
RED 5 LIMITED
ABN 73 068 647 610
AND CONTROLLED ENTITIES

FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2007

RED 5 LIMITED

ABN 73 068 647 610

CORPORATE DIRECTORY

BOARD OF DIRECTORS

Colin G Jackson (Chairman)
Gregory C Edwards (Managing Director)
Allen L Govey (Exploration Director)
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 ASX 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.

**RED 5 LIMITED
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DIRECTORS' REPORT

The directors of Red 5 Limited ("Red 5" or "parent entity") present their report on the results and state of affairs of the parent entity and the consolidated entity for the financial year ended 30 June 2007.

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:

Colin George Jackson
Gregory Charles Edwards
Allen Lance Govey
Peter William Rowe
Gary Francis Scanlan (appointed on 23 November 2006)
Nicholas James Smith (resigned on 30 April 2007)

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 \$1,376,824.

REVIEW OF OPERATIONS

During the year exploration and evaluation activities continued on the Siana gold project located in the Philippines. Comprehensive technical studies were undertaken as part of a bankable feasibility study for the development of the Siana project. Completion of the feasibility study was extended to include an assessment of the potential for an underground extension of gold mineralisation below an open pit operation. Discussions commenced with banking and other institutions for debt facilities and equity financing for development of the Siana project. 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 to fund the Siana bankable feasibility study and to refinance the purchase of the grinding mill. The facility is secured by a fixed and floating charge over the assets of Red 5 and is repayable on the earlier of 31 December 2009 or project financing for the Siana project.

In September 2006, AngloGold Ashanti Australia Limited (AngloGold) 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). AngloGold has the right to earn up to a 75% interest in the consolidated entity's percentage interests in the Outer Siana and Mapawa project areas, by expenditure of up to US\$10.5 million within a period of four years from completion of the minimum expenditure period.

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. Mr Nicholas Smith retired as chairman of Red 5 in April 2007.

In December 2006, Red 5 raised \$2.2 million (before expenses) in equity capital through a private share placement of 22,000,000 ordinary shares at a subscription price of 10 cents each, to clients of Shaw Stockbroking Limited.

The directors are continuing to evaluate other resources projects and corporate opportunities 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.

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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, 12,500,000 ordinary fully paid shares which are subject to options were unissued. These options are exercisable at 17 cents each on or before 30 June 2008.

Details of options issued and exercised during the financial year are contained in Note 15(c) to the financial report. All options issued were fully vested.

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) the parent entity raised \$2,200,000 before expenses through a share placement of 22,000,000 ordinary shares at a subscription price of 10 cents per share.
- (b) the parent entity secured a finance facility of \$2,000,000 from a financial institution to fund the Siana bankable feasibility study and the purchase of a grinding mill.
- (c) the preliminary results of a feasibility study for the development of the Siana project were announced in April 2007.
- (d) 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).

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 28 to the financial report.

INFORMATION ON DIRECTORS

Director	Qualifications, experience and special responsibilities
Colin G Jackson (Non-Executive Chairman)	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. Mr Jackson is a member of the audit and remuneration committees. Other current directorships: Intrepid Mines Limited (since December 2003). Former directorships in the last three years: Terramin Australia Limited (August 2003 to December 2005).
Gregory C Edwards (Managing Director)	B.Sc. (Hons), MAusIMM A director since November 2001. Mr Edwards is a geologist with over 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.

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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.
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 an executive officer of AngloGold Ashanti Limited, in charge of its corporate technical group. He is a past chairman of the Australian Gold Council. Mr Rowe is a member of the audit committee and chairman of the remuneration committee.
Gary F Scanlan (Non-Executive Director)	CA A director since 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 (since June 2005), a gold exploration company based in Victoria. Mr Scanlan is chairman of the audit committee and a member of the remuneration committee. Mr Scanlan has held no other directorships in any other listed companies in the last 3 years.

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	Options
C G Jackson	225,000	-
G C Edwards	8,000,000	-
A L Govey	6,786,500	-
P W Rowe	-	-
G F Scanlan	-	-

Mr Rowe is a director of AngloGold Ashanti Australia Limited which owns 40,171,875 fully paid shares in 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 2007 and the number of meetings attended by each director whilst in office are as follows:

	Board meetings		Audit committee		Remuneration committee	
	Number held	Number attended	Number held	Number attended	Number held	Number attended
C G Jackson	6	6	2	2	1	1
G C Edwards	6	6				
A L Govey	6	6				
P W Rowe	6	6	2	2	1	1
G F Scanlan	5	5	1	1	1	1
N J Smith	4	4	1	1		

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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 (audited)

Directors and executives remuneration

Overall remuneration policies are determined by the Board and are adapted to reflect competitive market and business conditions. 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 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 Red 5'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 Red 5. The main principles of the policy are:

- reward reflects the competitive market in which Red 5 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 scheme if deemed 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. A completion bonus or a performance bonus, based on a percentage of annual salary, may be 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. Non-executive directors are entitled to statutory superannuation benefits. 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 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 premiums on indemnity insurance paid by Red 5.

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Details of remuneration (parent entity and consolidated entity)

The following table discloses 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 and other key management personnel for the year ended 30 June 2007. The information in this table has been audited.

2007 Name	Short term				Post-employment		Other	Total
	Salary or directors fees	Cash bonuses	Consulting fees	Provisions	Super-annuation	Retirement benefits provided for	Insurance premiums	
Directors	\$	\$	\$	\$	\$	\$	\$	\$
Executive directors								
G C Edwards	240,804	-	-	41,427	23,728	-	4,666	310,625
A L Govey	194,300	-	-	41,763	19,500	-	4,667	260,230
Non-executive directors								
C G Jackson	37,500	-	78,561	-	3,375	-	4,667	124,103
P W Rowe	35,000	-	-	-	3,150	-	4,667	42,817
G F Scanlan	21,240	-	-	-	1,912	-	4,667	27,819
N J Smith	41,666	-	65,000	-	3,750	-	4,666	115,082
Other executives								
F J Campagna	-	-	72,050	-	-	-	-	72,050
Total	570,510	-	215,611	83,190	55,415	-	28,000	952,726

Provisions include amounts provided for in the financial report for annual and long service leave entitlements and a completion bonus. 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.

2006 Name	Short term				Post-employment		Other	Total
	Salary or directors fees	Cash bonuses	Consulting fees	Provisions	Super-annuation	Retirement benefits provided for	Insurance premiums	
Directors	\$	\$	\$	\$	\$	\$	\$	\$
Executive directors								
G C Edwards	256,629	16,286	-	86,004	25,487	-	5,650	390,056
A L Govey	195,000	24,000	-	74,905	21,900	-	5,650	321,455
Non-executive directors								
N J Smith	47,500	-	78,000	-	5,175	21,811	5,650	158,136
C G Jackson	32,500	-	94,200	-	3,488	-	5,650	135,838
P W Rowe	32,500	-	-	-	4,425	-	5,650	42,575
Other executives								
F J Campagna	-	-	69,850	-	-	-	-	69,850
Total	564,129	40,286	242,050	160,909	60,475	21,811	28,250	1,117,910

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 is contained in Note 18 of the financial report.

