
RED 5 LIMITED

ABN 73 068 647 610

AND CONTROLLED ENTITIES

HALF YEAR FINANCIAL REPORT

31 DECEMBER 2004

CORPORATE DIRECTORY

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BOARD OF DIRECTORS

Nicholas J Smith (Chairman)
Gregory C Edwards (Managing Director)
Allen L Govey (Exploration Director)
Colin G Jackson (Non-Executive Director)
Peter W Rowe (Non-Executive Director)

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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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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

Bank of New Zealand, Australia

AUDITORS

KPMG

SOLICITORS

Pullinger Readhead Lucas (Australia)
Quisumbing Torres (Philippines)

STOCK EXCHANGE LISTING

Shares in Red 5 Limited are quoted on Australian
Stock Exchange Limited. 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 consolidated entity (consisting of Red 5 and its controlled entities) for the half year ended 31 December 2004.

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:

Nicholas James Smith
Gregory Charles Edwards
Allen Lance Govey
Colin George Jackson
Peter William Rowe (appointed on 22 October 2004)

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 consolidated entity after provision for income tax was \$405,113.

REVIEW OF OPERATIONS

During the half year ended 31 December 2004 the consolidated entity continued to focus on the early development of the Siana gold project located in the Philippines.

Exploration and evaluation activities on the Siana project continued during the period, including a comprehensive drilling programme. Technical studies undertaken included environmental assessment, resource estimation, metallurgical test work, hydrogeology and geotechnical evaluation. An engineering scoping study was completed and a pre-feasibility study commissioned in October 2004.

In October 2004 Red 5 entered into a subscription and relationship agreement with AngloGold Ashanti Australia Limited (AngloGold) under which AngloGold subscribed for 31,000,000 fully paid shares at a subscription price of 17.7 cents per share, raising \$5,487,000 for Red 5. These funds will be used for regional exploration at the Siana project (excluding the Siana mine development area) and other project areas in the Philippines held by the consolidated entity.

Provided that AngloGold retains a minimum 12% interest in Red 5, it has the right for a period of two years to farm in and earn up to a 75% interest in the consolidated entity's 80% interest in up to 3 potential projects in the Philippines (excluding the Siana open pit development area). This right is conditional on AngloGold fulfilling certain minimum expenditure obligations which involves expenditure of US\$1.5 million for no interest in the first year, a further US\$4 million to earn 65% of the Red 5 interest and a further US\$5 million for 75% of the Red 5 interest.

Also, under the terms of the agreement, for a period of two years and provided that AngloGold retains a minimum 12% interest, Red 5 must give AngloGold an opportunity to participate in any future share placements on the same terms as any third party participation, to the extent necessary for AngloGold to maintain its percentage interest in the share capital of Red 5.

Red 5 entered into a subscription agreement to earn a 50% interest in Asia Gold Limited by contributing a total of \$255,264 (US\$200,000) in share capital subscriptions. Asia Gold Limited has a mandate to acquire prospective exploration tenements in the Tien Shan gold belt in Central Asia.

The directors are continuing to evaluate other resources projects in which the consolidated entity may participate.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration as required by Section 307C of the Corporations Act 2001 is set out on page 11 and forms part of the directors' report for the half year ended 31 December 2004.

**RED 5 LIMITED
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EVENTS SUBSEQUENT TO THE END OF THE HALF YEAR

Significant events which have occurred subsequent to the end of the half year are contained in Note 9 to the financial report.

Signed in accordance with a resolution of the directors.

A L Govey
Director

Perth, Western Australia
14 March 2005

**RED 5 LIMITED
AND CONTROLLED ENTITIES**

**STATEMENT OF FINANCIAL PERFORMANCE
FOR THE HALF YEAR ENDED 31 DECEMBER 2004**

	NOTE	CONSOLIDATED	
		31.12.04 \$	31.12.03 \$
Revenue from ordinary activities		229,925	28,829
Proceeds from sale of controlled entity		-	1,700,000
Proceeds from sale of investments		71,768	-
Proceeds from sale of mineral tenements		<u>-</u>	<u>365,000</u>
 Total revenue		 301,693	 2,093,829
 Carrying value of investment in controlled entity sold		 -	 1,684,997
Carrying value of mineral tenements sold		-	292,399
Depreciation expenses		10,408	3,629
Employee and consultancy expenses		361,123	316,863
Exploration expenditure written-off		107,475	23,317
Occupancy expenses		37,400	23,491
Regulatory expenses		63,397	55,761
Travelling expenses		47,759	(642)
Other expenses from ordinary activities		<u>79,244</u>	<u>71,355</u>
 Loss from ordinary activities before income tax expense		 (405,113)	 (377,341)
 Income tax expense		 -	 -
 Net loss attributable to members of Red 5 Limited		 <u>(405,113)</u>	 <u>(377,341)</u>
		Cents	Cents
Basic earnings/(loss) per share	6	(0.17)	(0.25)
Diluted earnings/(loss) per share	6	(0.17)	(0.25)

The accompanying notes form part of these financial statements.

