RED 5 LIMITED

ABN 73 068 647 610

AND CONTROLLED ENTITIES

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2005

RED 5 LIMITED

ABN 73 068 647 610

CORPORATE DIRECTORY

BOARD OF DIRECTORS

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

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

This financial report covers both Red 5 Limited as an individual entity and the consolidated entity, consisting of Red 5 Limited and its controlled entities. Red 5 Limited is a company limited by shares, incorporated and domiciled in Australia.

A description of the nature of the consolidated entity's operations and principal activities is included in the attached Directors' Report.

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 parent entity and the consolidated entity for the financial year ended 30 June 2005.

DIRECTORS

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

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

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

PRINCIPAL ACTIVITIES

The principal activities of Red 5 and the consolidated entity (which includes the controlled entities of Red 5) during the financial year were mineral exploration and evaluation. There was no significant change in the nature of these activities during the year.

RESULTS OF OPERATIONS

The net loss of the consolidated entity after provision for income tax and outside equity interests was $1,150,803.

REVIEW OF OPERATIONS

During the year the consolidated entity continued to focus on the early development of the Siana gold project located in the Philippines. Exploration and evaluation activities on the Siana project included a comprehensive drilling programme, completion of an engineering scoping study and the commissioning of a pre-feasibility study in October 2004.

A full scale bankable feasibility study is expected to be completed during the next financial year, which will then enable development and financing decisions on the Siana project to be considered.

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

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

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

Red 5 entered into a subscription agreement to earn a 50% interest in Asia Gold Limited by contributing a total of $268,283 (US$200,000) in share capital subscriptions. Asia Gold Limited has a mandate to acquire prospective exploration tenements in the Tien Shan gold belt in Central Asia.

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

DIVIDENDS

No amounts were paid by way of dividend since the end of the previous financial year. The directors do not recommend the payment of a dividend.

LIKELY DEVELOPMENTS

During the course of the next financial year, the consolidated entity will continue its mineral exploration and development activities and will investigate additional resources projects in which the consolidated entity may participate.

In the opinion of the directors there is no additional information available as at the date of this report on any likely developments which may materially affect the operations of the consolidated entity and the expected results of those operations in subsequent years.

OPTIONS GRANTED OVER UNISSUED SHARES

At the date of this report, 2,000,000 ordinary fully paid shares which are subject to options were unissued. These options are exercisable at 60 cents each on or before 31 December 2005.

Details of options issued and exercised during the financial year are contained in Note 16(c) to the financial report.

No person entitled to exercise the options has any right by virtue of the option to participate in any share issue of the parent entity or any other corporation.

SIGNIFICANT CHANGES

Significant changes in the state of affairs of the consolidated entity during the financial year were as follows:

(a) equity funds of $5,487,000 were raised during the year through a private share placement to AngloGold of 31,000,000 ordinary fully paid shares at an issue price of 17.7 cents per share.

(b) a total of 57,526,020 listed and unlisted options lapsed during the year without being exercised.

(c) a pre-feasibility study for the development of the Siana project commenced in October 2004.

EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Significant events which have occurred subsequent to the end of the financial year are set out in Note 31 to the financial report.

INFORMATION ON DIRECTORS

Director	Qualifications, experience and special responsibilities
Nicholas J Smith (Non-Executive Chairman)	LL.B A director since April 2002. Mr Smith is a solicitor with considerable international mining business experience, including 12 years as group general counsel for the Normandy Mining group. Mr Smith operates a corporate consultancy business and specialises in advice on sovereign risk issues in developing countries. Mr Smith is a member of the audit and remuneration committees. Other current directorships: Niquest Limited and Mindax Limited.
Gregory C Edwards (Managing Director)	B.Sc. (Hons), MAusIMM A director since November 2001. Mr Edwards is a geologist with 20 years experience. He has a broad gold and base metals exploration and development background, spending 13 years with the Normandy Mining group, holding various positions including Exploration Manager – Western Australia and Manager – Business Analysis, where he focussed on commercial evaluations of potential project and corporate acquisitions. Mr Edwards has not held directorships in any other listed companies in the last 3 years.
Allen L Govey (Exploration Director)	B.Sc. (Hons), M.Sc., MAusIMM A director since November 2001. Mr Govey is a senior geologist with wide ranging exploration and mining geology experience within Australia and Indonesia. He has been involved with the successful exploration and mining of Archean lode gold deposits for the last 16 years. Mr Govey spent 12 years with the Normandy Mining group, including as Principal Geologist responsible for project generation and evaluation of new business opportunities within Western Australia. Mr Govey has not held directorships in any other listed companies in the last 3 years.

Colin G Jackson (Non-Executive Director)	M.Sc., B.Sc. (Hons), DIC, Grad.Dip. Bus. Admin. A director since December 2003. Mr Jackson graduated as a mineral process design engineer and spent 10 years with Selection Trust Limited and RGC Group, followed by a 12 year finance career with McIntosh Securities Limited and 10 years corporate/communications responsibility with Newcrest Mining and Normandy Mining. He is a member of the finance/taxation committee of the Australian Gold Council. Mr Jackson is chairman of the audit and remuneration committees. Other current directorships: Nustar Mining Corporation Limited (since December 2003) and Terramin Australia Limited (since August 2003).
Peter W Rowe (Non-Executive Director)	B.Sc. (Chem Eng), FAusIMM, MAICD A director since October 2004. Mr Rowe spent 20 years with Anglo American and De Beers in South Africa before moving to Australia. He has held a number of senior managerial positions in Australia, including Project Director of the Kalgoorlie Super Pit (Fimiston) expansion and General Manager of the Boddington Gold Mine and of the Boddington Expansion Project. Mr Rowe is currently Head of AngloGold Ashanti Australia Limited. He is also the current chairman of the Australian Gold Council and is a director of AMMA, the Minerals Council of Australia and Integrated Seismic Systems (Pacific). Mr Rowe is a member of the audit committee.

Information on Company Secretary

Frank J Campagna B.Bus (Acc), CPA
Company Secretary of Red 5 since June 2002. Mr Campagna is a Certified Practicing Accountant with over 20 years experience as Company Secretary, Financial Controller and Commercial Manager for listed resources and industrial companies. He presently operates a corporate consultancy practice which provides corporate secretarial and advisory services to both listed and unlisted companies.

Details of directors' interests in the securities of the parent entity as at the date of this report are as follows:

Director	Fully paid shares	Unlisted options
N J Smith	509,500	2,000,000
G C Edwards	7,500,000	-
A L Govey	6,876,500	-
C G Jackson	225,000	-
P W Rowe	-	-

Mr Rowe is a director of AngloGold Ashanti Australia Limited (AngloGold) which owns 37,833,945 fully paid shares in Red 5. Under the terms of a subscription agreement with AngoGold, for a period of two years from October 2004 and provided that AngloGold retains a minimum 12% interest, Red 5 must give AngloGold an opportunity to participate in any issue of shares or securities on the same terms as any third party participation, to the extent necessary for AngloGold to maintain its percentage interest in the share capital of Red 5.

MEETINGS OF DIRECTORS

The number of meetings of the Board of Directors of Red 5 and of each Board committee held during the year ended 30 June 2005 and the number of meetings attended by each director are as follows:

	Board meetings		Meetings of committees held and attended	
	Number held	Number attended	Audit	Remuneration
N J Smith	6	6	2	1
G C Edwards	6	6	-	-
A L Govey	6	6	-	-
C G Jackson	6	6	2	1
P W Rowe (appointed on 22 October 2004)	2	2	-	-

Mr Rowe was appointed as an additional member of the audit committee on 24 May 2005. No meetings of the audit committee were held between that date and the end of the financial year.