During the financial year, Red 5 paid premiums of \$28,000 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.

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Service agreements

The terms of employment for executive and non-executive directors are being formalised in new service agreements. Major provisions of the agreements relating to duration and termination are set out below. This information has been audited.

G C Edwards – Managing Director

Term of agreement: 2 years from 1 July 2007.

Remuneration: base salary plus 10% superannuation contributions, to be reviewed annually by the remuneration committee.

Performance bonus: up to 50% of annual salary upon the achievement of agreed milestones and targets.

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: 2 years from 1 July 2007.

Remuneration: base salary plus 10% superannuation contributions, to be reviewed annually by the remuneration committee.

Performance bonus: up to 50% of annual salary upon the achievement of agreed milestones and targets

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, have provided other services in addition to their statutory audit function. Non-audit services provided by the external auditors comprised \$40,000 for taxation advisory services. Further details of remuneration of the auditors are set out in Note 19.

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 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.

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 2007.

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Signed in accordance with a resolution of the directors.

A L Govey
Director

Perth, Western Australia
27 September 2007



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

To: the directors of Red 5 Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2007 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.

A handwritten signature in black ink, appearing to read 'KPMG', written over the printed 'KPMG' text.

KPMG

A handwritten signature in black ink, appearing to read 'BC Fullarton', written over the printed name.

B C FULLARTON

Partner

Perth

28 September 2007

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INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2007

	NOTE	CONSOLIDATED		PARENT ENTITY	
		2007	2006	2007	2006
		\$	\$	\$	\$
Revenue from continuing operations					
Revenue		-	-	-	-
Other income		<u>11,969</u>	<u>15,365</u>	<u>11,969</u>	<u>15,365</u>
Total revenue	2	11,969	15,365	11,969	15,365
Expenses					
Amortisation and depreciation expenses		(25,418)	(31,509)	(25,418)	(31,509)
Employee and consultancy expenses	2	(727,799)	(814,088)	(727,799)	(814,088)
Exploration expenditure impairment		(100,905)	(413,974)	(100,174)	(2,323)
Foreign currency translation adjustment		-	-	(2,162,617)	-
Impairment in investments		-	-	-	(268,283)
Impairment in loans		-	-	(731)	(11,508)
Occupancy expenses		(119,681)	(106,638)	(119,681)	(106,638)
Regulatory expenses		(106,214)	(119,497)	(106,214)	(119,497)
Other expenses		<u>(216,818)</u>	<u>(146,072)</u>	<u>(216,818)</u>	<u>(249,891)</u>
Operating loss before financing income/(expenses)		(1,284,866)	(1,616,413)	(3,447,483)	(1,588,372)
Financing income	2	61,399	303,670	59,478	302,017
Financing expenses	2	<u>(153,357)</u>	<u>-</u>	<u>(153,357)</u>	<u>-</u>
Loss from ordinary activities before income tax expense		(1,376,824)	(1,312,743)	(3,541,362)	(1,286,355)
Income tax expense	3	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net loss after income tax		(1,376,824)	(1,312,743)	(3,541,362)	(1,286,355)
Attributable to:					
Equity holders of the parent entity		(1,376,824)	(1,112,743)	(3,541,362)	(1,286,355)
Minority interests		<u>-</u>	<u>(200,000)</u>	<u>-</u>	<u>-</u>
Net loss after income tax		<u>(1,376,824)</u>	<u>(1,312,743)</u>	<u>(3,541,362)</u>	<u>(1,286,355)</u>
		Cents	Cents		
Basic and diluted loss per share (cents per share)	27	(0.49)	(0.42)		

The accompanying notes form part of these financial statements.

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**BALANCE SHEET
AS AT 30 JUNE 2007**

	NOTE	CONSOLIDATED		PARENT ENTITY	
		2007	2006	2007	2006
		\$	\$	\$	\$
CURRENT ASSETS					
Cash and cash equivalents	4	996,138	2,761,504	957,087	2,715,740
Trade and other receivables	5	49,290	81,863	49,290	81,863
Investments	6	-	287,850	-	287,850
TOTAL CURRENT ASSETS		<u>1,045,428</u>	<u>3,131,217</u>	<u>1,006,377</u>	<u>3,085,453</u>
NON-CURRENT ASSETS					
Receivables	7	24,306	25,094	17,728,993	15,468,168
Investments	8	-	-	335,540	335,540
Property, plant and equipment	9	1,775,037	500,599	30,058	51,153
Exploration and evaluation expenditure	10	16,425,904	15,431,936	-	-
TOTAL NON-CURRENT ASSETS		<u>18,225,247</u>	<u>15,957,629</u>	<u>18,094,591</u>	<u>15,854,861</u>
TOTAL ASSETS		<u>19,270,675</u>	<u>19,088,846</u>	<u>19,100,968</u>	<u>18,940,314</u>
CURRENT LIABILITIES					
Trade and other payables	11	427,261	743,356	402,391	732,358
Provisions	12	203,982	151,191	94,791	70,734
TOTAL CURRENT LIABILITIES		<u>631,243</u>	<u>894,547</u>	<u>497,182</u>	<u>803,092</u>
NON-CURRENT LIABILITIES					
Interest bearing loans	13	1,694,373	-	1,694,373	-
Borrowings	14	303,270	305,191	-	-
Provisions	12	196,101	307,913	83,631	208,136
TOTAL NON-CURRENT LIABILITIES		<u>2,193,744</u>	<u>613,104</u>	<u>1,778,004</u>	<u>208,136</u>
TOTAL LIABILITIES		<u>2,824,987</u>	<u>1,507,651</u>	<u>2,275,186</u>	<u>1,011,228</u>
NET ASSETS		<u>16,445,688</u>	<u>17,581,195</u>	<u>16,825,782</u>	<u>17,929,086</u>
EQUITY					
Contributed equity	15	33,728,184	31,272,684	33,728,184	31,272,684
Reserves	16	(2,347,728)	(133,545)	-	17,442
Accumulated losses		<u>(14,934,768)</u>	<u>(13,557,944)</u>	<u>(16,902,402)</u>	<u>(13,361,040)</u>
Total parent entity interest		16,445,688	17,581,195	16,825,782	17,929,086
Minority interests	17	-	-	-	-
TOTAL EQUITY		<u>16,445,688</u>	<u>17,581,195</u>	<u>16,825,782</u>	<u>17,929,086</u>

The accompanying notes form part of these financial statements.

