RED 5 LIMITED

ABN 73 068 647 610

AND CONTROLLED ENTITIES

Condensed Interim Consolidated Financial Report for the half-year ended

31 December 2018

CORPORATE DIRECTORY

BOARD OF DIRECTORS
Kevin Dundo (Chairman)
Mark Williams (Managing Director)
Ian Macpherson (Non-Executive Director)
Colin Loosemore (Non-Executive Director)
Steve Tombs (Non-Executive Director)

COMPANY SECRETARY
Frank Campagna

REGISTERED OFFICE
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West Perth Western Australia 6005

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SHARE REGISTRY
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Web-site: www.securitytransfer.com.au

BANKERS
National Australia Bank Limited
Commonwealth Bank of Australia

AUDITORS
KPMG

SOLICITORS
HopgoodGanim
SyCip Salazar Hernandez & Gatmaitan (Philippines)

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

Trading 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 Red 5 and its subsidiaries ("the Group" or the "consolidated entity") for the half year ended 31 December 2018.

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:

Kevin Anthony Dundo
Mark James Williams
Ian Keith Macpherson
John Colin Loosemore
Steve Lloyd Tombs (appointed on 1 August 2018)

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 associated entities of Red 5) during the financial period were gold mining and mineral exploration.

RESULTS OF OPERATIONS

A net profit of the consolidated entity after income tax for the half-year ended 31 December 2018 was $3,723,101 (31 December 2017: loss of $2,445,915).

OPERATING REVIEW

During the half-year under review, Red 5 delivered steady-state gold production from its Eastern Goldfields gold operations, generating positive free cashflows (excluding exploration activities) and completed the first full twelve months of operations since the Company assumed ownership at the Darlot and King of the Hills gold mines.

With the ramp-up of mining at King of the Hills completed during the December 2018 quarter, the Company was able to achieve commercial production on 1 December 2018, a significant milestone for the Group.

Mining operations at the Siana gold project in the Philippines remained suspended pending an improvement in operating conditions in the Philippines. Ongoing activities at Siana include dewatering of the open pit, infrastructure maintenance and monitoring of geotechnical issues.

Mining Activities

For the half year the Darlot and King of the Hills operations saw both mines deliver steady-state gold production. With the ramp-up of mining at King of the Hills completed in the later half, the Company was able to achieve a consistent annualised production rate of >100kozpa. Implementation of other initiatives has now commenced including the approvals to commence airleg mining at Darlot with the first cuts being taken in January 2019.

King of the Hills' development was focused on opening additional stope fronts across multiple lodes. Trial bulk stoping programs successfully completed in the Lemonwood area, confirming the bulk mining potential within the newly-identified Eastern Margin Contact.

Processing and Production

The Darlot processing plant performed well during the half year with a total of 472,201 tonnes of ore processed. The average head grade and recovery was 3.42 g/t Au and 91.85% respectively, resulting in the production of a total of 47,727 ounces of gold.

Exploration and Resource Development

During the half-year, Red 5 reported an initial bulk mining Mineral Resource estimate for King of the Hills, comprising 28.7 million tonnes grading 2.0g/t Au for an estimated 1.88 million ounces of contained gold at a 1.0g/t Au cut off.

Regional exploration drilling to test five high-priority regional gold targets at King of the Hills will commence in early March 2019. The five target areas were identified and ranked using high quality datasets comprising historical drilling by previous owners, updated geological and structural interpretations, surface geochemistry and regional aeromagnetics. The drilling program is designed to assess the potential for both high-grade gold mineralisation as well as mineralisation to support the potential for a bulk mining operation at KOTH.

Siana Gold Project, Philippines

During the half year, the Philippines Environmental Management Bureau amended the co-ordinates of the Environmental Compliance Certificate held by Red 5's Philippine-affiliated company, Greenstone Resources Corporation, for the Siana Gold Project, to include the proposed area of Tailings Storage Facility 6 (TSF 6).

This amendment, together with a Notice to Proceed from the Philippines Mines and Geoscience Bureau (MGB) to construct and operate TSF 6 at the Siana Gold Project, allows the construction and operation of TSF 6 to proceed, subject to the completion of standard local construction permitting requirements.

In light of the Philippine national government approvals for TSF 6, Greenstone Resources Corporation is evaluating its preferred plan and options for the Siana Gold Project, including a revised mining strategy for the Siana open pit mine and required funding for the potential future recommencement of operations.

Corporate

General Manager- Operations, Steve Tombs retired from the Group's executive management team effective from 31 July 2018. Given his intimate knowledge of the Red 5 Group assets and his vast mining and operational experience, Mr Tombs was appointed as a Non-Executive Director, effective from 1 August 2018.

Takeover Bid for Bullseye Mining Limited

In February 2018, Red 5 announced a conditional off-market takeover bid for all of the fully paid ordinary shares in Bullseye Mining Limited. Bullseye is an unlisted public company whose Western Australian-based gold portfolio includes the Laverton Project, located ~30km to the north of the Darlot Gold Mine.

Bullseye shareholders are being offered 1 fully-paid ordinary share in Red 5 for every 5 Bullseye shares they hold. Red 5 has extended the period during which the offer will remain open so that the offer will now close on 15 March 2019, unless further extended or withdrawn in accordance with the Corporations Act.

FINANCIAL REVIEW

(a) Income statement

The Group recorded a net profit for the half-year ended 31 December 2018 of $3,723,101 in comparison to a net loss for the half-year ended 31 December 2017 of $2,445,915.

Darlot and King of the Hills recorded a gross profit for the period of $11,404,365 (31 December 2017: gross profit of $4,424,733). A combined 47,390 ounces of gold were sold during the half-year, which together with silver sales and hedging adjustments resulted in total revenue of $70,841,481. Cost of sales for the period of $59,437,116 comprised production costs, royalties and movement in stockpiles and depreciation charge. The higher sales and cost of sales during the period is reflective of full six months of Darlot operation and the King of the Hills commercial production during December 2018 compared to the previous year where the Company had only 3 months of operations in Australia and the Philippines.

The Company's net profit of $3,723,101 for the period was mainly driven by gross profit from operations and income tax benefits primarily due to the reset of the cost base of property, plant and equipment as a result of forming a tax consolidation group. This was offset by administrative expenses, exploration expenditure, Siana project care and maintenance expenses and fair value loss on financial liabilities attributable to high forward gold prices. Financing expenses included unwinding of the effective interest rate of the gold loan.

(b) Balance sheet

Total assets increased by $4,377,537 to $177,649,324 from 30 June 2018. The net increase in total assets was mainly driven by mine development connected with the King of the Hills pre-operational expenditure and capitalised exploration expenditure for resource drilling and a build-up of inventories associated with the Company's ramp-up to full production. This was offset by a decrease in current trade and other receivables due to the $11,000,000 received in July 2018 for the sale of the Mt Cattlin royalty.

