

# June 2015 Quarterly Activities Report

Commissioning of Siana processing plant completed; initial mining & production milestones achieved

## Highlights

### Operations – Siana Gold Project, Philippines

- June Quarter gold sales of 10,591oz (March Quarter: 8,791oz).
- 11,007oz recovered for June Quarter, taking total gold recovered for FY15 to 23,645oz.
- 600,259 BCM of waste moved ex-pit, enabling 190,392t of ore to be mined during the Quarter.
- Reconciliations of ore tonnes and grade against block model exceeded expectations.
- Recommissioning of processing plant completed with 157,941t of ore processed for the June Quarter.
- Ore stockpiles on hand at Quarter-end of ~87,000t (March Quarter: 50,000t).
- Significant progress with civil and geotechnical work in response to the material movement in the East pit wall.

### Outlook

- 11-13,000oz of gold expected to be recovered for the September 2015 Quarter.
- Technical review of the open pit mining strategy on track for completion by end of September Quarter with good progress also being made on the review of the future underground mining strategy.
- Gold production for the full year ending 30 June 2016 is estimated at 40,000 ounces.

### Exploration

- Preparations continued on a number of fronts to ramp-up near-mine and regional exploration.
- JORC resource in preparation for Mapawa Gold-Copper Project, ~20km north of Siana.

### Finance

- Gold sales for the Quarter of A\$15.4M, taking total gold sales to 30 June 2015 to A\$27.4M.
- EBITDA from operations of A\$5.7M (A\$11.6M for six months to 30 June 2015).
- A\$10 million cash balance as at 30 June 2015 (31 March 2015: A\$12.7 million).
- No gold or currency hedging.



Figure 1: Mining activities in the Siana open pit, Western wall cut-back

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## OVERVIEW

Red 5 Limited (ASX: RED) continued to make solid progress with the ramp-up of commercial gold production from its Siana Gold Project in the Philippines during the June Quarter. A total of 23,645 ounces of gold was recovered for the 2015 financial year since operations restarted at Siana in January 2015.

The mining performance to 30 June 2015 exceeded expectations with the removal of silt material from the base of the open pit completed ahead of schedule. The recommissioning of the processing plant was also completed during the Quarter with increased ore throughput achieved. The Company has responded to the material movement in the Eastern Pit Wall reported to the market on 7 July 2015. A coordinated program has been developed and implemented including civil and geotechnical work which is already well underway.

Red 5 also progressed technical studies and key activities during the Quarter including the technical review of the future open pit mining strategy for the Siana mine, which is due for completion by the end of the September 2015 Quarter and preparations for a significant ramp-up in near-mine and regional exploration activity.

### Quarterly Gold Production, FY 2015 – Key Statistics

Key Indicators	Unit	March 15 Quarter	June 15 Quarter
<b>Mine Production</b>			
Waste Mined (ex-pit)	BCM' 000s	230	600
Ore Mined	t	-	190,392
Mining Cost per tonne (ore & waste)	\$/t	11	6
<b>Mill Production</b>			
Ore Processed	t	140,222	157,941
Head Grade - Gold	g/t	3.3	2.6
Head Grade - Silver	g/t	7.0	5.3
Processing Cost per tonne	\$/t	25	31
Recovery - Gold	%	87%	83%
Recovery - Silver	%	50%	37%
Gold Recovered	oz	12,638	11,007
Silver Recovered	oz	14,170	10,627
Gold Sold	oz	8,791	10,591
Silver Sold	oz	7,036	11,523
Average Gold Price received	US\$/oz	1,161	1,198
Cash Operating Costs (i)	A\$/oz	528	809
Total Operating Costs (ii)	A\$/oz	982	1,242
All In Sustaining Costs (iii)	A\$/oz	1,353	1,849

- (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 all Cash Operating Costs (i) plus plant and equipment depreciation and amortisation of capitalised waste stripping, pre-production mining and exploration costs.
- (iii) Includes direct Cash Operating Costs (i) plus actual waste mining, sustaining capital and corporate costs.

## Mining Activities

As foreshadowed in the March Quarterly Report, mining activities during the June Quarter were predominantly focused on the removal of silt material at the bottom of the open pit which had accumulated during the care and maintenance period and the recent wet season.

This campaign was completed, with a total of 600,259 bank cubic metres (BCM) of waste material moved from the open pit (compared with 229,764 BCM in the March Quarter). By late June 2015, only minimal silt material remained – a good proportion of which contained gold grades, albeit relatively low (0.7-1.5g/t Au).

