

30 January 2017

## December 2016 Quarterly Activities Report

**Strong gold production with robust margins; Revised operational strategy and open pit mine plan to be implemented; Exploration campaign underway at high-priority targets**

### Highlights

#### Operations – Siana Gold Project, Philippines

- 18,195oz recovered for the Quarter and gold sales of 18,589oz.
- All-In Sustaining Costs (AISC) of A\$1,077 per oz.
- A total of 196,478 tonnes of ore at an average grade of 2.6 g/t Au and 563,149 bank cubic metres (BCM) of waste moved ex-pit during the Quarter.
- Ore stockpiles at Quarter-end of 373,279 tonnes at 1.2 g/t Au.

#### Siana Underground Development

- Underground development has progressed well to date, with the advancement of the main portal and ventilation portal reaching a combined 100 metres at the end of December 2016. Construction of the bulk emulsion depot and batching plant completed, with the heavy vehicle workshop to be completed by the end of January 2017.
- Underground development will continue throughout 2017 using low-cost hand-held air-leg mining techniques.

#### Environmental Management and Compliance

- Greenstone Resources Corporation awarded the 2016 Presidential Mineral Industry Environmental Award (PMIEA) Platinum Achievement Award in the Surface Mine Operations Category.

#### Finance

- A\$29.8M cash balance including gold held in the metal account (unaudited) as at 31 December 2016.
- Gold sales for the Quarter of A\$29.7M.
- EBITDA (unaudited) from operations of A\$10.7M.

#### Subsequent Events and Outlook

- A revised operational strategy and open pit mine plan is to be implemented at the Siana Gold Project in response to the delay in obtaining regulatory approval for amendments to the Environmental Compliance Certificate (ECC) required to enable construction of a long-term Tailings Storage Facility (TSF) for the open pit operations (refer ASX announcement, 19 January 2017).
- Gold sales of 5,000 - 7,000 oz expected for the March 2017 Quarter, reflecting the implementation of the revised mine plan and the temporary suspension of processing from the end of January 2017.
- In light of the current uncertainty regarding the timing of approvals for the long-term TSF, commitments for major capital items for the underground development such as the paste-fill plant and power plant upgrades will be deferred until early 2018, with first underground ore from development activities planned for around March 2018.

#### Exploration

- Drilling underway at the Alegria-Madja prospect area, where previous soil sampling, geophysics and early reconnaissance drilling have identified significant copper-gold anomalies (up to 1km in diameter). The drilling will 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.
- Mapping underway over high-priority target in the Block 2 region at the Mapawa MPSA, which area has demonstrated the presence of significant quantities of free gold from soil panning.

**Red 5 Limited**

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*Figure 1: The concrete batch plant, constructed to support the underground mine development at Siana*

## OVERVIEW

Red 5 Limited (ASX: RED) delivered a period of strong operational performance at the Siana Gold Project in the December 2016 Quarter, with a total of 18,195 ounces of gold recovered from the open pit operation.

The waste-to-ore strip ratio was 7.5:1. The C1 cash operating cost for the Quarter was A\$872 per ounce. The All-In Sustaining Cost (AISC) for the Quarter was A\$1,077 per ounce sold, compared to A\$1,035 per ounce in the previous quarter.

Strong progress has been made to date towards development of the underground mine with the advancement of the main portal and ventilation portal reaching a combined 100 metres at the end of December 2016. Key exploration programs have also commenced at two high-priority exploration targets – the Madja gold-copper target (part of the Alegria region to the south of Siana) and the Block 2 region at Mapawa.

## Events Subsequent to Quarter-end

As outlined in the ASX announcement on 19 January 2017, a revised operational strategy and open pit mine plan for the Siana Gold Project is to be implemented in response to the delay in obtaining the required approvals for construction of the proposed new long-term Tailings Storage Facility (TSF) for the open pit operation and previously reported pit wall stability concerns in the open pit.

The revised strategy will see an extension of the East wall cut-back which is designed to optimise remaining open pit gold production and cash flows while minimising operational risks.

