

29 July 2021

Divestment of Siana Gold Project

Binding Agreement to divest the Siana Gold Project to TVI Resource Development (Phils.) Inc.

- **US\$19 million cash payable upon completion**
- **Net Smelter Return royalty of 3.25% payable for up to 619,000 ounces of gold, with an estimated future face value of US\$36 million (based on a US\$1,800/oz gold price) (Royalty)¹**
- **TVI Resource Development (Phils.) Inc. is in the advanced stages of securing funding to restart the Siana Gold Project, which is expected to re-commence operations in the first half of 2023**

Red 5 Limited (ASX: RED) (**Red 5 or the Company**) advises that it has entered into a binding agreement with TVI Resource Development (Phils.) Inc. (**TVIRD**) to divest its interests in Philippine company Greenstone Resources Corporation (**GRC**), which holds both the Siana Gold Project (**Siana**) and the Mapawa Gold Project in the Philippines (**Agreement**).

TVIRD is the Philippine affiliate of the Canadian-listed TVI Pacific Inc (**TSX-V:TVI**). TVIRD has two operating mines and a number of other development projects in the Philippines with interests in gold, nickel and copper. Through its major shareholder, Prime Resource Holdings Inc., TVIRD has advised that funding to restart Siana is expected to be sourced from existing operating cash flows and debt funding if required, and is targeting a restart of operations in the first half of 2023.

Red 5, GRC and TVIRD are committed to ensuring an orderly transition of ownership at Siana. TVIRD will become the 100% owner of GRC and therefore the divestment includes the process plant and all other infrastructure at Siana. The Royalty of 3.25% payable for up to 619,000 ounces of gold will be payable from first gold from the restart of the Siana processing plant. The Parties will now progress towards prompt completion of the Agreement. Upon completion of all closing conditions, which include certain Philippine regulatory approvals expected to be satisfied during the September 2021 quarter, Red 5 will receive gross proceeds of US\$19 million through the repayment of outstanding shareholder advances due from its Philippine-affiliated company, Red 5 Asia Inc, which is a shareholder of GRC.

Since the suspension of mining operations at the Siana project in 2017 and after considering various options for the project, the divestment of its interests in Siana is consistent with Red 5's strategy to focus on its King of the Hills and Darlot gold mines in Western Australia, with the aim of becoming a substantial mid-tier Australian gold producer.

PCF Capital acted as Financial Advisor to Red 5. HopgoodGanim Lawyers and SyCipLaw Center have acted as Legal Advisors to Red 5.

¹ The Royalty has an unaudited undiscounted value of US\$36 million based on the metrics stated above. However, as per the accounting standards, the royalty represents a variable consideration and may be treated as a contingent asset pending re-commencement of production at Siana, which for accounting purposes may impact the fair value attributed to the royalty when determining a fair value and gain or loss on sale at the time of the transaction.

Commenting on the transaction, Red 5 Managing Director, Mark Williams, said:

“The Company has had a long history in the Philippines as a gold explorer, developer and ultimately, successful operator of the Siana Gold Project for a number of years through its Philippines affiliates and partners. Following the challenges we experienced in FY17, mining operations at Siana were suspended and we have since successfully pivoted to Australia through our dual acquisition of the Darlot and King of the Hills gold mines, which was completed in October 2017.

“We are now well established on our growth trajectory in the Australian gold sector with the construction of the King of the Hills gold mine now in full swing and first gold production on track for the June Quarter 2022, complementing our nearby existing production base at Darlot.

“I am proud of the excellent job the Philippines team has done in maintaining the asset during the period of suspension of mining activities and ensuring that strong community relations programs have continued. I am confident that TVIRD will build on these strong foundations as they move forward and bring the mine back into production for the benefit of all key stakeholders in the region.

“From a Red 5 perspective, the transaction streamlines our portfolio, removes the annual holding cost of approximately A\$6 million and crystallises a combination of cash value for our shareholders while maintaining future exposure to the upside at Siana via a capped Net Smelter Return Royalty of 3.25%. I would like to thank everyone who has been involved in assisting us with the transaction.”

ENDS

Authorised for release by the Board.

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