RED 5 LIMITED

ABN 73 068 647 610

AND CONTROLLED ENTITIES

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

CORPORATE DIRECTORY

BOARD OF DIRECTORS
Kevin Dundo (Chairman)
Mark Williams (Managing Director)
Ian Macpherson (Non-Executive Director)
Colin Loosemore (Non-Executive Director)
Steven Tombs (Non-Executive Director)

COMPANY SECRETARY
Frank Campagna

REGISTERED OFFICE
Level 2, 35 Ventnor Avenue
West Perth Western Australia 6005

Telephone: (61 8) 9322 4455
Email: info@red5limited.com
Web-site: www.red5limited.com

SHARE REGISTRY
Security Transfer Australia Pty Ltd
770 Canning Highway
Applecross WA 6153

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

BANKERS
Commonwealth Bank of Australia
National Australia Bank Limited

AUDITORS
KPMG

SOLICITORS
HopgoodGanim
SyCip Salazar Hernandez & Gatmaitan (Philippines)

STOCK EXCHANGE LISTING
Shares in Red 5 Limited are quoted on the Australian Securities Exchange.

Trading code: RED

CONTENTS

DIRECTORS' REPORT

The Directors of Red 5 Limited ("Red 5" or "parent entity") submit their report on the results and state of affairs of Red 5 and its subsidiaries ("the Group" or the "consolidated entity") for the year ended 30 June 2019.

1. DIRECTORS AND COMPANY SECRETARY

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:

Kevin Anthony Dundo
Mark James Williams
Ian Keith Macpherson
John Colin Loosemore
Steven Lloyd Tombs (appointed on 1 August 2018)

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

1.1. Information on Directors

Kevin Dundo	**Non-Executive Chairman**
Appointment date	Non-Executive Director since March 2010 and Non-Executive Chairman since November 2013
Special responsibilities	Member of the Remuneration and Nomination Committee; Member of the Audit Committee; and Member of the Health, Safety, Environment and Community (HSEC) Committee.
Qualifications	B.Com, LLB, FCPA
Experience	Mr Dundo practices as a lawyer and specialises in commercial and corporate areas with experience in the mining sector, the service industry and the financial services industry.
Other listed company directorships	Director of Imdex Limited (since January 2004); and Cash Converters International Limited (since February 2015).

Mark Williams	**Executive Director**
Appointment date	Non-Executive Director from January 2014 and Managing Director since April 2014
Special responsibilities	Managing Director
Qualifications	Dip CSM Mining, GAICD
Experience	Mr Williams was previously General Manager of the Tampakan Copper-Gold Project in the southern Philippines from 2007 to 2013. He has over 20 years of mining experience operating within a diverse range of open cut, underground, quarrying and civil engineering environments across the developed markets of Australia, United Kingdom and New Zealand as well as the emerging markets of Philippines, Vietnam, Thailand and South Pacific.
Other listed company directorships	Mr Williams has not held directorships in any other listed companies in the past 3 years.

Ian Macpherson	**Non-Executive Director**
Appointment date	April 2014
Special responsibilities	Chairman of the Audit Committee; and Chairman of the Remuneration and Nomination Committee.
Qualifications	B.Comm, CA
Experience	Mr Macpherson is a Chartered Accountant with over 35 years' experience in the provision of financial and corporate advisory services. He was a former partner at Arthur Anderson & Co managing a specialist practice providing corporate and financial advice to the mining and mineral exploration industry. Mr Macpherson established Ord Partners in 1990 (later to become Ord Nexia) and has specialised in the area of corporate advice with particular emphasis on capital structuring, equity and debt raising, corporate affairs and stock exchange compliance for publicly listed companies.
Other listed company directorships	Director of RBR Group Ltd (since October 2010).

Colin Loosemore	Non-Executive Director
Appointment date	December 2014
Special responsibilities	Chairman of the Health, Safety, Environment and Community (HSEC) Committee; Member of the Remuneration and Nomination Committee; and Member of the Audit Committee.
Qualifications	B.Sc.Hons., M.Sc., DIC., FAusIMM
Experience	Mr Loosemore is a geologist with over 40 years' experience in multi-commodity exploration including over 30 years as a director of public exploration companies within Australia and overseas. He graduated from London University in 1970 and the Royal School of Mines in 1977. Mr Loosemore was most recently Managing Director of Archipelago Resources plc where he oversaw development of the Toka Tindung Gold Mine in Sulawesi, Indonesia.
Other listed company directorships	Mr Loosemore has not held directorships in any other listed companies in the last 3 years.

Steven Tombs	Non-Executive Director
Appointment date	August 2018
Special responsibilities	-
Qualifications	B.Sc.Hons, FAusIMM
Experience	Mr Tombs is a Mining Engineer with over 40 years' experience in the mining industry in Australia and overseas. Mr Tombs graduated from Nottingham University in 1976 and was previously Red 5's General Manager at Darlot and the Underground Project Manager at Siana. Mr Tombs previously held Senior Management positions at AngloGold Ashanti, Placer Dome and Newcrest in the Eastern Goldfields.
Other listed company directorships	Mr Tombs has not held directorships in any other public companies in the last 3 years.

1.2. Information on Company Secretary

Frank Campagna	Company Secretary
Appointment date	June 2002
Qualifications	B.Bus (Acc), CPA
Experience	Mr Campagna is a Certified Practicing Accountant with over 25 years' experience as Company Secretary, Chief Financial Officer 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.

1.3. Details of Directors' interests in the securities of Red 5 as at the date of this report are as follows:

Director	Fully paid shares	Performance rights	Service rights	Deferred rights
Kevin Dundo	1,430,409	-	-	-
Mark Williams	6,634,764	9,637,208	-	-
Ian Macpherson	659,957	-	-	-
Colin Loosemore	6,824,212	-	-	-
Steven Tombs	2,000,667	-	-	-

1.4. Director's Meetings

The number of meetings of the Board of Directors of Red 5 and of each Board committee held during the year ended 30 June 2019 and the number of meetings attended by each Director whilst in office are as follows:

Director	Board meetings		Audit Committee		Remuneration & Nomination Committee		HSEC Committee	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Kevin Dundo	10	10	2	2	3	3	1	1
Mark Williams	10	10	-	-	-	-	-	-
Ian Macpherson	10	10	2	2	3	3	-	-
Colin Loosemore	10	10	2	2	3	3	1	1
Steven Tombs	9	8	-	-	-	-	-	-

1.5. Corporate Governance

In recognising the need for high standards of corporate behaviour and accountability, the Directors of the Company support the principles of sound corporate governance. The Board recognises the recommendations of the Australian Securities Exchange Corporate Governance Council, and considers that Red 5 is in compliance with those guidelines to the extent possible, which are of importance or relevant to the commercial operation of developing listed resources companies.

2. PRINCIPAL ACTIVITIES

The principal activities of Red 5 and the consolidated entity (which includes associated entities of Red 5) during the financial period were gold mining and mineral exploration.

3. RESULTS OF OPERATIONS

A net loss of the consolidated entity after income tax for the year ended 30 June 2019 was $3,030,385 (30 June 2018: loss of $11,927,573).

3.1 Operating Review

During the year, Red 5 delivered steady-state gold production from its Eastern Goldfields gold operations, generating positive free cashflows at the Darlot and King of the Hills gold mines.

With the ramp-up of mining at King of the Hills completed during December 2018, the Company was able to achieve commercial production on 1 December 2018, a significant milestone for the Group.

Mining operations at the Siana gold project in the Philippines remained suspended pending an improvement in operating conditions in the Philippines. Ongoing activities at Siana include dewatering of the open pit, infrastructure maintenance and monitoring of geotechnical issues.

(a) Mining Activities

Darlot Gold Mine

Darlot continued to primarily source ore from the high-grade Oval West deposit for the end of the year. Airleg mining continued to ramp up with four active airleg mining stopes in production, at an estimated rate of 4,000 tonnes per month and expected to ramp up to 6,000 tonnes. The airleg program is being conducted concurrently with engineering and geological assessments to identify additional opportunities for narrow vein mining.

Further rehabilitation work continued to advance remnant mining opportunities in the Thomson orebody and capital development towards the Burswood deposit, progressing these mining fronts as part of the FY2020 mine plan.

King of the Hills

The transition to bulk mining at King of the Hills (KOTH) entered an important phase during the last quarter of FY2019 with the majority of stope ore coming from bulk sources. Related efficiencies began to be realised with record (under Red 5 ownership) quarterly production tonnes, drilling and ounces delivered from the mine.

Bulk stope optimisation continued to provide value throughout the year. During the last quarter of FY2019, a total of 5,356oz was processed, making this a record for ounces produced from KOTH for Red 5.

The period was marked by significant improvement in the understanding of the complex local geology as well as process improvements across technical services. These improvements are expected to deliver significant ongoing material benefits to the operation.

Development of the first specifically bulk mining level continued as planned and reached a significant drill platform location. The platform will be used to test open mineralisation down-dip and represents a key milestone for the long-term bulk mining strategy for KOTH.

(b) Processing and Production

The Darlot processing plant performed well during the year with a total of 907,004 tonnes of ore processed. The average head grade and recovery was 3.79g/t Au and 92.4% respectively, resulting in the production of a total of 102,012 ounces of gold.

Summary of Australian production:

	Units	FY 2019
Mined tonnes	t	900,251
Average grade	g/t	3.86
Tonnes milled	t	900,004
Average head grade	g/t	3.79
Recovery	%	92.4
Gold recovered	oz	102,012

The newly scoped Tailings Storage Facility #4 construction commenced in July 2019 and is expected to take 5 months to complete. During the year a refurbished Knelson Gravity Concentrator was installed on the primary milling circuit. This concentrator, coupled with the already installed new Falcon unit on the secondary circuit, should see lower final tail solid grade and improve gold bullion smelting. Continuous improvement projects include refurbishment of adsorption and leach tanks, improvement of oxygen addition to the leach circuit, an additional cross belt magnet, as well as optimising the existing triple deck screen on the crushing circuit.

(c) Exploration and Resource Development

Darlot
During the year, drilling at the Oval Flattening target successfully intersected a new 77m wide zone of favourable magnetic dolerite host rock.

The 1,250m hole, which was partially funded by the WA Government's Exploration Incentive Scheme (EIS), was targeting the known mineralised Oval Fault structure in a previously untested area to the south-west of the Darlot/Centenary system. Interpretation of 3D seismic data showed that the fault flattened considerably across a zone of 150m, which presents a favourable mineralisation target.

Extensive near-mine targeting activities were also completed during the last quarter of FY2019, including the ongoing structural and lithological interpretation of the 3D seismic data as well as analysis and integration of a substantial underground and surface geochemical database. Drill targets have been generated, targeting extensions to known mineralisation within the mine space, as well as several targets within a 20km mine radius focused on favourable structural trap sites within the underexplored eastern limb of the folded Mount Pickering magnetic dolerite.

King of the Hills
Updated Mineral Resource Estimate for Eastern Margin Contact during the last quarter of FY2019, Red 5 reported an updated bulk mining Mineral Resource estimate for the Eastern Margin Contact zone at KOTH.

Mineral Resource estimates for the Rainbow and Severn near-mine deposits at KOTH, calculated on drilling completed by past owners. This work highlights the potential to define near-mine open pit resources that have the potential to support the broader bulk mining strategic review currently underway at KOTH. Red 5 is currently undertaking a major 13,300m regional drilling program to test five additional priority nearmine targets at KOTH.

(d) Siana Gold Project, Philippines

Red 5's Philippine-affiliated company, Greenstone Resources Corporation, is continuing to evaluate its preferred plan and options for the Siana Gold Project, including a revised mining strategy for the Siana open pit mine and required funding for the potential future recommencement of operations. An important part of these considerations will be the current Philippine Government's mining policy.

While mining operations remain suspended at Siana, ongoing activities include dewatering of the open pit, infrastructure maintenance and geotechnical monitoring.

(e) Corporate

General Manager - Operations, Steven Tombs retired from the Group's executive management team effective from 31 July 2018. Given his intimate knowledge of the Red 5 Group assets and his vast mining and operational experience, Mr Tombs was appointed as a Non-Executive Director, effective from 1 August 2018.

3.2 Financial Review

The consolidated entity recorded a net loss after tax of $3,030,385 (2018: Loss of $11,927,574.).

(a) Gold sales

Gold and silver sales for the reporting period before hedging movements totalled $156,308,315 (2018: $77,149,429) which excludes $21,529,789 of sales from the King of the Hills operation which have been offset against mine development costs.

(b) Income statement

The Group recorded a net loss after tax for the year ended 30 June 2019 of $3,030,385 in comparison to a net loss after tax for the year ended 30 June 2018 of $11,927,574 and a net loss before tax of $10,600,218 (2018: loss $14,387,213).

Darlot and King of the Hills recorded a gross profit for the period of $11,342,129 (30 June 2018: gross loss of $3,625,718). A combined 98,240 ounces of gold were sold during the year, which together with silver sales and hedging adjustments resulted in total revenue of $153,508,715. Cost of sales for the period of $142,166,586 comprised production costs, royalties, movement in stockpiles and depreciation charge. The higher sales and cost of sales during the year is reflective of full twelve months of Darlot operation and the achievement at King of the Hills of commercial production on 1 December 2018 compared to the previous year where the Company had only 9 months of operations in Australia and the Philippines.

The Group's net loss for the period was mainly driven by administrative expenses, exploration expenditure, Siana project care and maintenance expenses and fair value loss on financial liabilities attributable to high forward gold prices. Financing expenses included unwinding of the effective interest rate of the gold loan. This was offset by gross profit from operations and income tax benefits primarily due to the reset of the cost base of property, plant and equipment and other liabilities as a result of forming a tax consolidation group.

(c) Balance sheet

Total assets increased from $173,271,787 to $177,147,101 at 30 June 2019. The net increase in total assets was mainly driven by mine development connected with the King of the Hills pre-operational expenditure and capitalised exploration expenditure for resource drilling, a build-up of inventories associated with the Company's ramp-up to full production and deferred tax assets. This was offset by a decrease in current trade and other receivables due to the $11,000,000 received in July 2018 for the sale of the Mt Cattlin royalty.

Total liabilities were $97,766,795, an increase of $5,746,306 from 30 June 2018. This was mainly driven by a negative mark-to-market adjustment on gold hedges ($6,072,867) and entering into a gold loan facility of 5,015 ounces ($10,143,415) fully repaid subsequent to year-end in August 2019. This was offset by a decrease in employee benefits and the reduction of liabilities due to the King of the Hills deferred consideration payment made during the year, as well as a reduction of deferred tax liability ($6,069,001) mainly as a result of forming a tax consolidated group.

(d) Cash flow

During the year, cash and cash equivalents increased by $3,464,030.

Free cash inflows from operating activities for the period were $23,180,689. Cash receipts from customers of $150,396,145 reflect the sale of gold and silver. This was offset by cash outflows of $127,215,456, driven by higher operational costs resulting from the Company's ramp-up to full production and increased exploration expenditure.

Net cash outflows used in investing activities for the period were $36,540,439, reflecting sustaining and growth capital on the Darlot processing plant and Darlot mine, as well as development costs, pre-operational expenditure and deferred consideration associated with the King of the Hills project.

DIRECTORS' REPORT

The net cash from financing activities of $16,823,780 reflects the proceeds from the sale of the Mt Cattlin royalty ($11,000,000); and the gold loan facility ($8,219,786) offset by repayments of finance lease liabilities and payment of interest on the gold loan.

4. DIVIDENDS

No amounts were paid by way of dividend since the end of the previous financial year (2018: Nil). At the time of this report the Directors do not recommend the payment of a dividend.

5. OPTIONS GRANTED OVER SHARES

No options were granted during or since the end of the financial year. No person entitled to exercise the options has any right by virtue of the option to participate in any share issue of Red 5 or any other corporation.

6. PERFORMANCE RIGHTS

At the date of this report, there were 33,560,099 performance rights convertible into ordinary fully paid shares.