REMUNERATION REPORT

This report sets out the current remuneration arrangements for directors and executives of Red 5.

Principles used to determine the nature and amount of remuneration

Directors and executives remuneration
Overall remuneration policies are determined by the Board and are adapted to reflect competitive market and business conditions where it is in the interests of the Company and shareholders to do so. Within this framework, the remuneration committee considers remuneration policies and practices generally, and determines specific remuneration packages and other terms of employment for executive directors and senior management. Executive remuneration and other terms of employment are reviewed annually by the committee having regard to performance, relevant comparative information and independent expert advice.

Red 5's remuneration policy for executive directors and senior management is designed to promote superior performance and long term commitment to Red 5. Remuneration packages are set at levels that are intended to attract and retain executives capable of managing the consolidated entity's Australian and overseas operations. Executive directors receive a base remuneration which is market related, together with performance based remuneration linked to the achievement of pre-determined milestones and targets.

Red 5's remuneration policies are designed to align executive's remuneration with shareholders' interests and to retain appropriately qualified executive talent for the benefit of the Company. The main principles of the policy are:

- reward reflects the competitive market in which the Company operates;
- individual reward should be linked to performance criteria; and
- executives should be rewarded for both financial and non-financial performance.

The structure of remuneration packages for executive directors and other senior executives comprises:

- a fixed sum base salary payable monthly in cash;
- short term incentives through eligibility to participate in a performance bonus plan if appropriate;
- long term incentives through executive directors being eligible to participate in share option schemes with the prior approval of shareholders. Other executives may also participate in employee share option schemes, with any option issues generally being made in accordance with thresholds set in plans approved by shareholders. The Board considers it appropriate to retain the flexibility to issue options to executives outside of approved employee option plans in appropriate circumstances; and
- other benefits, including participation in superannuation schemes.

The proportion of fixed and variable remuneration is established for each executive director by the remuneration committee. The objective of short term incentives is to link achievement of Red 5's operational targets with the remuneration received by executives charged with meeting those targets. The objective of long term incentives is to reward executives in a manner which aligns this element of their remuneration with the creation of shareholder wealth.

Performance incentives may be offered to executive directors and senior management of Red 5 through the operation of performance bonus schemes. Performance and completion bonuses based on a percentage of annual salary are payable upon achievement of agreed operational milestones and targets.

Non-executive directors' remuneration
In accordance with current corporate governance practices, the structure for the remuneration of non-executive directors and senior executives is separate and distinct. Shareholders approve the maximum aggregate remuneration for non-executive directors. The remuneration committee recommends the actual payments to directors and the Board is responsible for ratifying any recommendations. The Board approves any consultancy arrangements for non-executive directors who provide services outside of and in addition to their duties as non-executive directors.

Non-executive directors are entitled to statutory superannuation benefits. The Chairman is also entitled to a retirement allowance to a maximum of three years directors fees.

Non-executive directors may be entitled to participate in equity based remuneration schemes. Shareholders must approve the framework for any equity based compensation schemes and if a recommendation is made for a director to participate in an equity scheme, that participation must be specifically approved by the shareholders.

All directors are entitled to have their indemnity insurance paid by the Company.

Details of remuneration
Details of the nature and amount of each element of the emoluments of each director of Red 5 and each of the officers receiving the highest emoluments are as follows:

	Primary		Post-employment		Other	
Name	Salary and directors fees	Consulting fees	Superannuation	Retirement benefits provided for	Insurance premiums	Total
	$	$	$	$	$	$
Directors						
Executive directors						
G C Edwards	261,564	-	20,001	-	4,884	286,449
A L Govey	187,044	-	15,000	-	4,884	206,928
Non-executive directors						
N J Smith	40,000	91,050	3,600	40,000	4,884	179,534
C G Jackson	25,000	117,150	2,250	-	4,884	149,284
P W Rowe	16,667	-	-	-	4,884	21,551
Other executives						
F J Campagna	-	60,325	-	-	-	60,325

Salary and directors fees includes amounts for provisions for annual and long service leave of $61,561 for Mr Edwards and $37,044 for Mr Govey. Remuneration for Mr Rowe is from date of appointment as a director on 22 October 2004. Other than directors of Red 5, there were no other executive officers of the consolidated entity during the year, with the exception that the company secretary is deemed to be an executive by virtue of being an officer of the parent entity.

Information on any benefits received by directors of Red 5 by reason of a contract made by the consolidated entity with a director or a director-related entity are contained in Note 20 of the financial report.

During the financial year, Red 5 paid premiums (other benefits) of $24,420 to insure the directors and other officers of the consolidated entity. The liabilities insured are for costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the consolidated entity.

Service agreements
The terms of employment for executive and non-executive directors are formalised in service agreements. Major provisions of the agreements relating to duration and termination are set out below.

G C Edwards – Managing Director
Term of agreement: 3 years from 1 July 2004.
Remuneration: base salary plus 10% superannuation contributions, to be reviewed annually by the remuneration committee.
Performance bonus: up to 25% of annual salary upon the achievement of agreed milestones and targets. Completion bonus of 25% of annual salary at the completion of the service agreement.
Termination provisions: payment upon early termination by the Company (other than for unsatisfactory performance, gross misconduct or long term incapacity) equal to the annual salary.

A L Govey – Exploration Director
Term of agreement: 3 years from 1 July 2004.
Remuneration: base salary plus 10% superannuation contributions, to be reviewed annually by the remuneration committee.
Performance bonus: up to 25% of annual salary upon the achievement of agreed milestones and targets. Completion bonus of 25% of annual salary at the completion of the service agreement.
Termination provisions: payment upon early termination by the Company (other than for unsatisfactory performance, gross misconduct or long term incapacity) equal to the annual salary.

Share-based compensation

The Board has adopted the Red 5 Employee Option Plan (Plan). The primary purposes of the Plan are to increase the motivation of employees, promote the retention of employees, align employee interests with those of Red 5 and its shareholders and to reward employees who contribute to the growth of Red 5. At the annual general meeting held on 24 November 2004, shareholders authorised the issue of options under the Plan. To date, no options have been issued under the Plan.

NON-AUDIT SERVICES

During the year, Red 5's external auditors, KPMG, has provided other services in addition to its statutory audit function. Non-audit services provided by the external auditors comprise $11,000 for tax and corporate structuring advice. Further details of remuneration of the auditors are set out in Note 21.

The Board has considered the non-audit services provided during the year and is satisfied that the provision of those services is compatible with the general standard of independence for auditors imposed by the Corporations Act and did not compromise the auditor independence requirements of the Corporations Act, for the following reasons:

- all non-audit services were subject to the corporate governance guidelines adopted by Red 5;
- non-audit services have been reviewed by the audit committee to ensure that they do not impact the impartiality or objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in Professional Statement F1, Professional Independence, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity, acting as an advocate for Red 5 or jointly sharing economic risks and rewards.

A copy of the auditors' 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.

