RED 5 LIMITED

ABN 73 068 647 610

AND CONTROLLED ENTITIES

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2013

RED 5 LIMITED
ABN 73 068 647 610

CORPORATE DIRECTORY

BOARD OF DIRECTORS
Colin Jackson (Chairman)
Johannes (Steve) Norregaard (Managing Director)
Kevin Dundo
Mark Milazzo

COMPANY SECRETARY
Frank Campagna

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SHARE REGISTRY
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Facsimile: (61-8) 9315 2233
E-mail: registrar@securitytransfer.com.au
Web-site: www.securitytransfer.com.au

BANKERS
National Australia Bank Limited

AUDITORS
KPMG

SOLICITORS
Minter Ellison Lawyers (Australia)
HopgoodGanim (Australia)
SyCip Salazar Hernandez & Gatmaitan (Philippines)

STOCK EXCHANGE LISTING
Shares in Red 5 Limited are quoted on:

ASX Limited
ASX code: RED

OTCQX International
Trading code: RDFLY

A description of the nature of the consolidated entity's operations and principal activities is included in the attached Directors' Report.

DIRECTORS' REPORT

The directors of Red 5 Limited ("Red 5" or "parent entity") present their report on the results and state of affairs of Red 5 and its subsidiaries ("the Group" or the "consolidated entity") for the financial year ended 30 June 2013.

DIRECTORS

The names of the directors of Red 5 in office during the course of the financial year and at the date of this report are as follows:

Colin George Jackson
Gregory Charles Edwards (resigned on 15 November 2012)
Gary Francis Scanlan (resigned on 31 December 2012)
Johannes Norregaard (appointed 1 February 2013)
Kevin Anthony Dundo
Mark Francis Milazzo

Unless otherwise indicated, all directors held their position as a director throughout the entire financial year and up to the date of this report.

PRINCIPAL ACTIVITIES

The principal activities of Red 5 and the consolidated entity (which includes controlled entities of Red 5) during the financial period were development, mining and gold production at the Philippine based Siana gold project.

RESULTS OF OPERATIONS

The net loss of the consolidated entity after income tax was $8,813,753 (2012: $1,682,914).

REVIEW OF OPERATIONS

Project Description

The Siana gold project located on the southern Philippine island of Mindinao continued to be the main focus for the Group during the year. The project covers an area of approximately 39 square kilometres in the established gold mining province of Surigao del Norte. The Siana tenements cover 12 kilometres of strike on the Surigao Valley fault which is a richly endowed mineral field with many epithermal gold systems and several known porphyry copper-gold deposits.

The Siana gold project is currently in the open pit phase and will be followed by an underground mine. Ore is treated through a conventional modern gravity and carbon-in-leach plant to produce gold doré. The project is expected to have a ten year mine life with the open pit mining to continue for approximately two and a half years and processing of stockpiled open pit ore for an additional two and a half years during which the mine will transition to underground mining.

On the 25 April 2013 the Group suspended all operations at the Siana mine due to the discovery of a minor subsidence over a minor distance of the tailings dam wall. Subsequent investigations from technical experts found that the tailings dam wall had been compromised and rectification to re-instate the facility to operational status was not recommended. Within 25 days of discovery of the crack, the Group implemented a rectification program to mitigate against any possible failure of the tailings dam wall. As a result of the remedial works there has been no spill or environmental damage.

Although there was no spill or environmental damage from the compromised tailings dam wall, on the 6 June 2013 the Philippines Mines and Geoscience Bureau (MGB) issued the Group with a Cease and Desist Order (CDO) which effectively stopped the Group from continuing with any operating activities until the remedial works have been completed to the satisfaction of the MGB and an alternate method for disposing of tails has been approved by the MGB.

As at the date of this report the Cease and Desist Order was still in place and the Siana operations remained under care and maintenance. The Group has complied with all the requirements contained in the CDO and has made a formal representation to the MGB to have the CDO rescinded.

DIRECTORS' REPORT (continued)

REVIEW OF OPERATIONS (continued)

Production and Operating Results
Mine production during the year was severely impacted by a number of factors including:

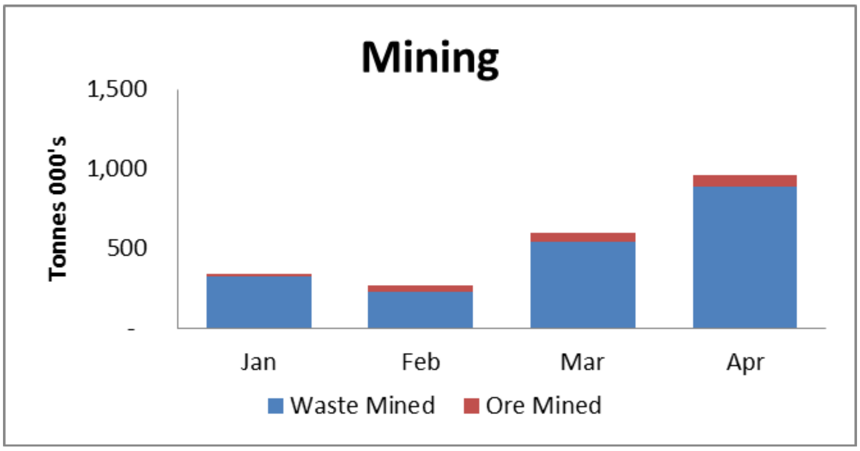
- removal of silt from the bottom of the pit floor;
- inadequate dewatering arrangements for the open pit after periods of heavy rain;
- inadequate power to operate continuously both the processing plant and the pit dewatering pumps;
- lack of mining equipment availability due to inefficient maintenance practices of the mining contractor; and
- poor productivity from the mining contractor.

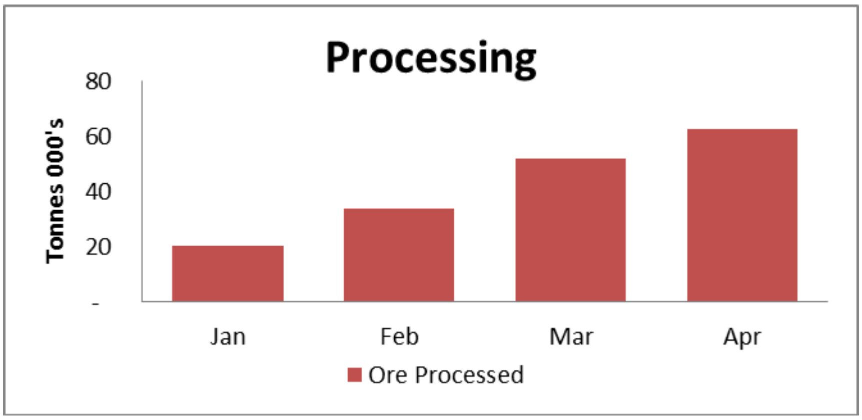
The Group implemented a number of initiatives during the year to address the problems impacting production performance including:

- purchase of an in-pit diesel driven pump;
- installation of additional power generating capacity;
- employment of additional experienced mining personnel;
- deployment of experienced maintenance personnel into the mining contractors maintenance team; and
- taking control of the mining by cancelling the mining contract and renting an additional mining fleet from a new mining contractor.

During the year the Group initiated a new approach to dewatering the open pit with the objective of having less reliance on in-pit dewatering by drilling a series of water bores around the periphery of the open pit aiming to intersect major sources of water inflow and the old underground mine workings to draw water well below the operating pit floor.

The mining and processing ramp up achieved from January 2013 (when the new strategies and production initiatives were implemented) up until when operations ceased in April 2013 are reflected in the following graphs. Up until the 25 April 2013 when operating activities were suspended, the Group had achieved its best and most consistent month of operations with the most tonnes mined, most tonnes processed and the most ounces produced for a single period.





DIRECTORS' REPORT (continued)

REVIEW OF OPERATIONS (continued)

The Siana operation was under care and maintenance for the months of May 2013 and June 2013, with 1,294 ounces sold in May relating to inventory drawdown from previous periods. A total of 18,141 ounces were sold during the year at a total cost of A$1,376 per ounce (excluding care and maintenance costs of A$4.3 million).

Production Summary

	Units	Year 2011/2012	Year 2012/2013
Mine Production			
Waste Mined	BCM '000s	1,248	1,978
Ore Mined	t	157,184	411,512
Mined Grade – Gold	g/t	2.09	2.55
Mill Production			
Ore Processed	t	153,353	369,864
Head Grade – Gold	g/t	1.61	2.15
Head Grade – Silver	g/t	11.5	7.77
Recovery – Gold	%	70	71.2
Recovery – Silver	%	55	36.9
Gold Recovered	oz	5,586	18,255
Silver Recovered	oz	35,604	36,719
Gold Sold	oz	5,119	18,141
Silver Sold	oz	35,496	37,870
Average Gold price received	US$/oz	1,626	1,604
Cash Operating Costs	A$/oz	829	1,002
Total Operating Costs	A$/oz	1,002	1,376

Production Costs Summary

	Year 2012/2013 $m	A$/ounce
Mine Costs Open pit	1.7	92
Processing Costs	11.1	610
G&A Costs	5.2	287
Other Costs (incl selling costs)	1.2	65
Silver Credits	(1.0)	(52)
Care and Maintenance costs	4.3	
Total Cash Operating Costs	**22.5**	**1,002**
Depreciation P&E	1.5	80
Amortization - MPD	5.3	294
Care and Maintenance costs	0.7	
Total Depreciation and Amortization	**7.5**	**374**
Total Costs	**30.0**	**1,376**
Ounces Sold	**18,141**	

As shown in the following table, the consolidated entity made an operating loss of A$8.7 million before tax and spent a total of A$21.9 million on capital expenditure during the year.

DIRECTORS' REPORT (continued)

REVIEW OF OPERATIONS (continued)

Financial Summary	**CONSOLIDATED 2013 A$m**
Sales Proceeds	28.5
Cost of Sales	(18.2)
Care and Maintenance Costs	(4.3)
EBITDA from Operations	6.0
Depreciation and Amortisation	(7.5)
Net Loss from Operations	**(1.5)**
Philippine and Australian Corporate Costs	(7.2)
Net Profit/(Loss)	**(8.7)**

Capital Expenditure	
Waste Stripping Costs	14.2
Plant and Equipment	7.2
Exploration	0.5

Financing
In December 2012, the company announced that its Philippine associate company Greenstone Resources Corporation (GRC) entered into a 3 year Pre-paid swap facility with Credit Suisse AG. The facility was repayable over 30 months commencing from the end of July 2013.

After production activities ceased at Siana, Credit Suisse issued GRC with a breach notice and on 3 July 2013 and notified GRC that an event of default had occurred. Credit Suisse and the Group then entered into a Standstill agreement allowing the Group time to raise additional funds through a Rights Issue. The Rights Issue did not achieve the minimum subscription of $35 million and as a result the Group announced a Share Placement of 500 million shares at 10 cents per share to raise $50 million. The shares were mainly placed with existing shareholders. In addition to the placement the Group announced a plan to raise up to an additional $15 million via a Share Purchase Plan. Credit Suisse AG agreed to extend the Standstill agreement until 23 October 2013 to allow the Group to obtain the necessary shareholder approvals for the Share Placement.

Under the new standstill agreement with Credit Suisse AG, the Group will repay a portion of the loan facility interest and principal using the proceeds of closing out the gold hedge (US$3.2 million) and releasing of the retention fund (US$5.0 million). The balance of the facility will be repaid from the proceeds of the Share Placement.

Exploration
As a result of the production problems encountered during the year which resulted in a reduction in cash available for exploration, the Group restricted activity to geochemical soil sampling in areas surrounding the Siana open pit. A number of gold anomalies were identified and seven priority areas have been identified for further investigation. During the year the Group purchased a TerraSpec Hi Resolution mineral analyser and commenced spectral clay analysis on Mapawa drill hole pulps.

Future Strategy
During the year the Group increased the capacity of its ores stockpile area to allow much faster mining of the open pit. With a larger area available to store ore, the open pit will now be mined over a much shorter period (2.5 years) and up to 2.5 million tonnes of ore will remain on the stock pile at completion of open pit mining. This facilitates the Group commencing the transition into underground mining within the next 3 years as there will be sufficient ore on the stock pile to continue feeding the processing plant for another two and a half years after open pit mining ceases and while development of the underground mine progresses. During the development of the underground mine, any underground ore which is mined will be processed in preference to the lower grade stockpile ore.

DIRECTORS' REPORT (continued)

REVIEW OF OPERATIONS (continued)

The Group's main focus during the next financial year will be to restart mining and milling operations at the Siana mine and ramping up to full production within a few months of having the CDO lifted.