**RED 5 LIMITED
AND CONTROLLED ENTITIES**

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2004**

	NOTE	CONSOLIDATED 31.12.04 \$	30.06.04 \$
CURRENT ASSETS			
Cash assets		10,319,751	8,097,035
Receivables		61,284	58,410
Other financial assets		<u>1,205,000</u>	<u>1,205,000</u>
TOTAL CURRENT ASSETS		<u>11,586,035</u>	<u>9,360,445</u>
NON-CURRENT ASSETS			
Other financial assets		84,357	90,234
Property, plant and equipment		68,932	53,811
Deferred exploration expenditure		<u>6,533,458</u>	<u>3,892,450</u>
TOTAL NON-CURRENT ASSETS		<u>6,686,747</u>	<u>4,036,495</u>
TOTAL ASSETS		<u>18,272,782</u>	<u>13,396,940</u>
CURRENT LIABILITIES			
Payables		479,388	793,305
Provisions		<u>62,925</u>	<u>57,002</u>
TOTAL CURRENT LIABILITIES		<u>542,313</u>	<u>850,307</u>
NON-CURRENT LIABILITIES			
Borrowings		322,846	322,846
Provisions		<u>106,979</u>	<u>80,000</u>
TOTAL NON-CURRENT LIABILITIES		<u>429,825</u>	<u>402,846</u>
TOTAL LIABILITIES		<u>972,138</u>	<u>1,253,153</u>
NET ASSETS		<u>17,300,644</u>	<u>12,143,787</u>
EQUITY			
Contributed equity	2	28,921,632	23,434,632
Accumulated losses	3	<u>(11,695,958)</u>	<u>(11,290,845)</u>
Total parent entity interest		17,225,674	12,143,787
Outside equity interests		<u>74,970</u>	<u>-</u>
TOTAL EQUITY		<u>17,300,644</u>	<u>12,143,787</u>

The accompanying notes form part of these financial statements.

**RED 5 LIMITED
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**STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2004**

	CONSOLIDATED	
	31.12.04	31.12.03
	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees	(580,328)	(424,556)
Interest received	229,925	28,829
	<u>229,925</u>	<u>28,829</u>
Net cash outflow from operating activities	<u>(350,403)</u>	<u>(395,727)</u>
Cash flows from investing activities		
Payments for controlled entities, net of cash acquired	(66,566)	-
Payments for mineral exploration expenditure	(2,809,197)	(581,464)
Payments for plant and equipment	(25,529)	(4,531)
Payments for purchase of investments	(84,357)	(5,000)
Payments for purchase of mining tenements	-	(79,023)
Proceeds on disposal of controlled entity	-	500,000
Proceeds on sale of investments	71,768	-
Proceeds on sale of mining tenements	-	365,000
Proceeds on security deposits returned	-	17,000
	<u>-</u>	<u>17,000</u>
Net cash inflow/(outflow) from investing activities	<u>(2,913,881)</u>	<u>211,982</u>
Cash flows from financing activities		
Proceeds from issues of shares	5,487,000	4,543,629
Payments for share issue expenses	-	(185,157)
Proceeds from share applications in advance	-	10,000
	<u>-</u>	<u>10,000</u>
Net cash inflow from financing activities	<u>5,487,000</u>	<u>4,368,472</u>
Net increase in cash held	2,222,716	4,184,727
Cash at the beginning of the financial period	<u>8,097,035</u>	<u>367,834</u>
Cash at the end of the financial period	<u>10,319,751</u>	<u>4,552,561</u>

The accompanying notes form part of these financial statements.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2004**

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION OF THE HALF YEAR FINANCIAL REPORT

The half year consolidated financial report is a general purpose financial report which has been prepared in accordance with Accounting Standard AASB 1029 Interim Financial Reporting, the recognition and measurement requirements of applicable AASB standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. This half year financial report is to be read in conjunction with the 30 June 2004 annual financial report and 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.

The half year financial report has been prepared on the basis of historical costs and does not take into account changing money values or, except where stated, fair values of non-current assets.

Cost is based on the fair values of the consideration given in exchange for assets. Accounting policies have been consistently applied by each entity in the consolidated entity and are consistent with those applied in the 30 June 2004 annual financial report, except as specifically noted.

The half year financial report does not include full note disclosure of the type that would be normally included in an annual financial report.