Total liabilities were $93,450,407, an increase of $1,429,917 from 30 June 2018. This was mainly driven by a negative mark-to-market adjustment on gold hedges ($3,040,866) and entering into a gold loan facility of 5,015 ounces ($9,236,239) which is repayable in September 2019. This was offset by a decrease in current and non-current trade and other payables ($6,492,236) mainly attributable to the King of the Hills deferred consideration payment made during the period, as well as a reduction of deferred tax liability ($3,717,915) as a result of forming a tax consolidated group.

(c) Cash flow

During the half-year, cash and cash equivalents decreased by $4,018,494.

Free cash inflows from operating activities for the period were $1,838,855. Cash receipts of $62,662,417 reflect the sale of gold and associated by-products. This was offset by cash outflows of $60,823,562, driven by higher operational costs resulting from the Company's ramp-up to full production and increased exploration expenditure.

Net cash outflows used in investing activities for the period were $23,746,112, reflecting sustaining and growth capital on the Darlot processing plant and Darlot mine, as well as development costs, pre-operational expenditure and deferred consideration associated with the King of the Hills project.

The net cash from financing activities of $18,253,312 reflects the proceeds from the sale of the Mt Cattlin royalty ($11,000,000); and the gold loan facility ($8,219,786) with Asian Investment Management Services Ltd (AIMSL) offset by repayments of finance lease liabilities and payment of interest on the gold loan.

EVENTS SUBSEQUENT TO THE END OF THE HALF YEAR

There are no subsequent events to reporting date.

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
12 March 2019

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 of Red 5 Limited for the half-year ended 31 December 2018 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

R Gambitta
Partner

Perth

12 March 2019

Condensed Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income for the half-year ended 31 December 2018

	Notes	Consolidated Half-year ended 31 December 2018 $	31 December 2017 $
Sales revenue	2(a)	70,841,481	37,484,652
Cost of sales	2(b)	(59,437,116)	(33,059,919)
Gross profit		**11,404,365**	**4,424,733**
Other income and expenses			
Other income	2(c)	540,914	1,601,475
Administration and other expenses	2(d)	(5,293,052)	(4,775,689)
Care and maintenance		(2,842,536)	(2,388,752)
Exploration expenditure	9	(2,913,582)	(535,452)
Financing income		21,817	17,097
Financing expenses		(540,086)	(555)
Fair value loss on financial liabilities	11	(863,300)	-
Total other income and expenses		**(11,889,825)**	**(6,081,876)**
Loss before income tax expense		**(485,460)**	**(1,657,143)**
Income tax benefit/(expense)	15	4,208,561	(788,772)
Net profit/(loss) after income tax for the half-year		**3,723,101**	**(2,445,915)**
Other comprehensive income/(loss)			
Items that are or may be reclassified subsequently to profit or loss:			
Movement in foreign currency translation reserve		3,033,994	(399,274)
Changes in fair value of cashflow hedges	14	(3,802,545)	-
Ineffective portion of cash flow hedges transferred to profit or loss		(369,628)	-
Total comprehensive profit/(loss) for the half-year		**2,584,922**	**(2,845,189)**
Net profit/(loss) after income tax attributable to:			
Non-controlling interest		143,801	(44,635)
Members of parent entity		3,579,300	(2,401,280)
		3,723,101	**(2,445,915)**
Total comprehensive profit/(loss) attributable to:			
Non-controlling interest		216,617	(54,218)
Members of parent company		2,368,305	(2,790,971)
		2,584,922	**(2,845,189)**
Profit/(loss) per share attributable to shareholders			
Basic and diluted profit/(loss) per share (cents per share)	18	**0.30**	(0.24)

The accompanying notes form part of these interim financial statements.

Condensed Interim Consolidated Statement of Financial Position
As at 31 December 2018

		Consolidated	
	Note	31 December 2018 $	30 June 2018 $
Assets			
Current Assets			
Cash and cash equivalents	3	3,129,907	7,148,401
Trade and other receivables	4	16,505,211	21,023,209
Derivative Financial Instruments	14	-	761,679
Inventories	5	18,600,407	16,656,227
Total Current Assets		**38,235,525**	**45,589,516**
Non-Current Assets			
Trade and other receivables	4	662,979	1,637,280
Property, plant and equipment	6	79,122,934	78,980,717
Intangible assets	7	28,724,013	30,723,465
Mine development	8	29,044,258	16,340,809
Exploration and evaluation	9	1,859,615	-
Total Non-Current Assets		**139,413,799**	**127,682,271**
Total Assets		**177,649,324**	**173,271,787**
Liabilities			
Current Liabilities			
Trade and other payables	10	37,982,564	38,971,154
Financial liability	11	9,236,239	-
Income tax payable		163,851	739,121
Employee benefits	13	3,566,800	5,218,185
Derivative Financial Instruments	14	3,040,866	-
Finance lease liabilities		1,414,477	1,077,448
Total Current Liabilities		**55,404,797**	**46,005,908**
Non-Current Liabilities			
Trade and other payables	10	-	5,503,646
Employee benefits	13	533,773	349,465
Provisions	12	33,656,605	32,691,873
Deferred tax liability	15	2,351,086	6,069,001
Finance lease liabilities		1,504,146	1,400,597
Total Non-Current Liabilities		**38,045,610**	**46,014,582**
Total Liabilities		**93,450,407**	**92,020,490**
Net Assets		**84,198,917**	**81,251,297**
Equity			
Contributed equity	16	260,528,826	260,364,664
Other equity		930,285	930,285
Reserves	17	20,969,123	21,806,876
Accumulated losses		(194,463,591)	(197,868,185)
Total Equity Attributable to Equity Holders of the Company		**87,964,643**	**85,233,640**
Non-controlling interests		(3,765,726)	(3,982,343)
Total Equity		**84,198,917**	**81,251,297**

The accompanying notes form part of these interim financial statements.