The Group has devised a new operating strategy to handle tailings involving a three step process as follows:

- Establishment of a High Density Poly Ethylene (HDPE) lined dam to allow approximately four months of tailings storage.
- Installation of a thickener and filter plant to create a tailings paste product which can be co-disposed with normal mine waste rock. Up to 2 million tonnes of tailings could be disposed using this strategy.
- Establishment of a new larger permanent tailings dam facility.

The design and construction of a new tailings storage facility with capacity of up to 25 million tonnes provides the most technically viable long-term tailings storage solution for the Siana mine. Although this would result in a delayed re-commencement of mining and milling operations at the Siana project, this is a proven tailings storage method which provides the most favourable operational outcome and lowest technological risk.

The utilisation of a small lined tailings facility, followed by thickening and filtering within 4 months, results in an earlier recommencement of operations and, at a lower capital cost, when compared with the land purchases, tailings dam construction route and resultant standing costs in the interim period to establish the permanent tailings storage facility.

The key risks to the Group include:

- Timing of the Cease and Desist Order being withdrawn.
- Failure to receive shareholder approval at the General Meeting scheduled for 21th October 2013 for tranche 2 of Share Placement.
- Timing of the construction of the interim tailings pond and thickener installation due to adverse weather conditions.

DIVIDENDS

No amounts were paid by way of dividend since the end of the previous financial year (2012: nil). The directors do not recommend the payment of a dividend.

OPTIONS GRANTED OVER SHARES

At the date of this report, there were 220,000 options granted over ordinary fully paid shares. The terms of these options are as follows:

	Number
- at $2.50 each on or before 30 April 2014	70,000
- at $2.70 each on or before 31 December 2014	40,000
- at $4.00 each on or before 30 April 2016	70,000
- at $4.30 each on or before 31 December 2016	40,000
	220,000

No options were granted during or since the end of the financial year. No person entitled to exercise the options has any right by virtue of the option to participate in any share issue of the parent entity or any other corporation.

DIRECTORS' REPORT (continued)

SIGNIFICANT CHANGES

Significant changes in the state of affairs of the consolidated entity during the financial year were as follows:

(a) On 28 December 2012 the Group drew down a US$25,000,000 loan facility provided by Credit Suisse AG. The proceeds were used to repay the existing US$8,000,000 facility with Sprott Resource Lending Partnership with the balance funding accelerated waste removal, hiring a new mining fleet and working capital requirements.

(b) On 6 June 2013, having informed the Central Office of the Mines and Geosciences Bureau of minor subsidence in the wall of the tailings storage facility on 26 April 2013, the Group was issued with a Cease and Desist Order requiring a complete cessation of gold ore mineral processing. After extensive geotechnical investigation, the Group was advised that rectification works to re-instate the tailings storage facility to operational status was not economically viable. As a consequence, the mine has been and still is, in a state of care-and-maintenance until such time as the application to have the Order rescinded is approved.

EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 3 July 2013, Credit Suisse AG notified the Group that an event of default had occurred in relation to a failure to comply with a minimum financial ratio under the Facility Agreement. With no revenue from operations, the Group was unable to meet the first principal and interest repayment due on 2 August 2013. Pursuant to discussions with the Group, Credit Suisse AG agreed to an initial Standstill arrangement up to 15 September 2013. Further negotiations between the Group and its Senior Lender secured an extended Standstill agreement to 23 October 2013, post completion of the Share Placement.

On 9 September 2013, the Group successfully concluded a private Share Placement of 500,000,000 ordinary fully paid shares at an issue price of 10 cents per share that raised $50,000,000. Settlement of the first tranche of the share placement of $2,030,000 (20,300,000 shares) occurred on 13 September 2013. Settlement of the second tranche of the share placement of $47,970,000 (479,700,000 shares) is subject to the approval of shareholders of the Group at the general meeting to be held on 21 October 2013. A further $10,000,000 is proposed to be raised through a Share Purchase Plan (SPP) offer to eligible shareholders also at 10 cents per share with the directors reserving the right to accept oversubscriptions of up to a further $5,000,000. The record date for the SPP is 4 September 2013. The combined equity raising replaces the non-renounceable Entitlements Offer (at an issue price of 35 cents per share) which closed on 30 August 2013 without achieving the $35,000,000 minimum subscription threshold.

On 19 September 2013, the proceeds from the close out of the gold hedge (US$3,171,224) together with the funds held on retention (US$5,000,000) was repaid against the principal and accumulated interest components of the Credit Suisse AG facility.

No other matters have arisen since 30 June 2013, which have significantly affected, or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial years.

LIKELY DEVELOPMENTS

During the course of the next financial year, the Group intends to use the funds raised through the Share Placement (subject to shareholder approval) and the SPP to repay in full the outstanding debt facility with Credit Suisse AG. In addition, the Group intends to construct a new short term High Density Poly Ethylene (HDPE) lined tailings pond to enable the mine operation, which is currently on care-and-maintenance, to recommence production. It is anticipated remaining funds will be used to repay outstanding creditors, continue with the in-pit dewatering improvement initiatives, design and construct a thickener and filter plant and commence design and construction works for a new long term tailings storage facility.

The Group has an ongoing business interruption insurance claim relating to the tailings dam subsidence which will be resolved in the 2014 financial year.

In the opinion of the directors there is no additional information available as at the date of this report on any likely developments which may materially affect the operations of the Group and the expected results of those operations in subsequent years.

DIRECTORS' REPORT (continued)

INFORMATION ON DIRECTORS

Director	Qualifications, experience and special responsibilities
Colin G Jackson (Non-Executive Chairman)	M.Sc., B.Sc. (Hons), DIC, Grad. Dip. Bus. Admin. A director since December 2003 and Chairman since April 2007. Mr Jackson graduated as a mineral process design engineer and spent 10 years with Selection Trust Limited and RGC Group, followed by a 12 year finance career with McIntosh Securities Limited and 10 years corporate/communications responsibility with Newcrest Mining and Normandy Mining. Mr Jackson is a member of the audit, remuneration and health, safety, environment and community committees. Other current directorships: Intrepid Mines Limited (since December 2003). Mr Jackson has not held directorships in any other listed companies in the last 3 years.
Johannes S Norregaard (Managing Director)	B.Eng. Mining, WASM, MAusIMM A director since February 2013. Mr Norregaard is a mining engineer with over 25 years experience. Mr Norregaard spent 8 years as Managing Director of Tectonic Resources NL and 12 years with Macmahon Holdings Ltd/National Mine Management Pty Ltd holding various positions including Project Manager, Resident Mine Manager and Operations Manager at in excess of a dozen mines, culminating in over four years as General Manager – Underground. Most recently, he was Chief Operating Officer for Trelawney Mining and Exploration Inc. in charge of the development of the Cote Lake gold project in Ontario, Canada. Mr Norregaard has not held directorships in any other listed companies in the last 3 years.
Kevin A Dundo (Non-Executive Director)	B.Com, LLB, FCPA A director since March 2010. Mr Dundo practices as a lawyer and specialises in commercial and corporate areas (in particular mergers and acquisitions) with experience in the mining sector, the service industry and the financial services industry. Mr Dundo is chairman of the remuneration committee and is a member of the audit committee. Other current directorships: Imdex Limited (since January 2004), Synergy Plus Limited (since July 2006) and ORH Limited (since March 2013). Mr Dundo has not held directorships in any other listed companies in the last 3 years.
Mark F Milazzo (Non-Executive Director)	B.Eng. Mining, FAusIMM A director since May 2011. Mr Milazzo is a mining engineer with 30 years experience in mining operations. He was previously General Manager of the Olympic Dam mine and Kambalda Nickel Operations with WMC Limited and General Manager for HWE Mining Pty Ltd where he was responsible for managing a portfolio of surface and underground mining contracts for a wide range of clients across a range of commodities. Mr Milazzo is a chairman of the health, safety, environment and community committee. Other current directorships: YTC Resources Limited (since August 2012). Former directorships in the last 3 years: Cortona Resources Limited (May 2011 to January 2013).
Gregory C Edwards	B.Sc. (Hons), MAusIMM A director from November 2001 to 15 November 2012. Mr Edwards is a geologist with over 25 years experience. He has a broad gold and base metals exploration and development background, spending 13 years with the Normandy Mining group, holding various positions including Exploration Manager – Western Australia and Manager – Business Analysis, where he focussed on commercial evaluations of potential project and corporate acquisitions. Mr Edwards has not held directorships in any other listed companies in the last 3 years.

DIRECTORS' REPORT (continued)

INFORMATION ON DIRECTORS (continued)

Gary F Scanlan FAusIMM, CA
A director from November 2006 to 31 December 2013. Mr Scanlan has over 28 years experience in the mining industry preceded by 10 years' experience with PricewaterhouseCoopers. His previous roles include Executive General Manager – Finance for Newcrest Mining Limited and Managing Director of Castlemaine Goldfields Limited. Mr Scanlan was chairman of the audit committee and was a member of the remuneration committee. Other current directorships: Castlemaine Goldfields Limited (since June 2005, chairman since December 2010). Mr Scanlan was a director of Citadel Resource Group between December 2009 and March 2011. Mr Scanlan has not held other directorships in any other listed companies in the last 3 years.

Information on Company Secretary

Frank J Campagna B.Bus (Acc), CPA
Company Secretary of Red 5 since June 2002. Mr Campagna is a Certified Practicing Accountant with over 25 years experience as Company Secretary, Financial Controller and Commercial Manager for listed resources and industrial companies. He presently operates a corporate consultancy practice which provides corporate secretarial and advisory services to both listed and unlisted companies.

Details of directors' interests in the securities of Red 5 as at the date of this report are as follows:

Director	Fully paid shares	Options
C Jackson	22,500	-
S Norregaard	-	-
K Dundo	-	-
M Milazzo	25,000	-

MEETINGS OF DIRECTORS

The number of meetings of the Board of Directors of Red 5 and of each Board committee held during the year ended 30 June 2013 and the number of meetings attended by each director whilst in office are as follows:

	Board meetings			Audit committee			Remuneration committee		
	Number held	Number eligible	Number attended	Number Held	Number eligible	Number attended	Number held	Number eligible	Number attended
C Jackson	14	14	14	2	2	2	2	2	2
G Edwards	4	4	4	2	-	-	2	-	-
S Norregaard	8	8	8	2	-	-	2	-	-
G Scanlan	14	6	6	2	1	1	2	2	2
K Dundo	14	14	14	2	2	2	2	2	2
M Milazzo	14	14	13	2	1	0	2	-	-

The health, safety, environment and community committee held a meeting on 10 October 2012 attended by Mr Milazzo (Chairman) and Mr Jackson.

REMUNERATION REPORT (AUDITED)

This report sets out the current remuneration arrangements for directors and executives of Red 5. For the purposes of this report, key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling major activities of the consolidated entity, including any director (whether executive or non-executive) of Red 5.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED) (continued)

Principles used to determine the nature and amount of remuneration

Directors and executives remuneration
Overall remuneration policies are determined by the Board and are adapted to reflect competitive market and business conditions. Within this framework, the remuneration committee considers remuneration policies and practices generally, and determines specific remuneration packages and other terms of employment for the managing director and senior management. Executive remuneration and other terms of employment are reviewed annually by the committee having regard to performance, relevant comparative information and expert advice.

Red 5's remuneration policy for the managing director and senior management is designed to promote superior performance and long term commitment to Red 5. Remuneration packages are set at levels that are intended to attract and retain executives capable of managing Red 5's operations. The managing director and senior executives receive a base remuneration which is market related, together with performance based remuneration linked to the achievement of pre-determined milestones and targets.

Red 5's remuneration policies are designed to align executives' remuneration with shareholders' interests and to retain appropriately qualified executive talent for the benefit of Red 5. The main principles of the policy are:

- Reward reflects the competitive market in which Red 5 operates; and
- Individual reward should be linked to performance criteria.

The structure of remuneration packages for the managing director and other senior executives comprises:

- A fixed sum base salary plus superannuation benefits;
- Short term incentives through eligibility to participate in a performance bonus scheme if deemed appropriate; and
- Long term incentives through the managing director and other senior executives being eligible to participate in share option schemes or performance rights plans with the prior approval of shareholders as required.

The proportion of fixed and variable remuneration is established for the managing director and senior executives by the remuneration committee. The objective of short term incentives is to link achievement of Red 5's operational targets with the remuneration received by executives charged with meeting those targets. The objective of long term incentives is to reward executives in a manner which aligns this element of their remuneration with the creation of shareholder wealth.

In considering the consolidated entity's performance and benefits for shareholder wealth, the Board believe that at this stage of development there is no relevant direct link between revenue and profitability and the advancement of shareholders wealth. For this reason, the group does not currently link revenue and profitability against shareholder wealth.