	Number
Vesting date: 30 June 2020 (subject to performance conditions)	18,218,801
Vesting date: 30 June 2021 (subject to performance conditions)	15,241,298
	33,460,099

7. INDEMNIFICATION AND INSURANCE OF DIRECTORS, OFFICERS

The Company has made an agreement indemnifying all the Directors and officers of the Company against all losses or liabilities incurred by each Director or officer in their capacity as Directors or officers of the Company to the extent permitted by the Corporations Act 2001. The indemnification specifically excludes wilful acts of negligence. The Company paid insurance premiums in respect of Director's and Officer' Liability Insurance contracts for current officers of the Company, including officers of the Company's controlled entities. The liabilities insured are damages and legal costs 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 Group. During the financial year, Red 5 paid premiums of $205,408 (2018: $204,283)

8. EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Working Capital Facility:

In August 2019, the Company entered into an agreement with Macquarie Bank Limited to provide the Company with a $20 million Working Capital Facility. This facility includes a hedging amounting to approximately 13,000 ounces per quarter over the term of the loan. Proceeds from the Working Capital Facility were partially applied to full repayment in August 2019 of the Gold Loan Facility with Malaysian-based investment fund, Asian Investment Management Services Ltd.

9. LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

In the opinion of the Directors there is no information available as at the date of this report on any likely developments which may materially affect the operations of the Group other than detailed in the subsequent events and the expected results of those operations.

10. 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 Philippines. 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 2019.

Signed in accordance with a resolution of the Directors.

11. REMUNERATION REPORT (AUDITED)

This remuneration report for the year ended 30 June 2019 outlines the remuneration arrangements in place for Directors and Executives of Red 5 in accordance with the requirements of the Corporations Act 2001 and its Regulations.

This report sets out the current remuneration arrangements for Directors and executives of Red 5. For the purposes of this report, key management personnel (KMP) are defined as those persons having authority and responsibility for planning, directing and controlling major activities of the consolidated entity, including any Director (whether Executive or Non-Executive) of Red 5.

The report contains the following sections:

11.1 Key Management Personnel covered by this Remuneration Report
11.2 Remuneration Governance
11.3 Principles of Remuneration
11.4 Services from Remuneration Consultants
11.5 Executive Remuneration Framework
11.6 Group Performance
11.7 Key Management Personnel Service Agreements
11.8 Summary of Remuneration
11.9 Additional Disclosures Relating to Options, Performance Rights and Shares

11.1 Key Management Personnel covered by this Remuneration Report

The following were KMPs of the Group at any time during the year ended 30 June 2019 and 30 June 2018 and unless otherwise indicated, KMPs for the entire period:

Non – Executive Directors	Executive Directors	Executives
Kevin Dundo	Mark Williams – Managing Director	John Tasovac - Chief Financial Officer
Ian Macpherson		Brendon Shadlow[b] – General Manager Operations
Colin Loosemore		
Steven Tombs[a]		

[a] Steven Tombs retired from the Group's executive management team on 31 July 2018 and was appointed Non-Executive Director effective from 1 August 2018.
[b] Brendon Shadlow was appointed General Manager Operations on 1 August 2018.

There were no other changes to KMPs after the reporting date and before the date of the financial report.

11.2 Remuneration Governance

The Remuneration and Nomination Committee (the Committee) of the Board of Directors (the Board) is responsible for determining the remuneration arrangements for KMPs and making recommendations to the Board. The Committee is comprised of three Non-Executive Directors.

The Committee reviews remuneration levels and other terms of employment on a periodic basis having regard to relevant employment market conditions, strategy of the Group, qualifications and experience of the KMPs and performance against targets set for each year.

The Committee also advises on the appropriateness of remuneration packages of the Group given trends in comparative peer companies both locally and internationally, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high-quality board and executive team.

Overall remuneration policies are determined by the Board and are adapted to reflect competitive market and business conditions. Within this framework, the Committee considers remuneration policies and practices generally, and determines specific remuneration packages and other terms of employment for the Managing Director and senior executives. Executive remuneration and other terms of employment are reviewed annually by the Committee having regard to performance, relevant comparative information and expert advice.

11.3 Principles of remuneration

Directors and executives remuneration

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

- fixed remuneration should be set around the middle of the relevant market data, at P50/50th percentile;
- reward reflects the competitive market in which Red 5 operates;
- for executives, individual reward should be linked to performance criteria through variable remuneration, and
  - at target, which is intended to be a challenging but achievable performance, the combination of fixed remuneration and the outcomes of variable remuneration should position Total Remuneration Packages between P50 and P75 of the market,
  - variable remuneration should generally be offered in the form of separate short (1 year) and long term (3 year) incentives; and
- Non-Executive Directors should not receive remuneration related to performance or participate in any executive incentive plan.

11.4 Services from Remuneration Consultants

During the previous financial year, the Remuneration Committee engaged Godfrey Remuneration Group (GRG) as independent remuneration consultants to provide a market benchmarking report on chief executive officer remuneration levels and a review of short term and long term incentive schemes for senior executives and plan documents. Remuneration recommendations were provided to the Remuneration Committee as an input into the decision making process. The Remuneration Committee considered the recommendations in conjunction with other factors in making its remuneration determinations. The Remuneration Committee is satisfied that the advice received from GRG is free from undue influence from the KMP to whom the remuneration recommendations apply, as GRG were engaged by and reported directly to the Chair of the Remuneration Committee with no involvement by the KMP. GRG also made the required independence declarations in their reports, which indicated that the consultant viewed the advice as free from undue influence from the KMP that were the subject of the advice. The fee for this service was $3,200 (2018: $24,700)

11.5 Executive Remuneration Framework

Red 5's remuneration policy for the Managing Director and senior executives is designed to promote superior performance and long-term commitment to Red 5, while building sustainable shareholder value. Remuneration packages are set at levels that are intended to attract and retain executives capable of managing Red 5's operations. The Managing Director and senior executives receive a base remuneration which is market related, together with performance-based remuneration linked to the achievement of pre-determined milestones and targets.

The structure of remuneration packages for the Managing Director and other senior executives comprises:

- Fixed remuneration;
- Short-term incentives linked to annual planning and longer-term objectives; and
- Long-term incentives through participation in performance-based equity plans, with the prior approval of shareholders to the extent required.

The proportion of fixed and variable remuneration is established for the Managing Director and senior executives by the Remuneration and Nomination Committee and is linked to both relevant market practices and the degree to which the Board intends participants to focus on short and long-term outcomes.

11.5.1 Fixed Remuneration

Fixed remuneration comprises director's fees, consulting fees, salaries, and superannuation contributions.

11.5.2 Short-term incentives linked to annual planning and longer-term objectives

The objective of short-term incentives is to link achievement of Red 5's annual targets for outcomes linked to Red 5's strategy, or which clearly build shareholder value, with the remuneration received by executives charged with meeting those targets. The short-term incentive is an "at risk" component of remuneration for key management personnel and is payable based on performance against key performance indicators set at the beginning of each financial year. Targets are intended to be challenging but achievable and may or may not be linked to budget, depending on whether or not the budget is viewed by the Board as meeting this definition.

Performance incentives may be offered to the Managing Director and senior executives through the operation of incentive schemes. The short-term incentive is offered annually, set as a percentage of annual salary, payment of which is conditional upon the achievement of agreed key performance indicators (KPIs) for each executive, which comprise a combination of agreed milestones and financial measures. These milestones are selected from group, functional/unit and individual level objectives, each weighted to reflect their relative importance and each with targets linked to the Board's expectations and with threshold, target and stretch levels set where possible (some KPIs are binary and are either achieved or not achieved).

The KPIs comprise financial and non-financial objectives and include out-performance against the annual operating budget, health and safety targets and specific operations-related milestones. Measures chosen directly align the individual's reward to the KPIs of the group and to its strategy and performance. The plan also has a financial gate to ensure that no performance bonus is payable when it would be inappropriate or unaffordable to do so. Any award under the STI for the Managing Director and executives is subject to deferral at a rate of 50% of the award, to be delivered in the form of Service or Deferred Rights, subject to shareholder approval, if required.

The Service and Deferred Rights are intended to prevent the equity being sold for a period of 12 to 24 months (respectively) Service rights are subject to a 12-month service test. The purpose of deferral is to manage the risk of short-termism inherent in setting short term objectives, to promote sustainable value creation and to build further alignment with shareholders.

11.5.3 Long-term incentives through participation in performance-based equity plans

The objective of long-term incentives is to promote alignment between executives and shareholders through the holding of equity. As such, long term incentives are only granted to executives who are able to directly influence the generation of shareholder wealth, or who are in a position to contribute to shareholder wealth creation.

As the operations of the Group expand, the Board continues to progressively develop remuneration policies and practices that appropriately link remuneration to company performance and shareholder wealth, given the circumstances of Red 5 at the time. This includes a long-term incentive scheme whereby Performance Rights will be granted with a measurement period of three years with vesting conditions comprising TSR and agreed operational measures including gold production and strategic targets. The TSR measure is subject to a positive TSR gate and that other measures are subject to a production or financial gate. The Group's Total Shareholder Return (TSR) is measured as a percentile ranking compared to the S&P/ASX All Ordinaries Gold Index.

Share-based compensation

The Board has adopted the Red 5 Employee Share Option Plan (ESOP) and a Rights Plan. The primary purposes of these plans 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. The Red 5 Rights Plan is appropriately utilised for offers of both deferred short term incentives (Service and Deferred Rights) and long term incentives (Performance Rights). Specific performance hurdles or vesting schedules are determined by the Board at the time of grant under the ESOP or Rights Plan in the case of LTI, and are aligned with the stage of development and operations of the Group and market conditions and practices.

Red 5's share trading policy prohibits key management personnel that are granted share-based payments as part of their remuneration, from entering into other arrangements that limit their exposure to losses that would result from share price decreases. Entering into such arrangements is also prohibited by law.

11.6 Group Performance

The following table summarises key measures of Group performance for FY19 and the previous four financial years

	2019	2018	2017	2016	2015
ASX Share price at year end	$0.18	$0.08	$0.03	$0.09	$0.09
(Loss)/profit before income tax attributable to owners of the company ($)	(10,600,218)	(14,387,213)	(110,124,206)	24,787,481	(60,304,510)
Dividends paid ($)	-	-	-	-	-

11.6.1 STI performance pay outcome

Short term incentive bonus component of remuneration based on achievement of group and specific role related operational targets for the year ended 30 June 2019 including achievement of core EBITDA targets, completion of strategies relating to the Siana assets, the achievement of gold production and cost targets for the financial year and individual effectiveness. A gate of 80% of budgeted gold production level applies to all KPIs.

The amount vested represents 89.7% of the available target bonus with the balance being forfeited due to performance criteria not being met. The financial gate of a minimum level of gold production based on a challenging work plan and operating budget was exceeded. 50% of the performance bonus is payable in share rights for Mr Williams, Mr Tasovac and Mr Shadlow, with the issue of share rights to Mr Williams subject to shareholder approval.

Based on these results the Board has awarded an STI to eligible KMPs as follows:

Executive KMP STI Awards for 2019			
	Cash Bonus $	Deferred Rights[(a)] No.	Service Rights[(b)] No.
Mark Williams	140,000	393,258	393,258
John Tasovac	65,000	182,584	182,584
Brendon Shadlow	60,000	168,539	168,539

(a) Deferred rights vest immediately and are subject to a 24-month disposal restriction following the end of the measurement period. See valuation of rights on section 11.8.

(b) Service rights are subject to a 12-month service test following the end of the measurement period. See valuation of rights on section 11.8.

The Remuneration Committee exercised some discretion based on Company performance and Group objectives achieved in assessing the performance of the executive KMP's against the 2019 STI objectives.

11.6.2 LTI performance pay outcome

No LTI performance pay vested during the year, other than 50% of Mr Steven Tombs' performance rights that were awarded to him on his retirement on 31 July 2018 in recognition of his contribution to the Company.

Executive KMP LTI Awards for 2019				
2019	Maximum number of performance rights	Number awarded in the year	% of maximum potential LTI achieved %	% of LTI not achieved in the year %
Steven Tombs	2,600,000	1,300,000	50	50

Details of LTI performance rights issued during the year are shown at section 11.9.4.

11.7 Key Management Personnel Service Agreements

11.7.1 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 payable to Non-Executive Directors, with the current approved limit being $650,000 per annum. The remuneration and nomination committee recommend the actual payments to Directors and the Board is responsible for ratifying any recommendations.

The current fee policy is as follows:

- The Chair receives fees of $120,000 per annum plus superannuation;
- Non-Executive Directors receive $90,000 per annum plus superannuation;
- Chairs of Board committees receive:
  - $10,000 per annum plus superannuation for the audit committee, and
  - $ 5,000 per annum plus superannuation for other committees;
- Committee members are not paid any additional fee;
- Non-Executive Directors are entitled to statutory superannuation benefits; and
- 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 not entitled to participate in performance-based remuneration schemes. However, the Board seeks annual shareholder approval for a Non-Executive Directors' share plan, under which Non-Executive Directors can elect to receive a portion of their existing Directors fees in shares in Red 5. All Directors are entitled to have premiums on indemnity insurance paid by Red 5. During the financial year, Red 5 paid premiums of $205,408 (2018: $204,283) 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.

11.7.2 Executive Directors – Managing Director

Mark Williams	**Fixed remuneration for the year and statutory superannuation: $547,500**

Mr Williams' agreement is for an indefinite period.

In addition to his cash remuneration Mr Williams is entitled to:

- Performance bonus: short term incentive bonus determined as a percentage of annual salary and based on the achievement of pre-determined milestones which are selected from group, functional and individual level objectives, each weighted to reflect their relative importance. One half of any performance bonus is payable in cash and one half is to be satisfied by the issue of Share Rights which are subject to service or escrow conditions.
- Equity compensation: entitlement to be granted indeterminate rights which can be delivered in either cash or shares. The rights are granted annually with a measurement period of three years with vesting conditions comprising outperformance against TSR and agreed operational measures including gold production targets.

Termination provisions: termination by the Company (other than for unsatisfactory performance, gross misconduct or long term incapacity) upon giving 12 months' notice or payment in lieu of notice and by Mr Williams giving 3 months' notice.

11.7.3 Executives

John Tasovac	**Fixed remuneration for the year and statutory superannuation: $361,350**

Mr Tasovac's agreement is for an indefinite period.

In addition to his cash remuneration Mr Tasovac is entitled to:

- Performance bonus: short term incentive bonus determined as a percentage of annual salary and based on the achievement of pre-determined milestones which are selected from group, functional and individual level objectives, each weighted to reflect their relative importance.
- Equity compensation: entitlement to participate in the ESOP or PR Plan with performance hurdles or vesting schedules determined at time of grant.

Termination provisions: termination by the Company (other than for unsatisfactory performance, gross misconduct or long term incapacity) upon giving 6 months' notice or payment in lieu of notice.

Brendan Shadlow	**Fixed remuneration for the year and statutory superannuation: $328,500**

Mr Shadlow's agreement sf for an indefinite period.

In addition to his cash remuneration Mr Shadlow is entitled to:

- Performance bonus: short term incentive bonus determined as a percentage of annual salary and based on the achievement of pre-determined milestones which are selected from group, functional and individual level objectives, each weighted to reflect their relative importance.
- Equity compensation: entitlement to participate in the ESOP or PR Plan with performance hurdles or vesting schedules determined at time of grant.

Termination provisions: termination by the Company (other than for unsatisfactory performance, gross misconduct or long-term incapacity) Mr Shadlow is entitled to three months' notice or payment in lieu of notice. Mr Shadlow may terminate the agreement by giving three months' notice.

Steven Tombs	(Retired on 31 July 2018)
On 31 July 2018 Steven Tombs ceased to be an employee. He was appointed as a Non-Executive Director on 1 August 2018.	

11.7.4 Transactions with Key Management Personnel and their related parties

The Non-Executive Directors Mr Kevin Dundo; Mr Ian Macpherson; Mr Colin Loosemore and Mr Steven Tombs invoice through their private companies for Directors fees, they are not separate entities that provide consulting services to the Company. Mr Dundo; Mr Macpherson; Mr Loosemore and Mr Tombs meet the definition and maintain their status as Independent Non-Executive Directors, thus retain objectivity and their ability to meet their oversight role.

Steve Tombs a Director charged the Group director's fees, as part of his remuneration, for the year totalling $90,338 (2018: $Nil) and $3,900 for consulting fees. At year-end, there was no amount outstanding (2018: Nil).

These transactions were entered on normal commercial terms.

11.8 Details of Remuneration

The following table discloses details of the nature and amount of each element of the remuneration paid to key management personnel including the Directors of Red 5 for the year ended 30 June 2019.