ENVIRONMENTAL REGULATIONS

The consolidated entity is subject to significant environmental regulation in respect to its mineral exploration activities. These obligations are regulated under relevant government authorities within Australia and overseas. The consolidated entity is a party to exploration and development licences and has beneficial interests in mineral production sharing agreements. Generally, these licences and agreements specify the environmental regulations applicable to exploration and mining operations in the respective jurisdictions. The consolidated entity aims to ensure that it complies with the identified regulatory requirements in each jurisdiction in which it operates.

Compliance with environmental obligations is monitored by the Board of Directors. No environmental breaches have been notified to the consolidated entity by any government agency during the year ended 30 June 2005.

Signed in accordance with a resolution of the directors.

N J Smith
Chairman

Perth, Western Australia
28 September 2005

Lead Auditor's Independence Declaration under Section 307C of the Corporation Act 2001

To: the directors of Red 5 Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2005 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

B C Fullarton
Partner

Perth

28 September 2005

RED 5 LIMITED
AND CONTROLLED ENTITIES

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2005

	NOTE	CONSOLIDATED 2005 $	CONSOLIDATED 2004 $	PARENT ENTITY 2005 $	PARENT ENTITY 2004 $
Revenue from ordinary activities		473,281	250,154	473,281	250,154
Revenue from outside operating activities		71,768	2,065,000	71,768	2,065,000
Total revenue	2	545,049	2,315,154	545,049	2,315,154
Carrying value of investment and loans to controlled entity sold		-	-	-	1,932,073
Carrying value of mineral tenements sold		-	1,977,396	-	292,399
Depreciation expenses		24,014	12,436	24,014	12,436
Employee and consultancy expenses		810,713	725,744	810,713	725,744
Exploration expenditure written-off		181,165	54,238	43,408	23,790
Insurance expenses		56,744	54,311	56,744	54,311
Occupancy expenses		75,960	63,630	75,960	63,630
Provision for diminution in investments		361,255	-	361,255	-
Provision for non-recovery of loans		-	-	1,452	30,448
Regulatory expenses		86,277	123,786	86,277	123,786
Other expenses from ordinary activities		168,007	105,013	168,007	105,013
Loss from ordinary activities before income tax expense	3	(1,219,086)	(801,400)	(1,082,781)	(1,048,476)
Income tax expense	4	-	-	-	-
Net loss from ordinary activities after income tax		(1,219,086)	(801,400)	(1,082,781)	(1,048,476)
Net loss attributable to outside equity interests		68,283	-	-	-
Net loss attributable to members of Red 5 Limited		(1,150,803)	(801,400)	(1,082,781)	(1,048,476)
Transfer from option premium reserve		-	640,590	-	640,590
Total changes in equity other than those resulting from transactions with owners as owners		(1,150,803)	(160,810)	(1,082,781)	(407,886)

		Cents	Cents
Basic and diluted earnings/(loss) per share	30	(0.48)	(0.44)

The accompanying notes form part of these financial statements.

RED 5 LIMITED
AND CONTROLLED ENTITIES

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2005

	NOTE	CONSOLIDATED 2005 $	CONSOLIDATED 2004 $	PARENT ENTITY 2005 $	PARENT ENTITY 2004 $
CURRENT ASSETS					
Cash assets	5	7,272,775	8,097,035	7,187,780	7,998,404
Receivables	6	99,744	58,410	99,744	58,410
Other financial assets	7	1,130,422	1,205,000	1,130,422	1,205,000
TOTAL CURRENT ASSETS		8,502,941	9,360,445	8,417,946	9,261,814
NON-CURRENT ASSETS					
Receivables	8	-	-	8,850,413	3,627,442
Other financial assets	9	-	90,234	603,823	425,774
Property, plant and equipment	10	74,967	53,811	74,967	53,811
Deferred exploration expenditure	11	9,530,900	3,892,450	5,776	4,194
TOTAL NON-CURRENT ASSETS		9,605,867	4,036,495	9,534,979	4,111,221
TOTAL ASSETS		18,108,808	13,396,940	17,952,925	13,373,035
CURRENT LIABILITIES					
Payables	12	769,250	793,305	769,250	793,305
Provisions	13	87,885	57,002	87,885	57,002
TOTAL CURRENT LIABILITIES		857,135	850,307	857,135	850,307
NON-CURRENT LIABILITIES					
Borrowings	14	322,846	322,846	-	-
Provisions	15	188,843	80,000	188,843	80,000
TOTAL NON-CURRENT LIABILITIES		511,689	402,846	188,843	80,000
TOTAL LIABILITIES		1,368,824	1,253,153	1,045,978	930,307
NET ASSETS		16,739,984	12,143,787	16,906,947	12,442,728
EQUITY					
Contributed equity	16	28,981,632	23,434,632	28,981,632	23,434,632
Accumulated losses	17	(12,441,648)	(11,290,845)	(12,074,685)	(10,991,904)
Total parent entity interest		16,539,984	12,143,787	16,906,947	12,442,728
Outside equity interests	18	200,000	-	-	-
TOTAL EQUITY	19	16,739,984	12,143,787	16,906,947	12,442,728

The accompanying notes form part of these financial statements.

RED 5 LIMITED
AND CONTROLLED ENTITIES

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2005

	NOTE	CONSOLIDATED 2005 $	CONSOLIDATED 2004 $	PARENT ENTITY 2005 $	PARENT ENTITY 2004 $
Cash flows from operating activities					
Payments to suppliers and employees		(1,086,801)	(882,462)	(1,086,801)	(882,462)
Interest received		473,281	250,154	473,281	250,154
Net cash outflow from operating activities	28	(613,520)	(632,308)	(613,520)	(632,308)
Cash flows from investing activities					
Payments for controlled entities, net of cash acquired		(106,754)	-	(107,015)	-
Payments for mineral exploration expenditure		(5,327,026)	(2,322,688)	(46,609)	(99,072)
Payments for plant and equipment		(49,051)	(42,092)	(49,051)	(42,092)
Payments for purchase of investments		(286,677)	(87,831)	(286,677)	(87,831)
Payments for purchase of mining tenements		-	(79,023)	-	-
Proceeds on disposal of controlled entity		-	500,000	-	500,000
Proceeds on sale of investments		71,768	-	71,768	-
Proceeds on sale of mineral tenements		-	365,000	-	365,000
Proceeds on security deposits returned		-	17,000	-	17,000
Net cash (outflow)/inflow from investing activities		(5,697,740)	(1,649,634)	(417,584)	653,005
Cash flows from financing activities					
Proceeds from issues of shares		5,487,000	10,176,300	5,487,000	10,176,300
Payments for share issue expenses		-	(185,157)	-	(185,157)
Loans to controlled entities		-	-	(5,266,520)	(2,231,492)
Repayment of loans by other corporation		-	20,000	-	20,000
Net cash inflow from financing activities		5,487,000	10,011,143	220,480	7,779,651
Net (decrease)/increase in cash held		(824,260)	7,729,201	(810,624)	7,800,348
Cash at the beginning of the financial year		8,097,035	367,834	7,998,404	198,056
Cash at the end of the financial year	5	7,272,775	8,097,035	7,187,780	7,998,404
Non-cash financing and investing activities	29				

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION OF THE FINANCIAL REPORT

This financial report is a general purpose financial report which has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The financial report has been prepared on an accruals basis and is based on historical cost and does not take into account changing money values or, except where stated, fair values of non-current assets.

Cost is based on the fair values of the consideration given in exchange for assets. Accounting policies adopted are consistent with those applied in the previous financial year, except as specifically noted.