	2013	**2012**	**2011**	**2010**	**2009**
Loss attributable to owners of the company	($8,813,753)	($1,682,914)	($8,111,524)	($438,421)	($850,076)
Dividends paid	-	-	-	-	-
Share price at 30 June	$0.62 (i)	$1.46	$1.15	$1.20	$0.72
Return on capital employed	(10.49%)	(0.85%)	(5.49%)	(0.38%)	(1.79%)

(i) Share price of the Company at suspension of ASX trading on 25 April 2013.

Performance incentives may be offered to the managing director and senior management through the operation of performance bonus schemes. The performance bonus, based on a percentage of annual salary, may be payable upon achievement of agreed key performance indicators (KPIs), which are weighted equally between agreed milestones and relative peer group share price performance. A declared bonus may be payable in a proportion of cash and shares, subject to shareholder approval, if required. KPIs are reviewed and agreed annually by the remuneration committee and include financial and non-financial objectives for example, performance against the annual operating budget, health and safety measures and other operations-related criteria. Measures chosen directly align the individual's reward to the KPIs of the Group and to its strategy and performance.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED) (continued)

Non-executive directors' remuneration

In accordance with current corporate governance practices, the structure for the remuneration of non-executive directors and senior executives is separate and distinct. Shareholders approve the maximum aggregate remuneration payable to non-executive directors, with the current approved limit being $500,000 per annum. The remuneration committee recommends the actual payments to directors and the Board is responsible for ratifying any recommendations. The Chairman receives fees of $70,000 per annum and non-executive directors receive $50,000 per annum, with additional amounts for chairing of
board committees, namely $10,000 per annum for audit committees and $5,000 per annum for other committees, all exclusive of superannuation. Committee members are not paid a fee. Non-executive directors are entitled to statutory superannuation benefits. Directors' fees have remained unchanged since the year ending 30 June 2010. The Board approves any consultancy arrangements for non-executive directors who provide services outside of and in addition to their duties as non-executive directors.

Non-executive directors may be entitled to participate in equity based remuneration schemes. Shareholders must approve the framework for any equity based compensation schemes and if a recommendation is made for a director to participate in an equity scheme, that participation must be specifically approved by the shareholders.

Other benefits include housing and motor vehicle expenses in the Philippines.

Details of remuneration

The following table discloses details of the nature and amount of each element of the remuneration of each key management personnel including the directors of Red 5 for the year ended 30 June 2013. There have been no bonuses, options or performance shares granted in relation to the 2013 financial year.

2013	Short term			Post-employment	Equity		Other			
Name	Salary or directors fees	Consulting fees	Ex-gratia payment	Super-annuation	Shares	Options	Expenses	Total	Perform-ance related	Value of options as a proportion
	$	$	$	$			$	$	%	%
Executive directors										
G Edwards [2]	263,494	-	-	14,813	-	-	13,213	291,520	-	-
S Norregaard [1] [3]	182,968	-	-	16,875	-	-	-	199,843	-	-
Non-executive directors										
C Jackson	70,000	201,501	-	6,300	-	-	-	277,801	-	-
G Scanlan [4]	95,000	-	-	8,396	-	-	-	103,396	-	-
K Dundo	55,000	-	-	4,950	-	-	-	59,950	-	-
M Milazzo	58,333	-	-	5,250	-	-	-	63,583	-	-
Executives										
J Mobilia [1]	303,615	-	30,000	25,000	-	-	-	358,615	-	-
R Pyatt [5]	62,357	-	-	5,907	-	-	2,953	71,217	-	-
R Williams [1]	253,733	-	20,000	25,000	-	-	-	298,733	-	-
Total	1,344,500	201,501	50,000	112,491	-	-	16,166	1,724,658	-	-

(1) Salary as noted in the table includes adjustment for movements in the current value of employee leave provisions (as a consequence of increased base salary) – being $14,218 for Mr Norregaard, $23,115 for Mr Mobilia and $12,733 for Mr Williams. For clarity, Mr Norregaards' 2013 annual base salary was $405,000, exclusive of superannuation.

(2) Up to date of resignation on 15 November 2012. For clarity, $115,369 is the termination component of Mr Edwards' salary of which $98,751 can be attributed to payment in lieu of notice and $16,618 can be attributed to the adjustment for movements in the current value of accumulated leave provisions up to the date of resignation.

(3) Appointed 1 February 2013.

(4) Up to date of resignation on 31 December 2012.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED) (continued)

(5) Up to date of resignation on 4 October 2012. For clarity, $3,936 is the termination component of Mr Pyatts' salary of which $20,042 can be attributed to payment in lieu of notice and $16,106 can be attributed to the adjustment for movements in the current value of accumulated leave provisions up to the date of resignation.

All directors are entitled to have premiums on indemnity insurance paid by Red 5. During the financial year, Red 5 paid premiums of $129,710 (2012: $70,831) to insure the directors and other officers of the consolidated entity. The increase in premium is reflective of the Group's progression to production status in the 2013 financial year. The liabilities insured are for costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the consolidated entity.

2012	Short term		Post-employment	Equity		Other	Prior Year Bonus			
Name	Salary or directors fees	Consulting fees	Super-annuation	Shares	Options	Expenses	Cash/ Shares [3]	Total	Perform-ance related	Value of options as a proportion
	$	$	$			$	$	$	%	%
Executive director										
G Edwards [1]	436,065	-	45,425	-	-	20,073	59,250	560,813	10.6	-
Non-executive directors										
C Jackson	70,000	138,563	6,300	-	-	-	-	214,863	-	-
G Scanlan	60,000	-	5,400	-	-	-	-	65,400	-	-
K Dundo	55,000	-	4,950	-	-	-	-	59,950	-	-
M Milazzo	52,500	-	4,725	-	-	-	-	57,225	-	-
Executives										
J Mobilia [1]	248,556	-	25,259	-	55,139	-	15,094	344,048	20.4	16.0
R Pyatt [1]	255,305	-	23,514	-	-	11,237	-	290,056	-	-
R Williams [1] [2]	217,247	-	20,000	-	-	-	-	237,247	-	-
Total	1,394,673	138,563	135,573	-	55,139	31,310	74,344	1,829,602	7.1	3.0

(1) Salary as noted in the table includes adjustment for movements in the current value of employee leave provisions (as a consequence of increased base salary) - being $41,065 for Mr Edwards, $11,056 for Mr Mobilia, $20,033 for Mr Pyatt and $17,247 for Mr Williams. For clarity, Mr Edwards' 2012 base salary was $395,000, exclusive of superannuation.

(2) Appointed 1 July 2011.

(3) Prior year bonuses represent short term incentive bonuses relating to executive performance during the year to 30 June 2011. The bonus is satisfied 50% in cash and 50% by the issue of shares. The bonuses were determined by the remuneration committee after performance reviews and were based on achievement of pre-determined key performance indicators for example, performance against the annual operating budget, health and safety measures, other operations-related criteria ("the agreed KPIs") and relative peer group share price performance. The bonus is weighted 50% to the agreed KPIs and 50% to the share price performance (for more detail refer to service agreements). The component relating to share price performance was forfeited during the year ended 30 June 2011 in its entirety. The cash bonus of $29,625 plus 24,688 vested shares ($29,625) for Mr Edwards represents 40% of the available bonus for the agreed KPIs and for Mr Mobilia the cash bonus of $7,547 plus 6,287 vested shares ($7,547) represents 37.5% of the available bonus for the agreed KPIs, with the remaining component being forfeited due to KPIs not being met. Mr Pyatt and Mr Williams were not entitled to any bonus for the year ended 30 June 2011 as Mr Pyatt had only been with the company for one month and Mr Williams was not appointed until 1 July 2011.

Share-based compensation

The Board has adopted the Red 5 Employee Share Option Plan (ESOP) and a Performance Rights Plan (PR Plan). The primary purposes of these plans are to increase the motivation of employees, promote the retention of employees, align employee interests with those of Red 5 and its shareholders and to reward employees who contribute to the growth of Red 5.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED) (continued)

Red 5's share trading policy prohibits key management personnel that are granted share-based payments as part of their remuneration from entering into other arrangements that limit their exposure to losses that would result from share price decreases. Entering into such arrangements has been prohibited by law since 1 July 2011.

Options granted to key management personnel

During the year the parent entity granted no options over ordinary shares to executive officers of the parent entity as part of their remuneration.

No shares were issued during the year as a result of the exercise of options granted as part of remuneration. There were no alterations to the terms and conditions of options granted as remuneration since their grant date. There were no forfeitures during the period. No options have been granted since the end of the financial year.

Information on any benefits received by directors of Red 5 by reason of contract made with the consolidated entity with a director or a director-related entity is contained in Note 21 of the financial report.

Service agreements

The terms of employment for executive directors and key management personnel are formalised in service agreements. Major provisions of the agreements are set out below.

J Norregaard – Managing Director
Term of agreement: no defined period.
Remuneration: base salary of $405,000 per annum plus 10% superannuation contributions, to be reviewed annually by the remuneration committee.
Performance bonus: up to 80% of annual salary. Entitlement is weighted between the achievement of Company budget, production and costs targets as well as agreed KPIs (80%) and relative peer group share price performance (20%). To receive 100% of the peer group share price performance component, the Red 5 share price must be in the top quartile of the S&P/ASX All Ordinaries gold index. To receive 50% of the share price performance component, the Red 5 share price must be in the second quartile of the S&P/ASX All Ordinaries gold index. No component is received for below median performance. Payment of a performance bonus is 50% cash and 50% shares (escrowed for two years). 100% of the performance bonus will be paid in cash in the event necessary shareholder or regulatory approvals are not obtained for the share component of the performance bonus.
Termination provisions: payment upon early termination by the Company (other than for unsatisfactory performance, gross misconduct or long term incapacity) equal to 6 months of the annual salary.

J Mobilia – Chief Financial Officer
Term of agreement: no defined period.
Remuneration: base salary of $275,000 (2012: $245,000) per annum plus 10% superannuation contributions, to be reviewed annually.
Performance bonus: up to 45% of annual salary weighted equally between the achievement of the agreed KPIs and relative peer group share price performance.
Equity compensation: entitlement to participate in the ESOP or PR Plan.
Termination provisions: payment upon early termination by the Company (other than for unsatisfactory performance, gross misconduct or long term incapacity) equal to 6 months of the annual salary.

R Williams – Group Exploration and Technical Manager
Term of agreement: no defined period.
Remuneration: base salary of $240,000 (2012: $200,000) per annum plus 10% superannuation contributions, to be reviewed annually.
Performance bonus: up to 35% of annual salary weighted equally between the achievement of the agreed KPIs and relative peer group share price performance.
Termination provisions: payment upon early termination by the Company (other than for unsatisfactory performance, gross misconduct or long term incapacity) equal to all remuneration (including salary and any performance bonus) accrued up to and including the date of termination.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED) (continued)

G Edwards – Managing Director
Term of agreement: no defined period.
Remuneration: base salary of $395,000 per annum plus 10% superannuation contributions, to be reviewed annually by the remuneration committee.
Performance bonus: up to 75% of annual salary weighted equally between the achievement of the agreed KPIs and relative peer group share price performance. To receive 100% of the peer group share price performance component the Red 5 share price must be in the top quartile of the ASX All Ordinaries gold index. To receive 50% of the share price performance component the Red 5 share price must be in the second quartile of the ASX All Ordinaries gold index. No component is received for below median performance. Payment of a performance bonus is 50% cash and 50% shares (escrowed for two years).
Termination provisions: payment upon early termination by the Company (other than for unsatisfactory performance, gross misconduct or long term incapacity) equal to 3 months of the annual salary.

R Pyatt - Operations Director
Term of agreement: no defined period.
Remuneration: base salary of US$250,000 per annum plus 10% superannuation contributions, to be reviewed annually.
Performance bonus: up to 50% of annual salary upon the achievement of the agreed KPIs and relative peer group share price performance.
Termination provisions: payment upon early termination by the Company (other than for unsatisfactory performance, gross misconduct or long term incapacity) equal to 3 months of the annual salary.

End of Audited Remuneration Report.

NON-AUDIT SERVICES

During the year, Red 5's external auditors, KPMG, have provided other services in addition to their statutory audit function. Non-audit services provided by the external auditors comprised $35,290 for taxation services. Further details of remuneration of the auditors are set out in Note 22.

