

## ASX Announcement

ASX Code: RVR

27 April 2018

# Quarterly Activities and Cash Flow Report for the period ending 31 March 2018

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### Quarter Highlights

- Customer concentrate delivery commenced with 10,310 dry metric tonnes (DMT) zinc concentrate shipped (of which 5,620 DMT were subject to advanced sales in Q2), and 500 DMT copper concentrate delivered during the quarter.
- \$17.5 million cash at bank at 31 March 2018 with an additional \$5.2 million relating to the quarter's sales received in early April.
- RVR management team strengthened with appointment of Mr Rod Lovelady as Chief Financial Officer.
- Ongoing exploration success at the Lontown East discovery.

### Thalanga Operations

- 62kt of ore processed (0.4% Cu, 2.1% Pb and 4.7% Zn), and 484 DMT copper concentrate, 1,523 DMT lead concentrate and 4,428 DMT zinc concentrate produced during the period.
- Recoveries continue to improve – average zinc recovery to zinc concentrate of 86.5%, average lead recovery to lead concentrate of 73.5% and average copper recovery to copper concentrate of 50.6% for the period.
- Production activities at site, particularly the underground mining operations at West 45, were impacted by the weather conditions and associated grid power outages during the period and a slower than expected transition from development to stoping ore resulting in lower than expected underground ore production and reduced concentrate production.

### Development Activities

- Tender process for development of the Far West deposit commenced, and subsequent to the end of the quarter, RVR received approval from the Queensland government environmental department to allow the Far West development to proceed.
- Acquisition of remaining 49% in the Natural Resources Exploration (NRE) JV for \$150,000 to move to a 100% interest in EPM 18470, EPM 18471 and EPM 18713.
- \$1.8 million invested in exploration and project development drilling activities during the period. Lontown East continues to deliver outstanding results.
- \$2.4 million invested in capital development at the West 45 operation plus \$0.3 million invested in developing the Far West deposit.

### Corporate

- During the period, RVR generated revenue of \$16.5 million, with \$10.4 million from zinc metal in concentrate, \$2.8 million from lead metal in concentrate, \$1.6 million from copper metal in concentrate and \$1.6 million from precious metals (gold and silver) contained in concentrates.
- Receipts from customers totalled \$11.2 million.
- Thalanga Operations EBITDA for the period was \$3.7 million.
- As at 31 March, Red River had cash balance of \$17.5 million with a further \$5.2m from the sale of lead and copper concentrates received subsequent to quarter end.

## 1. PRODUCTION AND OPERATIONS

### 1.1. Safety and Environmental Performance

Site headcount during the period was 154. (70 full time Red River Resources employees and an additional 84 contractors working in exploration and mining). A total of 89,072 hours was worked during the quarter. The Total Recordable Injury Frequency Rate (TRIFR) for Red River Resources is 2.06 year to date and zero Lost Time Injuries (LTIs). Recordable injuries include those that result in any days away from work (LTIs), and those where an employee or contractor cannot perform all or any of their normal shift (Restricted Work Day Injuries) plus any injury that requires the services that only a medical practitioner can provide (Medical Treatment Injuries).

A total of 287.5mm of rainfall was recorded for the quarter, almost 50% of the total for the whole of last year, and substantially above previous wet season rainfalls. During this period all the stormwater and run-off was contained on site and no exceedances recorded.

### 1.2. Thalanga Operations Summary

Capital and operating development and stoping continued at the West 45 underground mine. The processing plant and site infrastructure has been operating smoothly given the interruptions with further improvements in metallurgy made. The quality of the concentrates produced is exceptional; particularly the zinc and lead concentrates.

Production, particularly in the West 45 was impacted by the weather conditions and associated grid power outages during the period and a slower than expected transition from development to stoping ore resulting in lower than expected underground ore production and reduced concentrate production. Red River is putting in place measures to minimise the potential impact of power outages on production reoccurring during the next wet season. This primarily consists of changing the high voltage switch gear at the West 45 mine so that it automatically resets if there is a power outage.