The Siana processing plant will be temporarily placed on standby by the end of January 2017. As a result of the implementation of the new mine plan and the temporary suspension of processing from the end of January 2017, gold sales for the March 2017 Quarter are forecast to be in the range of 5,000 - 7,000 ounces.

In light of the change in timing for the long-term TSF, commitments for major capital items for the underground development such as the paste-fill plant and power plant upgrades, will be deferred until early 2018. Underground development will continue throughout 2017 using the lower-cost hand-held air-leg mining techniques.

Red 5 considers this to be an appropriate measure in the current circumstances designed to protect the Group's balance sheet, with first underground ore planned for March 2018 with steady-state production commencing around December 2018. The deferment of major capital items will be progressively monitored and may be brought forward depending on the operational performance of the open pit and all necessary regulatory approvals being in place.

#### Quarterly Gold Production – Key Statistics

Key Indicators	Unit	Mar. 16 Quarter	Jun. 16 Quarter	Sep. 16 Quarter	Dec. 16 Quarter
<b>Mine Production</b>					
Waste Mined (ex-pit)	BCM' 000s	852	835	313	563
Ore Mined	T	269,068	222,321	423,529	196,478
Mining Cost per tonne (ore and waste)	\$/t	3.5	3.3	4.5	4.1
<b>Mill Production</b>					
Ore Processed	T	119,758	188,453	232,154	207,695
Head Grade – Gold	g/t	3.1	3.4	2.8	3.3
Head Grade – Silver	g/t	7.1	8.6	7.3	7.9
Processing Cost per Tonne	\$/t	35	27	24	29
Recovery – Gold	%	82	87	83	83
Recovery – Silver	%	29	43	31	28
Gold Recovered	oz	9,448	18,047	17,062	18,195
Silver Recovered	oz	8,014	24,086	16,787	14,733
Gold Sold	oz	10,365	19,942	15,148	18,589
Silver Sold	oz	8,291	19,822	19,655	18,925
Average Gold Price Received	US\$/oz	1,177	1,252	1,339	1,194
	A\$/oz	1,630	1,724	1,778	1,597
Cash Operating Costs (i)	A\$/oz	870	663	650	872
Total Operating Costs (ii)	A\$/oz	1,289	1,019	1,014	1,295
All In Sustaining Costs (iii)	A\$/oz	1,799	1,168	1,035	1,077

(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.

## OPERATIONS

### Mining Activities

Mining activities during the December 2016 Quarter were focused on mining ore from Stage 4 and waste stripping from Stage 6 of the Siana open pit.

Reconciliations of actual ore tonnes mined against the block model and contained ounces therein have continued to exceed expectations to date. This is considered encouraging for the remainder of the open pit.

A total of 196,478 tonnes at 2.6 g/t Au of ore and 563,149 bank cubic metres (BCM) of waste was moved ex-pit during the Quarter. Ore stockpiles, including low-grade material, at Quarter-end were 373,279 tonnes at 1.2g/t Au.

### Processing

The Siana processing plant performed well throughout the December 2016 Quarter, with a total of 207,695 tonnes of ore processed for the Quarter (September 2016 Quarter: 232,154 tonnes).

A total of 18,195 oz of gold was recovered for the Quarter. The average unit ore processing cost for the Quarter was A\$29.25 per tonne, compared with A\$23.50 per tonne for the September 2016 Quarter.

As announced on 19 January 2017, due to continued regulatory delays within the Philippines Department of Environment and Natural Resources (DENR), Greenstone Resources Corporation has not yet been able to secure the required approval for an amendment to the Environmental Compliance Certificate (ECC) for the Siana Gold Project to enable the construction of a long-term TSF to proceed.

Greenstone Resources Corporation submitted an application for an amendment to the ECC in July 2016. However, over the past six months the DENR's focus has been on completing its audit of operating mining companies in the Philippines. Greenstone Resources Corporation successfully completed its audit review as part of this process in July and August 2016, and was cleared to continue operations at Siana.

As previously announced, the existing TSF facilities can accommodate the operational needs of the open pit until the end of the March 2017 Quarter with the original objective being to commence construction of the new long-term TSF by January 2017, subject to the receipt of the required regulatory approvals.

