# Red5Limited ABN 73 068 647 610



ASX ACTIVITIES REPORT
**3 months ended 31 March 2013**

**Red5Limited**
is a publicly listed company on the ASX
- ticker symbol RED

*The Board strategy remains the development of Siana.*

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## OVERVIEW

### Siana Gold Project, Philippines

### Operations

- Gold-silver doré shipments to Metalor, Geneva, totalled 5,875 ounces of gold.
- Cut-back and ore materials movement lower at 429,000 bcm due to the wet season and deteriorating mobile plant availability.
- Mill throughput similar at 106,200 tonnes, but at higher grade.
- New mine arrangement for equipment supply only, commenced with additional contractor commencing mid-March 2013.
- New approach to pit de-watering, comprising additional perimeter wells and drainage to the old underground workings, in progress.
- Significant increase in materials movement and mill throughput post period close.

### Finance

- EBITDA from operations of $2.9 million (unaudited), up 39%.
- Cash position $15.9 million (inclusive of the Credit Suisse retention account) (unaudited) plus an estimated 1,178 ounces of gold bullion awaiting shipment at period close.
- First principal and interest payment on Credit-Suisse US$25 million three year loan, due 31 July 2013 - $1.98 million.

### Corporate

- Steve Norregaard commenced as Managing Director, 1 February 2013.

### Post period end

- Milling operations ceased 24 April 2013 following early detection of movement on the tailings wall.

**Steve Norregaard**
*Managing Director*
30 April 2013

# CHAIRMAN'S REVIEW

## Many improvements but with a late set back

The changes initiated in November 2012 through January 2013 are starting to deliver on the objectives set.

Together with the arrival of our new Managing Director in February 2013, and his impetus and clear focus, the Siana operation has for the first time, real momentum.

The single most important factor is the mine fleet performance following the mobilisation of new equipment, in concert with Red5 taking direct operating responsibility. The materials movement statistics below, clearly demonstrate the dramatic positive impact.

An immediate consequence of the higher materials movement is the limited permanent capacity for ore on the ROM pad stockpile. Actions have been taken to double the capacity in the short term by placing waste to form a base in a part of the secondary and decommissioned tailings dam adjacent to the plant. This will eventually be extended to a capacity nearing 250,000 tonnes well ahead of the next wet season.

The benefits of this strategy are multifold: less tramming distance and vertical climb for waste tonnes deployment - leading to lower costs and more efficient fleet utilisation, less re-handling, greater ore grade blending opportunities and greater ease of removing entrained underground timbers.

With the greater availability of ore, the process plant operators are now in a position to run the mill at a sustained throughput approaching the nominal design of 3,000 tonnes per day. Two, previously planned, plant modifications were completed as the period came to a close. An apron feeder was installed at the critical primary crusher to mill feed conveyor transfer point and downcomers were installed in each of the six carbon-in-leach tanks. The former installation was to improve reliability and reduce downtime, and the latter to increase gold absorption residence time through better mixing, and therefore recovery onto the carbon.

The true test of these aggregated initiatives will be seen in the June 2013 quarter statistics, with the month of April 2013 appearing promising.

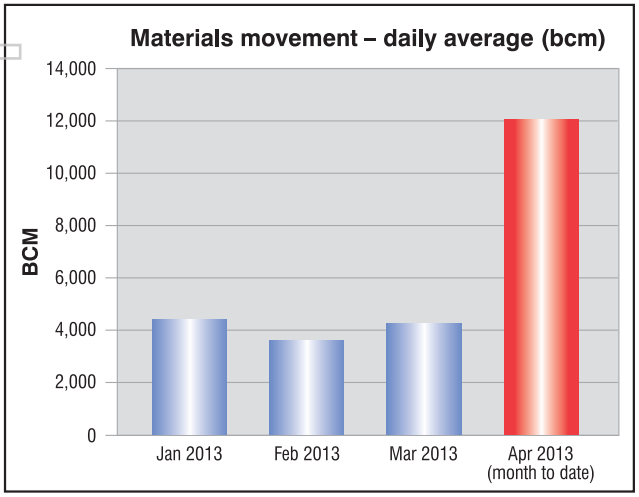
Shareholders will of course be disappointed with the dramatic reversal in the gold price in recent weeks, and the consequential impact on gold equity share prices. The gold sector share price declines did not appear to have materially differentiated between high cost producers, low cost producers or even dividend payers.

