

# September 2015 Quarterly Activities Report

Record quarterly gold production and sales at Siana Gold Project

## Highlights

### Operations – Siana Gold Project, Philippines

- 17,737oz recovered (June 2015 Quarter: 11,007oz) and gold sales of 15,281oz (June 2015 Quarter: 10,591oz).
- Reconciliation of ore tonnes and grade continues to exceed expectations.
- Ore stockpiles at Quarter-end of ~37,739 t (June 2015 Quarter: ~87,000t).
- Whilst significant progress has been made in response to East pit wall material movement, the East pit wall remains an ongoing concern.
- Revised open pit mining strategy implemented to deliver ~181,000 recovered ounces from 1 July 2015 at an estimated AISC of US\$740-790/oz.

### Outlook

- 10,000 – 12,000oz of gold expected to be recovered for the December 2015 Quarter.
- Geotechnical stability constraints relating to the East pit wall continue with potential impacts to production during H2 2016 financial year. Increased production equipment targeted to arrive in November 2015 to endeavour to maintain forecast.
- Underground Concept Study highlights the potential to extract resources below the -130RL level, with underground development activities expected to commence in the second half of CY 2016, funded from internal cash flow.

### Exploration and Growth

- Inaugural JORC 2012 Indicated and Inferred Mineral Resource totalling 8.8Mt @ 1.0g/t Au for 289,000oz estimated for the Mapawa LSY deposit, located 20km north of the Siana Gold Project.
- Scoping Study planned to evaluate strategic development options focusing on higher grade near-surface areas within the Mapawa LSY deposit as a potential source of incremental satellite ore feed to Siana.

### Finance

- Gold sales for the Quarter of A\$23.8M (June 2015 Quarter: A\$15.4M).
- EBITDA from operations of A\$13.1M (June 2015 Quarter: A\$5.7M).
- A\$8.2 million cash balance as at 30 September 2015 (30 June 2015: A\$10 million), with outstanding proceeds of A\$4 million from gold shipment in late September.



*Figure 1: Mining West wall*

## **OVERVIEW**

The September 2015 Quarter was a pivotal period for Red 5 Limited (ASX: RED), with a strong operational performance at the Siana Gold Project providing the backdrop for the completion of key technical studies, both on the open pit mining strategy over the next two years and the potential development of a long-term underground mining operation.

A total of 17,737 ounces of gold was recovered for the September 2015 Quarter, establishing a new record for the project. A total of 41,381 ounces of gold has now been recovered at Siana since the restart of production in January 2015.

A revised open pit mining strategy has recently been implemented at Siana following the completion of a detailed Technical Study. The new mine plan is forecast to recover ~181,000 ounces from 1 July 2015 via a progressively staged cut-back of the East pit wall to allow the base of the open pit to be mined to a final depth of -130RL. The revised strategy is designed to optimise the extraction of open pit Ore Reserves over the remaining life of the open pit up to December 2017 in order to maximise cash flows, while at the same time mitigating as far as possible geotechnical risks and striving to preserve the integrity and safety of the open pit operation.

## **Outlook**

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. Despite these efforts geotechnical stability constraints relating to the East pit wall continue, with potential impacts to production during H2 2016 financial year. Increased production equipment targeted to arrive early November 2015 to endeavour to maintain forecast.

### Quarterly Gold Production – Key Statistics

Key Indicators	Unit	March 15 Quarter	June 15 Quarter	Sept. 15 Quarter
<b>Mine Production</b>				
Waste Mined (ex-pit)	BCM' 000s	230	600	482
Ore Mined	t	-	190,392	173,906
Mining Cost per tonne (ore and waste)	\$/t	11	6	4.5
<b>Mill Production</b>				
Ore Processed	t	140,222	157,941	210,572
Head Grade – Gold	g/t	3.3	2.6	3.1
Head Grade – Silver	g/t	7.0	5.3	6.4
Processing Cost per Tonne	\$/t	25	31	25
Recovery – Gold	%	87	83	85
Recovery – Silver	%	50	37	39
Gold Recovered	oz	12,638	11,007	17,737
Silver Recovered	oz	14,170	10,627	16,962
Gold Sold	oz	8,791	10,591	15,281
Silver Sold	oz	7,036	11,523	11,586
Average Gold Price Received	US\$/oz	1,161	1,198	1,116
Cash Operating Costs (i)	A\$/oz	528	809	612
Total Operating Costs (ii)	A\$/oz	982	1,242	1,083
All In Sustaining Costs (iii)	A\$/oz	1,353	1,849	1,389

