

## June 2017 Quarterly Activities Report

### Finance and Corporate

- Royalty payment of \$0.5M received during the Quarter from Galaxy Resources (ASX: GXY) for production from the Mt Cattlin spodumene mine in WA for the December 2016 and March 2017 quarters.
- Gold shipments valued at A\$4.8M were made in July 2017 from gold recovered from the processing of medium-low grade stockpiles, which commenced during May 2017. A further, smaller shipment is expected within the September Quarter.
- The Group's cash balance, including refined gold held in the metal account, following a shipment in July 2017, as at 24 July 2017 was A\$16.0M.
- Red 5 is continuing to actively progress potential new corporate opportunities.

### Operations – Siana Gold Project, Philippines

- Open pit mining activities were suspended at the Siana Gold Project in April 2017 as a result of ongoing uncertainty regarding regulatory and government mining policy in the Philippines.
- Processing of existing medium-to-low grade ore stockpiles was undertaken to maximise the use of existing tailings storage capacity and the existing stock of reagents, resulting in the recovery of 3,543 ounces of gold for the Quarter. Processing continued until mid-July 2017.
- Ore stockpiles at Quarter-end totalled 181,344 tonnes at 0.94 g/t Au.
- The Group will continue to maintain environmental and regulatory compliance at the Siana Gold Project during the period of suspension and perform core activities including community relations activities and de-watering of the open pit.

### Siana Underground Development

- Combined underground development reached 445 metres.
- Incline development from Portal 3 joined with the main Portal 1 decline.
- Construction of important surface infrastructure including the bulk emulsion depot, batching plant and heavy vehicle workshop was completed.
- Underground development work was suspended in May 2017.
- Ongoing work identified opportunities to enhance the financial outcomes of the proposed underground mine.

## OVERVIEW

On 18 April 2017, Red 5's Philippine-affiliated company, Greenstone Resources Corporation, advised the Philippines Mines and Geosciences Bureau (MGB) that mining operations at the Siana Gold Project would be suspended with immediate effect. This decision was made as a result of:

- The operational impact which the ongoing uncertainty regarding regulatory and government mining policy in the Philippines has had on the Group's operations; and
- The Group's assessment of the likely resulting changes to open pit operations after taking into account the delay in the approval of the Environmental Compliance Certificate amendment for the long-term Tailings Storage Facility (TSF) and other mining challenges referred to in previous announcements.

The Group will continue to closely monitor political developments in the Philippines, particularly following the recent appointment of Mr Roy Cimatu as the new Acting Secretary of the Department of Environment and Natural Resources (DENR). Red 5 notes that there have been no material developments during the Quarter with the processing of the Environmental Compliance Certificate (ECC) amendment for the long-term Tailings Storage Facility (TSF).

It has been reported that the declaration of martial law by the Philippines' President on the island of Mindanao has been extended until 31 December 2017. This was in response to continuing rebel activities in Marawi City, which is located in the western part of Mindanao, approximately 370 kilometres south-west of the Siana project. These activities and the martial law declaration have not impacted on the Siana Gold Project.

## OPERATIONS

### Mining Activities

Notice was provided to the mining contractor to cease operations in April 2017 and all open pit mining activities have now been completed and non-essential mining equipment demobilised. As previously advised, during the suspension the Group will continue to maintain environmental and regulatory compliance and perform core activities including community relations activities and de-watering of the open pit.

Ore stockpiles, including low-grade material, at Quarter-end were 181,344 tonnes at 0.94 g/t Au.

Following the suspension of open pit mining activities and for cost effective operational reasons, the water level in the open pit has been allowed to rise to the -60m RL, with pumping activity continuing to maintain the pit water at this level. All portal entrances have been sealed to prevent unauthorised entry. Monitoring of geotechnical issues and pit wall stability is continuing.

Pending approval for the amendment to the Siana ECC to enable construction of a long-term TSF and in compliance with JORC 2012 reporting criteria, management has elected that an Ore Reserve statement for the Siana open pit will not be reported as at 30 June 2017. It should be noted that the underground Reserve is not impacted by the unavailability of surface tailings storage capacity, as the underground development will see tailings back-filled into the stoped-out areas. The non-reporting of an open pit Ore Reserve will not impact the reporting of the remaining Siana open pit and underground resources.

### Processing

As outlined in the March 2017 Quarterly Report, operations at the Siana processing plant were suspended in late January 2017. During the June Quarter, the Group re-commenced ore processing for a period of 10 weeks, concluding in mid-July 2017, in order to maximise cash-flow and maximise the use of the existing tailings storage capacity and the existing stock of reagents.

A total of 108,686 tonnes of ore was processed for the Quarter. The average head grade and recovery was 1.35 g/t Au and 75% respectively.