1.2 PRINCIPLES OF CONSOLIDATION

The consolidated financial report incorporates the assets and liabilities of all entities controlled by Red 5 Limited ("parent entity") as at 30 June 2005 and the results of all controlled entities for the year then ended. Red 5 Limited and its controlled entities together are referred to in this financial report as the consolidated entity. A list of controlled entities appears in Note 27. The effects of all transactions between entities in the consolidated entity are eliminated in full.

Where control of an entity is obtained during a financial year, its results are included only from the date upon which control commences. Where control of an entity ceases during a financial year, its results are included for that part of the year during which control existed. Outside interests in equity and results of the entities which are controlled by the consolidated entity are shown as a separate item in the consolidated financial statements.

1.3 INVESTMENTS

Investments classified as current assets represent securities in listed companies purchased for resale and are valued at the lower of cost or net realisable value as at balance date.

Investments classified as non-current assets represent securities in listed and unlisted companies acquired as investments and are shown at cost except where in the opinion of the directors there has been a permanent diminution in value, in which case the investments are written down to their recoverable amount.

1.4 INCOME TAX

Tax effect accounting procedures are followed whereby the income tax expense in the statement of financial performance is matched with the accounting profit or loss, after allowing for permanent differences. Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt, or if relating to tax losses, when realisation is virtually certain. Income tax on net cumulative timing differences is set aside to the deferred income tax and future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse.

Tax consolidation legislation

Following a review of the impact of the tax consolidation legislation on the consolidated entity, the parent entity and its wholly-owned Australian controlled entities have elected not to be taxed as a single entity as from the transitional income tax year ended 30 June 2004. Accordingly, there is no financial effect in the financial statements for the year ended 30 June 2005.

1.5 EXPLORATION AND EVALUATION EXPENDITURE

Exploration and evaluation costs are accumulated in respect of each separate area of interest.

Exploration and evaluation costs for each area of interest are carried forward where rights of tenure of the area of interest are current and the costs are expected to be recouped through the successful development and exploitation of the area of interest, or by its sale, or where exploration and evaluation 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 and active and significant operations in relation to the area are continuing.

When an area of interest is abandoned or the directors decide that it is not commercial, any accumulated costs in respect of that area are written off in the financial year in which the decision is made. Each area of interest is reviewed at the end of each accounting period and accumulated expenditure is written off to the extent that it is considered that the costs will not be recoverable in the future.

1.6 PROPERTY, PLANT AND EQUIPMENT

All assets acquired, including property, plant and equipment and intangibles other than goodwill, are initially recorded at their cost of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition. When equity instruments are issued as consideration, their market price at the date of acquisition is used as fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity subject to the extent of proceeds received, otherwise expensed.

1.7 DEPRECIATION

Depreciation is calculated using a combination of the prime cost and diminishing value methods, to write off the net cost of each item of plant and equipment over its expected useful life to the consolidated entity. The expected useful lives of plant and equipment are between 3 and 13 years.

1.8 RECOVERABLE AMOUNT

Where the carrying value of an individual non-current asset, other than exploration and evaluation expenditure, is greater than its recoverable amount, the asset is written down to its recoverable amount. The directors review the carrying values of non-current assets at each year end and in determining recoverable amount, the expected net cash flows are not discounted to their present values.

1.9 FOREIGN CURRENCY TRANSACTIONS

Foreign currency transactions are initially translated into Australian currency at the rate of exchange at the date of the transaction. At balance date, amounts payable or receivable which are denominated in foreign currencies are translated into Australian currency at the rates of exchange prevailing on that date. Exchange differences relating to monetary items are included in the statement of financial performance as exchange gains or losses in the period when the exchange rates change.

1.10 EMPLOYEE ENTITLEMENTS

Provision for employee entitlements represents the amount which the consolidated entity has a present obligation to pay resulting from employees' service provided up to the balance date. The provision is based on remuneration rates including related on-costs and is measured using undiscounted amounts expected to be paid when the liability is settled.

1.11 EARNINGS PER SHARE

Basic earnings per share is determined by dividing net operating results after income tax attributable to members of the parent entity, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to potential ordinary shares.

1.12 GOODS AND SERVICES TAX

Revenues, expenses and assets are recognised net of goods and services tax (GST), except where the amount of GST incurred is not recoverable. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable or payable is included as a current asset or liability in the statement of financial position. Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable or payable are classified as operating cash flows.

1.13 CASH

For the purposes of the statement of cash flows, cash includes deposits at call which are readily convertible to cash on hand and which are used in the cash management function on a day to day basis, net of outstanding bank overdrafts.

	CONSOLIDATED		PARENT ENTITY	
	2005	2004	2005	2004
	$	$	$	$
2. REVENUE				
(a) Revenue from ordinary activities				
- interest received	473,281	250,154	473,281	250,154
(b) Revenue from outside operating activities				
- proceeds on sale of investments	71,768	-	71,768	-
- proceeds on sale of controlled entity	-	1,700,000	-	1,700,000
- proceeds on sale of mineral tenements	-	360,000	-	360,000
- option fees on mineral tenements	-	5,000	-	5,000
	71,768	2,065,000	71,768	2,065,000
	545,049	2,315,154	545,049	2,315,154
3. LOSS FROM ORDINARY ACTIVITIES				
Loss from ordinary activities before income tax expense includes the following specific net gains and expenses:				
Net gains				
Interest received - other corporations	473,281	250,154	473,281	25,0154
Profit on sale of investments	71,768	-	71,768	-
Profit on sale of mineral tenements	-	82,604	-	67,601
Expenses				
Deferred exploration expenditure written-off	181,165	54,238	43,408	23,790
Depreciation of property, plant and equipment	24,014	12,436	24,014	12,436
Provision for employee entitlements	139,726	105,930	139,726	105,930
Provision for non-recovery of loans	-	-	1,452	30,448
Rental and outgoings relating to operating lease	78,881	52,865	78,881	52,865
Individually significant items				
Expenses				
Provision for diminution in investments	361,255	-	361,255	-
Loss on sale of controlled entity	-	-	-	232,073
4. INCOME TAX				
The difference between income tax expense provided in the financial statements and the prima facie income tax expense is reconciled as follows:				
Operating loss	(1,219,086)	(801,400)	(1,082,781)	(1,048,476)
Prima facie tax benefit at 30%	(365,726)	(240,420)	(324,834)	(314,542)
Tax effect of permanent differences:				
Exploration expenditure written-off	53,914	16,271	13,022	7,137
Provision for diminution in investments	108,377	-	108,377	-
Non-deductible expenses	7,398	16,997	7,397	16,997
Gain arising on option premiums	-	192,177	-	192,177
Other deductible items	2,192	(5,583)	2,628	(3,949)
	(193,845)	(20,558)	(193,410)	(102,180)

	CONSOLIDATED		PARENT ENTITY	
	2005	**2004**	**2005**	**2004**
	$	**$**	**$**	**$**
Timing differences not brought to account	46,553	44,813	46,553	44,813
Prior year losses brought to account	-	(25,889)	-	-
Current year tax losses not brought to account	147,292	1,634	146,857	57,367
Income tax expense	-	-	-	-
Income tax provision	-	-	-	-
The directors estimate that the potential future income tax benefit in respect of tax losses not brought to account is:	639,992	2,469,257	607,908	2,106,998

The potential benefit of tax losses has not been brought to account in this financial report as realisation of the benefit cannot be regarded as being virtually certain.