- (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

During the Quarter, mining activity at Siana was focused on open pit mining of the Stage 3 pit design and associated remediation of the Eastern wall, the East perimeter ring drain, Stage 2 of the open pit design as the immediate source of ore, and Stage IV as resources allow.

Reconciliations of actual ore tonnes and grade mined against the block model have continued to exceed expectations in the base of the open pit. This is considered to be a positive indication for the grade profile of the open pit over the next 18 months.

A total of 173,906 tonnes @ 3.52 g/t of ore and 482,114 bank cubic metres (BCM) of waste was moved ex-pit during the Quarter. An additional 443,371 BCM of waste material, mainly relating to the East perimeter drain, was also moved during the Quarter.

Ore stockpiles on hand at the end of the September 2015 Quarter totalled ~37,739 tonnes, compared with ~52,000 tonnes at the end of the June 2015 Quarter. Mining activities during the September 2015 Quarter will be focused on Stage 4 west wall mining, East perimeter drain, Stage 3 and Stage 2 construction of temporary sump at -80RL. While at the Waste Storage Facility, the focus was on finishing the underdrain and continue construction of buttress as it progressing upwards to +140RL. Ore production will mostly come from Stage 2 pit deepening.



*Figure 2: Crest of East wall*

### **Processing**

The Siana processing plant continues to perform well, with a total of 210,572 tonnes of ore processed for the Quarter, an increase over the June 2015 Quarter (157,941 tonnes). The average head grade and recovery was at 3.1 g/t Au and 85% respectively (June 2015 Quarter: 2.6 g/t Au and 83%).

A total of 17,737 ounces of gold was recovered for the Quarter, representing an increase of 50 per cent over the June 2015 Quarter (11,007 ounces). The average unit ore processing cost for the Quarter was A\$25/tonne, compared with A\$31/tonne for the June 2015 Quarter. The monthly performance for September of 6,796oz recovered, from ~77,619 tonnes processed was the highest gold recovered for a single month to date.



*Figure 3: Siana processing plant*

### **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 (HPDE TSF5) for additional storage capacity and strength. This facility was successfully commissioned earlier this year with all three TSFs (3, 4 and 5) available for the deposition of tails.

During the Quarter, construction of TSF3 Stage 2 continued at W to NW embankment. The TSF3 Stage 2 embankment is approximately 50 per cent complete with approximately 47,021 BCM of material placed to date. With this, the project is on track to be completed by mid-November 2015. The HDPE TSF5 Stage 2 embankment including decant and under drainage causeway and spillway is 100 per cent complete with a total of 161,957 BCM of good material placed.

Planning continued during the Quarter for additional long-term storage capacity. Concept designs have been completed and a preferred optimal location has been selected. International consultants AECOM have been appointed and have commenced preparation of the required statutory Environmental Performance Report and Management Plan (EPRMP). Proposals received from consultants for the geotechnical investigations and detailed designs are currently being evaluated.

### **Dewatering**

During the Quarter a temporary sump has been constructed in preparation for Stage 2 pit deepening and all water that accumulates at pit bottom is continuously discharged to the pond B silt pond. Pontoon mounted electric and diesel-driven pumps are stationed in the sump and both pumps are discharging to the pond B silt pond. The diesel-powered pump is a standby pump used in the event of a power outage or heavy rainfall periods. The construction of the workshop to support the dewatering activities is now complete.