### Quarterly Gold Production – Key Statistics

Key Indicators	Unit	Sep. 16 Quarter	Dec. 16 Quarter	Mar. 17 Quarter	Jun. 17 Quarter
<b>Mine Production</b>					
Waste Mined (ex-pit)	BCM <sup>1</sup> 000s	313	563	471	-
Ore Mined	T	423,529	196,478	-	-
Mining Cost per tonne (ore and waste)	\$/t	4.5	4.09	3.81	-
<b>Mill Production</b>					
Ore Processed	T	232,154	207,695	40,926	106,686
Head Grade – Gold	g/t	2.8	3.3	2.3	1.4
Head Grade – Silver	g/t	7.3	7.9	6.5	5.1
Processing Cost per Tonne	\$/t	24	29	31	22
Recovery – Gold	%	83	83	85	75
Recovery – Silver	%	31	28	26	24
Gold Recovered	oz	17,062	18,195	2,570	3,543
Silver Recovered	oz	16,787	14,733	2,242	4,295
Gold Sold	oz	15,148	18,589	7,559	(iv)
Silver Sold	oz	19,655	18,925	7,377	(iv)
Average Gold Price Received	US\$/oz	1,339	1,194	1,266	(iv)
	A\$/oz	1,778	1,597	1,683	(iv)
Cash Operating Costs (i)	A\$/oz	650	876	1,172	(v)
Total Operating Costs (ii)	A\$/oz	1,014	1,299	1,493	(v)
All In Sustaining Costs (iii)	A\$/oz	1,035	1,076	1,293	(v)

(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 Cash Operating Costs (i) plus plant and equipment depreciation and amortisation of capitalised waste stripping, pre-production mining and exploration costs.

(iii) Includes Cash Operating Costs (i) plus actual waste mining, sustaining capital and corporate costs.

(iv) Gold and silver recovered during the period was not sold during the Quarter.

(v) Operating and sustaining costs have not been reported as mining operations were suspended in April 2017.

### SIANA UNDERGROUND MINE DEVELOPMENT

Underground development work was suspended in May 2017 following the completion of a one-month notice period given to the underground mining contractor, Paramina Earth Technologies Inc. (Paramina).

Paramina, a well-regarded Philippine underground mining contractor, has made good progress with the underground mine development utilising low-cost methods including hand-held rock drills and small loaders, with a peak workforce of 80 personnel.

To date, combined development of the main, escape way and ventilation declines (including sundry development) has reached approximately 445 metres. Incline development from Portal 3 broke through to join up with the main Portal 1 decline prior to the completion of activities in May 2017, marking a significant milestone in the underground development. Paramina has maintained an excellent safety record at all times.

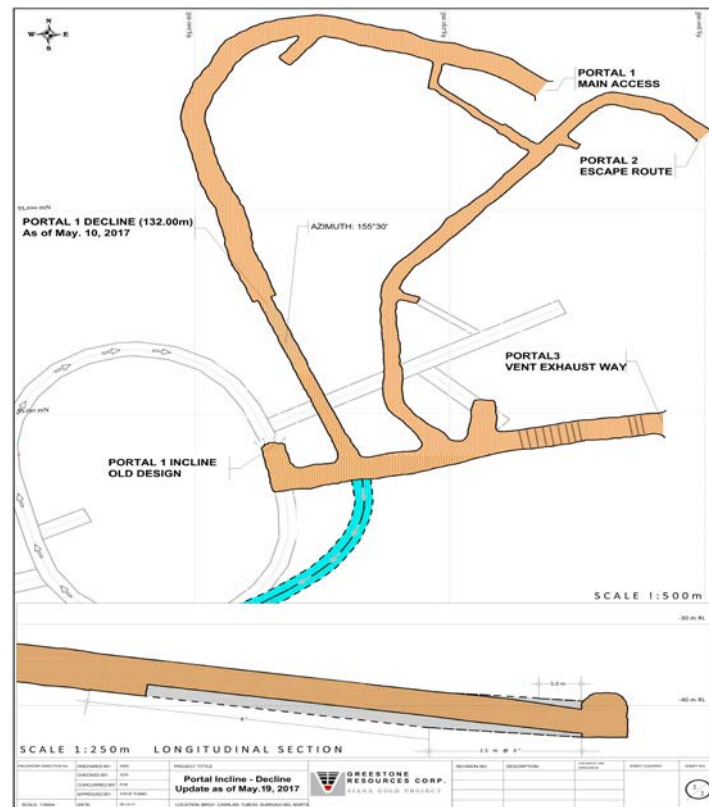


Figure 1: Siana underground mine development as at May 2017

Construction of important surface infrastructure, namely the bulk emulsion depot, underground batching plant and heavy vehicle workshop, was completed prior to the suspension of operations at Siana.