While the focus on the ongoing clean-up of the open pit floor was expected to limit ore production for the Quarter, the completion of the silt material removal was achieved earlier than expected, which allowed a larger than forecast 190,392 tonnes of ore to be mined from the base of the open pit.

Reconciliations of actual ore tonnes and grade mined against the block model also exceeded expectations, which is considered to be a positive for the operation moving forward. Mining activities continued during the Quarter as part of the Western and Southern pit wall cut-backs, which are progressing well.



*Figure 2: Mining activities at the Western wall cut-back in the Siana open pit*

A significant amount of re-handling and day works were undertaken during the June Quarter with work concentrating on upgrading the drainage systems, settlement ponds and haul roads. As a result of this work, the Company is expecting to achieve better productivity and a reduction in mine operating costs during the September Quarter.

Ore stockpiles on hand at the end of the June 2015 Quarter totalled approximately 87,000 tonnes at an average grade of 1.8g/t Au, compared with 50,000 tonnes at the end of the March Quarter. Mining activities during the September 2015 Quarter will be focused on continual ore delivery, removal of sluffed material and the construction of the East wall perimeter drain.

## Processing

The recommissioning of the Siana processing plant was completed during the Quarter with a total of 157,941 tonnes of ore processed, an increase over the March Quarter (140,222 tonnes). The average head grade and recovery was at 2.6 g/t Au and 83% respectively (March Quarter: 3.3 g/t Au and 87%). This was largely a result of mill production being sourced from lower grade ore stockpiles remaining from the previous Quarter together with silt material from the open pit. A number of initiatives are also underway or in the planning stage as part of a recovery enhancement program.

A total of 11,007 ounces of gold was recovered for the Quarter, slightly below the March Quarter (12,638 ounces), although a higher proportion (10,591 ounces) was poured and sold compared with the March Quarter (8,791 ounces). The average unit ore processing cost for the Quarter was A\$31/tonne, slightly higher than the March Quarter (A\$25/tonne) due to the lower head grade and recovery.

The Company expects to recover between 11-13,000 ounces for the September 2015 Quarter. It is expected that the East pit wall movement will have an impact on the medium term mining schedule and will include additional material to be moved from the East side of the pit. As a result estimated gold production for the full financial year is 40,000 ounces.



Figure 3: View of the Siana processing plant with thickener and CIL tank in foreground

## Tailings Storage Facilities

The Company has implemented a planned tailings storage solution at the Siana Gold Project. This involved the construction of a High Density Poly Ethylene (HDPE) lined Tailing Storage Facility (TSF5) for additional storage capacity and strength. This facility was successfully commissioned last Quarter with all three TSFs (3, 4 and 5) available for the deposition of tails.

During the Quarter, good progress was made on the construction of the TSF3 Stage 2 embankment upstream rise plus a downstream rise for the HDPE TSF5. The HDPE TSF5 Stage 2 embankment is 100 per cent complete, with over 159,000 BCM of good quality material placed to date. The liner placement is approximately 50 per cent complete and is on track to be completed under budget by the first week of August 2015. The TSF3 Stage 2 embankment is approximately 35 per cent complete with approximately 33,000 BCM of material placed to date, with this project on track to be completed by September 2015.

Planning continued during the Quarter for additional long-term tailings storage capacity. The Company has narrowed its selection of potential sites from six to two options with studies ongoing to determine the optimal location. A multi-criteria analysis process is being used in conjunction with the Company's consultant engineers, Knight Piesold, to assist in weighting the various factors involved in finalising the selection process.



Figure 4: HDPE Tailings Storage Facility construction

## Dewatering

During the Quarter, the Western pit wall perimeter drain was upgraded including the construction of a new drainage channel with concrete culverts and upgrades to the Pond B silt pond. No additional borehole pumps were commissioned during the Quarter, however the main power source for the pumps was switched over to the Surnenco Grid power system. Construction of a separate workshop to support the dewatering activities is underway, which is due to be completed by the end of August 2015.

## Eastern Pit Wall

Subsequent to the end of the Quarter, mining operations at Siana were impacted by a significant movement of material from the Eastern pit wall into the open pit (see ASX Announcement – 14 July 2015). The Company responded rapidly to this event with the implementation of a focused management plan, mobilising the necessary engineering, contracting and technical expertise to identify the likely causes and design of a modified mining schedule.

As previously advised, all regular operational activities are continuing including processing of ore from existing stockpiles. Mine access ramps to the pit floor have not been affected and some ore remains accessible at the base of the pit. Gold production for the September Quarter is not expected to be affected. No injury to personnel or equipment damage occurred.

