
RED 5 LIMITED

ABN 73 068 647 610

AND CONTROLLED ENTITIES

HALF YEAR FINANCIAL REPORT

31 DECEMBER 2011

RED 5 LIMITED

ABN 73 068 647 610

CORPORATE DIRECTORY

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BOARD OF DIRECTORS

Colin G Jackson (Chairman)
Gregory C Edwards (Managing Director)
Gary F Scanlan
Kevin A Dundo
Mark F Milazzo

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COMPANY SECRETARY

Frank J Campagna

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REGISTERED OFFICE

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SHARE REGISTRY

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BANKERS

Bank of New Zealand, Australia

AUDITORS

KPMG

SOLICITORS

Freehills (Australia)
SyCip Salazar Hernandez & Gatmaitan (Philippines)

STOCK EXCHANGE LISTING

Shares in Red 5 Limited are quoted on the Australian Securities Exchange. ASX code: RED

**RED 5 LIMITED
AND CONTROLLED ENTITIES**

DIRECTORS' REPORT

The directors of Red 5 Limited ("Red 5" or "parent entity") present their report on the results and state of affairs of the Group (consisting of Red 5 and its controlled entities) for the half year ended 31 December 2011.

DIRECTORS

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

Colin George Jackson
Gregory Charles Edwards
Gary Francis Scanlan
Kevin Anthony Dundo
Mark Francis Milazzo

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

RESULTS OF OPERATIONS

The net loss of the Group after provision for income tax was \$695,171 (2010: \$1,916,575).

REVIEW OF OPERATIONS

During the period the company focussed on the development of the Siana gold mine and processing facility. The Siana project comprises an open pit mine which in three to four years' time will become an underground mining operation.

In November 2011 the company commenced commissioning the newly constructed processing plant and after some delays related to the power plant and the difficulty encountered with handling the sticky low grade ore, the company was able to pour its first doré bar comprising both gold and silver in February 2012. Commissioning is expected to continue until the end of March 2012 when the company anticipates commercial production will commence.

The company continued with its drilling programme designed to test and extend the known mineralised areas around the Siana pit with results confirming the continuity of mineralised zones below previously drilled areas.

No drilling activity occurred on the Mapawa project during the period while the company continues to review previous exploration results and plans a new drilling program.

AUDITOR'S INDEPENDENCE DECLARATION

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.

EVENTS SUBSEQUENT TO THE END OF THE HALF YEAR

On the 3rd of February 2012 the Siana mine produced its first gold bar, comprising both gold and silver and weighing a total of 228 ounces.

Signed in accordance with a resolution of the directors.



G C Edwards
Managing Director

Perth, Western Australia
14 March 2012



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 review for the half-year ended 31 December 2011 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG.

KPMG

A handwritten signature in blue ink, appearing to read 'R Gambitta', with a horizontal line extending to the right.

R Gambitta
Partner

Perth
14 March 2012

**RED 5 LIMITED
AND CONTROLLED ENTITIES**

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2011**

	NOTE	CONSOLIDATED	
		31.12.11	31.12.10
		\$	\$
Royalty income		554,222	-
Sundry income		-	117,391
Amortisation and depreciation expenses		(20,799)	(6,113)
Employee and consultancy expenses		(732,862)	(599,683)
Exploration expenditure written-off		(8,567)	(1,562,511)
Occupancy expenses		(126,749)	(112,500)
Regulatory expenses		(142,540)	(193,541)
Foreign exchange gains/(losses)		(583,047)	(677,543)
Other expenses		<u>(523,370)</u>	<u>(256,701)</u>
Operating loss before financing income/(expenses)		(1,583,712)	(3,291,201)
Financing income	2	889,153	1,397,957
Financing expenses	2	<u>(612)</u>	<u>(23,331)</u>
Loss before income tax expense		(695,171)	(1,916,575)
Income tax expense		<u>-</u>	<u>-</u>
Net loss after income tax for the period		<u>(695,171)</u>	<u>(1,916,575)</u>
Movement in foreign currency translation reserve		<u>2,571,183</u>	<u>(5,269,932)</u>
Total comprehensive income for the period		<u>1,876,012</u>	<u>(7,186,507)</u>
Net profit/(loss) after income tax			
To non-controlling interest		9,544	(9,780)
To members of parent entity		<u>(704,715)</u>	<u>(1,906,795)</u>
		<u>(695,171)</u>	<u>(1,916,575)</u>
Total comprehensive income			
To non-controlling interest		71,252	(136,258)
To members of parent company		<u>1,804,760</u>	<u>(7,050,249)</u>
		<u>1,876,012</u>	<u>(7,186,507)</u>
Basic and diluted loss per share (cents per share)	8	Cents (0.55)	Cents (1.82)

The accompanying notes form part of these interim financial statements.

