
RED 5 LIMITED

ABN 73 068 647 610

AND CONTROLLED ENTITIES

HALF YEAR FINANCIAL REPORT

31 DECEMBER 2009

CORPORATE DIRECTORY

CONTENTS

BOARD OF DIRECTORS

Colin G Jackson (Chairman)
Gregory C Edwards (Managing Director)
Allen L Govey (Executive Director, Technical)
Peter W Rowe
Gary F Scanlan

Directors' report 2

COMPANY SECRETARY

Frank J Campagna

Auditor's independence declaration 4

REGISTERED OFFICE

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Statement of comprehensive income 5

Statement of financial position 6

Statement of changes in equity 7

Statement of cash flows 8

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Condensed notes to the financial statements 9

Directors declaration 13

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Independent review report 14

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Web-site: www.securitytransfer.com.au

BANKERS

Bank of New Zealand, Australia

AUDITORS

KPMG

SOLICITORS

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

STOCK EXCHANGE LISTING

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

**RED 5 LIMITED
AND CONTROLLED ENTITIES**

DIRECTORS' REPORT

The directors of Red 5 Limited ("Red 5" or "parent entity") present their report on the results and state of affairs of the Group (consisting of Red 5 and its controlled entities) for the half year ended 31 December 2009.

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
Allen Lance Govey
Peter William Rowe
Gary Francis Scanlan

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

RESULTS OF OPERATIONS

The net loss of the Group after provision for income tax was \$600,179 (2008: \$328,888)

REVIEW OF OPERATIONS

Significant progress was made during the period on the technical and financial evaluation and planned development of the Siana gold project in the Philippines, including the approval of a bankable feasibility study, the receipt of key development permits, a capital raising for the equity financing component of project development, the mandating of a banking group to provide project debt financing and the commencement of early infrastructure activities.

A bankable feasibility study for the construction and development of an open pit and underground mining operation at the Siana project was approved by the Board of Directors of Red 5 in July 2009. A Notice to Proceed was awarded by the Philippines Mines and Geosciences Bureau on 20 November 2009. This approval completes the final key Philippine regulatory permit required for the development of the Siana project.

A banking group was awarded the mandate to provide a project financing package of up to US\$40 million for the development of the Siana project, subject to normal due diligence and credit approval processes. Board approval was given for early infrastructure expenditure on the refurbishment of the existing ball mill, the construction of a mine access road and other civil works.

In December 2009, Red 5 raised equity funds of \$44,950,000 before costs, through a share placement of 290,000,000 ordinary shares at an issue price of 15.5 cents per share. The placement was conducted in two tranches with the first tranche of \$15,190,000 completed on 10 December 2009. The second tranche of \$29,760,000 was completed subsequent to the end of the half-year, following shareholder approval on 21 January 2010. Funds raised from the placement will be used as the equity contribution for the development of the Siana project, to carry out further exploration programmes and as additional working capital.

Preliminary exploration activities were carried out on the Mapawa project during the period and a drilling programme commenced in December 2009.

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

Subsequent to shareholder approval at a general meeting of Red 5 held on 21 January 2010, 192,000,000 ordinary shares were issued at 15.5 cents each to raise net proceeds of \$28.17 million.

**RED 5 LIMITED
AND CONTROLLED ENTITIES**

Signed in accordance with a resolution of the directors.

G C Edwards
Managing Director

Perth, Western Australia
15 March 2010



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 2009 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.

A handwritten signature in blue ink, appearing to read 'R Gambitta', written over the printed name.

KPMG

A handwritten signature in blue ink, appearing to read 'R Gambitta', written over the printed name.

R Gambitta
Partner

Perth

15 March 2010

**RED 5 LIMITED
AND CONTROLLED ENTITIES**

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2009**

	NOTE	CONSOLIDATED	
		31.12.09 \$	31.12.08 \$
Amortisation and depreciation expenses		(3,192)	(5,656)
Employee and consultancy expenses		(621,295)	(535,245)
Exploration expenditure written-off		-	(68,052)
Impairment of property, plant and equipment		-	(444,979)
Occupancy expenses		(101,738)	(71,760)
Regulatory expenses		(108,411)	(74,066)
Other expenses		<u>(204,929)</u>	<u>(45,096)</u>
Operating loss before financing income/(expenses)		(1,039,565)	(1,244,854)
Financing income		439,633	1,112,287
Financing expenses		<u>(247)</u>	<u>(196,321)</u>
Loss before income tax expense		(600,179)	(328,888)
Income tax expense		<u>-</u>	<u>-</u>
Net loss after income tax		<u>(600,179)</u>	<u>(328,888)</u>
Movement in Foreign Currency Translation Reserve		<u>(2,751,788)</u>	<u>7,432,507</u>
Total comprehensive income		<u>(3,351,967)</u>	<u>7,103,619</u>
Net loss attributable to owners of the company		<u>(600,179)</u>	<u>(328,888)</u>
Total comprehensive income attributable to owners of the company		<u>(3,351,967)</u>	<u>7,103,619</u>
Basic and diluted earnings/(loss) per share (cents per share)	6	Cents (0.09)	Cents (0.05)

The accompanying notes form part of these financial statements.

