
RED 5 LIMITED

ABN 73 068 647 610

AND CONTROLLED ENTITIES

HALF YEAR FINANCIAL REPORT

31 DECEMBER 2017

CORPORATE DIRECTORY

BOARD OF DIRECTORS

Kevin Dundo (Chairman)
Mark Williams (Managing Director)
Ian Macpherson (Non-Executive Director)
Colin Loosemore (Non-Executive Director)

COMPANY SECRETARY

Frank Campagna

REGISTERED OFFICE

Level 2, 35 Ventnor Avenue
West Perth Western Australia 6005

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SHARE REGISTRY

Security Transfer Australia Pty Ltd
770 Canning Highway
Applecross WA 6153

Telephone: 1300 992 916
Facsimile: (61 8) 9315 2233
E-mail: registrar@securitytransfer.com.au
Web-site: www.securitytransfer.com.au

BANKERS

National Australia Bank Limited

AUDITORS

KPMG

SOLICITORS

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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**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 Red 5 and its subsidiaries ("the Group" or the "consolidated entity") for the half year ended 31 December 2017.

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

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

The net loss of the consolidated entity after income tax was \$2,445,915 (2016: loss of \$72,217,028).

REVIEW OF OPERATIONS

In October 2017, Red 5 acquired the Darlot gold mine located approximately 900 kilometres north-east of Perth in Western Australia and the King of the Hills gold project located approximately 80 kilometres south of the Darlot mine.

Red 5 completed a pro-rata rights issue offer to shareholders to raise \$12.7 million to assist in the funding of the initial cash consideration for the purchase of the Darlot mine and for working capital.

Mining operations at the Siana gold project in the Philippines remained suspended. Ongoing activities at Siana include dewatering of the open pit and monitoring of geotechnical issues.

Mining Activities

Following settlement of the acquisition of the Darlot gold mine (refer Business Combinations note 16) on 2 October 2017, Red 5 reported a positive production performance at Darlot operations for the December 2017 quarter, with gold sales of 16,150 ounces at an average sales price of A\$1,663 per ounce and all-in sustaining costs of A\$1,291 per ounce.

Mining activities at the Darlot mine were sourced from multiple working areas including the higher grade CDA Oval workings, located within the Centenary underground mining area. A total of 132,703 tonnes at a grade of 4.17 g/t Au of ore and 7,431 tonnes of waste were moved during the December 2017 period. Ore stockpiles, including low-grade material, at 31 December 2017 were 373,279 tonnes at a grade of 1.2 g/t Au.

The underground mining contract for the King of the Hills mine was awarded to underground mining contractor, Pit N Portal Mining Services, with underground mining commencing in January 2018.

Processing

The Darlot processing plant performed well during the December 2017 quarter with a total of 130,944 tonnes of ore processed for the half-year since acquisition. The average head grade and recovery was 4.21 g/t Au and 94% respectively, resulting in the production of a total of 17,777 ounces of gold.

Exploration

Exploration activities at the Darlot mine focussed on an extensive re-evaluation of historic exploration data and a review of numerous exploration opportunities and ranking of priority targets. Diamond drilling programmes were developed to test potential extensions immediately down plunge and along strike from existing mining areas.

Exploration activities in the Philippines were limited to the completion of two diamond drill holes at the Mapawa project to comply with licence commitments and to progress ongoing feasibility studies on a potential future open pit development at the Mapawa project.

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

On 19 February 2018, the Company announced its intention to make a conditional off-market takeover bid for all of the fully paid ordinary shares in Bullseye Mining Limited. Bullseye shareholders will be offered 1 fully-paid ordinary share in Red 5 for every 5 Bullseye shares they hold. Bullseye currently has 285,553,798 shares on issue. It is an unlisted public company with a Western Australian-based gold portfolio including the Laverton Project, located approximately 30 kilometres to the north of the Darlot Gold Mine, the Southern Cross Gold Project and the Aurora Gold Project.

A bidder's Statement is expected to be sent to shareholders of Bullseye Mining Limited in around late March/early April 2018.