Condensed Interim Consolidated Statement of Changes in Equity for the half-year ended 31 December 2018

Consolidated Half-year ended Attributable to equity holders of the parent entity	Issued capital $	Accumulated losses $	Other equity $	Foreign currency translation reserve $	Hedging reserve $	Share-based payments $	Non-controlling interest $	Total $
Balance at 1 July 2018	260,364,664	(197,868,185)	930,285	20,873,985	497,966	434,925	(3,982,343)	81,251,297
Effect of change in accounting standard	-	(197,456)	-	-	-	-	-	(197,456)
	260,364,664	(198,065,641)	930,285	20,873,985	497,966	434,925	(3,982,343)	81,053,841
Net profit/(loss) for the half-year	-	3,579,300	-	-	-	-	143,801	3,723,101
Other comprehensive (loss)/ income for the period								
Foreign currency translation differences	-	-	-	2,961,178	-	-	72,816	3,033,994
Change in fair value of cash flow hedges	-	-	-	-	(3,802,545)	-	-	(3,802,545)
Ineffective portion of cash flow hedges transferred to profit or loss	-	-	-	-	(369,628)	-	-	(369,628)
Total comprehensive income/ (loss) for the period	-	3,579,300	-	2,961,178	(4,172,173)	-	216,617	2,584,922
Issue of deferred and service rights	-	-	-	-	-	191,824	-	191,824
Deferred rights converted to ordinary shares	95,912	-	-	-	-	(95,912)	-	-
Vested performance rights converted to ordinary shares	68,250	-	-	-	-	(68,250)	-	-
Share based payments	-	-	-	-	-	370,226	-	370,226
Expired performance rights – transfer from reserves	-	22,750	-	-	-	(24,646)	-	(1,896)
Balance at 31 December 2018	**260,528,826**	**(194,463,591)**	**930,285**	**23,835,163**	**(3,674,207)**	**808,167**	**(3,765,726)**	**84,198,917**
Balance at 1 July 2017	236,674,602	(186,314,081)	930,285	21,614,725	-	221,855	(3,669,560)	69,457,826
Net profit/(loss) for the half-year	-	(2,401,280)	-	-	-	-	(44,635)	(2,445,915)
Other comprehensive (loss) / income for the period	-	-	-	(389,691)	-	-	(9,583)	(399,274)
Total comprehensive (loss) / income for the period	-	(2,401,280)	-	(389,691)	-	-	(54,218)	(2,845,189)
Shares issued during the period	62,500	-	-	-	-	-	-	62,500
Issues of employee performance rights	-	-	-	-	-	52,606	-	52,606
Rights issue	12,741,752	-	-	-	-	-	-	12,741,752
Shares issued on acquisition of Darlot & King of the Hills	11,000,000	-	-	-	-	-	-	11,000,000
Share issue costs	(193,030)	-	-	-	-	-	-	(193,030)
Balance at 31 December 2017	**260,285,824**	**(188,715,361)**	**930,285**	**21,225,034**	**-**	**274,461**	**(3,723,778)**	**90,276,465**

The accompanying notes form part of these interim financial statements.

Condensed Interim Consolidated Statement of Cash Flows for the half-year ended 31 December 2018

	Notes	Consolidated Half-year ended 31 December 2018 $	31 December 2017 $
Cash flows from operating activities			
Cash received from customers		62,662,417	36,154,358
Proceeds from royalty agreements		228,550	1,062,848
Payments to suppliers and employees		(58,674,444)	(28,852,678)
Payments for exploration and evaluation		(2,913,582)	(587,348)
Sundry receipts		535,163	429,431
Interest received		21,743	16,281
Interest paid		(20,992)	(555)
Net cash from operating activities		**1,838,855**	**8,222,337**
Cash flows from investing activities			
Payments for property, plant equipment and intangibles		(2,903,149)	(1,315,185)
Payments for mine development and pre-operational cost		(14,483,348)	(625,109)
Payments for exploration and evaluation		(1,859,615)	-
Payments for acquisition of King of the Hills assets		(4,500,000)	(7,000,000)
Payments for acquisition of Darlot		-	(6,742,265)
Net cash used in investing activities		**(23,746,112)**	**(15,682,559)**
Cash flows from financing activities			
Proceeds from sale of royalty		11,000,000	-
Proceeds from gold loan	11	8,219,786	-
Payments of interest on gold loan		(270,133)	-
Payments of finance lease liabilities		(696,341)	-
Proceeds from issues of shares		-	12,741,752
Payments for share issue transaction costs		-	(193,031)
Net cash from financing activities		**18,253,312**	**12,548,721**
Net (decrease)/increase in cash and cash equivalents		(3,653,945)	5,088,499
Cash at the beginning of the period		7,148,401	5,393,463
Effect of exchange rate fluctuations on cash held		(364,549)	(194,119)
Cash and cash equivalents at the end of the period	3	**3,129,907**	**10,287,843**

The accompanying notes form part of these interim financial statements.

Notes to the Condensed Interim Consolidated Financial Statements for the half-year ended 31 December 2018

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

1.1 Reporting Entity

Red 5 Limited ("parent entity") is a for profit company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The Condensed Interim Consolidated Financial Report for the half-year ended 31 December 2018 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 2018 are available upon request from the Company's registered office at Level 2, 35 Ventnor Avenue, West Perth, Western Australia.

The condensed interim consolidated half-year financial report was authorised for issue by the parent entity's Board of Directors on 12 March 2019.

1.2 Basis of Preparation

The Condensed Interim Consolidated Financial Report for the half-year ended 31 December 2018 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 2018. 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 2018. 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.

The presentation currency is Australian Dollars, unless otherwise stated.

The accounting policies applied by the Group in these Condensed Interim Consolidated Financial Statements are consistent with those applied by the Group in its consolidated annual financial statements as at and for the financial year ended 30 June 2018, except for the adoption of new standards effective as of 1 July 2018, described below.

1.3 Use of estimates and judgements

The preparation of the Condensed Interim Consolidated Financial Statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities at the date of the consolidated financial statements. Estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In particular, the Group has identified a number of areas where significant judgements, estimates and assumptions are required. Further information on each of these areas and how they impact the various accounting policies are described with the associated accounting policy note within the related qualitative and quantitative note as described below.

Judgements

Production start date

The Group assesses the stage of each mine under development/construction to determine when a mine moves into the production phase, this being when the mine is substantially complete and ready for its intended use. The criteria used to assess the start date are determined based on the unique nature of each mine development/construction project, such as the complexity of the project and its location. The Group considers various relevant criteria to assess when the production phase is considered to have commenced.

Some of the criteria used to identify the production start date include, but are not limited to:
• Level of capital expenditure incurred compared with the original construction cost estimate
• Completion of a reasonable period of testing of the mine plant and equipment
• Ability to produce metal in saleable form (within specifications)
• Ability to sustain ongoing production of metal

When a mine development project moves into the production phase, the capitalisation of certain mine development costs ceases and costs are either regarded as forming part of the cost of inventory or expensed, except for costs that qualify for capitalisation relating to mining asset additions or improvements, underground mine development or mineable reserve development. It is also at this point that depreciation/amortisation commences.

Commercial production start date for King of the Hills Gold Project was achieved on 1 December 2018.

Estimates

Capitalised exploration and evaluation assets
The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors which could impact the future recoverability include the level of proved, probable and inferred mineral resources, future technological changes which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices. To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, this will reduce profits and net assets in the period in which this determination is made. In addition, exploration and evaluation expenditure is capitalised if activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent that it is determined in the future that this capitalised expenditure should be written off, this will reduce profits and net assets in the period in which this determination is made.