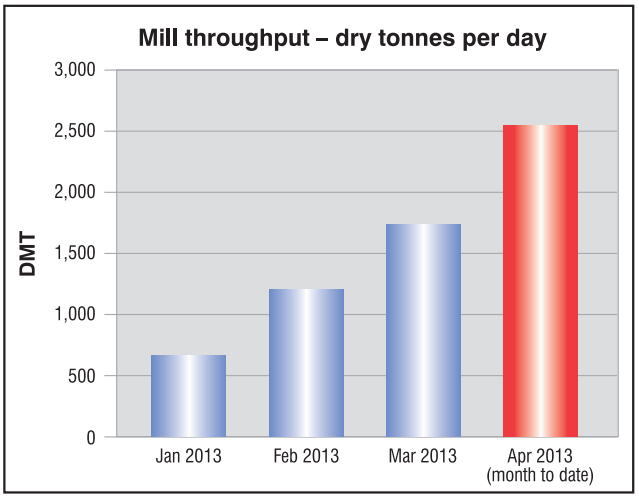
Irrespective of this, Red5 will continue to strive to deliver the promised low production cost per ounce, given its higher ore grade profile, lower unit power per tonne consumption due to the absence of hard quartz which typifies most gold operations, lower unit fuel cost (for both the mine mobile fleet and our own power generation) due to a lower government tax relative to most western economies and a more modest wage environment.

**Just prior to the release of this report, and with the mine and mill performing well ahead of previous statistics, the mill operation was suspended as a precaution following the discovery of minor subsidence on the outer wall of the tailings dam.**

**Shareholders will be updated as definitive information becomes available.**

**Colin G Jackson**
*Chairman*



## OPERATIONS

The quarter largely reflects the challenges the project has faced since inception – principally a lack of consistent ore delivery to the processing facility attributed to the combined effect of the contractor's poor fleet availability and the impost of water ingress from rain and groundwater restricting access to ore zones at the pit bottom. The site received 1,722mm of rain including a very substantial rainfall event mid-January of 431mm in 40 hours making recovery of the bottom of the pit very challenging.

### *Mine*

Despite total production being lower than that recorded for the previous quarter (429,000bcm vs 566,000bcm) this sub-par performance is now behind us. Effective 16 March 2013, the existing mine contract was terminated and a new arrangement and contractor introduced. The combination of which has seen a quantum shift in productivity in line, if not slightly exceeding expectations. The new contract arrangement is a wet hourly hire arrangement whereby the contractor supplies fully maintained equipment complete with operators whilst overall coordination of the resources and priorities are managed by the Company. This has had an immediate positive effect with better utilisation and availability resulting from the contractors concentrating on their aspect of the business whilst the Company can manage production priorities to much greater effect.

The combination of the new contractor's fleet, supplemented by a smaller component of the existing contractor's fleet, has provided the vital formula to now put the Company in a much better position with respect to guaranteeing supply of ore to the processing plant.

A new approach to dewatering was also initiated. The reliance on the in-pit pumping system, whilst effective in removing water within the pit has its limitations. There was given no capacity to dewater the country rock immediately below the pit floor (ie no contingency in the event of increased flows or pump failure). The Company engaged a drilling contractor mid-way through the quarter to commence drilling a series of positions within and around the pit periphery aiming to intersect major sources of water inflow and most importantly to intersect the underground mine workings connected to the pit bottom thus allowing water levels in the pit to be drawn down below the operating pit floor bottom.

## Production Cost Summary

| | *Quarter ending* | | | |
|---|---|---|---|---|
| | *Dec 2012* | | *Mar 2013* | |
| | *A$m* | *A$/oz* | *A$m* | *A$/oz* |
| Mining Costs | 0.45 | 119 | 0.57 | 96 |
| Processing Costs | 2.98 | 782 | 3.82 | 650 |
| G&A Costs | 1.44 | 377 | 2.01 | 342 |
| Other Costs | (0.44) | (116) | 0.37 | 63 |
| Silver Credits | (0.16) | (42) | (0.41) | (70) |
| **Cash Operating Costs** | 4.26 | 1,120 | 6.35 | 1,081 |
| Depreciation | 0.53 | 154 | 0.37 | 62 |
| Amortisation | 0.98 | 256 | 1.99 | 338 |
| **Depreciation and Amortisation** | 1.56 | 410 | 2.35 | 400 |
| **Total Costs** | 5.82 | 1,530 | 8.70 | 1,481 |