The Board has considered the non-audit services provided during the year and is satisfied that the provision of those services is compatible with the general standard of independence for auditors imposed by the Corporations Act and did not compromise the auditor independence requirements of the Corporations Act, for the following reasons:

- All non-audit services were subject to the corporate governance guidelines adopted by Red 5;
- Non-audit services have been reviewed by the audit committee to ensure that they do not impact the impartiality or objectivity of the auditor; and
- The non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity, acting as an advocate for Red 5 or jointly sharing economic risks and rewards.

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act is included immediately following the Directors' Report and forms part of the Directors' Report.

ENVIRONMENTAL REGULATIONS

The consolidated entity is subject to significant environmental regulation in respect to its mineral exploration activities. These obligations are regulated under relevant government authorities within Australia and overseas. The consolidated entity is a party to exploration and development licences and has beneficial interests in Mineral Production Sharing Agreements. Generally, these licences and agreements specify the environmental regulations applicable to exploration and mining operations in the respective jurisdictions. The consolidated entity aims to ensure that it complies with the identified regulatory requirements in each jurisdiction in which it operates.

Compliance with environmental obligations is monitored by the Board of Directors. No environmental breaches have been notified to the consolidated entity by any government agency during the year ended 30 June 2013.

Signed in accordance with a resolution of the directors.

Colin G Jackson
Chairman

Perth, Western Australia
26 September 2013

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Red 5 Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2013 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Brent Steedman
Partner

Perth

26 September 2013

RED 5 LIMITED
AND CONTROLLED ENTITIES

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2013

	NOTE	CONSOLIDATED 2013 $	2012 $
Continuing operations			
Revenue		28,508,389	4,277,750
Cost of sales		(29,957,840)	(2,643,930)
Gross (loss)/profit		(1,449,451)	1,633,820
Other income	5(a)	66,085	1,209,150
Administration and other expenses	5(b)	(5,109,770)	(5,916,041)
Exploration expenses		(2,352)	(10,557)
(Impairment)/impairment reversal of property, plant and equipment	5(c)	(7,228,733)	262,495
Operating loss before financing income/(expenses)		(13,724,221)	(2,821,133)
Financing income	5(d)	7,219,710	1,139,265
Financing expenses	5(d)	(2,176,180)	(1,046)
Net financing income		5,043,530	1,138,219
Loss before income tax expense		(8,680,691)	(1,682,914)
Income tax expense	6	(133,062)	-
Net loss after income tax for the year		**(8,813,753)**	**(1,682,914)**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Movement in foreign currency translation reserve		11,679,864	7,675,605
Total comprehensive income for the year		**2,866,111**	**5,992,691**
Net profit/(loss) after income tax attributable to:			
- Non-controlling interest		(101,831)	60,748
- Members of parent entity		(8,711,922)	(1,743,662)
		(8,813,753)	**(1,682,914)**
Total comprehensive income attributable to:			
- Non-controlling interest		178,486	(123,467)
- Members of parent company		2,687,625	6,116,158
		2,866,111	**5,992,691**
		Cents	**Cents**
Basic and diluted loss per share (cents per share)	27	(6.51)	(1.29)

The accompanying notes form part of these financial statements.

RED 5 LIMITED
AND CONTROLLED ENTITIES

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2013

	NOTE	CONSOLIDATED 2013 $	2012 $
CURRENT ASSETS			
Cash and cash equivalents	7	7,582,253	13,463,345
Restricted cash	8	5,499,388	-
Trade and other receivables	9	1,270,564	3,379,697
Derivatives	9	7,629,663	-
Inventory	10	5,590,406	6,907,113
TOTAL CURRENT ASSETS		27,572,274	23,750,155
NON-CURRENT ASSETS			
Receivables	11	12,830,080	8,917,025
Property, plant and equipment	12	58,563,021	50,926,893
Mine development expenditure	13	92,572,814	77,457,637
TOTAL NON-CURRENT ASSETS		163,965,915	137,301,555
TOTAL ASSETS		**191,538,189**	**161,051,710**
CURRENT LIABILITIES			
Trade and other payables	15	8,398,949	8,748,138
Employee benefits	16	126,390	203,070
Provisions	17	1,116,104	1,116,104
Borrowings	18	27,752,520	-
TOTAL CURRENT LIABILITIES		37,393,963	10,067,312
NON-CURRENT LIABILITIES			
Employee benefits	16	-	115,506
Provisions	17	1,735,307	1,326,084
TOTAL NON-CURRENT LIABILITIES		1,735,307	1,441,590
TOTAL LIABILITIES		**39,129,270**	**11,508,902**
NET ASSETS		**152,408,919**	**149,542,808**
EQUITY			
Contributed equity	19 (a) (b)	177,124,726	177,124,726
Other equity	19 (c)	930,285	930,285
Reserves	20	9,027,489	(2,343,638)
Accumulated losses		(34,436,319)	(25,752,817)
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**152,646,181**	**149,958,556**
Non-controlling interest		(237,262)	(415,748)
TOTAL EQUITY		**152,408,919**	**149,542,808**

The accompanying notes form part of these financial statements.

RED 5 LIMITED
AND CONTROLLED ENTITIES

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2013

	Attributable to equity holders of the parent entity					
	Issued capital	**Other equity (ii)**	**Accumulated losses**	**Other reserves (i)**	**Non controlling interest**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Consolidated						
Balance at 1 July 2011	163,041,023	930,285	(24,009,155)	(10,258,597)	(292,281)	129,411,265
Net loss	-	-	(1,743,662)	-	60,748	(1,682,914)
Other comprehensive income for the period	-	-	-	7,859,820	(184,215)	7,675,605
Total comprehensive income for the period	-	-	(1,743,662)	7,859,820	(123,467)	5,992,691
Shares issued during the year	15,000,000	-	-	-	-	15,000,000
Transaction costs	(981,903)	-	-	-	-	(981,903)
Issue of employee performance shares	65,616	-	-	-	-	65,616
Issue of options	-	-	-	55,139	-	55,139
Balance at 30 June 2012	**177,124,726**	**930,285**	**(25,752,817)**	**(2,343,638)**	**(415,748)**	**149,542,808**
Balance at 1 July 2012	177,124,726	930,285	(25,752,817)	(2,343,638)	(415,748)	149,542,808
Net loss	-	-	(8,711,922)	-	(101,831)	(8,813,753)
Other comprehensive income for the period	-	-	-	11,399,547	280,317	11,679,864
Total comprehensive income for the period	-	-	(8,711,922)	11,399,547	178,486	2,866,111
Expired options – transfers from reserves	-	-	28,420	(28,420)	-	-
Balance at 30 June 2013	**177,124,726**	**930,285**	**(34,436,319)**	**9,027,489**	**(237,262)**	**152,408,919**

(i) Other reserves represent foreign currency translation reserve and the share based payment reserve.
(ii) Refer to note 19 (c) for further explanation.

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2013

	NOTE	CONSOLIDATED 2013 $	2012 $
Cash flows from operating activities			
Receipts from sale of gold		29,194,644	4,277,750
Payments to suppliers and employees		(24,721,625)	(5,972,275)
Payments for exploration and evaluation expenditure		(49,954)	(19,540)
Interest received		145,276	1,338,904
Interest paid		(233,144)	(1,046)
Tailings dam remedial works		(2,966,144)	-
Royalty receipts		392,944	1,081,059
Sundry receipts		1,425	27,493
Net cash from operating activities	26	1,763,422	732,345
Cash flows from investing activities			
Payments for plant and equipment		(9,463,464)	(19,743,010)
Payments for development		(16,773,238)	(33,677,350)
Net cash used in investing activities		(26,236,702)	(53,420,360)
Cash flows from financing activities			
Proceeds from issues of shares		-	15,000,000
Payments for share issue expenses		-	(981,903)
Proceeds from issue of borrowings		30,858,340	-
Proceeds from issue of borrowings placed on retention		(4,766,951)	-
Repayment of borrowings		(7,824,082)	-
Finance facility expenses		(703,630)	-
Net cash from financing activities		17,563,677	14,018,097
Net (decrease) in cash held		(6,909,603)	(38,669,918)
Cash at the beginning of the financial year		13,463,345	52,504,956
Effect of exchange rate fluctuations on cash held		1,028,511	(371,693)
Cash at the end of the financial year	7	7,582,253	13,463,345

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1. REPORTING ENTITY

Red 5 Limited (the "Company") is a company domiciled in Australia. The address of the Company's registered office is Level 2 35 Ventnor Avenue, West Perth Western Australia. The consolidated financial statements of the Company as at and for the year ended 30 June 2013 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in associates and jointly controlled entities. The Group is primarily involved in the exploration and mining of gold.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements were authorised for issue by the Board of Directors on 26 September 2013.

2.2 Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for share based payments, derivative financial instruments and rehabilitation provisions. Share based payments are measured at fair value. The methods used to measure fair values of share based payments are discussed further in the Note 4.13. Derivative financial instruments are measured at fair value and are discussed in Note 4.10. Rehabilitation provisions are based on net present value and are discussed in Note 4.15.

2.3 Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency.

2.4 Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The areas involving a higher degree of judgements or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed further in Note 4.18.

2.5 Removal of parent entity financial statements

The Group has applied amendments to the Corporations Act 2001 that remove the requirement for the Group to lodge parent entity financial statements. Parent entity financial statements have been replaced by the specific parent entity disclosures in Note 31.

3. GOING CONCERN

The consolidated financial report has been prepared on the going concern basis which assumes the continuity of normal business activities and the realisation and settlement of liabilities in the ordinary course of business.

For the year ended 30 June 2013, the Group incurred a loss of $8,813,753 (2012: loss of $1,682,914) and had a net working capital deficit of $9,821,689 (2012: surplus of $13,682,843), which includes secured interest bearing liabilities of $27,752,520. The Group had a net cash outflow from investing activities of $21,974,113 (2012: outflow of $53,420,360), reflecting the increase in waste removal activity and hiring a new mining fleet. These investing activities were financed by available cash balances and a secured US$25,000,000 loan facility provided by Credit Suisse AG.

On 25 April 2013, milling operations were suspended at the Siana gold mine following early detection of subsidence on a portion of the external wall of the tailings dam. Remedial works to repair the subsidence were successfully completed on 13 June 2013. There was no environmental damage as a result of this subsidence. Notwithstanding the corrective actions taken to restore the stability and integrity of the tailings dam and that operations had been suspended, the Central Office of the Mines and Geosciences Bureau (MGB) issued a Cease and Desist Order (the Order) to the Group on 6 June 2013 requiring a complete cessation of gold ore mineral processing. As a consequence, the mine has been and still is, in a state of care-and-maintenance until such time the Order is withdrawn. The Group is currently in discussions with the MGB to have the Order withdrawn.

Consistent with the terms of the facility agreement, Credit Suisse AG issued the Group with a breach notice after production activities at Siana ceased on 25 April 2013. Furthermore, on 3 July 2013, Credit Suisse AG notified the Group that an event of default had occurred in relation to a failure to comply with a minimum financial ratio under the Facility Agreement. Pursuant to discussions with the Group, Credit Suisse AG agreed to an extended Standstill arrangement up to 23 October 2013 which is two days after the shareholders meeting to approve the Share Placement described below.

On 9 September 2013, the Group completed a private Share Placement (Placement) of 500,000,000 ordinary fully paid shares at an issue price of 10 cents per share to raise $50,000,000. Settlement of the first tranche of the share placement of $2,030,000 (20,300,000 shares) occurred on 13 September 2013. Settlement of the second tranche of the share placement of $47,970,000 (479,700,000 shares) is subject to the approval of shareholders of the Group at the general meeting to be held on 21 October 2013.

The Group intends to raise up to a further $10,000,000 through a Share Purchase Plan (SPP) to eligible shareholders also at 10 cents per share with the directors reserving the right to accept oversubscriptions of up to a further $5,000,000. The record date for the SPP is 4 September 2013. Key dates in respect of the SPP were outlined in the SPP offer document sent to shareholders with the notice of general meeting seeking shareholder approval for completion of the second tranche of the Placement and the SPP.

The combined equity raising replaces the non-renounceable Entitlements Offer which closed on 30 August 2013 which did not achieve the $35,000,000 minimum subscription at an issue price of 35 cents per share.

On completion of the second tranche of the Placement being $47,970,000 approximately US$18,414,099 will be paid to Credit Suisse AG. This payment will settle the outstanding principal of $US25,000,000 and accumulated interest components of the facility after offsetting the Retention Funds (US$5,000,000) held with Credit Suisse AG, and the $US3,171,224 from closing the gold hedge.

The Group intends to use the balance of the proceeds raised from the Placement and the proceeds raised from the SPP to provide working capital to implement the planned interim tailings storage solutions at the Siana gold mine ahead of planned recommencement of mining operations (subject to the MGB withdrawing the existing Cease and Desist Order).

