RED 5 LIMITED

ABN 73 068 647 610

AND CONTROLLED ENTITIES

HALF YEAR FINANCIAL REPORT

31 DECEMBER 2012

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

REGISTERED OFFICE
Level 2
35 Ventnor Avenue
West Perth Western Australia 6005

Telephone: (61 8) 9322 4455
Facsimile: (61 8) 9481 5950
E-mail: info@red5limited.com
Web-site: www.red5limited.com

SHARE REGISTRY
Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross WA 6153

Telephone: (61 8) 9315 2333
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)
SyCip Salazar Hernandez & Gatmaitan (Philippines)

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

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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 2012.

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 (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 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) during the financial period were development, mining and gold production at the Philippine based Siana gold project.

RESULTS OF OPERATIONS

The result from continuing operations was close to break-even with a gross loss of $8,740. The net loss of the consolidated entity after income tax and finance charges was $8,256,414 (2011: $695,171) of which, $4,480,861 is an unrealised, non-cash component attributed to the initial recognition and fair value adjustment on the gold collar derivative. At the date of entering into the gold collar transaction, the initial fair value estimate was a liability of $4,399,012.

REVIEW OF OPERATIONS

During the period the Company continued with the development and mining at the Siana Gold project. Gold production during the six month period was severely compromised primarily due to:

- the volume and nature of the silt and debris at the bottom of the pit;
- poor mine equipment availability and productivity; and
- parallel power and pit dewatering inadequacies.

The Company initiated and implemented a number of strategies to address the production issues encountered including:

- appointment of a new mining manager and mining team;
- rental of additional power generators to ensure that on site power generation is sufficient to run both the plant and dewatering pumps – commenced mid-December 2012; and
- the procurement of a diesel power dewatering pump to provide additional pumping capacity to reduce reliance on generated power.

Gold recovered during the 6 month period was 4,850 ounces of which 3,806 ounces was shipped and sold. Total production cost inclusive of depreciation and amortisation for the 6 month period was AUD$1,656 per ounce sold.

Minimal exploration activity occurred during the period while the company continued to focus on mining and gold production.

On the 28 December 2012 the company drew down a US$25.0 million loan facility provided by Credit Suisse AG and repaid the existing US$8.0 million facility with Sprott Resource Lending Partnership.

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 23 January 2013 the company appointed a new Managing Director, Mr Johannes Norregaard, effective 1 February 2013.

On the 15 January 2013 the company issued a termination notice to the mining contractor effective 16 March 2013. The company has entered into equipment rental agreements and will manage its own mining operations from the effective termination date.

Signed in accordance with a resolution of the directors.

Colin Jackson
Chairman

Perth, Western Australia
12 March 2013

KPMG

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 2012 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

B Steedman
Partner

Perth

12 March 2013

RED 5 LIMITED
AND CONTROLLED ENTITIES

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2012

	NOTE	CONSOLIDATED 31.12.12 $	31.12.11 $
Continuing operations			
Revenue		11,848,564	-
Cost of sales	2(a)	(11,857,304)	-
Gross loss		(8,740)	-
Other income	2(b)	64,804	554,222
Administration and other expenses	2(c)	(2,859,840)	(2,129,367)
Exploration expenses		(330)	(8,567)
Operating loss before financing income/(expenses)		**(2,804,106)**	**(1,583,712)**
Financing income	2(d)	99,249	889,153
Financing expenses	2(d)	(5,420,950)	(612)
Net financing income/(expense)		(5,321,701)	888,541
Loss before income tax expense		**(8,125,807)**	**(695,171)**
Income tax (expense)/benefit		(130,607)	-
Net loss after income tax for the period		**(8,256,414)**	**(695,171)**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Movement in foreign currency translation reserve		1,189,983	2,571,183
Total comprehensive income for the period		**(7,066,431)**	**1,876,012**
Net profit/(loss) after income tax attributable to:			
To non-controlling interest		(139,025)	9,544
To members of parent entity		(8,117,389)	(704,715)
		(8,256,414)	**(695,171)**
Total comprehensive income attributable to:			
To non-controlling interest		(110,465)	71,252
To members of parent company		(6,955,966)	1,804,760
		(7,066,431)	**1,876,012**
		Cents	**Cents**
Basic and diluted loss per share (cents per share)	10	(6.09)	(0.55)

The accompanying notes form part of these interim financial statements.