	CONSOLIDATED	
	31.12.04	30.06.04
	\$	\$
2. CONTRIBUTED EQUITY		
(a) Share capital		
251,304,333 (30.06.04: 220,304,333) ordinary fully paid shares	28,921,632	23,434,632
	28,921,632	23,434,632
(b) Movements in ordinary share capital		
	Shares	\$
Opening balance 1 July 2004	220,304,333	23,434,632
Share placement	31,000,000	5,487,000
Balance 31 December 2004	251,304,333	28,921,632
(c) Movements in share options		
Opening balance 1 July 2004	59,526,020	
Lapse of options	(2,250,000)	
	57,276,020	
CONSOLIDATED		
	31.12.04	31.12.03
	\$	\$
3. ACCUMULATED LOSSES		
Accumulated losses at the beginning of the half year	11,290,845	11,130,035
Net loss attributable to members of the parent entity	405,113	377,341
Accumulated losses at the end of the half year	11,695,958	11,507,376

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	CONSOLIDATED	
	31.12.04	31.12.03
	\$	\$
4. TOTAL EQUITY RECONCILIATION		
Total equity at the beginning of the half year	12,143,787	2,954,044
Total changes in equity recognised in the statement of financial performance	(405,113)	(377,341)
Transactions with owners as owners:		
Contributions of equity, net of transaction costs	5,487,000	4,358,472
Outside equity interests in controlled entity	<u>74,970</u>	<u>-</u>
Total equity at the end of the half year	<u><u>17,300,644</u></u>	<u><u>6,935,175</u></u>

5. SEGMENT INFORMATION

Business segments

The operations of the consolidated entity are located within Australia, the Philippines and Central Asia (the primary reportable segment) and it is involved in mineral exploration and evaluation activities on mining tenements (the secondary reportable segment).

Geographical segments

	Australia	Philippines	Central Asia	Consolidated
	\$	\$	\$	\$
31 December 2004				
Segment revenue				
Revenue from ordinary activities	<u>301,693</u>	-	-	<u>301,693</u>
Total segment revenue	<u><u>301,693</u></u>	<u>-</u>	<u>-</u>	<u><u>301,693</u></u>
Segment result	(300,966)	1,292	(105,439)	(405,113)
Income tax expense	-	-	-	-
Net loss	<u><u>(300,966)</u></u>	<u>1,292</u>	<u>(105,439)</u>	<u><u>(405,113)</u></u>
31 December 2003				
Segment revenue				
Revenue from ordinary activities	<u>2,093,829</u>	-	-	<u>2,093,829</u>
Total segment revenue	<u><u>2,093,829</u></u>	<u>-</u>	<u>-</u>	<u><u>2,093,829</u></u>
Segment result	(368,230)	(9,111)	-	(377,341)
Income tax expense	-	-	-	-
Net loss	<u><u>(368,230)</u></u>	<u>(9,111)</u>	<u>-</u>	<u><u>(377,341)</u></u>

	CONSOLIDATED	
	31.12.04	31.12.03
	\$	\$
6. EARNINGS PER SHARE		
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	<u>232,097,811</u>	<u>151,936,772</u>

7. ACQUISITION OF CONTROLLED ENTITY

The parent entity entered into a subscription agreement to acquire a 50% shareholding in Asia Gold Limited, which is a private company incorporated in the United Kingdom, by contributing \$255,264 (US\$200,000) in share capital subscriptions. Asia Gold Limited became a partly owned controlled entity in October 2004 following the allotment of shares to the parent entity. As at balance date, the balance of contributions to be made under the subscription agreement amounted to \$105,612. Details of the acquisition are as follows:

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	31.12.04
	\$
Fair value of identifiable net assets of controlled entity acquired	
Cash assets	255
Deferred exploration expenditure	<u>224,367</u>
Net assets	224,622
Less outside equity interests	<u>(74,970)</u>
Consideration	<u><u>149,652</u></u>
Outflow of cash to acquire controlled entity, net of cash acquired	
Cash consideration current period	66,821
Less cash acquired	<u>255</u>
Outflow of cash	<u><u>66,566</u></u>

8. CONTINGENT LIABILITIES

There have been no changes in any contingent liabilities of the consolidated entity since the last annual reporting date.

9. SUBSEQUENT EVENTS

A total of 55,076,020 listed options in the parent entity, exercisable at 35 cents each, lapsed on 31 January 2005 without being exercised. A further 100,000 unlisted options, exercisable at 15 cents each, lapsed on 8 January 2005.

10. INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Australian Accounting Standards Board (AASB) is adopting International Financial Reporting Standards (IFRS) for application to reporting periods beginning on or after 1 January 2005. The AASB has issued Australian equivalents to IFRS (AIFRS) and the Urgent Issues Group will issue abstracts corresponding to IASB interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. The adoption of AIFRS will be first reflected in the consolidated entity's financial statements for the half-year ending 31 December 2005 and the year ending 30 June 2006.