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
13 March 2018



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 2017 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
13 March 2018

RED 5 LIMITED
AND CONTROLLED ENTITIES

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2017

	NOTE	CONSOLIDATED	
		31.12.17	31.12.16
		\$	\$
Revenue		37,484,652	56,290,474
Cost of sales	2(b)	<u>(33,059,919)</u>	<u>(55,221,105)</u>
Gross profit		4,424,733	1,069,369
Other income	2(a)	1,601,475	13,098
Administration and other expenses	2(c)	(4,775,689)	(2,611,459)
Care and maintenance		(2,388,752)	-
Exploration expenditure		(535,452)	(223,102)
Impairment expense	2(d)	<u>-</u>	<u>(70,392,762)</u>
Operating profit / (loss)		(1,673,685)	(72,144,856)
Financing income		17,097	12,631
Financing expenses		<u>(555)</u>	<u>(3,841)</u>
Net financing income		<u>16,542</u>	<u>8,790</u>
Profit / (loss) before income tax expense		(1,657,143)	(72,136,066)
Income tax expense	11	<u>(788,772)</u>	<u>(80,962)</u>
Net profit / (loss) after income tax for the period		(2,445,915)	(72,217,028)
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Movement in foreign currency translation reserve		<u>(399,274)</u>	<u>(3,683,709)</u>
Total other comprehensive income / (loss) for the period		<u>(2,845,189)</u>	<u>(75,900,737)</u>
Net profit / (loss) after income tax attributable to:			
To non-controlling interest		(44,635)	(1,733,209)
To members of parent entity		<u>(2,401,280)</u>	<u>(70,483,819)</u>
		<u>(2,445,915)</u>	<u>(72,217,028)</u>
Total comprehensive profit / (loss) attributable to:			
To non-controlling interest		(54,218)	(1,821,618)
To members of parent company		<u>(2,790,971)</u>	<u>(74,079,119)</u>
		<u>(2,845,189)</u>	<u>(75,900,737)</u>
		Cents	Cents
Basic and diluted profit / (loss) per share (cents per share)	15	(0.24)	(9.25)

The accompanying notes form part of these interim financial statements.

**RED 5 LIMITED
AND CONTROLLED ENTITIES**

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017**

	NOTE	CONSOLIDATED	
		31.12.17	30.06.17
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	3	10,287,843	5,393,463
Trade and other receivables	4	15,090,415	9,298,003
Inventory		<u>16,259,791</u>	<u>13,915,306</u>
TOTAL CURRENT ASSETS		<u>41,638,049</u>	<u>28,606,772</u>
NON-CURRENT ASSETS			
Trade and other receivables	4	3,630,145	3,702,594
Property, plant and equipment	5,16	81,868,161	42,489,004
Mine development	6,16	<u>35,759,918</u>	<u>4,291,715</u>
TOTAL NON-CURRENT ASSETS		<u>121,258,224</u>	<u>50,483,313</u>
TOTAL ASSETS		<u>162,896,273</u>	<u>79,090,085</u>
CURRENT LIABILITIES			
Trade and other payables	8	25,914,670	4,694,572
Income tax payable		2,302,235	-
Provisions	9	1,116,104	1,116,104
Employee benefits	10	<u>4,213,375</u>	<u>118,396</u>
TOTAL CURRENT LIABILITIES		<u>33,546,384</u>	<u>5,929,072</u>
NON-CURRENT LIABILITIES			
Provisions	9	30,969,661	3,692,206
Employee benefits	10	349,465	10,981
Deferred tax liability	11	<u>7,754,298</u>	<u>-</u>
TOTAL NON-CURRENT LIABILITIES		<u>39,073,424</u>	<u>3,703,187</u>
TOTAL LIABILITIES		<u>72,619,808</u>	<u>9,632,259</u>
NET ASSETS		<u>90,276,465</u>	<u>69,457,826</u>
EQUITY			
Contributed equity	12	260,285,824	236,674,602
Other equity		930,285	930,285
Reserves	13	21,499,495	21,836,580
Accumulated losses		<u>(188,715,361)</u>	<u>(186,314,081)</u>
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		<u>94,000,243</u>	<u>73,127,386</u>
Non-controlling interest		<u>(3,723,778)</u>	<u>(3,669,560)</u>
TOTAL EQUITY		<u>90,276,465</u>	<u>69,457,826</u>

The accompanying notes form part of these interim financial statements.

