
RED 5 LIMITED

ABN 73 068 647 610

AND CONTROLLED ENTITIES

HALF YEAR FINANCIAL REPORT

31 DECEMBER 2006

CORPORATE DIRECTORY

BOARD OF DIRECTORS

Nicholas J Smith (Chairman)
Gregory C Edwards (Managing Director)
Allen L Govey (Exploration Director)
Colin G Jackson
Peter W Rowe
Gary F Scanlan

COMPANY SECRETARY

Frank J Campagna

REGISTERED OFFICE

Level 2
35 Ventnor Avenue
West Perth Western Australia 6005

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

SHARE REGISTRY

Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross WA 6153

Telephone: (61 8) 9315 2333
Facsimile: (61 8) 9315 2233
E-mail: registrar@securitytransfer.com.au
Web-site: www.securitytransfer.com.au

BANKERS

Bank of New Zealand, Australia

AUDITORS

KPMG

SOLICITORS

Pullinger Readhead Lucas (Australia)
Quisumbing Torres (Philippines)

STOCK EXCHANGE LISTING

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

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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 the consolidated entity (consisting of Red 5 and its controlled entities) for the half year ended 31 December 2006.

DIRECTORS

The names of the directors of Red 5 in office during the course of the financial period and at the date of this report are as follows:

Nicholas James Smith
Gregory Charles Edwards
Allen Lance Govey
Colin George Jackson
Peter William Rowe
Gary Francis Scanlan (appointed on 23 November 2006)

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

RESULTS OF OPERATIONS

The net loss of the consolidated entity after provision for income tax was \$625,189, which primarily represents corporate and overhead running costs for the period.

REVIEW OF OPERATIONS

During the half year ended 31 December 2006 exploration and evaluation activities continued on the Siana gold project located in the Philippines. Comprehensive technical studies on all aspects of the development of the Siana project were undertaken as part of a bankable feasibility study. The results from drilling programmes have identified the potential for an underground extension of gold mineralisation below an open pit operation. Assessment of the underground potential is underway. The consolidated entity purchased a second hand grinding mill plus strategic spares for the Siana project, for a total cost of \$1,744,979 (US\$1,330,000).

Red 5 secured a finance facility of \$2,000,000 from a financial institution. The facility may be drawn down at any time up until 31 March 2007 and can be used to fund the Siana bankable feasibility study and to refinance the purchase of the grinding mill. The facility is repayable on the earlier of 31 December 2008 or project financing for the Siana project. The facility is secured by a fixed and floating charge over the assets of Red 5. As part of the finance facility, Red 5 issued 12,500,000 unlisted options, exercisable at 17 cents each on or before 30 June 2008, to the financial institution.

In September 2006, AngloGold Ashanti Australia Limited gave formal notice of its election to farm-in to and earn an interest in the regional area of the Siana project (excluding the Siana mine development area).

Mr Gary Scanlan was appointed as a non-executive director of Red 5 in November 2006. Mr Scanlan has over 20 years experience in the mining industry preceded by 10 years experience with PricewaterhouseCoopers. His previous roles include Executive General Manager – Finance for Newcrest Mining Limited. Mr Scanlan is currently Managing Director of Castlemaine Goldfields Limited, a gold exploration company based in Victoria.

In December 2006, Red 5 raised \$2.068 million (net of costs) in equity capital through a private share placement of 22,000,000 fully paid shares at a subscription price of 10 cents each, to clients of Shaw Stockbroking Limited.

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

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

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

**RED 5 LIMITED
AND CONTROLLED ENTITIES**

Signed in accordance with a resolution of the directors.

N J Smith
Chairman

Perth, Western Australia
15 March 2007



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 financial half-year ended 31 December 2006 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.

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KPMG

A handwritten signature in cursive script, which appears to read 'B C Fullarton'.