### Site Development Projects

The status of the following construction projects as at the end of the Quarter was as follows:

- Construction work on the Bulk Emulsion Depot completed in December 2016;
- Construction of the Concrete Batch Plant completed in December 2016;
- Construction of the Underground Heavy Vehicle Workshop 85% completed; on target for completion by the end of January 2017;
- Construction of the Process Water Softener/RO Plant 70% completed; pre-assembled equipment in 2x40' containers fixed onto foundations; site electro-mechanical works will be completed during the temporary suspension of processing operations.



Figure 2: Construction of Underground Heavy Vehicle Workshop



Figure 3: Construction underway on the Bulk Emulsion Depot



### SIANA UNDERGROUND MINE DEVELOPMENT

Initial site development works for the underground operation continued throughout the December 2016 Quarter. At Quarter end, the advancement of the main portal and ventilation portal had reached a combined 100 metres, with construction of the bulk emulsion depot, concrete batching plant and heavy vehicle workshop all either completed or expected to be completed by the end of January 2017.

In light of the current uncertainty regarding the timing of the approvals for the long-term TSF, commitments for major capital items for the underground development such as the paste-plant and power plant upgrades, will now be deferred until early 2018.

This is a prudent and responsible approach in the current circumstances designed to protect the Group's cash position, with first underground ore planned for March 2018 and steady-state production commencing around December 2018. The deferment of major capital items will be progressively monitored and may be brought forward depending on the operational performance of the open pit and all necessary regulatory approvals being in place.

Based on the current gold price and receipt of approval for the construction of the long-term TSF within the coming months, the plan remains to fund the development of the underground operation from internally generated funding. Underground development will continue throughout 2017 using the lower-cost hand-held air-leg mining techniques, to be undertaken by Filipino mining and civil construction service contractor, Paramina Earth Technologies Inc.



Figure 4: Main access portal

## FUTURE DEVELOPMENT STRATEGY – MAPAWA LSY DEPOSIT

Following the Scoping Study completed in the March 2016 Quarter to assess the potential of the Mapawa Project to provide a source of satellite ore feed for the Siana processing plant, it has been decided to defer the completion of the Feasibility Study to allow additional exploration activities to be conducted in this area. This reflects the significant prospectivity of this area and the potential for new discoveries to further enhance the Feasibility Study for the Mapawa MPSA.

The additional exploration activities planned at Mapawa are aimed at increasing the current Mineral Resource base (8.8Mt grading 1.0 g/t gold for 289,000 contained ounces).

## EXPLORATION



Figure 5: Drilling underway at the Madja target in the Alegria area

## Alegria

Exploration continued during the Quarter over the area to the south of the Siana open pit known as Alegria.

Drilling is now underway at the Madja prospect area, with the first diamond drill hole designed to test the Madja porphyry copper-gold anomaly. Drill pads are now under construction to bring in an additional drill rig to test the narrow high-grade gold-bearing epithermal veins located to the north-west of the Madja magnetic high (porphyry target). Some of these gold-bearing epithermal veins include copper, lead and zinc mineralisation.



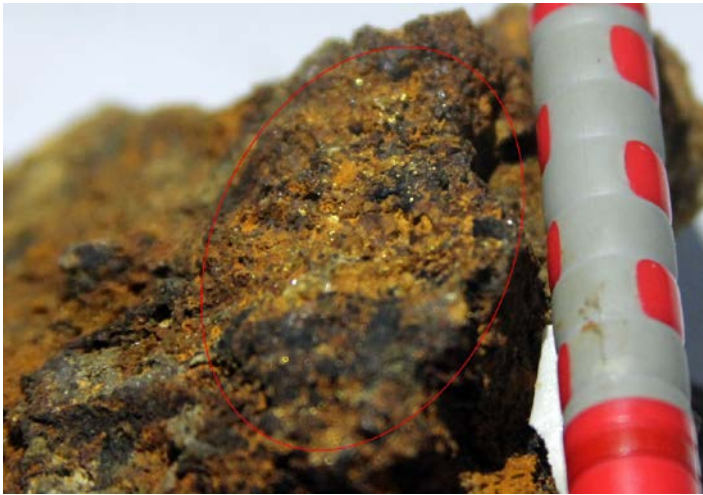


Figure 6: Medium grained cubic pyrite with patches of yellowish fine-to-medium flakes of native gold from the Madja region



Figure 7: Madja narrow vein rock float using AUD 10c piece as scale

The Madja drilling program, which totals 2,500 metres, will comprise two deep diamond holes for approximately 1,400 metres of drilling to test the deep copper-gold porphyry target as well as a series of shallow holes (150-300m depth) for the remaining drill metres to test the shallow epithermal targets that have been mapped at surface.

