RED 5 LIMITED

ABN 73 068 647 610

AND CONTROLLED ENTITIES

HALF YEAR FINANCIAL REPORT

31 DECEMBER 2013

RED 5 LIMITED
ABN 73 068 647 610

CORPORATE DIRECTORY

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

COMPANY SECRETARY
Frank Campagna

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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

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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 2013.

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 (retired 28 November 2013)
Johannes Norregaard
Kevin Anthony Dundo
Mark Francis Milazzo
Mark James Williams (appointed 16 January 2014)

Unless otherwise indicated, all directors held their position as a director throughout the entire financial period 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) normally relate to exploration, development, mining and gold production at the Philippine based Siana gold project however during the entire financial period, the Siana gold project has been under care-and-maintenance due to the suspension of operations resulting from a Cease and Desist Order (CDO) placed on the operation by the Philippines Mines and Geosciences Bureau (MGB).

RESULTS OF OPERATIONS

The net loss of the consolidated entity after income tax and finance charges was $9,349,968 (2012: $8,256,414).

REVIEW OF OPERATIONS

Limited by the restriction of the CDO, the Company continued to work closely with the MGB and has now developed a fully engineered solution which addresses the issues identified by the MGB which need to be implemented to enable them to lift the CDO.

Operations

In addition to the normal care-and-maintenance activities associated with the gold plant, the Company continued with ongoing in-pit and borehole pumping to ensure the open pit remained in a position where mining could quickly restart once the CDO was lifted.

Other work activities undertaken during the period included:

- Completion of the design for an interim tailings storage facility.
- Ongoing metallurgical test work to improve milling recoveries.
- Commitment to purchase critical capital items required for the restart of operations.
- Ongoing environmental and geotechnical monitoring of the mine site facilities.

Financing

During the period the Company successfully raised $62.4 million through a Share Placement and Share Purchase Plan. Part of the proceeds from the equity raise (US$18.4M), together with the proceeds from the close out of the gold hedge (US$3.17M) was used to repay the outstanding loan facility with Credit Suisse AG. As a result, the Company is now debt and hedge free.

Future Strategy

The Company's main focus for the remainder of the financial year will continue to be the recommencement of mining and milling operations at the Siana mine as soon as possible after the lifting of the CDO.

The Company 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 disposal.
- 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 of under this method.
- Establishment of a new larger and more permanent tailings dam facility.

The utilisation of a small lined tailings facility, followed by thickening and filtering, 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 before the long term tailings storage solution is implemented.

The key risks to the company include:

- Delays in having the CDO lifted.
- Delays in the construction of the interim tailings pond and thickener due to adverse weather conditions.

EVENTS SUBSEQUENT TO THE END OF THE HALF YEAR

In addition to the initial US$2,500,000 (A$2,729,893) advanced in October 2013, the Group received a further US$7,350,000 in January 2014 relating to the business interruption insurance claim of the tailings dam subsidence that occurred in April 2013. A final balance of US$150,000 was received in February 2014.

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.

Signed in accordance with a resolution of the directors.

Kevin Dundo
Chairman

Perth, Western Australia
10 March 2014

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 financial half-year ended 31 December 2013 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

Brent Steedman
Partner

Perth

10 March 2014

RED 5 LIMITED
AND CONTROLLED ENTITIES

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2013

	NOTE	CONSOLIDATED 31.12.13 $	31.12.12 $
Continuing operations			
Revenue		-	11,848,564
Cost of sales	3(a)	(4,345,350)	(11,857,304)
Gross loss		(4,345,350)	(8,740)
Other income	3(b)	2,801,283	64,804
Administration and other expenses	3(c)	(2,287,904)	(2,859,840)
Exploration expenses		(1,932)	(330)
Operating loss before financing income/(expenses)		**(3,833,903)**	**(2,804,106)**
Financing income	3(d)	232,339	99,249
Financing expenses	3(d)	(5,748,404)	(5,420,950)
Net financing expense		(5,516,065)	(5,321,701)
Loss before income tax expense		**(9,349,968)**	**(8,125,807)**
Income tax (expense)/benefit		-	(130,607)
Net loss after income tax for the period		**(9,349,968)**	**(8,256,414)**
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Movement in foreign currency translation reserve		652,073	1,189,983
Total comprehensive loss for the period		**(8,697,895)**	**(7,066,431)**
Net loss after income tax attributable to:			
To non-controlling interest		(227,916)	(139,025)
To members of parent entity		(9,122,052)	(8,117,389)
		(9,349,968)	**(8,256,414)**
Total comprehensive loss attributable to:			
To non-controlling interest		(212,266)	(110,465)
To members of parent company		(8,485,629)	(6,955,966)
		(8,697,895)	**(7,066,431)**
		Cents	**Cents**
Basic and diluted loss per share (cents per share)	12	(2.55)	(6.09)

