

2 December 2019

## Option Agreement signed to purchase Cables and Mission gold deposits

*Proposed acquisition provides further support for Red 5's multi-strand strategy to increase Resources and extend mine life at the Darlot Gold Mining Operation*

- Option and Sub-lease Agreement signed to acquire an exclusive sub-lease over the southern portion of Exploration Licence E37/1220, subject to due diligence.
- The acquisition area totals 38.7km<sup>2</sup> and includes the Cables and Mission gold deposits, which were last reported by Leopard Resources NL on 5 February 2014 to contain total combined JORC 2004 Inferred Resources of 185koz<sup>1</sup>.
- Total acquisition cost of A\$2.0M, with a further A\$500k payable on delineation and reporting of a 500koz JORC 2012 Resource.
- The deposits are located 10km from Red 5's Darlot gold mining and processing operations.
- Gold mineralisation in the Cables and Mission deposits is hosted within similar dolerite units to those that host the Centenary orebody at the Darlot mining operations.
- Proposed acquisition continues Red 5's strategy to expand its Mineral Resource base for the Darlot gold processing plant, with key elements including:
  - Extension of existing Resources, including identification of mineable remnants;
  - Step-out underground exploration using HiSeis 3D seismic data (the same technology used by Northern Star Resources to identify the Zodiac discovery at Jundee);
  - Exploration for open pit deposits within Red 5's existing tenements, including the Ockerburry Hill tenements; and
  - Regional 'bolt-on' acquisitions.

### MANAGEMENT COMMENT

Red 5 Managing Director, Mark Williams, said the proposed acquisition represents another strategic low-risk opportunity to grow the Company's Resource base in the area surrounding the Darlot gold processing plant.

"We are delighted to have the option to acquire the southern portion of E37/1220. It is last reported to contain JORC 2004 Inferred Resources totalling 185koz<sup>1</sup> and is located adjacent to our existing Darlot operations. Significantly, the rock units hosting the Cables and Mission deposits are similar to those that host the Centenary orebody, which is currently being mined from underground at Darlot.