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STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2007

	Attributable to equity holders of the parent entity				Minority interests	Total equity
	Issued capital	Accumulated losses	Other reserves	Total		
	\$	\$	\$	\$	\$	\$
Consolidated						
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	-	(1,112,743)	-	(1,112,743)	(200,000)	(1,312,743)
Issue of shares for services provided	120,000	-	-	120,000	-	120,000
Issue of shares for additional interest in Siana project	2,171,052	-	-	2,171,052	-	2,171,052
Foreign currency translation reserve	-	-	309,342	309,342	-	309,342
Fair value reserve	-	-	17,442	17,442	-	17,442
At 30 June 2006	31,272,684	(13,557,944)	(133,545)	17,581,195	-	17,581,195
Loss for the period	-	(1,376,824)	-	(1,376,824)	-	(1,376,824)
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	-	-	(2,196,741)	(2,196,741)	-	(2,196,741)
Fair value reserve	-	-	(17,442)	(17,442)	-	(17,442)
At 30 June 2007	33,728,184	(14,934,768)	(2,347,728)	16,445,688	-	16,445,688
Parent						
At 1 July 2005	28,981,632	(12,074,685)	-	16,906,947	-	16,906,947
Loss for the period	-	(1,286,355)	-	(1,286,355)	-	(1,286,355)
Issue of shares for services provided	120,000	-	-	120,000	-	120,000
Issue of shares for additional interest in Siana project	2,171,052	-	-	2,171,052	-	2,171,052
Fair value reserve	-	-	17,442	17,442	-	17,442
At 30 June 2006	31,272,684	(13,361,040)	17,442	17,929,086	-	17,929,086
Loss for the period	-	(3,541,362)	-	(3,541,362)	-	(3,541,362)
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	-	-	-	-	-	-
Fair value reserve	-	-	(17,442)	(17,442)	-	(17,442)
At 30 June 2007	33,728,184	(16,902,402)	-	16,825,782	-	16,825,782

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 2007**

	NOTE	CONSOLIDATED		PARENT ENTITY	
		2007	2006	2007	2006
		\$	\$	\$	\$
Cash flows from operating activities					
Payments to suppliers and employees		(1,210,857)	(1,075,887)	(1,210,857)	(1,075,887)
Interest received		<u>59,187</u>	<u>301,229</u>	<u>59,187</u>	<u>301,229</u>
Net cash outflow from operating activities	25	<u>(1,151,670)</u>	<u>(774,658)</u>	<u>(1,151,670)</u>	<u>(774,658)</u>
Cash flows from investing activities					
Payments for exploration and evaluation expenditure		(3,663,388)	(4,130,545)	(122,980)	(23,288)
Payments for plant and equipment		(1,300,685)	(7,695)	(5,152)	(7,695)
Payments for deposit on plant and equipment		-	(449,446)	-	-
Payments for security deposit		-	(24,306)	-	(24,306)
Proceeds on sale of investments		<u>282,377</u>	<u>875,379</u>	<u>282,377</u>	<u>875,379</u>
Net cash inflow/(outflow) from investing activities		<u>(4,681,696)</u>	<u>(3,736,613)</u>	<u>154,245</u>	<u>820,090</u>
Cash flows from financing activities					
Proceeds from issues of shares		2,200,000	-	2,200,000	-
Payments for share issue expenses		(132,000)	-	(132,000)	-
Loans to controlled entities		-	-	(4,829,228)	(4,517,472)
Proceeds from borrowings		<u>2,000,000</u>	<u>-</u>	<u>2,000,000</u>	<u>-</u>
Net cash inflow/(outflow) from financing activities		<u>4,068,000</u>	<u>-</u>	<u>(761,228)</u>	<u>(4,517,472)</u>
Net decrease in cash held		(1,765,366)	(4,511,271)	(1,758,653)	(4,472,040)
Cash at the beginning of the financial year		<u>2,761,504</u>	<u>7,272,775</u>	<u>2,715,740</u>	<u>7,187,780</u>
Cash at the end of the financial year	4	<u><u>996,138</u></u>	<u><u>2,761,504</u></u>	<u><u>957,087</u></u>	<u><u>2,715,740</u></u>

The accompanying notes form part of these financial statements.

**RED 5 LIMITED
AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of accounting

The financial report is a general-purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards and other mandatory professional reporting requirements.

The financial report has been prepared on a historical cost basis, with the exception of derivative financial instruments; available for sale financial assets; and liabilities for cash-settled share-based payments, which are measured at fair value. The financial report is presented in Australian dollars, which is the functional currency of the parent entity. The financial report was authorised for issue by the directors on the date of signing of the Directors' Report.

The preparation of financial statements 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. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

1.2 Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act. International Financial Reporting Standards (IFRS) form the basis of Australian Accounting Standards adopted by the AASB and for the purposes of this report are called Australian equivalents to IFRS (AIFRS) to distinguish from previous Australian GAAP. The consolidated financial statements and notes also comply with IFRS and interpretations adopted by the International Accounting Standards Board.

1.3 Financial position

The consolidated entity recorded a loss of \$1,376,824 for the year ended 30 June 2007 and has net working capital of \$414,185 as at 30 June 2007. During the period, the bankable feasibility study for the development of the Siana project was extended to include an assessment of the potential for an underground extension of gold mineralisation below an open pit operation. An amount of \$2.2 million (before expenses) was raised during the period through a private share placement of 22,000,000 shares at a subscription price of 10 cents each. In the next financial year, the consolidated entity intends to progress the financing and development of the Siana project.

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:

- subsequent to the end of the year, the parent entity raised \$1,188,000 before expenses through a private share placement of 18,000,000 ordinary shares at a subscription price of 6.6 cents per share.
- the directors of the parent entity are progressing negotiations for debt and equity financing facilities for the development of the Siana project and are investigating further funding initiatives to provide additional working capital.

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 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.

1.4 Principles of consolidation

The consolidated financial report incorporates the assets and liabilities of all entities controlled by Red 5 Limited as at 30 June 2007 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. The financial statements of controlled entities are prepared for the same reporting period as the parent entity, using consistent accounting policies. The effects of all transactions between entities in the consolidated entity are eliminated in full.

RED 5 LIMITED AND CONTROLLED ENTITIES

Where control of an entity is obtained during a financial period, its results are included only from the date upon which control commences. Where control of an entity ceases during a financial period, its results are included for that part of the period 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.

1.5 Finance income and expenses

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Finance income comprises interest income on funds invested. Interest income is recognised as it accrues, using the effective interest rate method.