2019		Short term					Long term		
Name	Salaries or directors' fees	Cash Bonus	Deferred and Service rights[b]	Consul-ting fees	Termina-tion benefits	Super-annuation	Annual and long service leave	Share based payments[c]	Total
	$	$	$	$	$	$	$	$	$
Executive Director									
Mark Williams	522,500[a]	140,000	118,169	-	-	25,000	25,230	131,215	962,114
Non-Executive Directors									
Kevin Dundo	120,000	-	-	-	-	11,400	-	-	131,400
Ian Macpherson	105,000	-	-	-	-	9,975	-	-	114,975
Colin Loosemore	95,000	-	-	-	-	9,025	-	-	104,025
Steven Tombs	82,500	-	-	3,900	-	7,838	-	-	94,238
Executives									
John Tasovac	324,393	65,000	53,924	-	-	36,957	18,620	69,403	568,297
Steven Tombs	18,333	-	-	-	10,091[d]	14,501	8,750	45,500	97,175
Brendon Shadlow	302,292	60,000	30,337	-	-	26,208	9,184	24,947	452,968
Total	**1,570,018**	**265,000**	**202,430**	**3,900**	**10,091**	**140,904**	**61,784**	**271,065**	**2,525,192**

(a) Includes salary, superannuation contributions above concessional cap.
(b) Deferred rights vest immediately and have provisionally been valued at $0.18 (Red 5 share price as at 30 June 2019). These rights will be re-valued upon shareholders' approval at the Annual General Meeting. Service rights have been valued at $0.07, they are subject to a 12-month service test and have not been recognised at 30 June 2019.
(c) Relates to performance rights expense for the 2020 and 2021 series.
(d) Annual leave paid out on the retirement of Mr Tombs.

2018	Short term						Long term		
Name	Salaries or directors' fees	Cash Bonus	Deferred and Service rights	Consul-ting fees	Termina-tion benefits	Super-annuation	Annual and long service leave	Share based payments	Total
	$	$		$	$	$	$	$	$
Executive Director									
Mark Williams	455,634[(a)]	132,801[(h)]	132,801[(h)]	-	-	25,000	20,115	73,636[(b)]	**839,987**
			-						
Non-Executive Directors									
Kevin Dundo	90,000	-	-	-	-	10,688	-	22,500[(c)]	**123,188**
Ian Macpherson	78,750	-	-	-	-	9,500	-	21,250[(d)]	**109,500**
Colin Loosemore	71,250	-	-	-	-	8,550	-	18,750[(e)]	**98,550**
Executives									
John Tasovac	265,000[(f)]	59,022[(h)]	59,023[(h)]	-	-	25,092	22,197	41,962	**472,296**
Steven Tombs	248,750[(g)]	127,883	-	-	-	24,344	16,172	45,458	**462,607**
Total	**1,209,384**	**319,706**	**191,824**	**-**	**-**	**103,174**	**58,484**	**223,556**	**2,106,128**

(a) Includes salary, superannuation contributions above concessional cap.
(b) Relates to performance rights expense for the 2020 series.
(c) Mr Kevin Dundo was issued 487,013 ordinary shares at a deemed issue price of 4.62 cents in lieu of his September 2017 quarter's Directors fees.
(d) Mr Ian Macpherson was issued 459,957 ordinary shares at a deemed issue price of 4.62 cents in lieu of his September 2017 quarter's Directors fees.
(e) Mr Colin Loosemore was issued 405,844 ordinary shares at a deemed issue price of 4.62 cents in lieu of his September 2017 quarter's Directors fees.
(f) Includes salary and superannuation contributions above the concessional cap from 15 August 2017 when Mr Tasovac was appointed as Chief Financial Officer.
(g) Includes salary and superannuation contributions above the concessional cap from 1 October 2017 when Mr Tombs was appointed as General Manager Operations.
(h) Relating to short-term incentives linked to annual planning and longer-term objectives. Refer to section 11.5.2.

11.8.1 The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

	Fixed		At risk – short term incentives		At risk – long term incentives	
	2019	2018	2019	2018	2019	2018
Executive Director						
Mark Williams	60%	60%	27%	31%	13%	9%
Non-Executive Directors						
Kevin Dundo	100%	100%	-	-	-	-
Ian Macpherson	100%	100%	-	-	-	-
Colin Loosemore	100%	100%	-	-	-	-
Steven Tombs	100%	-	-	-	-	-
Executives						
John Tasovac	67%	66%	21%	25%	12%	9%
Steven Tombs[(a)]	53%	63%	-	27%	47%	10%
Brendon Shadlow	75%	-	20%	-	5%	-

(a) Prior to Mr Tombs' appointment as a non-executive director.

11.9 Additional disclosures relating to options, performance rights and shares

11.9.1 Options granted to key management personnel

No options over ordinary shares were granted during the year to executive officers of Red 5 as part of their remuneration.

No shares were issued during the year as a result of the exercise of options granted as part of remuneration. There were no alterations to the terms and conditions of options granted as remuneration since their grant date. There were no forfeitures during the period.

11.9.2 Share holdings of key management personnel

The numbers of shares in Red 5 held during the financial year by key management personnel, including personally related entities are set out below:

2019	**Balance at 1 July 2018**	**Received through vesting and exercise of performance rights**	**Received through vesting and exercise of service and deferred rights**	**Other purchases during the year**	**Balance at reporting date**
Kevin Dundo	1,430,409	-	-	-	1,430,409
Mark Williams	5,009,294	-	1,625,470	-	6,634,764
Ian Macpherson	459,957	-	-	200,000	659,957
Colin Loosemore	6,824,212	-	-	-	6,824,212
Steven Tombs	700,997	1,300,000	-	-	2,000,997
John Tasovac	-	-	722,424	-	722,424
Brendon Shadlow	-	-	-	-	-
Total	**14,424,839**	**1,300,000**	**2,347,894**	**200,000**	**18,272,763**

11.9.3 Shares issued, Service and Deferred Rights

	Grant Date	**Vesting Date**	**Fair Value at Grant Date**	**Granted**	**Exercised up to reporting date**	**Outstanding at reporting date**
Shares issued: Steven Tombs [(a)]	20-Sep-17	31-Jul-18	$68,250	1,300,000	(1,300,000)	-
Service rights issued and vested: Mark Williams [(b)]	6-Dec-18	6-Dec-18	$66,400	812,735	(812,735)	-
Deferred rights issued and vested: Mark Williams [(c)]	6-Dec-18	16-Jul-19	$66,400	812,735	(812,735)	-
Service rights issued and vested: John Tasovac [(b)]	6-Dec-18	6-Dec-18	$29,511	361,212	(361,212)	-
Deferred rights issued and vested: John Tasovac [(c)]	6-Dec-18	16-Jul-19	$29,511	361,212	(361,212)	-

[(a)] Issue of fully paid ordinary shares to Mr Steven Tombs following the early vesting and exercise of performance rights in accordance with the discretionary provisions of the Red 5 Limited Rights Plan.
[(b)] Deferred Rights issued under the Red 5 Limited Rights Plan which vest immediately upon issue and automatically exercised into restricted shares which are subject to disposal restrictions until 30 June 2020.
[(c)] Service Rights issued under the Red 5 Limited Rights Plan which vested on 16 July 2019 and automatically exercised into restricted shares which are subject to disposal restrictions until 30 June 2021.

Share based payments expense for the shares issued, service and deferred rights for KMP's was $330,087 (2018: $223,556). The fair value is based on observable market share price at the date of grant.

11.9.4 Performance Rights held by key management personnel under the LTI

The number of performance rights in Red 5 held during the financial year by key management personnel are set out below:

2019	Balance at 1 July 2018	Received through issuing of performance rights	Performance rights vested and exercised	Performance rights cancelled	Balance at reporting date
Mark Williams	5,616,400[(a)]	4,020,808[(b)]	-	-	9,637,208
Kevin Dundo	-	-	-	-	-
Ian Macpherson	-	-	-	-	-
Colin Loosemore	-	-	-	-	-
Steven Tombs	2,600,000	-	(1,300,000)	(1,300,000)	-
John Tasovac	2,400,000[(c)]	1,615,667[(d)]	-	-	4,015,667
Brendon Shadlow	1,480,000[(c)]	1,468,788[(d)]	-	-	2,948,788
Total	**12,096,400**	**7,105,263**	**(1,300,000)**	**(1,300,000)**	**16,601,663**

Particulars of performance rights in Red 5 held during the year are as follows:

<table>
<tr><th colspan="10">(a) Managing Director (2020 series)</th></tr>
<tr><th></th><th colspan="2">Tranche A</th><th colspan="2">Tranche B</th><th colspan="2">Tranche C</th><th>Tranche D</th><th>Total</th></tr>
<tr><td>Number of performance rights</td><td colspan="2">2,956,000</td><td colspan="2">1,182,400</td><td colspan="2">1,182,400</td><td>295,600</td><td>5,616,400</td></tr>
<tr><td>Value per right</td><td colspan="2">$0.037</td><td colspan="2">$0.042</td><td colspan="2">$0.042</td><td>$0.042</td><td></td></tr>
<tr><td>Valuation per tranche</td><td colspan="2">$109,372</td><td colspan="2">$49,661</td><td colspan="2">$49,661</td><td>$12,415</td><td>$221,109</td></tr>
<tr><td rowspan="4">Condition criteria</td><td colspan="2">TSR ranking relative to TSR of S&P/ASX All Ordinaries Gold Total Return Index</td><td colspan="2">Growth in the Company's Ore Reserves</td><td colspan="2">Operating Costs as % of Budgeted Operating Costs</td><td>Safety Compliance</td><td rowspan="5">In addition, vesting of the performance rights is also conditional on the following being exceeded:
1. A positive Company TSR for the measurement period; and
2. 80% of budgeted gold production by 30 June 2018.</td></tr>
<tr><td>TSR > Index TSR +20%</td><td>100%</td><td>Stretch: 35%</td><td>100%</td><td>Stretch: 80%</td><td>100%</td><td rowspan="4">All criteria to be met:
-No fatalities
- Implement and manage a company-wide safety management system
- Year on year improvement in safety performance</td></tr>
<tr><td>TSR > Index TSR +10%</td><td>50%</td><td>Target: 20%</td><td>50%</td><td>Target: 90%</td><td>50%</td></tr>
<tr><td>TSR < or equal to Index TSR</td><td>nil</td><td>Threshold: 15%</td><td>25%</td><td>Threshold: 95%</td><td>25%</td></tr>
<tr><td colspan="3"></td><td>< 15%</td><td>nil</td><td>> 95%</td><td>nil</td></tr>
</table>

<table>
<tr><th colspan="10">(b) Managing Director (2021 series)</th></tr>
<tr><th></th><th colspan="2">Tranche A</th><th colspan="2">Tranche B</th><th colspan="2">Tranche C</th><th>Tranche D</th><th>Total</th></tr>
<tr><td>Number of performance rights</td><td colspan="2">2,010,404</td><td colspan="2">804,162</td><td colspan="2">804,162</td><td>402,080</td><td>4,020,808</td></tr>
<tr><td>Value per right</td><td colspan="2">$0.038</td><td colspan="2">$0.048</td><td colspan="2">$0.048</td><td>$0.048</td><td></td></tr>
<tr><td>Valuation per tranche</td><td colspan="2">$76,395</td><td colspan="2">$38,600</td><td colspan="2">$38,600</td><td>$19,300</td><td>$172,895</td></tr>
<tr><td rowspan="4">Condition criteria</td><td colspan="2">TSR ranking relative to TSR of S&P/ASX All Ordinaries Gold Total Return Index</td><td colspan="2">Growth in the Company's Ore Reserves</td><td colspan="2">Operating Costs as % of Budgeted Operating Costs</td><td>Safety Compliance</td><td rowspan="5">In addition, vesting of the performance rights is also conditional on the following being exceeded:
1.A positive Company TSR for the measurement period; and
2. 80% of budgeted gold production by 30 June 2019.</td></tr>
<tr><td>TSR > Index TSR +20%</td><td>100%</td><td>Stretch: 35%</td><td>100%</td><td>Stretch: 80%</td><td>100%</td><td rowspan="4">All criteria to be met:
- No fatalities
- Maintenance of the ISO14001 and ISO 18001 certifications
- Year on year improvement in safety performance</td></tr>
<tr><td>TSR > Index TSR +10%</td><td>50%</td><td>Target: 20%</td><td>50%</td><td>Target: 90%</td><td>50%</td></tr>
<tr><td>TSR < or equal to Index TSR</td><td>nil</td><td>Threshold: 15%</td><td>25%</td><td>Threshold: 95%</td><td>25%</td></tr>
<tr><td colspan="3"></td><td>< 15%</td><td>nil</td><td>> 95%</td><td>nil</td></tr>
</table>

(c) Executives (2020 series)

John Tasovac	**Tranche A**	**Tranche B**	**Tranche C**	**Tranche D**	**Total**
Number of performance rights	1,200,000	480,000	480,000	240,000	**2,400,000**
Value per right	$0.049	$0.056	$0.056	$0.056	
Valuation per tranche	$58,800	$26,880	$26,880	$13,440	**$126,000**
Brendon Shadlow	**Tranche A**	**Tranche B**	**Tranche C**	**Tranche D**	**Total**
Number of performance rights	740,000	296,000	296,000	148,000	**1,480,000**
Value per right	$0.049	$0.056	$0.056	$0.056	
Valuation per tranche	$36,260	$16,576	$16,576	$8,288	**$77,700**

Condition criteria	TSR ranking relative to TSR of S&P/ASX All Ordinaries Gold Total Return Index		Growth in the Company's Ore Reserves		Operating Costs as % of Budgeted Operating Costs		Safety Compliance
	TSR > Index TSR +20%	100%	Stretch: 35%	100%	Stretch: 80%	100%	All criteria to be met: - No fatalities - Maintenance of the ISO14001 and ISO 18001 certifications - Year on year improvement in safety performance
	TSR > Index TSR +10%	50%	Target: 20%	50%	Target: 90%	50%	
	TSR < or equal to Index TSR	nil	Threshold: 15%	25%	Threshold: 95%	25%	

(d) Executives (2021 series)

John Tasovac	**Tranche A**	**Tranche B**	**Tranche C**	**Tranche D**	**Total**
Number of performance rights	807,833	323,133	323,133	161,568	**1,615,667**
Value per right	$0.045	$0.057	$0.057	$0.057	
Valuation per tranche	$36,352	$18,419	$18,419	$9,209	**$82,399**
Brendon Shadlow	**Tranche A**	**Tranche B**	**Tranche C**	**Tranche D**	**Total**
Number of performance rights	734,394	293,758	293,758	146,878	**1,468,788**
Value per right	$0.045	$0.057	$0.057	$0.057	
Valuation per tranche	$33,048	$16,744	$16,744	$8,372	**$74,908**

Condition criteria	TSR ranking relative to TSR of S&P/ASX All Ordinaries Gold Total Return Index		Growth in the Company's Ore Reserves		Operating Costs as % of Budgeted Operating Costs		Safety Compliance
	TSR > Index TSR +20%	100%	Stretch: 35%	100%	Stretch: 80%	100%	All criteria to be met: - No fatalities - Maintenance of the ISO14001 and ISO 18001 certifications - Year on year improvement in safety performance
	TSR > Index TSR +10%	50%	Target: 20%	50%	Target: 90%	50%	
	TSR < or equal to Index TSR	nil	Threshold: 15%	25%	Threshold: 95%	25%	
			< 15%	nil	> 95%	nil	

End of Audited Remuneration Report

12. 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 $142,298 (2018: $544,200) for non-audit services. Further details of remuneration of the auditors are set out in Note 25.

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 APES 110 Code of Ethics for Professional Accountants, 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.

13. 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 Philippines. 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 2019.

Signed in accordance with a resolution of the Directors.

14. AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act is included immediately following the Directors' Report and forms part of the Directors' Report.

Signed in accordance with a resolution of the Directors.