RED 5 LIMITED
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2017

CONSOLIDATED	Attributable to equity holders of the parent entity					
	Issued capital	Other equity	Accumulated losses	Other reserves ⁽ⁱ⁾	Non- controlling interest	Total
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2017	236,674,602	930,285	(186,314,081)	21,836,580	(3,669,560)	69,457,826
Net profit/(loss)			(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	930,285	(188,715,361)	21,499,495	(3,723,778)	90,276,465
Balance at 1 July 2016	236,416,512	930,285	(99,988,195)	35,335,482	(1,226,387)	171,467,697
Net profit/(loss)	-	-	10,676,482	-	262,536	10,939,018
Other comprehensive (loss) / income for the period	-	-	-	2,123,047	52,206	2,175,253
Total comprehensive (loss) / income for the period	-	-	10,676,482	2,123,047	314,742	13,114,271
Shares issued during the period	138,000	-	-	-	-	138,000
Non-controlling interest movement	-	-	-	(21,733)	21,733	-
Issue of employee performance rights	-	-	-	37,542	-	37,542
Balance at 31 December 2016	236,554,512	930,285	(89,311,713)	37,474,338	(889,912)	184,757,510

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

The accompanying notes form part of these interim financial statements.

RED 5 LIMITED
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2017

	CONSOLIDATED	
	31.12.17	31.12.16
	\$	\$
Cash flows from operating activities		
Receipts from sale of gold	36,154,358	35,332,440
Royalties received	1,062,848	-
Payments to suppliers and employees	(28,852,678)	(37,709,574)
Payments for exploration and evaluation	(587,348)	(517,888)
Payments for property and income taxes	-	(1,753,993)
Interest received	16,281	12,560
Interest paid	(555)	(3,841)
Sundry receipts	429,431	13,098
	<u>8,222,337</u>	<u>(4,627,198)</u>
Net cash from / (used in) operating activities		
Cash flows from investing activities		
Payments for plant and equipment	(1,315,185)	(5,681,080)
Payments for mine development	(625,109)	(1,937,940) ⁽ⁱ⁾
Payments for acquisition of King of the Hills assets	(7,000,000)	-
Payments for Darlot, net of cash acquired	(6,742,265)	-
	<u>(15,682,559)</u>	<u>(7,619,020)</u>
Net cash used in investing activities		
Cash flows from financing activities		
Proceeds from issues of shares	12,741,752	-
Payments for share issue transaction costs	(193,031)	-
Net cash from financing activities	<u>12,548,721</u>	<u>-</u>
Net increase / (decrease) in cash held	5,088,499	(12,246,218)
Cash at the beginning of the financial period	5,393,463	18,189,210
Effect of exchange rate fluctuations on cash held	(194,119)	(392,138)
	<u>10,287,843</u>	<u>5,550,854</u>
Cash at the end of the financial period		

- (i) Payments for deferred waste which have been expensed during the period are not classified in investing activities as mine development.

The accompanying notes form part of these interim financial statements.

**RED 5 LIMITED
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**CONDENSED NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2017**

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Red 5 Limited (“parent entity”) is a for profit company domiciled in Australia. The condensed consolidated half year financial report of the Company as at and for the six months ended 31 December 2017 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 2017 are available upon request from the Company’s registered office at Level 2, 35 Ventnor Avenue, West Perth, Western Australia.

Statement of Compliance

The condensed consolidated half year financial report is a general purpose financial report and has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001, and with IAS 34 Interim Financial Reporting.

Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last consolidated annual financial report as at and for the year ended 30 June 2017. 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 2017. 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 condensed consolidated half year financial report was authorised for issue by the parent entity’s Board of Directors on 13 March 2018.

Use of estimates and judgements

The preparation of the condensed consolidated half year financial report in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing the consolidated half year financial report, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated annual financial report as at and for the year ended 30 June 2017.

Going Concern

The financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business. For the half year ended 31 December 2017, the group incurred a loss after tax of \$2,445,915 (2016: loss of \$72,217,028), however had a net working capital surplus of \$8,091,665 (2016: \$41,486,437).

Management have prepared a cash flow forecast for the next twelve months. Key assumptions in the cashflow forecast include:

- Continued suspension of mining operations at the Siana Gold Project.
- Net cash inflows being generated from the Darlot Gold Mine and King of the Hill Gold Project, the latter commencing production after the end of the reporting period.
- Scheduled repayments of deferred consideration (refer note 16) either through a combination of debt funding via a working capital facility, equity raising or sale of assets or a combination thereof.