Pit wall stability in this area was being closely monitored as part of the Company's normal operating procedures and as part of a strategic review of the longer term open pit and underground mining plan at Siana (see below). A preliminary assessment has indicated that an earthquake registering 6.1 off the north-east coast of Surigao del Norte on 3 July 2015 may have been a possible contributing factor. Key elements of the management plan implemented by the Company have included:

- Removal of the sluffed material, with this program well advanced with approximately 20 per cent of the material already removed;
- Revising the open pit mining schedule;
- Commencing extensions to the perimeter ring drain on the Eastern side of the open pit. This program is well underway; and
- Geotechnical drilling to gain further understanding of the rock lithology and material strength in this area (see below).

## Geotechnical Drilling

The Company has contracted a highly experienced drilling contractor to undertake the geotechnical drilling. The drilling program, comprising four diamond holes for a total of 1,120 metres, commenced during July 2015. The first hole, GT2, has already been completed to a depth of 100 metres and the second hole, GT1, is well underway, with the overall program estimated to take around 60 days to complete (anticipated completion by mid-September 2015).



*Figure 6: Geotechnical diamond drilling underway at the Eastern pit wall*

The primary purpose of the program is to obtain further geotechnical data to better understand the lithology and material strength of the rock mass within the shear zone (East wall structural corridor) exposed in the East wall of the Siana pit. Three holes have been designed to intersect the southern and northern limits of the shear zone behind the limits of the proposed eastern wall cut back. An ancillary benefit of the drilling is that the holes will also test the shear zone and its contacts for any Siana style gold mineralisation existing within or adjacent to the structural corridor.

Subject to the results of this drilling, the program may be extended for exploration purposes.

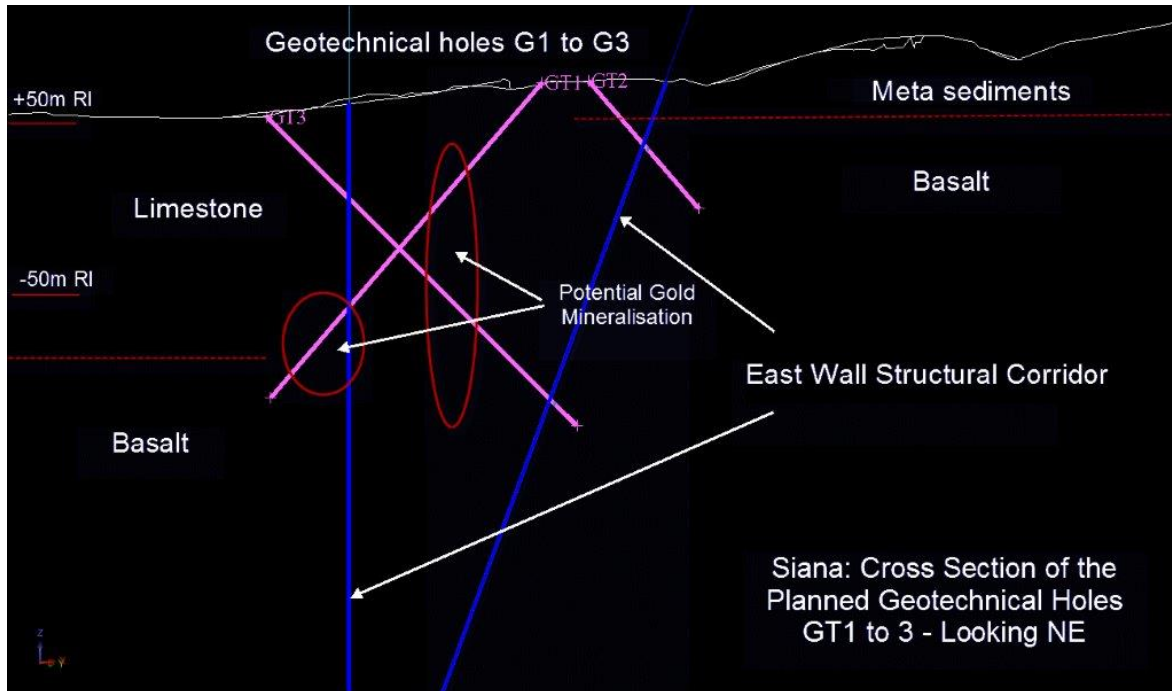


Figure 5: Eastern pit wall geotechnical drilling – cross-section

### Future Plans and Strategy

As previously outlined, the Company has commenced a first-principles review of its longer-term open pit mining schedule at Siana. The key elements of the review include:

- Hydrological review;
- Geotechnical review;
- Open pit mine planning and mine schedule; and
- Review of existing open pit resources and further evaluation of underground resources.

