

## 2015 Annual General Meeting Chairman's Address

While 2015 has not been without its challenges, I am pleased to say that Red 5 has delivered on its operational objectives for the year, worked hard to make the most of the opportunities in front of us and put in place many of the key foundations for growing as a low-cost gold producer in the Philippines.

Foremost amongst the many milestones achieved during the year was the completion of the construction and upgrade of the tailings storage facilities at the Siana Gold Project, together with other remedial works required to enable the resumption of processing operations which I had foreshadowed at last year's Annual General Meeting.

The new tailings storage facilities at Siana were completed on time and under budget with formal notification received from the Philippines Mines and Geoscience Bureau in early January 2015 that the Cease and Desist Order over the processing operations had been lifted. Modifications and improvements to the processing plant and other infrastructure upgrades were also successfully completed, and processing operations re-commenced at Siana in January 2015.

As part of the restart of mining and processing operations, we have put in place a highly competent operational management team. We have also made a number of other operational improvements, including rebuilding and upgrading haul roads, rebuilding the ring drainage system around the open pit to assist with water management, de-watering and upgrading settlement ponds.

Since the restart, the operation has performed well with a total of 23,645oz of gold recovered for the six months to 30 June 2015. Despite the impact of a significant material movement in the East wall of the open pit which occurred in early July 2015, a record 17,737oz of gold was recovered for the September 2015 quarter.

This performance reflects a number of key factors including the ability of our site management team, the benefits of the upgrades completed during the year as well as our mining schedule. Since the restart of mining, we have also seen a consistent over-call in terms of higher grade and increased tonnage against the open pit block model which has resulted in improved recoveries and gold production.

The Company responded quickly and effectively to the East pit wall material movement, implementing a focused management plan and mobilising the necessary expertise to undertake further geotechnical assessment of this area and devise a revised mining plan. Additional production equipment has been mobilised to counteract the impact of the material movement and endeavour to maintain the Company's production forecasts.

While geotechnical stability constraints relating to the East pit wall continue – and remain one of the principal short-term challenges facing the Siana operation, we have been able to develop a new open pit mining strategy which maps out a clear pathway for the remaining life of the open pit operations. The mining strategy was developed with input from a number of specialist consultants as part of a detailed Technical Study completed in September this year. This approach is designed to optimise the extraction of open pit Ore Reserves over the remaining life of the open pit operation up until December 2017, while mitigating as far as possible geotechnical risks and striving to preserve the integrity and safety of the open pit mine. The Board approved the revised open pit mining strategy in September, which is designed to allow the base of the open pit to be mined to a final depth of approximately 180m below surface.

While our key focus for the foreseeable future is to deliver on our production forecasts and maintain low-cost production from the open pit operations at Siana, a key to the Company's future growth and prosperity is the opportunity to transition seamlessly to a long-term underground mine.

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To this end, the Company recently received positive preliminary results from an independent Underground Concept Study completed by specialist mining consultants. This Study represents an advancement on the original Underground Feasibility Study completed in 2009. Further work is required to finalise this Study which is planned to be completed in 2016.

We have continued to adopt a conservative and cautious approach to managing our balance sheet and cash resources and we have no secured debt and no hedging. Consistent with our commitment to prudent financial management, the Company has conducted only limited and low-cost exploration activities during the year, developing exploration plans and targets and identifying opportunities for increased near-mine and regional exploration opportunities for the year ahead as circumstances allow.

However, it is important to remember that our broader tenement package represents an excellent exploration opportunity in the highly endowed mineralised Province of Surigao del Norte, in the Philippines. Unlocking the potential of this asset base and leveraging off our position with the only modern operating gold plant in the region remains a key longer-term focus for the Company.

We recently took some important initial steps in this regard with the announcement of a maiden JORC 2012 Mineral Resource estimate for the Mapawa LSY deposit – a strategic medium term development opportunity for the Company located approximately 20km north of the operating Siana Gold Project. A Scoping Study is planned to evaluate the commercial potential of the Mapawa deposit by focusing initially on the near surface resource to provide incremental mill feed to Siana during the future underground operations stage.

In conclusion, I would like to take this opportunity to thank the members of the Red 5 Board, the management team and staff, led by our Managing Director Mark Williams, for their dedication, commitment and hard work during what has been an demanding year. I would also like to thank you, our shareholders, for your continued support and patience in the current challenging market environment for resource companies.

I firmly believe that our continued focus on technical and operational capabilities, our outstanding team of people, and our highly prospective asset base in the Philippines puts Red 5 in a strong position to realise its vision of becoming a successful international gold producer and generating strong returns for our shareholders in a manner that is consistent with our vision and values.

**Kevin Dundo**  
*Chairman*

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