The accompanying notes form part of these interim financial statements.

RED 5 LIMITED
AND CONTROLLED ENTITIES

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

	NOTE	CONSOLIDATED 31.12.13 $	30.06.13 $
CURRENT ASSETS			
Cash and cash equivalents	4	36,654,178	7,582,253
Restricted cash	9	-	5,499,388
Trade and other receivables	5	1,915,645	1,270,564
Derivatives		-	7,629,663
Inventory		4,948,588	5,590,406
TOTAL CURRENT ASSETS		43,518,411	27,572,274
NON-CURRENT ASSETS			
Receivables		6,874,154	12,830,080
Property, plant and equipment	6	61,548,412	58,563,021
Mine development expenditure	7	96,296,769	92,572,814
TOTAL NON-CURRENT ASSETS		164,719,335	163,965,915
TOTAL ASSETS		**208,237,746**	**191,538,189**
CURRENT LIABILITIES			
Trade and other payables		2,158,380	8,398,949
Employee benefits		81,865	126,390
Provisions		1,116,104	1,116,104
Borrowings	9	-	27,752,520
TOTAL CURRENT LIABILITIES		3,356,349	37,393,963
NON-CURRENT LIABILITIES			
Employee benefits		-	-
Provisions		1,864,840	1,735,307
TOTAL NON-CURRENT LIABILITIES		1,864,840	1,735,307
TOTAL LIABILITIES		**5,221,189**	**39,129,270**
NET ASSETS		**203,016,557**	**152,408,919**
EQUITY			
Contributed equity	10	236,428,926	177,124,726
Other equity		930,285	930,285
Reserves	11	9,665,245	9,027,489
Accumulated losses		(43,558,371)	(34,436,319)
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**203,466,085**	**152,646,181**
Non-controlling interest		(449,528)	(237,262)
TOTAL EQUITY		**203,016,557**	**152,408,919**

The accompanying notes form part of these interim financial statements.

RED 5 LIMITED
AND CONTROLLED ENTITIES

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 31 DECEMBER 2013

	Attributable to equity holders of the parent entity					
CONSOLIDATED	**Issued capital**	**Other equity**	**Accumulated losses**	**Other reserves(i)**	**Non-controlling interest**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Balance at 1 July 2013	177,124,726	930,285	(34,436,319)	9,027,489	(237,262)	152,408,919
Net Loss	-	-	(9,122,052)	-	(227,916)	(9,349,968)
Other comprehensive income for the period	-	-	-	636,423	15,650	652,073
Total comprehensive income for the period	-	-	(9,122,052)	636,423	(212,266)	(8,697,895)
Shares issued during the period	62,396,300	-	-	-	-	62,396,300
Transaction costs	(3,092,100)	-	-	-	-	(3,092,100)
Issue of employee performance rights	-	-	-	1,333	-	1,333
Balance at 31 December 2013	**236,428,926**	**930,285**	**(43,558,371)**	**9,665,245**	**(449,528)**	**203,016,557**
Balance at 1 July 2012	177,124,726	930,285	(25,752,817)	(2,343,638)	(415,748)	149,542,808
Net Loss	-	-	(8,117,389)	-	(139,025)	(8,256,414)
Other comprehensive income for the period	-	-	-	1,161,423	28,560	1,189,983
Total comprehensive income for the period	-	-	(8,117,389)	1,161,423	(110,465)	(7,066,431)
Shares issued during the period	-	-	-	-	-	-
Transaction costs	-	-	-	-	-	-
Issue of employee performance rights	-	-	-	-	-	-
Balance at 31 December 2012	**177,124,726**	**930,285**	**(33,870,206)**	**(1,182,215)**	**(526,213)**	**142,476,377**

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

The accompanying notes form part of these interim financial statements.