Table 1 Thalanga Operations Summary for the March 2018 Quarter (Q3 FY18) and FY2018 YTD

	Units	Q1 FY18	Q2 FY18	Q3 FY18	FY2018 YTD
<b>Ore Mined</b>	Kt	32	67	65	164
Copper grade	%	0.3	0.3	0.4	0.3
Lead grade	%	2.3	2.5	2.5	2.5
Zinc grade	%	4.5	5.7	4.8	5.1
<b>Ore Processed</b>	Kt	17	79	62	158
Copper grade	%	0.5	0.5	0.4	0.5
Lead grade	%	2.1	3.2	2.1	2.7
Zinc grade	%	3.5	6.2	4.7	5.3
<b>Zinc Concentrate Produced</b>	DMT	807	6,398	4,428	11,632
Zinc grade	%	46.6	57.6	57.9	56.9
Zinc recovery	%	64.6	75.6	86.5	79.1
<b>Lead Concentrate Produced</b>	DMT	473	2,859	1,523	4,855
Lead grade	%	43.5	61.9	65.1	61.1
Gold grade	g/t	2.8	4.4	4.1	4.2
Silver grade	g/t	858	978	944	956
Lead recovery	%	58.9	70.5	73.5	69.9
<b>Copper Concentrate Produced</b>	DMT	153	555	484	708
Copper grade	%	12.7	25.5	27.1	22.7
Gold grade	g/t	1.2	1.7	2.3	1.9
Silver grade	g/t	454	438	494	462
Copper recovery	%	23.3	36.6	50.6	39.8

Tonnages and grades are rounded. Discrepancies in totals may exist due to rounding.

### **1.3. Mining**

A total of 65kt of ore was mined during the quarter at an average grade of 0.4% copper, 2.5% lead and 4.8% zinc.

Total lateral underground development of 778 metres was achieved during the quarter (YTD: 1,631m), of which 267 metres was capital development, including 204 metres of decline development. The decline was developed to the current bottom level of the mine as per the restart study, which will enable an additional stoping front once the ore development is completed. Two additional levels of incline capital development in the West 45 uppers are planned for the life of mine. Operational lateral development for the quarter totalled 510 metres. In addition, there was 44 metres of vertical capital development completed (internal vent raises).

Stopes mined in the quarter have been on the 936 and 876 crown levels. On the 876 level, the first stopes have been about the periphery of the lenses and lower than average grade.

Cemented rock filling productivity increased in mid-March to enable crown pillar level stopes to be filled faster; further improvements are expected in the next quarter. Subsequent to the quarter, an additional production drill commenced at West 45 to increase stope drilled stocks. These measures will further improve ore production from stopes.

### **1.4. Processing**

A total of 62kt of ore was processed during the quarter grading 0.4% copper, 2.1% lead and 4.7% zinc.

Zinc recovery to zinc concentrate continued to improve during the quarter and average recovery for the period was 86.5%, and an exceptionally high-quality zinc concentrate grading 57.9% zinc was produced. Lead recovery to lead concentrate also continued to improve, with average recovery for the period of 73.5%, and copper recovery to copper concentrate also continued to improve, with average recovery for the period of 50.6%. 484 DMT copper concentrate, 1,523 DMT lead concentrate and 4,428 DMT zinc concentrate were produced during the period.

A 5-day planned maintenance shut for the processing plant is scheduled for April 2018.

### **1.5. Concentrate Sales & Marketing**

Provisional sales of 4,690 DMT zinc concentrate and 500 DMT copper concentrate were made during the quarter. These sales were included in the quarter's shipments of 10,310 DMT zinc concentrate and deliveries of 500 DMT copper concentrate. In addition to this 1,830 DMT lead concentrates were subject to advance sale and will be shipped with other advance sold lead concentrate subsequent to the end of the quarter.

The 10,310 DMT zinc concentrate shipped consisted of two export shipments to China and a domestic delivery. Delivery of copper concentrate to Glencore commenced during the quarter, with 500 DMT delivered, and payment received for 330 DMT of these deliveries.