The Directors are aware that the ability to continue as a going concern is dependent upon one or more of the following uncertain events:

- The approval by shareholders on 21 October 2013 for the successful completion of capital raising through Tranche 2 of the Placement;
- If shareholders do not vote in favour of the second tranche and the period of the Credit Suisse AG loan Standstill arrangement expires, and the Group fails to fulfil its repayment obligation or continues to not meet its required financial ratio obligations, then Credit Suisse AG may place the Group in default under the Pre-paid Swap Facility and have the right to take control of the Siana gold project and related assets held by the Group;
- The successful completion of capital raising through the SPP;
- The withdrawal of the Cease and Desist Order;
- Successful land acquisition and approvals so that the new tailings storage facility can be built;
- The successful ramp up of production and sales of gold to achieve forecast cash flows.

In the unlikely event that the shareholders do not approve Tranche 2 of the Placement at the meeting on 21 October 2013, the Directors intend to renegotiate the Standstill arrangement with Credit Suisse AG and its major creditors in order to have enough time to seek sufficient funding.

The Board acknowledges that the Group's operating funding requirements and the scheduled repayment in full of interest bearing liabilities represents a significant funding requirement for the coming 12 months. However, the Board believes that the going concern basis of preparation remains appropriate for the following reasons:

- The Group anticipates shareholder approval for the Share Placement;
- In management's view the requirements of the MGB as set out in the Cease and Desist Order have been fulfilled by the Company and the Board anticipates that the MGB will withdraw the Cease and Desist Order;
- The group is forecasting positive cash flows for the next 18 months with the recommencement of production of gold;
- Historically, the Group has successfully arranged sufficient financing facilities and raised equity as required.

Should the Group not be successful in its efforts to raise sufficient funds through an approved Placement and SPP and withdraw the Cease and Desist Order, there exists material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore it may not be able to realise its assets and extinguish its liabilities in the normal course of business and at amounts stated in this financial report.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the consolidated entity. No additional standards or amendments have been early adopted in the current year.

4.1 Principles of consolidation

The consolidated financial report incorporates the assets and liabilities of all entities controlled by the Company as at 30 June 2013 and the results of all controlled entities for the year then ended. The Company and its controlled entities together are referred to in this financial report as the consolidated entity. The financial statements of controlled entities are prepared for the same reporting period as the parent entity, using consistent accounting policies. Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

Where control of an entity is obtained during a financial period, its results are included only from the date upon which control commences. Where control of an entity ceases during a financial period, its results are included for that part of the period during which control existed. Non-controlling interests in equity and results of the entities which are controlled by the consolidated entity are shown as a separate item in the consolidated financial statements.

4.2 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. The following specific recognition criteria must be met before revenue is recognised:

Gold and silver sales

Revenue from the sale of gold and silver is measured at fair value of the consideration received or receivable. Revenue is recognised when the significant risks and rewards of ownership have transferred to the buyer upon receipt of doré in the gold room. Income received by the consolidated entity for silver sales is deducted from the cost of sales.

4.3 Finance income and expenses

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues, using the effective interest rate method. Finance expenses comprise interest expense on borrowings and amortisation of loan borrowing costs. Loan borrowing costs are amortised using the effective interest rate method.

4.4 Property, plant and equipment

All assets acquired, including property, plant and equipment and intangibles other than goodwill, are initially recorded at their cost of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition.

Plant and equipment is measured at cost less accumulated depreciation and any accumulated impairment losses. Items of plant and equipment are depreciated using a combination of the straight line and diminishing value methods commencing from the time they are installed and ready for use, or in respect of internally constructed assets, from the date the asset is completed and ready for use. Depreciation of the processing plant is based on life of mine. The expected useful lives of plant and equipment are between 3 and 13 years. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

4.5 Inventories

Gold in circuit, bullion on hand and ore stockpiles are physically measured or estimated and valued at the lower of cost and net realisable value. Cost represents the weighted average cost and comprises direct material, labour and an appropriate portion of fixed and variable production overhead expenditure on the basis of normal operating capacity, including depreciation and amortisation incurred in converting materials to finished products.

Inventories of consumable supplies and spare parts expected to be used in production are valued at the lower of cost and net realisable value. Any provision for obsolescence or damage is determined by reference to specific stock items identified. The carrying value of those items identified, if any, is written down to net realisable value.

4.6 Exploration and evaluation expenditure

Exploration and evaluation expenditure incurred is accumulated at cost in respect of each identifiable area of interest. Costs incurred in respect of generative, broad scale exploration activities are expensed in the period in which they are incurred. Costs incurred for each area of interest where a resource or reserve, estimated in accordance with JORC guidelines has been identified, are capitalised.

The costs are only carried forward to the extent they are expected to be recouped through the successful development of the area, or where further work is to be performed to provide additional information.

When production commences, the accumulated costs for the relevant area of interest will be amortised over the life of the area according to the rate of depletion of reserves. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Accumulated costs in relation to an abandoned area will be written off in full to the Statement of Profit or Loss and Other Comprehensive Income in the year in which the decision to abandon the area is made.

4.7 Mine Development

Pre-Production

Costs incurred in the development of a mine before production commences are capitalised as part of the mine development costs. Mine development costs are deferred until production commences, at which time they are amortised over the productive life of the project on a unit-of-production basis, based on reserves.

Deferred waste mining costs

In the production phase all costs associated with waste removal are capitalised and amortised over the productive life of the open pit on a unit-of-production basis based on reserves and current mine schedule.

4.8 Impairment

At each reporting date, the consolidated entity reviews and tests the carrying value of assets when events or changes in circumstances indicate that the carrying amount may not be recoverable. Where an indicator of impairment exists, the consolidated entity makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income unless the asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the Statement of Profit or Loss and Other Comprehensive Income.

Calculation of recoverable amount

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs. The estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The recoverable amount of the consolidated entity's receivables carried at amortised cost is calculated as the present value of the estimated cash flows, discounted at the original effective interest rate. Receivables with a short duration are not discounted.

4.9 Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at reporting date, and any adjustment to tax payable in respect of previous years. Deferred income tax is provided using the balance sheet liability method on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised. A deferred income tax asset is not recognised where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax to be utilised. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted at the balance date. Income taxes relating to items recognised directly in equity are recognised in equity and not in the Statement of Profit or Loss and Other Comprehensive Income.

4.10 Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other creditors. Non-derivative financial instruments are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

Trade and other receivables are carried at amortised cost. Trade receivables are non-interest bearing.

Loans and borrowings are measured at amortised cost using the effective interest method, less any impairment losses.

Liabilities for trade creditors and other amounts are carried at amortised cost. Trade payables are non-interest bearing and are normally settled on 30 day terms.

For the purposes of the statement of cash flows, cash includes deposits at call which are readily convertible to cash on hand and which are used in the cash management function on a day to day basis, net of outstanding bank overdrafts.

Derivative financial instruments

Derivatives financial instruments are recognised initially at fair value; any attributable transaction costs are recognised in profit and loss as incurred. Subsequent to initial recognition, derivatives are measured at fair-value, and changes therein are accounted for as described below.

The gold collar derivative financial instrument is not recognised in a hedge relationship that qualifies for hedge accounting, as such all changes in its fair value are recognised immediately in profit and loss.

4.11 Goods and services tax and other indirect taxes

Revenues, expenses and assets are recognised net of goods and services tax (GST), except where the amount of GST incurred is not recoverable. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable or payable is included as a current asset or liability in the statement of financial position. Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable or payable are classified as operating cash flows.

4.12 Employee benefits

Provision for employee entitlements represents the amount which the consolidated entity has a present obligation to pay resulting from employees' service provided up to the balance date.

Liabilities arising in respect of employee benefits expected to be settled within twelve months of the balance date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the balance date. Obligations for contributions to defined contribution superannuation funds are recognised as an expense in the Statement of Profit or Loss and Other Comprehensive Income as incurred.

4.13 Share based payments

The consolidated entity may provide benefits to employees (including directors) and other parties as necessary in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares ("equity settled transactions").
The cost of these equity settled transactions with employees is measured by reference to the fair value at the date they are granted. The value is determined using a Black-Scholes model. The cost of equity settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("vesting date").

The cumulative expense recognised for equity settled transactions at each reporting date until vesting date reflects the extent to which the vesting period has expired and the number of awards that, in the opinion of the directors, will ultimately vest.

No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award.

4.14 Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Statement of Profit or Loss and Other Comprehensive Income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined.

Financial statements of foreign operations

Each entity in the consolidated entity determines its functional currency, being the currency of the primary economic environment in which the entity operates, reflecting the underlying transactions, events and conditions that are relevant to the entity. The functional currency of the Australian entities is the Australian dollar and the functional currency of the Philippine entities is the Philippine Peso.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated from the entity's functional currency to the consolidated entity's presentation currency of Australian dollars at foreign exchange rates ruling at reporting date. The revenues and expenses of foreign operations are translated to Australian dollars at the exchange rates approximating the exchange rates ruling at the date of the transactions. Foreign exchange differences arising on translation are recognised directly in a separate component of equity.

4.15 Rehabilitation costs

Full provision for rehabilitation costs is made based on the net present value of the estimated cost of restoring the environmental disturbance that has occurred up to the balance date. Increases due to additional environmental disturbances are capitalised and amortised over the remaining lives of the operations where they have future economic benefit, else they are expensed. These increases are accounted for on a net present value basis.

Annual increases in the provision relating to the change in the net present value of the provision and inflationary increases are accounted for in profit and loss as an interest expense. The estimated costs of rehabilitation are reviewed annually and adjusted as appropriate for changes in legislation, technology or other circumstances.

4.16 Provisions

A provision is recognised in the statement of financial position when the consolidated entity has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at the pre-tax rate that reflects current market assessments of the time value of money and where appropriate, the risk specific to the liability.

4.17 Earnings per share

Basic earnings per share is determined by dividing net operating results after income tax attributable to members of the parent entity, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to potential ordinary shares.

4.18 Accounting estimates and judgements

The selection and disclosure of the consolidated entity's critical accounting policies and estimates and the application of these policies, estimates and judgements is the responsibility of the Board of Directors. The estimates and judgements that may have a significant impact on the carrying amount of assets and liabilities are discussed below.

Impairment of Assets
At each reporting date, the group makes an assessment for impairment of all assets if there has been an impairment indicator by evaluating conditions specific to the Group and to the particular assets that may lead to impairment. The recoverable amount of Property, Plant & Equipment and Mine Development Expenditure relating to the Siana gold project is determined as the higher of value-in-use and fair value less costs to sell. Value-in-use is generally determined as the present value of the estimated future cash flows. Present values are determined using a risk adjusted discount rate appropriate to the risks inherent in the asset.

Given the nature of the Group's mining activities, future changes in assumptions upon which these estimates are based may give rise to a material adjustment to the carrying value. This could lead to the recognition of impairment losses in the future. The inter-relationship of the significant assumptions upon which estimated future cash flows are based is such that it is impracticable to disclose the extent of the possible effects of a change in a key assumption in isolation.

Future cash flow estimates are based on expected production volumes and grades, gold price and exchange rate estimates, budgeted and forecasted development levels and operating costs. Management is required to make these estimates and assumptions which are subject to risk and uncertainty. As a result there is a possibility that changes in circumstances may alter these projections, which could impact on the recoverable amount of the assets. In such circumstances, some or all of the carrying value of the assets may be impaired. Impairment losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income unless the asset has previously been revalued (refer Note 13 for further detail).

Rehabilitation and mine closure provisions
As set out in Note 4.15, this provision represents the discounted value of the present obligation to restore, dismantle and rehabilitate certain items of property, plant and equipment. The discounted value reflects a combination of the Group's assessment of the costs of performing the work required, the timing of the cash flows and the discount rate.

A change in any, or a combination, of the three key assumptions used to determine the provisions could have a material impact to the carrying value of the provision. In the case of provisions for assets which remain in use, adjustments to the carrying value of the provision are offset by a change in the carrying value of the related asset. Where the provisions are for assets no longer in use or for obligations arising from the production process, the adjustment is reflected directly in the Statement of Profit or Loss and Other Comprehensive Income.

Reserves and resources
The Group determines and reports ore reserves under the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves as revised December 2004, known as the JORC Code. The JORC code requires the use of reasonable investment assumptions to calculate reserves. Reserves determined in this way are taken into account in the calculation of depreciation of mining plant and equipment (refer to note 12), amortisation of capitalised development expenditure (refer to note 13), and impairment relating to these assets.