Finance expenses comprise interest expense on borrowings and amortisation of loan borrowing costs. Loan establishment fees are amortised over the term of the loan.

1.6 Investments

Financial instruments are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognised directly in equity, except for impairment losses and in the case of monetary items such as debt securities, foreign exchange gains and losses. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in the income statement.

The fair value of financial instruments classified as held for trading and available-for-sale is their quoted bid price at balance sheet date. Financial instruments available-for-sale are recognised or derecognised by the consolidated entity on the date it commits to purchase or sell the investments.

1.7 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.

Plant and equipment is included at cost less provision for depreciation and any impairment in value and depreciated using a combination of the prime cost and diminishing value methods commencing from the time the asset is held ready for use. The expected useful lives of plant and equipment are between 3 and 13 years.

1.8 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.

Exploration and evaluation assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability and facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit cannot be larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

1.9 Impairment

At each reporting date, the consolidated entity assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the consolidated entity makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in the income statement unless the asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the income statement.

RED 5 LIMITED AND CONTROLLED ENTITIES

Calculation of recoverable amount

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs. The estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The recoverable amount of the consolidated entity's investments in held-to-maturity securities and receivables carried at amortised cost is calculated as the present value of the estimated cash flows, discounted at the original effective interest rate. Receivables with a short duration are not discounted.

1.10 Income tax

Deferred income tax is provided using the balance sheet liability method on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised. A deferred income tax asset is not recognised where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax to be utilised. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted at the balance date. Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

1.11 Financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other creditors. Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Liabilities for trade creditors and other amounts are carried at amortised cost. Trade payables are non interest bearing and are normally settled on 30 day terms.

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.

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 balance sheet. 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 Employee benefits

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.

Liabilities arising in respect of employee benefits expected to be settled within twelve months of the balance date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the balance date. Obligations for contributions to defined contribution superannuation funds are recognised as an expense in the income statement as incurred.

RED 5 LIMITED AND CONTROLLED ENTITIES

1.14 Share based payments

The consolidated entity may provide benefits to employees (including directors) and other parties as necessary in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares ("equity settled transactions").

The cost of these equity settled transactions with employees is measured by reference to the fair value at the date they are granted. The value is determined using a binomial model. The cost of equity settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("vesting date").

The cumulative expense recognised for equity settled transactions at each reporting date until vesting date reflects the extent to which the vesting period has expired and the number of awards that, in the opinion of the directors, will ultimately vest.

No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

1.15 Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined.

Financial statements of foreign operations

Each entity in the consolidated entity determines its functional currency, being 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 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.

1.16 Restoration costs

Full provision for restoration costs is made based on the net present value of the estimated cost of restoring the environmental disturbance that has occurred up to the balance date. Increases due to additional environmental disturbances are capitalised and amortised over the remaining lives of the operations. These increases are accounted for on a net present value basis.

Annual increases in the provision relating to the change in the net present value of the provision and inflationary increases are accounted for in earnings as an interest expense. The estimated costs of rehabilitation are reviewed annually and adjusted as appropriate for changes in legislation, technology or other circumstances.

1.17 Provisions

A provision is recognised in the balance sheet when the consolidated entity has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at the pre-tax rate that reflects current market assessments of the time value of money and where appropriate, the risk specific to the liability.

RED 5 LIMITED AND CONTROLLED ENTITIES

1.18 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.

1.19 New standards and interpretations not yet adopted

The following standards and amendments were available for early adoption at 30 June 2007 but have not been applied by the consolidated entity in these financial statements:

- AASB 7: Financial Instruments: Disclosures (August 2005) replaces the presentation requirements of financial instruments in AASB 132. AASB 7 is applicable for annual reporting periods beginning on or after 1 January 2007, and will require extensive additional disclosures with respect to financial instruments and share capital.
- AASB 2005-10 Amendments to Australian Accounting Standards (September 2005) makes consequential amendments to AASB 132: Financial Instruments: Disclosure and Presentation, AASB 101: Presentation of Financial Statements, AASB 114: Segment Reporting, AASB 117: Leases, AASB 133 Earnings Per Share, AASB 139: Financial Instruments: Recognition and Measurement, AASB 1: First-time Adoption of Australian Equivalents to International Financial Reporting Standards, AASB 4: Insurance Contracts, AASB 1023: General Insurance Contracts and AASB 1038: Life Insurance Contracts arising from the release of AASB 7. AASB 2005-10 is applicable for annual reporting periods beginning on or after 1 January 2007 and is expected to only impact disclosures contained within the consolidated financial report.
- AASB 8: Operating Segments replaces the presentation requirements of segment reporting in AASB 114: Segment Reporting. AASB 8 is applicable for annual reporting periods beginning on or after 1 January 2009 and is not expected to have an impact on the financial results of the parent entity and the consolidated entity as the standard is only concerned with disclosures.
- AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 makes amendments to AASB 5: Non-current Assets Held for Sale and Discontinued Operations, AASB 6: Exploration for and Evaluation of Mineral Resources, AASB 102: Inventories, AASB 107: Cash Flow Statements, AASB 119: Employee Benefits, AASB 127: Consolidated and Separate Financial Statements, AASB 134: Interim Financial Reporting, AASB 136: Impairment Assets, AASB 1023: General Insurance Contracts and AASB 1038: Life Insurance Contracts. AASB 2007-3 is applicable for annual reporting periods beginning on or after 1 January 2009 and must be adopted in conjunction with AASB 8: Operating Segments. This standard is only expected to impact disclosures contained within the financial report.
- Interpretation 10: Interim Financial Reporting and Impairment, prohibits the reversal of an impairment loss recognised in a previous interim period in respect of goodwill, an investment in an equity instrument or financial asset carried at cost. Interpretation 10 will become mandatory for the 2008 financial statements of the consolidated entity, and will apply to goodwill, investments in equity instruments, and financial assets carried at cost prospectively from the date that the consolidated entity first applied the measurement criteria of AASB 136 and AASB 139 respectively (i.e. 1 July 2004 and 1 July 2005 respectively).
- Interpretation 11 AASB 2: Share-based Payment – Group and Treasury Share Transactions addresses the classification of a share-based payment transaction (as equity or cash settled), in which equity instruments of the parent entity or another group entity are transferred, in the financial statements of the entity receiving the services. Interpretation 11 will become mandatory for the 2008 financial report. The potential effect on the Interpretation on the financial report of the consolidated entity has not yet been determined.
- AASB 2007-1 Amendments to Australian Accounting Standards arising from AASB Interpretation II amends AASB 2: Share-based Payments to insert the transitional provisions of IFRS 2, previously contained in AASB 1: First-time Adoption of Australian Equivalents to International Financial Reporting Standards. AASB 2007-1 is applicable for annual reporting periods beginning on or after 1 March 2007. The potential impact on the financial report has not yet been determined.
- AASB 2007-2 Amendments to Australian Accounting Standards arising from AASB Interpretation 12 makes amendments to AASB 1: First-time Adoption of Australian Equivalents to International Financial Reporting Standards, AASB 117: Leases, AASB 118: Revenue, AASB 120: Accounting for Government Grants and Disclosure for Government Assistance, AASB 121: The Effects of Changes in Foreign Exchange Rates, AASB 127: Consolidated and Separate Financial Statement, AASB 131: Interest in Joint Ventures, and AASB 139: Financial Instruments: Recognition and Measurement. AASB 2007-2 is applicable for annual reporting periods beginning on or after 1 January 2008 and must be applied at the same time as Interpretation 12 Service Concession Arrangements.
- AASB 2007-2 Amendments to Australian Accounting Standards also amends references to “UIG Interpretation” to interpretations. This amending standard is applicable to annual reporting periods ending on or after 28 February 2007.