B C Fullarton
Partner

Perth
15 March 2007

**RED 5 LIMITED
AND CONTROLLED ENTITIES**

**INCOME STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2006**

	NOTE	CONSOLIDATED	
		31.12.06 \$	31.12.05 \$
Revenue from continuing operations			
Revenue		-	-
Other revenue		<u>11,969</u>	<u>15,365</u>
Total revenue		11,969	15,365
Expenses			
Amortisation and depreciation expenses		(14,096)	(15,505)
Employee and consultancy expenses		(396,334)	(494,972)
Exploration expenditure written-off		(738)	(6,321)
Occupancy expenses		(60,460)	(56,918)
Regulatory expenses		(70,823)	(82,791)
Other expenses		<u>(115,556)</u>	<u>(116,309)</u>
Operating loss before financing income/(expenses)		(646,038)	(757,451)
Financing income/(expenses)		<u>20,849</u>	<u>207,180</u>
Loss from ordinary activities before income tax expense		(625,189)	(550,271)
Income tax expense		<u>-</u>	<u>-</u>
Net loss after income tax		(625,189)	(550,271)
Attributable to:			
Equity holders of the parent entity		(625,189)	(550,271)
Minority interests		<u>-</u>	<u>-</u>
Net loss after income tax		<u>(625,189)</u>	<u>(550,271)</u>
		Cents	Cents
Basic and diluted loss per share (cents per share)	6	(0.23)	(0.21)

The accompanying notes form part of these financial statements.

**RED 5 LIMITED
AND CONTROLLED ENTITIES**

**BALANCE SHEET
AS AT 31 DECEMBER 2006**

	NOTE	CONSOLIDATED	
		31.12.06	30.06.06
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents		951,859	2,761,504
Trade and other receivables		96,004	81,863
Investments		-	287,850
Prepayments		<u>178,848</u>	<u>-</u>
TOTAL CURRENT ASSETS		<u>1,226,711</u>	<u>3,131,217</u>
NON-CURRENT ASSETS			
Receivables		24,306	25,094
Prepayments		193,752	-
Property, plant and equipment		1,783,412	500,599
Deferred exploration expenditure	3	<u>16,453,938</u>	<u>15,431,936</u>
TOTAL NON-CURRENT ASSETS		<u>18,455,408</u>	<u>15,957,629</u>
TOTAL ASSETS		<u>19,682,119</u>	<u>19,088,846</u>
CURRENT LIABILITIES			
Trade and other payables		523,935	743,356
Provisions		<u>323,942</u>	<u>151,191</u>
TOTAL CURRENT LIABILITIES		<u>847,877</u>	<u>894,547</u>
NON-CURRENT LIABILITIES			
Borrowings		303,970	305,191
Provisions		<u>178,314</u>	<u>307,913</u>
TOTAL NON-CURRENT LIABILITIES		<u>482,284</u>	<u>613,104</u>
TOTAL LIABILITIES		<u>1,330,161</u>	<u>1,507,651</u>
NET ASSETS		<u>18,351,958</u>	<u>17,581,195</u>
EQUITY			
Contributed equity	4	33,728,184	31,272,684
Reserves		(1,193,093)	(133,545)
Accumulated losses		<u>(14,183,133)</u>	<u>(13,557,944)</u>
Total parent entity interest		18,351,958	17,581,195
Minority interests		<u>-</u>	<u>-</u>
TOTAL EQUITY		<u>18,351,958</u>	<u>17,581,195</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 2006**

Consolidated	Attributable to equity holders of the parent entity				Minority interests	Total equity
	Issued capital	Accumulated losses	Other reserves	Total		
	\$	\$	\$	\$	\$	\$
At 1 July 2005	28,981,632	(12,461,203)	(460,329)	16,060,100	200,000	16,260,100
Adjustment on initial adoption of AASB 132 and AASB 139	-	16,002	-	16,002	-	16,002
Loss for the period	-	(550,271)	-	(550,271)	-	(550,271)
Issue of shares for services provided	60,000	-	-	60,000	-	60,000
Issue of shares for additional interest in Siana project	2,171,052	-	-	2,171,052	-	2,171,052
Foreign currency translation reserve	-	-	429,375	429,375	-	429,375
At 31 December 2005	<u>31,212,684</u>	<u>(12,995,472)</u>	<u>(30,954)</u>	<u>18,186,258</u>	<u>200,000</u>	<u>18,386,258</u>
At 1 July 2006	31,272,684	(13,557,944)	(133,545)	17,581,195	-	17,581,195
Loss for the period	-	(625,189)	-	(625,189)	-	(625,189)
Share placement	2,068,000	-	-	2,068,000	-	2,068,000
Issue of options for finance facility	387,500	-	-	387,500	-	387,500
Foreign currency translation reserve	-	-	(1,042,106)	(1,042,106)	-	(1,042,106)
Fair value reserve	-	-	(17,442)	(17,442)	-	(17,442)
At 31 December 2006	<u>33,728,184</u>	<u>(14,183,133)</u>	<u>(1,193,093)</u>	<u>18,351,958</u>	<u>-</u>	<u>18,351,958</u>