### **Eastern Pit Wall and Geotechnical Drilling**

The Company has continued to make progress with its response to the movement of material from the Eastern pit wall into the open pit (*see ASX Announcement – 7 July 2015*). Re-siting of the perimeter ring drain on the Eastern side of the open pit is also advancing well.

Six diamond holes were completed during the Quarter – two more than initially envisaged – as part of geotechnical drilling to gain further understanding of the rock 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 were designed to intersect the southern and northern limits of the shear zone behind the limits of the proposed eastern wall cut back. The holes were also designed to test the shear zone and its contacts for any Siana-style gold mineralisation existing within or adjacent to the structural corridor. Weak mineralisation and alteration was intersected in holes GT1 and GT3 (SMDD158). Following completion of geotechnical assessment, the core has now been dispatched for assaying with results expected in the coming weeks.

Despite these efforts geotechnical stability constraints relating to the East pit wall continue.

In line with leading standards for Open Pit wall monitoring, a MSR 120 Radar Monitoring Unit has been established and commissioned during October 2015.



Figure 4: Radar monitoring unit

### **Open Pit Mining Strategy – Technical Study Outcomes**

As part of an ongoing geotechnical assessment of the open pit mining operations at the Siana Gold Project and the material movement on the Eastern pit wall in July 2015, Red 5 completed an extensive Technical Study to determine the optimal mining schedule for the remainder of the open pit Ore Reserves.

Full details of the open pit technical review are available in the Company's ASX announcement dated 24 September 2015. The key recommendations from the report were that a substantial reduction of overall slope angles needs to be adopted in conjunction with continued dewatering and de-pressurisation and a staged approach to mining in the East pit wall.

### **Future Development Strategy – Siana Underground Concept Study**

Red 5 commissioned underground mining consultants Mining One Pty Ltd to undertake a detailed Underground Concept Study, aimed at evaluating the mine-ability of the resource beneath the proposed final open pit.

The Concept Study included both Indicated and Inferred material in the assessment of the resource, and therefore cannot be used as the basis of a JORC 2012 Reserve declaration. However, the results of the study did validate the existing JORC 2004 Siana underground Reserve and concluded that the current projected metal price, estimated cost of mining and proposed mine plan are not likely to have a significant net material effect on the current Reserve declaration.

The updated mine plan is based on the use of a conservative short up-hole retreat mining method with cemented paste-fill for the majority of the orebody. Previous studies (including the 2009 Feasibility Study) proposed mining of the underground resource using a cut-and-fill method with road headers.

The Underground Concept Study recommended that further work be undertaken to upgrade the existing JORC 2004 underground Reserve to JORC 2012 status. This would involve developing a feasibility level study and associated underground mine plan. Further details of the Siana Underground Concept Study are provided in the Company's ASX announcement dated 24 September 2015.

## Exploration

Red 5 has calculated a maiden JORC 2012 Mineral Resource estimate for the Mapawa LSY deposit, a strategic development and growth opportunity located 20km north of Siana in the Surigao del Norte region.

The resource, which was independently estimated by geological consultants Optiro Pty Ltd with the reported figures below based on a 0.7g/t gold cut-off (the same cut-off used at the Siana Gold Project), comprises:

- Indicated Resource 3.3Mt grading 1.0g/t gold for 103,000 contained ounces
  - Inferred Resource 5.5Mt grading 1.0g/t gold for 185,000 contained ounces
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- **Total Mineral Resource 8.8Mt grading 1.0g/t gold for 289,000 contained ounces**

The Mineral Resource is reported on a dry tonne basis. See the Company's ASX Announcement dated 21 October 2015 for additional details.

The Mapawa Project is a substantial gold-copper porphyry prospect which forms part of Red 5's broader regional tenement portfolio in the highly prospective Surigao del Norte mining province in the Philippines. The new resource estimate was commissioned as part of a broader strategy to unlock the value of the Company's highly prospective regional tenement portfolio in the Philippines and to pursue longer term growth opportunities outside of the Siana Gold Project.