The AASB has released AASB 2007-4: Amendments to Australian Accounting Standards Arising From ED151 and Other Amendments, with the purpose, that in principle all options that currently exist under IFRS should be included in the Australian equivalents to IFRS and additional Australian disclosures should be eliminated, other than those particularly relevant in the Australian reporting environment. The amending standard removes many, but not all of the differences between IFRS and current AIFRS.

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	CONSOLIDATED		PARENT ENTITY	
	2007	2006	2007	2006
	\$	\$	\$	\$
2. REVENUE AND EXPENSES				
(a) Other income				
Gain on sale of investments	<u>11,969</u>	<u>15,365</u>	<u>11,969</u>	<u>15,365</u>
(b) Employee and consultancy expenses				
Provision for employee entitlements	42,922	96,373	42,922	96,373
Superannuation contributions	38,376	43,459	38,376	43,459
Other employee benefits and consultancy expenses	<u>646,501</u>	<u>674,256</u>	<u>646,501</u>	<u>674,256</u>
	<u>727,799</u>	<u>814,088</u>	<u>727,799</u>	<u>814,088</u>
(c) Financing income/(expenses)				
Finance revenue - interest received	59,478	302,017	59,478	302,017
Other financing gains	1,921	1,653	-	-
Amortisation of loan establishment fees	(90,000)	-	(90,000)	-
Interest paid	(31,873)	-	(31,873)	-
Other financing expenses	<u>(31,484)</u>	<u>-</u>	<u>(31,484)</u>	<u>-</u>
	<u>(91,958)</u>	<u>303,670</u>	<u>(93,879)</u>	<u>302,017</u>
(d) Operating lease payments				
Rental and outgoings relating to operating lease	<u>100,130</u>	<u>88,391</u>	<u>100,130</u>	<u>88,391</u>
3. INCOME TAX				
(a) The major components of income tax expense are:				
Income statement				
<i>Current income tax</i>				
Current income tax charge	(338,850)	(384,914)	(339,427)	(296,947)
<i>Deferred income tax</i>				
Unused tax losses not recognised as deferred tax asset	<u>338,850</u>	<u>384,914</u>	<u>339,427</u>	<u>296,947</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
A reconciliation between income tax expense and the numerical loss before income tax at the applicable income tax rate is as follows:				
Loss before income tax	<u>(1,376,824)</u>	<u>(1,312,743)</u>	<u>(3,541,362)</u>	<u>(1,286,355)</u>
At statutory income tax rate of 30% (2006: 30%)	(413,047)	(393,823)	(1,062,409)	(385,906)
Expenditure not allowable for income tax purposes:				
Impairment in investments	-	-	-	80,485
Foreign currency translation adjustment	-	-	648,785	-
Non-deductible expenses	74,197	7,873	74,197	7,438
Other deductible items	<u>-</u>	<u>1,036</u>	<u>-</u>	<u>1,036</u>
	(338,850)	(384,914)	(339,427)	(296,947)
Current year tax losses not brought to account	<u>338,850</u>	<u>384,914</u>	<u>339,427</u>	<u>296,947</u>
Income tax expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Income tax payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**RED 5 LIMITED
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	CONSOLIDATED		PARENT ENTITY	
	2007	2006	2007	2006
	\$	\$	\$	\$
(b) Deferred income tax				
Deferred income tax at balance date relates to the following:				
<i>Deferred tax liabilities</i>				
Capitalised expenditure	4,944,405	4,629,581	-	-
	<u>4,944,405</u>	<u>4,629,581</u>	<u>-</u>	<u>-</u>
<i>Deferred tax assets</i>				
Accrued expenses	2,002	7,050	21,577	7,050
Provisions	911,334	167,598	844,836	167,598
Tax value of losses recognised	4,031,069	4,454,933	-	-
Non-recognition of deferred taxes	-	-	(866,413)	(174,648)
	<u>4,944,405</u>	<u>4,629,581</u>	<u>-</u>	<u>-</u>
Net deferred income tax balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(c) Tax losses

The directors estimate that the potential deferred tax assets in respect of tax losses not brought to account is:

	<u>1,228,642</u>	<u>913,821</u>	<u>1,196,514</u>	<u>881,737</u>
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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 probable. 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	
	2007	2006	2007	2006
	\$	\$	\$	\$
CURRENT ASSETS				
4. CASH AND CASH EQUIVALENTS				
Cash at bank	68,395	126,020	29,605	80,517
Cash on deposit	927,282	2,635,023	927,282	2,635,023
Cash on hand	461	461	200	200
	<u>996,138</u>	<u>2,761,504</u>	<u>957,087</u>	<u>2,715,740</u>
5. TRADE AND OTHER RECEIVABLES				
Sundry debtors - other corporations	<u>49,290</u>	<u>81,863</u>	<u>49,290</u>	<u>81,863</u>
6. INVESTMENTS				
Shares in other corporations – available for sale	<u>-</u>	<u>287,850</u>	<u>-</u>	<u>287,850</u>