Recoverability of assets
Impairment assessments require the use of estimates and assumptions such as long-term commodity prices (considering current and historical prices, price trends and related factors), discount rates, operating costs, future capital requirements, closure and rehabilitation costs, exploration potential, reserves above) and operating performance (which includes production and sales volumes). These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of assets and/or CGUs. In such circumstances, some or all of the carrying amount of the assets/CGUs may be further impaired or the impairment charge reduced with the impact recognised in the statement of profit or loss and other comprehensive income.

Share based payment transactions
The Group measures the cost of equity settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black Scholes. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in, as discussed in note 24.

Rehabilitation provision
The Group makes full provision for the future cost of rehabilitating mine sites and related production facilities on a discounted basis at the time of developing the mines and installing and using those facilities.

The rehabilitation provision represents the present value of rehabilitation costs relating to mine sites, which are expected to be incurred in the future. These provisions have been created based on the Group's internal estimates. Assumptions based on the current economic environment have been made, which management believes are a reasonable basis upon which to estimate the future liability.

These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual rehabilitation costs will ultimately depend upon future market prices for the necessary rehabilitation works required that will reflect market conditions at the relevant time. Furthermore, the timing of rehabilitation is likely to depend on when the mines cease to produce at economically viable rates. This, in turn, will depend upon future gold and copper prices, which are inherently uncertain.

Going Concern

The Directors believe it is appropriate to prepare the consolidated financial report on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The Group's principal cash flow generating assets are the Darlot Gold Project and King of the Hills located in Western Australia. In addition, the Group also has the Siana Gold project located in the Philippines where mining operations remain in suspension.

At 31 December 2018 the Group had current assets of $38.24 million and current liabilities of $55.40 million. Current liabilities include the gold loan of $9.24 million, payable in September 2019, deferred consideration of $5.00 million payable in cash or shares to Gold Fields Australia Ltd in October 2019, hedging liabilities at fair value of $3.04 million and employee benefits of $3.57 million relating mainly to annual leave payable over the year.

During the half-year ended 31 December 2018, there was a reduction in working capital as a result of continued mine development of King of the Hills. The Group achieved commercial production at King of the Hills declared on 1 December 2018 and maintained a steady state production at Darlot gold mine throughout the half year. In order to fund its mine development and exploration the Company entered into a gold loan facility with Asian Investment Management Services Ltd (AIMSL) for 5,015 gold ounces during September 2018.

Management has prepared a cash flow forecast for the next twelve months which anticipates the Group is able to pay its debts as and when they fall due during that period. Key assumptions in the cashflow forecast include:

- Continued suspension of mining operations at the Siana Gold Project;
- Forecast gold production is expected to continue to increase as the King of the Hills operations mature, and steady levels of production are expected at Darlot as higher-grade areas are mined;
- Positive cashflows generated from the Darlot Gold Mine and King of the Hills Gold Projects;
- Scheduled repayments of deferred consideration and settlement of the gold loan.

The Directors believe the Group will be able to continue as a going concern and recognise that:

- The Darlot Gold Mine and King of the Hills Gold Project are expected to provide increased gold production, and positive cash flow generation for the Company;
- The Group has the ability to raise additional funding through debt or equity or a combination of both, should it be required;
- The repayment of Gold Fields deferred consideration can be satisfied in either cash or shares at a 15% discount to the 30-day VWAP at their election as noted in the announcement dated 3 August 2017.

Notwithstanding the risks associated with the key assumptions noted above, the Directors are confident that the Group has sufficient working capital for at least a year from the date this consolidated interim half-year financial report is approved.

1.4 New and revised Standards and Interpretations

The Group has reviewed the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the half-year ended 31 December 2018. The nature and the effect of these changes are disclosed below. It has been determined by the Group that there is no material impact of the new and revised Standards and Interpretations on its business.

The Group has not elected to early adopt any new standards or amendments.

1.5 Changes in significant accounting policies

Except as described below, the accounting policies applied by the Group in these consolidated interim financial statements are the same as those applied by the Group in its consolidated annual financial report as at and for the year ended 30 June 2018.

The changes in accounting policies or additional accounting policies now relevant will be reflected in the Company's consolidated annual financial report for the year ending 30 June 2019.

The Group has initially adopted AASB 15 Revenue from Contracts with Customers from 1 July 2018. A number of other new standards are effective from 1 July 2018 but they do not have a material effect on the Group's financial statements.

The effect of initially applying this standard is mainly attributed to the later recognition of revenue from gold bullion sold.

AASB 15 – Revenue from contracts with customers
AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced AASB 118 Revenue, AASB 111 Construction Contracts and related interpretations.

The Group has adopted AASB 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 July 2018). Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under AASB 118, AASB 111 and related interpretations. The details and quantitative impact of the changes in accounting policies are discussed below.

Gold sales
Previously, the Group recognised revenue from gold sales when all risks and rewards transferred; no further processing was required by the Group; the quality and quantity of the gold had been determined; and the sale was probable. Under AASB 15, the Group recognises revenue when control has passed to the buyer; the Company has no significant continuing involvement; and the amount of revenue and costs incurred or costs to be incurred in respect of the transaction can be measured reliably. The Group's assessment is that this occurs when the sales contract has been entered into and the customer has physical possession of the gold.

The impact of the change in accounting policy is that gold in transit (which represents gold that has not been preliminarily turned out by the Group's refiner prior to period end) is no longer recognised as revenue. Revenue recognition will now be delayed until the gold has been physically delivered and the buyer has committed to the purchase.

The following table summarises the impact, net of tax, of transition to AASB 15 on retained earnings and NCI at 1 July 2018:

	Impact of adopting AASB 15 at 1 July 2018 $
Retained earnings	(282,080)
Related tax	84,624
Impact at 1 July 2018	**(197,456)**

The following table summarises the impacts of adopting AASB 15 on the Group's interim statement of financial position as at 31 December 2018 and its interim statement of profit or loss and OCI for the half-year ended for each of the lines affected. There was no material impact of the Group's interim statement of cash flows for the half-year ended 31 December 2018.

Impact on the condensed interim consolidated statement of financial position	As reported $	Impact of adopting AASB 15 at 1 July 2018 $	Balance after adjustment $
Assets			
Trade and other receivables	21,023,209	(2,607,012)	18,416,197
Inventory	16,656,227	2,324,931	18,981,158
Liabilities			
Tax payable	(739,121)	(84,624)	(823,745)
Equity			
Accumulated losses	(197,868,185)	(197,456)	(198,065,641)

AASB 16 – Leases

AASB 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under AASB 117 Leases. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g. personal computers) and short-term leases (i.e. leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. They will be required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset.