### ***East Wall Geotechnical Drilling***

The first four geotechnical holes of the planned six geotechnical holes have now been cut and dispatched to Intertek, Philippines Laboratory for assaying. Holes SMDD160 and 161 are being geotechnically logged and hole SMDD161 will be cut for assay.

### ***Dewatering***

Five scoping holes have been planned for evaluating the lithology and understanding the ground conditions for future dewatering holes along the west and southwest wall of the Siana pit.

## Financial

Gold sales for the Quarter increased to A\$23.8 million (June 2015 Quarter: A\$15.4 million) from the sale of 15,281 ounces (June 2015 Quarter: 10,591 ounces) at an average received price of US\$1,116 per ounce (June 2015 Quarter: US\$1,198 per ounce).

The total operating cost for the quarter (including depreciation and amortisation charges) was A\$1,083 per ounce. This was lower than the June 2015 Quarter (A\$1,242 per ounce), mainly due to the higher gold production. Although amortisation charges were higher than the previous quarter, the rate per ounce was lower due to the impact of the impairment write-off of mine property and development in June 2015. The All-In Sustaining Cost (AISC) (including actual waste removal costs, corporate costs and sustaining capital) decreased to A\$1,389 per ounce (June 2015 Quarter: A\$1,849 per ounce), mainly due to higher mine production and improved gold recoveries in processing.

The Siana operation generated EBITDA of A\$13.1 million for the Quarter with net earnings of A\$5.9 million. The consolidated cash position as at the end of September 2015 was A\$8.2 million (June 2015 Quarter: A\$10.0 million).

Outstanding gold sale proceeds for the last shipment of September 2015 was A\$4.0 million.

<b>Financial Summary</b>	<b>Jun 2014</b> A\$M	<b>Sep 2014</b> A\$M	<b>Dec 2014</b> A\$M	<b>Mar 2015</b> A\$M	<b>Jun 2015</b> A\$M	<b>Sep 2015</b> A\$M
Sale proceeds	0.1	0.0	0.0	12.0	15.4	23.8
Operating costs/care and maintenance	(1.8)	(1.5)	(1.9)	(5.0)	(8.6)	(9.6)
Philippine and Australian corporate costs	(1.3)	(1.6)	(1.2)	(1.1)	(1.1)	(1.1)
EBITDA	(3.0)	(3.1)	(3.1)	5.9	5.7	13.1
Depreciation and amortisation	(0.2)	(0.1)	(0.2)	(4.0)	(4.6)	(7.2)
Net earnings/(loss) from operations	(3.2)	(3.2)	(3.3)	1.9	1.2	5.9
<b>Capital expenditure</b>						
Plant/equipment/development	1.5	5.2	12.8	7.0	10.8	8.0

**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 for JORC 2012 Mineral Resource and Ore Reserve

The information in this report that relates to Mineral Resources and Ore Reserves at the Siana Open Pit is extracted from the report titled Siana Open Pit Mining Review and Reserve Update, 24 September 2015 and is available on the ASX web-site. The information in this report that relates to Mineral Resources and Ore Reserves at the Mapawa Project is extracted from the report titled Maiden resource for Mapawa LSY deposit, 21 October 2015 and is available on the ASX web-site. Red 5 Limited 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's Statement for JORC 2004 Mineral Resource and Ore Reserve Mineral Resource – Siana Underground

Mr Byron Dumpleton, confirms that he is the Competent Person for the Mineral Resource estimates summarised 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 has been engaged as a consultant to Red 5 Limited through his company BKD Resources Pty Ltd. Mr Dumpleton has accepted being the Competent Person for the underground mineral resource based on the work conducted on the 2009 Bankable Feasibility Study which was conducted at industry accepted standards suitable for reporting JORC 2004 compliant resource and reserve.

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 in June 2014.

The Mineral Resources statement is based on and fairly represents information and supporting documentation prepared by a Competent Person, Mr Byron Dumpleton and has been approved as a whole by Mr Dumpleton.

### 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

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