The potential future income tax benefit will be obtainable by the consolidated entity only if:

(a) the consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit of the deductions for the loss to be realised;

(b) the consolidated entity complies with the conditions for deductibility imposed by income tax law; and

(c) no changes in income tax legislation adversely affects the consolidated entity in realising the benefit of the deduction for the loss.

	CONSOLIDATED		PARENT ENTITY	
	2005	**2004**	**2005**	**2004**
	$	**$**	**$**	**$**
CURRENT ASSETS				
5. CASH ASSETS				
Cash at bank	97,566	141,441	12,832	42,810
Cash on deposit	7,174,748	7,955,394	7,174,748	7,955,394
Cash on hand	461	200	200	200
	7,272,775	8,097,035	7,187,780	7,998,404
6. RECEIVABLES				
Sundry debtors - other corporations	99,744	58,410	99,744	58,410
	99,744	58,410	99,744	58,410
7. OTHER FINANCIAL ASSETS				
Quoted investments – at cost				
Shares in other corporations	1,491,677	1,255,000	1,491,677	1,255,000
Less provision for diminution	(361,255)	(50,000)	(361,255)	(50,000)
	1,130,422	1,205,000	1,130,422	1,205,000
Market value of investments quoted on prescribed stock exchange as at 30 June 2005				
- shares in other corporations	1,130,422	2,039,553	1,130,422	2,039,553

	CONSOLIDATED		PARENT ENTITY	
	2005	2004	2005	2004
	$	$	$	$
NON-CURRENT ASSETS				
8. RECEIVABLES				
Unsecured loans - wholly owned controlled entities	-	-	10,945,089	5,720,666
Provision for doubtful recovery	-	-	(2,094,676)	(2,093,224)
	-	-	8,850,413	3,627,442

Unsecured loans to controlled entities are interest free and have no fixed terms of repayment.

	CONSOLIDATED		PARENT ENTITY	
	2005	2004	2005	2004
9. OTHER FINANCIAL ASSETS				
Unquoted investments - at cost	-	90,234	-	90,234
Shares in controlled entities - at cost	-	-	1,203,823	935,540
Less provision for diminution	-	-	(600,000)	(600,000)
	-	-	603,823	335,540
	-	90,234	603,823	425,774
10. PROPERTY, PLANT AND EQUIPMENT				
Office furniture and equipment - at cost				
Opening balance	79,753	37,661	79,753	37,661
Additions	49,051	42,092	49,051	42,092
Plant and equipment written-off	(7,314)	-	(7,314)	-
Closing balance	121,490	79,753	121,490	79,753
Accumulated depreciation				
Opening balance	25,942	13,506	25,942	13,506
Depreciation for the year	24,014	12,436	24,014	12,436
Plant and equipment written-off	(3,433)	-	(3,433)	-
Closing balance	46,523	25,942	46,523	25,942
Net book value	74,967	53,811	74,967	53,811
11. DEFERRED EXPLORATION EXPENDITURE				
Opening balance	3,892,450	3,036,213	4,194	307,219
Acquisition costs	-	79,023	-	-
Exploration expenditure incurred in current year	5,473,157	2,808,848	44,990	13,164
Exploration expenditure written-off	(181,165)	(54,238)	(43,408)	(23,790)
Carrying value of mineral tenements sold	-	(1,977,396)	-	(292,399)
Expenditure relating to controlled entity acquired	346,458	-	-	-
	9,530,900	3,892,450	5,776	4,194

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		PARENT ENTITY	
	2005	2004	2005	2004
	$	$	$	$
CURRENT LIABILITIES				
12. PAYABLES				
Sundry creditors and accruals	769,250	793,305	769,250	793,305
	769,250	793,305	769,250	793,305
13. PROVISIONS				
Provision for employee entitlements	87,885	57,002	87,885	57,002
	87,885	57,002	87,885	57,002

The consolidated entity makes superannuation contributions in compliance with superannuation guarantee legislation. Superannuation contributions are made to complying funds nominated by each employee. The average number of employees of the parent entity during the financial year was 5 (2004: 4). An additional average number of 75 (2004: 65) employees were employed by a controlled entity operating in the Philippines.

NON-CURRENT LIABILITIES				
14. BORROWINGS				
Unsecured loans – other corporations	322,846	322,846	-	-
	322,846	322,846	-	-

Loans due to other corporations are unsecured and interest free and are repayable six months after the occurrence of specified events, including shareholders funds of a controlled entity exceeding specified levels or commencement of gold production.

15. PROVISIONS				
Provision for employee entitlements	68,843	-	68,843	-
Provision for retirement benefits	120,000	80,000	120,000	80,000
	188,843	80,000	188,843	80,000
16. CONTRIBUTED EQUITY				
(a) Share capital				
251,688,948 (2004: 220,304,333) ordinary fully paid shares	28,981,632	23,434,632	28,981,632	23,434,632
	28,981,632	23,434,632	28,981,632	23,434,632

(b) Movements in ordinary share capital	**Shares**	**$**
Opening balance 1 July 2004	220,304,333	23,434,632
Share placement	31,000,000	5,487,000
Issue for technical and financial services rendered	384,615	60,000
Balance 30 June 2005	251,688,948	28,981,632

Ordinary shares entitle the holder to participate in dividends and proceeds on the winding up of the parent entity in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(c) Movements in share options

	Options
Opening balance 1 July 2004	59,526,020
Lapse of options	(57,526,020)
Balance 30 June 2005	2,000,000

As at 30 June 2005, the following options over ordinary fully paid shares were outstanding:

	Options
- exercisable at 60 cents each on or before 31 December 2005	2,000,000

	CONSOLIDATED		PARENT ENTITY	
	2005	2004	2005	2004
	$	$	$	$
17. ACCUMULATED LOSSES				
Accumulated losses at the beginning of the financial year	11,290,845	11,130,035	10,991,904	10,584,018
Net loss attributable to members of the parent entity	1,150,803	801,400	1,082,781	1,048,476
Transfer from option premium reserve	-	(640,590)	-	(640,590)
Accumulated losses at the end of the financial year	12,441,648	11,290,845	12,074,785	10,991,904
18. OUTSIDE EQUITY INTERESTS				
Interest in:				
Share capital	268,283	-	-	-
Accumulated losses	(68,283)	-	-	-
	200,000	-	-	-
19. TOTAL EQUITY RECONCILIATION				
Total equity at the beginning of the financial year	12,143,787	2,954,044	12,442,728	3,500,061
Total changes in equity recognised in the statement of financial performance	(1,150,803)	(801,400)	(1,082,781)	(1,048,476)
Transactions with owners as owners:				
Contributions of equity, net of transaction costs	5,547,000	9,991,143	5,547,000	9,991,143
Outside equity interests in controlled entity	200,000	-	-	-
Total equity at the end of the financial year	16,739,984	12,143,787	16,906,947	12,442,728

20. DIRECTOR AND EXECUTIVE DISCLOSURES

Directors

The following persons were directors of Red 5 Limited during the financial year:

Executive directors

Gregory C Edwards – Managing Director
Allen L Govey – Exploration Director

Non-executive directors

Nicholas J Smith – Chairman
Colin G Jackson
Peter W Rowe (appointed on 22 October 2004)

Executives (other than directors) with the greatest authority for strategic direction and management
The strategic direction and management of the consolidated entity is administered and managed by the board of directors. There are no individuals (other than the directors) who are responsible for the strategic direction and management of the consolidated entity and consequently no individuals meet the definition of specified executive for the purposes of AASB 1046 - Director and Executive Disclosures by Disclosing Entities.