As at the reporting date, the Group is finalising the assessment of key contracts and arrangements that may qualify as leases under the new standard and require recognition of lease liability on the balance sheet. The Group has reviewed key service contracts including mining services, drilling, haulage and power contracts and expects to recognise the power contracts and office rental contracts as a lease liability under AASB 16. The Group will continue to assess new contracts as they are entered into between now and the initial adoption date. The Group will also assess what practical expedients are available under AASB 16 upon transition.

	Consolidated Half-year ended	
	31 December 2018 $	31 December 2017 $
2. REVENUE AND EXPENSES		
(a) Revenue		
Gold and silver sales	69,244,825	37,484,652
Realised gains of cash flow hedges	1,227,028	-
Ineffective portion of changes in fair value of cashflow hedges	369,628	-
	70,841,481	**37,484,652**
(b) Cost of sales		
Operating costs	(48,931,050)	(28,199,312)
Depreciation and amortisation mine assets	(10,506,066)	(4,860,607)
	(59,437,116)	**(33,059,919)**
(c) Other income		
Other income	540,914	425,215
Royalty agreements	-	1,176,260
	540,914	**1,601,475**
(d) Administration and other expenses		
Other employee and consultancy expenses	(1,100,384)	(1,556,404)
Acquisition related costs	(1,297,423)	(1,536,812)
Depreciation	(674,971)	(5,665)
Share based-payments expense	(370,226)	(52,206)
Indirect tax expenses	(328,403)	-
Legal fees	(221,865)	(172,376)
Investor relations	(187,648)	(142,314)
Travel expense	(184,303)	(136,272)
Regulatory expenses	(151,497)	(326,954)
Insurance expenses	(110,214)	(110,743)
Occupancy costs	(103,325)	(117,279)
Superannuation contributions	(89,639)	(70,059)
Finance charges	(3,526)	(3,364)
Foreign exchange gain/(loss)	1,062	(3,672)
Other expenses	(470,690)	(541,569)
	(5,293,052)	**(4,775,689)**

	Consolidated	
	31 December 2018 $	30 June 2018 $
3. CASH AND CASH EQUIVALENTS		
Cash at bank	3,129,295	7,147,804
Cash on hand	612	597
	3,129,907	**7,148,401**
4. TRADE AND OTHER RECEIVABLES		
Current assets		
Trade debtors [(1)]	11,916,514	5,889,446
Prepayments	3,402,246	1,725,991
GST receivable	964,967	1,756,180
Sundry debtors [(2)]	219,130	11,649,312
Interest receivable	2,354	2,280
	16,505,211	**21,023,209**
Non-current assets		
VAT receivable	478,096	1,452,397
Security deposits	184,883	184,883
	662,979	**1,637,280**

[(1)] Trade debtors includes amounts receivable for 4,571 ounces sold on 31 December 2018, equivalent to $8.28 million (30 June 2018: 1,150 ounces equivalent to $1.96 million). The remainder includes the metal account in the Philippines.
[(2)] Sundry debtors at 30 June 2018 includes the amount receivable of $11.0 million for the sale of the Mt Cattlin royalty and received during July 2018.

5. INVENTORIES		
Run of mine stockpiles	3,789,973	3,222,496
Crushed ore stockpile	506,409	-
Gold in circuit	2,458,876	2,828,675
Gold Bullion	252,627	-
Stores, spares and consumables	11,592,522	10,605,056
	18,600,407	**16,656,227**
6. PROPERTY, PLANT AND EQUIPMENT		
Plant and equipment – at cost		
Opening balance	135,600,333	87,922,521
Additions [(1)]	4,723,027	49,018,507
Disposal of plant and equipment	-	(58,105)
Transfers to intangible assets	(127,153)	-
Foreign currency translation adjustment	5,344,045	(1,282,590)
Closing Balance	**145,540,252**	**135,600,333**
Accumulated depreciation		
Opening balance	56,619,616	45,433,517
Depreciation for the period	6,995,146	11,902,883
Disposals	-	(58,095)
Foreign currency translation adjustment	2,802,556	(658,689)
Closing balance	**66,417,318**	**56,619,616**
Net book value	**79,122,934**	**78,980,717**

[(1)] During the half-year ended 31 December 2018 additions included finance leased assets, sustaining capital and tailing storage facility improvements. During the year ended 30 June 2018, additions included property, plant and equipment totalling $40,155,560 acquired through the acquisition of Darlot Mining Company Pty Ltd and $2,716,700 as a result of assets acquired for King of the Hills project.

	Consolidated	
	31 December 2018 $	**30 June 2018 $**
7. INTANGIBLE ASSETS		
Intangible assets – at cost		
Opening balance	32,215,539	-
Acquired through acquisition of business combination and asset acquisition[(1)]	-	31,267,350
Additions	16,931	948,189
Transfers from assets under construction	127,152	-
Closing Balance	**32,359,622**	**32,215,539**
Accumulated depreciation		
Opening balance	1,492,074	-
Amortisation	2,143,535	1,492,074
Closing balance	**3,635,609**	**1,492,074**
Net book value	**28,724,013**	**30,723,465**

[(1)] Mineral rights of $4,773,646 were acquired through the acquisition of Darlot Mining Company Pty Ltd and $26,493,704 through the acquisition of assets of the King of the Hills project.

8. MINE DEVELOPMENT		
(a) Mine Development		
Opening balance	113,512,485	102,879,591
Development expenditure incurred in current period [(1)]	14,481,308	12,151,523
Foreign currency translation adjustment	6,053,874	(1,518,629)
Closing Balance	**134,047,667**	**113,512,485**
Accumulated amortisation		
Opening balance	97,171,676	98,587,876
Amortisation for the period	2,042,357	-
Foreign currency translation adjustment	5,789,376	(1,416,200)
Closing balance	**105,003,409**	**97,171,676**
Mine development net book value	**29,044,258**	**16,340,809**
(b) Deferred mining waste costs		
Opening balance	63,574,195	64,538,070
Foreign currency translation adjustment	3,951,631	(963,875)
Closing balance	**67,525,826**	**63,574,195**
Accumulated amortisation		
Opening balance	63,574,195	64,538,070
Amortisation for the period	-	-
Foreign currency translation adjustment	3,951,631	(963,875)
Closing balance	**67,525,826**	**63,574,195**
Deferred mining waste costs net book value	-	-
Total mine development net book value	**29,044,258**	**16,340,809**

[(1)] Includes King of the Hills mine development expenditure which has been offset by pre-operational sales of $21.53 million (30 June 2018: $13.72 million) and $7.84 million of processing costs (30 June 2018: $3.01 million) up to 1 December 2018 when commercial production commenced.