Kevin Dundo
Chairman

Perth, Western Australia
25 September 2019

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

To the Directors of Red 5 Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Red 5 Limited for the financial year ended 30 June 2019, 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

KPMG

R Gambitta
Partner

Perth

25 September 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019

	Note	CONSOLIDATED 30 June 2019 $	30 June 2018 $
Sales revenue	5(a)	153,508,715	76,862,188
Cost of sales	5(b)	(142,166,586)	(80,487,906)
Gross profit/(loss)		**11,342,129**	**(3,625,718)**
Other income and expenses			
Other income	5(c)	749,844	13,872,892
Administration and other expenses	5(d)	(9,184,414)	(11,992,903)
Care and maintenance	5(e)	(6,360,424)	(6,079,136)
Exploration expenditure	13	(3,290,425)	(5,559,594)
Financing income	5(f)	37,762	46,874
Financing expenses	5(f)	(2,248,909)	(1,049,628)
Fair value loss on financial liabilities	16	(1,645,781)	-
Total other income and expenses		**(21,942,347)**	**(10,761,495)**
Loss before income tax expense		**(10,600,218)**	**(14,387,213)**
Income tax benefit	6	7,569,833	2,459,639
Net loss after income tax for the year		**(3,030,385)**	**(11,927,574)**
Other comprehensive income/(loss)			
Items that are or may be reclassified subsequently to profit or loss:			
Movement in foreign currency translation reserve		4,436,883	(760,883)
Re-measurement of defined retirement benefit		(35,462)	78,333
Changes in fair value of cashflow hedges, net of tax	20	(4,616,538)	497,966
Ineffective portion of cash flow hedges		720,472	-
Total comprehensive loss for the year		**(2,525,030)**	**(12,112,158)**
Net loss after income tax attributable to:			
Non-controlling interest		177,578	(294,522)
Members of parent entity		(3,207,963)	(11,633,052)
		(3,030,385)	**(11,927,574)**
Total comprehensive profit/(loss) attributable to:			
Non-controlling interest		283,212	(312,783)
Members of parent company		(2,808,242)	(11,799,375)
		(2,525,030)	**(12,112,158)**
Loss per share attributable to shareholders		**Cents**	**Cents**
Basic and diluted loss per share (cents per share)	23	(0.24)	(1.07)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

		CONSOLIDATED	
	Note	**30 June 2019** **$**	**30 June 2018** **$**
Assets			
Current Assets			
Cash and cash equivalents	7	10,646,524	7,148,401
Trade and other receivables	8	14,717,791	21,023,209
Derivative financial instruments	20	-	761,679
Inventories	9	22,567,345	16,656,227
Total Current Assets		**47,931,660**	**45,589,516**
Non-Current Assets			
Trade and other receivables	8	188,484	1,637,280
Property, plant and equipment	10	76,174,763	78,980,717
Intangible assets	11	19,729,098	30,723,465
Mine development	12	23,883,367	16,340,809
Exploration and evaluation assets	13	5,293,602	-
Deferred tax asset	6	3,946,127	-
Total Non-Current Assets		**129,215,441**	**127,682,271**
Total Assets		**177,147,101**	**173,271,787**
Liabilities			
Current Liabilities			
Trade and other payables	14	41,440,696	38,971,154
Financial liability	16	10,143,415	-
Income tax payable	15	1,564,236	739,121
Employee benefits	19	4,392,842	5,218,185
Derivative financial instruments	20	5,311,188	-
Provisions	17	1,116,104	1,116,104
Finance lease liabilities	18	1,327,089	1,077,448
Total Current Liabilities		**65,295,570**	**47,122,012**
Non-Current Liabilities			
Trade and other payables	14	-	5,503,646
Employee benefits	19	82,913	349,465
Provisions	17	31,429,171	31,575,769
Deferred tax liability	6	-	6,069,001
Finance lease liabilities	18	959,141	1,400,597
Total Non-Current Liabilities		**32,471,225**	**44,898,478**
Total Liabilities		**97,766,795**	**92,020,490**
Net Assets		**79,380,306**	**81,251,297**
Equity			
Contributed equity	21	260,515,091	260,364,664
Other equity		930,285	930,285
Reserves	22	22,969,539	21,806,876
Accumulated losses		(201,335,478)	(197,868,185)
Total Equity Attributable to Equity Holders of the Company		**83,079,437**	**85,233,640**
Non-controlling interests		(3,699,131)	(3,982,343)
Total Equity		**79,380,306**	**81,251,297**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT ENTITY							
	Issued capital $	Accumulated losses $	Other equity $	Foreign currency translation reserve $	Hedging reserve $	Share-based payments and other reserves $	Non-controlling interest $	Total $
Balance at 1 July 2018	260,364,664	(197,868,185)	930,285	20,873,985	497,966	434,925	(3,982,343)	81,251,297
Effect of change in accounting standard	-	(282,080)	-	-	-	-	-	(282,080)
	260,364,664	(198,150,265)	930,285	20,873,985	497,966	434,925	(3,982,343)	80,969,217
Net profit/(loss) for the year	-	(3,207,963)	-	-	-	-	177,578	(3,030,385)
Other comprehensive (loss)/ income for the period								
Foreign currency translation differences	-	-	-	4,330,398	-	(34,611)	105,634	4,401,421
Change in fair value of cash flow hedges, net of tax	-	-	-	-	(4,616,538)	-	-	(4,616,538)
Prior year Ineffective portion of cash flow hedges	-	-	-	-	263,713	-	-	263,713
Ineffective portion of cash flow hedges transferred to profit or loss	-	-	-	-	456,759	-	-	456,759
Total comprehensive income/ (loss) for the period	-	(3,207,963)	-	4,330,398	(3,896,066)	(34,611)	283,212	(2,525,030)
Issue of deferred and service rights (STI)	-	-	-	-	-	298,040	-	298,040
Vested deferred rights converted to ordinary shares	82,177	-	-	-	-	(82,177)	-	-
Vested performance rights (LTI) converted to ordinary shares	68,250	-	-	-	-	(68,250)	-	-
Share based payments (LTI)	-	-	-	-	-	639,975	-	639,975
Expired performance rights – transfer from reserves	-	22,750	-	-	-	(24,646)	-	(1,896)
Balance at 30 June 2019	**260,515,091**	**(201,335,478)**	**930,285**	**25,204,383**	**(3,398,100)**	**1,163,256**	**(3,699,131)**	**79,380,306**
Balance at 1 July 2017	236,674,602	(186,314,081)	930,285	21,614,725	-	221,855	(3,669,560)	69,457,826
Net profit/(loss) for the year	-	(11,633,052)	-	-	-	-	(294,522)	(11,927,574)
Other comprehensive (loss) / income for the period	-	-	-	(740,740)	497,966	76,453	(18,261)	(184,582)
Total comprehensive (loss) / income for the period	-	(11,633,052)	-	(740,740)	497,966	76,453	(312,783)	(12,112,156)
Shares issued during the period	62,500	-	-	-	-	-	-	62,500
Share based payments (LTI)	-	-	-	-	-	317,465	-	317,465
Service rights converted to ordinary shares (STI)	78,840	-	-	-	-	(78,840)	-	-
Issue of deferred and service rights (STI)	-	-	-	-	-	52,606	-	52,606
Expired performance rights – transfer from reserves	-	78,948	-	-	-	(102,008)	-	(23,060)
Rights issue	12,741,752	-	-	-	-	-	-	12,741,752
Shares issued on acquisition of Darlot & King of the Hills	11,000,000	-	-	-	-	-	-	11,000,000
Share issue costs	(193,030)	-	-	-	-	-	-	(193,030)
Balance at 30 June 2018	**260,364,664**	**(197,868,185)**	**930,285**	**20,873,985**	**497,966**	**434,925**	**(3,982,343)**	**81,251,297**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019

	Notes	CONSOLIDATED 30 June 2019 $	30 June 2018 $
Cash flows from operating activities			
Cash received from customers		150,396,145	78,415,614
Proceeds from royalty agreements		228,550	2,329,733
Payments to suppliers and employees		(124,876,002)	(58,425,038)
Payments for exploration and evaluation		(3,290,425)	(4,127,877)
Sundry receipts		947,954	795,922
Income tax paid		(163,852)	-
Interest received		37,762	46,133
Interest paid		(99,443)	(38,726)
Net cash from operating activities		**23,180,689**	**18,995,761**
Cash flows used in investing activities			
Payments for property, plant equipment and intangibles		(5,349,548)	(4,115,524)
Payments for mine development and pre-operational cost		(42,927,078)	(25,596,573)
Receipts from sales offset against mine development		21,529,789	13,713,264
Payments for exploration and evaluation		(5,293,602)	-
Payments for acquisition of King of the Hills assets		(4,500,000)	(7,000,000)
Payments for acquisition of Darlot		-	(6,742,265)
Net cash used in investing activities		**(36,540,439)**	**(29,726,098)**
Cash flows from financing activities			
Proceeds from sale of royalty		11,000,000	-
Proceeds from gold loan	16	8,219,786	-
Payments of interest on gold loan		(860,785)	-
Payments of finance lease liabilities		(1,535,221)	(561,147)
Proceeds from issues of shares		-	12,741,752
Payments for share issue transaction costs		-	(193,031)
Net cash from financing activities		**16,823,780**	**11,987,574**
Net increase in cash and cash equivalents		3,464,030	1,257,237
Cash at the beginning of the period		7,148,401	5,393,463
Effect of exchange rate fluctuations on cash held		34,093	497,701
Cash and cash equivalents at the end of the year	7	**10,646,524**	**7,148,401**

The accompanying notes form part of these financial statements.

1. REPORTING ENTITY

Red 5 Limited ("parent entity") is a for profit company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The Consolidated Financial Report for the year ended 30 June 2019 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in associates and jointly controlled entities. The Group is primarily involved in the exploration and mining of gold.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements were authorised for issue by the Board of Directors on 25 September 2019.

2.2 Going concern

The Directors believe it is appropriate to prepare the consolidated financial report on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The Group's principal cash flow generating assets are the Darlot Gold Project and King of the Hills located in Western Australia. In addition, the Group also has the Siana Gold project located in the Philippines where mining operations remain in suspension.

At 30 June 2019 the Group had current assets of $47.93 million and current liabilities of $65.29 millioncomprised of the gold loan of $10.14 million (fully paid during August 2019), a deferred consideration of $5.00 million payable in cash or shares to Gold Fields Australia Ltd in October 2019, hedging liabilities at fair value of $5.31 million and employee benefits of $3.50 million relating mainly to annual leave payable over the year.

During the year ended 30 June 2019, there was a reduction in working capital as a result of continued mine development of King of the Hills. The Group achieved commercial production at King of the Hills on 1 December 2018 and maintained a steady state production at Darlot and King of the Hills gold mine throughout the year. In order to fund its mine development and exploration the Company entered into a gold loan facility with Asian Investment Management Services Ltd (AIMSL) for 5,015 gold ounces during September 2018. Subsequent the year-end, the Company entered into a 2-year $20 million Working Capital Facility with Macquarie Bank Limited (MBL). The facility allows the refinancing, on improved terms of the AIMS gold loan and strengthens the Company's balance sheet and operating liquidity. The gold loan facility was fully repaid during August 2019.

Management has prepared a cash flow forecast for the next twelve months which anticipates the Group is able to pay its debts as and when they fall due during that period. Key assumptions in the cashflow forecast include:

- Continued suspension of mining operations at the Siana Gold Project;
- Forecast gold production is expected to continue to increase as the King of the Hills operations mature, and steady levels of production are expected at Darlot as higher-grade areas are mined;
- Positive cashflows generated from the Darlot Gold Mine and King of the Hills Gold Projects;
- Scheduled repayments of deferred consideration and repayments of the working capital facility.

The Directors believe the Group will be able to continue as a going concern and recognise that:

- The Darlot Gold Mine and King of the Hills Gold Project are expected to continue providing steady gold production, and positive cash flow generation for the Company;
- The Group has the ability to raise additional funding through debt or equity or a combination of both, should it be required;
- The repayment of Gold Fields deferred consideration can be satisfied in either cash or shares at a 15% discount to the 30-day VWAP at their election as noted in the announcement dated 3 August 2017.

Notwithstanding the risks associated with the key assumptions noted above, the Directors are confident that the Group has sufficient working capital for at least a year from the date this financial report is approved.

2.3 Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for share based payments. Share based payments are measured at fair value. The methods used to measure fair values of share based payments are discussed further in the Note 4.12. Rehabilitation provisions are based on net present value and are discussed in Note 4.14.

2.4 Functional and presentation currency

The consolidated financial report is presented in Australian dollars, which is the Group's presentation currency. The functional currency of the Parent Company and the Australian subsidiaries in which the Group holds its Australian assets is Australian dollars, and the functional currency of the Company's other foreign subsidiaries is Philippine pesos. The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates.

2.5 Use of estimates and judgements

The preparation of the Consolidated Financial Statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities at the date of the consolidated financial statements. Estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In particular, the Group has identified a number of areas where significant judgements, estimates and assumptions are required. Further information on each of these areas and how they impact the various accounting policies are described with the associated accounting policy note within the related qualitative and quantitative note as described below.

3. REMOVAL OF PARENT ENTITY FINANCIAL STATEMENTS

The Group has applied amendments to the Corporations Act 2001 that remove the requirement for the Group to lodge parent entity financial statements. Parent entity financial statements have been replaced by the specific parent entity disclosures in Note 36.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the consolidated entity.

4.1 Principles of consolidation

The consolidated financial report incorporates the assets and liabilities of all entities controlled by the Company as at 30 June 2019 and the results of all controlled entities for the year then ended. The Company 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. Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

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. Non-controlling 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.

4.2 Finance income and expenses

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 borrowing costs are amortised using the effective interest rate method.

4.3 Property, plant and equipment

Property, plant and equipment include land and buildings, plant and equipment, fixtures and fittings and assets under construction. All assets acquired are initially recorded at their cost of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition.

Land and buildings are measured at cost less accumulated depreciation on the buildings. Buildings are depreciated on a straight-line basis over the life of mine.

Plant and equipment is measured at cost less accumulated depreciation and any accumulated impairment losses. Items of plant and equipment are depreciated using a combination of the straight line and diminishing value methods commencing from the time they are installed and ready for use, or in respect of internally constructed assets, from the date the asset is completed and ready for use. Depreciation of the processing plant is based on life of mine. The expected useful lives of plant and equipment are between 3 and 13 years. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Fixtures and fittings include office equipment and computer hardware and is depreciated on a straight-line basis over their expected useful lives between 3 and 13 years.

4.4 Intangible assets

Intangible assets include mineral rights, asset retirement obligation and software. Intangible assets 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. Capitalised software and asset retirement obligation are amortised on a straight-line basis over three years commencing when it is available for use. Mineral rights acquired is amortised over the life of mine.

4.5 Inventories

Gold in circuit, bullion on hand and ore stockpiles are physically measured or estimated and valued at the lower of cost and net realisable value. Cost represents the weighted average cost and comprises direct material, labour and an appropriate portion of fixed and variable production overhead expenditure on the basis of normal operating capacity, including depreciation and amortisation incurred in converting materials to finished products.

Inventories of consumable supplies and spare parts expected to be used in production are valued at the lower of cost and net realisable value. Any provision for obsolescence or damage is determined by reference to specific stock items identified. The carrying value of those items identified, if any, is written down to net realisable value.

4.6 Exploration and evaluation assets

Exploration and evaluation assets incurred are accumulated at cost in respect of each identifiable area of interest. Costs incurred in respect of generative, broad scale exploration activities are expensed in the period in which they are incurred. Costs incurred for each area of interest where a resource or reserve, estimated in accordance with JORC guidelines has been identified, are capitalised. The costs are only carried forward to the extent they are expected to be recouped through the successful development of the area, or where further work is to be performed to provide additional information.

When production commences, the accumulated costs for the relevant area of interest will be amortised over the life of the area according to the rate of depletion of reserves. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Accumulated costs in relation to an abandoned area will be written off in full to the Statement of Profit or Loss and Other Comprehensive Income in the year in which the decision to abandon the area is made.

4.7 Mine development

Pre-Production

Costs incurred in the development of a mine before production commences are capitalised as part of the mine development costs. All development costs incurred, including sale of products during the development phase prior to reaching commercial production capacity (production start date), within that area of interest are capitalised and carried at cost. Costs are amortised from the commencement of commercial production over the productive life of the project on a unit-of-production basis, based on reserves.

Post-Production

Costs incurred in developing further areas of the mine are capitalised as part of the mine development costs and are amortised over the productive life of the project on a unit-of-production basis, based on reserves.

Deferred waste mining costs
Post-production stripping is generally considered to create two benefits, being either the production of inventory or improved access to the ore to be mined in the future. Where the benefits are realised in the form of inventory produced in the period, the production stripping costs are accounted for as part of the cost of producing those inventories. Where the benefits are realised in the form of improved access to ore to be mined in the future, the costs are recognised as a non-current asset, if the following criteria is met:

- Future economic benefits (being improved access to the ore body) are probable,
- The component of the ore body for which access will be improved can be accurately identified, and
- The costs associated with the improved access can be reliably measured.

If all of the criteria are not met, the production stripping costs are charged to profit or loss as they are incurred.

Depreciation of the stripping activity asset is determined on a unit of production basis over the life of the asset based on reserves for each area of interest.

4.8 Impairment
At each reporting date, the consolidated entity reviews and tests the carrying value of assets when events or changes in circumstances indicate that the carrying amount may not be recoverable. 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 Statement of Profit or Loss and Other Comprehensive Income 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 Statement of Profit or Loss and Other Comprehensive Income.