RED 5 LIMITED
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1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Directors have a reasonable expectation that the cash flow forecasts will be achieved. The Directors believe the Group will be able to continue as a going concern and recognise that:

- Mining operations at the Siana Gold Project are currently suspended which has substantially reduced cash outflows. Gold production may recommence once regulatory approvals are obtained for an amendment to the Environmental Compliance Certificate to enable the construction of a long-term tailings storage facility;
- As at 31 December 2017 the Company had \$21.8 million in cash and in its metal account;
- The Darlot Gold Mine and King of the Hills Gold Project are expected to provide cash flow generation for the Company;
- The Company is continuing a process to obtain potential working capital debt facilities.

**RED 5 LIMITED
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	CONSOLIDATED	
	31.12.17	31.12.16
	\$	\$
2. REVENUE AND EXPENSES		
(a) Other income		
Royalty	1,176,260	-
Other income	425,215	13,098
	<u>1,601,475</u>	<u>13,098</u>
(b) Cost of sales		
Operating costs	(28,199,312)	(21,293,227)
Deferred waste expense	-	(9,831,343)
Depreciation and amortisation	(4,860,607)	(24,096,535)
	<u>(33,059,919)</u>	<u>(55,221,105)</u>
(c) Administration and other expenses		
Superannuation contributions	(70,059)	(102,365)
Other employee and consultancy expenses	(1,608,610)	(1,458,453)
Occupancy costs	(117,279)	(145,127)
Regulatory expenses	(326,954)	(165,381)
Foreign exchange (loss) / gain	(3,672)	167,598
Depreciation	(5,665)	(5,389)
Legal fees	(172,376)	(83,882)
Acquisition related costs	(691,216)	-
Stamp duty on acquisitions	(845,596)	-
Other expenses	(934,262)	(818,460)
	<u>(4,775,689)</u>	<u>(2,611,459)</u>
(d) Impairment		
Mine development (note 6)	-	(70,392,762)
	<u>-</u>	<u>(70,392,762)</u>

**RED 5 LIMITED
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	CONSOLIDATED	
	31.12.17	30.06.17
	\$	\$
3. CASH AND CASH EQUIVALENTS		
Cash at bank	10,287,458	5,393,069
Cash on hand	385	394
	<u>10,287,843</u>	<u>5,393,463</u>
4. TRADE AND OTHER RECEIVABLES		
Current assets		
Interest receivable	2,354	2,281
Prepayments	1,250,342	677,022
Debtors ⁽¹⁾	11,829,474	7,709,386
Sundry debtors	1,148,294	857,780
GST receivable	859,951	51,534
	<u>15,090,415</u>	<u>9,298,003</u>
Non-current assets		
Security deposits	134,883	134,883
VAT receivable	3,495,262	3,567,711
	<u>3,630,145</u>	<u>3,702,594</u>

(1) Debtors of \$11.8 million have increased during the period as a result of significantly higher gold ounces held in the metal account. Subsequent to 31 December 2017, gold bullion held in the metal account is being progressively sold and converted to cash.

5. PROPERTY, PLANT & EQUIPMENT

Plant and equipment – at cost		
Opening balance	87,922,521	87,784,349
Additions ⁽¹⁾	43,946,224	9,482,277
Disposal of plant and equipment	-	(418,576)
Foreign currency translation adjustment	<u>(227,125)</u>	<u>(8,925,529)</u>
Closing Balance	<u>131,641,620</u>	<u>87,922,521</u>

(1) Included in additions are 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 (refer note 16).