The Company has implemented a quotation period (QP) hedging program for sales of zinc and lead metal already produced. Typically between 80 and 90 % of the payable zinc and lead metal for each shipment of zinc and lead concentrates will be hedged for the period from the issue of the first provisional sales invoice to the final settlement of the sale, which may occur between one and three months later. The QP hedges currently in place on the quarter's zinc concentrate shipments range between USD \$1.46 and USD \$1.62 per pound of payable zinc metal and USD \$1.07 per pound of payable lead metal.

## 2. PROJECT DEVELOPMENT ACTIVITIES

During the quarter, 32 drill holes were completed (7 at West 45, 7 at Far West and 18 at Waterloo) for a total of 5,991m drilled.

The resource extension drilling program continued at West 45 mainly focussed in extending the upper areas. Far West drilling during the quarter was related to geotechnical investigations for the proposed Far West portal, decline and ventilation shafts.

The drilling undertaken at Waterloo is part of the ongoing Resource conversion and extension program and results will be reported at completion which is expected to be in the next quarter.

Table 2 Thalanga Zinc Project Development Drilling Summary

Project	Holes Completed	Total Metres Drilled
West 45	7	1,881m
Far West	7	748m
Waterloo	18	3,362m
Total	32	5,991m

Red River commenced the tender process for the development of Far West during the quarter. A number of responses were received and are currently being evaluated. Subsequent to the end of the quarter, the Department of Environment and Heritage Protection approved the amendment to the existing Environmental Authority to allow the development of Far West to proceed. Far West development activities (site clearance, infrastructure development and Far West portal development) are expected to occur in the June quarter.

## 3. EXPLORATION ACTIVITIES

The main focus of activity during the quarter was continued drilling at the exciting Liontown East discovery. Drilling continued at Esso's Waterloo and drilling commenced at the Scarecrow target. Drilling activities were impacted by the above average rainfall received during the period.

Table 3 Thalanga Zinc Project Exploration Drilling Summary

Project	Holes Completed	Total Metres Drilled
Liontown East	17	5,012m
Esso's Waterloo	6	1,237m
Scarecrow	4	993m
Total	23	7,242m

### 3.1. Liontown East

A total of 17 holes were completed during the period (4 mud rotary pre collars plus diamond tails, 2 mud rotary pre collars, 5 RC holes and 6 diamond holes from surface). The following material intercepts were received during the period.

Table 4 Drill hole assay summary, Thalanga Zinc Project (Liontown East)

Hole ID	From (m)	To (m)	Intersection (m) <sup>(1)</sup>	Cu (%)	Pb (%)	Zn (%)	Au (g/t)	Ag (g/t)
LTED08W4	625.20	635.90	10.70	0.4	1.4	5.5	0.4	13
inc.	625.20	630.00	4.80	0.5	2.1	6.3	0.6	18
LTED09	419.02	434.60	15.58	0.4	4.0	8.6	1.2	60
inc.	419.02	429.30	10.28	0.4	4.0	10.6	1.5	70
LTED10	379.20	384.00	4.80	0.6	5.0	12.5	4.2	120
LTED12	517.25	535.40	18.15	0.3	2.1	5.1	0.5	19
LTCD18002	219.00	242.00	23.0	1.2	0.7	3.3	0.3	12

For further information on the on the Liontown East drilling and assay results, please refer to the following ASX releases: LTED08W4 & LTED10 (16 January, 2018), LTED09 (19 February 2018) and LTED12 & LTCD18002 (7 March 2018).

### 3.2. Esso's Waterloo

Six RC holes (880m) and one diamond tail (357m) were completed during the quarter. Assay results were received for the RC holes with no material assays received. The diamond tail intercepted a geologically significant zone of stock work mineralisation indicative of a potential feeder zone for a massive sulphide deposit, and has been submitted for assay, but no material results are expected.

### 3.3. Scarecrow

Three RC holes (348m) and one diamond hole (645m) were completed during the quarter. The RC holes encountered poor ground conditions (mainly in the cover sequence) and were abandoned prior to intersecting the target zone. A diamond hole was then drilled from surface and intercepted significant zones of alteration associated with volcanic hosted massive sulphide mineralisation and has been submitted for assay, but no material results are expected.