Calculation of recoverable amount
Recoverable amount is the greater of fair value less costs of disposal and value in use. It is determined for an individual asset, unless 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.

4.9 Income tax
Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at reporting date, and any adjustment to tax payable in respect of previous years. 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 Statement of Profit or Loss and Other Comprehensive Income.

4.10 Financial instruments

Non-derivative 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 any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

Trade and other receivables are carried at amortised cost. Trade receivables are non-interest bearing. Loans and borrowings are measured at amortised cost using the effective interest method, less any impairment losses. 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.

Derivative financial instruments

Derivatives financial instruments are recognised initially at fair value; any attributable transaction costs are recognised in profit and loss as incurred. Subsequent to initial recognition, derivatives are measured at fair-value.

Cashflow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and accumulated in the hedging reserve. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

4.11 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 Statement of Profit or Loss and Other Comprehensive Income as incurred.

4.12 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 Black-Scholes model or equivalent valuation technique. 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.

4.13 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 statement of financial position 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 Statement of Profit or Loss and Other Comprehensive Income. 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.

The following significant exchange rates have been applied.

	Average Rate		Year-End Spot Rate	
AUD	**2019**	**2018**	**2019**	**2018**
Philippine Peso	37.69	39.88	36.03	39.35
USD	0.71	0.77	0.70	0.74

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 functional currency of the Australian entities is the Australian dollar and the functional currency of the Philippine entities is the Philippine Peso. 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.

4.14 Rehabilitation costs

Full provision for rehabilitation 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 where they have future economic benefit, else they are expensed. 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 the Statement of Profit and Loss as an interest expense. The estimated costs of rehabilitation are reviewed annually and adjusted as appropriate for changes in legislation, technology or other circumstances.

4.15 Provisions

A provision is recognised in the Statement of Financial Position 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.

4.16 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.

4.17 Leases

Assets held under finance leases are recognised as a finance lease obligation at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease obligation to achieve a constant rate of interest on the remaining liability. Finance charges are recorded as a finance expense to profit and loss, unless they are attributable to qualifying assets, in which case they are capitalised.

4.18 Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

4.19 Accounting estimates and judgements

The selection and disclosure of the consolidated entity's critical accounting policies and estimates and the application of these policies, estimates and judgements is the responsibility of the Board of Directors. The estimates and judgements that may have a significant impact on the carrying amount of assets and liabilities are discussed below.

Impairment of Assets

At each reporting date, the group makes an assessment for impairment of all assets if there has been an impairment indicator by evaluating conditions specific to the Group and to the particular assets that may lead to impairment. The recoverable amount of Property, Plant & Equipment and Mine Development Expenditure relating to the Siana gold project is determined as the higher of value-in-use and fair value less costs of disposal. Value-in-use is generally determined as the present value of the estimated future cash flows. Present values are determined using a risk adjusted discount rate appropriate to the risks inherent in the asset.

Given the nature of the Group's mining activities, future changes in assumptions upon which these estimates are based may give rise to a material adjustment to the carrying value. This could lead to the recognition of impairment losses in the future. The inter-relationship of the significant assumptions upon which estimated future cash flows are based is such that it is impracticable to disclose the extent of the possible effects of a change in a key assumption in isolation.

Future cash flow estimates are based on expected production volumes and grades, gold price and exchange rate estimates, budgeted and forecasted development levels and operating costs. Management is required to make these estimates and assumptions which are subject to risk and uncertainty. As a result there is a possibility that changes in circumstances may alter these projections, which could impact on the recoverable amount of the assets. In such circumstances, some or all of the carrying value of the assets may be impaired. Impairment losses are recognised in the Statement of Profit or Loss unless the asset has previously been revalued.

Rehabilitation and mine closure provisions

As set out in note 4.14, this provision represents the discounted value of the present obligation to restore, dismantle and rehabilitate certain items of property, plant and equipment. The discounted value reflects a combination of the Group's assessment of the costs of performing the work required, the timing of the cash flows and the discount rate.

A change in any, or a combination, of the three key assumptions used to determine the provisions could have a material impact to the carrying value of the provision. In the case of provisions for assets which remain in use, adjustments to the carrying value of the provision are offset by a change in the carrying value of the related asset. Where the provisions are for assets no longer in use or for obligations arising from the production process, the adjustment is reflected directly in the Statement of Profit or Loss.

Reserves and resources

The Group determines and reports ore reserves under the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves Code ("JORC") as revised December 2012 JORC for underground reserves and the JORC 2012 edition for open pit reserves. The JORC code requires the use of reasonable investment assumptions to calculate reserves. Reserves determined in this way are taken into account in the calculation of depreciation of mining plant and equipment (refer to 4.3), amortisation of capitalised development expenditure (refer to note 4.7), and impairment relating to these assets.

Changes in reported reserves may affect the Group's financial results and financial position in a number of ways, including:

- Asset carrying values may be impacted due to changes in estimated cash flows;
- Depreciation and amortisation charged in the statement of profit or loss and other comprehensive income may change where such charges are calculated using the units of production basis.
- Deferred waste amortisation, based on estimates of reserve to waste ratios.
- Decommissioning, site restoration and environmental provisions may change where changes in estimated reserves alter expectations about the timing or cost of these activities.

Going Concern

A key assumption underlying the preparation of the financial statements is that the Group will continue as a going concern. An entity is a going concern when it is considered to be able to pay its debts as and when they are due, and to continue in operation without any intention or necessity to liquidate or otherwise wind up its operations. A significant amount of judgement has been required in assessing whether the Group is a going concern, as set out in note 2.2.

Share based payment transactions

The Group measures the cost of equity settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using Monte Carlo. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in, as discussed in note 31.

Production start date

The Group assesses the stage of each mine under development/construction to determine when a mine moves into the production phase, this being when the mine is substantially complete and ready for its intended use. The criteria used to assess the start date are determined based on the unique nature of each mine development/construction project, such as the complexity of the project and its location. The Group considers various relevant criteria to assess when the production phase is considered to have commenced.

Some of the criteria used to identify the production start date include, but are not limited to:

• Level of capital expenditure incurred compared with the original construction cost estimate
• Completion of a reasonable period of testing of the mine plant and equipment
• Ability to produce metal in saleable form (within specifications)
• Ability to sustain ongoing production of metal

When a mine development project moves into the production phase, the capitalisation of certain mine development costs ceases and costs are either regarded as forming part of the cost of inventory or expensed, except for costs that qualify for capitalisation relating to mining asset additions or improvements, underground mine development or mineable reserve development. It is also at this point that depreciation/amortisation commences.

Commercial production start date for King of the Hills Gold Project was achieved on 1 December 2018.

Capitalised exploration and evaluation assets

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors which could impact the future recoverability include the level of proved, probable and inferred mineral resources, future technological changes which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices. To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, this will reduce profits and net assets in the period in which this determination is made. In addition, exploration and evaluation expenditure is capitalised if 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. To the extent that it is determined in the future that this capitalised expenditure should be written off, this will reduce profits and net assets in the period in which this determination is made.

4.20 New and revised Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not effective for the 30 June 2018 reporting period. The Group does not intend to early adopt any of the new standards or interpretations.
The Group has not elected to early adopt any new standards or amendments.

Changes in significant accounting policies

AASB 15 – Revenue from contracts with customers

The Group has initially adopted AASB 15 Revenue from Contracts with Customers from 1 July 2018. A number of other new standards are effective from 1 July 2018 but they do not have a material effect on the Group's financial statements.

The effect of initially applying this standard is mainly attributed to the later recognition of revenue from gold bullion sold.

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced AASB 118 Revenue, AASB 111 Construction Contracts and related interpretations.

The Group has adopted AASB 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 July 2018). Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under AASB 118, AASB 111 and related interpretations. The details and quantitative impact of the changes in accounting policies are discussed below.

Gold sales

Previously, the Group recognised revenue from gold sales when all risks and rewards transferred; no further processing was required by the Group; the quality and quantity of the gold had been determined; and the sale was probable. Under AASB 15, the Group recognises revenue when control has passed to the buyer; the Company has no significant continuing involvement; and the amount of revenue and costs incurred or costs to be incurred in respect of the transaction can be measured reliably. The Group's assessment is that this occurs when the sales contract has been entered into and the customer has physical possession of the gold.

The impact of the change in accounting policy is that gold in transit (which represents gold that has not been preliminarily turned out by the Group's refiner prior to period end) is no longer recognised as revenue. Revenue recognition will now be delayed until the gold has been physically delivered and the buyer has committed to the purchase.

The following table summarises the impact, net of tax, of transition to AASB 15 on retained earnings at 1 July 2018:

Impact on retained earnings at 1 July 2018	**Impact of adopting AASB 15 at 1 July 2018 $**
Retained earnings	(282,080)
Impact at 1 July 2018	**(282,080)**

The following table summarises the impacts of adopting AASB 15 on the Group's statement of financial position as at 30 June 2019 and its statement of profit or loss and OCI for the year ended for each of the lines affected. There was no material impact of the Group's statement of cash flows for the year ended 30 June 2019.

Impact on the consolidated statement of financial position

	As reported $	Impact of adopting AASB 15 at 1 July 2018 $	Balance after adjustment $
Assets			
Trade and other receivables	21,023,209	(2,607,012)	18,416,197
Inventory	16,656,227	2,324,931	18,981,158
Equity			
Accumulated losses	(197,868,185)	(282,080)	(198,150,265)

***AASB 16 – Leases* (effective from 1 July 2019)**

AASB 16 Leases eliminates the distinction between operating and finance leases and brings all leases (other than short term and low value leases) onto the balance sheet. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The standard is applicable to annual reporting periods beginning on or after 1 January 2019. AASB 16 will result in higher assets and liabilities on the balance sheet and the cumulative effect of adopting AASB 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 July 2019 with no restatement of comparative information.

The Group will recognise right-of-use assets and lease liabilities for the arrangements assessed as leases on transition unless they are short term, low value, or previously did not meet the definition of a lease for arrangements in place at 30 June 2019. AASB 16 will be applied to all new arrangements entered into from 1 July 2019. Many activities of the Group's operations are conducted by contractors including mining, mine development, infrastructure and site services. Where contracts require payment of fixed charges that relate to use of equipment or property, they will be deemed to contain leases under AASB 16 and the present value of the fixed charges will be recognised as a right-of-use asset along with a lease liability. The nature of expenses relating to such fixed charges which would have been recognised as an expense attributable to the function, will change to depreciation for right-of-use assets and interest expense on lease liabilities. The variable charges required to be paid under the contracts will continue to be recognised as an expense in profit or loss or capitalised as incurred depending on the purpose for which the activity was undertaken.

The Group is currently undertaking an analysis of the financial reporting impact, noting that:

- the group has not finalised the testing and assessment of all contracts, including contracts related to the acquired subsidiaries and assets;
- the group anticipates that some contracts under review may have an effect such as the power station, the gas storage facility and the mining contract; and
- the preliminary accounting policies remain subject to change and will be finalised and disclosed in its 2019 Half-year Financial Report along with initial application of the standard.

The Group is continuing its work on quantifying the impact of this standard.

AASB 9 Financial Instruments (effective from 1 January 2018)

AASB 9 Financial Instruments – published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. AASB 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment of financial assets, and the new general hedge accounting instruments from IAS39. AASB 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group has assessed the potential impact its consolidated financial statements resulting from the application of AASB9 and determined that it has no material impact.

	Consolidated Year ended	
	30 June 2019 $	30 June 2018 $
5 REVENUE AND EXPENSES		
(a) Revenue		
Gold and silver sales	156,308,315	77,149,429
Realised losses on cashflow hedges	(2,342,841)	(287,241)
Ineffective portion of changes in fair value of cashflow hedges	(456,759)	-
	153,508,715	**76,862,188**
(b) Cost of sales		
Operating costs	(105,714,770)	(67,232,470)
Depreciation and amortisation	(36,451,816)	(13,255,437)
	(142,166,586)	**(80,487,906)**
(c) Other income		
Other income	749,844	822,485
Gain on sale of Mt Cattlin royalty	-	11,000,000
Royalty income	-	2,050,407
	749,844	**13,872,892**
(d) Administration and other expenses		
Employee and consultancy expenses	(3,134,307)	(3,741,782)
Acquisition related costs	(1,398,208)	(1,536,812)
Share-based payments	(938,015)	(356,796)
Property and other indirect taxes	(609,784)	(260,951)
Legal fees	(420,663)	(443,611)
Regulatory expenses	(418,401)	(506,084)
Travel expenses	(353,082)	(246,749)
Insurance costs	(224,466)	(245,384)
Occupancy costs	(209,621)	(228,545)
Investor relations	(179,359)	(270,340)
Superannuation contributions	(168,016)	(115,370)
Depreciation	(142,303)	(139,520)
Foreign exchange (losses)/gains	(3,487)	(7,961)
VAT receivable impairment	(376,598)	(1,994,363)
Gold Fields management fees	-	(425,124)
Royalties expense	-	(303,222)
Other administration overheads	(608,104)	(1,170,289)
	(9,184,414)	**(11,992,903)**
(e) Care and maintenance [1]		
External services	(1,675,742)	(1,881,397)
Fuel and utilities	(1,361,947)	(1,493,627)
Employee benefit expenses	(1,003,277)	(1,302,457)
Other costs	(831,386)	(625,464)
Depreciation [2]	(638,371)	-
Materials and consumables used	(461,304)	(422,663)
Excise tax and custom duties	(7,091)	(578,656)
Movement in stock	(381,306)	225,128
	(6,360,424)	**(6,079,136)**

[1] Care and maintenance costs relating to Siana.
[2] In the previous year depreciation was disclosed within cost of sales.

	Consolidated Year ended	
	30 June 2019 $	30 June 2018 $
(f) Finance income / (expenses)		
Interest income	37,762	46,874
	37,762	**46,874**
Unwinding of discount on rehabilitation provision	(599,295)	(497,109)
Unwinding of discount on deferred consideration on acquisitions	(278,926)	(453,501)
Unwinding of interest on gold loan	(1,073,238)	-
Other interest expense	(297,450)	(99,018)
	(2,248,909)	**(1,049,628)**
	(2,211,147)	**(1,002,754)**
6 INCOME TAX (PRIMA FACIE)		
Current income tax		
Current income tax charge	(988,966)	(739,121)
Deferred income tax	8,558,799	3,198,760
Income tax benefit	**7,569,833**	**2,459,639**
A reconciliation between income tax expense and the numerical profit/(loss) before income tax at the applicable income tax rate is as follows:		
Loss before income tax	(10,600,218)	(14,387,213)
At statutory income tax rate of 30% (2018: 30%)	3,180,065	4,316,164
Deferred tax asset not recognised	(3,058,187)	-
Items not allowable for income tax purposes:		
Non-deductible expenses	(521,653)	(729,990)
Utilisation of carry forward tax losses not brought to account	3,325,246	1,650,379
Reset of the cost base of assets and liabilities [(a)]	4,069,092	-
Prior period adjustment	575,270	-
Current year deferred tax not brought to account	-	(5,236,552)
Income tax benefit	**7,569,833**	**2,459,639**
Tax losses and temporary differences not brought to account (tax effected)		
Deductible temporary differences	45,125,302	43,033,653
Tax losses	8,956,549	13,599,522

Some of the potential deferred tax assets attributable to tax losses and deductable temporary differences have not been brought to account at 30 June 2019. The Directors do not believe it is appropriate to regard realisation of the full deferred tax assets at this point in time because (i) it is not probable that future Australian taxable profits will be available against which the Group can use all the benefits there from or (ii) uncertainty with respect to recoverability in the Philippines.