The technical review will take into consideration a number of significant factors which have changed since the original 2008 Feasibility Study, at a time when the historical pit was under water. These factors include mining experience gained during the first two years of mining, updated cost structures and a more advanced understanding of the geotechnical characteristics of the open pit. The review is on track to be completed by the end of the September 2015 Quarter and will provide the foundation for the next stage of sustainable development and efficient mining of the Siana Gold Project.

Technical reviews and studies on underground resources, as well as underground mining methods and development capital requirements have commenced, and are expected to be completed later in the year. Key elements of this review will include in-fill drilling to update the underground Resource and Reserve model and a review of the mining strategy and underground Feasibility Study completed in 2008 by an independent engineering firm.

## Exploration

The Company continued preparations during the June Quarter for a significant ramp-up in exploration activities, both in the near-mine environment and regionally to generate a longer term growth pipeline. During the Quarter, key personnel have been recruited for planned drilling and field activities; de-bottlenecking of the core shed has progressed and equipment was prepared for upcoming exploration programs.

The Company has commenced work towards calculating a JORC 2012 Mineral Resource for the Mapawa LSY deposit, located approximately 20km north of Siana.

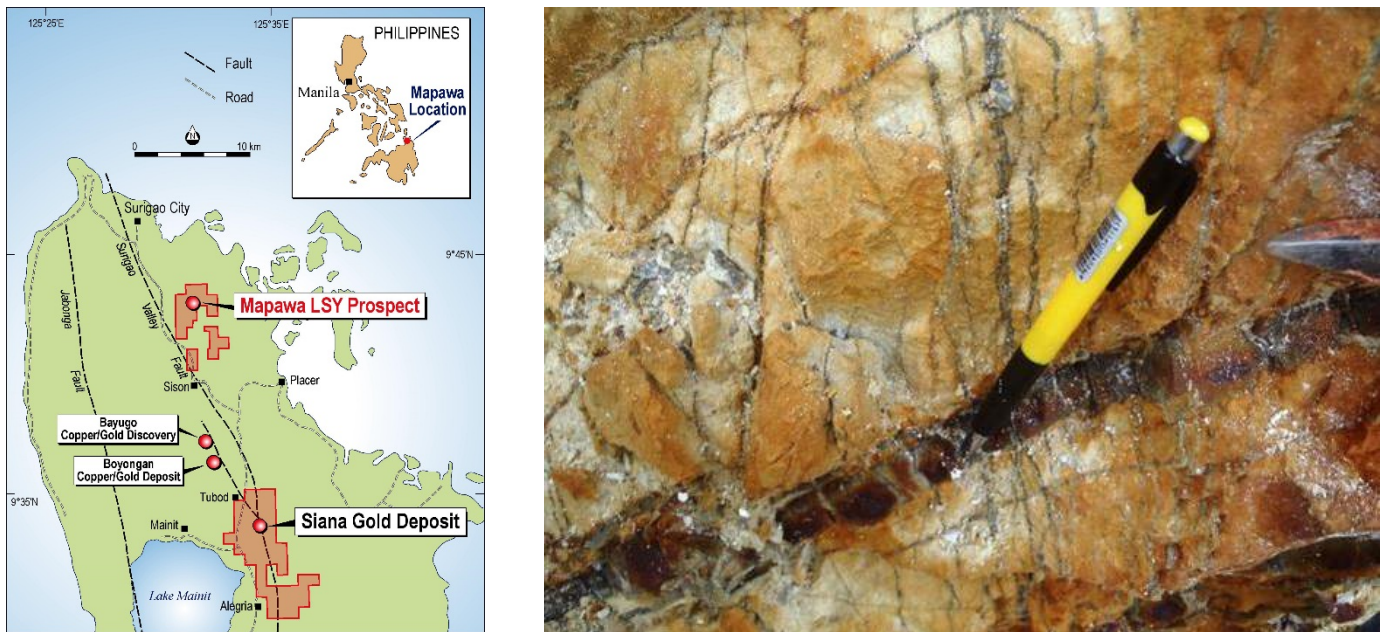


Figure 6: Regional map showing Mapawa location (left) and photograph of stockwork vein at the Mapawa Project's LSY Deposit (right)