RED 5 LIMITED
AND CONTROLLED ENTITIES

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2013

	CONSOLIDATED	
	31.12.13	**31.12.12**
	$	**$**
Cash flows from operating activities		
Receipts from sale of gold	-	10,980,136
Payments to suppliers and employees	(11,005,220)	(14,459,543)
Interest received	103,656	117,770
Interest paid	(614,356)	(236,459)
Insurance claim receipts	2,729,893	-
Sundry receipts	71,390	144
Net cash used in operating activities	(8,714,637)	(3,597,952)
Cash flows from investing activities		
Payments for plant and equipment	(1,186,096)	(5,102,697)
Payments for development	(206,964)	(7,799,416)
Net cash used in investing activities	(1,393,060)	(12,902,113)
Cash flows from financing activities		
Proceeds from issue of share capital	59,304,200	-
Proceeds from issue of borrowings	-	30,858,340
Proceeds from issue of borrowings placed on retention	-	(4,766,951)
Repayment of borrowings	(22,509,581)	(7,824,082)
Proceeds from settlement of gold collar derivative	3,443,278	-
Finance facility expenses	(1,108,157)	(703,630)
Net cash from financing activities	39,129,740	17,563,677
Net increase in cash held	29,022,043	1,063,612
Cash at the beginning of the financial period	7,582,253	13,463,345
Effect of exchange rate fluctuations on cash held	49,882	60,692
Cash at the end of the financial period	36,654,178	14,587,649

The accompanying notes form part of these interim financial statements.

CONDENSED NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2013

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity
Red 5 Limited ("parent entity") is a for profit company domiciled in Australia. The condensed consolidated half year financial report of the Company as at and for the six months ended 31 December 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.

The consolidated annual financial statements of the Group as at and for the year ended 30 June 2013 are available upon request from the Company's registered office at Level 2, 35 Ventnor Avenue, West Perth, Western Australia.

Statement of Compliance
The condensed 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, and with IAS 34 Interim Financial Reporting.

Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last consolidated annual financial report as at and for the year ended 30 June 2013. The condensed consolidated half year financial report does not include full note disclosure of the type that would normally be included in the consolidated annual financial report, and should be read in conjunction with the consolidated annual financial report as at and for the year ended 30 June 2013. The condensed consolidated 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.

Use of estimates and judgements
The preparation of the consolidated half year financial report in conformity with IFRSs 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 consolidated 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 annual financial report as at and for the year ended 30 June 2013.

Significant accounting policies
Except as those described below, the accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 30 June 2013.

2. RECOVERABILITY OF MINE ASSETS

As noted in the 30 June 2013 annual financial report, in April 2013 milling operations were suspended at the Siana gold mine following early detection of subsidence on a portion of the external wall of Tailings Dam 4. As a result, the Philippines Mines and Geosciences Bureau (MGB) issued a Cease and Desist Order (the Order) to the Group on 6 June 2013 requiring complete cessation of gold ore mineral processing activity. The mine is in a state of care-and-maintenance until the Order is withdrawn.

In January 2014, to address certain matters seen by the MGB to be outstanding in relation to the withdrawal of the Order, the Group submitted to the MGB an independently prepared and certified design report. The report endorses 1) the long term suitability of Tailings Dam 4 to accept tailings thickened with cement and 2) the construction of a new HDPE (High Density Polyethylene) lined tailings dam downstream from Tailings Dam 4. Upon filling, the HDPE dam subsequently becomes one of three cells including Tailings Dam 3 and Tailings Dam 4 designed to handle tailings thickened with cement. The Directors are in ongoing discussions with the MGB and Environmental Management Bureau to have the Order withdrawn.