Movement in deferred tax balances:

	Net balance at 1 July 2018	Step up/(down) at formation of tax consolidated group [(a)]	Recognised in other comprehensive income	Recognised in profit or loss	Net balance at 30 June 2019
	$	$	$	$	$
Property, plant and equipment and intangible assets	(9,829,859)	(1,356,688)	-	5,492,899	(5,693,648)
Exploration and evaluation assets	-	-	-	(1,588,081)	(1,588,081)
Inventories	(1,970,108)	1,970,108	-	-	-
Other assets	-	(1,043,886)	-	1,268,317	224,431
Provisions and employee benefits	5,777,308	4,453,216	-	(683,428)	9,547,096
Derivative financial instruments	-	-	1,456,329	-	1,456,329
Finance leases	(46,342)	46,342	-	-	-
	(6,069,001)	**4,069,092**	**1,456,329**	**4,489,707**	**3,946,127**

	Net balance at 1 July 2017	Acquired in business combination [(b)]	Recognised in profit or loss	Net balance at 30 June 2018
	$	$	$	$
Property, plant and equipment and intangible assets	-	(9,829,859)	2,559,860	(9,829,859)
Inventories	-	(2,308,273)	338,165	(1,970,108)
Provisions and employee benefits	-	5,430,231	347,077	5,777,308
Finance leases	-	-	(46,342)	(46,342)
	-	**(9,267,761)**	**3,198,760**	**(6,069,001)**

(a) Red 5 Limited resolved to form a tax consolidated group incorporating all its Australian subsidiaries, with an effective date of 1 November 2017. In accordance with the tax consolidation legislation, the head entity of the Australian tax consolidated group, will assume the deferred tax assets and liabilities initially recognised by wholly owned members of the tax consolidated group.

The deferred tax liability at 30 June 2018 of $6,069,001 relating to the Darlot Mining Company Pty Ltd acquisition has decreased, primarily due to the reset of the cost base of property, plant and equipment other assets and liabilities as a result of forming the tax consolidation group and the timing differences in the current year (refer note 34). Tax sharing and tax funding deeds have been finalised.

(b) Deferred tax arising on acquisition of Darlot Mining Company Pty Ltd.

	CONSOLIDATED	
	30 June 2019	30 June 2018
	$	$
7 CASH AND CASH EQUIVALENTS		
Cash at bank	10,646,904	7,147,804
Cash on hand	620	597
	10,646,524	**7,148,401**
8 TRADE AND OTHER RECEIVABLES		
Current assets		
Trade debtors [(a)]	11,383,649	5,889,446
Prepayments	2,530,142	1,725,991
Sundry debtors [(b)]	308,177	11,649,312
GST receivable	493,543	1,756,180
Interest receivable	2,280	2,280
	14,717,791	**21,023,209**

Non-current assets		
VAT receivable	3,601	1,452,397
Security deposits	184,883	184,883
	188,484	**1,637,280**

[(a)] Trade debtors includes amounts receivable for 5,109 ounces sold on 29 June 2019, equivalent to $10.29 million (30 June 2018: 1,150 ounces equivalent to $1.96 million). The remainder includes the metal account in the Philippines.
[(b)] Sundry debtors at 30 June 2018 included the amount receivable of $11.0 million for the sale of the Mt Cattlin royalty and received during July 2018.

	CONSOLIDATED	
	30 June 2019 $	30 June 2018 $
9 INVENTORIES		
Stores, spares and consumables at cost	12,486,932	10,605,056
Run of mine stockpiles at net realisable value (2018: at cost)	4,023,658	3,222,496
Gold in circuit at net realisable value (2018: at cost)	3,823,407	2,828,675
Gold Bullion at net realisable value (2018: at cost)	1,652,772	-
Crushed ore stockpile at net realisable value (2018: at cost)	580,576	-
	22,567,345	**16,656,227**

Stores, spares and consumables represent materials and supplies consumed in the production process. All stocks have been calculated as the lower of cost and net realisable value, representing the estimated selling price in the ordinary course of business less any further costs expected to be incurred in respect of such disposal. At year end a net realisable value adjustment amounted to $3.88 million (30 June 2018: Nil) was made, which is included in the operating cost in the statement of profit or loss and other comprehensive income.

10 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings $	Plant and equipment $	Fixtures and fittings $	Assets under construction $	Total $
Cost					
Balance at 1 July 2018	12,844,246	117,683,167	2,084,281	2,988,639	135,600,333
Additions	49,000	4,657,125	273	1,523,093	6,229,491
Disposals[(a)]	-	-	-	(127,356)	(127,356)
Transfer from assets under construction	-	2,611,832	49,485	(2,661,317)	-
Reclassification to intangible assets	-	(117,716)	(377,317)	(143,584)	(638,617)
Effect of movements in exchange rates	227,919	7,483,416	139,745	168,308	8,019,388
Balance at 30 June 2019	**13,121,165**	**132,317,824**	**1,896,467**	**1,747,783**	**149,083,239**
Balance at 1 July 2017	2,507,926	83,754,947	1,659,648	-	87,922,521
Acquired through business combinations and asset acquisition[(b)]	10,149,500	32,570,566	24,500	127,694	42,872,260
Additions	223,272	2,459,662	479,839	2,865,758	6,028,531
Additions to rehabilitation asset	-	117,716	-	-	117,716
Disposals	-	-	(58,105)	-	(58,105)
Effect of movements in exchange rates	(36,452)	(1,219,724)	(21,601)	(4,813)	(1,282,590)
Balance at 30 June 2018	**12,844,246**	**117,683,167**	**2,084,281**	**2,988,639**	**135,600,333**

	Land and buildings	Plant and equipment	Fixtures and fittings	Assets under construction	Total
	$	$	$	$	$
Accumulated depreciation					
Balance at 1 July 2018	2,206,531	52,910,038	1,503,047	-	56,619,616
Depreciation for the year	2,000,478	10,093,842	81,073	-	12,175,393
Reclassification to intangible assets	-	(36,301)	(62,369)	-	(98,670)
Effect of movements in exchange rates	146,618	3,941,397	124,122	-	4,212,137
Balance at 30 June 2019	**4,353,627**	**66,908,976**	**1,645,873**	**-**	**72,908,476**
Balance at 1 July 2017	1,225,239	42,798,033	1,410,245	-	45,433,517
Depreciation for the year	994,420	10,742,095	166,368	-	11,902,883
Disposals	-	-	(58,095)	-	(58,095)
Effect of movements in exchange rates	(13,128)	(630,090)	(15,471)	-	(658,689)
Balance at 30 June 2018	**2,206,531**	**52,910,038**	**1,503,047**	**-**	**56,619,616**
Carrying amounts					
At 1 July 2017	1,282,687	40,956,914	249,403	-	42,489,004
At 30 June 2018	10,637,715	64,773,129	581,234	2,988,639	78,980,717
At 30 June 2019	**8,767,538**	**65,408,848**	**250,594**	**1,747,783**	**76,174,763**

(a) Includes assets under construction at the Siana project written off.

(b) During the year ended 30 June 2019 additions included finance leased assets, sustaining capital and tailing storage facility improvements. During the year ended 30 June 2018, additions included property, plant and equipment totalling $40,155,560 acquired through the acquisition of Darlot Mining Company Pty Ltd and $2,716,700 as a result of assets acquired for King of the Hills project (refer note 34).

11 INTANGIBLE ASSETS

	Mineral Rights and Asset Retirement Obligation	Software	Total
Cost	$	$	$
Balance at 1 July 2018	31,267,350	948,189	32,215,539
Additions	-	299,049	299,049
Reclassification from property, plant and equipment	117,716	377,317	495,033
Reclassification from assets under construction	**-**	143,584	143,584
Rehabilitation change in estimate (refer to note 17)	(1,027,593)	-	(1,027,593)
Balance at 30 June 2019	**30,357,473**	**1,768,139**	**32,125,612**
Balance at 1 July 2017	-	-	-
Acquired through business combination and asset acquisition[(a)]	31,267,350	-	31,267,350
Additions	-	948,189	948,189
Balance at 30 June 2018	**31,267,350**	**948,189**	**32,215,539**

	Mineral Rights and Asset Retirement Obligation	Software	Total
Accumulated depreciation	$	$	$
Balance at 1 July 2018	1,472,066	20,008	1,492,074
Amortisation	10,285,021	520,749	10,805,770
Reclassification from property, plant and equipment	36,301	62,369	98,670
Balance at 30 June 2019	**11,793,388**	**603,126**	**12,396,514**
Balance at 1 July 2017	-	-	-
Amortisation	1,472,066	20,008	1,492,074
Balance at 30 June 2018	**1,472,066**	**20,008**	**1,492,074**
Carrying amounts			
At 1 July 2017	-	-	-
At 30 June 2018	29,795,284	928,181	30,723,465
At 30 June 2019	**18,564,085**	**1,165,013**	**19,729,098**

[a] Mineral rights of $4,773,646 were acquired through the acquisition of Darlot Mining Company Pty Ltd and $26,493,704 through the acquisition of assets of the King of the Hills project.

12 MINE DEVELOPMENT

	CONSOLIDATED	
	30 June 2019 $	**30 June 2018** $
(a) Mine Development		
Opening balance	113,512,485	102,879,591
Development expenditure incurred in current period [1]	21,397,289	12,151,523
Foreign currency translation adjustment	9,080,162	(1,518,629)
Closing Balance	**143,989,936**	**113,512,485**
Accumulated amortisation		
Opening balance	97,171,676	98,587,876
Amortisation for the period	14,251,327	-
Foreign currency translation adjustment	8,683,566	(1,416,200)
Closing balance	**120,106,569**	**97,171,676**
Mine development net book value	**23,883,367**	**16,340,809**
(b) Deferred mining waste costs		
Opening balance	63,574,195	64,538,070
Foreign currency translation adjustment	5,927,106	(963,875)
Closing balance	**69,501,301**	**63,574,195**
Accumulated amortisation		
Opening balance	63,574,195	64,538,070
Amortisation for the period	-	-
Foreign currency translation adjustment	5,927,106	(963,875)
Closing balance	**69,501,301**	**63,574,195**
Deferred mining waste costs net book value	-	-
Total mine development net book value	**23,883,367**	**16,340,809**

(1) Includes King of the Hills mine development expenditure which has been offset by pre-operational sales of $21.5 million (30 June 2018: $13.7 million) and $7.8 million of processing costs (30 June 2018: $3.0 million) up to 1 December 2018 when commercial production commenced.

13 EXPLORATION AND EVALUATION ASSETS

	CONSOLIDATED	
	30 June 2019 $	30 June 2018 $
Opening balance	-	-
Exploration and evaluation expenditure incurred in current period [(a)]	8,584,027	5,559,594
Exploration expenditure transferred to profit or loss [(b)]	(3,290,425)	(5,559,594)
Closing Balance	**5,293,602**	**-**

(a) During the year ended 30 June 2019, $5.29 million for pre-feasibility studies, drilling and related costs at King of the Hills gold project were capitalised (2018: Nil).

(b) The carrying value of exploration costs totalling $3.29 million were expensed (2018: $5.56 million). These costs were associated with drilling and studies at the Darlot gold project where no further work will be performed in that particular area.

14 TRADE AND OTHER PAYABLES

	CONSOLIDATED	
	30 June 2019 $	30 June 2018 $
Current		
Creditors and accruals	29,980,061	31,743,128
Deferred considerations relating to acquisitions	5,677,692	4,395,120
Royalties and other indirect taxes	2,202,151	933,049
Insurance payable	651,367	214,880
Other creditors	2,929,425	1,684,977
	41,440,696	**38,971,154**
Non-current		
Darlot acquisition - Deferred considerations	-	5,503,646
	-	**5,503,646**

15 INCOME TAX PAYABLE

	CONSOLIDATED	
	30 June 2019 $	30 June 2018 $
Income tax payable	1,564,236	739,121
	1,564,236	**739,121**

16 FINANCIAL LIABILITY

During September 2018, the Company entered into a gold loan facility of 5,015 gold ounces with a Malaysian-based fund, Asian Investment Management Services Ltd (AIMSL). The facility has a 12-month term repayable at maturity and attracts quarterly interest gold payments secured by a security interest in the Company's operating subsidiary companies on a limited recourse basis. The effective interest rate of the gold loan facility is 16.1% which was derived by the movement in the forward gold price at inception. The subsequent fair value measurement of the facility is dependent on forward commodity prices. The loan has been classified at amortised cost and the embedded derivative relating to the forward prices of the loan has been recorded at fair value through profit or loss.

	CONSOLIDATED	
	30 June 2019	30 June 2018
	$	$
Value at inception	8,219,786	-
Unwinding of interest	1,073,238	-
Interest payments made	(860,785)	-
Realised loss/(gain) on interest payment	65,395	-
Fair value movement of the financial liability	1,645,781	-
Closing balance	**10,143,415**	-
Allocated as follows:		
Loan at amortised cost	8,497,634	-
Fair value movement of the financial liability	1,645,781	-
	10,143,415	-

17 PROVISIONS

	Rehabilitation provision[(a)]	MCC final acquisition[(b)]	Documentary stamp duty[(c)]	Withholding tax	Other provisions	Total
	$	$	$	$	$	$
Opening balance	29,573,183	1,116,104	1,164,580	504,441	333,565	32,691,873
Provisions made	-	-	-	-	196,546	196,546
Provisions utilised	-	-	(188,385)	-	-	(188,385)
Change in estimates	(1,027,593)	-	-	-	-	(1,027,593)
Unwinding of discount	599,296	-	-	-	-	599,296
Foreign currency translation adjustment	174,829	-	98,709	-	-	273,538
Closing balance	**29,319,715**	**1,116,104**	**1,074,904**	**504,441**	**530,111**	**32,545,275**

(a) **Rehabilitation provision**
Mining activities within the Group are required by law to undertake rehabilitation as part of their ongoing operations. The rehabilitation provision represents the present value of rehabilitation costs, which are expected to be incurred when the rehabilitation work following the cessation of operations is expected to be completed. This provision has been created based on the Group's internal estimates which are reviewed over time as the operation develops. The accretion of the effect of discounting on the provision is recognised as a financial expense. In addition, the rehabilitation obligation has been recognised as an intangible asset and has been amortised over the life of the mines on units of production basis.

(b) **MCC final acquisition provision**
Provision for expected tax liability arising from the acquisition of Merrill Crow Corporation's (MCC) holding of Siana Gold Project in 2010.

(c) **Documentary stamp duty provision**
Provision for documentary stamp duty on cash advances to Philippines subsidiaries.

	CONSOLIDATED	
	30 June 2019 $	30 June 2018 $
Current	1,116,104	1,116,104
Non-current	31,429,171	31,575,769
	32,545,275	**32,691,873**

18 FINANCE LEASE LIABILITIES

Finance leases include obligations of the Company under vehicle finance leases and equipment hire leases. They expire between 31 October 2019 and 31 October 2021 and bear interest between 4.5% and 6.75%. Ownership of the vehicles and equipment will revert to the Company at the end of the leases at no additional cost. The Company's obligations under the finance leases are secured by the lessor's title to the leased assets. The fair value of the finance lease liabilities approximates their carrying values.

The following schedule outlines the total minimum loan payments due for the finance lease obligations over their remaining terms.

Finance lease liabilities are payable as follows:

	Future minimum lease payments		Interest		Present value of minimum lease payments	
	2019 $	2018 $	2019 $	2018 $	2019 $	2018 $
Less than one year	1,447,670	1,199,957	120,581	122,509	1,327,089	1,077,448
Between one and five years	993,237	1,493,137	34,096	92,540	959,141	1,400,597
More than five years	-	-	-	-	-	-
	2,440,907	**2,693,094**	**154,677**	**215,049**	**2,286,230**	**2,478,045**
Current	1,447,670	1,199,957	120,581	122,509	1,327,089	1,077,448
Non-current	993,237	1,493,137	34,096	92,540	959,141	1,400,597
	2,440,907	**2,693,094**	**154,677**	**215,049**	**2,286,230**	**2,478,045**

19 EMPLOYEE BENEFITS

	CONSOLIDATED	
	30 June 2019 $	30 June 2018 $
Provision for annual leave	2,074,198	1,749,626
Provision for long-service leave	1,342,850	1,842,890
Provision for bonuses	1,058,707	1,975,134
	4,475,755	**5,567,650**
Current	4,392,842	5,218,185
Non-current	82,913	349,465
	4,475,755	**5,567,650**

20 DERIVATIVE FINANCIAL INSTRUMENTS

	CONSOLIDATED	
	30 June 2019 $	30 June 2018 $
Opening balance	761,679	-
Change in fair value of cashflow hedges	(6,072,867)	761,679
Closing balance	**(5,311,188)**	**761,679**

Forward contracts designated as hedges

As at 30 June 2019 the Group had a net hedge liability position reflecting the negative mark-to-market value of gold contracts. As at year end metal hedges comprise forward contracts for 30,100 ounces of gold at an average price of price of $1,844 per ounce for the period July 2019 to December 2019.