Remuneration report
Principles used to determine the nature and amount of remuneration
Executive remuneration
The parent entity's remuneration policy for executive directors and senior management is designed to promote superior performance and long term commitment. Remuneration packages are set at levels that are intended to attract and retain executives capable of managing the consolidated entity's Australian and overseas operations.

Executive remuneration and other terms of employment are reviewed annually having regard to performance, relevant comparative information and expert advice. The parent entity's reward policy aims to align executive's remuneration with shareholders' interests and to retain appropriately qualified personnel.

Non-executive directors remuneration
Shareholders approve the maximum aggregate remuneration for non-executive directors. The remuneration committee recommends the actual payments to directors and the Board is responsible for ratifying any recommendations. Non-executive directors are entitled to statutory superannuation benefits. The Chairman is entitled to a retirement allowance to a maximum of three years directors fees.

Non-executive directors may be entitled to participate in equity based remuneration schemes. All directors are entitled to have their indemnity insurance paid by the consolidated entity.

Details of remuneration
Directors of Red 5 Limited
2005

	Primary		Post-employment		Equity	Other benefits	
Name	Salary and directors fees	Consulting fees	Superannuation	Retirement benefits	Options issued	Insurance premiums	Total
	$	$	$	$	$	$	$
G C Edwards	261,564	-	20,001	-	-	4,884	286,449
A L Govey	187,044	-	15,000	-	-	4,884	206,928
N J Smith	40,000	91,050	3,600	40,000	-	4,884	179,534
C G Jackson	25,000	117,150	2,250	-	-	4,884	149,284
P W Rowe	16,667	-	-	-	-	4,884	21,551
Total	530,275	208,200	40,851	40,000	-	24,420	843,746

2004

	Primary		Post-employment		Equity	Other benefits	
Name	Salary and directors fees	Consulting fees	Superannuation	Retirement benefits	Options issued	Insurance premiums	Total
	$	$	$	$	$	$	$
G C Edwards	194,561	-	16,200	-	-	6,244	217,005
A L Govey	140,907	-	11,700	-	-	6,244	158,851
N J Smith	40,000	162,250	3,262	80,000	-	6,244	291,756
C G Jackson	14,583	37,600	750	-	-	6,243	59,176
Total	390,051	199,850	31,912	80,000	-	24,975	726,788

Share holdings
The numbers of shares in the parent entity held during the financial year by each director of the parent entity, including their personally-related entities, are set out below.

	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
G C Edwards	6,850,000	-	650,000	7,500,000
A L Govey	6,706,500	-	80,000	6,786,500
N J Smith	409,500	-	100,000	509,500
C G Jackson	225,000	-	-	225,000
P W Rowe	-	-	-	-

Other changes during the year comprise on-market purchases.

Option holdings
The numbers of options over fully paid shares in the parent entity held during the financial year by each director of the parent entity, including their personally-related entities, are set out below.

	Balance at the start of the year	Granted during the year as remuneration	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
G C Edwards	1,712,500	-	-	(1,712,500)	-	-
A L Govey	1,676,625	-	-	(1,676,625)	-	-
N J Smith	4,102,375	-	-	(2,102,375)	2,000,000	2,000,000
C G Jackson	56,250	-	-	(56,250)	-	-
P W Rowe	-	-	-	-	-	-

Other changes during the year comprise the expiry of listed and unlisted options.

Other transactions with directors
Other than as disclosed above, there were no specific transactions during the year between the consolidated entity and directors or their director-related entities.

	CONSOLIDATED 2005 $	CONSOLIDATED 2004 $	PARENT ENTITY 2005 $	PARENT ENTITY 2004 $
21. REMUNERATION OF AUDITORS				
Amounts paid or due and payable to the auditors for:				
Auditing the financial reports	22,097	21,055	22,097	21,055
Other assurance related services	-	1,700	-	1,700
Taxation advisory services	11,000	-	11,000	-
	33,097	22,755	33,097	22,755
22. EXPENDITURE COMMITMENTS				
(a) Commitments in relation to non-cancellable operating leases are payable as follows:				
- not later than one year	60,849	27,000	60,849	27,000
	60,849	27,000	60,849	27,000

(b) The consolidated entity appointed N M Rothschild & Sons (Australia) Limited as exclusive financial adviser and arranger for the development of the Siana project, for an initial period of 10 months commencing in December 2004. As at balance date, outstanding commitments under the engagement amounted to $105,000, which is payable in cash and shares in the parent entity.

	CONSOLIDATED 2005 $	CONSOLIDATED 2004 $	PARENT ENTITY 2005 $	PARENT ENTITY 2004 $

23. AMOUNTS PAYABLE/RECEIVABLE IN FOREIGN CURRENCIES

Australian dollar equivalents of unhedged amounts payable or receivable in foreign currencies, calculated at year end exchange rates:

	CONSOLIDATED 2005 $	CONSOLIDATED 2004 $	PARENT ENTITY 2005 $	PARENT ENTITY 2004 $
Amounts payable				
United States dollars				
- current	220,663	552,123	220,663	552,123
	220,663	552,123	220,663	552,123

24. SEGMENT INFORMATION

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** $
30 June 2005				
Segment revenue and expenses				
Revenue from ordinary activities	473,281	-	-	473,281
Revenue from other activities	71,768	-	-	71,768
Total segment revenue	545,049	-	-	545,049
Depreciation expenses	24,014	-	-	24,014
Exploration expenditure written-off	14,103	-	167,062	181,165
Acquisition of plant and equipment	49,051	-	-	49,051
Segment result	(1,058,775)	6,751	(167,062)	(1,219,086)
Income tax expense	-	-	-	-
Net loss	(1,058,775)	6,751	(167,062)	(1,219,086)
Segment assets	8,534,594	9,173,953	400,261	18,108,808
Segment liabilities	697,947	592,440	78,437	1,368,824
Net cash flow from operating activities	(613,520)	-	-	(613,520)
30 June 2004				
Segment revenue and expenses				
Revenue from ordinary activities	250,154	-	-	250,154
Revenue from other activities	2,065,000	-	-	2,065,000
Total segment revenue	2,315,154	-	-	2,315,154
Depreciation expenses	12,436	-	-	12,436
Exploration expenditure written-off	54,238	-	-	54,238
Acquisition of plant and equipment	42,092	-	-	42,092

	Australia $	Philippines $	Central Asia $	Consolidated $
Segment result	(803,497)	2,097	-	(801,400)
Income tax expense	-	-	-	-
Net loss	(803,497)	2,097	-	(801,400)
Segment assets	9,445,958	3,950,982	-	13,396,940
Segment liabilities	709,675	543,478	-	1,253,153
Net cash flow from operating activities	(632,308)	-	-	(632,308)

25. RELATED PARTIES

Transactions with related parties in the wholly owned group
During the financial year, unsecured loan advances were made between the parent entity and its controlled entities. All such loans were interest free. Loan balances between the parent entity and its controlled entities are disclosed in the financial report of the parent entity. Intra-entity loan balances have been eliminated in the financial report of the consolidated entity. The ownership interests in related parties in the wholly owned group are set out in Note 27.

