016 Quarter, with 18,195 ounces of gold recovered for the Quarter. This takes production for the first half of FY2017 to 35,257 ounces.

The All-In Sustaining Cost for the Quarter was A\$1,077 per ounce sold, compared to A\$1,035 per ounce in the previous quarter.

Development of the Siana underground operation has progressed well to date, with the advancement of the main and ventilation portals reaching a combined 100 metres at the end of December 2016. Construction of the bulk emulsion depot and concrete batching plant was completed in December 2016, with the heavy vehicle workshop to be completed by the end of January 2017. The acquisition of three additional second-hand Caterpillar generator sets was completed during the December 2016 Quarter.

In light of the change in timing for the long-term TSF, commitments for major capital items for the underground development such as the paste-fill plant and power plant upgrades will be deferred until early 2018. Underground development will continue throughout 2017 using the lower-cost hand-held air-leg mining techniques.

Red 5 considers this to be an appropriate measure in the current circumstances to protect its balance sheet, with first underground ore planned for March 2018 and steady-state production commencing around December 2018. The deferment of major capital items will be progressively monitored and may be brought forward depending on the operational performance of the open pit and all necessary regulatory approvals being in place.

Based on the current gold price and receipt of approval for the construction of the long-term TSF within the coming months, the plan remains to fund the development of the underground operation from internally generated funding.

The Group will also take advantage of the revised operational strategy and its strong cash position to continue ongoing exploration on existing highly prospective land holdings at Siana and surrounding areas.

Targeted exploration activities are continuing in the high-priority Alegria-Madja region to the south of Siana, which is emerging as an exciting new prospect. Access tracks have been established to facilitate an initial drilling program, which commenced in December 2016 targeting gold-copper anomalies.

A major mapping program will also shortly commence at the high-priority Mapawa Block 2, where free gold samples have been located. The Group intends to spend up to \$3.6 million on exploration in this calendar year.

Corporate Update

During the second half of last calendar year, Red 5 established a corporate team for the purposes of seeking new corporate opportunities for the Company and that team has engaged external expertise to assist in that activity.

The Company is focussed on maximising the return to shareholders from its investment in the Philippines and continues to aim to provide a special return to shareholders from the open pit operations with a decision in that regard being deferred until mid-year when the processing operations are intended to re-commence. Similarly, the Board remains committed to a more permanent annual return to shareholders from the future underground operations.

Management Comment

Commenting on the updated operating strategy and mine plan, Red 5's Managing Director, Mr Mark Williams, said:

"The operations team at Siana has been working closely with management to monitor and respond quickly and effectively to a combination of emerging circumstances at the Siana open pit and the uncertainties presented by the regulatory delays impacting the start of construction of the long-term Tailings Storage Facility.

"We believe that the combination of measures to be implemented – including the revised open pit mine plan and a decision to defer for now some of the larger capital items required for the underground mine – represents the best possible way of optimising our production strategy, managing the current operational and regulatory uncertainties, and protecting our balance sheet and shareholders' interests.

"We will be working closely with the team on the ground and with the local communities to manage any impacts arising from the decision to temporarily place the processing plant on standby. We will of course also continue working closely with the DENR to expedite the approval for the tailings construction program.

"The operational strategy outlined today will allow the Group to continue to move forward with its plan to establish a long-term mining operation at Siana. Under this strategy, we will be targeting a resumption of open pit milling operations by the middle of 2017, subject to receipt of the DENR approval, with the revised mine plan set to deliver a substantial amount of recovered gold in the second half of the year."

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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 world-class 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 deliver steady and reliable production 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 open pit wall cut-backs; and
- **Growth** – laying the foundations for future growth by implementing long-term mining plans for the future underground mine, and by recommencing exploration activities to grow the resource and reserve inventory and unlock the potential of the Group’s highly prospective exploration portfolio.

Competent Person Statements for JORC 2012 Mineral Resource and Ore Reserves

The information in this report that relates to the Mineral Resource and Ore Reserves for the Siana Open Pit deposit is extracted from the report titled *Siana Gold Project – Open Pit Mining Review and Reserve Update*, dated 24 September 2015 and is available on the ASX web-site. Red 5 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.