Changes in reported reserves may affect the Group's financial results and financial position in a number of ways, including:

∗ Asset carrying values may be impacted due to changes in estimated cash flows;
∗ Depreciation and amortisation charged in the statement of profit or loss and other comprehensive income may change where such charges are calculated using the units of production basis.
∗ Deferred waste amortisation, based on estimates of reserve to waste ratios.
∗ Decommissioning, site restoration and environmental provisions may change where changes in estimated reserves alter expectations about the timing or cost of these activities.

4.19 New standards and interpretations not yet adopted
The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2013, but have not been applied in preparing this financial report.

(i) AASB 9 *Financial Instruments* includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 Financial Instruments: Recognition and Measurement. AASB will become mandatory for the Group's 30 June 2016 financial statements. The Group has not yet determined the potential impact of the standard.

(ii) AASB 11 *Joint Arrangements,* which becomes mandatory for the Group's 30 June 2014 financial statements and could change the classification and measurement of investments in jointly controlled entities. The Group does not plan to adopt this standard early, however, the Group is currently assessing the impact of this standard and it is not expected to have a significant impact.

(iii) Amended AASB 119 *Employee Benefits*, which becomes mandatory for the Group's 30 June 2014 financial statements and could change the definition of short-term and other long-term employee benefits and some disclosure requirements. The Group does not plan to adopt this standard early, however, the Group is currently assessing the impact of this standard and it is not expected to have a significant impact.

	CONSOLIDATED 2013 $	CONSOLIDATED 2012 $
5. REVENUE AND EXPENSES		
(a) Other income		
Royalty income	64,660	1,181,657
Insurance receipts	-	14,584
Sundry revenue	1,425	12,909
	66,085	1,209,150
(b) Administration and other expenses		
Superannuation contributions	(83,648)	(66,532)
Other employee and consultancy expenses	(2,873,278)	(1,869,033)
Occupancy costs	(349,148)	(299,238)
Regulatory expenses	(290,996)	(347,457)
Provision for doubtful debts	(32,075)	(483,678)
Foreign exchange gains/(losses)	535,205	(774,300)
Depreciation	(110,876)	(41,950)
Other administration overheads	(1,904,954)	(2,033,853)
	(5,109,770)	(5,916,041)
(c) Impairment reversal/(impairment) of PP&E		
Tailings dam write-off [(i)]	(7,228,733)	-
Proceeds from sale of ball mill	-	612,495
Written down value of ball mill on sale	-	(350,000)
	(7,228,733)	262,495
(d) Financing income/(expenses)		
Interest received	125,561	1,139,265
Fair value of gold collar derivative [(ii)]	7,094,149	-
	7,219,710	1,139,265
Interest expense	(1,459,326)	(1,046)
Finance facility fees	(716,854)	-
	(2,176,180)	(1,046)
	5,043,530	1,138,219

(i) Due to the failure of tailings dam TSF4 all costs inclusive of development, deferred waste and remedial works expenditure has been written off.

(ii) Recognition at fair value of gold collar derivative related to Credit Suisse loan agreement (refer to note 18).

	2013 $	2012 $
6. INCOME TAX		
(a) Major components of income tax expense are: Statement of Profit or Loss and Other Comprehensive Income		
Current income tax		
Current income tax charge	-	(826,455)
Adjustment for prior year (under provided)	(133,062)	-
Deferred income tax		
Origination and reversal of temporary differences – current year	-	334,256
Origination and reversal of temporary differences – prior year adjustment	-	-
Unused tax losses not recognised as deferred tax asset	-	492,199
Income tax expense	(133,062)	-

INCOME TAX (continued)

	CONSOLIDATED	
	2013	**2012**
	$	**$**
A reconciliation between income tax expense and the numerical loss before income tax at the applicable income tax rate is as follows:		
Profit/(loss) before income tax	(8,680,691)	(1,682,914)
At statutory income tax rate of 30% (2012: 30%)	2,604,207	(504,874)
Items not allowable for income tax purposes:		
Non-deductible expenses	5,347	12,675
Adjustment for prior year	17,986	-
Current year tax losses not brought to account	(2,760,602)	492,199
Income tax expense/(benefit)	(133,062)	-
(b) Deferred income tax		
Deferred income tax at balance date relates to the following (these are not brought to account):		
Deferred tax liabilities		
Accrued interest and prepayments	(898)	(8,474)
Gold collar derivative	(2,128,245)	-
	(2,129,143)	(8,474)
Deferred tax assets		
Doubtful debt	1,528	150,342
Net pre-commissioning revenue	50,091	143,753
Accrued expenses	172,392	335,319
Impairment loss	2,168,620	-
Black hole expenditure	699,379	1,092,579
	3,092,010	1,721,993
Net deferred income tax balances not brought to account as not probable	962,867	1,713,519
(c) Tax losses and temporary differences not brought to account		
The directors estimate that the potential deferred tax assets:		
In respect of tax losses not brought to account	6,933,620	3,620,411
In respect of deductible temporary differences not brought to account	962,867	1,713,519

7. CASH AND CASH EQUIVALENTS

Cash at bank	7,582,122	7,463,230
Cash on deposit	-	6,000,000
Cash on hand	131	115
	7,582,253	13,463,345

8. RESTRICTED CASH

Credit Suisse retention (i)	5,499,388	-
	5,499,388	-

(i) In accordance with the three year US$25 million loan agreement entered into between Greenstone Resources Corporation (Philippine subsidiary company) and Zurich based bank Credit Suisse AG on 28 December 2012, Greenstone Resources Corporation agreed to maintain a minimum cash balance of US$5.0 million in a separate Retention Account as security in respect of their obligations under the agreement (refer to note18).

	CONSOLIDATED 2013 $	2012 $
9. TRADE AND OTHER RECEIVABLES		
Interest receivable	2,993	22,708
Prepayments	821,157	2,357,765
Sundry debtors	397,287	950,072
GST receivable	49,127	49,152
	1,270,564	3,379,697
Fair value of gold collar derivative (i)	7,629,663	-
	8,900,227	3,379,697

(i) Recognition at fair value of gold collar derivative related to Credit Suisse loan agreement.

	2013 $	2012 $
10. INVENTORIES		
Raw materials and consumables – at cost	5,156,565	5,672,274
Ore stocks – at cost	298,582	125,136
Gold in circuit – at cost	-	1,109,703
Gold bullion – at cost	135,259	-
	5,590,406	6,907,113
11. RECEIVABLES		
Prepayments	-	11,250
Security deposit	134,883	106,397
VAT receivable	12,695,197	8,799,378
	12,830,080	8,917,025
12. PROPERTY, PLANT AND EQUIPMENT		
Plant and equipment - at cost		
Opening balance	51,668,715	36,819,658
Additions	6,784,632	25,928,552
Transferred to Mine Development	-	(13,740,271)
Disposals	-	(350,000)
Tailings dam write-off (i)	(2,394,717)	-
Foreign currency translation adjustment	5,096,316	3,010,776
Closing balance	61,154,946	51,668,715
Accumulated depreciation		
Opening balance	741,822	433,643
Depreciation for the year	1,669,704	278,038
Foreign currency translation adjustment	180,399	30,141
Closing balance	2,591,925	741,822
Net book value	58,563,021	50,926,893
13. MINE DEVELOPMENT		
(a) Pre-production		
Opening balance	75,532,939	40,497,382
Transferred from property, plant and equipment	-	13,740,271
Development expenditure incurred in current year	1,706,244	21,232,097

MINE DEVELOPMENT (continued)

	CONSOLIDATED	
	2013	**2012**
	$	**$**
Pre-production gold sales	-	(3,900,406)
Tailings dam write-off [(i)]	(2,583,538)	-
Foreign currency translation adjustment	6,372,391	3,963,595
	81,028,036	75,532,939
Accumulated amortisation		
Opening balance	137,639	-
Amortisation for the year	1,606,401	133,030
Foreign currency translation adjustment	133,995	4,609
Closing balance	1,878,035	137,639
Pre-production net book value	79,150,001	75,395,300
(b) Deferred Mining Waste Costs		
Opening balance	2,454,597	-
Deferred waste mining expenditure incurred during the year	16,898,324	2,372,402
Tailings dam write-off [(i)]	(2,189,641)	-
Foreign currency translation adjustment	1,337,384	82,195
	18,500,664	2,454,597
Accumulated amortisation		
Opening balance	392,260	-
Amortisation for the period	4,322,976	379,125
Foreign currency translation adjustment	362,615	13,135
Closing balance	5,077,851	392,260
Deferred mining waste costs net book value	13,422,813	2,062,337
Total development net book value	92,572,814	77,457,637

(i) Represents write-off of total development, deferred waste and remedial works expenditure incurred in relation to the failure of tailings dam TSF4.

The recoverability of the carrying amounts of property, plant and equipment and mine development is dependent upon the successful development and commercial exploitation or sale of the respective area of interest.

14. EXPLORATION AND EVALUATION EXPENDITURE

Opening balance		-
Exploration and evaluation expenditure incurred	2,352	10,557
Exploration expenditure written-off	(2,352)	(10,557)
	-	-

15. TRADE AND OTHER PAYABLES

Creditors and accruals	8,398,949	8,748,138

	CONSOLIDATED	
	2013	**2012**
	$	**$**
16. EMPLOYEE BENEFITS		
Provision for employee entitlements		
Opening balance	318,576	240,901
Increase in provision during the period	-	77,675
Decrease in provision during the period	(192,186)	-
	126,390	318,576
Current	126,390	203,070
Non-current	-	115,506
	126,390	318,576

	2013 $	2012 $
17. PROVISIONS		
MCC final acquisition	1,116,104	1,116,104
Rehabilitation provision	357,914	347,305
Documentary stamp duty	1,148,252	978,779
Withholding tax	229,141	-
	2,851,411	2,442,188
Current	1,116,104	1,116,104
Non-current	1,735,307	1,326,084
	2,851,411	2,442,188

	2013 $	2012 $
18. BORROWINGS		
Current		
Credit Suisse secured loan facility	27,752,520	-
	27,752,520	-

On the 28 December 2012, Greenstone Resources Corporation (Philippine subsidiary company) entered into a three year US$25 million loan agreement with Zurich based bank Credit Suisse AG. Greenstone Resources Corporation has agreed to provide the following security in respect of their obligations under the agreement:

(i) a mortgage of its real properties and chattels in respect of the Siana Gold project;
(ii) a pledge over its share stock; and
(iii) maintain a minimum cash balance of US$5 million (AUD$5,499,388 at 30/06/13) in a separate retention account.

US$8.0 million of the proceeds was used to repay in full and without penalty the Sprott Resource Lending Partnership facility draw down on 8 October 2012.

The Credit Suisse AG facility attracts an interest rate of 7.0% per annum plus a fixed US Libor rate of 0.635% over the life of the facility.

The loan is currently in default due to non-compliance with a minimum financial ratio under the Facility Agreement, therefore the facility is due and payable as at 30 June 2013.

However, Credit Suisse AG has provided an extended Standstill arrangement to 23 October 2013 until after completion of the Share Placement (refer to Note 3 for Going Concern).

	CONSOLIDATED 2013 $	CONSOLIDATED 2012 $

19. CONTRIBUTED EQUITY

(a) Share capital

	2013 $	2012 $
135,488,008 (2012: 135,488,008) ordinary fully paid shares	177,124,726	177,124,726

(b) Movements in ordinary share capital

	CONSOLIDATED 2013		CONSOLIDATED 2012	
	Shares Number	$	Shares Number	$
On issue at 1 July	135,488,008	177,124,726	128,367,673	163,041,013
Share placements	-	-	7,075,472	15,000,000
Less share issue expenses	-	-	-	(981,903)
Shares issued to management	-	-	44,863	65,616
On issue at 30 June	135,488,008	177,124,726	135,488,008	177,124,726

Ordinary shares entitle the holder to participate in dividends and proceeds on the winding up of the parent entity in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(c) Other Equity

	Shares Number	$
Opening balance 1 July 2012 [i]	581,428	930,285
Balance 30 June 2013	581,428	930,285

(i) Red 5 has provided for 581,428 shares to be issued at a value of $930,285 to settle the outstanding tax liability in relation to the prior year acquisition of the Merrill Crowe Corporation (MCC).

	CONSOLIDATED	
	2013	**2012**
	$	**$**
20. RESERVES		
Foreign currency translation reserve	8,874,631	(2,524,916)
Share based payment reserve	152,858	181,278
	9,027,489	(2,343,638)

Translation reserve
The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations where the functional currency is different to the presentation currency of the reporting entity, as well as from the translation of liabilities that hedge the parent entity's net investment in a foreign subsidiary.

Share based payment reserve
The share based payment reserve arises on the granting and vesting of equity instruments. Refer to Note 29 for further details.

