



**Annual General Meeting  
27 November 2012**

**Red5 Limited**  
is a publicly listed company  
on the ASX  
- ticker symbol RED

*The Board strategy is to  
focus on the development  
of Siana.*

Inquiries regarding  
this report and company  
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directed to:

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## Chairman's Address

In the Annual Report released late September 2012, I noted that all new mine developments have their challenges and that the one million ounce Siana deposit in the Surigao del Norte region of Mindanao, was regrettably no exception. These challenges continued in October as advised to ASX Limited and have continued in the current month. Importantly, changes have been made or are in the process of implementation such that by the calendar year end we should be in a position to forecast, with greater accuracy, production guidance for the six months to 30 June 2013.

The Annual Report and the Activities Report for the three months to 30 September 2012 noted challenges which were predominantly related to operations in the pit and in particular, the removal of a significant volume of silt. The removal of this material which in places was ten metres thick and to which I have previously labelled as akin to sloppy porridge, took over four months. The volume of silt was underestimated. Hard rock causeways had to be developed within the pit to provide heavy excavation equipment with safe working platforms. The characteristics of the material coupled with the poor mobile plant equipment availability from the contractor, dominated activities in the mine. The fluid nature of the material also resulted in spillage from the trucks en route to the waste dump requiring more frequent clean-up of the ramps and haul road. During this period various mining consultants opined on the practices employed with suggestions adopted as appropriate. With no access to the pit floor only minor tonnages of ore were available from upper pit benches. Once the silt was largely removed, material from the causeways was then excavated together with debris that was sitting below the silt.

Whilst this was clearly a slow exercise, the appointment of Nestor M Casas as the new mine manager mid-way through this period plus the arrival of five of his former colleagues to the positions of senior production engineers, and pit supervisor/ foremen simultaneously resulted in the overhaul of most work practices.

By the end of September 2012 the pit floor had been cleared at the northern end where the exposed ore body from the previous operation twenty years ago was at its widest. The expectation at that point was for a steady build-up of ore onto the ROM pad and build-up of marginal material onto auxiliary stockpiles.

However, through October 2012 we found ourselves becoming increasingly vulnerable to a deterioration in the temporary 13.2kV power supply from the grid, either by way of low voltage or the occasional outage, as demand in the region increased.

Although we have our own alternative power source on site, installed during the plant construction phase, its function was to provide standby power only in the event of intermittent power interruption on the main 69kV grid supply. However, due to the delay in the local power co-operative supplying to site the 69kV line, now expected to be connected in the first quarter of 2013, our station has been the primary power source now for almost one year.

Our alternative power source was never designed to run the entire mine site nor to run continuously and, six weeks ago one of our three 2MW generators tripped out of synchronisation causing a shortfall of power across the site at times of grid power deficiencies. Power shedding became necessary, prioritising either the mine or the process plant as appropriate.

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## CHAIRMAN'S ADDRESS

The key point regarding the need for continuous power availability is the requirement to keep the water table below the working face in the mine. With restricted power, severe rain events have and will cause water to cover the pit floor prohibiting the delineation of ore for mining. The wet season officially starts next month but we have already had 282mms up to last weekend.

The power shortage has been addressed by acquiring a rent-to-buy 2MW trailer mounted power generator. This was installed a week ago and is operating in synchronisation with the other two power station gensets. In addition, pit pumping capacity is being substantially increased with the purchase of a diesel driven pump, capable of 200 litres a second at a head of 170 metres. This pump is expected to be installed and working by calendar year end. It will operate in parallel with the existing electric driven pumps, but with an independent power source.

Until pit pumping capacity and reliability is increased the operation will remain vulnerable to any extreme rainfall events with the wet season now upon us.

A change in arrangements with the current earth moving contractor is also planned and will be advised to shareholders as and when the detail is finalised.

Meanwhile, the process plant continues to operate without issues, acknowledging however that the plant has not been tested continuously at its nameplate 1.1 million tonne per annum capacity for more than several days. This month the plant has operated for 61.2% of the time against 99% availability. The average feed rate when operating has been 2,267 tonnes per day. The feed grade has been lower than the original forecast due to constraints in the pit with irregular access to good grade material at the pit floor.