The shallow holes will be drilled over a strike length of 150 - 200 metres at approximately 50 metre intervals and are targeting the down-dip extensions of the veins. These holes are designed to test whether these gold and copper bearing veins thicken at depth. Field mapping over the Alipao and Madja prospects continued throughout the December 2016 Quarter, with vein continuity demonstrated at both prospects.

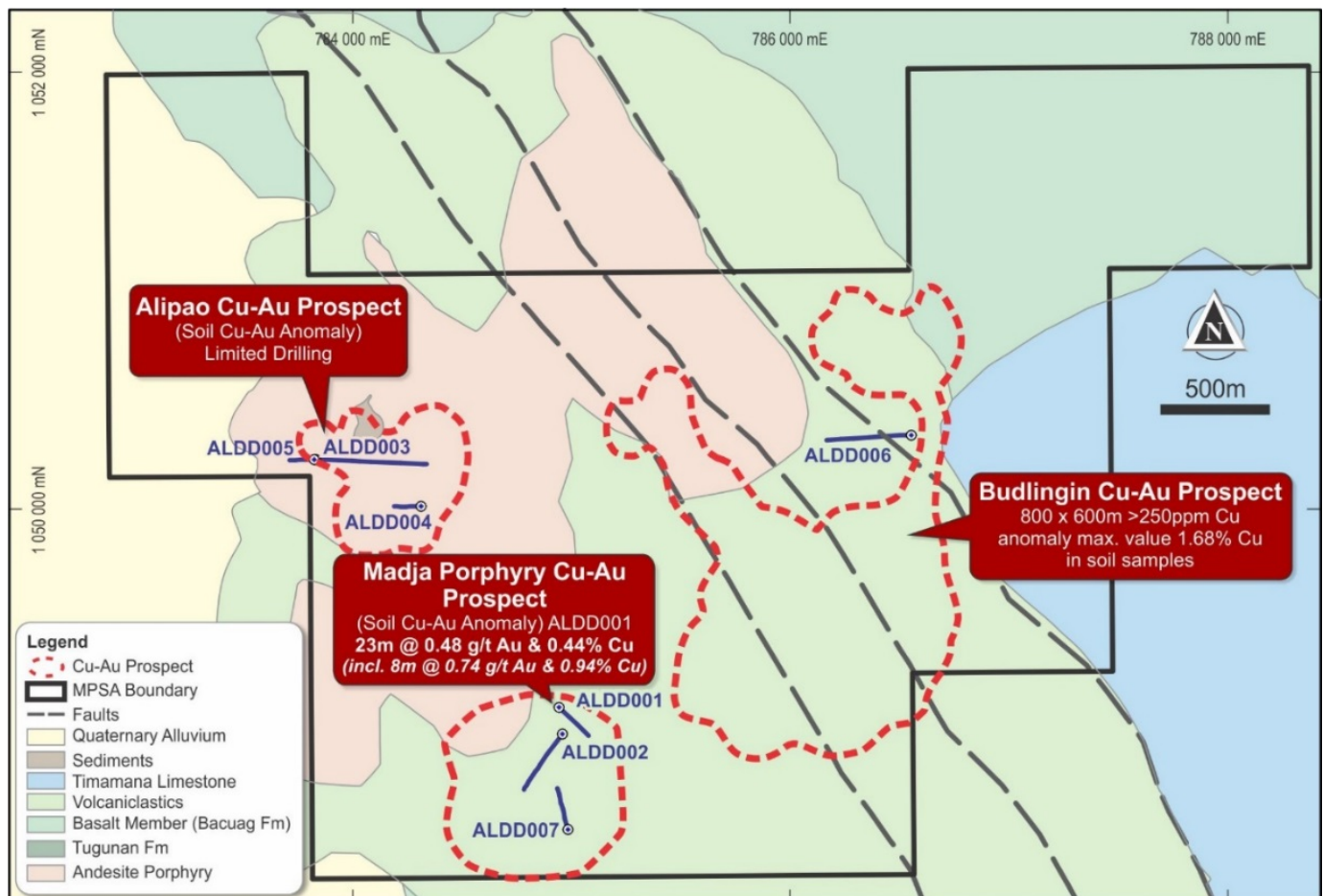


Figure 8: Siana MPSA Block I tenement showing the Alegria Prospects Alipao, Madja and Budlingin

## Mapawa

A major mapping program has commenced at Mapawa Block 2 MPSA, where significant quantities of free gold occur in unconsolidated sediment/soil under a 5 - 10 metre thick limestone cap.



*Figure 9: An example of the free gold being obtained from soil panning at Mapawa Block 2 MPSA by small-scale artisanal miners. Mapping over this area commenced as a high-priority exploration target.*

The geology of this region is yet to be determined, however the company considers it to be a potential colluvial channel or possible diatreme intrusive. The new area is called the Duyangan prospect (see Figure 10) and is located 4km to the north-west of the historic Manila Mining operations which have produced in the order of 20 million tonnes of ore derived from diatreme-based gold mineralisation, and 2.5km south-east of the historic Mother lode deposit (see Figure 10) which produced over 500,000 ounces. The Duyangan prospect is also coincident with a magnetic high.

Silica rock fragments have also been mined in this area by artisanal miners, and can carry significant gold grades. Free gold has been observed in these silica rich rock fragments.

This represents a high-priority exploration target which will be actively assessed over the March 2017 Quarter.