**RED 5 LIMITED
AND CONTROLLED ENTITIES**

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011**

	NOTE	CONSOLIDATED 31.12.11 \$	30.06.11 \$
CURRENT ASSETS			
Cash and cash equivalents		20,788,275	52,504,956
Trade and other receivables		2,415,503	3,263,346
Inventories		<u>145,746</u>	<u>-</u>
TOTAL CURRENT ASSETS		<u>23,349,524</u>	<u>55,768,302</u>
NON-CURRENT ASSETS			
Trade and other receivables		6,188,008	3,481,359
Property, plant and equipment	3	61,843,045	36,386,015
Mine development expenditure	4	51,232,807	40,497,382
Exploration and evaluation expenditure	5	<u>-</u>	<u>-</u>
TOTAL NON-CURRENT ASSETS		<u>119,263,860</u>	<u>80,364,756</u>
TOTAL ASSETS		<u>142,613,384</u>	<u>136,133,058</u>
CURRENT LIABILITIES			
Trade and other payables		9,573,496	5,056,848
Employee benefits		139,971	136,287
Provisions		<u>1,116,104</u>	<u>1,116,104</u>
TOTAL CURRENT LIABILITIES		<u>10,829,571</u>	<u>6,309,239</u>
NON-CURRENT LIABILITIES			
Provision for rehabilitation		318,344	307,940
Employee benefits		<u>110,090</u>	<u>104,614</u>
TOTAL NON-CURRENT LIABILITIES		<u>428,434</u>	<u>412,554</u>
TOTAL LIABILITIES		<u>11,258,005</u>	<u>6,721,793</u>
NET ASSETS		<u>131,355,379</u>	<u>129,411,265</u>
EQUITY			
Contributed equity	6	163,109,115	163,041,013
Other equity		930,285	930,285
Reserves	7	(7,749,122)	(10,258,597)
Accumulated losses		<u>(24,713,870)</u>	<u>(24,009,155)</u>
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		<u>131,576,408</u>	<u>129,703,546</u>
Non-controlling interest		<u>(221,029)</u>	<u>(292,281)</u>
TOTAL EQUITY		<u>131,355,379</u>	<u>129,411,265</u>

The accompanying notes form part of these interim financial statements.

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**STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2011**

CONSOLIDATED	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT ENTITY					
	Issued Capital	Other Equity	Accumulated Losses	Other Reserves ⁽ⁱ⁾	Non- Controlling Interest	Total Equity
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2011	163,041,013	930,285	(24,009,155)	(10,258,597)	(292,281)	129,411,265
Net Loss	-	-	(704,715)	-	9,544	(695,171)
Other comprehensive income	-	-	-	2,509,475	61,708	2,571,183
Total comprehensive income for the period	-	-	(704,715)	2,509,475	71,252	1,876,012
Shares issued during the period	-	-	-	-	-	-
Transaction costs	2,486	-	-	-	-	2,486
Issue of employee performance shares	65,616	-	-	-	-	65,616
Balance at 31 December 2011	163,109,115	930,285	(24,713,870)	(7,749,122)	221,029	131,355,379
Balance at 1 July 2010	113,322,069	930,285	(16,445,378)	(1,971,306)	(40,497)	95,795,173
Net Loss	-	-	(1,906,795)	-	(9,780)	(1,916,575)
Other comprehensive income	-	-	-	(5,143,454)	(126,478)	(5,269,932)
Total comprehensive income for the period	-	-	(1,906,795)	(5,143,454)	(136,258)	(7,186,507)
Shares issued during the period	51,000,000	-	-	-	-	51,000,000
Transaction costs	(3,085,000)	-	-	-	-	(3,085,000)
Issue of employee performance shares	58,802	-	-	-	-	58,802
Balance at 31 December 2010	161,295,871	930,285	(18,352,173)	(7,114,760)	(176,755)	136,582,468

(i) Other reserves represent foreign currency translation reserve and the share based payment reserve.

The accompanying notes form part of these financial statements.