**RED 5 LIMITED
AND CONTROLLED ENTITIES**

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2009**

	NOTE	CONSOLIDATED	
		31.12.09	30.06.09
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents		35,343,804	22,453,445
Trade and other receivables		<u>325,569</u>	<u>331,716</u>
TOTAL CURRENT ASSETS		<u>35,669,373</u>	<u>22,785,161</u>
NON-CURRENT ASSETS			
Trade and other receivables		24,306	24,306
Property, plant and equipment		1,315,987	1,319,179
Exploration and evaluation expenditure	3	<u>26,536,226</u>	<u>27,463,063</u>
TOTAL NON-CURRENT ASSETS		<u>27,876,519</u>	<u>28,806,548</u>
TOTAL ASSETS		<u>63,545,892</u>	<u>51,591,709</u>
CURRENT LIABILITIES			
Trade and other payables		1,177,317	267,960
Employee benefits		<u>236,870</u>	<u>144,416</u>
TOTAL CURRENT LIABILITIES		<u>1,414,187</u>	<u>412,376</u>
NON-CURRENT LIABILITIES			
Borrowings		276,635	298,461
Employee benefits		<u>219,401</u>	<u>267,263</u>
TOTAL NON-CURRENT LIABILITIES		<u>496,036</u>	<u>565,724</u>
TOTAL LIABILITIES		<u>1,910,223</u>	<u>978,100</u>
NET ASSETS		<u>61,635,669</u>	<u>50,613,609</u>
EQUITY			
Contributed equity	4	81,595,902	67,221,875
Reserves	5	(3,458,408)	(706,620)
Accumulated losses		<u>(16,501,825)</u>	<u>(15,901,646)</u>
TOTAL EQUITY		<u>61,635,669</u>	<u>50,613,609</u>

The accompanying notes form part of these financial statements.

**RED 5 LIMITED
AND CONTROLLED ENTITIES**

**STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2009**

Consolidated	Attributable to equity holders of the parent entity			
	Issued capital \$	Accumulated losses \$	Reserves \$	Total equity \$
Balance at 1 July 2009	67,221,875	(15,901,646)	(706,620)	50,613,609
Total comprehensive income	-	(600,179)	(2,751,788)	(3,351,967)
Issue of shares (net of costs)	14,374,027	-	-	14,374,027
Balance at 31 December 2009	81,595,902	(16,501,825)	(3,458,408)	61,635,669
Balance at 1 July 2008	67,221,875	(15,562,473)	(3,117,191)	48,542,212
Total comprehensive income	-	(328,888)	7,432,507	7,103,619
At 31 December 2008	67,221,875	(15,891,361)	4,315,316	55,645,830

The accompanying notes form part of these financial statements.

**RED 5 LIMITED
AND CONTROLLED ENTITIES**

**STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2009**

	CONSOLIDATED	
	31.12.09	31.12.08
	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees	(904,563)	(814,617)
Interest received	532,168	896,611
	<u>532,168</u>	<u>896,611</u>
Net cash used in operating activities	<u>(372,395)</u>	<u>81,994</u>
Cash flows from investing activities		
Payments for exploration and evaluation expenditure	(1,724,167)	(3,814,976)
Payments for plant and equipment	-	(2,980)
	<u>-</u>	<u>(2,980)</u>
Net cash from/(used in) investing activities	<u>(1,724,167)</u>	<u>(3,817,956)</u>
Cash flows from financing activities		
Proceeds from issues of shares	15,190,000	-
Payments for share issue expenses	(115,234)	-
	<u>(115,234)</u>	<u>-</u>
Net cash from/(used in) financing activities	<u>15,074,766</u>	<u>-</u>
Net increase/(decrease) in cash held	12,978,204	(3,735,962)
Cash at the beginning of the financial period	22,453,445	30,615,336
Effect of exchange rate fluctuations on cash held	(87,845)	-
	<u>(87,845)</u>	<u>-</u>
Cash at the end of the financial period	<u>35,343,804</u>	<u>26,879,374</u>

The accompanying notes form part of these financial statements.

**RED 5 LIMITED
AND CONTROLLED ENTITIES**

**CONDENSED NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2009**

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

Red 5 Limited (“parent entity”) is a company domiciled in Australia. The interim half year financial report for the six months ended 31 December 2009 comprises the parent entity and its controlled entities (together referred to as the “Group”).