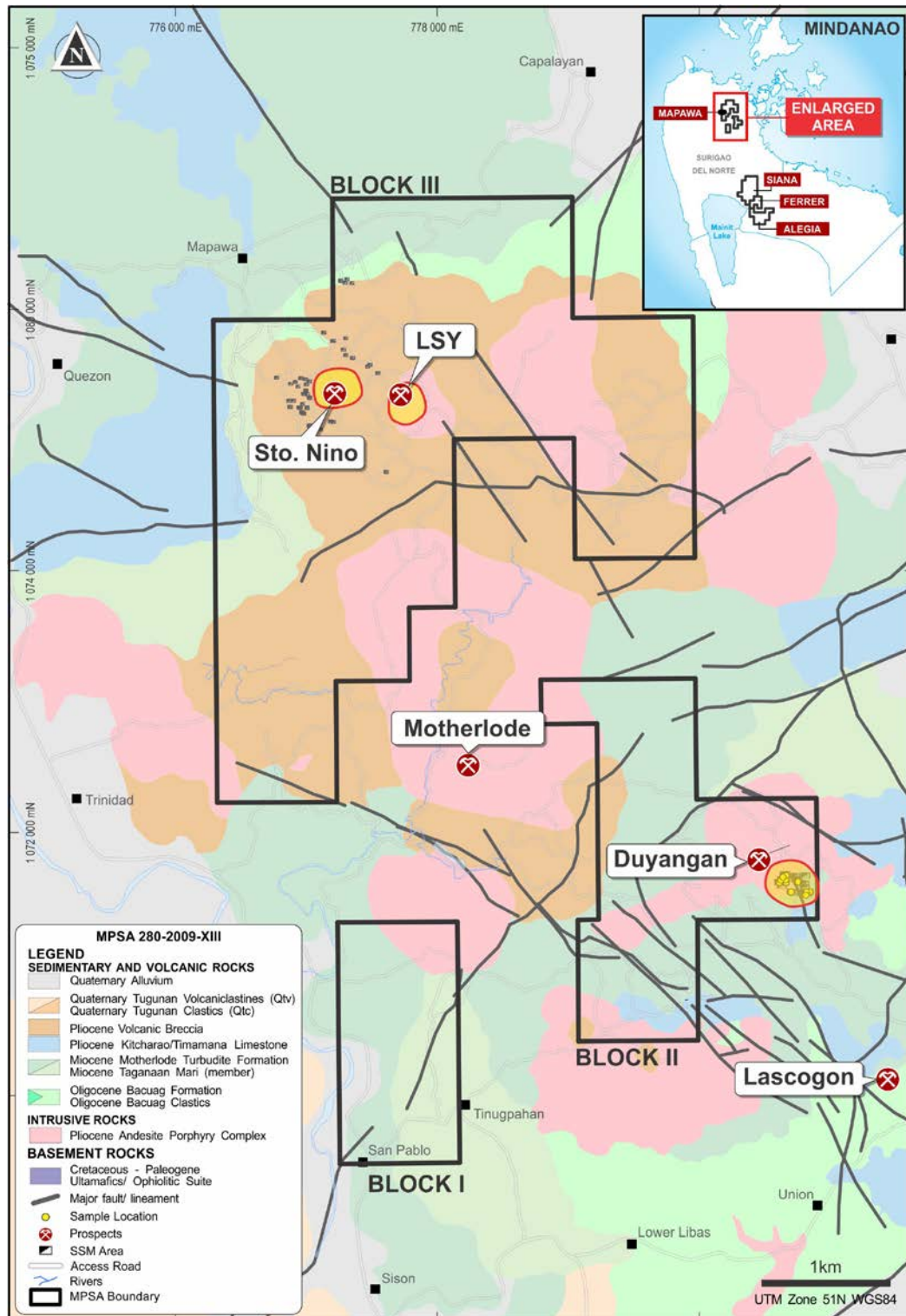


Figure 10: Mapawa MPSA tenements showing the new Duyangan prospect located in Block 2

## ENVIRONMENTAL

### Presidential Mineral Industry Environmental Award (PMIEA)

During the Quarter, Greenstone Resources Corporation, was awarded the 2016 Presidential Mineral Industry Environmental Award (PMIEA) Platinum Achievement Award at the 63rd Annual National Mine Safety and Environment Conference held in Baguio City, Philippines.

The PMIEA is the highest accolade which can be awarded to a mining company in the Philippines. It is based on an evaluation of all facets of a mining company's sustainable development practices, including its health and safety record, environmental management, community development and stakeholder communication and engagement.

Greenstone Resources was nominated for the award by the Philippines Mines and Geosciences Bureau (MGB), and received the Platinum Achievement Award in the Surface Mine Operations Category.

## **CORPORATE**

Red 5 has voluntarily withdrawn its American Depositary Receipts (ADR's) from listing on the OTCQX International market and has given notice of termination of its ADR program. There has been very limited activity in the ADR facility and the decision to cancel the program will reduce compliance and related costs.