Accumulated depreciation		
Opening balance	45,433,516	12,828,430
Depreciation for the period	4,370,648	4,643,199
Impairment	-	29,407,159
Foreign currency translation adjustment	<u>(30,705)</u>	<u>(1,445,271)</u>
Closing balance	<u>49,773,459</u>	<u>45,433,517</u>
Net book value	<u>81,868,161</u>	<u>42,489,004</u>

**RED 5 LIMITED
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	CONSOLIDATED	
	31.12.17	30.06.17
	\$	\$
6. MINE DEVELOPMENT		
(a) Mine Development		
Opening balance	102,879,591	111,569,528
Development expenditure incurred in current period	1,439,855	5,223,807
Mineral rights acquired ⁽¹⁾	30,537,368	-
Foreign currency translation adjustment	<u>(257,199)</u>	<u>(13,913,744)</u>
Closing Balance	<u>134,599,615</u>	<u>102,879,591</u>
Accumulated amortisation		
Opening balance	98,587,876	42,554,875
Amortisation for the period	495,624	2,926,234
Impairment ⁽²⁾	-	65,625,288
Foreign currency translation adjustment	<u>(243,803)</u>	<u>(12,518,521)</u>
Closing balance	<u>98,839,697</u>	<u>98,587,876</u>
Mine development net book value	<u>35,759,918</u>	<u>4,291,715</u>
(b) Deferred mining waste costs		
Opening balance	64,538,070	71,611,128
Foreign currency translation adjustment	<u>(166,667)</u>	<u>(7,073,058)</u>
Closing balance	<u>64,371,403</u>	<u>64,538,070</u>
<i>Accumulated amortisation</i>		
Opening balance	64,538,070	48,792,665
Amortisation for the period	-	16,941,156
Impairment ⁽²⁾	-	4,767,473
Foreign currency translation adjustment	<u>(166,667)</u>	<u>(5,963,224)</u>
Closing balance	<u>64,371,403</u>	<u>64,538,070</u>
Deferred mining waste costs net book value	<u>-</u>	<u>-</u>
Total mine development net book value	<u>35,759,918</u>	<u>4,291,715</u>

(1) Mineral rights of \$4,043,664 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 (refer note 16).

(2) During the previous period, following a review of impairment indicators required under the Accounting Standard AASB136, Impairment of Assets, an impairment expense was recorded for the period in relation to the Siana gold project. During the current year, no impairment of assets was deemed necessary after reviewing the impairment indicators in terms of AASB136.

**RED 5 LIMITED
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	CONSOLIDATED	
	31.12.17	30.06.17
	\$	\$
7. EXPLORATION AND EVALUATION EXPENDITURE		
Opening balance	-	-
Exploration and evaluation expenditure incurred in current period	535,452	1,551,203
Exploration expenditure written off	<u>(535,452)</u>	<u>(1,551,203)</u>
Closing Balance	<u>-</u>	<u>-</u>
8. TRADE AND OTHER PAYABLES		
Creditors and accruals	16,469,405	4,694,572
Deferred considerations relating to acquisitions (refer note 16)	<u>9,445,265</u>	<u>-</u>
	<u>25,914,670</u>	<u>4,694,572</u>
9. PROVISIONS		
Current		
MCC final acquisition	<u>1,116,104</u>	<u>1,116,104</u>
	<u>1,116,104</u>	<u>1,116,104</u>
Non-current		
Rehabilitation provision ⁽¹⁾	29,160,061	1,879,264
Documentary stamp duty	1,305,158	1,308,501
Withholding tax	<u>504,441</u>	<u>504,441</u>
	<u>30,969,661</u>	<u>3,692,206</u>

(1) Rehabilitation provision relating to the acquisitions of Darlot Mining Company Pty Ltd and the King of the Hills amounts to \$14,691,620 and \$12,647,206 respectively (refer note 16).

10. EMPLOYEE BENEFITS

Provision for employee entitlements	
Opening balance	129,377
Increase in provision during the period ⁽¹⁾	<u>4,433,463</u>
Closing balance	<u>4,562,840</u>
Current	4,213,375
Non-current	<u>349,465</u>
	<u>4,562,840</u>

(1) Employee benefits provision has increased following the acquisition of Darlot Mining Company Pty Ltd (refer note 16) by an amount of \$3,488,128.

11. DEFERRED TAX LIABILITY

The deferred tax liability at period end was \$7,754,298. The liability relating to the acquisition of Darlot Mining Company Pty Ltd (refer note 16) at acquisition date amounted to \$9,267,761. The taxation expense of \$788,772 relates to taxation on the profits of Darlot Mining Company Pty Ltd for the period.