Figures 2, 3 and 4: Underground batching plant (top left), heavy vehicle workshop (top right) and bulk emulsion depot (bottom)



### Underground Mine Optimisation

In conjunction with the first phase of underground development, during the Quarter the Group also completed engineering studies which have demonstrated the potential to enhance the financial outcomes of the proposed underground mine development.

An internal review of the June 2016 Feasibility Study completed by Mining One Pty Ltd (see ASX Announcement – 14 June 2016) is ongoing, with the aim of identifying opportunities to further reduce capital and operating costs associated with the proposed underground mining operation. Results from this process have been positive, with key outcomes including:

- Forecast production remains at 504,000oz at ~60,000oz pa over an initial 8-year production mine life<sup>1</sup>;
- Forecast life-of-mine All-in Cost of ~US\$900-US\$950 per ounce (previously US\$930-US\$980) and All-in Sustaining Cost (AISC) of ~US\$790-US\$840 per ounce (previously US\$800-US\$850); and
- Updated maximum draw-down capital cost, staged over 27 months, is now estimated at US\$46 million (including US\$3.0 million contingency and US\$3.5 million already expended) compared to US\$60 million CAPEX outlined in the June 2016 Feasibility Study.

Opportunities to further reduce costs are being investigated.

### Internal Review of Feasibility Study and Qualifying Remarks

The factual basis and thus reasonableness of all key assumptions are detailed in the Feasibility Study report and subsequent internal reviews. The reduction in capital expenditure from the Feasibility Study has been achieved through the use of a local contractor for mining and infrastructure development, as well as a reduction in the contingency cost as a result of firm quotes having now been obtained.

The reduction in operating costs is based on the receipt of contractor quotes for the provision of mining services. The forecast reduction in All-in Costs is due to a combination of reductions in both capital and operating costs while the forecast reduction in AISC relates to operating costs savings.

A gold price of US\$1,200 per ounce was used and is consistent with current market trends. Productivity assumptions are based on equipment specifications and methods outlined in the relevant handbook and checked against what has been achieved at similar mines.

Summary of Key Parameters from updated Underground Financial Model		
Life of Mine (LOM) including development	Years	9
LOM Ore Mined	Mt	3.8
Maximum Plant Feed Rate	Mtpa	1.1
Average Gold Head Grade	g/t	4.6
Average Gold Recovery	%	90
Average Forecast Gold Price	US\$/oz	1,200
Forecast FX Rate	AUD:USD	0.72
Initial Capital Cost	US\$M	46
Average AISC Costs	US\$/oz	790-840

Refer to the Red 5 announcement dated 14 June 2016 for further details of the underground mine development and Feasibility Study assumptions.

<sup>1</sup> Red 5 understands that that all material assumptions underpinning the production target set out in the Red 5 announcement dated 14 June 2016 continue to apply and have not materially changed.



*Figure 5: Portal to Main Access Decline*

### **Workforce and Stakeholders**

The Group has implemented a number of significant reductions in overhead and operating costs including reductions in operating and administration personnel. Greenstone Resources continues to work closely with all local communities and Government officials in Surigao del Norte Province to minimise the impact from the decision to suspend operations and to provide support and assistance wherever possible.

The Group believes that the suspension of operations at Siana is the best way to preserve the significant inherent value of the large in-situ gold inventory and infrastructure at Siana, and to protect the Group's balance sheet and shareholders' interests. The Group believes the Siana Gold Project, including the proposed underground mining operation, represents a valuable strategic asset, and will continue to assess the potential to re-start open pit mining and/or underground development in the future as well as actively investigate all other opportunities to maximise the value of the Siana Project for shareholders.

### **EXPLORATION PROJECTS**

The Group has continued to undertake limited exploration activities on its project areas such as the Madja Prospect, located in the southern Siana tenement, as well as the Mapawa tenements in order to comply with its commitments. Refer to Appendix A for results of an initial drill program at the Madja Prospect that was terminated as a result of the suspension of mining operations at the Siana Project.

### **FINANCIAL**

After discharging the major portion of the costs associated with demobilising contractors, employee redundancies and recommencing processing, the Group's cash balance at the end of the June 2017 Quarter was A\$13.2 million (including refined gold held in the metal account). The Group's cash balance including refined gold held in the metal account following a shipment in July 2017 as at 24 July 2017 was A\$16.0 million. A further, smaller shipment is expected within the September quarter. The Group had not drawn down on its debt facility.