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 2006**

	CONSOLIDATED	
	31.12.06	31.12.05
	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees	(630,160)	(540,881)
Interest received	<u>38,020</u>	<u>179,755</u>
Net cash outflow from operating activities	<u>(592,140)</u>	<u>(361,126)</u>
Cash flows from investing activities		
Payments for mineral exploration expenditure	(2,271,155)	(2,089,175)
Payments for plant and equipment	(1,296,727)	(841)
Payments for security deposit	-	(24,306)
Proceeds on sale of investments	<u>282,377</u>	<u>875,379</u>
Net cash outflow from investing activities	<u>(3,285,505)</u>	<u>(1,238,943)</u>
Cash flows from financing activities		
Proceeds from issues of shares	2,200,000	-
Payments for share issue expenses	<u>(132,000)</u>	<u>-</u>
Net cash inflow from financing activities	<u>2,068,000</u>	<u>-</u>
Net decrease in cash held	(1,809,645)	(1,600,069)
Cash at the beginning of the financial period	<u>2,761,504</u>	<u>7,272,775</u>
Cash at the end of the financial period	<u><u>951,859</u></u>	<u><u>5,672,706</u></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 2006**

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION OF THE HALF YEAR FINANCIAL REPORT

The half year consolidated financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001, AASB 134: *Interim Financial Reporting*, IAS 34: *Interim Financial Reporting* and other mandatory professional reporting requirements. 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 2006. 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.

The half year financial report has been prepared on a historical cost basis and is presented in Australian dollars. The financial report was authorised for issue by the directors on the date of signing of the Directors' Report.

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 consolidated entity'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 2006.

Red 5 Limited ("parent entity") is a company domiciled in Australia. The condensed half year financial report for the six months ended 31 December 2006 comprises the parent entity and its controlled entities (together referred to as the "consolidated entity") and the consolidated entities' interests in associated entities.

STATEMENT OF COMPLIANCE

The half year consolidated financial report has been prepared in accordance with AASB 134: *Interim Financial Reporting*, IAS 34: *Interim Financial Reporting* and the Corporations Act 2001.

SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied by the consolidated entity in this consolidated interim financial report are the same as those applied by the consolidated entity in its consolidated financial report as at and for the year ended 30 June 2006.

In the prior financial year the consolidated entity adopted AASB 132: *Financial Instruments: Disclosure and Presentation* and AASB 139: *Financial Instruments: Recognition and Measurement* in accordance with the transitional rules of AASB 1. This change has been accounted for by adjusting the opening balance of retained earnings and reserves as at 1 July 2005, as disclosed in the Statement of Changes in Equity.

FINANCIAL POSITION

The consolidated entity recorded a loss of \$625,189 for the half year ended 31 December 2006 and has net working capital of \$378,834 as at 31 December 2006. In the forthcoming year, the consolidated entity intends to complete a bankable feasibility study on the Siana project and to consider financing and development initiatives.

The financial statements have been prepared on the basis that the consolidated entity will continue to meet its commitments and can therefore continue normal business activities as well as the realisation of assets and settlement of liabilities in the ordinary course of business. In arriving at this position, the directors have considered the following relevant matters:

- a finance facility of \$2,000,000 is available to the parent entity from a financial institution. The facility may be drawn down at any time up until 31 March 2007. Subsequent to period end on 28 February 2007, the parent entity drew down \$1,000,000 of the finance facility. The parent entity intends to draw down the balance of the facility. Interest on the facility may be paid in cash or shares at the parent entity's election. The facility is repayable on the earlier of 31 December 2008 or project financing of the Siana project.
- the directors of the parent entity may investigate further funding initiatives to provide additional working capital.

**RED 5 LIMITED
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The directors believe that at the date of signing the financial report there are reasonable grounds to believe that having regard to the matters set out above, the consolidated entity will either have access to or be able to raise sufficient funds to meet its obligations as and when they fall due.

The financial report does not include any adjustment relating to the recoverability or classification of recorded asset amounts, or to the amounts or classifications of liabilities that might be necessary should the consolidated entity not be able to continue as a going concern.