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**STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2011**

	CONSOLIDATED	
	31.12.11	31.12.10
	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees	(2,060,781)	(1,175,478)
Payments for exploration and evaluation expenditure	(21,400)	(1,163,650)
Interest received	1,038,649	1,239,238
Interest paid	(612)	-
Tax payments	-	(123,810)
Royalty receipts	516,729	-
Sundry receipts	41,192	117,391
	<u> </u>	<u> </u>
Net cash from/(used in) operating activities	<u>(486,223)</u>	<u>(1,106,309)</u>
Cash flows from investing activities		
Payments for development	(6,603,541)	(6,748,221)
Payments for plant and equipment	(24,318,193)	(16,055,190)
	<u> </u>	<u> </u>
Net cash from/(used in) investing activities	<u>(30,921,734)</u>	<u>(22,803,411)</u>
Cash flows from financing activities		
Proceeds from issues of shares	-	51,000,000
Payments for share issue expenses	-	(3,085,000)
	<u> </u>	<u> </u>
Net cash from/(used in) financing activities	<u>-</u>	<u>47,915,000</u>
Net increase/(decrease) in cash held	<u>(31,407,957)</u>	<u>24,005,280</u>
Cash at the beginning of the financial period	52,504,956	57,681,899
Effect of exchange rate fluctuations on cash held	(308,723)	(725,702)
	<u> </u>	<u> </u>
Cash at the end of the financial period	<u>20,788,276</u>	<u>80,961,477</u>

The accompanying notes form part of these financial statements.

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**CONDENSED NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2011**

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Red 5 Limited (“parent entity”) is a company domiciled in Australia. The half year financial report for the six months ended 31 December 2011 comprises the parent entity and its controlled entities (together referred to as the “Group”).

The half year financial report does not include full note disclosure of the type that would be normally included in an annual financial report. The half year financial report should be read in conjunction with the annual financial report as at 30 June 2011. The half year financial report should also be read in conjunction with any public announcements made by Red 5 Limited and its controlled entities during the half year in accordance with continuous disclosure obligations arising under the Corporations Act 2001.

Statement of Compliance

The consolidated half year financial report is a general purpose financial report and has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001. The consolidated interim financial report also complies with IAS 34 Interim Financial Reporting.

Estimates

The preparation of the half year financial report requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing the half year financial report, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2011.

(a) 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 Comprehensive Income unless the asset has previously been revalued.

Sensitivities to gold price, production levels and operating costs were completed to provide possible variations that may occur in the amount or timing of the future cash flows.

Financial Position

As at 31 December 2011, the Group had \$23.3 million (30 June 2011: \$55.8 million) of current assets, \$20.8 million of which was ‘Cash and cash equivalents’. Current liabilities totalled \$10.8 million of which \$9.6 million related to ‘Trade and other payables’. This amount included retention payments under construction contracts. Commissioning of the Siana gold mine is scheduled to conclude at the end of March 2012 and a

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positive cash flow is forecast to be achieved in the June quarter of 2012. In the event that further delays occur in commissioning, the plant and/or extracting ore from the pit, the board is confident that any additional necessary working capital can be sourced from debt or equity. Accordingly, the directors believe that the preparation of this interim financial report on a going concern basis is appropriate.

	CONSOLIDATED	
	31.12.11	31.12.10
	\$	\$
2. REVENUE AND EXPENSES		
Financing income/(expenses)		
Finance revenue – interest received	889,153	1,397,957
Other financing gains (expenses)	-	(23,331)
Interest expense	(612)	-
	<u>888,541</u>	<u>1,374,626</u>
	CONSOLIDATED	
	31.12.11	30.06.11
	\$	\$
3. PROPERTY, PLANT & EQUIPMENT		
Plant and Equipment – at cost		
Opening balance	36,819,658	758,542
Additions	24,258,404	34,867,205
Transferred from mine development	-	1,880,908
Reclassified from assets held for sale	-	1,300,000
Impairment expense	-	(950,000)
Foreign currency translation adjustment	1,295,311	(1,036,997)
	<u>62,373,373</u>	<u>36,819,658</u>
Closing Balance		
Accumulated depreciation		
Opening balance	433,643	311,130
Depreciation for the period	86,569	151,088
Foreign currency translation adjustment	10,116	(28,575)
	<u>530,328</u>	<u>433,643</u>
Closing balance		
Net book value	<u>61,843,045</u>	<u>36,386,015</u>
	CONSOLIDATED	
	31.12.11	30.06.11
	\$	\$
4. MINE DEVELOPMENT		
Opening balance	40,497,382	39,386,037
Transferred to property, plant and equipment	-	(1,880,908)
Development expenditure incurred in current period	7,458,219	5,963,529
Mine site related exploration	1,882,612	2,389,279
Foreign currency translation adjustment	1,394,594	(5,360,555)
	<u>51,232,807</u>	<u>40,497,382</u>
Closing Balance		
	CONSOLIDATED	
	31.12.11	30.06.11
	\$	\$
5. EXPLORATION AND EVALUATION EXPENDITURE		
Opening balance	-	-
Exploration and evaluation expenditure incurred in current period	8,567	2,026,093
Exploration expenditure written off	(8,567)	(2,026,093)
	<u>-</u>	<u>-</u>
Closing Balance		

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Exploration and evaluation activities have not yet reached a stage which permits a reasonable assessment of the existence of economically recoverable reserves. The ultimate recoupment of deferred exploration and evaluation expenditure carried forward is dependent upon the successful development and exploitation, or alternatively sale, of the respective areas of interest at an amount greater than or equal to the carrying value.