### 3.4. NRE Joint Venture Acquisition

RVR acquired the remaining 49% interest in the Natural Resources (NRE) JV to move to a 100% interest in key permits (EPM 18470, EPM 18471 and EPM 18713) for \$150,000 cash. This acquisition further consolidates RVR's interest in the highly prospective Mt Windsor Belt. The transaction also removes the previous requirement under the NRE JV for RVR to spend a further \$750,000 on exploration activities to earn an additional 39% interest (to a total 90% interest) and the 1.5% net smelter royalty that was payable to NRE on any production from the JV permits. Transfer of the permits into RVR's name is anticipated to be completed in the June quarter.

## 4. CORPORATE

### 4.1. Financial Performance

Financial performance of the Thalanga Operation is summarised in the table below.

Table 5 Thalanga Operations Financial Summary and Indicative Cash Costs for the March 2018 Quarter (Q3 FY18) and FY2018 YTD

	Units	Q1 FY18 <sup>(1)</sup>	Q2 FY18	Q3 FY18	FY2018 YTD
<b>Financial Summary (unaudited)</b>					
Revenue	\$m		17.5	16.5	34.0
Thalanga Operations EBITDA	\$m		8.6	3.7	12.3
<b>Indicative Cash Costs</b>					
Payable Zinc Metal produced <sup>(2)</sup>	Mlb	0.7	6.9	4.8	11.7
Indicative C1 Cash Cost	US\$/lb payable Zn	-	0.04	0.84	0.36
Indicative C2 Cash Cost	US\$/lb payable Zn	-	0.39	1.44	0.82
Indicative C3 Cash Cost	US\$/lb payable Zn	-	0.65	1.67	1.07
<p>All numbers and data are rounded. Discrepancies in totals may exist due to rounding.</p> <p>(1) No indicative cash costs were calculated for Q1 FY18 and FY2018 YTD indicative cash costs excludes Q1 FY18</p> <p>(2) Payable metal is derived from concentrate offtake agreements</p> <p>(3) C1 cash cost includes actual cash costs plus notional costs (concentrate logistics and realisation costs)</p> <p>(4) C1 cash cost includes credits for copper, lead, gold and silver notionally priced at for the period (Q2 FY18: copper US\$3.09/lb, lead US\$1.13/lb, gold US\$1275/oz and silver US\$16.70/oz, and Q3 FY18: copper US\$3.16/lb, lead US\$1.14/lb, gold US\$1329/oz and silver US\$16.73/oz)</p>					

During the period, RVR generated sales of \$16.5 million, with \$10.4 million from sale of zinc metal in concentrate, \$2.8 million from lead metal in concentrate, \$1.6 million from copper metal in concentrate and \$1.6 million from precious metals (gold and silver) contained in concentrates.

Thalanga Operations quarterly EBITDA was \$3.7 million resulting in a year to date EBITDA of \$12.3 million.

Cash at bank at the end of the quarter was \$17.5 million with an additional \$5.2 million cash relating to the quarter's sales received subsequent to the end of the quarter. Plus financial assets of \$8.8 million (cash backed security bond deposits) and an undrawn working capital facility of US\$10 million.



ACN 100 796 754

On behalf of the board

A handwritten signature in black ink that reads "Bodley".

**CAMERON BODLEY**

**Company Secretary**

Red River Resources Limited

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For further information please visit Red River's website [www.redriverresources.com.au](http://www.redriverresources.com.au) or contact us:

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## Appendix A – Tenement Interests

As at 31 March 2018, Red River had an interest in the following mining leases (ML) and exploration permits for minerals (EPM).

