

Full Year Financial Results for 12 Months to 30 June 2022

Summary

- Construction of Red 5's flagship King of the Hills (KOTH) Gold Mine, Australia's newest gold mine, was completed within budget and on schedule, with the first gold pour occurring on 5 June 2022.
- Commissioning of the KOTH process plant completed, with mine operations ramping up.
- Darlot Transition Strategy completed, with the final operating gold pour at Darlot occurring in July 2022. The Darlot underground mine is now a satellite mine to the KOTH processing hub.
- Sales revenue of \$165.0 million for the year to 30 June 2022.
- Darlot guidance achieved with gold production of 64,667 ounces and gold sales of 64,315 ounces.
- Underlying negative EBITDA^(*) of \$4.3 million.
- US\$19 million was received for the Siana Gold Mine sale in the Philippines in September 2021, along with a 3.5% NSR royalty income stream once Siana restarts.
- Net cash outflow from operating activities of \$2.4 million.
- Group cash on hand and bullion of \$55.6 million at the end of June 2022.

(*) Underlying EBITDA is an unaudited non-IFRS measure.

Red 5 Limited (ASX: RED) ("**Red 5**" or "**the Company**") announces its financial results for the year ended 30 June 2022.

FY22 was a transformational year for Red 5 with the successful construction and commissioning of the King of the Hills Gold Project in Western Australia.



Figure 1: The first gold at KOTH was poured on 5 June 2022.

Red 5 Limited

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ASX: **RED**

Shares on issue: **2,357M**

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Construction of the 4.7Mtpa KOTH process plant was completed on schedule and within budget, with first gold produced on 5 June 2022. This was achieved despite a very challenging operating environment due to COVID-19, closed borders and disruptions to both global supply chains and local labour markets.

Commissioning of the KOTH process plant has since been completed, and the EPC contractor has demobilised from site. Ramp-up of both the open pit and underground mine at KOTH remains on track, and satellite ore feed is now also being delivered from the Darlot underground mine.

During the year, a total of \$188.3 million was invested in the business, primarily attributable to the KOTH Project. At 30 June 2022, the full \$175.0 million KOTH debt funding package had been drawn down to fund the construction and development of the KOTH Project.



Figure 2: The 4.7Mtpa KOTH mill is now fully commissioned.

At Red 5's Darlot Gold Mine, gold production of 64,667 ounces was achieved, sourcing ore from the Darlot underground mine and nearby Great Western open pit mine. The Company achieved gold sales of 64,315 ounces for the year, generated sales revenue of \$165.0 million and posted a net loss after income tax of \$28.6 million.

In July 2022, the Darlot Gold Mine transitioned to an underground satellite mine to King of the Hills, with the majority of surface employees at Darlot transitioning or having already transitioned to KOTH. As a result, the Darlot process plant has been suspended. Following a review of the related assets at Darlot, a one-off accelerated depreciation and inventory write-down totalling \$22.6 million has been applied in the FY22 accounts.

The Company's cash and bullion balance at the end of the reporting period was \$55.6 million.

In the September Quarter 2021, Red 5 completed the divestment of its interests in the Siana Gold Project in the Philippines. The sale consideration included a cash payment of US\$19.0 million and a Net Smelter Return of 3.25% gold royalty from Siana of up to 619,000 ounces of gold from the restart of the Siana processing plant. Red 5 anticipates Siana to return to production in the first half of CY2023. The transaction has resulted in a gain on the Siana divestment of \$21.2 million, primarily due to the recognition of a \$25.7 million foreign currency translation reserve recognised as profit at the financial close of the transaction.

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In terms of governance and senior leadership changes, Ms Fiona Harris AM was appointed as a Non-Executive Director of the Board, effective from 8 June 2022, further strengthening the Red 5 Board. Red 5 has also appointed Mr Patrick Duffy as Chief Financial Officer of the Company, effective from 1 September 2022. Mr Duffy is currently Red 5's Chief Corporate Development Officer, and this role will be consolidated with the CFO position.

Red 5 will publish production and cost guidance for the new King of the Hills processing centre once steady-state production is achieved, which is expected in the first half of FY2023.

Commenting on the June 2022 full year results, Red 5's Managing Director, Mark Williams, said:

"The 2022 financial year marked a defining period in Red 5's growth pathway to becoming a leading mid-tier Australian gold producer underpinned by a major new long-life, low-cost processing centre at our King of the Hills (KOTH) Project in the Leonora district of WA.

"The successful delivery and ramp-up to date of KOTH, with first gold production achieved on time and within budget in June 2022, represents a huge achievement by our team and business partners.

"All aspects of the KOTH operation are shaping up well with open pit and underground mining ramping up, the processing plant operating at or in excess of 4.7Mtpa together with a significant amount of ore available on the ROM pad, to de-risk the ramp-up phase. With underground ore deliveries from Darlot commencing in July, we expect to see a further uplift in our production profile in the months ahead.

"Once KOTH reaches steady-state commercial production, expected in the first half of FY2023, we will announce production and cost guidance for the 2023 Financial Year.

"Our Darlot operations performed well over the reporting period, delivering total production of 64,667 ounces at an all-in sustaining cost of \$2,479 per ounce. This is a commendable performance by the team in challenging circumstances.

"With the KOTH processing hub now operational, the Darlot mill has been suspended, and ore from the Darlot underground is being trucked to KOTH, marking a reversal of the business model that initially underpinned our growth and development when we acquired both assets in 2017.

"The modern and highly efficient KOTH processing hub will deliver a step-change in our operating costs moving forward, forming the cornerstone of our planned growth and development over the next decade and beyond.

"With gold production at KOTH ramping up, we are looking forward to another transformational year ahead as Red 5 takes further important steps to deliver on its strategy of becoming a substantial Australian gold producer."

ENDS

Authorised for release by the Board.

For more information:

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