21 CONTRIBUTED EQUITY

	CONSOLIDATED	
	30 June 2019 $	30 June 2018 $
(a) Share capital		
1,243,166,958 (30 June 2018: 1,240,693,011) ordinary fully paid shares	**260,515,090**	**260,364,664**

(b) Movements in ordinary share capital

	CONSOLIDATED		CONSOLIDATED	
	30 June 2019		30 June 2018	
	No. Shares	$	No. Shares	$
On issue 1 July	1,240,693,011	260,364,664	763,826,663	236,674,602
Shares issued on acquisition of Darlot and King of the Hills	-	-	220,000,000	11,000,000
Rights issue	-	-	254,835,049	12,741,752
Shares issued to directors	-	-	1,352,814	62,500
Service rights vested	-	-	678,485	78,840
Performance rights vested and converted to shares	1,300,000	68,250	-	-
Deferred rights vested and converted to shares	1,173,947	82,177	-	-
Share issue costs	-	-	-	(193,030)
On issue at 30 June	**1,243,166,958**	**260,515,091**	**1,240,693,011**	**260,364,664**

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) Other equity

	CONSOLIDATED	
		30 June 2019
	Shares	$
Opening balance 1 July 2018 [a]	581,428	930,285
Balance 30 June 2019	**581,428**	**930,285**

[a] Red 5 has provided for 581,428 shares to be issued at a value of $930,285 to settle the outstanding tax liability in relation to the acquisition of Merrill Crowe Corporation (MCC) in a previous financial year.

22 RESERVES

	CONSOLIDATED	
	30 June 2019 $	30 June 2018 $
Foreign currency translation reserve[a]	25,204,383	20,873,985
Share-based payment reserve and other reserves[b]	1,163,256	434,925
Hedging reserve[c]	(4,854,429)	497,966
	21,513,210	**21,806,876**

[a] The foreign currency translation reserve comprises 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.

[b] Share-based payment reserve, includes performance rights, service and deferred rights reserve of $1,057,345 (2018: $294,403). It arises on the granting and vesting of equity instruments. Refer note 31 for further details. And also includes other reserves for defined retirement benefit fund for Philippines employees of $105,911 (2018: $140,522). The movement in other reserves arises from the re-measurement of liabilities resulting from a change in assumptions used in an actuarial report calculation.

[c] The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments (net of tax) used in cash flow hedges pending subsequent recognition in profit or loss.

23 EARNINGS PER SHARE

Earnings per share ("EPS") is the amount of post-tax profit or loss attributable to each share. The Group presents basic and diluted EPS data for ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS takes into account the dilutive effect of all potential ordinary shares, being unlisted employee performance and service rights on issue.

	CONSOLIDATED	
	30 June 2019 $	30 June 2018 $
Net loss after income tax	(3,207,963)	(11,927,574)

	CONSOLIDATED	
	2019 Weighted average no. of shares	2018 Weighted average no. of shares
Weighted average number of ordinary shares		
Issued ordinary shares at 1 July	1,240,693,011	763,826,663
Effect of shares issued 11 August 2017	-	602,272

Effect of shares issued 2 October 2017	-	353,849,680
Effect of shares issued 5 October 2017	-	997,005
Effect of shares issued 31 July 2018	1,193,151	-
Effect of shares issued 7 December 2018	662,556	-
Weighted average number of ordinary shares at 30 June	1,242,548,718	1,119,275,620
Basic profit/(loss) per share (cents per share)	**(0.26)**	**(1.07)**

There have been no transactions involving ordinary shares between the reporting date and the date of completion of these financial statements which would materially impact on the above EPS calculations.

The potential ordinary shares existing as at balance date are not dilutive, therefore dilutive earnings per share is equal to basic earnings per share.

24 RELATED PARTIES

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
Mark Williams – Managing Director

Non-Executive Directors
Kevin Dundo
Ian Macpherson
Colin Loosemore
Steve Tombs (appointed 1 August 2018)

Other executives
John Tasovac – Chief Financial Officer
Brendan Shadlow – General Manager Operations (from 1 August 2018)
Steve Tombs – General Manager Operations (up to 31 July 2018)

Company Secretary
Frank Campagna – Company Secretary

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

	CONSOLIDATED	
	2019 $	**2018 $**
Key management personnel		
Short term benefits including service and deferred rights	2,051,439	1,720,914
Post-employment benefits	140,904	103,174
Long term benefits	61,784	58,484
Share based payments	271,065	223,556
	2,525,192	**2,106,128**

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

Transactions with Key Management Personnel and their related parties

The Non-Executive Directors Mr Kevin Dundo; Mr Ian Macpherson; Mr Colin Loosemore and Mr Steven Tombs invoice through their private companies for Directors fees, they are not separate entities that provide consulting services to the Company. Mr Dundo; Mr Macpherson; Mr Loosemore and Mr Tombs meet the definition and maintain their status as Independent Non-Executive Directors, thus retain objectivity and their ability to meet their oversight role.

Steve Tombs a Director charged the Group director's fees, as part of his remuneration, for the year totalling $90,338 (2018: $Nil) and $3,900 for consulting fees. At year-end, there was no amount outstanding (2018: Nil).

These transactions were entered on normal commercial terms.

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. 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 29.

25 REMUNERATION OF THE AUDITOR

	CONSOLIDATED	
	2019	**2018**
	$	**$**
Amounts paid or due and payable to the auditor for:		
Auditing and reviewing financial reports		
– KPMG Australia	136,904	163,277
– overseas KPMG firms	35,090	34,017
Taxation advisory services		
– KPMG Australia	130,749	151,034
– overseas KPMG firms	7,705	8,366
Other advisory services		
– KPMG Australia fees paid on completion of royalty sale	-	384,800
– Other advisory services	3,844	-
	314,292	**741,494**

26 CAPITAL AND OTHER COMMITMENTS

	CONSOLIDATED	
	30 June 2019	**30 June 2018**
	$	**$**
Capital expenditure commitments		
Contracted but not provided for:		
- not later than one year	229,159	672,822
	229,159	**672,822**
Operating lease commitments		
Non-cancellable operating lease rentals:		
- not later than one year	302,439	371,805
- later than one year but not later than two years	48,601	61,375
- later than two years but not later than five years	-	-
	351,040	**433,180**
Contractual expenditure commitments		
Non-capital expenditure commitments:		
- not later than one year	5,932,447	5,984,176
- later than one year but not later than two years	-	-
- later than two years but not later than five years	-	-
	5,932,447	**5,984,176**

Tenement expenditure commitments:		
- not later than one year	4,089,826	4,005,135
- later than one year but not later than two years	-	63,396
	4,089,826	**4,068,531**

27 CONTINGENT LIABILITIES

The consolidated entity had no material contingent liabilities as at the reporting date and as at the end of the year.

28 SEGMENT INFORMATION

The Group is managed primarily on the basis of its production, development and exploration assets in both Australia and the Philippines. Operating segments are therefore determined on the same basis.

During the previous year ended 30 June 2018 a new operating segment was added following the acquisition of Darlot Mining Company Pty Ltd and King of the Hills, forming the Australia segment.

Unless otherwise stated, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the consolidated annual financial statements of the Group.

	Australia [(a)]	Philippines	Other [(b)]	Total
(i) Segment performance	**$**	**$**	**$**	**$**
Year ended 30 June 2019				
Revenues [(c)]	153,508,715	-	-	**153,508,715**
	153,508,715	**-**	**-**	**153,508,715**
Segment result before tax	**10,564,883**	**(8,107,962)**	**(13,057,139)**	**(10,600,218)**
Included within segment result:				
Other income	542,223	207,510	111	749,844
Interest income	19,984	7,274	10,505	37,763
Finance expenses	(847,519)	(15,634)	(1,385,755)	(2,248,909)
Exploration costs expensed	(3,185,758)	(104,667)	-	(3,290,425)
Doubtful debts written off	-	(376,598)	-	(376,598)
Depreciation and amortisation	(36,507,696)	(638,371)	(86,423)	(37,232,489)
Year ended 30 June 2018				
Revenues [(c)]	66,756,930	10,392,499	287,241	**77,436,670**
	66,756,930	**10,392,499**	**287,241**	**77,436,670**
Segment result before tax	**(11,296,331)**	**(7,743,128)**	**4,652,246**	**(14,387,213)**
Included within segment result:				
Other income	381,996	415,996	2,074,900	2,872,892
Sale of Mt Cattlin royalty	-	-	11,000,000	11,000,000
Interest income	26,972	10,575	9,327	46,874
Finance costs	(574,786)	(15,191)	(746,892)	(1,336,869)
Exploration costs expensed	(5,200,196)	(359,398)	-	(5,559,594)
VAT receivable impairment	-	(1,994,363)	-	(1,994,363)
Depreciation and amortisation	(12,633,504)	(751,476)	(9,977)	(13,394,957)

(ii) Segment Assets	Australia [(a)] $	Philippines $	Other [(b)] $	Total $
As at 30 June 2019				
Segment assets	**113,349,993**	**58,965,928**	**4,831,180**	**177,147,101**
Additions to non-current assets:				
Plant and equipment expenditure	6,039,439	175,701	14,350	6,229,491
Intangible assets	284,125	-	14,924	299,049
Development expenditure	21,392,513	4,775	-	21,397,289
As at 30 June 2018				
Segment assets	**99,265,860**	**60,997,918**	**13,008,009**	**173,271,787**
Additions to non-current assets:				
Plant and equipment expenditure	48,576,622	423,553	18,330	49,018,507
Intangible assets	31,997,649	-	217,890	32,215,539
Development expenditure	12,042,638	108,885	-	12,151,523

(iii) Segment Liabilities	Australia [(a)] $	Philippines $	Other [(b)] $	Total $
As at 30 June 2019				
Segment liabilities	**65,218,304**	**8,282,057**	**24,266,434**	**97,766,795**
As at 30 June 2018				
Segment liabilities	72,924,962	7,486,764	11,608,765	92,020,490

[(a)] Australia segment consists of the Darlot Mining Company Pty Ltd and the King of the Hills gold project.
[(b)] Includes corporate costs of the group and inter-company transactions. The segment liability includes the deferred consideration payable to the sellers relating to the acquisitions of Darlot project.
[(c)] Revenue is attributable to one customer only.

29 INVESTMENTS IN CONTROLLED ENTITIES

Name of controlled entities	Country of incorporation	Class of shares	Equity holding 2019 %	Equity holding 2018 %
Bremer Resources Pty Ltd	Australia	Ordinary	100	100
Estuary Resources Pty Ltd	Australia	Ordinary	100	100
Greenstone Resources (WA) Pty Ltd	Australia	Ordinary	100	100
Oakborough Pty Ltd	Australia	Ordinary	100	100
Opus Resources Pty Ltd	Australia	Ordinary	100	100
Red 5 Philippines Pty Ltd	Australia	Ordinary	100	100
Red 5 Mapawa Pty Ltd	Australia	Ordinary	100	100
Red 5 Dayano Pty Ltd	Australia	Ordinary	100	100
Darlot Mining Company Pty Ltd	Australia	Ordinary	100	100
Bremer Binaliw Corporation	Philippines	Ordinary	100	100
Red 5 Mapawa Inc	Philippines	Ordinary	100	100
Red 5 Dayano Inc	Philippines	Ordinary	100	100
Red 5 Asia Inc	Philippines	Ordinary	100	100
Greenstone Resources Corporation [(a)]	Philippines	Ordinary	40	40
Surigao Holdings and Investments Corporation [(a)]	Philippines	Ordinary	40	40

[(a)] The Company holds a 40% direct interest in Greenstone Resources Corporation (GRC) and a 40% interest in Surigao Holdings and Investments Corporation (SHIC) voting stock. Agreements are in place which deals with the relationship between Red 5 and other shareholders of these entities. In accordance with Australian accounting standard, AASB 10 *Consolidated Financial Statements,* Red 5 has consolidated these companies in these financial statements.

30 RECONCILIATION OF NET CASH FLOWS FROM OPERATING ACTIVITIES

	CONSOLIDATED	
	2019 $	2018 $
Operating profit/(loss) after income tax	**(3,030,385)**	**(11,927,574)**
Amortisation and depreciation	37,232,490	13,394,957
non-cash stockpile movements	(4,751,782)	1,015,228
Ineffective portion of cashflow hedges	456,759	-
VAT receivable impairment	376,598	1,994,363
Deferred tax benefit	(10,015,128)	(2,459,639)
Share based payment	938,015	356,796
Interest expenses	297,450	792,885
Unrealised exchange gain	3,487	7,961
Accrued gold loan interests	212,453	-
Unwinding of asset retirement obligation	599,295	-
Unwinding deferred consideration	278,926	-
Change in value of gold loan	1,645,781	-
Changes in operating assets and liabilities		
(Increase)/decrease in inventories	(965,546)	4,939,210
(Increase)/decrease in receivables	(3,245,784)	(12,405,710)
Increase/(decrease) in payables	2,469,544	21,675,623
Increase/(decrease) in income tax payable	825,115	-
Increase/(decrease) in provisions	(146,599)	1,611,661
Net cash inflow/(outflow) from operating activities	**23,180,689**	**18,995,761**

31 SHARE-BASED PAYMENT ARRANGEMENTS

Performance rights granted during the period

Performance rights were granted to the Managing Director and to Senior Management during the period. The rights of the first offer to Senior Management is split into four tranches based on different performance conditions measured over a period commencing 1 July 2018 to the vesting date which is 30 June 2021 if the conditions are met.

The rights of the offer to the Managing Director and to Senior Management are also split into four tranches based on different performance conditions measured over a period commencing 1 July 2018 to the vesting date which is 30 June 2021 if the conditions are met.

Details of the performance rights are summarised below:

(a) Managing Director (2021 series)

	Tranche A		Tranche B		Tranche C		Tranche D	Total
Number of performance rights	2,010,404		804,162		804,162		402,080	**4,020,808**
Value per right	$0.038		$0.048		$0.048		$0.048	
Valuation per tranche	$76,395		$38,600		$38,600		$19,300	**$172,895**
Condition criteria	TSR ranking relative to TSR of S&P/ASX All Ordinaries Gold Total Return Index		Growth in the Company's Ore Reserves		Operating Costs as % of Budgeted Operating Costs		Safety Compliance	In addition, vesting of the performance rights is also conditional on the following being exceeded: 3.A positive Company TSR for the measurement period; and 4. 80% of budgeted gold production by 30 June 2019.
	TSR > Index TSR +20%	100%	Stretch: 35%	100%	Stretch: 80%	100%	All criteria to be met: - No fatalities - Maintenance of the ISO14001 and ISO 18001 certifications - Year on year improvement in safety performance	
	TSR > Index TSR +10%	50%	Target: 20%	50%	Target: 90%	50%		
	TSR < or equal to Index TSR	nil	Threshold: 15%	25%	Threshold: 95%	25%		
			< 15%	nil	> 95%	nil		

(b) Senior Management (2020 series)

	Tranche A		Tranche B		Tranche C		Tranche D	Total
Number of performance rights	1,337,798		535,121		535,121		267,561	**2,675,601**
Value per right	$0.049		$0.056		$0.056		$0.056	
Valuation per tranche	$65,552		$29,967		$29,967		$14,983	**$140,469**
Condition criteria	TSR ranking relative to TSR of S&P/ASX All Ordinaries Gold Total Return Index		Growth in the Company's Ore Reserves		Operating Costs as % of Budgeted Operating Costs		Safety Compliance	In addition, vesting of the performance rights is also conditional on the following being exceeded: 1. A positive Company TSR for the measurement period; and 2. 80% of budgeted gold production by 30 June 2019.
	TSR > Index TSR +20%	100%	Stretch: 35%	100%	Stretch: 80%	100%	All criteria to be met: - No fatalities - Maintenance of the ISO14001 and ISO 18001 certifications - Year on year improvement in safety performance	
	TSR > Index TSR +10%	50%	Target: 20%	50%	Target: 90%	50%		
	TSR < or equal to Index TSR	nil	Threshold: 15%	25%	Threshold: 95%	25%		
			< 15%	nil	> 95%	nil		

(c) Senior Management (2021 series)

	Tranche A		Tranche B		Tranche C		Tranche D	Total
Number of performance rights	5,610,244		2,244,098		2,244,098		1,122,050	**11,220,490**
Value per right	$0.045		$0.057		$0.057		$0.057	
Valuation per tranche	$252,461		$127,917		$127,917		$63,957	**$572,245**
Condition criteria	TSR ranking relative to TSR of S&P/ASX All Ordinaries Gold Total Return Index		Growth in the Company's Ore Reserves		Operating Costs as % of Budgeted Operating Costs		Safety Compliance	
	TSR > Index TSR +20%	100%	Stretch: 35%	100%	Stretch: 80%	100%	All criteria to be met: - No fatalities - Maintenance of the ISO14001 and ISO 18001 certifications - Year on year improvement in safety performance	
	TSR > Index TSR +10%	50%	Target: 20%	50%	Target: 90%	50%		
	TSR < or equal to Index TSR	nil	Threshold: 15%	25%	Threshold: 95%	25%		
			< 15%	nil	> 95%	nil		

Fair Value of Performance Rights

The fair value at grant date of Tranches A which have market-based performance conditions, was estimated using a Monte Carlo simulation. The fair value at grant date of Tranches B, C and D, which have market and non-market-based performance conditions, were valued using a single share price barrier model incorporating a Monte Carlo simulation.