### **Mt Cattlin Royalty**

Red 5 owns the right to receive a royalty of \$1.50 per tonne of ore processed from the Mt Cattlin lithium-tantalum mine in Western Australia, which is owned and operated by ASX-listed Galaxy Resources Limited (ASX: GXY). Red 5 previously received an amount of \$1.7 million from Galaxy Resources for the period of May 2011 to January 2013 before the Mt Cattlin operation was placed on care and maintenance.

The Mt Cattlin mine re-commenced processing operations in 2016 and Red 5 received a payment of \$0.5 million during the Quarter, for production royalty entitlements for the December 2016 and March 2017 Quarters. Galaxy Resources has reported that 334,036 tonnes of ore were treated at Mt Cattlin for the June 2017 Quarter.

Galaxy Resources has publicly stated that it will ramp-up production at Mt Cattlin to a throughput rate of 1.6Mtpa of spodumene (lithium concentrate) and tantalum, based on a total reported resource of 16 million tonnes of spodumene and tantalum<sup>2</sup>.

The Board of Red 5 considers the right to receive the Mt Cattlin royalty as a valuable asset and is evaluating ways to maximise that value to the Group.

### **Business Development**

As advised previously, Red 5 has established a corporate team for the purpose of actively pursuing potential new corporate opportunities and that team continues to work with external consultants to this end. A number of opportunities have been identified and the Company is focused on progressing two of those opportunities, each of which the Group considers will enhance value to its shareholders.

### **Corporate**

Mr Joe Mobilia has retired as Chief Financial Officer after seven years of valued service with Red 5. The Board acknowledges Mr Mobilia's dedicated service and substantial contribution to the Red 5 Group during this period, and wishes him well in retirement.

A short-term consultancy agreement has been entered into with non-executive director Ian Macpherson to provide financial advisory and corporate support services to Red 5 for a period of six months at the rate of \$1,200 per day for a commitment of two days per week.

Mr John Tasovac has been appointed as Chief Financial Officer of Red 5, effective from 15 August 2017. Mr Tasovac is an accomplished senior finance and commercial executive with over 20 years' experience in all aspects of operational, strategic, commercial and financial management in resources in Australia, South America and South-East Asia.

Commenting on Mr Tasovac's appointment, Red 5's Managing Director, Mr Mark Williams, said: "It gives me great pleasure to have John join the leadership team and assist the Company through its next stage of development."

**ENDS**

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<sup>2</sup> Refer to Galaxy Resources announcement dated 2 June 2017 and General Mining Limited announcement dated 4 August 2015 for details regarding the reserves and resources position of Mt Cattlin.

## Tenement Schedule

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

## Forward-Looking Statements

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

## Competent Person Statement for Exploration Results

The information in the report to which this statement is attached that relates to Exploration Results is based upon information compiled by Mr Byron Dumbleton, a Competent Person, who is a Member of the Australian Institute of Geoscientists (membership number 1598). Mr Dumbleton is a full-time employee of Red 5 Limited. Byron Dumbleton 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 Exploration Results, Mineral Resources and Ore reserves'. Byron Dumbleton consents to the inclusion in the report of matters based on his information in the form and context in which it appears.



## APPENDIX A

An initial drill program was completed at the Madja Prospect, located in the southern Siana tenement known as Alegria, to target a deep porphyry copper-gold target coincident with a magnetic high, and near-surface epithermal veins down dip from a series of small-scale artisanal workings. The locations of the drill holes are shown below:

Hole ID	Depth	Northing	Easting	RL	Azi	Dip
ALDD008	699.7	1049228	785003	277	90	-60
ALDD009	299.7	1049232	785300	277	330	-60
ALDD010	299.9	1049376	785077	303	330	-60
ALDD011	258.9	1049325	785011	296	330	-70
ALDD012	9.1	1049164	784942	235	160	-60

While no significant mineralisation was encountered, the Group considers that the porphyry copper-gold prospect at Madja warrants further exploration work. This work will be considered as part of potential future exploration programs.

Madja drilling gold assays above 0.3 g/t							
HOLEID	From (m)	To (m)	Interval (m)	Au (g/t)	Cu (ppm)	Pb (ppm)	Zn (ppm)
ALDD008	300.60	301.40	0.80	1.06	133	50	4121
ALDD008	302.35	303.35	1.00	0.46	286	30	3708
ALDD009	100.70	101.00	0.30	1.65	132	26	416
ALDD009	148.40	148.90	0.50	1.52	62	10	155
ALDD009	47.10	47.60	0.50	0.60	36	8	749
ALDD009	46.10	46.60	0.50	0.58	86	85	1070
ALDD009	141.80	142.30	0.50	0.46	7	5	146
ALDD009	53.90	54.40	0.50	0.36	773	109	15374
ALDD010	37.00	38.00	1.00	0.32	303	94	2214
ALDD011	51.50	52.00	0.50	4.94	4967	620	17532
ALDD011	63.60	63.90	0.30	0.80	901	178	898
ALDD011	52.50	52.80	0.30	0.71	28	2.5	179
ALDD011	69.80	70.30	0.50	0.63	401	121	891
ALDD011	52.80	53.10	0.30	0.50	39	2.5	172
ALDD011	70.30	70.70	0.40	0.36	912	721	4441
ALDD012	No assay conducted, hole terminated at 9.1m						

# JORC Code, 2012 Edition – Table 1 report for the Madja prospects from Alegria (Siana MPSA) – Drillhole Sample Assay Results.