RED 5 LIMITED
AND CONTROLLED ENTITIES

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

	NOTE	CONSOLIDATED 31.12.12 $	30.06.12 $
CURRENT ASSETS			
Cash and cash equivalents		14,587,649	13,463,345
Term deposit (restricted)	7	4,821,183	-
Trade and other receivables		4,264,194	3,379,697
Inventory		8,427,522	6,907,113
TOTAL CURRENT ASSETS		32,100,548	23,750,155
NON-CURRENT ASSETS			
Receivables	3	10,833,115	8,917,025
Property, plant and equipment	4	52,577,351	50,926,893
Mine development expenditure	5	83,345,164	77,457,637
TOTAL NON-CURRENT ASSETS		146,755,630	137,301,555
TOTAL ASSETS		**178,856,178**	**161,051,710**
CURRENT LIABILITIES			
Trade and other payables		5,954,240	8,748,138
Employee benefits		106,682	203,070
Provisions		1,116,104	1,116,104
Derivatives	2(d)	4,480,861	-
Borrowings	7	3,897,442	-
TOTAL CURRENT LIABILITIES		15,555,329	10,067,312
NON-CURRENT LIABILITIES			
Employee benefits		-	115,506
Provisions		1,337,266	1,326,084
Borrowings	7	19,487,206	-
TOTAL NON-CURRENT LIABILITIES		20,824,472	1,441,590
TOTAL LIABILITIES		**36,379,801**	**11,508,902**
NET ASSETS		**142,476,377**	**149,542,808**
EQUITY			
Contributed equity	8	177,124,726	177,124,726
Other equity		930,285	930,285
Reserves	9	(1,182,215)	(2,343,638)
Accumulated losses		(33,870,206)	(25,752,817)
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**143,002,590**	**149,958,556**
Non-controlling interest		(526,213)	(415,748)
TOTAL EQUITY		**142,476,377**	**149,542,808**

The accompanying notes form part of these interim financial statements.

RED 5 LIMITED
AND CONTROLLED ENTITIES

STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2012

	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 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)
Transactions with owners of the Company, recognised directly in equity						
Shares issued during the period	-	-	-	-	-	-
Transaction costs	-	-	-	-	-	-
Issue of employee performance shares	-	-	-	-	-	-
Balance at 31 December 2012	**177,124,726**	**930,285**	**(33,870,206)**	**(1,182,215)**	**(526,213)**	**142,476,377**
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 for the period	-	-	-	2,509,475	61,708	2,571,183
Total comprehensive income for the period	-	-	(704,715)	2,509,475	71,252	1,876,012
Transactions with owners of the Company, recognised directly in equity						
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**

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

The accompanying notes form part of these interim financial statements.

STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2012

	CONSOLIDATED	
	31.12.12	**31.12.11**
	$	**$**
Cash flows from operating activities		
Receipts from sale of gold	10,980,136	-
Payments to suppliers and employees	(14,459,543)	(2,082,181)
Interest received	117,770	1,038,649
Interest paid	(236,459)	(612)
Royalty receipts	-	516,729
Sundry receipts	144	41,192
Net cash from/(used in) operating activities	(3,597,952)	(486,223)
Cash flows from investing activities		
Payments for plant and equipment	(5,102,697)	(24,318,193)
Payments for development	(7,799,416)	(6,603,541)
Net cash from/(used in) investing activities	(12,902,113)	(30,921,734)
Cash flows from financing activities		
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/(used in) financing activities	17,563,677	-
Net increase/(decrease) in cash held	1,063,612	(31,407,957)
Cash at the beginning of the financial period	13,463,345	52,504,956
Effect of exchange rate fluctuations on cash held	60,692	(308,723)
Cash at the end of the financial period	14,587,649	20,788,276

The accompanying notes form part of these interim financial statements.

CONDENSED NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2012

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity
Red 5 Limited ("parent entity") is a company domiciled in Australia. The half year financial report of the Company for the six months ended 31 December 2012 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 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 2012. 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.

New accounting policy
Derivative financial instruments
The Group holds derivative financial instruments to hedge commodity price risk exposures.

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, with changes therein immediately recognised in profit or loss, except when a derivative financial instrument is designated in a hedge relationship which qualifies for hedge accounting.

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 2012.

(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.

(b) *Rehabilitation and mine closure provisions*
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 Comprehensive Income.

(c) *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 4), amortisation of capitalised development expenditure (refer to note 5), 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 income statement 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.

2. REVENUE AND EXPENSES

	CONSOLIDATED	
	31.12.12	**31.12.11**
	$	**$**
(a) Cost of sales		
Direct operating costs	(8,528,608)	-
Amortisation and depreciation	(2,951,702)	-
Other cost of sales	(376,994)	-
	(11,857,304)	-

	CONSOLIDATED	
	31.12.12	**31.12.11**
	$	**$**
(b) Other income		
Royalty income	64,660	554,222
Sundry revenue	144	-
	64,804	554,222

	CONSOLIDATED	
	31.12.12	**31.12.11**
	$	**$**
(c) Administration and other expenses		
Superannuation contributions	(42,315)	(30,393)
Other employee and consultancy expenses	(1,495,776)	(702,469)
Occupancy costs	(181,550)	(126,749)
Regulatory expenses	(147,624)	(142,540)
Foreign exchange losses	(54,446)	(583,047)
Depreciation	(55,302)	(20,799)
Legal fees	(170,574)	(60,260)
Licenses and taxes expenses	(179,031)	(44,342)
Other administration overheads	(533,222)	(418,768)
	(2,859,840)	(2,129,367)
(d) Financing income/(expenses)		
Interest received	99,249	889,153
Interest expense	(236,459)	(612)
Finance facility fees	(703,630)	-
Fair value of gold collar derivative [(i)]	(4,480,861)	-
	(5,321,701)	888,541