## **FINANCIAL**

Gold sales for the Quarter totalled A\$29.7 million (September 2016 Quarter: A\$26.9 million) from the sale of 18,589 ounces (September 2016 Quarter: 15,148 ounces) at an average price of A\$1,597 per ounce (September 2016 Quarter: A\$1,778 per ounce).

The total operating cost for the Quarter (including depreciation and amortisation charges) was A\$1,295 per ounce compared with the September 2016 Quarter (A\$1,014 per ounce). The increased cost per ounce was mainly due to higher amortisation charges resulting from the proposed revised open pit mine plan.

The AISC for the Quarter was A\$1,077 per ounce (September 2016 Quarter: A\$1,035). Once operations restart, the AISC for the remaining life of the open pit is expected to be in the range of A\$920 to A\$1,000.

The Siana operation generated unaudited EBITDA of A\$12.1 million for the Quarter. This was lower than the previous quarter due to the inclusion of open pit waste removal costs under operating expenses. EBITDA after allowing for Philippine and Australian corporate expenses was A\$10.7 million. Net earnings from operations were A\$4.2 million and A\$2.8 million after corporate costs. Net earnings was impacted by higher amortization charges resulting from the proposed revised open pit mining plan. The consolidated cash position as at the end of December 2016 was A\$29.8 million including refined gold in the metal account (September 2016 Quarter: A\$24 million).