**RED 5 LIMITED
AND CONTROLLED ENTITIES**

CONSOLIDATED
31.12.17 **30.06.17**
\$ **\$**

12. CONTRIBUTED EQUITY

(a) Share capital

1,240,693,011 (30 June 2017: 763,826,663) ordinary fully paid shares 260,285,824 236,674,602

(b) Movements in ordinary share capital

	CONSOLIDATED		CONSOLIDATED	
	31 December 2017		30 June 2017	
	Shares	\$	Shares	\$
On issue 1 July	763,826,663	236,674,602	761,581,008	236,554,512
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	1,975,655	120,090
Service rights vested	678,485	-	-	-
Share issue costs	-	(193,030)	-	-
On issue at 31 December	<u>1,240,693,011</u>	<u>260,285,824</u>	<u>763,826,663</u>	<u>236,674,602</u>

13. RESERVES

Foreign currency translation reserve	21,225,033	21,614,725
Defined retirement benefit	64,069	64,069
Share based payment reserve	210,393	157,786
	<u>21,499,495</u>	<u>21,836,580</u>

**RED 5 LIMITED
AND CONTROLLED ENTITIES**

	CONSOLIDATED	
	31.12.17	30.06.17
	\$	\$
14. EXPENDITURE COMMITMENTS		
Commitments in relation to capital expenditure commitments are payable as follows:		
- not later than one year	224,148	50,551
	224,148	50,551
Commitments in relation to operating lease expenditure commitments are payable as follows:		
- not later than one year	482,333	357,460
- later than one year but not later than two years	136,291	149,710
- later than two years but not later than five years	-	61,753
	618,624	568,923
Commitments in relation to contractual expenditure commitments are payable as follows:		
- not later than one year	3,058,709	131,673
- later than one year but not later than two years	-	-
- later than two years but not later than five years	-	-
	3,058,709	131,673
Commitments in relation to tenement expenditure commitments are payable as follows:		
- not later than one year	3,899,398	-
- later than one year but not later than two years	64,317	-
	3,963,715	-
15. EARNINGS PER SHARE		
The weighted average number of ordinary shares on issue are used in the calculation of basic earnings per share. The potential ordinary shares existing at balance date are not dilutive, therefore the diluted earnings per share is equal to basic earnings per share.	999,837,861	761,946,881

16. ACQUISITIONS

a) Acquisition of Darlot Mining Company Pty Ltd

On 2 October 2017 the Group acquired 100% of the shares of Darlot Mining Company Pty Ltd (Darlot) from a subsidiary of Gold Fields Limited.

The acquisition provides the company with immediate production and cash-flow, an extensive strategic footprint in the Leonora-Leinster mineral district of Western Australia and the ability to leverage this position by pursuing a regional consolidation strategy aimed at establishing the Darlot mill as a central processing hub.

The Company has determined that the acquisition of Darlot was a business combination in accordance with AASB 3, Business Combinations, and as such has accounted for it in accordance with this standard using the acquisition method with the Company's wholly owned subsidiary Opus Resources Pty Limited being the acquirer. The Company incurred transaction costs of \$474,965 relating to the acquisition. Transaction costs are expensed in accordance with AASB 3, Business Combinations.

In the three months to 31 December 2017, Darlot contributed revenue of \$27,245,254 and profit after tax of \$2,070,199 to the Group's results.

The following table summarizes the fair value of the consideration paid and the preliminary estimates of the fair values of identified assets acquired and liabilities assumed from Darlot.

**RED 5 LIMITED
AND CONTROLLED ENTITIES**

16. ACQUISITIONS (continued)

	31.12.17
	\$
Purchase consideration:	
Cash	6,742,265
Shares issued (130,000,000 ordinary shares) ⁽¹⁾	6,500,000
Deferred consideration (payable as cash or shares at the seller's option) ^{(2) (3)}	5,199,982
	<u>18,442,247</u>
<p>(1) <i>The fair value of ordinary shares issued was based on the listed share price of the Company at 2 October 2017 of \$0.05 per share.</i></p> <p>(2) <i>The deferred consideration payable for the acquisition of Darlot is payable in the future and has been discounted. The amount payable is \$5.0 million if the seller opts to receive cash due in one or two years from the date of acquisition at the vendor's election.</i></p> <p>(3) <i>If the seller opts to receive shares in Red 5 Ltd, these will be issued at a 15% discount to the volume weighted average price (VWAP) in two years from the date of acquisition.</i></p>	
Fair value of net assets acquired:	
<i>Assets</i>	
Trade and other receivables	81,175
Inventory	9,425,341
Property, plant and equipment	40,155,560
Mineral rights	4,043,664
<i>Liabilities</i>	
Trade and other payables	(7,615,806)
Provisions	(200,178)
Employee benefits	(3,488,128)
Environmental rehabilitation and other provisions	(14,691,620)
Deferred tax liabilities	(9,267,761)
Net assets acquired	<u>18,442,247</u>
Goodwill / Bargain purchase gain	-

Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Inventories – Market comparison technique: the fair value is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

Property, plant and equipment – market value technique using an independent valuer: the valuation model considers market prices for similar items when they are available, and current replacement cost when appropriate. Current replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.

Mineral rights – market comparison technique: the valuation considers the value of the resource acquired to comparative market values of similar resources.

Fair values have been measured on a provisional basis

If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, or any additional provisions that existed at the time, then the accounting for the acquisition will be revised.

RED 5 LIMITED
AND CONTROLLED ENTITIES

16. ACQUISITIONS (continued)

b) Acquisition of King Of The Hills Gold Project

On 2 October 2017 the Group acquired the assets of the King Of The Hills gold project located in the Eastern Goldfields of Western Australia, from Saracen Minerals Holdings Limited.

The acquisition comprises an operational shaft and underground development together with supporting site infrastructure adjacent to the Goldfields Highway and mining centre of Leonora.

The Company has determined that the acquisition of King Of The Hills was an asset acquisition.

The following table summarises the fair value of the consideration paid.

	31.12.17
	\$
Purchase consideration:	
Cash	7,000,000
Shares issued	4,500,000
Deferred consideration (payable as cash or shares at the seller's option)	4,245,283
	15,745,283

17. 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 year with the acquisition of Darlot Mining Company Pty Ltd and King of the Hills, both Australian operations, a new operating segment was added for Australia (refer note 16). The prior year comparatives include the previously reported segments only.

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
	31.12.17	31.12.17	31.12.17	31.12.17
	\$	\$	\$	\$
(i) Segment performance				
Six months ended 31 December 2017				
External revenues	27,245,254	10,239,398	-	37,484,652
Segment profit / (loss) before tax	2,802,176	(1,859,784)	(2,599,534)	(1,657,143)
(ii) Segment position				
As at 31 December 2017				
Segment assets	91,327,131	67,734,614	3,834,528	162,896,273
Segment liabilities	52,650,452	8,089,736	11,879,620 ⁽²⁾	72,619,808

(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. The segment liability includes the deferred consideration payable to the sellers relating to the acquisitions of Darlot and King of the Hills (refer note 16).

**RED 5 LIMITED
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17. SEGMENT INFORMATION (continued)

	Australia 31.12.16 \$	Philippines 31.12.16 \$	Other 31.12.16 \$	Total 31.12.16 \$
(i) Segment performance Six months ended 31 December 2016				
External revenues	-	56,290,474	-	56,290,474
Segment profit / (loss) before tax	-	(70,126,295)	(2,009,771)	(72,136,066)
(ii) Segment position As at 30 June 2017				
Segment assets	-	76,797,519	2,292,566	79,090,085
Segment liabilities	-	9,199,947	432,312	9,632,259

18. 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.

19. INVESTMENTS IN CONTROLLED ENTITIES

Name of controlled entities	Country of incorporation	Class of shares	Equity holding	
			2017 %	2016 %
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	-
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.

20. RELATED PARTIES

Transactions with Directors

Consulting fees of \$28,800 were paid to Ian Macpherson, a non-executive Director of the Company, for the provision of financial advisory and corporate support services during the period in relation to the acquisition of Darlot and Kind of the Hills. The consultancy agreement concluded on 15 September 2017.

**RED 5 LIMITED
AND CONTROLLED ENTITIES**

21. SUBSEQUENT EVENTS

On 19 February 2018, the Company announced its intention to make a conditional off-market takeover bid for all of the fully paid ordinary shares in Bullseye Mining Limited. Bullseye shareholders will be offered 1 fully-paid ordinary share in Red 5 for every 5 Bullseye shares they hold. Bullseye currently has 285,553,798 shares on issue. It is an unlisted public company with a Western Australian-based gold portfolio including the Laverton Project, located approximately 30 kilometres to the north of the Darlot Gold Mine, the Southern Cross Gold Project and the Aurora Gold Project.