The materials handling issues experienced during the early commissioning phase with wet sticky low grade stockpiled material have not been an issue post the initial modifications. More recently, a small jaw crusher was integrated into the crushing circuit to provide flexibility. Whilst initially premised on the avoidance of rehandling the occasional floating rock that occurs within the softer ore, the outcome in combination with normal ore product consistency from the MMD Sizer, has been the delivery of material that flows readily through all transfer points.

Although the gold and silver sales proceeds from the doré shipped to Metalor in Geneva are being received on an increasingly regular basis, the fact that the operation is not achieving a consistent 24 hour, 7 day a week metric, has resulted in a tight working capital position.

Over the last four months the Company has reviewed various approaches made to it by financial institutions. Cognisant of the time taken to complete due diligence and documentation, the Company mandated a European bank to provide a

stand-by facility. Technical due diligence was conducted by their independent expert in late July 2012 with initial credit approval granted this month. Recent production slippages has however necessitated the requirement to submit a revised mine plan before final approval is confirmed. The Company has appointed an independent group to assist with the generation of an achievable plan.

Before I conclude, it would be remiss of me not to make reference to the contribution made by our founding director, Greg Edwards who stepped down from the position of managing director a fortnight ago. One cannot overstate his contribution. Greg lead innovative design so that the deposit could be diamond drilled at very shallow angles, thereby avoiding the need to pump 8 billion litres of water out of the pit. He moved to site, learnt the local language and established good community and government relations from day one. He delivered the key permit – the Environmental Compliance Certificate – in record time and with unanimous community acceptance. It is now the responsibility of management and the board to complete what Greg started ten years ago.

With Greg stepping down, Red5 is indebted and most fortunate to have non-executive director Gary Scanlan step up into a caretaker role until a permanent chief executive officer is appointed. There are a number of good candidates, including executives' already resident in-country.

Let me conclude by re-iterating why Red5 built this mine in the first place. It has a combination of low cost attributes that collectively have the potential to deliver gold at a significant cash margin. The ore grade is double the world average, the gold is in a soft argillised environment which leads to low power consumption when compared with most gold deposits which are associated with hard quartz; fuel costs are low because the commodity is not as heavily taxed as it is in most western economies; and, work force employment costs are modest.

The anxiety over a long drawn out ramp-up period has resulted in a current share price that barely reflects the value of the process plant and infrastructure; assets which independent mineral consultants, the investment community, from both the buy and sell side, and other miners acknowledge as being first class.

In closing and just for clarity, the mine is producing ore and the plant is pouring gold, but not on a continuous 24/7 basis and not at its name plate capacity.

We will get past the current operational challenges so that shareholders, stakeholders and governments alike will all benefit from this development.

**Colin G Jackson**  
*Chairman*

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**Silt removal** *October 2012*



**Delta laid-up fleet** *early September 2012*



## Pit floor ore extraction late September 2012



### Competent Person Declaration

The information in this Public Report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on, and accurately reflects, information compiled by Mr R Williams who is a full-time employee of Red 5 Limited and who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Williams has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity which the Company is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code). Mr Williams consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.

## CORPORATE INFORMATION

### Directors and Executive Management

**Colin Jackson** (Chairman)  
**Gary Scanlan** (Lead Director)  
**Kevin Dundo** (Non-executive Director)  
**Mark Milazzo** (Non-executive Director)  
**Joe Mobilia** (Chief Financial Officer)  
**David Jerdin** (Chief Operating Officer)  
**Rohan Williams** (Group Exploration)  
**Frank Campagna** (Company Secretary)  
**Lolot Manigsaca** (Philippines Finance)

### Registered Office

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### Stock Exchange Listing

Australian Stock Exchange  
Ticker Symbol: RED

### Issued Capital

Issued capital – 135,488,008 shares  
Unlisted options – 290,000

### Substantial Shareholders

Baker Steel Capital Managers 8.7%  
Franklin Resources Inc. 6.6%

### Shareholder Enquiries

Matters related to shares held, change of address and tax file numbers should be directed to:

Securities Transfer Registrar  
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