Red 5 Limited

ABN 73 068 647 610

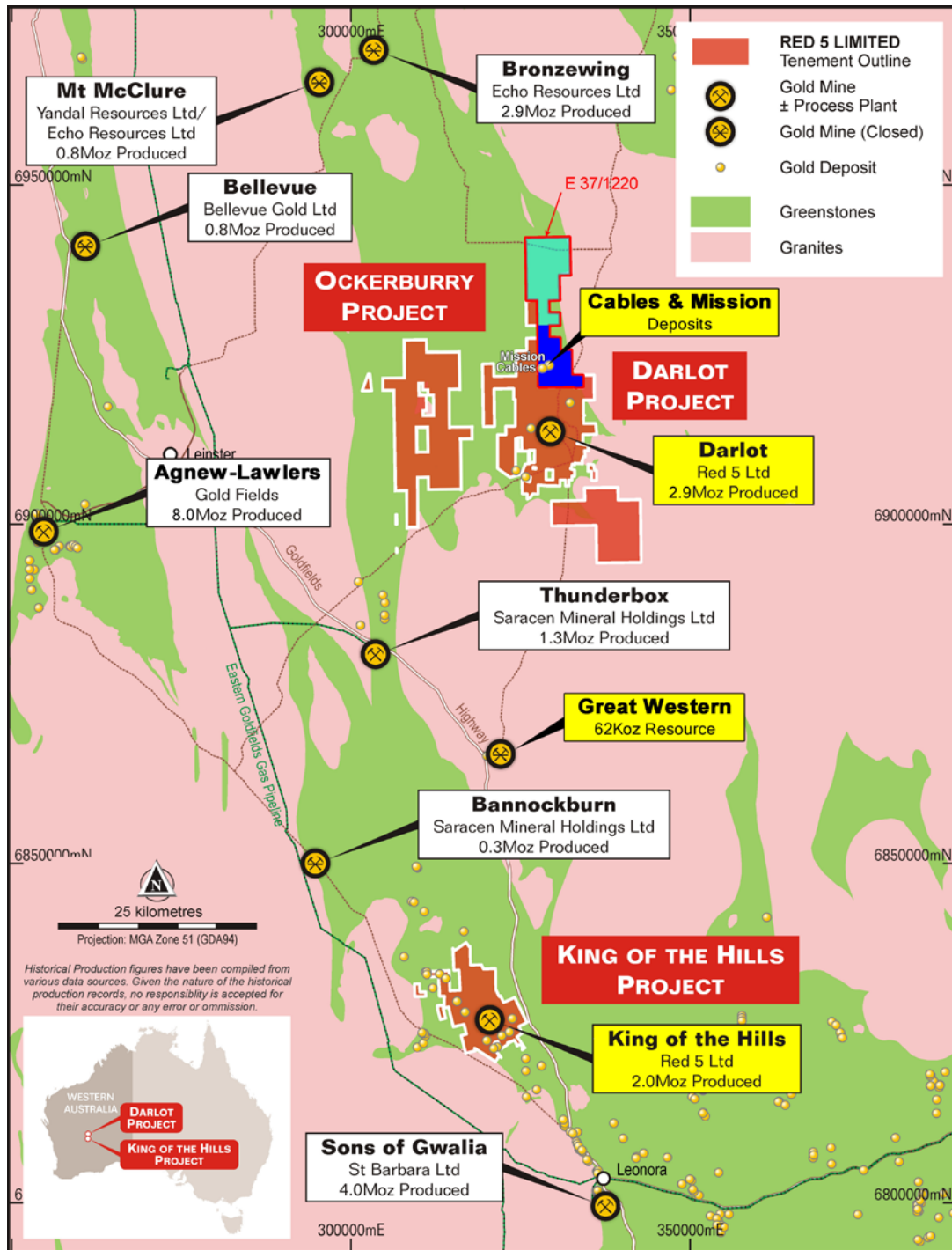
ASX: RED

Shares on issue: 1,244M

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“This agreement over the Cables and Missions deposits follows the option agreement we recently secured over the Great Western deposit, with these proposed acquisitions having the potential to provide additional sources of ore feed for the Darlot processing plant,” he said.



**Figure 1:** Regional Location Plan – showing location of southern portion of exploration licence E37/1220, (yellow shading), subject of the Option and Sub-lease Agreement, in relation to Darlot Gold Mine and processing plant and tenement holdings.

Red 5 Limited (ASX: RED) advises that its wholly-owned subsidiary, Darlot Mining Company Pty Ltd (**DMC**), has entered into an Option and Sub-lease Agreement (**Agreement**) with the vendor Andrew Paterson (**Vendor**) for the right to acquire a sub-lease over the 13 blocks of Exploration Licence E37/1220 (**Sub-lease Area**) south of latitude  $-27^{\circ}45'$  (as shown in red shading on Figure 2).

The key terms of the Agreement are as follows:

1. DMC will pay an option fee of \$150,000 for a 6 month option from signing (**Option Period**) in which to conduct due diligence and drilling on the Sub-lease Area.
2. During the Option Period:
  - a. DMC will have exclusivity and the right to lodge a caveat over E37/1220;
  - b. The Vendor will be contractually restricted from surrendering or dealing in the Sub-lease Area or E37/1220.
3. DMC can exercise the option any time during the Option Period by paying:
  - a. \$1.85 million in cash and/or Red 5 shares (on 30-day VWAP) at Red 5's election; and
  - b. agreeing to pay \$500,000 in cash and/or Red 5 shares (on 30-day VWAP) at Red 5's election on defining and reporting of 500koz JORC 2012 Resource (combination of Indicated, Inferred or Measured).
4. If DMC exercises the Option, it will be granted a sub-lease over the Sub-lease Area. The sub-lease is on usual terms including:
  - a. DMC will have the exclusive right to explore and mine the Sub-lease Area;
  - b. DMC will have the right to convert some or all of the Sub-lease Area into one or more mining leases which are to be transferred to DMC;
  - c. DMC will have the right to lodge a caveat over E37/1220;
  - d. The Vendor will be contractually restricted from surrendering or dealing in the Sub-lease Area or E37/1220;
  - e. The Vendor will sign a power of attorney to give effective control of the Sub-lease Area to DMC; and
  - f. Red 5 would deal with the Department and all stakeholders (such as native title groups) in relation to the Sub-lease Area and ultimately convert some or all of the Sub-lease Area into mining leases.

