

21 September 2017

NON-CASH ASSET IMPAIRMENT EXPENSE SIANA GOLD PROJECT

Red 5 Limited (ASX: RED) advises that it expects to record a further non-cash impairment charge in the carrying value of the Siana Gold Project and associated Philippine assets in its financial statements for the year ended 30 June 2017 in the range of \$28-\$30 million. This impairment charge is in addition to the expense of \$70.4 million recorded for the half year ended 31 December 2016. The impairment charge will result in the total assets of the Red 5 Group as at 30 June 2017 being in the range of \$76-\$79 million (subject to final audit). It should be noted that the position does not include the acquisition of the Darlot Gold Mine and the King of the Hills Gold Project which are due for completion on 2 October 2017 nor any implied value for the Mt Cattlin royalty.

The final impairment expense will be dependent on completion of the financial statements for the 2017 financial year and audit by the Company's auditors. The impairment expense is a non-cash item and does not have any impact on cash flows.

Further details on the impairment expense will be provided in the Company's financial statements. Management has considered the following assumptions and circumstances in the impairment testing:

- Suspension of mining operations at the Siana Gold Project in April 2017;
- An increased WACC discount rate from 12.0% to 15.0% considering the increased sovereign risk for mining in the Philippines, including continuing delays in the approval for a new long-term tailings storage facility for the Siana project and the declaration of Martial Law on the island of Mindano in May 2017;
- Short term average USD gold price of US\$1,250 per ounce and long term average gold price over the life of mine of US\$1,200 per ounce; and
- Foreign exchange rates sourced from independent market analysts (AUD/PHP 39, USD/AUD 0.78).

Red 5 continues to closely monitor political and regulatory developments in the Philippines, with the expectation that the Red 5 Group may be in a position to either re-commence gold production from the Siana Gold Project in the future, providing a second production centre alongside the Eastern Goldfields projects, or pursue other strategies to maximise the inherent value of the large resource inventory and infrastructure base in the Philippines.

ENDS

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Red 5 Limited

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Shares on issue: **764.5M**

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