The half year financial report does not include full note disclosure of the type that would be normally included in an annual financial report. The half year financial report should be read in conjunction with the annual financial report as at 30 June 2009. 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 interim financial report has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.

The interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Group as at and for the year ended 30 June 2009.

Accounting Standards not Previously Applied

The Group has adopted the following new and revised Australian Accounting Standards issued by the AASB which are mandatory to apply to the current interim period. Disclosures required by these Standards that are deemed material have been included in this financial report on the basis that they represent a significant change in information from that previously made available.

Presentation of Financial Statements

AASB 101 prescribes the contents and structure of the financial statements. Changes reflected in this financial report include:

- the adoption of a single statement approach to the presentation of the Statement of Comprehensive Income; and
- other financial statements are renamed in accordance with the Standard.

As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. This presentation has been applied in these condensed interim financial statements as of and for the six months period ended on 30 June 2009.

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

Operating Segments

From 1 July 2009, operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by, the group’s chief operating decision maker which, for the Group, is the board of directors. This change in accounting policy is due to the adoption of AASB 8 *Operating Segments*. Previously operating segments were determined and presented in accordance with AASB 114 *Segment Reporting*. The new accounting policy in respect of segment operating disclosures is presented as follows:

Comparative segment information has been re-presented in conformity with the transitional requirements of IFRS 8. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.

**RED 5 LIMITED
AND CONTROLLED ENTITIES**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the Board to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Board include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's head office), head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

ESTIMATES

The preparation of the half year financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these results. 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 were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2009.

**RED 5 LIMITED
AND CONTROLLED ENTITIES**

2. REVENUE AND EXPENSES	CONSOLIDATED	
	31.12.09	31.12.08
	\$	\$
(a) Provision for employee benefits	44,592	117,864
(b) Financing income/(expenses)		
Finance revenue – interest received	417,806	1,112,287
Other financing gains	21,826	-
Interest expense	(247)	(186,348)
Other financing expenses	-	(9,973)
	439,386	915,966

3. EXPLORATION AND EVALUATION EXPENDITURE	CONSOLIDATED	
	31.12.09	30.06.09
	\$	\$
Opening balance	27,463,063	30,231,868
Exploration and evaluation expenditure incurred in current period	1,770,873	1,658,324
Foreign currency translation adjustment	(2,697,710)	4,427,129
Closing Balance	26,536,226	27,463,063

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.

4. CONTRIBUTED EQUITY	CONSOLIDATED	
	31.12.09	30.06.09
	\$	\$
(a) Share capital		
757,288,043 (30 June 2009: 659,288,043) ordinary fully paid shares	81,595,902	67,221,875
(b) Movements in ordinary share capital	Shares	\$
Opening balance 1 July 2009	659,288,043	67,221,875
Share placement at 15.5cents per share on 10 December 2009(net of issue costs)	98,000,000	14,374,027
Balance 31 December 2009	757,288,043	81,595,902

5. RESERVES	CONSOLIDATED	
	31.12.09	30.06.09
	\$	\$
Share based payment reserve	518,520	518,520
Foreign currency translation reserve	(3,976,928)	(1,225,140)
	(3,458,408)	(706,620)

**RED 5 LIMITED
AND CONTROLLED ENTITIES**

	CONSOLIDATED	
	31.12.09	31.12.08
	\$	\$
6. EARNINGS PER SHARE		
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	<u>671,005,434</u>	<u>659,288,043</u>
7. SEGMENT INFORMATION		
The Group is managed primarily on the basis of one operating segment, being exploration and evaluation in the Philippines.		
8. CONTINGENT LIABILITIES		
The consolidated entity had no contingent liabilities as at the annual reporting date and as at the end of the half year period.		
9. 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 2009.		
10. SUBSEQUENT EVENTS		
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 2009. Subsequent to shareholder approval at a general meeting of Red 5 held on 21 January 2010, 192,000,000 ordinary shares were issued at 15.5 cents each to raise net proceeds of \$28.17 million.		

**RED 5 LIMITED
AND CONTROLLED ENTITIES**

DIRECTORS' DECLARATION

In the opinion of the directors of Red 5 Limited:

1. the financial statements and notes set out on page 5 to 12 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 2009 and of its performance, as represented by the results of its operations and cash flows for the half year ended on that date; and
 - (b) complying with Australian Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the parent entity will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors.

G C Edwards
Director

Perth, Western Australia
15 March 2010



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 2009 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

A handwritten signature in blue ink, appearing to read 'R Gambitta', with a stylized flourish at the end.

R Gambitta
Partner

Perth

15 March 2010