A bidder's Statement is expected to be sent to shareholders of Bullseye Mining Limited in around late March/early April 2018.

22. SHARE-BASED PAYMENT ARRANGEMENT

Performance rights granted during the period

Performance rights were offered to the Managing Director during the six months to 31 December 2017. The rights are split into four tranches based on different performance conditions measured over a period commencing 1 July 2017 to the vesting date which is 30 June 2020 if the conditions are met. Details of the performance rights are summarised below:

	Tranche A		Tranche B		Tranche C		Tranche D
Number of performance rights	2,956,000		1,182,400		1,182,400		295,600
Value per right	\$0.037		\$0.042		\$0.042		\$0.042
Valuation per tranche	\$109,372		\$49,661		\$49,661		\$12,415
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	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	50%	Target: 20%	50%	Target: 90%	50%	
	TSR < or equal to Index	nil	Threshold: 15%	25%	Threshold: 95%	25%	
			< 15%	nil	> 95%	nil	

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 2018.

The fair value at grant date of Tranche 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.

**RED 5 LIMITED
AND CONTROLLED ENTITIES**

22. SHARE-BASED PAYMENT ARRANGEMENT (continued)

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

Grant date	20 September 2017
Value of the underlying security at grant date	\$0.05
Exercise price	nil
Dividend yield	nil
Risk free rate	2.15%
Volatility	85%
Performance period (years)	3.00
Commencement of measurement period	1 July 2017
Vest date	30 June 2020
Remaining performance period (years)	2.78

The fair value of the Performance Rights granted during the half year was \$221,109 and the weighted average fair value was \$0.039.

The following unvested performance rights were outstanding at year end:

	CONSOLIDATED	
	31.12.17	30.06.17
	\$	\$
Balance at the start of the period	6,000,000	12,000,000
Granted during the period	5,616,400	-
Vested during the period	-	-
Expired during the period	-	(6,000,000)
Balance at the end of the period	11,616,400	(6,000,000)

Share based payments expense for the period in relation to the performance rights was \$52,606 (2016: \$37,542).

Shares issued

	Grant Date	Vesting Date	Fair Value at Grant Date	Granted	Exercised
			\$		
Non-Executive Director Shares ⁽¹⁾	5-Oct-17	5-Oct-17	22,500	487,013	(487,013)
Non-Executive Director Shares ⁽¹⁾	5-Oct-17	5-Oct-17	18,750	405,844	(405,844)
Non-Executive Director Shares ⁽¹⁾	5-Oct-17	5-Oct-17	21,250	459,957	(459,957)

⁽¹⁾ In accordance with the Non-Executive Directors Share Plan approved by shareholders, Mr Kevin Dundo was issued 487,013 ordinary shares, Mr Colin Loosemore was issued 405,844 ordinary shares and Mr Ian Macpherson was issued 459,957 ordinary shares at a deemed issue price of 4.62 cents in satisfaction of the September 2017 quarter's Directors fees.

Share based payments expense for the shares issued, service and deferred rights was \$62,500 (2016: \$138,000). The fair value is based on observable market share price.

**RED 5 LIMITED
AND CONTROLLED ENTITIES**

DIRECTORS' DECLARATION

In the opinion of the Directors of Red 5 Limited:

1. the condensed consolidated financial statements and notes set out on page 5 to 21 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 2017 and of its performance for the 6 month period 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
13 March 2018



Independent Auditor's Review Report

To the shareholders of Red 5 Limited

Report on the Half-year Financial Report

Conclusion

We have reviewed the accompanying **Half-year 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 Half-year 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 2017 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 **Half-year Financial Report** comprises:

- Consolidated statement of financial position as at 31 December 2017
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the Half-year ended on that date
- Notes 1 to 22 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 Half-year Financial Report

The Directors of the Company are responsible for:

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

Auditor's responsibility for the review of the Half-year Financial Report

Our responsibility is to express a conclusion on the Half-year Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Half-year Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2017 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*.

The KPMG logo is written in a blue, handwritten-style font.

KPMG

A blue handwritten signature, likely of R Gambitta, is written in a cursive style.

R Gambitta
Partner
Perth
13 March 2018