## Section 1 Sampling Techniques and Data

(Criteria in this section apply to all succeeding sections.)

Criteria	JORC Code explanation	Commentary
Sampling techniques	<ul style="list-style-type: none"> <li><i>Nature and quality of sampling (eg cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling.</i></li> <li><i>Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.</i></li> <li><i>Aspects of the determination of mineralisation that are Material to the Public Report. In cases where 'industry standard' work has been done this would be relatively simple (eg 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (eg submarine nodules) may warrant disclosure of detailed information.</i></li> </ul>	<ul style="list-style-type: none"> <li>Drillhole samples from the Madja prospect were collected from the recent drilling campaign in Alegria area. Half of the core is taken from a predetermined interval and then sent to an outside laboratory.</li> <li>The samples taken are considered representative of the geology in the area. The assayed samples are also considered representative of the drilled area. QAQC samples such as blanks, duplicates and standard reference materials to check the sampling technique and analysis are inserted during sampling.</li> <li>Diamond drilling was used to obtain 0.3m to 3m samples. Half of the core sample is collected with a weight from 0.5kg to a maximum of 10kg. From here, the external lab will crush, split and pulverize the sample to &lt;75 µm, 95%passing. For Au, fire assay is done in a 50g charge with AAS finish. For the 37 elements, four-acid digestion is used with ICP-OES finish. For Hg, AR01/OMMS method is used.</li> </ul>
Drilling techniques	<ul style="list-style-type: none"> <li><i>Drill type (eg core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (eg core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc).</i></li> </ul>	<ul style="list-style-type: none"> <li>Diamond drilling is used starting with core size of PQ to HQ. Triple tube is used. Core is oriented using Reflex ACT III core orientation tool.</li> </ul>
Drill sample recovery	<ul style="list-style-type: none"> <li><i>Method of recording and assessing core and chip sample recoveries and results assessed.</i></li> <li><i>Measures taken to maximise sample recovery and ensure representative nature of the samples.</i></li> <li><i>Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.</i></li> </ul>	<ul style="list-style-type: none"> <li>Core recovery and RQD are measured on the drill site immediately after pulling out.</li> <li>Drillers are advised to perform short drill runs every time they encounter fault gouge and shear zones and similar rock types.</li> <li>No correlation was made whether sample recovery affected grade of the samples.</li> </ul>

Criteria	JORC Code explanation	Commentary
Logging	<ul style="list-style-type: none"> <li>Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.</li> <li>Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography.</li> <li>The total length and percentage of the relevant intersections logged.</li> </ul>	<ul style="list-style-type: none"> <li>Drillcores are geologically logged describing the general appearance, lithology, structure, alteration and mineralization of the intercept. Geotechnical logging are limited to core recoveries, RQD and alpha-beta measurements. Detailed geotechnical logging (fabric, defects, jointing etc) to determine MRMR is not done in this campaign.</li> <li>Logging is qualitative and quantitative in nature. Core photography is done twice. First, immediately after pulling out the core and second, before geologic logging. Photographs of dry and wet drillcores are taken.</li> <li>Total length of drilled meterage is 1567.3m while total relevant intersection is 54.3m, which is about 3.5 % of the drilled material. All intercepts were already geologically logged.</li> </ul>
Sub-sampling techniques and sample preparation	<ul style="list-style-type: none"> <li>If core, whether cut or sawn and whether quarter, half or all core taken.</li> <li>If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry.</li> <li>For all sample types, the nature, quality and appropriateness of the sample preparation technique.</li> <li>Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.</li> <li>Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling.</li> <li>Whether sample sizes are appropriate to the grain size of the material being sampled.</li> </ul>	<ul style="list-style-type: none"> <li>Core is cut into half and the half taken as sample.</li> <li>Not applicable.</li> <li>The samples are prepared by the external laboratory. Samples are dried at 105°C for approximately 12 hrs. Samples will then be crushed to &lt;2mm at 90% passing. This will pass through a riffle split. Samples are then pulverized to -200mesh.</li> <li>Blanks, duplicate and standard samples are inserted in a 50-sample batch dispatched to the external laboratory. The external lab also gets a second split every 20 samples from the riffle split during sample preparation for analysis.</li> <li>Field duplicates are sent every 50-sample batch taking half of the sampled half core.</li> <li>Sample sizes are considered appropriate to the material being sampled.</li> </ul>
Quality of assay data and laboratory tests	<ul style="list-style-type: none"> <li>The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.</li> <li>For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.</li> <li>Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels</li> </ul>	<ul style="list-style-type: none"> <li>Intertek Laboratory was contracted to conduct the analysis of the drillhole samples. The assay technique used for Gold is fire assay with AAS finish, which is appropriate and considered as a total assay. For the 37 elements including Ag, Cu, Pb, and Zn, four-acid digest with ICP-OES finish is used and is considered total assay.</li> <li>Not applicable</li> <li>Intertek implements their own QAQC program, which includes analysis of second split from the riffle split, blank, repeat samples and</li> </ul>