**RED 5 LIMITED
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	CONSOLIDATED		PARENT ENTITY	
	2007	2006	2007	2006
	\$	\$	\$	\$
NON-CURRENT ASSETS				
7. RECEIVABLES				
Security deposit	24,306	25,094	24,306	25,094
Unsecured loans - wholly owned controlled entities	-	-	22,078,038	17,653,077
Foreign currency translation adjustment	-	-	(2,266,436)	(103,819)
Allowance for doubtful recovery	-	-	(2,106,915)	(2,106,184)
	<u>-</u>	<u>-</u>	<u>17,704,687</u>	<u>15,443,074</u>
	<u>24,306</u>	<u>25,094</u>	<u>17,728,993</u>	<u>15,468,168</u>
Security deposits represent funds held on deposit as security against a bank guarantee.				
Unsecured loans to controlled entities are interest free and are repayable on demand. The parent entity is not expected to request repayment within the next 12 months.				
8. INVESTMENTS				
Shares in controlled entities - at cost	-	-	1,203,823	1,203,823
Less allowance for impairment	-	-	(868,283)	(868,283)
	<u>-</u>	<u>-</u>	<u>335,540</u>	<u>335,540</u>
9. PROPERTY, PLANT AND EQUIPMENT				
Office furniture and equipment - at cost				
Opening balance	578,631	121,490	129,185	121,490
Additions	1,300,685	7,695	5,152	7,695
Deposit for plant and equipment	-	449,446	-	-
Plant and equipment impairment	(10,576)	-	(10,576)	-
Closing balance	<u>1,868,740</u>	<u>578,631</u>	<u>123,761</u>	<u>129,185</u>
Accumulated depreciation				
Opening balance	78,032	46,523	78,032	46,523
Depreciation for the year	25,418	31,509	25,418	31,509
Plant and equipment impairment	(9,747)	-	(9,747)	-
Closing balance	<u>93,703</u>	<u>78,032</u>	<u>93,703</u>	<u>78,032</u>
Net book value	<u>1,775,037</u>	<u>500,599</u>	<u>30,058</u>	<u>51,153</u>
10. EXPLORATION AND EVALUATION EXPENDITURE				
Opening balance	15,431,936	9,051,016	-	5,776
Acquisition costs	-	2,171,053	-	-
Exploration and evaluation expenditure incurred in current year	3,291,614	4,794,383	100,174	(3,453)
Exploration expenditure written-off	(100,905)	(413,974)	(100,174)	(2,323)
Foreign currency translation adjustment	(2,196,741)	(170,542)	-	-
	<u>16,425,904</u>	<u>15,431,936</u>	<u>-</u>	<u>-</u>

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

**RED 5 LIMITED
AND CONTROLLED ENTITIES**

	CONSOLIDATED		PARENT ENTITY	
	2007	2006	2007	2006
	\$	\$	\$	\$
CURRENT LIABILITIES				
11. TRADE AND OTHER PAYABLES				
Sundry creditors and accruals	<u>427,261</u>	<u>743,356</u>	<u>402,391</u>	<u>732,358</u>
12. PROVISIONS				
(a) Provision for employee entitlements				
Balance at 1 July 2006	317,294	156,728	137,060	156,728
Increase in provision during the period	84,349	164,402	42,922	78,398
Transfer of provision to controlled entity	-	-	-	(94,230)
Net present value discount adjustment	<u>(1,560)</u>	<u>(3,836)</u>	<u>(1,560)</u>	<u>(3,836)</u>
	<u>400,083</u>	<u>317,294</u>	<u>178,422</u>	<u>137,060</u>
(b) Provision for retirement benefits				
Balance at 1 July 2006	141,810	120,000	141,810	120,000
Increase in provision during the period	-	30,000	-	30,000
Provision used during the period	(150,000)	-	(150,000)	-
Net present value discount adjustment	<u>8,190</u>	<u>(8,190)</u>	<u>8,190</u>	<u>(8,190)</u>
	<u>-</u>	<u>141,810</u>	<u>-</u>	<u>141,810</u>
Total provisions	<u>400,083</u>	<u>459,104</u>	<u>178,422</u>	<u>278,870</u>
Current	203,982	151,191	94,791	70,734
Non-current	<u>196,101</u>	<u>307,913</u>	<u>83,631</u>	<u>208,136</u>
	<u>400,083</u>	<u>459,104</u>	<u>178,422</u>	<u>278,870</u>

NON-CURRENT LIABILITIES

13. INTEREST BEARING LIABILITIES				
Secured loan – other corporation	2,031,873	-	2,031,873	-
Less loan establishment fee	(427,500)	-	(427,500)	-
Accumulated amortisation	<u>90,000</u>	<u>-</u>	<u>90,000</u>	<u>-</u>
	<u>(337,500)</u>	<u>-</u>	<u>(337,500)</u>	<u>-</u>
	<u>1,694,373</u>	<u>-</u>	<u>1,694,373</u>	<u>-</u>

The loan due to other corporation is secured by a fixed and floating charge over the assets and undertakings of the parent entity. The loan is repayable on the earlier of 31 December 2009 or the date that debt funding is first provided to the consolidated entity for the development of the Siana project.

14. BORROWINGS				
Unsecured loans – other corporations	<u>303,270</u>	<u>305,191</u>	<u>-</u>	<u>-</u>

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.

RED 5 LIMITED
AND CONTROLLED ENTITIES

	CONSOLIDATED		PARENT ENTITY	
	2007	2006	2007	2006
	\$	\$	\$	\$
15. CONTRIBUTED EQUITY				
(a) Share capital				
291,288,043 (2006: 269,288,043) ordinary fully paid shares	33,340,684	31,272,684	33,340,684	31,272,684
12,500,000 (2006: Nil) options over fully paid shares	<u>387,500</u>	<u>-</u>	<u>387,500</u>	<u>-</u>
	<u>33,728,184</u>	<u>31,272,684</u>	<u>33,728,184</u>	<u>31,272,684</u>

**Consolidated
2007
\$**

(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
Less share issue expenses	<u>-</u>	<u>(132,000)</u>
Balance 30 June 2007	<u>291,288,043</u>	<u>33,340,684</u>

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 2006	-	-
Issue of options for finance facility	<u>12,500,000</u>	<u>387,500</u>
Balance 30 June 2007	<u>12,500,000</u>	<u>387,500</u>

Options are exercisable at 17 cents each on or before 30 June 2008. The options were issued to a financial institution as part consideration for the provision of a finance facility to the parent entity. Following issue of the options, an error was identified in the loan documentation which stated an incorrect expiry date of 30 June 2008 for the options. The parent entity has undertaken to seek the approval of shareholders to amend the expiry date of the options to the correct date of 30 June 2009.

	CONSOLIDATED		PARENT ENTITY	
	2007	2006	2007	2006
	\$	\$	\$	\$
16. RESERVES				
Foreign currency translation reserve	(2,347,728)	(150,987)	-	-
Fair value reserve	<u>-</u>	<u>17,442</u>	<u>-</u>	<u>17,442</u>
	<u>(2,347,728)</u>	<u>(133,545)</u>	<u>-</u>	<u>17,442</u>

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations where the functional currency is different to the presentation currency of the reporting entity, as well as from the translation of liabilities that hedge the parent entity's net investment in a foreign subsidiary.

Fair value reserve

The fair value reserve includes the cumulative net change in the fair value of available-for-sale investments until the investment is derecognised.