	Consolidated	
	31 December 2018	**30 June 2018**
	$	**$**
9. EXPLORATION AND EVALUATION		
Opening balance	-	-
Exploration and evaluation expenditure incurred in current period	4,773,197	5,559,594
Exploration expenditure transferred to profit or loss	(2,913,582)	(5,559,594)
Closing Balance	**1,859,615**	**-**

10. TRADE AND OTHER PAYABLES

	31 December 2018	30 June 2018
Current		
Creditors and accruals	25,059,820	31,743,128
Deferred considerations relating to acquisitions	5,536,197	4,395,120
Royalties and other indirect taxes	2,314,084	933,049
Insurance payable	2,068,349	214,880
Other creditors	3,004,114	1,684,977
	37,982,564	**38,971,154**
Non-current		
Darlot acquisition - Deferred considerations	-	5,503,646
	-	**5,503,646**

11. FINANCIAL LIABILITY

During September 2018, the Company entered into a gold loan facility of 5,015 gold ounces with a Malaysian-based fund, Asian Investment Management Services Ltd (AIMSL). The facility has a 12-month term repayable at maturity and attracts quarterly interest gold payments secured by a security interest in the Company's operating subsidiary companies on a limited recourse basis. The effective interest rate of the gold loan facility is 16.1% which was derived by the movement in the forward gold price at inception. The subsequent fair value measurement of the facility is dependent on forward commodity prices. The loan has been classified at amortised cost and the embedded derivative relating to the forward prices of the loan has been recorded at fair value through profit or loss.

	31 December 2018	30 June 2018
Value at inception	8,219,786	-
Unwinding of interest	416,968	-
Interest payments made	(270,133)	-
Realised loss/(gain) on interest payment	6,318	-
Fair value movement of the financial liability	863,300	-
Closing balance	**9,236,239**	-
Allocated as follows:		
Loan at amortised cost	8,372,939	-
Fair value movement of the financial liability	863,300	-
	9,236,239	-

12. PROVISIONS

	31 December 2018	30 June 2018
Provision for rehabilitation	30,305,083	29,573,183
MCC final acquisition(1)	1,116,104	1,116,104
Documentary stamp duty(2)	1,236,183	1,164,580
Withholding tax	504,441	504,441
Other provisions	494,794	333,565
	33,656,605	**32,691,873**

(1) Provision for expected tax liability arising from the acquisition of Merrill Crow Corporation's (MCC) holding of Siana Gold Project in 2010.
(2) Provision for documentary stamp duty on cash advances to Philippines subsidiaries.

	Consolidated	
	31 December 2018 $	**30 June 2018 $**

13. EMPLOYEE BENEFITS

Provision for employee entitlements		
Opening balance	5,567,650	129,377
(Decrease) / increase in provision during the period	(1,467,077)	5,438,273
Closing balance	**4,100,573**	**5,567,650**
Current	3,566,800	5,218,185
Non-current	533,773	349,465
	4,100,573	**5,567,650**

14. DERIVATIVE FINANCIAL INSTRUMENTS

Opening balance	761,679	-
Change in fair value of cashflow hedges	(3,802,545)	761,679
Closing balance	**(3,040,866)**	**761,679**

Forward contracts designated as hedges

As at 31 December 2018, the Group had a net hedge liability position reflecting the negative mark-to-market value of gold contracts. As at 31 December 2018 metal hedges comprise forward contracts for 35,200 ounces of gold at an average price of price of $1,739 per ounce for the period January 2019 to July 2019.

15. INCOME TAX BENEFIT/(EXPENSE) AND DEFERRED TAX LIABILITY/ASSET

Subsequent to the year ended 30 June 2018, Red 5 Limited resolved to form a tax consolidated group incorporating all its Australian subsidiaries, with an effective date of 1 November 2017. In accordance with the tax consolidation legislation, the head entity of the Australian tax consolidated group, will assume the deferred tax assets and liabilities initially recognised by wholly owned members of the tax consolidated group.

The deferred tax liability at 30 June 2018 of $6,069,001 relating to the Darlot Mining Company Pty Ltd acquisition has decreased, primarily due to the reset of the cost base of property, plant and equipment as a result of forming the tax consolidation group and the timing differences in the current year.

Tax sharing and tax funding deeds have been finalised.

	Consolidated	
	31 December 2018 $	30 June 2018 $
16. CONTRIBUTED EQUITY		
(a) Share capital		
1,243,166,958 (30 June 2018: 1,240,693,011) ordinary fully paid shares	**260,528,826**	**260,364,664**

(b) Movements in ordinary share capital	Consolidated		Consolidated	
	31 December 2018		30 June 2018	
	No. Shares	$	No. Shares	$
On issue 1 July	1,240,693,011	260,364,664	763,826,663	236,674,602
Shares issued on acquisition of Darlot and King of the Hills	-	-	220,000,000	11,000,000
Rights issue	-	-	254,835,049	12,741,752
Shares issued to directors	-	-	1,352,814	62,500
Service rights vested	-	-	678,485	78,840
Performance rights vested	1,300,000	68,250	-	-
Deferred rights vested	1,173,947	95,912	-	-
Share issue costs	-	-	-	(193,030)
On issue at 31 December	**1,243,166,958**	**260,528,826**	**1,240,693,011**	**260,364,664**

	Consolidated	
	31 December 2018 $	30 June 2018 $
17. RESERVES		
Foreign currency translation reserve	23,835,163	20,873,985
Defined retirement benefit	140,522	140,522
Share-based payment reserve	667,645	294,403
Hedging reserve	(3,674,207)	497,966
	20,969,123	**21,806,876**

	Half-year ended	
	31 December 2018	31 December 2017
18. EARNINGS PER SHARE		
Net profit/(loss) after income tax (A$)	3,723,101	(2,445,915)
Weighted average number of ordinary shares	1,241,940,558	999,837,861
Weighted average number of performance rights	18,852,905	-
Weighted average number of ordinary shares adjusted for the effect of dilution	**1,260,793,464**	**999,837,861**
Basic and diluted profit/(loss) per share (cents per share)	**0.30**	**(0.24)**

For fully diluted profit/(loss) per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of dilutive potential ordinary shares. The Group's potentially dilutive securities consist of performance rights.

	Consolidated	
	31 December 2018 $	30 June 2018 $
19. EXPENDITURE COMMITMENTS		
Commitments in relation to capital expenditure commitments are payable as follows:		
- not later than one year	1,326,883	672,822
	1,326,883	**672,822**
Commitments in relation to operating lease expenditure commitments are payable as follows:		
- not later than one year	372,562	371,805
- later than one year but not later than two years	44,465	61,375
- later than two years but not later than five years	47,233	-
	464,260	**433,180**
Commitments in relation to contractual expenditure commitments are payable as follows:		
- not later than one year	6,451,964	5,984,176
- later than one year but not later than two years	-	-
- later than two years but not later than five years	-	-
	6,451,964	**5,984,176**
Commitments in relation to tenement expenditure commitments are payable as follows:		
- not later than one year	4,070,715	4,005,135
- later than one year but not later than two years	19,527	63,396
	4,090,242	**4,068,531**

20. CONTINGENT LIABILITIES

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

21. SEGMENT INFORMATION

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

During the previous year ended 30 June 2017 a new operating segment was added following the acquisition of Darlot Mining Company Pty Ltd and King of the Hills, forming the Australia segment.