Movements in share options	**Options Number**	**Options Reserve $**
Opening balance 1 July 2012	290,000	181,278
Expired options	(70,000)	(28,420)
Balance 30 June 2013	220,000	152,858

21. RELATED PARTIES

The following were key management personnel of the consolidated entity at any time during the reporting period and unless otherwise indicated, were key management personnel for the entire reporting period:

Executive directors
Johannes (Steve) Norregaard – Managing Director (appointed 1 February 2013)
Gregory Edwards – Managing Director (resigned 15 November 2012)

Non-executive directors
Colin Jackson
Gary Scanlan (resigned 31 December 2012)
Kevin Dundo
Mark Milazzo

Other executives
Joe Mobilia – Chief Financial Officer
Ron Pyatt – Operations Director (resigned 4 October 2012)
Rohan Williams – Group Exploration and Technical Manager

Compensation of key management personnel
A summary of the compensation of key management personnel is as follows:

	CONSOLIDATED	
	2013	**2012**
	$	**$**
Key management personnel		
Short term benefits	1,596,001	1,570,408
Post-employment benefits	112,491	135,573
Share based payments	-	92,311
Other benefits	16,166	31,310
	1,724,658	1,829,602

Loans to key management personnel
There were no loans to key management personnel during the period.

Share holdings of key management personnel

The numbers of shares in the parent entity held during the financial year by key management personnel, including their personally-related entities, are set out below.

2013	Balance at 1 July 2012	Received during the year through the issue of shares to meet bonus payment	Other purchases during the year	Balance at 30 June 2013
J Norregaard [(1)]	-	-	-	-
G Edwards [(2)]	1,065,111	-	-	1,065,111
C Jackson	22,500	-	-	22,500
G Scanlan [(3)]	50,000	-	-	50,000
K Dundo	-	-	-	-
M Milazzo	25,000	-	-	25,000
J Mobilia	44,958	-	-	44,958
R Pyatt [(4)]	-	-	-	-
R Williams	-	-	-	-
Total	1,207,569	-	-	1,207,569

(1) appointed 1 February 2013.
(2) resigned on 15 November 2012 and his holding represents the number held at resignation.
(3) resigned on 31 December 2012 and his holding represents the number held at resignation.
(4) resigned on 4 October 2012 with nil held at the date of resignation.

2012	Balance at 1 July 2011	Received during the year through the issue of shares to meet bonus payment	Other purchases during the year	Balance at 30 June 2012
G Edwards[(1)]	1,026,535	38,576	-	1,065,111
C Jackson	22,500	-	-	22,500
G Scanlan	50,000	-	-	50,000
K Dundo	-	-	-	-
M Milazzo	25,000	-	-	25,000
J Mobilia [(2)]	38,671	6,287	-	44,958
R Pyatt	-	-	-	-
R Williams [(3)]	-	-	-	-
Total	1,162,706	44,863	-	1,207,569

(1) a prior period bonus payment consisting of 38,576 fully paid shares was approved by shareholders during the year. 13,888 of the fully paid shares were for the period to 31 December 2010 and were disclosed in the 2011 remuneration table. The remainder of 24,688 fully paid shares were for the period to 30 June 2011 and are disclosed in the 2012 remuneration table.
(2) a prior period bonus payment consisting of 6,287 fully paid shares for the period to 30 June 2011 was paid during the year.
(3) appointed 1 July 2011.

Option holdings of key management personnel

The numbers of options in the parent entity held during the financial year by key management personnel are set out below.

2013	Held at 1 July 2012	Granted as compensation	Exercised	Other changes	Held at 30 June 2013	Vested during the year	Vested and exercisable at 30 June 2013
J Mobilia	160,000	-	-	-	160,000	-	160,000
Total	160,000	-	-	-	160,000	-	160,000

2012	Held at 1 July 2011	Granted as compensation	Exercised	Other changes	Held at 30 June 2012	Vested during the year	Vested and exercisable at 30 June 2012
J Mobilia	80,000	80,000	-	-	160,000	-	160,000
Total	80,000	80,000	-	-	160,000	-	160,000

Transactions with related parties in the wholly owned group

During the financial year, unsecured loan advances were made between the parent entity and its controlled entities. All such loans were interest free. Intra-entity loan balances have been eliminated in the financial report of the consolidated entity. The ownership interests in related parties in the wholly owned group are set out in Note 25.

Individual directors and executives compensation disclosures

Information regarding individual directors and executives' compensation and some equity instruments disclosures as permitted by Corporations Regulation 2M.3.03 is provided in the remuneration report section of the directors' report.

	CONSOLIDATED	
	2013	**2012**
	$	**$**

22. REMUNERATION OF AUDITOR

Amounts paid or due and payable to the auditor for:

	2013 $	2012 $
Auditing and reviewing financial reports - KPMG Australia	115,380	110,473
- overseas KPMG firms	32,846	34,912
Other services – advisory (KPMG Australia)	-	18,405
Taxation advisory services – KPMG Australia	24,125	37,750
– overseas KPMG firms	11,165	6,712
	183,516	208,252

23. EXPENDITURE COMMITMENTS

Commitments in relation to capital expenditure commitments are payable as follows:

	2013 $	2012 $
- not later than one year	1,359,188	3,480,667
	1,359,188	3,480,667

Commitments in relation to operating lease expenditure commitments are payable as follows:

	2013 $	2012 $
- not later than one year	509,684	321,068
- later than one year but not later than two years	193,424	72,665
- later than two years but not later than five years	152,625	28,636
	855,733	422,369

24. SEGMENT INFORMATION

Identification of reportable segments

The Group has identified its operating segments on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of its Siana gold assets in the Philippines. Operating segments are therefore determined on the same basis. Reportable segments disclosed are based on aggregating tenements where the development and exploration interests are considered to form a single project. This is in indicated by:

- Having the same ownership structure.
- Exploration being focused on the same mineral or type of mineral.
- Exploration programs targeting the tenements as a group, indicated by the use of the same exploration team, shared geological data and knowledge across the tenements.
- Shared mining economic considerations such as mineralisation, metallurgy, marketing, legal environmental, social and government factors.

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted
Unless otherwise stated, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

Unallocated items
The following items of revenue, expense, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Interest and other revenue.
- Income tax expense.
- Deferred tax assets and liabilities.

Comparative information
Comparative information has been restated to conform to the requirements of AASB 8: Operating Segments.

	Philippines	Australia	Total
(i) Segment performance	**$**	**$**	**$**
Year ended 30 June 2013			
External sales [(i)]	28,508,389	-	28,508,389
Interest revenue	14,045	111,516	125,561
Other income	1,425	64,660	66,085
Segment revenue	**28,523,859**	**176,176**	**28,700,035**
Segment result	**(5,955,085)**	**(2,858,668)**	**(8,813,753)**
Included within segment result:			
Depreciation and amortisation	(7,645,120)	(4,649)	(7,649,769)
Exploration written off	(2,352)	-	(2,352)
Assets written off	(7,228,733)	-	(7,228,733)
Provision for doubtful debts	(32,075)	-	(32,075)
Year ended 30 June 2012			
External sales	4,277,750	-	4,277,750
Interest revenue	25,250	1,114,015	1,139,265
Other income	27,493	1,181,657	1,209,150
Segment revenue	**4,330,493**	**2,295,672**	**6,626,165**
Segment result	**(1,359,210)**	**(323,704)**	**(1,682,914)**
Included within segment result:			
Depreciation and amortisation	(526,209)	(9,486)	(535,695)
Option issue expense	-	(55,139)	(55,139)
Exploration written off	(10,557)	-	(10,557)
Reversal of impairment of assets	-	262,495	262,495
Provision for doubtful debts	(483,678)	-	(483,678)
(ii) Segment assets			
As at 30 June 2013			
Segment assets	**189,884,834**	**1,653,355**	**191,538,189**
Additions to non-current assets:			
Capital expenditure	6,784,229	403	6,784,632
Exploration expenditure	2,352	-	2,352
Development expenditure	18,094,204	-	18,094,204
As at 30 June 2012			
Segment assets	**150,161,198**	**10,890,512**	**161,051,710**

(ii) Segment assets (continued)

	Philippines $	Australia $	Total $
Additions to non-current assets:			
Capital expenditure	25,927,653	899	25,928,552
Exploration expenditure	10,557	-	10,557
Development expenditure	19,704,093	-	19,704,093

(iii) Segment liabilities

	Philippines $	Australia $	Total $
As at 30 June 2013			
Segment liabilities	**38,612,845**	**516,425**	**39,129,270**
As at 30 June 2012			
Segment liabilities	**10,809,257**	**699,645**	**11,508,902**

(i) Total external sales are attributable to one customer only.

25. INVESTMENTS IN CONTROLLED ENTITIES

Name of controlled entities	Country of incorporation	Class of shares	Equity holding 2013 %	Equity holding 2012 %
Bremer Resources Pty Ltd	Australia	Ordinary	100	100
Estuary Resources Pty Ltd	Australia	Ordinary	100	100
Greenstone Resources (WA) Pty Ltd	Australia	Ordinary	100	100
Oakborough Pty Ltd	Australia	Ordinary	100	100
Opus Resources Pty Ltd	Australia	Ordinary	100	100
Red 5 Philippines Pty Ltd	Australia	Ordinary	100	100
Red 5 Mapawa Pty Ltd	Australia	Ordinary	100	100
Red 5 Dayano Pty Ltd	Australia	Ordinary	100	100
Bremer Binaliw Corporation	Philippines	Ordinary	100	100
Red5 Mapawa Incorporated	Philippines	Ordinary	100	100
Red5 Dayano Incorporated	Philippines	Ordinary	100	100
Red 5 Asia Incorporated	Philippines	Ordinary	100	100
Greenstone Resources Corporation (i)	Philippines	Ordinary	40	40
Surigao Holdings and Investments Corporation (i)	Philippines	Ordinary	40	40

(i) The Company holds a 40% direct interest in Greenstone Resources Corporation (GRC) and a 40% interest in Surigao Holdings and Investments Corporation (SHIC) voting stock. Agreements are in place which deals with the relationship between Red 5 and other shareholders of these entities. In accordance with Australian accounting standard, AASB 127 *Consolidated and Separate Financial Statements,* relating to company control, Red 5 has consolidated these companies as subsidiaries in these financial statements.

26. RECONCILIATION OF NET CASH FLOWS FROM OPERATING ACTIVITIES

	CONSOLIDATED 2013 $	CONSOLIDATED 2012 $
Operating (loss) after income tax	(8,813,753)	(1,682,914)
Amortisation and depreciation	7,649,769	535,695
Share and options	-	120,755
Impairment of property, plant and equipment	-	(262,495)
Royalty income	-	(100,598)
Doubtful debt expenses	32,075	483,678
Superannuation accrual	5,850	-

RECONCILIATION OF NET CASH FLOWS FROM OPERATING ACTIVITIES (continued)

	CONSOLIDATED	
	2013	**2012**
	$	**$**
Exchange (gain)/loss	(535,205)	774,300
Cost of sales	2,555,545	-
Income tax expense	133,062	-
Changes in operating assets and liabilities		
(Increase)/decrease in inventories	1,707,044	-
(Increase)/decrease in receivables	(1,468,284)	(22,169)
Increase/(decrease) in payables	403,060	(176,950)
Increase/(decrease) in provisions	94,259	1,063,043
Net cash inflow/(outflow) from operating activities	1,763,422	732,345

27. EARNINGS PER SHARE

	2013 Number	**2012 Number**
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	135,488,008	130,305,678
Issued ordinary shares at commencement of financial year	135,488,008	128,367,673
Effect of shares issued 16 December 2011	-	24,148
Effect of share placement 23 March 2012	-	1,913,857
Weighted average number of ordinary shares for the financial year	135,488,008	130,305,678

The potential ordinary shares existing as at balance date are not dilutive, therefore diluted earnings per share is equal to basic earnings per share.

28. SUBSEQUENT EVENTS

On 3 July 2013, Credit Suisse AG notified the Group that an event of default had occurred in relation to a failure to comply with a minimum financial ratio under the Facility Agreement. With no revenue from operations, the Group was unable to meet the first principal and interest repayment due on 2 August 2013. Pursuant to discussions with the Group, Credit Suisse AG agreed to a standstill arrangement up to 15 September 2013 inclusive. Further negotiations between the Group and its Senior Lender secured an extended standstill agreement to 23 October 2013 until after the completion of a Share Placement.