**RED 5 LIMITED
AND CONTROLLED ENTITIES**

	CONSOLIDATED		PARENT ENTITY	
	2007	2006	2007	2006
	\$	\$	\$	\$
17. MINORITY INTERESTS				
Interest in:				
Share capital	268,283	268,283	-	-
Accumulated losses	<u>(268,283)</u>	<u>(268,283)</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

18. KEY MANAGEMENT PERSONNEL DISCLOSURES

The following were key management personnel of the consolidated entity at any time during the reporting period and unless otherwise indicated, were key management personnel for the entire reporting period:

Executive directors

Gregory Edwards – Managing Director
Allen Govey – Exploration Director

Non-executive directors

Colin Jackson
Peter Rowe
Gary Scanlan (appointed on 23 November 2006)
Nicholas Smith (resigned on 30 April 2007)

There are no individuals (other than the directors) who are responsible for the strategic direction and management of the consolidated entity. There were no changes to key management personnel between the reporting date and the date the financial report was authorised for issue.

Compensation of key management personnel

A summary of the compensation of key management personnel is as follows:

	CONSOLIDATED		PARENT ENTITY	
	2007	2006	2007	2006
	\$	\$	\$	\$
<i>Key management personnel</i>				
Short term benefits	797,261	937,524	515,030	578,605
Post-employment benefits	55,415	82,286	31,687	56,799
Other benefits	<u>28,000</u>	<u>28,250</u>	<u>28,000</u>	<u>28,250</u>
	<u>880,676</u>	<u>1,048,060</u>	<u>574,717</u>	<u>663,654</u>

The parent entity has applied the exemption under Corporations Amendments Regulation 2006 which exempts listed companies from providing remuneration disclosures in relation to key management personnel in annual financial reports by Accounting Standard AASB 124 *Related Party Disclosures*. These remuneration disclosures are provided in the section of the Remuneration Report of the Directors' Report designated as audited.

Loans to key management personnel

There were no loans to key management personnel during the period.

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.

RED 5 LIMITED
AND CONTROLLED ENTITIES

Share holdings of key management personnel

The numbers of shares in the parent entity held during the financial year by key management personnel, including their personally-related entities, are set out below.

2007	Balance at 1 July 2006	Received during the year on the exercise of options	Other changes during the year	Balance at 30 June 2007
G C Edwards	7,500,000	-	-	7,500,000
A L Govey	6,786,500	-	-	6,786,500
C G Jackson	225,000	-	-	225,000
P W Rowe	-	-	-	-
G F Scanlan	-	-	-	-
N J Smith	509,500	-	-	509,500

Shareholdings for Mr Smith are up to the date of resignation as a director on 30 April 2007.

2006	Balance at 1 July 2005	Received during the year on the exercise of options	Other changes during the year	Balance at 30 June 2006
G C Edwards	7,500,000	-	-	7,500,000
A L Govey	6,786,500	-	-	6,786,500
C G Jackson	225,000	-	-	225,000
P W Rowe	-	-	-	-
N J Smith	509,500	-	-	509,500

Option holdings

No options over fully paid shares in the parent entity were held during the financial year by any director of the parent entity, or their personally-related entities. In the previous financial year, 2,000,000 unlisted options held by a former director, Mr Nicholas Smith, expired during the period without being exercised.

	CONSOLIDATED		PARENT ENTITY	
	2007	2006	2007	2006
	\$	\$	\$	\$
19. REMUNERATION OF AUDITOR				
Amounts paid or due and payable to the auditor for:				
Auditing and reviewing the financial reports	45,437	43,882	45,437	43,882
Taxation advisory services – KPMG Australia	40,000	15,500	40,000	15,500
– overseas KPMG firms	-	9,662	-	9,662
	<u>85,347</u>	<u>69,044</u>	<u>85,347</u>	<u>69,044</u>
20. EXPENDITURE COMMITMENTS				
Commitments in relation to non-cancellable operating leases are payable as follows:				
- not later than one year	75,506	70,800	75,506	70,800
- later than one year but not later than two years	56,630	70,800	56,630	70,800
- later than two years but not later than five years	-	53,100	-	53,100
	<u>132,136</u>	<u>194,700</u>	<u>132,136</u>	<u>194,700</u>

RED 5 LIMITED
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21. 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 2007				
Revenue from ordinary activities	61,399	-	-	61,399
Revenue from other activities	11,969	-	-	11,969
Total segment revenue	73,368	-	-	73,368
Amortisation and depreciation expenses	25,418	-	-	25,418
Exploration expenditure written-off	100,905	-	-	100,905
Acquisition of plant and equipment	5,152	1,295,533	-	1,300,685
Segment loss	(1,346,083)	(30,741)	-	(1,376,824)
Income tax expense	-	-	-	-
Net loss	(1,346,083)	(30,741)	-	(1,376,824)
Segment assets	1,422,003	18,185,911	261	19,608,175
Segment liabilities	2,493,723	650,366	18,398	3,162,487
Net cash flow from operating activities	(1,151,670)	-	-	(1,151,670)
30 June 2006				
Revenue from ordinary activities	303,670	-	-	303,670
Revenue from other activities	15,365	-	-	15,365
Total segment revenue	319,035	-	-	319,035
Amortisation and depreciation expenses	31,509	-	-	31,509
Exploration expenditure written-off	13,974	-	400,000	413,974
Acquisition of plant and equipment	7,695	-	-	7,695
Segment loss	(899,907)	(12,836)	(400,000)	(1,312,743)
Income tax expense	-	-	-	-
Net loss	(899,907)	(12,836)	(400,000)	(1,312,743)
Segment assets	3,185,462	15,903,123	261	19,088,846
Segment liabilities	434,743	1,021,704	51,204	1,507,651
Net cash flow from operating activities	(774,658)	-	-	(774,658)

22. 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 24.

Other transactions with directors and specified executives are set out in Note 18.

RED 5 LIMITED
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23. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The principal financial instruments of the consolidated entity, other than financial assets held for sale, are cash and short term deposits. The main purpose of these financial instruments is to provide finance for the operations of the consolidated entity. The consolidated entity holds various other financial assets and liabilities including receivables and trade payables, which arise directly from its operations. The main risks arising from the consolidated entity's financial instruments are foreign currency risk, interest rate risk and credit risk. The directors of the parent entity review management of each of these risks.

- (a) Foreign currency risk
As a result of its operations in the Philippines, the balance sheet of the consolidated entity can be significantly affected by movements in the US\$:A\$ exchange rate. The consolidated entity does not seek to hedge this exposure as revenue and expenses from production will both be predominantly in US\$.
- (b) 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 balance sheet.
- (c) Net fair values
The fair values of all financial assets and liabilities approximate their carrying values as indicated in the balance sheet.
- (d) 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.