Entities complying with AIFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of AIFRS to that comparative period. Most adjustments required on transition to AIFRS will be made, retrospectively, against opening retained earnings as at 1 July 2004.

The consolidated entity has commenced an internal analysis of key financial reporting differences as well as planning for the conversion to AIFRS in relation to accounting policies and procedures, reporting systems, business processes and business structures. External consultants may also be engaged to perform diagnostics and conduct impact assessments to identify key areas that will be impacted by the transition to AIFRS. In some circumstances, choices of accounting policies are available, including elective exemptions under AASB 1: *First Time Adoption of Australian International Financial Reporting Pronouncements*. Some of these choices are still being analysed to determine the most appropriate accounting policy for the consolidated entity.

Key potential implications of the conversion to AIFRS on the consolidated entity are as follows:

Exploration and evaluation expenditure on mineral resources

AASB 6 *Exploration for and Evaluation of Mineral Resources* was released in December 2004. The standard permits an entity to continue to follow their existing accounting policies for the treatment of exploration and evaluation expenditure, which for the consolidated entity, embodies the principles of "areas of interest" accounting. Consequently, no impact is anticipated in relation to exploration and evaluation costs upon transition to AIFRS.

Income tax

Under AASB 112 *Income Taxes*, deferred tax balances are determined using the balance sheet method which calculates temporary differences based on the difference between carrying amounts of an entity's assets and liabilities in the statement of financial position and the entity's tax based balance sheet. This will result in a change to the current accounting policy, under which deferred tax balances are determined using the income statement method, items are only tax-effected if they are included in the determination of pre-tax accounting profit or loss and/or taxable income or loss and current and deferred taxes cannot be recognised directly in equity. No immediate impact is likely as deferred tax balances are not currently recognised.

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Equity-based compensation benefits

Under AIFRS 2 *Share-based Payment*, equity-based compensation to employees will be recognised as an expense in respect of the services received. This will result in a change to the current accounting policy, under which no expense is recognised for equity-based compensation. Preliminary calculations indicate that the net amount to recognise as remuneration expense as at the transition date will not be significant, based on existing equity-based compensation arrangements.

Restoration and rehabilitation

Under AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*, the consolidated entity will be required to recognise the full provision for rehabilitation, based on discounted future cash flows, at the date of transition to AIFRS. A corresponding asset net of depreciation to the date of transition may qualify for recognition as part of development costs and be amortised together with development assets. The future financial effect of this change in accounting policy is being analysed.

Impairment of assets

Under AASB 136 *Impairment of Assets*, the recoverable amount of an asset is determined as the higher of net selling price and value in use. This will result in a change in the current accounting policy which determines the recoverable amount of an asset on the basis of discounted cash flows. Under the new policy, it is likely that the impairment of assets will be recognised sooner and that the amount of any write-downs may be greater, however, it is unlikely that there will be any significant impact upon the transition to AIFRS.

The above should not be regarded as a complete list of changes in accounting policies that will result from the transition to AIFRS, since these standards are continuing to be analysed and some decisions have not yet been made where choices of accounting policies are available. For these reasons it is not yet possible to quantify the impact of the transition to AIFRS on the consolidated entity's financial position and reported results.



**Lead Auditor's Independence Declaration under Section 307C of the Corporation 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 2004, 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

B C FULLARTON

Partner

Perth

14 March 2005



**RED 5 LIMITED
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DECLARATION BY DIRECTORS

In the opinion of the directors of Red 5 Limited:

1. the financial statements and notes, set out on pages 4 to 10, are in accordance with the Corporations Act 2001, including:
 - (a) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2004 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 1029 “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.

A L Govey
Director

Perth, Western Australia
14 March 2005



Independent review report to the members of Red 5 Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for the Red 5 Limited Consolidated Entity ("the Consolidated Entity"), for the half-year ended 31 December 2004. The Consolidated Entity comprises Red 5 Limited ("the Company") and the entities it controlled during that half-year.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

We conducted an independent review in order for the Company to lodge the financial report with the Australian Securities and Investments Commission. Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements.

We performed procedures in order to state whether on the basis of the procedures described anything has come to our attention that would indicate the financial report does not present fairly, in accordance with the Corporations Act 2001, Australian Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Consolidated Entity's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our statement on the basis of the review procedures performed, which were limited primarily to:

- enquiries of company personnel; and
- analytical procedures applied to the financial data.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

The procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

A review cannot guarantee that all material misstatements have been detected.





Independence

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Statement

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

- a) the Corporations Act 2001, including:
 - i. giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2004 and of its performance for the half-year ended on that date; and
 - ii. complying with Australian Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- b) other mandatory professional reporting requirements in Australia.



KPMG



B C FULLARTON
Partner

Perth
14 March 2005