Mapawa is a substantial gold-copper porphyry prospect for which a historical resource was calculated by Snowden's in 1994 for Phoenix Resources Inc. Drilling between December 2009 and September 2011 for the Mapawa area, as previously reported by Red 5, has returned some impressive intersections including:

- 167m @ 1.06g/t Au, 0.17% Cu (MDD001)
- 156m @ 1.23g/t Au, 0.19% Cu (MDD003)
- 69m @ 1.06g/t Au, 0.16% Cu (MDD007)
- 22m @ 1.1g/t Au, 0.09% Cu (MDD008)
- 45m @ 1.0g/t Au, 0.03% Cu (MDD015)
- 33m @ 3.4g/t Au, 0.08% Cu (MDD017 – targeting the St Nino prospect approximately 660 metres to the NW of the LSY deposit)

The maiden JORC 2012 Resource is expected to be completed by the end of the September 2015 Quarter, and will provide the foundation for a Scoping Study to be undertaken to evaluate development options for this strategic deposit, which could provide a future source of ore feed to the Siana processing plant.

Exploration activities will continue to ramp up during the September 2015 Quarter. The Company has previously identified a number of priority exploration targets within its highly prospective tenement holding and will continue to develop exploration plans for these important regional growth opportunities.

## Financial

Gold sales for the Quarter increased to A\$15.4 million (March Quarter: A\$12.0 million) from the sale of 10,591 ounces (March Quarter: 8,791 ounces) at an average received price of US\$1,198 per ounce (March Quarter: US\$1,161 per ounce).



The total operating cost for the quarter (including depreciation and amortisation charges) was A\$1,242 per ounce. This was higher than the March Quarter (A\$982 per ounce), mainly due to the lower head grade and recoveries. The All-in Sustaining Cost (AISC) (including actual waste removal costs, corporate costs and sustaining capital) increased to A\$1,849 per ounce, mainly due to the high volume of waste (600,259 BCM) which was removed from the open pit during the Quarter as a result of the silt clean-up program in the base of the open pit.

The Siana operation generated EBITDA of A\$5.7 million for the Quarter with net earnings of A\$1.2 million. The consolidated cash position as at the end of June 2015 was A\$10 million (March Quarter: A\$12.7 million).

<b>Financial Summary</b>	<b>Jun 2014 A\$M</b>	<b>Sep 2014 A\$M</b>	<b>Dec 2014 A\$M</b>	<b>Mar 2015 A\$M</b>	<b>Jun 2015 A\$M</b>
Sale proceeds	0.1	0.0	0.0	12.0	15.4
Operating costs/care and maintenance	(1.8)	(1.5)	(1.9)	(5.0)	(8.6)
Philippine and Australian corporate costs	(1.3)	(1.6)	(1.2)	(1.1)	(1.1)
<b>EBITDA</b>	<b>(3.0)</b>	<b>(3.1)</b>	<b>(3.1)</b>	<b>5.9</b>	<b>5.7</b>
Depreciation and amortisation	(0.2)	(0.1)	(0.2)	(4.0)	(4.6)
Net earnings/(loss) from operations	(3.2)	(3.2)	(3.3)	1.9	1.2
<b>Capital expenditure</b>					
Plant/equipment/development	1.5	5.2	12.8	7.0	10.8

**ENDS**

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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 achieving a steady ramp-up in commercial 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 progress a steady and methodical ramp-up of operations 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 pit wall cut-backs; and
- **Growth** – to begin laying the foundations for the Company's future growth by finalising its long-term mining plans for the open pit and future underground mines, and by recommencing exploration activities to grow its resource and reserve inventory and unlock the potential of its highly prospective exploration portfolio.

## Tenement Schedule

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

### Competent Person's Statement

The information in this report that relates to Exploration Results are based on information compiled by Mr Byron Dumpleton, a Competent Person, who is a Member of the Australian Institute of Geoscientists. Mr Dumpleton is engaged as a consultant to Red 5 Limited through his company BKD Resources Pty Ltd. Mr Dumpleton 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 Mineral Resources and Ore Reserves" (the JORC Code). Mr Dumpleton consents to the inclusion in the report of the matters based on the information in the form and context in which it appears. Mr Dumpleton has accepted being the Competent Person for the reporting of the Exploration Results was conducted at industry accepted standards suitable for reporting JORC 2004 compliance.

This information was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

### Forward-Looking Statements

Certain statements made during or in connection with this statement contain or comprise certain forward-looking statements regarding Red 5 Ltd'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 Ltd 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 Ltd, 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 Ltd 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.