	Floating interest rate \$	Fixed interest maturing in: 1 year or less \$	Between 1 to 2 years \$	Non-interest bearing \$	Total \$
30 June 2007					
<i>Financial assets</i>					
Cash and cash equivalents	55,819	939,858	-	461	996,138
Trade and other receivables	-	24,306	-	49,290	73,596
	55,819	964,164	-	49,751	1,069,734
Effective interest rate	1.17%	6.22%			
<i>Financial liabilities</i>					
Payables	-	-	-	427,261	427,261
Provisions	-	-	-	400,083	400,083
Interest bearing loans	1,694,373	-	-	-	1,694,373
Borrowings	-	-	-	303,270	303,270
	1,694,373	-	-	1,130,614	2,824,987
Effective interest rate	8.97%				
30 June 2006					
<i>Financial assets</i>					
Cash and cash equivalents	126,020	2,635,023	-	461	2,761,504
Trade and other receivables	-	25,094	-	81,863	106,957
	126,020	2,660,117	-	82,324	2,868,461
Effective interest rate	1.85%	5.73%			
<i>Financial liabilities</i>					
Payables	-	-	-	743,356	743,356
Provisions	-	-	-	459,104	459,104
Borrowings	-	-	-	305,191	305,191
	-	-	-	1,507,651	1,507,651

RED 5 LIMITED
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24. INVESTMENTS IN CONTROLLED ENTITIES

Name of controlled entities	Country of incorporation	Class of shares	Equity holding	
			2007 %	2006 %
Asia Gold Limited	United Kingdom	Ordinary	50	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.

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

	CONSOLIDATED		PARENT ENTITY	
	2007 \$	2006 \$	2007 \$	2006 \$
Net cash outflow from operating activities	(1,151,670)	(774,658)	(1,151,670)	(774,658)
Amortisation and depreciation	(115,418)	(31,509)	(115,418)	(31,509)
Exploration expenditure written-off	(100,905)	(413,974)	(100,174)	(2,323)
Impairment of investments	-	-	-	(268,283)
Impairment of loans	-	-	(731)	(11,508)
Profit on sale of investments	11,969	15,365	11,969	15,365
Plant and equipment written-off	(829)	-	(829)	-
Translation loss on loan to controlled entity	-	-	(2,162,617)	(103,819)
Changes in operating assets and liabilities				
Increase/(decrease) in receivables	(14,159)	(2,845)	(14,159)	(2,845)
Increase/(decrease) in other assets	40,000	-	40,000	-
(Increase)/decrease in payables	(41,308)	(10,402)	(41,308)	(10,402)
(Increase)/decrease in provisions	27,369	(94,720)	25,448	(96,373)
(Increase)/decrease in other liabilities	(31,873)	-	(31,873)	-
Operating loss after income tax	<u>(1,376,824)</u>	<u>(1,312,743)</u>	<u>(3,541,362)</u>	<u>(1,286,355)</u>

26. NON CASH FINANCING AND INVESTING ACTIVITIES

Issue of options for finance facility	387,500	-	387,500	-
Issue of shares for purchase of an additional beneficial interest in the Siana project	-	2,171,052	-	2,171,052
Issue of shares for technical and financial advisory services	-	120,000	-	120,000
	<u>387,500</u>	<u>2,291,052</u>	<u>387,500</u>	<u>2,291,052</u>

27. EARNINGS PER SHARE

Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	<u>281,222,290</u>	<u>266,552,368</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.

**RED 5 LIMITED
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The following movements in ordinary shares occurred subsequent to balance date:
- share placement of 18,000,000 ordinary shares.

28. SUBSEQUENT EVENTS

In August 2007, the parent entity raised \$1,188,000 before expenses through a private share placement of 18,000,000 ordinary shares at a subscription price of 6.6 cents per share.

**RED 5 LIMITED
AND CONTROLLED ENTITIES**

DECLARATION BY DIRECTORS

The Board of Directors of Red 5 Limited declares that:

- (a) the financial statements and accompanying notes and the remuneration disclosures that are contained in the Remuneration Report in the Directors' Report are in accordance with the Corporations Act 2001, including:
 - giving a true and fair view of the financial position as at 30 June 2007 and performance of the parent entity and the consolidated entity for the financial year ended on that date; and
 - complying with Australian Accounting Standards and the Corporations Regulations 2001;
- (b) the remuneration disclosures that are contained in the Remuneration Report in the Directors' Report comply with Australian Accounting Standard AASB 124 Related Party Disclosures; and
- (c) at the date of this declaration and as set out in Note 1(c), there are reasonable grounds to believe that the parent entity will be able to pay its debts as and when they fall due.

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.

A L Govey
Director

Perth, Western Australia
27 September 2007



Independent auditor's report to the members of Red 5 Ltd

Report on the financial report and AASB 124 remuneration disclosures contained in the directors' report

We have audited the accompanying financial report of Red 5 Ltd (the Company), which comprises the balance sheets as at 30 June 2007, and the income statements, statements of changes in equity and cash flow statements for the year ended on that date, a description of significant accounting policies and other explanatory notes and the directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

As permitted by the *Corporations Regulations 2001*, the Company has disclosed information about the remuneration of directors and executives (remuneration disclosures), required by Australian Accounting Standard AASB 124 *Related Party Disclosures*, under the heading "Remuneration report" in pages 5 to 7 of the directors' report and not in the financial report. We have audited these remuneration disclosures.

Directors' responsibility for the financial report and the AASB 124 remuneration disclosures contained in the directors' report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the 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. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

The directors of the Company are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. Our responsibility is also to express an opinion on the remuneration disclosures contained in the directors' report based on our audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the remuneration disclosures contained in the directors' report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report and the remuneration disclosures contained in the directors' report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report and the remuneration disclosures contained in the directors' report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as



evaluating the overall presentation of the financial report and the remuneration disclosures contained in the directors' report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's and the Group's financial position and of their performance and whether the remuneration disclosures are in accordance with Australian Accounting Standard AASB 124.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's opinion on the financial report

In our opinion:

- (a) the financial report of Red 5 Ltd is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2007 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1.

Auditor's opinion on AASB 124 remuneration disclosures contained in the directors' report

In our opinion the remuneration disclosures that are contained in pages 5 to 7 of the directors' report comply with Australian Accounting Standard AASB 124 *Related Party Disclosures*.

Inherent uncertainty regarding continuation as a going concern

Without qualification to the opinion expressed above, attention is drawn to the following matter. As a result of the matters described in Note 1, there is significant uncertainty whether the entity will be able to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

KPMG

B C FULLARTON

Partner

Perth

28 September 2007