Criteria	JORC Code explanation	Commentary
	<i>of accuracy (ie lack of bias) and precision have been established.</i>	standard reference materials.
Verification of sampling and assaying	<ul style="list-style-type: none"> <li><i>The verification of significant intersections by either independent or alternative company personnel.</i></li> <li><i>The use of twinned holes.</i></li> <li><i>Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.</i></li> <li><i>Discuss any adjustment to assay data.</i></li> </ul>	<ul style="list-style-type: none"> <li>Samples are checked by the on-site Geologist and is reviewed by a Senior Geologist.</li> <li>Twining of holes is not done in this campaign.</li> <li>Primary data such as core recovery, RQD, and alpha-beta is collected and recorded by technician. These are then encoded by a data entry staff and then checked and validated by a geologist. Collar details and geologic data are verified and encoded by the geologist-in-charge and then validated by database geologist. All of the data collected are initially kept in an Excel file before imported to an MS Access database.</li> <li>Assay values falling below the detection limit are recorded as half the value the detection limit. <i>No adjustments are made for the values going above the detection limit.</i> Fe, K and Ti grades are converted from % to ppm to be consistent with the parameters set up in the existing database of the Company.</li> </ul>
Location of data points	<ul style="list-style-type: none"> <li><i>Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.</i></li> <li><i>Specification of the grid system used.</i></li> <li><i>Quality and adequacy of topographic control.</i></li> </ul>	<ul style="list-style-type: none"> <li>The sample locations of the drillhole collars were surveyed using a handheld GPS (<math>\pm 5\text{m}</math>). Downhole surveys are done using Reflex EZ-Trac, shot every 30m if possible.</li> <li>The grid system used is WGS84/ UTM Zone 51N.</li> <li>Not applicable.</li> </ul>
Data spacing and distribution	<ul style="list-style-type: none"> <li><i>Data spacing for reporting of Exploration Results.</i></li> <li><i>Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.</i></li> <li><i>Whether sample compositing has been applied.</i></li> </ul>	<ul style="list-style-type: none"> <li>Collars are spaced at about 80m to 100m and drilled and sampled in an area approximately 450 m x 350 m.</li> <li>Spacing of the drillholes is enough to delineate possible geologic continuity but enough to establish grade continuity.</li> <li>No sample compositing.</li> </ul>
Orientation of data in relation to geological structure	<ul style="list-style-type: none"> <li><i>Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.</i></li> <li><i>If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.</i></li> </ul>	<ul style="list-style-type: none"> <li>Drillholes are positioned almost perpendicular to the target structures to ensure that sampling will be done closest to the structures true width.</li> <li>Due to the drill intersect angle to the steep narrow vein structures potential bias of results may occur. In context to the report figures or evaluation of the mineralization it is not material.</li> </ul>
Sample security	<ul style="list-style-type: none"> <li><i>The measures taken to ensure sample security.</i></li> </ul>	<ul style="list-style-type: none"> <li>Drillcores are kept in the corehouse with a detailed security personnel. Sampling is done under the supervision of the geologist in</li> </ul>

Criteria	JORC Code explanation	Commentary
		charge. The samples will be bagged and prepared for dispatch to the satellite prep lab of Intertek in Surigao City. An exploration staff will escort and turn over the samples to the prep lab.
Audits or reviews	<ul style="list-style-type: none"> <li>The results of any audits or reviews of sampling techniques and data.</li> </ul>	<ul style="list-style-type: none"> <li>No external audits are done in this data set.</li> </ul>