	<b>Mar 2016</b>	<b>Jun 2016</b>	<b>Sep 2016</b>	<b>Dec 2016</b>
<b>Financial Summary</b>	<b>A\$M</b>	<b>A\$M</b>	<b>A\$M</b>	<b>A\$M</b>
Sale proceeds	16.9	34.4	26.9	29.7
Operating costs	(8.9)	(13.1)	(9.9)	(17.6)
Philippine and Australian corporate costs	(0.9)	(1.3)	(1.0)	(1.4)
EBITDA	7.1	20	16	10.7
Depreciation and amortisation	(4.3)	(7.1)	(5.5)	(7.9)
Net earnings/(loss) from operations	2.8	12.9	10.5	2.8
<b>Capital expenditure</b>				
Plant/equipment/development	10.0	10.4	8.5	4.8

**ENDS**

### **For more information:**

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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 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 steady-state 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 deliver steady and reliable gold production 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 open pit wall cut-backs; and
- **Growth** – laying the foundations for future growth by implementing long-term mining plans for the future underground mine, and by recommencing exploration activities to grow the resource and reserve inventory and unlock the potential of the Group's 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 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.				
<b>Abbreviations</b> <i>Greenstone: Greenstone Resources Corporation</i> <i>SHIC: Surigao Holdings and Investments Corporation</i> <i>MPSA: Mineral Production Sharing Agreement</i> <i>APSA: Application for MPSA</i> <i>ML: Mining Lease</i> <i>EL: Exploration Licence</i>				

### Competent Person Statements for JORC 2012 Mineral Resource and Ore Reserves

The information in this report that relates to the Mineral Resources at the Mapawa Project is extracted from the report titled *Maiden 289,000oz Gold Resource for Mapawa LSY Deposit*, dated 21 October 2015 and is available on the ASX web-site. The information in this report that relates to the Mineral Resources for the Siana Underground deposit is extracted from the report titled *704,000oz Mineral Resource for Siana Underground*, dated 23 February 2016 and is available on the ASX web-site. The information in this report that relates to the Ore Reserves for the Siana Underground deposit is extracted from the report titled *Siana Gold Project: Underground Mine Approved for Development Following Completion of Positive Updated Feasibility Study*, dated 14 June 2016 and is available on the ASX web-site. The information in this report that relates to the Mineral Resource and Ore Reserves for the Siana Open Pit deposit is extracted from the report titled *Siana Gold Project – Open Pit Mining Review and Reserve Update*, dated 24 September 2015 and is available on the ASX web-site. Red 5 confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and that all material assumptions and technical parameters underpinning the estimates in the relevant market announcements continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Persons findings are presented have not been materially modified from the original market announcements.



### **Competent Person Statements for JORC 2012 Exploration Results**

Mr Byron Dumpleton, confirms that he is the Competent Person for the Exploration results summarized in this Report and Mr Dumpleton has read and understood the requirements of the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code, 2012 Edition). Mr Dumpleton is a Competent Person as defined by the JORC Code, 2012 Edition, having five years' experience that is relevant to the style of mineralisation and type of deposit described in the Report and to the activity for which he is accepting responsibility. Mr Dumpleton is a Member of the Australian Institute of Geoscientists, No. 1598. Mr Dumpleton has reviewed the Report to which this Consent Statement applies. Mr Dumpleton is a full time employee for Red 5 Limited. Mr Dumpleton verifies that the Exploration Results of this Report is based on and fairly and accurately reflects in the form and context in which it appears, the information in his supporting documentation relating to Exploration results.

### **Production forecast**

Red 5 confirms that all material assumptions underpinning the Siana Underground production target and financial information derived from that production target referred to in this report continue to apply and have not materially changed from when first reported on 14 June 2016, within the report titled Siana Gold Project: Underground Mine Approved for Development Following Completion of Positive Updated Feasibility Study, which is available on the ASX web-site. In addition, the ore reserves underpinning the production forecast for the Siana Open Pit in this report are probable ore reserves and have been prepared by a competent person in accordance with the requirements of JORC 2012.

### **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.