		CONSOLIDATED	
		31.12.06	31.12.05
		\$	\$
2. REVENUE AND EXPENSES			
(a) Other revenue			
Gain on sale of investments	11,969	15,365	
(b) Provision for employee entitlements	35,731	144,384	
(c) Financing income/(expenses)			
Finance revenue – interest received	38,560	179,755	
Other financing gains	1,221	27,425	
Amortisation of loan establishment fees	(14,900)	-	
Other financing expenses	(4,032)	-	
	<u>20,849</u>	<u>207,180</u>	
3. DEFERRED EXPLORATION EXPENDITURE			
Opening balance	15,431,936	9,051,016	
Acquisition costs	-	2,171,053	
Exploration expenditure incurred in current year	2,064,846	2,246,095	
Exploration expenditure written-off	(738)	(6,321)	
Foreign currency translation adjustment	(1,042,106)	429,375	
	<u>16,453,938</u>	<u>13,891,218</u>	

The ultimate recoupment of deferred exploration expenditure carried forward is dependent upon the successful development and exploitation, or alternatively sale, of the respective areas of interest at an amount greater than or equal to the carrying value.

		CONSOLIDATED	
		31.12.06	30.06.06
		\$	\$
4. CONTRIBUTED EQUITY			
(a) Share capital			
291,288,043 (30.06.06: 269,288,043) ordinary fully paid shares	33,340,684	31,272,684	
12,500,000 (30.06.06: Nil) options over fully paid shares	387,500	-	
	<u>33,728,184</u>	<u>31,272,684</u>	
(b) Movements in ordinary share capital	Shares	\$	
Opening balance 1 July 2006	269,288,043	31,272,684	
Share placement	22,000,000	2,200,000	
Share issue expenses	-	(132,000)	
	<u>291,288,043</u>	<u>33,340,684</u>	

**RED 5 LIMITED
AND CONTROLLED ENTITIES**

4. CONTRIBUTED EQUITY (continued)

(c) Movements in share options	Options	\$
Opening balance 1 July 2006	-	-
Issue of options for finance facility	<u>12,500,000</u>	<u>387,500</u>
Balance 31 December 2006	<u><u>12,500,000</u></u>	<u><u>387,500</u></u>

5. SEGMENT INFORMATION

Business segments

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

Geographical segments	Australia	Philippines	Central Asia	Consolidated
	\$	\$	\$	\$
31 December 2006				
Segment revenue				
Finance and other income	<u>51,750</u>	-	-	<u>51,750</u>
Total segment revenue	<u><u>51,750</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>51,750</u></u>
Segment result	(611,451)	(13,738)	-	(625,189)
Income tax expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net loss	<u><u>(611,451)</u></u>	<u><u>(13,738)</u></u>	<u><u>-</u></u>	<u><u>(625,189)</u></u>
31 December 2005				
Segment revenue				
Finance and other income	<u>222,545</u>	-	-	<u>222,545</u>
Total segment revenue	<u><u>222,545</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>222,545</u></u>
Segment result	(558,714)	8,443	-	(550,271)
Income tax expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net loss	<u><u>(558,714)</u></u>	<u><u>8,443</u></u>	<u><u>-</u></u>	<u><u>(550,271)</u></u>

CONSOLIDATED

31.12.06 **31.12.05**
\$ \$

6. EARNINGS PER SHARE

Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	<u>271,320,652</u>	<u>263,930,277</u>
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The potential ordinary shares existing as at balance date are not dilutive, therefore diluted earnings per share has not been calculated or disclosed.

7. 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.

8. 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 2006.

9. SUBSEQUENT EVENTS

In February 2007, an amount of \$1,000,000 was drawn down from the \$2,000,000 finance facility available to the consolidated entity. Interest on the facility may be paid in cash or shares at the parent entity's election. The facility is secured by a fixed and floating charge over the assets of the parent entity. The facility is repayable on the earlier of 31 December 2008 or project financing of the Siana project.

**RED 5 LIMITED
AND CONTROLLED ENTITIES**

DECLARATION BY DIRECTORS

In the opinion of the directors of Red 5 Limited:

1. the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (a) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2006 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. as set out in Note 1, 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.

N J Smith
Chairman

Perth, Western Australia
15 March 2007



Independent auditor's review report to the members of Red 5 Limited

Report on the Financial Report

We have reviewed the accompanying half-year financial report of Red 5 Limited, which comprises the consolidated interim balance sheet as at 31 December 2006, income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a statement of accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim 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 half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 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.

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 consolidated entity's financial position as at 31 December 2006 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.

A stylized, handwritten signature of the KPMG firm, written in black ink.

KPMG

A handwritten signature in black ink, appearing to read 'B C Fullarton'.

B C Fullarton
Partner

Perth
15 March 2007