The Directors believe the Order will be lifted, and that there is no impairment of mine assets (property, plant and equipment and mine development) for the following reasons:

- The requirements of the MGB as set out in the Order have been fulfilled by the Company and the Board has a reasonable belief that the MGB will withdraw the Order in due course;
- The gold reserves and resources have not changed;
- Once the new tailings solution is implemented, the existing mine development plan continues to be valid;
- The forecasted mine cash flows support the carrying value of the mine assets.

The Directors are aware that the recoverability of the mine assets is dependent upon one or more of the following uncertain events:

- The withdrawal of the Order;
- The construction of a new HDPE lined interim tailings storage facility;
- The construction of a new thickener filtration plant;
- The successful ramp up of production and sales of gold to achieve forecast cash flows;
- Successful land acquisition and approvals so that the long term tailings storage facility can be built.

Should the Group not be successful in its efforts to have the Order withdrawn, the Company will be unable to operate the mine, and there exists a material uncertainty as to the Group's ability to recover the carrying value of mine development expenditure and property, plant and equipment assets recorded on the balance sheet, as set out in note 6 and 7.

	CONSOLIDATED	
	31.12.13	**31.12.12**
	$	**$**
3. REVENUE AND EXPENSES		
(a) Cost of sales (i)		
Direct operating costs	(4,083,894)	(8,528,608)
Amortisation and depreciation	(258,810)	(2,951,702)
Other cost of sales	(2,646)	(376,994)
	(4,345,350)	(11,857,304)

(i) Cost of sales incurred for the period ended 31 December 2013 relate wholly to site care-and-maintenance.

(b) Other income		
Royalty income	-	64,660
Insurance claim receipts	2,729,893	-
Sundry revenue	71,390	144
	2,801,283	64,804
(c) Administration and other expenses		
Superannuation contributions	(61,205)	(42,315)
Other employee and consultancy expenses	(1,061,344)	(1,495,776)
Occupancy costs	(148,091)	(181,550)
Regulatory expenses	(178,739)	(147,624)
Foreign exchange gains/(losses)	112,931	(54,446)
Depreciation	(51,977)	(55,302)
Legal fees	(360,263)	(170,574)
Licenses and taxes expenses	(2,048)	(179,031)
Other administration overheads	(537,168)	(533,222)
	(2,287,904)	(2,859,840)
(d) Financing income/(expenses)		
Interest received	232,339	99,249
	232,339	99,249
Interest expense	(614,356)	(236,459)
Finance facility fees	(1,108,157)	(703,630)
Fair value of gold collar derivative	(4,025,891)	(4,480,861)
	(5,748,404)	(5,420,950)
	(5,516,065)	(5,321,701)

	CONSOLIDATED	
	31.12.13	**30.06.13**
	$	**$**
4. CASH AND CASH EQUIVALENTS		
Cash at bank	6,654,157	7,582,122
Cash on deposit	30,000,000	-
Cash on hand	21	131
	36,654,178	7,582,253
5. TRADE AND OTHER RECEIVABLES		
Interest receivable	131,676	2,993
Prepayments	903,097	821,157
Sundry debtors	610,635	397,287
GST receivable	270,237	49,127
	1,915,645	1,270,564
Fair value of gold collar derivative	-	7,629,663
	1,915,645	8,900,227

