

20 June 2017

SIANA GOLD PROJECT AND COMPANY UPDATE

Key Points

Siana Gold Project, Philippines

- **Key milestones achieved with underground development prior to suspension of underground activities:**
 - *Combined underground development reached 445m*
 - *Incline development from Portal 3 now joined with the main Portal 1 decline*
 - *Construction of important surface infrastructure including bulk emulsion depot, batching plant and heavy vehicle workshop completed*
- **Ongoing work identifies opportunities to enhance the financial outcomes of the proposed underground mine**
- **Change in Secretary of the Department of Environment and Natural Resources (DENR) recently announced**
- **Processing of low-grade stockpiles continuing at Siana in line with previous announcement**

Corporate

- **Further royalty payment of \$0.5 million received from Galaxy Resources for production from the Mt Cattlin mine in WA for the March 2017 and December 2016 quarters**
 - **Red 5 Group remains in a sound financial position with a cash balance at 31 May 2017 of ~A\$19.0 million (including gold doré in the metal account) and no drawn debt facility**
 - **Actively pursuing potential new corporate opportunities**
-

Overview

Further to the announcement of 18 April 2017 regarding the suspension of mining operations at the Siana Gold Project in the Philippines, Red 5 Limited (ASX: RED) provides the following operational and corporate update.

After notifying the Philippines Mines and Geosciences Bureau (MGB) of the suspension of operations, Red 5's Philippine-affiliated company, Greenstone Resources Corporation (Greenstone Resources), has been working closely with the Group's employees, contractors, host communities and other key stakeholders to implement the Siana suspension plan. Further details on progress with the key elements of the suspension plan are provided below.

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 since March/April 2017 in the processing of the Environmental Compliance Certificate (ECC) amendment for the long-term Tailings Storage Facility (TSF).

Open Pit Operations

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.

Red 5 Limited

ABN 73 068 647 610

ASX: **RED**

Shares on issue: **763.8M**

Level 2, 35 Ventnor Avenue West Perth 6005 Western Australia **Tel:** (+61) 8 9322 4455 **Fax:** (+61) 8 9481 5950

Web: www.red5limited.com **Investor enquiries:** info@red5limited.com

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.

Processing

In line with the previously announced plan, the Siana processing plant resumed operations and is currently processing existing medium-to-low grade ore stockpiles. This additional period of processing is being undertaken in order to maximise the use of the existing tailings storage capacity and the existing stock of reagents.

The processing campaign is scheduled to be completed by the end of June or early July 2017.

Underground Development

Underground development work has now been suspended 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.

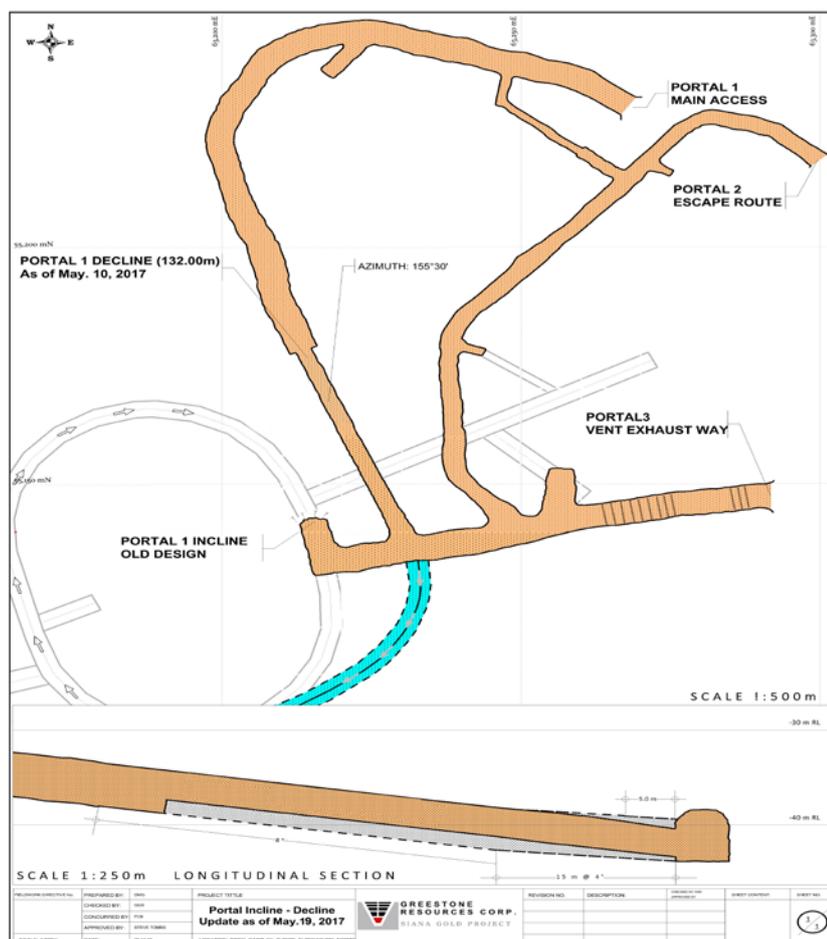


Figure 1: Siana underground mine development as at May 2017

Construction of important surface infrastructure, namely the bulk emulsion depot, underground batching plant and heavy vehicle workshop (see Figures 2, 3 and 4 below), 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, the Group has 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 life¹;
- 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 reduce costs further are being investigated.

¹ 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.

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.



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 at the Siana mine site and at the Manila and Perth offices. 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 will maintain personnel to ensure continued regulatory compliance and to facilitate ongoing strong community relations.

Based on the Group's current cash position, the Group has sufficient funds to maintain the Group's mining assets in good standing and, if necessary, to continue the suspension of operations for at least two years.

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 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.

Mt Cattlin Royalty Update

Red 5 owns the right to receive a royalty of \$1.50 per tonne of ore processed from the Mt Cattlin mine in Western Australia which is owned and operated by ASX-listed Galaxy Resources Limited. 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 has now received a payment of \$0.5 million, for production royalty entitlements for the March 2017 and December 2016 Quarters.

Galaxy Resources has publically 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 tantalum².

Financial and Corporate

The Group remains in a sound financial position with a cash balance at 31 May 2017 of approximately A\$19.0 million (including gold doré in the metal account), and no drawn debt facility.

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 continues to progress its evaluation of these opportunities.

ENDS

For more information:

Investors/Shareholders:

Mark Williams, Managing Director
Joe Mobilia, Chief Financial Officer
Red 5 Limited
Telephone: +61 8 9322 4455

Media:

Nicholas Read
Read Corporate
Tel: +61-8 9388 1474

² 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.

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.