## Section 2 Reporting of Exploration Results

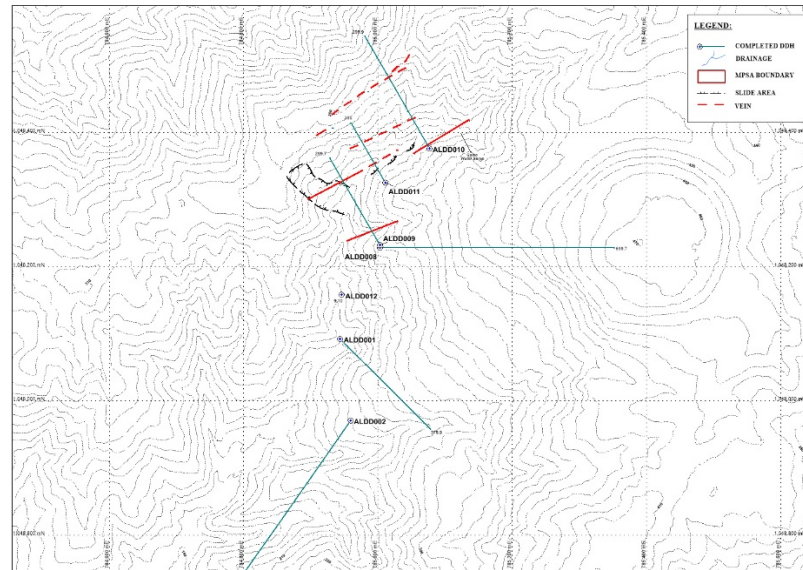
(Criteria listed in the preceding section also apply to this section.)

Criteria	JORC Code explanation	Commentary
Mineral tenement and land tenure status	<ul style="list-style-type: none"> <li>Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.</li> <li>The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.</li> </ul>	<ul style="list-style-type: none"> <li>The Madja prospect is located in the municipality of Alegria, Surigao del Norte that constitutes the majority of Block I of MPSA No. 184-2002-XIII.  The MPSA No. 184-2002-XIII (internally called Siana MPSA) was approved in 11 December 2002 and registered on 27 December 2002 for a term of 25 years (renewable for a further 25 years). It was initially granted to JCG Resources Corporation but was eventually assigned to Merrill Crowe Corporation (MCC) in August 2005. The eventual merger of MCC and Greenstone Resources Corporation in June 2010 resulted to GRC managing the entire MPSA up to the current year.</li> <li>The Siana MPSAs is in good standing and is on the 7<sup>th</sup> and 8<sup>th</sup> year of the Exploration period.  The Siana MPSA has also a license to conduct mining operation on a portion of its Block II under the Partial Declaration of Project Mining Feasibility. This operation is within the 245-ha boundary that is formed mostly of the former Suricon mine boundary.</li> </ul>
Exploration done by other parties	<ul style="list-style-type: none"> <li>Acknowledgment and appraisal of exploration by other parties.</li> </ul>	<ul style="list-style-type: none"> <li>The Siana orebody was mined underground from 1935 to 1960 and by open pit from 1980 to 1990. Past mine production totaled 4.6 Mt at 6.4g/t Au, producing 1.1Moz of gold. The original Suricon pit was mined to a depth of 110m (-60mRI). The current pit floor is at approximately -67.5m RI or approximate 117.5m depth. Early resource drilling on the project was conducted by Suricon from 1975-81; 30 holes were drilled totalling 3,514m. A second campaign of drilling took place</li> </ul>



Criteria	JORC Code explanation	Commentary
		<p>during the open pit operations from 1983-89, consisting of 47 holes and 6,893m. These holes were drilled from the open pit benches as the pit was progressively deepened. Phoneix carried out some exploration airtrack bedrock sampling in 1993 and 1994 and defined some significant anomalies to the northwest along the Surigao Valley Fault. Greenstone Resources Corporation (GRC) commenced its first campaign in 2003. A limited programme of RC and diamond drilling was undertaken with encouraging results. On this basis a major diamond drilling programme was commenced along strike of, and below, the old open pit. Drilling included specialised geotechnical and metallurgical holes. The database for the Siana resource estimate totaled 109 holes and approximately 47,300m plus the 79 historic Suricon holes drilled between 1980 to 1990 for approximately 10,600m and 10,417 Grade Control channel samples conducted by GRC before April 2013. Air core drilling of the tailings ponds and bulk sampling of the low grade surface dumps was also carried out. GRC resumed exploration and extension drilling at Siana in March 2011, with holes drilled to the north, south and east of the pit to follow up mineralisation extensions along strike and at depth.</p> <p>In Alegria, 7 drillholes were drilled between 2004 and 2006. In 2005, geochemical grid sampling was conducted over Block 1 (Alegria) area.</p> <p>Both areas were actively explored by Surigao Consolidated Mining Company (Suricon) in the 1970s to 1990s. The Siana pit was mined in those days while a short underground development in Alipao prospect was also done.</p> <p>Anglo American conducted aeromagnetics survey over the Surigao district which includes the Siana MPSA, in early 2000s. The survey includes radiometric and radar altimeter information. Ridge and spur sampling was also done from Ferrer Claim to Alegria block in 2003.</p>
Geology	<ul style="list-style-type: none"> <li><i>Deposit type, geological setting and style of mineralisation.</i></li> </ul>	<ul style="list-style-type: none"> <li>The Siana MPSA hosts several epithermal/porphyry gold-copper prospects within the tenement area including the Siana Gold Deposit currently being mined and operated by Greenstone Resources Corporation (GRC), a Red 5 Limited affiliated company.</li> </ul> <p>The Alegria area which represents the Block 1 area of the Siana MPSA is the southernmost block of the Siana MPSA.</p> <p>Numerous rock chip samples collected from the Alegria-Madja prospect show narrow epithermal quartz carbonate veins, which in some examples show pyrite, chalcopyrite, galena and sphalerite mineralization. These veins have been mined by artisanal miners for gold.</p>