	CONSOLIDATED	
	31.12.13	**30.06.13**
	$	**$**
6. PROPERTY, PLANT & EQUIPMENT		
Plant and equipment – at cost		
Opening balance	61,154,946	51,668,715
Additions	1,237,779	6,784,632
Tailings dam write-off	-	(2,394,717)
Re-classification as property, plant and equipment [(i)]	2,054,596	-
Foreign currency translation adjustment	8,528	5,096,316
Closing Balance	64,455,849	61,154,946
Accumulated depreciation		
Opening balance	2,591,925	741,822
Depreciation for the period	311,214	1,669,704
Foreign currency translation adjustment	4,298	180,399
Closing balance	2,907,437	2,591,925
Net book value	61,548,412	58,563,021
7. MINE DEVELOPMENT		
(a) Pre-production		
Opening balance	81,028,036	75,532,939
Development expenditure incurred in current period	205,031	1,706,244
Tailings dam write-off	-	(2,583,538)
Re-classification as pre-production development [(i)]	3,932,136	-
Foreign currency translation adjustment	(411,274)	6,372,391
Closing Balance	84,753,929	81,028,036
Accumulated amortisation		
Opening balance	1,878,035	137,639
Amortisation for the period	-	1,606,401
Foreign currency translation adjustment	(315)	133,995
Closing balance	1,877,720	1,878,035
Pre-production net book value	82,876,209	79,150,001
(b) Deferred mining waste costs		
Opening balance	18,500,664	2,454,597
Deferred waste mining expenditure incurred in current period	-	16,898,324
Tailings dam write-off	-	(2,189,641)
Foreign currency translation adjustment	(3,108)	1,337,384
Closing balance	18,497,556	18,500,664
Accumulated amortisation		
Opening balance	5,077,851	392,260
Amortisation for the period	-	4,322,976
Foreign currency translation adjustment	(855)	362,615
Closing balance	5,076,996	5,077,851
Deferred mining waste costs net book value	13,420,560	13,422,813
Total mine development net book value	96,296,769	92,572,814
8. EXPLORATION AND EVALUATION EXPENDITURE		
Opening balance	-	-
Exploration and evaluation expenditure incurred in current period	1,932	2,352
Exploration expenditure written off	(1,932)	(2,352)
Closing Balance	-	-

(i) The VAT attributable to the costs associated with Property, Plant and Equipment and Mine Development has been re-classified from non-current receivable as recoverability is uncertain.

	CONSOLIDATED	
	31.12.13	**30.06.13**
	$	**$**
9. BORROWINGS		
Current		
Credit Suisse secured loan facility	-	27,752,520
	-	27,752,520

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.

On 23 October 2013, the Group settled the remaining principal and accumulated interest components of the facility being $19,066,303 (US$18,370,383) with the funds raised from the Share Placement.

10. CONTRIBUTED EQUITY		
Share capital		
759,451,008 (30 June 2013: 135,488,008) ordinary fully paid shares [(i)]	236,428,926	177,124,726

(i) 623,963,000 ordinary fully paid shares at an issue price of 10 cents per share were issued during the period ended 31 December 2013. Share costs associated with the share issue totalled $3,092,100.

11. RESERVES		
Foreign currency translation reserve	9,511,054	8,874,631
Share based payment reserve	154,191	152,858
	9,665,245	9,027,489

	CONSOLIDATED	
	31.12.13	**31.12.12**
	$	**$**
12. EARNINGS PER SHARE		
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	366,959,780	135,488,008

Diluted and basic loss per share is the same as there are no dilutive potential shares.

13. SEGMENT INFORMATION

The Group is managed primarily on the basis of its production, development and exploration assets in the Philippines. Operating segments are therefore determined on the same basis. 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 consolidated annual financial statements of the Group.

14. CONTINGENT LIABILITIES

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

15. RELATED PARTIES

There have been no material changes to the nature of transactions and arrangements with related parties as set out in the consolidated annual financial report for the year ended 30 June 2013.

16. SUBSEQUENT EVENTS

In addition to the initial US$2,500,000 (A$2,729,893) advanced in October 2013, the Group received a further US$7,350,000 in January 2014 relating to the business interruption insurance claim on the tailings dam subsidence. A final balance of US$150,000 was received in February 2014.

DIRECTORS' DECLARATION

In the opinion of the directors of Red 5 Limited:

1. the condensed consolidated financial statements and notes set out on page 6 to 14 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 2013 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; and

2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors.

Kevin Dundo
Chairman

Perth, Western Australia
10 March 2014

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 condensed consolidated statement of financial position as at 31 December 2013, condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes 1 to 16 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 period.

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 2013 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 2013 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*.

Emphasis of matter regarding recoverability of mine assets

Without modification to the conclusion expressed above, we draw attention to the following matter. As a result of facts set out in note 2, there is a material uncertainty which may cast significant doubt regarding the ability of the Company to recommence production at the Siana mine and therefore whether it will be able to recover the value of the mine assets (the property, plant and equipment and mine development assets) in the normal course of business and at the carrying amounts stated in the half-year financial report.

KPMG

KPMG

Brent Steedman
Partner

Perth

10 March 2014