The Agreement entitles Red 5 to conduct due diligence and drilling activities within the Sub-lease Area to determine the potential of the Cables and Mission deposits to be upgraded to Indicated ± Measured Resource status, and to be mined and trucked to the Company's Darlot processing plant, located approximately 10km to the south (Figure 1).

If required pursuant to Listing Rule 7.1, Red 5 would seek the approval of Red 5 shareholders to the issue of the consideration shares referred to in Clause 3 above.

**Table 1: JORC 2004 Mineral Resources previously reported**

	Tonnes	Au g/t	Au oz
<b>Cables</b>			
Inferred	1,254,900	4.2	169,400
<b>Mission</b>			
Inferred	250,000	2.0	16,000
<b>Total Inferred Resources</b>	<b>1,504,900</b>	<b>3.8</b>	<b>185,400</b>

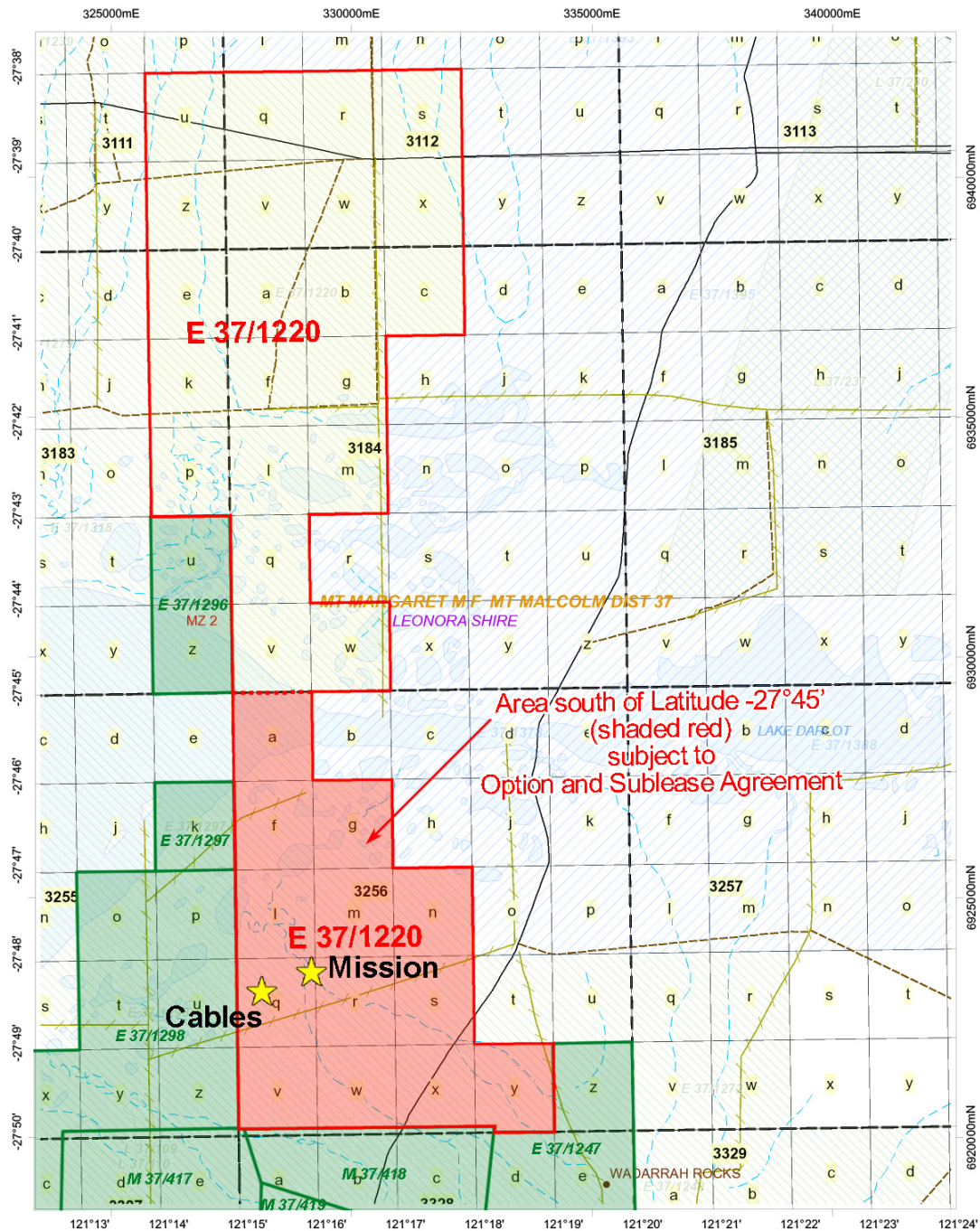
Source: Leopard Resources NL ASX announcement dated 5 February 2014 "Preliminary Economic Assessment Mission & Cables".