Criteria	JORC Code explanation	Commentary						
Drill hole Information	<ul style="list-style-type: none"> <li>A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes: <ul style="list-style-type: none"> <li>easting and northing of the drill hole collar</li> <li>elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar</li> <li>dip and azimuth of the hole</li> <li>down hole length and interception depth</li> <li>hole length.</li> </ul> </li> <li>If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case.</li> </ul>	Hole ID	X	Y	Z	Azi	Dip	EOH (m)
		ALDD008	65253	48651	277	90	-60	699.7
		ALDD009	65253	48655	277	330	-60	299.7
		ALDD010	65327	48798	303	330	-60	299.9
		ALDD011	65261	48747	296	330	-70	258.9
		ALDD012	65195	48581	235	160	-60	9.1
		<ul style="list-style-type: none"> <li>Not applicable</li> </ul>						
Data aggregation methods	<ul style="list-style-type: none"> <li>In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (eg cutting of high grades) and cut-off grades are usually Material and should be stated.</li> <li>Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.</li> <li>The assumptions used for any reporting of metal equivalent values should be clearly stated.</li> </ul>	<ul style="list-style-type: none"> <li>All reported assays are raw analytical results and no upper cuts-off have been applied.</li> <li>Not applicable</li> <li>No metal equivalents are reported in this announcement.</li> </ul>						
Relationship between mineralisation widths and intercept lengths	<ul style="list-style-type: none"> <li>These relationships are particularly important in the reporting of Exploration Results.</li> <li>If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.</li> <li>If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (eg 'down hole length, true width not known').</li> </ul>	<ul style="list-style-type: none"> <li>Target mineralization is of vein type and drillhole orientation is positioned perpendicular to the estimated strike to approximate the true width of the mineralization.</li> <li>Intersections are reported in their downhole lengths.</li> </ul>						
Diagrams	<ul style="list-style-type: none"> <li>Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.</li> </ul>	<ul style="list-style-type: none"> <li>Refer to the body of the announcement.</li> </ul>						

Criteria	JORC Code explanation	Commentary
		 <p>The map is a topographic representation of an exploration area. It features contour lines indicating elevation. Several drill holes are marked with blue dots and labeled: ALDD001, ALDD002, ALDD008, ALDD009, ALDD010, and ALDD011. A blue line represents a 'COMPLETED DOH' (Drill Hole). A red dashed line indicates a 'DRAIN'. A red solid line marks the 'MPSA BOUNDARY'. A red dashed line outlines a 'SLIDE AREA'. A red solid line represents a 'VEIN'. A legend in the top right corner defines these symbols.</p>
Balanced reporting	<ul style="list-style-type: none"> <li>Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.</li> </ul>	<ul style="list-style-type: none"> <li>Significant intercepts are reported based on geological core logging characteristics, i.e. alteration type and mineral composition. Assay results immediately adjacent (at most 1m on both sides) to these altered and mineralized rocks are also reported.</li> </ul>
Other substantive exploration data	<ul style="list-style-type: none"> <li>Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.</li> </ul>	<ul style="list-style-type: none"> <li>All meaningful and material information has been included in the body of the text. No metallurgical or mineralogical assessments have been completed.</li> </ul>
Further work	<ul style="list-style-type: none"> <li>The nature and scale of planned further work (eg tests for lateral extensions or depth extensions or large-scale step-out drilling).</li> <li>Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.</li> </ul>	<ul style="list-style-type: none"> <li>To be determined. However, based on the results seen further work is warranted.</li> <li>Extensions are not yet established as more exploration works are needed to delineate the ore.</li> </ul>