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.

	Australia [1]	Philippines	Other [2]	Total
(i) Segment performance	$	$	$	$
Half-year ended 31 December 2018				
Revenues	69,244,825	-	1,596,656	**70,841,481**
Segment result before tax	6,765,600	(3,761,317)	(3,489,743)	**(485,460)**
(ii) Segment position				
As at 31 December 2018				
Segment assets	116,284,717	60,682,398	682,209	**177,649,324**
Segment liabilities	64,793,240	7,769,076	20,888,091	**93,450,407**

	Australia [1]	Philippines	Other [2]	Total
(i) Segment performance	**$**	**$**	**$**	**$**
Half-year ended 31 December 2017				
Revenues	27,245,254	10,239,398	-	**37,484,652**
Segment result before tax	2,802,176	(1,859,784)	(2,599,534)	**(1,657,143)**
(ii) Segment position				
As at 30 June 2018				
Segment assets	99,265,860	60,997,918	13,008,009	**173,271,787**
Segment liabilities	72,924,962	7,486,764	11,608,765	**92,020,490**

[1] Australia segment consists of the Darlot Mining Company Pty Ltd and the King of the Hills gold project.
[2] Includes corporate costs of the group and inter-company transactions. The segment liability includes the deferred consideration payable to the sellers relating to the acquisitions of Darlot project.

22. INVESTMENTS IN CONTROLLED ENTITIES

Name of controlled entities	Country of incorporation	Class of shares	Equity holding 2018	Equity holding 2017
			%	%
Bremer Resources Pty Ltd	Australia	Ordinary	100	100
Estuary Resources Pty Ltd	Australia	Ordinary	100	100
Greenstone Resources (WA) Pty Ltd	Australia	Ordinary	100	100
Oakborough Pty Ltd	Australia	Ordinary	100	100
Opus Resources Pty Ltd	Australia	Ordinary	100	100
Red 5 Philippines Pty Ltd	Australia	Ordinary	100	100
Red 5 Mapawa Pty Ltd	Australia	Ordinary	100	100
Red 5 Dayano Pty Ltd	Australia	Ordinary	100	100
Darlot Mining Company Pty Ltd	Australia	Ordinary	100	100
Bremer Binaliw Corporation	Philippines	Ordinary	100	100
Red5 Mapawa Inc	Philippines	Ordinary	100	100
Red5 Dayano Inc	Philippines	Ordinary	100	100
Red 5 Asia Inc	Philippines	Ordinary	100	100
Greenstone Resources Corporation [1]	Philippines	Ordinary	40	40
Surigao Holdings and Investments Corporation [1]	Philippines	Ordinary	40	40

[1] The Company holds a 40% direct interest in Greenstone Resources Corporation (GRC) and a 40% interest in Surigao Holdings and Investments Corporation (SHIC) voting stock. Agreements are in place which deals with the relationship between Red 5 and other shareholders of these entities. In accordance with Australian accounting standard, AASB 10 *Consolidated Financial Statements,* Red 5 has consolidated these companies in these financial statements.

23. RELATED PARTIES

During the period, the total aggregate related party transactions for directors' fees, provided by key management personnel and their related parties for the half-year ended 31 December 2018 totalled $216,263 (half-year ended 31 December 2017: $156,038). The outstanding balance relating to the above transactions at 31 December 2018 was $79,387 (30 June 2018: $Nil).

24. SHARE-BASED PAYMENT ARRANGEMENTS

Performance rights granted during the half-year ended 31 December 2018

Performance rights were granted to the Managing Director and to Senior Management during the period. The rights of the first offer to Senior Management is split into four tranches based on different performance conditions measured over a period commencing 2 October 2017 to the vesting date which is 30 June 2020 if the conditions are met.

The rights of the offer to the Managing Director and the second offer to Senior Management are also split into four tranches based on different performance conditions measured over a period commencing 1 July 2018 to the vesting date which is 30 June 2021 if the conditions are met.

Details of the performance rights are summarised below:

(a) Managing Director

	Tranche A		Tranche B		Tranche C		Tranche D	Total
Number of performance rights	2,010,404		804,162		804,162		402,080	**4,020,808**
Value per right	$0.038		$0.048		$0.048		$0.048	
Valuation per tranche	$76,395		$38,600		$38,600		$19,300	**$172,895**
Condition criteria	TSR ranking relative to TSR of S&P/ASX All Ordinaries Gold Total Return Index		Growth in the Company's Ore Reserves		Operating Costs as % of Budgeted Operating Costs		Safety Compliance	In addition, vesting of the performance rights is also conditional on the following being exceeded: 1. A positive Company TSR for the measurement period; and 2. 80% of budgeted gold production by 30 June 2019.
	TSR > Index TSR +20%	100%	Stretch: 35%	100%	Stretch: 80%	100%	All criteria to be met: - No fatalities - Maintenance of the ISO14001 and ISO 18001 certifications - Year on year improvement in safety performance	
	TSR > Index TSR +10%	50%	Target: 20%	50%	Target: 90%	50%		
	TSR < or equal to Index TSR	nil	Threshold: 15%	25%	Threshold: 95%	25%		
			< 15%	nil	> 95%	nil		

(b) Senior Management (2020 series)

	Tranche A		Tranche B		Tranche C		Tranche D	Total
Number of performance rights	1,337,798		535,121		535,121		267,561	**2,675,601**
Value per right	$0.053		$0.063		$0.063		$0.063	
Valuation per tranche	$70,903		$33,713		$33,713		$16,856	**$155,185**
Condition criteria	TSR ranking relative to TSR of S&P/ASX All Ordinaries Gold Total Return Index		Growth in the Company's Ore Reserves		Operating Costs as % of Budgeted Operating Costs		Safety Compliance	
	TSR > Index TSR +20%	100%	Stretch: 35%	100%	Stretch: 80%	100%	All criteria to be met: - No fatalities - Implement a Company-wide safety management system - Year on year improvement in safety performance	
	TSR > Index TSR +10%	50%	Target: 20%	50%	Target: 90%	50%		
	TSR < or equal to Index TSR	nil	Threshold: 15%	25%	Threshold: 95%	25%		
			< 15%	nil	> 95%	nil		

