

RED 5 STRENGTHENS PHILIPPINES PROJECT BY SECURING NEW SIANA JV PARTNER

STRATEGIC ALLIANCE WITH LEADING INVESTMENT BANK, FIRST METRO

Red 5 Limited (ASX: **RED**) has taken another important step towards its objective of becoming a significant gold mining group in the Philippines after restructuring the ownership of its **Siana Gold Project** by securing a substantial new joint venture partner and strategic alliance with First Metro, the largest investment bank in the Philippines.

The Perth-based Company said today (**Monday**) that the transaction would result in an increase in its beneficial ownership of the 1.5 million ounce Siana Project from 80% to 90%, the introduction of a well-credentialed new joint venture partner and a strategic alliance with one of the Philippines' leading financial institutions – opening the doors to future corporate and project opportunities in the country.

The announcement comes with the Philippines currently in the international spotlight as it seeks to revitalise its exploration and mining sector following the introduction of new mining laws, expected to be cleared by December this year.

A high-level delegation including the Philippine Secretary for Trade and Industry recently visited Australia for bilateral trade talks, with investment opportunities and technical cooperation in the mining sector high on the agenda. Several Australian companies are active in the Philippines – including Lafayette Mining, which last month poured first gold from the Rapu Rapu mine in Albay Province, and Indophil Resources, which is seeking to develop WMC's former Tampakan copper project in Mindanao.

Red 5 is at the advanced stages of a pre-feasibility study on the Siana Project, located in the established gold mining region of Surigao del Norte. This study is due for completion next month and is expected to lead directly to a Bankable Feasibility Study and financing program targeting a development decision during the first half of 2006.

Under the transaction announced today, Philippines-based mining investment group, Merrill Crowe Corporation, has purchased the 20% interest in the Siana Project previously held by JCG Resources (Red 5's joint venture partner to date) and on-sold, under pre-emptive rights, a 10% interest to Red 5.

The Red 5 purchase consideration to Merrill Crowe is to be satisfied by the issue of approximately 16.8 million Red 5 shares for a deemed value of US\$1.65 million. Merrill Crowe intends to retain approximately 5.6 million shares, equivalent to 2.1% of the expanded Red 5 issued capital, with the balance to be on-sold.

NM Rothschild & Sons (Australia) Limited, which was appointed financial adviser and arranger for the Siana Project in December last year, has agreed with Merrill Crowe to purchase 3.4 million shares while Red 5's major shareholder and strategic exploration partner, AngloGold Ashanti Australia Limited, has agreed to purchase a further 6.8 million shares. As a result of the transaction, AngloGold Ashanti will increase its holding in Red 5 from 12.3% to 14.1%.

In addition, Red 5 will increase its equity stake in the Siana Project to 90%, and also secure, as part of the transaction, four additional gold exploration properties in the Philippines from Merrill Crowe.

The Chairman and controlling shareholder of Merrill Crowe is Mr Jerry Angping, who is President of Philippines' leading stockbroking firm, Angping Securities, and Vice Chairman of First Metro Investment Corporation, the investment banking subsidiary of Metropolitan Bank and Trust Company of the Philippines, the country's largest banking organisation.

Red 5's Managing Director, Mr Greg Edwards, said Red 5 and First Metro Investment Corporation had agreed to form a strategic alliance to underpin their respective business activities in the Philippines, with FirstMetro to provide advice in identifying project acquisition opportunities and corporate advice, including capital raisings involving a Philippine nexus.

"This is an important strategic link for us in both areas, as we expect that additional opportunities will become available which can be pursued once we have an initial production base at Siana, and also that the Philippines capital and financial markets could play a significant role in the financing of the Siana Project development," he added.

"We have already requested that First Metro advise and assist us in investigating the merits of securing a dual listing of our securities on the Philippine Stock Exchange, to provide enhanced access to investors in this part of the world," Mr Edwards said.

Mr Edwards said the combination of increased equity in the project, a new joint venture partner and the strategic alliance with First Metro, represented substantive advances for the Siana Project ahead of the release of the pre-feasibility study next month.

Red 5 last year completed a resource drill-out of the Siana open pit deposit and has been undertaking a Pre-Feasibility Study. A two stage development is under consideration. The initial open pit is expected to have a head grade above 3g/t and a low strip ratio of approximately 2 to 1.

The Siana Project is located in close proximity to the world-class Boyongan porphyry copper-gold discovery held by Anglo American and Philex Gold in a 50/50 Joint Venture.

BACKGROUND INFORMATION

Red 5 Limited is an Australian-based gold company listed on the Australian Stock Exchange whose core asset is the Siana Gold Project in the Philippines, including the 1.5 million ounce Siana open pit project (currently subject to a pre-feasibility study).

Red 5 has been exploring Siana since December 2002, when the Joint Venture was granted a key Mineral Production Sharing Agreement (MPSA) by the Philippine Department of Environment and Natural Resources. The Company also holds an 80% beneficial interest in the nearby Mapawa Gold Project joint venture, located 18 kilometres to the north.

The Siana project is located in the established gold mining region of Surigao del Norte, in an area richly endowed with many epithermal gold systems and several known porphyry copper-gold deposits.

Surigao City, located 40 kilometres north of Siana, is a well-serviced port city with a population of 120,000 and highly developed local infrastructure.

The Siana mine has been a high-grade producer in the past, yielding some 4.9 million tonnes in total at an average grade of 6.3 g/t, including 1.6 million tonnes at 11.8 g/t from narrow vein underground development. Open pit production in the 1980s yielded 3.3 million tonnes grading 3.6 g/t prior to its premature closure following flooding after exceptional typhoon rains.

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Released by:
Jan Hope / Nicholas Read
Jan Hope & Partners
Telephone: (+61-8) 9388-1474

On behalf of:
Mr Greg Edwards
Managing Director
Red 5 Limited
Telephone: (+61-8) 9322-4455
Web: www.red5limited.com