Other transactions with directors and specified executives are set out in Note 20.

26. FINANCIAL INSTRUMENTS

(a) Credit risk exposure
Credit risk relates to the risk that a counter party will default on its contractual obligations resulting in financial loss to the consolidated entity. The exposure of the consolidated entity to credit risk at balance date in relation to each class of recognised financial asset is the carrying amount of the assets as indicated in the statement of financial position.

(b) Net fair values
The fair values of all financial assets and liabilities approximate their carrying values as indicated in the statement of financial position.

(c) Interest rate risk exposure
Interest rate risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market interest rates. The exposure of the consolidated entity to interest rate risk and the effective weighted average interest rate for classes of financial assets and liabilities is set out below.

	Note	Floating interest rate $	Fixed interest maturing in: 1 year or less $	Non-interest bearing $	Total $
30 June 2005					
Financial assets					
Cash assets	5	193,811	7,078,503	461	7,272,775
Receivables	6	-	-	99,744	99,744
Other financial assets	7, 9	-	-	1,130,422	1,130,422
		193,811	7,078,503	1,230,627	8,502,941
Weighted average interest rate		2.43%	5.70%		
Financial liabilities					
Payables	12	-	-	769,250	769,250
Provisions	13, 15	-	-	276,728	276,728
Borrowings	14	-	-	322,846	322,846
		-	-	1,352,157	1,352,157

	Note	Floating interest rate	Fixed interest maturing in: 1 year or less	Non-interest bearing	Total
30 June 2004					
Financial assets					
Cash assets	5	988,476	7,108,359	200	8,097,035
Receivables	6	-	-	58,410	58,410
Other financial assets	7, 9	-	-	1,295,234	1,295,234
		988,476	7,108,359	1,353,844	9,450,679
Weighted average interest rate		4.14%	5.36%		
Financial liabilities					
Payables	12	-	-	793,305	793,305
Provisions	13, 15	-	-	137,002	137,002
Borrowings	14	-	-	322,846	322,846
		-	-	1,253,153	1,253,153

27. INVESTMENTS IN CONTROLLED ENTITIES

Name of entity	Country of incorporation	Class of shares	Equity holding 2005 %	Equity holding 2004 %
Asia Gold Limited	United Kingdom	Ordinary	50	-
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
Bremer Binaliw Corporation	Philippines	Ordinary	100	100
Greenstone Resources Corporation	Philippines	Ordinary	100	100

Bremer Binaliw Corporation is a wholly owned subsidiary company of Bremer Resources Pty Ltd.
Red 5 Philippines Pty Ltd changed its name from Opus Asia (Philippines) Pty Ltd on 28 April 2005.

Acquisition of controlled entity

The parent entity entered into a subscription agreement to acquire a 50% shareholding in Asia Gold Limited, which is a private company incorporated in the United Kingdom, by contributing $268,283 (US$200,000) in share capital subscriptions. Asia Gold Limited became a partly owned controlled entity in October 2004 following the allotment of shares to the parent entity. As at balance date, the balance of contributions to be made under the subscription agreement amounted to $78,437. Details of the acquisition are as follows:

	2005 $
Fair value of identifiable net assets of controlled entity acquired	
Cash assets	261
Deferred exploration expenditure	536,305
Net assets	536,566
Less outside equity interests	(268,283)
Consideration	268,283

	2005 $
Outflow of cash to acquire controlled entity, net of cash acquired	
Cash consideration paid during current year [1]	189,846
Deferred cash consideration	78,437
Less cash acquired	(261)
	268,022

[1] Cash consideration is included in deferred exploration expenditure (Note 11) as exploration expenditure incurred in current year.

Disposal of controlled entity

In the previous financial year, the parent entity disposed of its 100% interest in Opus Exploration Pty Ltd for a consideration of $1,700,000 comprising $500,000 in cash and the issue of 9,132,420 quoted shares in the purchaser (at a nominal value of 13.1 cents each). Contribution to the net loss of the consolidated entity from the loss of control of the controlled entity in the year ended 30 June 2004 was a profit of $15,003.

	2005 $	2004 $
Fair value of identifiable net assets of controlled entity disposed of		
Cash assets	-	-
Deferred exploration expenditure	-	1,684,997
	-	1,684,997
Less consideration	-	1,700,000
Profit on disposal of controlled entity	-	15,003
Inflow of cash on disposal of controlled entity, net of cash disposed of		
Cash consideration	-	500,000
Cash disposed of	-	-
Inflow of cash	-	500,000

28. RECONCILIATION OF NET CASH OUTFLOW FROM OPERATING ACTIVITIES TO OPERATING LOSS AFTER INCOME TAX

	CONSOLIDATED		PARENT ENTITY	
	2005 $	2004 $	2005 $	2004 $
Net cash outflow from operating activities	(613,520)	(632,308)	(613,520)	(632,308)
Depreciation	(24,014)	(12,436)	(24,014)	(12,436)
Exploration expenditure written-off	(181,165)	(54,238)	(43,408)	(23,790)
Loss on sale of controlled entity	-	-	-	(232,073)
Profit on sale of investments	71,768	-	71,768	-
Profit on sale of mineral tenements	-	82,604	-	67,601
Plant and equipment written-off	(3,881)	-	(3,881)	-
Provision for diminution in investments	(361,255)	-	(361,255)	-
Provision for non-recovery of loans	-	-	(1,452)	(30,448)
Changes in operating assets and liabilities				
Increase/(decrease) in receivables	13,032	(15,576)	13,032	(15,576)
Increase/(decrease) other operating assets	-	498,563	-	498,563
(Increase)/decrease in payables	19,675	(562,079)	19,675	(562,079)
(Increase)/decrease in provisions	(139,726)	(105,930)	(139,726)	(105,930)
Operating loss after income tax	(1,219,086)	(801,400)	(1,082,781)	(1,048,476)

	CONSOLIDATED		PARENT ENTITY	
	2005	2004	2005	2004
	$	$	$	$
29. NON CASH FINANCING AND INVESTING ACTIVITIES				
Issue of shares for technical and financial advisory services	60,000	-	60,000	-
Issue of shares as consideration for the sale of controlled entity	-	1,200,000	-	1,200,000
	60,000	1,200,000	60,000	1,200,000
30. EARNINGS/(LOSS) PER SHARE				
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	241,644,270	183,015,075		

No dilutive potential ordinary shares existed as at balance date, therefore diluted earning per share has not been calculated or disclosed.

The following movements in ordinary shares and options occurred subsequent to balance date:
- issue of 16,829,865 shares for the purchase of an additional beneficial interest in the Siana project and related land access rights.
- issue of 384,615 shares for technical and financial advisory services.

31. SUBSEQUENT EVENTS

(a) In August 2005, the consolidated entity exercised its pre-emptive rights to acquire an additional 10% beneficial interest in the Siana project and a 50% share of land access rights for the project area, for a consideration of $2,171,052 (US$1,650,000), which was satisfied by the issue of 16,829,865 fully paid shares in the parent entity.

(b) In September 2005, the consolidated entity disposed of its shareholding in Range River Resources Limited for aggregate sale proceeds of $875,239. The carrying value of the investment as at 30 June 2005 was $860,014.

32. INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

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

The consolidated entity has performed a review to analyse key financial reporting differences and has commenced planning for the transition of its accounting policies and financial reporting from current Australian Accounting Standards to AIFRS. External specialist consultants may be engaged to further assist in the transition.