<table>
<tr><th colspan="9">(c) Senior Management (2021 series)</th></tr>
<tr><th></th><th colspan="2">Tranche A</th><th colspan="2">Tranche B</th><th colspan="2">Tranche C</th><th>Tranche D</th><th>Total</th></tr>
<tr><td>Number of performance rights</td><td colspan="2">5,285,223</td><td colspan="2">2,114,090</td><td colspan="2">2,114,090</td><td>1,057,046</td><td>10,570,449</td></tr>
<tr><td>Value per right</td><td colspan="2">$0.045</td><td colspan="2">$0.057</td><td colspan="2">$0.057</td><td>$0.057</td><td></td></tr>
<tr><td>Valuation per tranche</td><td colspan="2">$237,835</td><td colspan="2">$120,503</td><td colspan="2">$120,503</td><td>$60,252</td><td>$539,093</td></tr>
<tr><td rowspan="4">Condition criteria</td><td colspan="2">TSR ranking relative to TSR of S&P/ASX All Ordinaries Gold Total Return Index</td><td colspan="2">Growth in the Company's Ore Reserves</td><td colspan="2">Operating Costs as % of Budgeted Operating Costs</td><td>Safety Compliance</td><td></td></tr>
<tr><td>TSR > Index TSR +20%</td><td>100%</td><td>Stretch: 35%</td><td>100%</td><td>Stretch: 80%</td><td>100%</td><td rowspan="4">All criteria to be met:
- No fatalities
- Maintenance of the ISO14001 and ISO 18001 certifications
- Year on year improvement in safety performance</td><td></td></tr>
<tr><td>TSR > Index TSR +10%</td><td>50%</td><td>Target: 20%</td><td>50%</td><td>Target: 90%</td><td>50%</td><td></td></tr>
<tr><td>TSR < or equal to Index TSR</td><td>nil</td><td>Threshold: 15%</td><td>25%</td><td>Threshold: 95%</td><td>25%</td><td></td></tr>
<tr><td></td><td></td><td></td><td>< 15%</td><td>nil</td><td>> 95%</td><td>nil</td><td></td></tr>
</table>

Fair Value of Performance Rights

The fair value at grant date of Tranches A which have market-based performance conditions, was estimated using a Monte Carlo simulation. The fair value at grant date of Tranches B, C and D, which have market and non-market-based performance conditions, were valued using a single share price barrier model incorporating a Monte Carlo simulation.

The table below summarises the terms and conditions of the grant and the assumptions used in estimating fair value:

	Managing Director	Senior Management (2020 series)	Senior Management (2021 series)
Model Inputs			
Grant date	21 November 2018	15 November 2018	11 December 2018
Value of the underlying security at grant date	$0.07	$0.07	$0.079
Exercise price	nil	nil	nil
Dividend yield	nil	nil	nil
Risk free rate	2.12%	2.16%	1.95%
Volatility	Tranche A: 70% Tranches B C D: 80%	70%	Tranche A: 70% Tranches B-D: 80%
Performance period (years)	3.00	2.75	3.00
Commencement of measurement period	1 July 2018	2 October 2017	1 July 2018
Vesting date	30 June 2021	30 June 2020	30 June 2021
Remaining performance period (years)	2.61	1.62	2.55
Weighted average fair value per option	**$0.043**	**$0.058**	**$0.051**
No. performance rights	4,020,808	2,675,601	10,570,449
Total Valuation	$172,895	$155,185	$539,093

The following unvested performance rights were outstanding:

	Consolidated	
	31 December 2018 Number	30 June 2018 Number
Balance at the start of the period	18,243,200	12,000,000
Granted during the period	17,266,858	18,243,200
Vested during the period	(1,300,000)	-
Expired during the period	(1,300,000)	(6,000,000)
Balance at the end of the period	**32,910,058**	**18,243,200**

Share-based payments expense for the half-year ended 31 December 2018 in relation to the performance rights was $370,226 (30 June 2018: $52,206).

Shares issued, Service and Deferred Rights

	Grant Date	Vesting Date	Fair Value at Grant Date	Granted	Exercised	Outstanding
Non-Executive Director Shares [(1)]	31-Jul-18	31-Jul-18	$68,250	1,300,000	(1,300,000)	-
Managing Director and Senior Management Service Rights	6-Dec-18	1-Jul-19	$95,912	1,173,953	-	1,173,953
Managing Director and Senior Management Deferred Rights [(2)]	6-Dec-18	6-Dec-18	$95,912	1,173,953	(1,173,953)	-

[(1)] Issue of fully paid ordinary shares to Mr Steve Tombs following the early vesting and exercise of performance rights in accordance with the discretionary provisions of the Red 5 Limited Rights Plan.
[(2)] Deferred Rights issued under the Red 5 Limited Rights Plan which vest immediately upon issue and automatically exercised into restricted shares which are subject to disposal restrictions until 30 June 2020.

Share based payments expense for the shares issued, service and deferred rights was $370,226 (2017: $198,930). The fair value is based on observable market share price at the date of grant.

25. FAIR VALUE MEASUREMENT

The fair values of financial assets and financial liabilities carried at amortised cost approximate their carrying value.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique.

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2 - Valuation techniques for which the lowest - level input that is significant to the fair value measurement is directly or indirectly observable
Level 3 - Valuation techniques for which the lowest - level input that is significant to the fair value measurement is unobservable

The following financial assets and liabilities are classified as level 2:

- Derivative Financial Instruments, liability of $3.04 million (30 June 2018: asset of $0.76 million);
- Embedded derivative on gold loan, liability of $0.86 million (30 June 2018: $Nil).

26. SUBSEQUENT EVENTS

There are no subsequent events to reporting date.

DIRECTORS' DECLARATION

In the opinion of the Directors of Red 5 Limited:

1. the condensed interim consolidated financial statements and notes set out on page 6 to 24 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 2018 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
12 March 2019

Independent Auditor's Review Report

To the shareholders of Red 5 Limited

Report on the Condensed Interim Consolidated Financial Report

Conclusion

We have reviewed the accompanying ***Condensed Interim Consolidated Financial Report*** of Red 5 Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Condensed Interim Consolidated Financial Report of Red 5 Limited 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 2018 and of 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*.

The ***Condensed Interim Consolidated Financial Report*** comprises:

- Condensed interim consolidated statement of financial position as at 31 December 2018
- Condensed interim consolidated statement of profit or loss and other comprehensive income, Condensed interim consolidated statement of changes in equity and Condensed interim consolidated statement of cash flows for the Half-year ended on that date
- Notes 1 to 26 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The ***Group*** comprises Red 5 Limited and the entities it controlled at the Half year's end or from time to time during the Half-year.

Responsibilities of the Directors for the Condensed Interim Consolidated Financial Report

The Directors of the Company are responsible for:

- the preparation of the Condensed Interim Consolidated Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- such internal control as the Directors determine is necessary to enable the preparation of the Condensed Interim Consolidated Financial Report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the Condensed Interim Consolidated Financial Report

Our responsibility is to express a conclusion on the Condensed Interim Consolidated 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 Condensed Interim Consolidated Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Company's financial position as at 31 December 2018 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.

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

KPMG.

KPMG

R Gambitta
Partner

Perth

12 March 2019