On 9 September 2013, the Group successfully concluded a private Share Placement of 500,000,000 ordinary fully paid shares at an issue price of 10 cents per share that raised $50,000,000. Settlement of the first tranche of the share placement of $2,030,000 (20,300,000 shares) occurred on 11 September 2013. Settlement of the second tranche of the share placement of $47,970,000 (479,700,000 shares) is subject to the approval of shareholders of the Group at the general meeting to be held on 21 October 2013. A further $10,000,000 is proposed to be raised through a Share Purchase Plan (SPP) offer to eligible shareholders also at 10 cents per share with the directors reserving the right to accept oversubscriptions of up to a further $5,000,000. The record date for the SPP is 4 September 2013. The combined equity raising replaces the non-renounceable Entitlements Offer which closed on 30 August 2013 without achieving the $35,000,000 minimum subscription threshold.

On 19 September 2013, the proceeds from the close out of the gold hedge (US$3,171,224) together with the funds held on retention (US$5,000,000) was repaid against the principal and accumulated interest components of the Credit Suisse AG facility.

No other matters have arisen since 30 June 2013, which have significantly affected, or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial years.

29. SHARE BASED PAYMENTS

An Employee Option Plan (Plan) was approved by shareholders at the annual general meeting of the parent entity held on 27 November 2007. All staff, (including executive directors), are eligible to participate in the scheme.

SHARE BASED PAYMENTS (continued)

Shares and options are issued on the following terms:

(a) The Board may from time to time determine that any eligible person is entitled to participate in the plan and the extent of that participation. In making that determination, the Board may consider, where appropriate:

- the seniority of the eligible person and the position the eligible person occupies within the consolidated entity;
- the length of service of the eligible person with the consolidated entity;
- the record of employment or engagement of the eligible person with the consolidated entity;
- the contractual history of the eligible person with the consolidated entity;
- the potential contribution of the eligible person to the growth of the consolidated entity;
- the extent (if any) of the existing participation of the eligible person (or any permitted nominee in relation to that eligible person in the plan; and
- any other matters which the Board considers relevant.

(b) A 5% limit is imposed on the number of shares to be received on exercise of the options issued under the plan. This includes all shares issued (or which might be issued pursuant to the exercise of an option under each outstanding offer), the number of shares in the same class that would be issued if offers under the plan were accepted or if options over them were exercised and the number of shares in the same class issued under the previous five years pursuant to the plan. Options are granted under the plan for no consideration. Options granted under the plan carry no dividend or voting rights.

(c) When exercisable, each option is convertible into one ordinary share. The exercise price of options is determined by the Board when it resolves to offer the option and will be not less than 80% of the average closing sale price of the shares on the ASX Limited over the five trading days immediately preceding the date of issue of any offer document in relation to the offer, or the date of resolving to issue the options or the date of issue of options by the Board, as the case may be.

Amounts receivable on the exercise of options are recognised as share capital. Set out below are summaries of options granted under the scheme.

Grant date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Expired/ forfeited during the year	Balance at end of the year	Vested and exercisable at end of the year
		$	Number	Number	Number	Number	Number	Number
Consolidated – 2013								
16.06.08	30.06.13	2.50	70,000	-	-	(70,000)	-	-
28.04.11	30.04.14	2.50	70,000	-	-	-	70,000	70,000
28.04.11	30.04.16	4.00	70,000	-	-	-	70,000	70,000
22.03.12	31.12.14	2.70	40,000	-	-	-	40,000	40,000
22.03.12	31.12.16	4.30	40,000	-	-	-	40,000	40,000
			290,000	-	-	(70,000)	220,000	220,000
Weighted average exercise price			$3.25	-	-	$2.50	$3.375	$3.375
Consolidated – 2012								
16.06.08	30.06.13	2.50	70,000	-	-	-	70,000	70,000
28.04.11	30.04.14	2.50	70,000	-	-	-	70,000	70,000
28.04.11	30.04.16	4.00	70,000	-	-	-	70,000	70,000
22.03.12	31.12.14	2.70	-	40,000	-	-	40,000	40,000
22.03.12	31.12.16	4.30	-	40,000	-	-	40,000	40,000
			210,000	80,000	-	-	290,000	290,000
Weighted average exercise price			$3.00	$3.50	-	-	$3.25	$3.25

The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option. In estimating the expected volatility of the underlying shares, the consolidated entity has considered the extent to which past experience is expected to be reasonably predictive of future experience. Consequently, the expected share price volatility has been calculated using daily closing share price observations for the most recent twelve month period from grant date of the underlying shares.

During the period, the parent entity granted no options or shares to executives.

30. FINANCIAL RISK MANAGEMENT

Overview

This note presents information about the consolidated entity's exposure to credit, liquidity and market risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Group holds derivative financial instruments to hedge a portion of its gold sales as a condition under the loan facility with Credit Suisse AG.

Derivatives are recognised initially at fair value; any attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Separable embedded derivatives
Changes in the fair value of separable embedded derivatives are recognised immediately in profit or loss.

Other non-trading derivatives
When a derivative financial instrument is not designated in a hedge relationship that qualifies for hedge accounting, all changes in its fair value are recognised immediately in profit or loss.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the consolidated entity through regular reviews of the risks.

Credit risk

Credit risk is the risk of financial loss to the consolidated entity if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the consolidated entity receivables from customers and investment securities. For the company it arises from receivables due from subsidiaries.

Presently, the consolidated entity undertakes exploration, mining and gold production activities exclusively in the Philippines. At the balance sheet date there were no significant concentrations of credit risk.

Cash and cash equivalents
The consolidated entity limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have an acceptable credit rating. Any excess cash and cash equivalents are maintained in short term deposits with more than one major Australian commercial bank at interest rates maturing over 30 to 120 day rolling periods.

Trade and other receivables
The Group's trade and other receivables relate mainly to gold sales and VAT refunds. The Group has determined that its exposure to trade receivable credit risk is low, given that it sells gold bullion to a single reputable refiner with short contractual payment terms and VAT refunds are due from a Government tax body namely the Philippines Bureau of Internal Revenue.

The consolidated entity has established an allowance for impairment that represents their estimate of incurred losses in respect of other receivables (mainly relate to unsecured loans to controlled entities) and diminution of investments in wholly owned entities. Management does not expect any counterparty to fail to meet its obligations.

Exposure to credit risk
The carrying amount of the consolidated entity's financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	CONSOLIDATED Carrying amount	
	2013 $	2012 $
Trade and other receivables	1,270,564	3,379,697
Derivatives	7,629,663	-
Cash and cash equivalents	7,582,253	13,463,345
Term deposit (restricted)	5,499,388	-
Non-current receivables	12,830,080	8,917,025

The derivative is included in the Level 2 in the fair value hierarchy.

FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk

Liquidity risk is the risk that the consolidated entity will not be able to meet its financial obligations as they fall due. The consolidated entity approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the consolidated entity.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves from funds raised in the market and by continuously monitoring forecast and actual cash flows.

Refer to note 3 with respect to current liquidity issues.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

CONSOLIDATED
30 June 2013

	Carrying amount	Contractual cash flows	6 mths or less	6-12 mths	More than 1 year
Trade and other payables	8,398,949	(8,398,949)	(8,398,949)	-	-
Provisions	2,977,801	(3,534,830)	(63,195)	(1,408,440)	(2,063,195)
Secured bank loans	27,752,520	(27,752,520)	(27,752,520)	-	-
	39,129,270	(39,686,299)	(36,214,664)	(1,408,440)	(2,063,195)

CONSOLIDATED
30 June 2012

	Carrying amount	Contractual cash flows	6 mths or less	6-12 mths	More than 1 year
Trade and other payables	8,748,138	(8,748,138)	(8,748,138)	-	-
Provisions	2,760,764	(3,398,940)	(101,535)	(1,217,639)	(2,079,766)
	11,508,902	(12,147,078)	(8,849,673)	(1,217,639)	(2,079,766)

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the consolidated entity income or the value of its holdings of financial instruments. The changes in the market gold price will affect the derivative valuation at each reporting date. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The consolidated entity is exposed to currency risk on investments, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the subsidiaries within the consolidated entity being AUD and Philippine PESO. The currencies in which these transactions primarily are denominated are United States dollars (USD).

The consolidated entity has not entered into any derivative financial instruments to hedge such transactions. The Company's investments in its subsidiaries are not hedged as those currency positions are considered to be long term in nature.

FINANCIAL RISK MANAGEMENT (continued)

Exposure to currency risk
The consolidated entity's exposure to USD$ foreign currency risk at balance date was as follows, based on notional amounts:

	$AUD	$AUD
Cash	10,788,302	145,025
Trade payables	(99,197)	(177,917)
Secured bank loans	(27,752,520)	-
Gross balance sheet exposure	(17,063,415)	(32,892)

Sensitivity analysis
A 10 per cent strengthening of the Australian dollar against the following currencies at 30 June 2013 would have increased/ (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2012.

	CONSOLIDATED Profit or loss $AUD
30 June 2013	
USD	1,706,341
30 June 2012	
USD	3,289

A 10 per cent weakening of the Australian dollar against the above currencies at 30 June 2013 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Interest rate risk
The consolidated entity is exposed to interest rate risk, primarily on its cash and cash equivalents which is the risk that a financial instrument's value will fluctuate as a result of changes in the market interest rates on interest-bearing financial instruments. The consolidated entity does not use derivatives to mitigate these exposures.

The consolidated entity adopts a policy of ensuring that as far as possible it maintains excess cash and cash equivalents in short term deposit with more than one counterparty at interest rates maturing over 90 day rolling periods. At the reporting date the interest rate profile of the consolidated entity and the Company's interest-bearing financial instruments were:

	CONSOLIDATED Carrying amount	
	2013 $	2012 $
Variable rate instruments		
Cash and cash equivalents	7,582,253	13,463,345
Term deposit (restricted)	5,499,388	-
Interest bearing bonds	134,883	106,397
	13,216,524	13,569,742

Cash flow sensitivity analysis for variable rate instruments
A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2012.

FINANCIAL RISK MANAGEMENT (continued)

CONSOLIDATED	Profit or loss		Equity	
	100bp increase $	100bp decrease $	100bp increase $	100bp decrease $
30 June 2013				
Variable rate instruments	132,165	(132,165)	132,165	(132,165)
30 June 2012				
Variable rate instruments	135,697	(135,697)	135,697	(135,697)

Net Fair values

The carrying value of financial assets and liabilities equates their fair value.

Capital management

The consolidated entity's objective when managing capital is to safeguard its ability to continue as a going concern, so as to maintain a strong capital base sufficient to maintain future exploration and development of its projects. In order to maintain or adjust the capital structure, the consolidated entity may return capital to shareholders, issue new shares or sell assets to reduce debt.

Refer to note 3 with respect to capital management plan. Risk management is facilitated by regular monitoring and reporting by the board and key management personnel.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements

31. PARENT ENTITY DISCLOSURES

(a) Financial Position	2013 $	2012 $
Assets		
Current assets	1,512,379	10,762,526
Non-current assets	150,664,806	140,932,034
Total assets	152,177,185	151,694,560
Liabilities		
Current liabilities	1,787,889	1,971,109
Non-current liabilities	-	-
Total liabilities	1,787,889	1,971,109
Contributed equity	177,124,726	177,124,726
Other equity	930,285	930,285
Reserves	152,858	181,278
Accumulated losses	(27,818,573)	(28,512,838)
Total equity	150,389,296	149,723,451

(b) Financial Performance

Profit for the year	665,845	1,396,502
Other comprehensive income	-	-
Total comprehensive income	665,845	1,396,502

DECLARATION BY DIRECTORS

The Board of Directors of Red 5 Limited declares that:

(a) the financial statements, accompanying notes and the remuneration disclosures that are contained in the Remuneration Report in the Directors' Report are in accordance with the Corporations Act 2001, including:

- giving a true and fair view of the financial position as at 30 June 2013 and performance of the consolidated entity for the financial year ended on that date; and
- complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2.1;

(c) the remuneration disclosures that are contained in the Remuneration Report in the Directors' Report comply with Australian Accounting Standard AASB 124 Related Party Disclosures, the Corporations Act 2001 and the Corporations Regulations 2001; and

(d) there are reasonable grounds to believe that the parent entity will be able to pay its debts as and when they fall due.

The Board of Directors has received the declaration by the Managing Director and Chief Financial Officer required by Section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors.

Colin G Jackson
Chairman

Perth, Western Australia
26 September 2013

Independent auditor's report to the members of Red 5 Limited

Report on the financial report

We have audited the accompanying financial report of Red 5 Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2013, and consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 31 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 2.1, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2.1.

Emphasis of matter regarding going concern

Without modification to the conclusion expressed above, we draw attention to the following matter. As a result of facts set out in note 3, there is a material uncertainty which may cast significant doubt regarding the ability of the Company to continue as a going concern and therefore whether it will be able to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Red 5 Limited for the year ended 30 June 2013, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Brent Steedman
Partner

Perth

26 September 2013