	CONSOLIDATED	
	31.12.11	30.06.11
	\$	\$
6. CONTRIBUTED EQUITY		
(a) Share capital		
128,412,536 (30 June 2011: 1,283,674,237) ordinary fully paid shares ⁽ⁱ⁾	<u>163,109,115</u>	<u>163,041,013</u>
(b) Movements in ordinary share capital	31.12.11	31.12.11
	Shares	\$
Opening balance for six months	128,367,673 ⁽ⁱ⁾	163,041,013
Shares issued to management	44,863	65,616
Add share issue expense adjustment	<u>-</u>	<u>2,486</u>
Balance 31 December 2011	<u>128,412,536</u>	<u>163,109,115</u>
(c) Movements in ordinary share capital	31.12.10	31.12.10
	Shares	\$
Opening balance for six months	97,167,809 ⁽ⁱ⁾	113,322,069
Share placements at 17 cents per share (net of issue costs)	30,000,000	47,915,000
Bonus shares at 19 cents per share on 16 December 2010 (net of issue costs)	<u>30,948</u>	<u>58,802</u>
Balance 31 December 2010	<u>127,198,757</u>	<u>161,295,871</u>
(i) On the 7 th December 2011, Red 5 Limited completed a shareholder approved consolidation that resulted in every ten (10) existing shares being consolidated into one (1) new share. Where the consolidation resulted in a fraction of a share being held by a shareholder, that fraction has been rounded up to the nearest whole number.		
	CONSOLIDATED	
	31.12.11	30.06.11
	\$	\$
7. RESERVES		
Foreign currency translation reserve	(7,875,261)	(10,384,736)
Share based payment reserve	<u>126,139</u>	<u>126,139</u>
	<u>(7,749,122)</u>	<u>(10,258,597)</u>
	CONSOLIDATED	
	31.12.11	31.12.10
	\$	\$
8. EARNINGS PER SHARE		
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	<u>128,371,574</u>	<u>104,712,891⁽ⁱ⁾</u>
Diluted and basic loss per share is the same as there are no dilutive potential shares.		

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- (i) A retrospective adjustment has been made to the weighted average number of ordinary shares on issue as at the 31st December 2010 as a consequence of the share consolidation completed on the 7th December 2011 resulting in one (1) new share for every ten (10) existing shares held. The number of shares used in the EPS calculation in respect of this prior period was 104,712,891 (1,047,128,913 restated at the ratio of 10:1).

9. SEGMENT INFORMATION

The Group is managed primarily on the basis of its exploration and development assets in the Philippines. Operating segments are therefore determined on the same basis. Internal management reports to the Chief Operating Decision Maker (Managing Director) are prepared on the same basis as the consolidated financial report.

10. COMMITMENTS

As at 31 December 2011, \$5.4M AUD had been committed to suppliers and contractors in relation to the Siana project in the Philippines.

11. CONTINGENT LIABILITIES

The consolidated entity had no contingent liabilities as at the reporting date and as at the end of the half year period.

12. RELATED PARTIES

There have been no material changes to the nature of transactions and arrangements with related parties as set out in the annual financial report for the year ended 30 June 2011.

13. SUBSEQUENT EVENTS

On the 3rd of February 2012 the Siana mine produced its first doré bar, comprising both gold and silver and weighing a total of 228 ounces.

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DIRECTORS' DECLARATION

In the opinion of the directors of Red 5 Limited:

1. the financial statements and notes set out on page 4 to 11 are in accordance with the Corporations Act 2001, including:
 - (a) giving a true and fair view of the financial position of the Group as at 31 December 2011 and of its performance, as represented by the results of its operations and cash flows for the half year ended on that date; and
 - (b) complying with Australian Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the parent entity will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors.



G C Edwards
Director

Perth, Western Australia
14 March 2012



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

Report on the financial report

We have reviewed the accompanying half-year financial report of Red 5 Limited (the company), which comprises the consolidated statement of financial position as at 31 December 2011, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes 1 to 13 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 half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Red 5 Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Red 5 Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG.

KPMG

A handwritten signature in blue ink, appearing to read 'R Gambitta', with a horizontal line extending to the right.

R Gambitta
Partner

Perth
14 March 2012