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

	CONSOLIDATED	
	31.12.12	**30.06.12**
3. RECEIVABLES	**$**	**$**
Prepayments	11,250	11,250
Security deposit	106,397	106,397
VAT receivable	10,715,468	8,799,378
	10,833,115	8,917,025
4. PROPERTY, PLANT & EQUIPMENT	**$**	**$**
Plant and Equipment – at cost		
Opening balance	51,668,715	36,819,658
Additions	2,100,311	25,928,552
Transferred to mine development	-	(13,740,271)
Disposals	-	(350,000)
Foreign currency translation adjustment	458,208	3,010,776
Closing Balance	54,227,234	51,668,715
Accumulated depreciation		
Opening balance	741,822	433,643
Depreciation for the period	892,949	278,038
Foreign currency translation adjustment	15,112	30,141
Closing balance	1,649,883	741,822
Net book value	52,577,351	50,926,893

	CONSOLIDATED	
	31.12.12	**30.06.12**
5. 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 period	-	21,232,097
Pre-production gold sales	-	(3,900,406)
Foreign currency translation adjustment	596,371	3,963,595
Closing Balance	76,129,310	75,532,939

	CONSOLIDATED	
	31.12.12	**30.06.12**
	$	**$**
Accumulated amortisation		
Opening balance	137,639	-
Amortisation for the period	791,788	133,030
Foreign currency translation adjustment	10,168	4,609
Closing balance	939,595	137,639
Net book value	75,189,715	75,395,300
(b) Deferred Mining Waste		
Opening balance	2,454,597	-
Deferred waste mining expenditure incurred during the period	8,053,832	2,372,402
Foreign currency translation adjustment	112,323	82,195
Closing balance	10,620,752	2,454,597
Accumulated amortisation		
Opening balance	392,260	-
Amortisation for the period	2,046,452	379,125
Foreign currency translation adjustment	26,591	13,135
Closing balance	2,465,303	392,260
Net book value	8,155,449	2,062,337
Total net book value mine development	83,345,164	77,457,637

	CONSOLIDATED	
	31.12.12	**30.06.12**
6. EXPLORATION AND EVALUATION EXPENDITURE	**$**	**$**
Opening balance	-	-
Exploration and evaluation expenditure incurred in current period	330	10,557
Exploration expenditure written off	(330)	(10,557)
Closing Balance	-	-

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	
	31.12.12	**30.06.12**
	$	**$**
7. BORROWINGS		
Current		
Credit Suisse loan facility	3,897,442	-
	3,897,442	-
Non-current		
Credit Suisse loan facility	19,487,206	-
	19,487,206	-

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$5.0 million (AUD$4,821,183) in a separate Retention Account.

The 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 repayable over thirty months with the first scheduled repayment due on 2 August 2013. US$8.0 million of the proceeds was used to repay in full and without penalty the Sprott Resource Lending Partnership facility drawn down on 8 October 2012. The remainder of the proceeds will be directed towards accelerating waste removal, sourcing a new mining fleet, minor productivity and efficiency expenditures and general working capital.

	CONSOLIDATED	
	31.12.12	**30.06.12**
	$	**$**
8. CONTRIBUTED EQUITY		
Share capital		
135,488,008 (30 June 2012: 135,488,008) ordinary fully paid shares	177,124,726	177,124,726

	CONSOLIDATED	
	31.12.12	**30.06.12**
	$	**$**
9. RESERVES		
Foreign currency translation reserve	(1,363,493)	(2,524,916)
Share based payment reserve	181,278	181,278
	(1,182,215)	(2,343,638)

	CONSOLIDATED	
	31.12.12	**31.12.11**
	$	**$**
10. EARNINGS PER SHARE		
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	135,488,008	128,371,574

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

11. 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 annual financial statements of the Group.

12. COMMITMENTS

As at 31 December 2012, AUD$620K (30 June 2012: AUD$3.9M) had been committed to suppliers and contractors in relation to the Siana project in the Philippines.

13. CONTINGENT LIABILITIES

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

14. 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 2012.

15. SUBSEQUENT EVENTS

On the 23 January 2013 the company appointed a new Managing Director, Mr Johannes (Steve) Norregaard, effective 1 February 2013.

On the 15 January 2013 the company issued a termination notice to the mining contractor effective 16 March 2013. The company has entered into equipment rental agreements and will manage its own mining operations from the effective termination date.

DIRECTORS' DECLARATION

In the opinion of the directors of Red 5 Limited:

1. the financial statements and notes set out on page 5 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 2012 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.

Colin Jackson
Chairman

Perth, Western Australia
12 March 2013

KPMG

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 2012, 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 15 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 2012 and its performance for the half-year period 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*.

KPMG

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 2012 and of its performance for the half-year period ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

KPMG

B Steedman
Partner

Perth

12 March 2013