## Quarterly Production Summary

| | | *Quarter ending* | |
|---|---|---|---|
| *Key Indicators* | *Units* | *Dec 2012* | *Mar 2013* |
| **Mine Production** | | | |
| Waste Mined | *BCM '000s* | 566 | 429 |
| Ore Mined | *t* | 119,763 | 110,546 |
| **Mill Production** | | | |
| Ore Processed | *t* | 108,397 | 106,200 |
| Head Grade - Gold | *g/t* | 2.0 | 2.5 |
| Head Grade - Silver | *g/t* | 6.1 | 10.5 |
| Recovery - Gold | *%* | 69 | 74 |
| Recovery - Silver | *%* | 35 | 47 |
| Gold Recovered | *oz* | 4,850 | 6,375 |
| Silver Recovered | *oz* | 7,510 | 17,318 |
| Gold Sold | *oz* | 3,806 | 5,875 |
| Silver Sold | *oz* | 5,061 | 14,468 |
| Average Gold Price received | *US$/oz* | 1,730 | 1,628 |
| Cash Operating Costs *(i)* | *A$/oz* | 1,120 | 1,081 |
| Total Operating Costs *(ii)* | *A$/oz* | 1,530 | 1,481 |

*(i) Includes all site expenditure, royalties, dore shipping & 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 plus plant & equipment depreciation and amortisation of waste stripping costs and capitalised pre production mining and exploration costs.*

## Financial Summary

| | *Quarter ending* | |
|---|---|---|
| | *Dec 2012* | *Mar 2013* |
| | *A$m* | *A$m* |
| Sales Proceeds | 6.36 | 9.23 |
| Cost of Sales | (4.26) | (6.35) |
| **EBITDA from Operations** | 2.09 | 2.88 |
| Depreciation and Amortisation | (1.56) | (2.35) |
| **Net Earnings from Operations** | 0.53 | 0.53 |
| Philippine and Australian Corporate costs | (2.47) | (1.57) |
| **Net Earnings/(Loss) (pre currency translation)** | (1.94) | (1.04) |
| **Capital Expenditure** | | |
| Waste Stripping Costs *(i)* | 4.10 | 4.50 |
| Plant and Equipment | 1.40 | 1.50 |
| Exploration | 0.10 | 0.10 |

*(i) All waste stripping costs for the period are capitalised and amortised over the life-of-pit.*

The Company has been highly successful to this end with the initial hole drilled to intersect the shaft bottom some 100m below the planned ultimate pit bottom hitting its target, with the change in water pressures noted upon breakthrough confirming a very permeable connection with the water pond in the pit bottom. Subsequent holes drilled around the pit periphery now have intersected all visible seepage, with hole reaming currently under way to convert these holes into production dewatering bores. All pumps and ancillary equipment have been ordered for installation and commissioning of the new bores during the forthcoming quarter.

Coupling this with an increased emphasis on surface dewatering and effective drainage the Company believes it is in a much stronger position to mitigate the effects of the wet season than previously the case. The dewatering bores allow for dewatering in advance of mining with a more than capable in-pit dewatering system to remain in place as back-up for extreme rain events.

### *Mill*

Mill feed availability was the principal cause of downtime, with less than optimal throughput rates having to be implemented in order to stabilise the CIL circuit.

The feed grade was significantly higher 2.5g/t versus 2.0g/t which in turn led to better recoveries (74% versus 69%). The historical production from the mine prior to the involvement of Red 5 Limited suggests that rather than a fixed recovery being the governor of metallurgical performance, Siana ore shows a tendency to have a constant tails grade, thus improved metallurgical recovery is in part attributed to a higher head grade. Whilst this is the case many opportunities to improve recoveries and costs have been identified. The Company has engaged GR Engineering to assist in this continuous improvement process.

Work done in advance of any input from the consultant has commenced with downcomer installation commencing prior to the end of the quarter and the installation of an apron feeder replacing a belt feeder at the primary crusher conveyor to SAG mill belt conveyor transfer point. Both projects have led to improvements in process plant performance post period end.

*Recent dewatering bore completed 30 March 2013 showing excellent water yield.*

## 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 Rohan D Williams who is a full-time employee of Red 5 Limited and 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 he 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 his information in the form and context in which it appears.*

# CORPORATE INFORMATION

### Directors and Executive Management

**Colin Jackson** *(Chairman)*
**Steve Norregaard** *(Managing 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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**Facsimile: +61 8 9481 5950**

### Stock Exchange Listing

**Australian Stock Exchange**
**Ticker Symbol: RED**

### Issued Capital

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

### Share Price Range

**$1.29 to $0.78 ($0.79 close)**

### Substantial Shareholders

**Baker Steel Capital Managers 8.6%**
**Van Eck Associates 8.1%**
**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**
**770 Canning Hwy Applecross WA 6153**
**Telephone: +61 8 9315 2333**
**Facsimile: +61 8 9315 2233**