Accounting policy changes that will be required have been identified. In some cases choices of accounting policies are available, including elective exemptions under Accounting Standard AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*. These choices are being analysed to determine the most appropriate accounting policy for the consolidated entity.

The known or reliably estimable impacts on the financial report for the year ended 30 June 2005 had it been prepared using AIFRS from 1 July 2004 are set out below.

The adjustments disclosed in this note are management's best estimates based on current knowledge of expected standards and interpretations and current facts and circumstances. The actual effects of transition to AIFRS may differ from the estimates disclosed due to (a) ongoing work being undertaken by management; (b) potential amendments to AIFRS's and interpretations thereof being issued by the standard setters and IFRIC; and (c) emerging accepted practice in the interpretation and application of AIFRS and UIG interpretations.

Notes explaining the impacts on the statements of financial performance and statements of financial position

(a) Exploration for and evaluation of mineral resources

AASB6 *Exploration for and Evaluation of Mineral Resources*, was released in December 2004. The standard permits an entity to continue following its existing accounting policies for the treatment of exploration and evaluation expenditures, which for the consolidated entity embodies the principles of “areas of interest” accounting. Consequently, the consolidated entity does not anticipate any impact in relation to exploration and evaluation costs upon transitioning to AIFRS.

(b) Provision for rehabilitation and decommissioning costs

Under AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*, the consolidated entity is required to recognise the full provision for rehabilitation, based on discounted future cash flows, at the date of transition to AIFRS. A corresponding rehabilitation asset will be created as at the date of transition. This asset will be depreciated using the units of production basis over the life of the mine to which the future rehabilitation and decommissioning work relates. There is no impact on the consolidated results for the year ended 30 June 2005 as the consolidated entity’s mineral projects are in an exploration and evaluation phase.

(c) Foreign currency – financial statements of foreign operations

Under current Australian GAAP, the assets and liabilities of self-sustaining foreign operations are translated at the rates of exchange ruling at reporting date. Equity items are reported at historical rates. The statements of financial performance are translated at the weighted average rate for the year. Exchange differences arising on translation are currently recognised as part of retained earnings.

Under AIFRS, each entity in the consolidated entity determines its functional currency, the currency of the primary economic environment in which the entity operates, reflecting the underlying transactions, events and conditions that are relevant to the entity. The entity maintains its books and records in its functional currency.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated from the entity’s functional currency to the consolidated entity’s presentation currency of Australian dollars at foreign exchange rates ruling at reporting date. The revenues and expenses of foreign operations are translated to Australian dollars at the exchange rates approximating the exchange rates ruling at the date of the transactions. Foreign exchange differences arising on translation are recognised directly in a separate component of equity.

There is no impact of this change in policy on the consolidated results for the year ended 30 June 2005.

(d) Income tax

Under AASB 112 *Income Taxes*, deferred tax balances are determined using the balance sheet method which calculates temporary differences based on the carrying amounts of an entity’s assets and liabilities in the statement of financial position and their associated tax bases. In addition, current and deferred taxes attributable to amounts recognised directly in equity are also recognised directly in equity.

This will result in a change to the current accounting policy, under which deferred tax balances are determined using the income statement method, items are only tax effected if they are included in the determination of pre-tax accounting profit or loss and/or taxable income or loss and current and deferred taxes cannot be recognised directly in equity.

As deferred tax balances are not currently recognised, there is no financial impact on transition, being 1 July 2004, and as at 30 June 2005 for both the parent entity and the consolidated entity.

In addition, to the extent that the tax effect of transaction costs on previous share issues were recognised, these would have been recognised directly in equity, resulting in a decrease in retained earnings and an increase in contributed equity in the consolidated and parent entity financial statements. The impact of this difference for the consolidated and parent entity is nil, as deferred tax assets are not currently recognised.

(e) Equity-based compensation benefits

Under AASB 2 *Share-based Payments*, from 1 July 2004 equity-based compensation to employees will be recognised as an expense in respect of the services received. This will result in a change to the current accounting policy, under which no expense is recognised for equity-based compensation.

If the policy required by AASB 2 had been applied during the year ended 30 June 2005, there would be no financial impact on the financial statements of the parent entity or the consolidated entity, as no equity-based compensation was issued or vested during the period.

(f) Impairment of assets

Impairment testing required by AASB 136 *Impairment of Assets* is to be performed at an individual level with strict tests for determining whether assets have been impaired. If impairment testing at an individual asset level is not possible, the entity is then required to test for impairment at the cash generating unit level. Assets are only tested for impairment where an impairment trigger has occurred other than goodwill which is tested annually for impairment.

Recoverable amount under AASB 136 is the higher of net selling price and value in use. The methodology for impairment testing under AIFRS is more prescriptive and there is therefore a greater likelihood of an impairment arising. This will result in a change in the consolidated entity's current accounting policy, which determines the recoverable amount of an asset on the basis of undiscounted cash flows for groups of assets.

Assets may be considered impaired in one reporting period and not in subsequent periods. This may make the accounting income appear volatile because an impairment charge may be recorded in one reporting period and not in others. Impairment reversals (up to amortised cost) are taken through profit and loss.

It is not anticipated that AASB 136 will have a material impact on the financial statements of the parent entity or the consolidated entity.

(g) Financial instruments

The consolidated entity will be taking advantage of the exemption available under AASB 1 to apply AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* only from 1 July 2005. This allows the consolidated entity to apply previous Australian generally accepted accounting principles (Australian GAAP) to the comparative information of financial instruments within the scope of AASB 132 and AASB 139 for the financial report for the year ending 30 June 2006.

AASB 139 also introduces the concept of embedded derivatives and requires the identification, recognition and measurement of derivatives embedded within contracts that a company may enter. Embedded derivatives are required to be measured at fair value and movements reported in the Statement of Financial Performance. The consolidated entity is reviewing its contracts to determine whether such embedded derivatives exist.

DECLARATION BY DIRECTORS

The Board of Directors of Red 5 Limited declares that:

(a) the financial statements and associated notes comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

(b) the financial statements and associated notes give a true and fair view of the financial position as at 30 June 2005 and performance of the parent entity and the consolidated entity for the financial year ended on that date;

(c) at the date of this declaration, there are reasonable grounds to believe that the parent entity will be able to pay its debts as and when they fall due.

The consolidated financial report has been made out in accordance with Australian Accounting Standards and the Corporations Act 2001.

The Board of Directors has received the declaration by the managing director and chief financial officer required by Section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors.

N J Smith
Chairman

Perth, Western Australia
28 September 2005

KPMG

Independent audit report to members of Red 5 Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Red 5 Limited (the "Company") and the Consolidated Entity, for the year ended 30 June 2005. The Consolidated Entity comprises both the company and the entities it controlled during that year.

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

Audit approach

We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, Australian Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's and the Consolidated Entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

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

Audit opinion

In our opinion, the financial report of Red 5 Limited is in accordance with:

a) the *Corporations Act 2001*, including:

   i. giving a true and fair view of the Company's and Consolidated Entity's financial position as at 30 June 2005 and of their performance for the financial year ended on that date; and

   ii. complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

b) other mandatory financial reporting requirements in Australia.

KPMG

KPMG

B C Fullarton

B C Fullarton
Partner

Perth
28 September 2005