Project	Location	Licence	Status	Beneficial Interest
Thalanga Zinc Project	Queensland	EPM 10582	Granted	100%
Thalanga Zinc Project	Queensland	EPM 12766	Granted	100%
Thalanga Zinc Project	Queensland	EPM 14161	Granted	100%
Thalanga Zinc Project	Queensland	EPM 16929	Granted	100%
Thalanga Zinc Project	Queensland	EPM 25815	Granted	100%
Thalanga Zinc Project	Queensland	EPM 25895	Granted	100%
Thalanga Zinc Project	Queensland	EPM 26718	Granted	100%
Thalanga Zinc Project	Queensland	ML 1392	Granted	100%
Thalanga Zinc Project	Queensland	ML 1531	Granted	100%
Thalanga Zinc Project	Queensland	ML 10137	Granted	100%
Thalanga Zinc Project	Queensland	ML 10185	Granted	100%
Thalanga Zinc Project	Queensland	ML 10186	Granted	100%
Thalanga Zinc Project	Queensland	ML 10277	Granted	100%

## Appendix 5B

# Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

### Name of entity

Red River Resources Limited

### ABN

35 100 796 754

### Quarter ended ("current quarter")

March 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	11,163	28,055
1.2 Payments for		
(a) exploration & evaluation	(1,461)	(3,771)
(b) development	(2,447)	(14,039)
(c) production	(7,326)	(10,120)
(d) staff costs	(2,824)	(5,220)
(e) administration	(81)	(459)
(f) corporate costs	(366)	(2,140)
(g) sales realisation expenses	(1,454)	(1,664)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	61	218
1.5 Interest and other costs of finance paid	(74)	(88)
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 GST / BAS (provide details if material)	(260)	(532)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(5,068)</b>	<b>(9,760)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(232)	(2,616)
(b) tenements (see item 10)	(150)	(150)
(c) investments	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
(d) other non-current assets	-	(45)
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material) (Security bonds)	-	(177)
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(382)</b>	<b>(2,988)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	2,557
3.4 Transaction costs related to issues of shares, convertible notes or options	-	(25)
3.5 Proceeds from borrowings	-	607
3.6 Repayment of borrowings	(189)	(305)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>(189)</b>	<b>2,834</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of period	23,164	27,439
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(5,068)	(9,760)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(382)	(2,988)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(189)	2,834

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>17,525</b>	<b>17,525</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	9,643	12,403
5.2	Call deposits	7,882	10,761
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>17,525</b>	<b>23,164</b>

**6. Payments to directors of the entity and their associates**

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

<b>Current quarter \$A'000</b>
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212
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NIL
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Director fees (NED and Executive) - \$161 Advisory services – Bronstat Pty Ltd - \$51
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**7. Payments to related entities of the entity and their associates**

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

<b>Current quarter \$A'000</b>
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95
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NIL
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Provision of accounting, taxation and corporate secretarial services – Hanson Porter Curzon Pty Ltd
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## Mining exploration entity and oil and gas exploration entity quarterly report

<b>8. Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
8.1 Loan facilities	USD10,000	--
8.2 Credit standby arrangements	30	25
8.3 Other (please specify)	-	302
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

8.1 USD Credit Facility  
8.2 Credit card facility.  
8.3 Macquarie Insurance Funding

<b>9. Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Exploration and evaluation	1,000
9.2 Development	3,000
9.3 Production	9,500
9.4 Staff costs (included in production / development costs)	1,800
9.5 Administration and Corporate costs	450
9.6 Other (insurance funding and capital expend.)	390
<b>9.7 Total estimated cash outflows</b>	<b>14,340</b>

<b>10. Changes in tenements (items 2.1(b) and 2.2(b) above)</b>	<b>Tenement reference and location</b>	<b>Nature of interest</b>	<b>Interest at beginning of quarter</b>	<b>Interest at end of quarter</b>
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	-	-	-	-
10.2 Interests in mining tenements and petroleum tenements acquired or increased	EPM 18470, EPM 18471, EPM 18713 (QLD)	51% interest earned, 49% interest acquired for \$150,000 in Q3. Process to transfer is underway.	-	100% (when transfer processed)

**Compliance statement**

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



27 April 2018

Sign here: .....

Date: .....

Company secretary

Cameron Bodley

Print name: .....

**Notes**

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.