The Sub-lease Area includes the Cables and Mission gold deposits which have a reported combined estimated JORC 2004 compliant mineral resource totalling 1.5M tonnes at an average grade of 3.8g/t Au for 185,400 ounces of contained gold (further details set out in Leopard Resources NL ASX release dated 5 February 2014 titled Preliminary Economic Assessment Mission & Cables)<sup>1</sup>. It is noted that there has been no material change to the database since the last reporting of the Resources in 2014. Red 5 has not conducted sufficient work to enable estimation of the Resources to comply with the reporting guidelines of JORC 2012.

Should the due diligence be completed to Red 5's satisfaction and the option exercised, Red 5 intends to conduct drilling programs and other activities to produce a JORC 2012 compliant Resource as quickly as possible.

The Cables and Mission deposits are hosted within similar rock units, including magnetic dolerite, that host the Centenary orebody 10km to the south, which is the mainstay of Darlot's current underground mining operations. These magnetic dolerite units are an important host rock in the Darlot mine area and have historically produced high gold grades with good recoveries (typically >93%) through the Darlot processing plant.





**Figure 2:** Tenement plan showing exploration licence E37/1220 and the graticular blocks subject to the Option and Sub-lease (red shading). Also shown are the locations of Cables and Mission deposits and their proximity to Darlot’s current tenement holdings (green shading).

<sup>1</sup> The above information regarding the Cables and Mission Mineral Resource estimates (with further details set out in Leopard Resources NL ASX release dated 5 February 2014 titled ‘Preliminary Economic Assessment Mission & Cables’) is based on information compiled by Mr Al Maynard as the principal of Al Maynard & Associates Pty Ltd, who has over 40 years of exploration and mining experience in a variety of mineral deposit styles.

Mr Maynard is a Member of the Australian Institute of Geosciences (“AIG”), a Member of the Australasian Institute of Mining & Metallurgy (“AusIMM”) and independent consultant who has sufficient experience which 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 2012 Edition of the “Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves”. Mr Maynard consents to inclusion in the report of the matters based

*on his information in the form and context in which it appears. 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. Mr Maynard consents to the use of the information within this report in the form and context in which it appears.*

*The Mineral Resource estimate is not Red 5's estimate and Red 5 has not done sufficient work to report the estimate in accordance with the JORC Code 2012.*

**ENDS**

For more information:

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