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

	Managing Director	Senior Management (2020 series)	Senior Management (2021 series)
Model Inputs			
Grant date	21 November 2018	15 November 2018	11 December 2018, 12 & 19 April 2019
Value of the underlying security at grant date	$0.07	$0.07	$0.079
Exercise price	nil	nil	nil
Dividend yield	nil	nil	nil
Risk free rate	2.12%	2.16%	1.95%
Volatility	Tranche A: 70% Tranches B C D: 80%	70%	Tranche A: 70% Tranches B-D: 80%
Performance period (years)	3.00	2.75	3.00
Commencement of measurement period	1 July 2018	2 October 2017	1 July 2018
Vesting date	30 June 2021	30 June 2020	30 June 2021
Remaining performance period (years)	2.61	1.62	2.53
Weighted average fair value per option	**$0.043**	**$0.058**	**$0.051**
No. performance rights	4,020,808	2,675,601	11,220,490
Total Valuation	$172,895	$140,469	$572,245

The following unvested performance rights were outstanding:

	CONSOLIDATED	
	30 June 2019 Number	30 June 2018 Number
Balance at the start of the period	18,243,200	6,000,000
Granted during the period	17,916,899	18,243,200
Vested during the period	(1,300,000)	-
Expired during the period	(1,300,000)	(6,000,000)
Balance at the end of the period	**33,560,099**	**18,243,200**

Share-based payments expense of performance rights for the year ended 30 June 2019 was $638,079 (30 June 2018: $317,465).

Shares issued, Service and Deferred Rights

	Grant Date	Vesting Date	Fair Value at Grant Date	Granted No.	Exercised No.	Outstanding at 30 June 2019 No.
Non-Executive Director Shares [(a)]	20-Sep-17	31-Jul-18	$68,250	1,300,000	(1,300,000)	-
Managing Director and Senior Management Service Rights[(b)]	6-Dec-18	1-Jul-19	$82,177	1,173,950	-	1,173,950
Managing Director and Senior Management Deferred Rights [(c)]	6-Dec-18	6-Dec-18	$82,177	1,173,950	(1,173,950)	-

[(a)] Issue of fully paid ordinary shares to Mr Steve Tombs following the early vesting and exercise of performance rights in accordance with the discretionary provisions of the Red 5 Limited Rights Plan.
[(b)] Service rights granted were subject to a 12-month service period before they can be exercised.
[(c)] Deferred rights issued under the Red 5 Limited Rights Plan which vest immediately upon issue and automatically exercised into restricted shares which are subject to disposal restrictions until 30 June 2020.

Share based payments expense for the shares issued, service and deferred rights was $298,040 (2018: $52,606). The fair value is based on observable market share price at the date of grant.

32 FINANCIAL RISK MANAGEMENT

Overview

This note presents information about the consolidated entity's exposure to credit, liquidity and market risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the consolidated entity through regular reviews of the risks.

Credit risk

Credit risk is the risk of financial loss to the consolidated entity if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the consolidated entity receivables from customers and investment securities. For the company it arises from receivables due from subsidiaries.

Presently, the consolidated entity undertakes exploration, mining and gold production activities.

The Group sells gold to one customer in Australia and has managed its exposure to credit risk by analysing the creditworthiness of the customer.

Cash and cash equivalents
The consolidated entity limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have an acceptable credit rating. Any excess cash and cash equivalents are maintained in short term deposits with more than one major Australian commercial bank at interest rates maturing over 30 to 120 day rolling periods.

Trade and other receivables
The Group's trade and other receivables relate mainly to gold sales and sales tax refunds. The Group has determined that its exposure to trade receivable credit risk is low, given that it sells gold bullion to a single reputable refiner with short contractual payment terms and sales tax refunds are due from Government tax bodies namely the Australian Tax Office and the Philippines Bureau of Internal Revenue.

Exposure to credit risk
The carrying amount of the consolidated entity's financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	CONSOLIDATED Carrying amount	
	2019 $	2018 $
Trade and other receivables	14,717,791	21,023,209
Cash and cash equivalents	10,646,524	7,148,401
Non-current receivables	188,484	1,937,280

Liquidity risk
Liquidity risk is the risk that the consolidated entity will not be able to meet its financial obligations as they fall due. The consolidated entity approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the consolidated entity.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves from funds raised in the market and by continuously monitoring forecast and actual cash flows.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

CONSOLIDATED	Carrying amount	Contractual cash flows	6 months or less	6 – 12 months	More than 1 year
	$	$	$	$	$
As at 30 June 2019					
Trade and other payables	41,440,696	(41,440,696)	(41,440,696)	-	-
Finance lease liabilities	2,286,230	(2,440,907)	(798,581)	(649,089)	(993,237)
	43,726,926	(43,881,603)	(42,239,277)	(649,089)	(993,237)
As at 30 June 2018					
Trade and other payables	44,474,800	(44,474,800)	(38,971,154)	-	(5,503,646)
Finance lease liabilities	2,478,045	(2,693,094)	(620,229)	(579,728)	(1,493,137)
	46,852,845	(47,167,894)	(39,591,383)	(579,728)	(6,996,783)

Market risk
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the consolidated entity income or the value of its holdings of financial instruments. Changes in the market gold price will affect the derivative valuation at each reporting date. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The consolidated entity enters into derivative financial instruments to hedge such transactions.

Hedge accounting

The Group's risk management policy is to hedge between 25 to 70% of gold sales in local currency over a rolling 24 month period.

At 30 June 2019 the Group held gold forward contracts to hedge the exposure of future gold sales. The following table sets out the current hedge position and fair value as at 30 June 2019:

No. of contracts	Gold sold	Maturity		
		0-6 months	7-12 months	More than 1 year
As at 30 June 2019				
41	30,100 oz	($5,311,188)	-	-
As at 30 June 2018				
19	24,500 oz	$761,679	-	-

Currency risk

The consolidated entity is exposed to currency risk on investments and purchases that are denominated in a currency other than the respective functional currencies of the subsidiaries within the consolidated entity being Australian Dollar (A$) and Philippine Pesos. The currencies in which these transactions primarily are denominated are United States dollars (US$).

The consolidated entity has not entered into any derivative financial instruments to hedge such transactions. The Company's investments in its subsidiaries are not hedged as those currency positions are considered to be long term in nature.

Exposure to currency risk

The consolidated entity's exposure to US$ foreign currency risk at balance date was as follows, based on notional amounts:

	CONSOLIDATED Carrying amount	
	2019 A$	2018 A$
Cash	614,121	1,265,136
Trade debtors	524,355	3,264,296
Trade payables	(568,010)	(70,208)
Gross balance sheet exposure	570,465	4,459,224

Sensitivity analysis

A 10 per cent strengthening of the Australian dollar against the United States dollar on the 30 June 2019 would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis was performed on the same basis for 2018.

	CONSOLIDATED Profit or loss
	A$
30 June 2019 – US$	(57,047)
30 June 2018 – US$	(445,922)

A 10 per cent weakening of the Australian dollar against the above currencies at 30 June 2019 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Interest rate risk

The consolidated entity is exposed to interest rate risk, primarily on its cash and cash equivalents which is the risk that a financial instrument's value will fluctuate as a result of changes in the market interest rates on interest-bearing financial instruments. The consolidated entity does not use derivatives to mitigate these exposures.

The consolidated entity adopts a policy of ensuring that as far as possible it maintains excess cash and cash equivalents in short term deposits with more than one counterparty at interest rates maturing over 90 day rolling periods. At the reporting date the interest rate profile of the consolidated entity and the Company's interest-bearing financial instruments were:

	CONSOLIDATED Carrying amount	
	2019 $	2018 $
Cash and cash equivalents [(a)]	10,645,904	3,499,974
Security deposits	184,883	184,883
	10,830,787	3,684,857

[(a)] *Amount excludes non-interest-bearing bank accounts.*

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis was performed on the same basis for 2018.

CONSOLIDATED	Profit or loss			Equity	
	100bp increase $	100bp decrease $		100bp increase $	100bp decrease $
30 June 2019					
Variable rate instruments	108,308	(108,308)		108,308	(108,308)
30 June 2018					
Variable rate instruments	36,849	(36,849)		36,849	(36,849)

Net Fair values

The carrying value of financial assets and liabilities equates their fair value.

Capital management

The consolidated entity's objective when managing capital is to safeguard its ability to continue as a going concern, so as to maintain a strong capital base sufficient to maintain future exploration and development of its projects. In order to maintain or adjust the capital structure, the consolidated entity may return capital to shareholders, issue new shares or sell assets to reduce debt.

Risk management is facilitated by regular monitoring and reporting by the board and key management personnel.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

33 FAIR VALUE MEASUREMENT

The fair values of financial assets and financial liabilities carried at amortised cost approximate their carrying value.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique.

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2 - Valuation techniques for which the lowest - level input that is significant to the fair value measurement is directly or indirectly observable
Level 3 - Valuation techniques for which the lowest - level input that is significant to the fair value measurement is unobservable

The following financial assets and liabilities are classified as level 2:
- Derivative Financial Instruments, liability of $5.31 million (30 June 2018: asset of $0.76 million);
- Embedded derivative on gold loan, liability of $1.65 million (30 June 2018: $Nil).

34 ACQUISITIONS

(a) Acquisition of Darlot Mining Company Pty Ltd

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

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

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

In the nine months to 30 June 2018, Darlot contributed revenue of $66,613,710 and loss after tax of $12,743,369 to the Group's results. If the acquisition had occurred on 1 July 2017, management estimates that consolidated revenue would have been $100.8 million and consolidated loss for the year would have been $12.4 million. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 July 2017.

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

	2018 $
Purchase consideration:	
Cash	6,742,265
Shares issued (130,000,000 ordinary shares) [(a)]	6,500,000
Deferred consideration (payable as cash or shares at the seller's option) [(b)] [(c)]	5,199,982
	18,442,247

(a) The fair value of ordinary shares issued was based on the listed share price of the Company at 2 October 2017 of $0.05 per share.

(b) The deferred consideration payable for the acquisition of Darlot is payable in the future and has been discounted. The amount payable is $5.0 million if the seller opts to receive cash due in one or two years from the date of acquisition at the vendor's election.

(c) If the seller opts to receive shares in Red 5 Ltd, these will be issued at a 15% discount to the volume weighted average price (VWAP) in two years from the date of acquisition.

	2018 $
Fair value of net assets acquired:	
Assets	
Trade and other receivables	81,175
Inventory	8,695,359
Property, plant and equipment	40,155,560
Mineral rights	4,773,646
Liabilities	
Trade and other payables	(7,615,806)
Provisions	(200,178)
Employee benefits	(3,488,128)
Environmental rehabilitation and other provisions	(14,691,620)
Deferred tax liabilities	(9,267,761)
Net assets acquired	**18,442,247**
Goodwill / bargain purchase gain	-

Measurement of fair values

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

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

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

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

Fair values have been measured on a provisional basis

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

(b) Acquisition of King Of The Hills Gold Project

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

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

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

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

	2018 **$**
Purchase consideration:	
Cash	7,000,000
Shares issued	4,500,000
Deferred consideration (payable as cash or shares at the seller's option)	4,245,283
	15,745,283
Fair value of net assets acquired:	
Assets	
Property, plant and equipment	2,716,700
Mineral rights	26,493,704
Liabilities	
Trade and other payables	(817,915)
Environmental rehabilitation and other provisions	(12,647,206)
Net assets acquired	**15,745,283**
Goodwill / bargain purchase gain	-

35 DEED OF CROSS QUARANTEE

Pursuant to *ASIC Corporations (Wholly owned Companies) Instrument 2016/785* the wholly-owned subsidiaries listed below are relieved from the *Corporations Act 2001* requirements for preparation, audit and lodgement of financial reports, and Directors' reports.

It is a condition of the Instrument that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the *Corporations Act 2001*. If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

The subsidiaries subject to the Deed are:
- Opus Resources Pty Ltd
- Darlot Mining Company Pty Ltd

Opus Resources Pty Ltd and Darlot Mining Company Pty Ltd both became party to the Deed of Cross Guarantee on 30 June 2018.

A consolidated statement of comprehensive income and a consolidated statement of financial position, comprising of the Company and controlled entities which are party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, for the year ended 30 June 2019 is set out as follows:

(a) STATEMENT OF OTHER COMPREHENSIVE INCOME	CLOSED GROUP YEAR ENDED	
	2019 $	2018 $
Sales revenue	113,915,014	80,331,974
Cost of sales	(83,002,694)	(85,416,690)
Gross profit/(loss)	**30,912,320**	(5,084,716)
Other income and expenses		
Other income	364,423	13,338,005
Administration and other expenses	(36,539,642)	(16,699,344)
Exploration expenditure	(3,185,758)	(4,727,541)
Operating loss	(8,448,657)	(13,173,596)
Finance income	29,520	34,103
Finance expenses	(1,916,965)	(1,071,870)
Net financing expense	(1,887,445)	(1,037,767)
Loss before tax	(10,336,102)	(14,211,363)
Income tax benefit	7,569,833	2,459,639
Net loss after tax for the year	**(2,766,269)**	(11,751,724)
Other comprehensive income/(loss)		
Changes in fair value of cashflow hedges	(4,616,538)	497,966
Ineffective portion of cash flow hedges	720,472	-
Total comprehensive loss for the year	**(6,662,335)**	**(11,253,758)**

(b) STATEMENT OF FINANCIAL POSITION	CLOSED GROUP YEAR ENDED	
	2019 $	2018 $
Assets		
Cash and cash equivalents	8,366,567	3,159,373
Trade and other receivables	12,839,812	16,336,552
Derivative financial instruments	-	761,679
Inventories	14,470,738	10,291,681
Total current assets	**35,677,117**	**30,549,285**
Trade and other receivables	126,022,513	83,031,598
Property, plant and equipment	31,675,268	33,934,769
Intangible assets	2,332,883	4,229,761
Investments	658,386	658,386
Deferred tax asset	3,946,127	-
Total non-current assets	**164,635,177**	**121,854,514**
Total assets	**200,312,294**	**152,403,799**
Liabilities		
Trade and other payables	22,042,325	35,080,754
Employee benefits	4,384,662	5,214,697
Provisions	-	1,271,464
Income tax payable	1,564,236	739,121
Finance lease liabilities	1,083,533	667,476
Total current liabilities	**29,074,756**	**42,973,512**
Trade and other payables	59,484,243	5,503,646
Employee benefits	82,913	349,465
Provisions	15,914,409	15,125,662
Deferred tax liability	-	6,069,001
Finance lease liabilities	921,064	1,131,216
Financial liability	10,143,415	-
Derivative financial instruments	5,311,188	-
Total non-current liabilities	**91,857,232**	**28,178,990**
Total liabilities	**120,931,988**	**71,152,502**
Net assets	**79,380,306**	**81,251,297**
Equity		
Contributed equity	260,515,091	260,364,664
Other equity	930,285	930,285
Reserves	(2,340,753)	792,369
Accumulated losses	(179,724,317)	(180,836,021)
Total equity	**79,380,306**	**81,251,297**

36 PARENT ENTITY DISCLOSURES

	PARENT ENTITY	
	2019 $	**2018 $**
(a) Finance position		
Assets		
Current assets	425,753	12,491,568
Non-current assets	165,610,946	94,384,458
Total assets	166,036,699	106,876,026
Liabilities		
Current liabilities	85,346,683	20,121,083
Non-current liabilities	1,309,710	5,503,646
Total liabilities	86,656,393	25,624,729
Equity		
Contributed equity	260,515,090	260,364,664
Other equity	930,285	930,285
Reserves	(2,340,754)	792,369
Accumulated losses	(179,724,315)	(180,836,021)
Total equity	79,380,306	81,251,297
(b) Finance performance		
Profit/(loss) for the year	1,874,650	(11,388,001)
Other comprehensive income	(3,896,066)	497,966
Total comprehensive profit/(loss) for the year	(2,021,417)	(10,890,035)
(c) Financial commitments		
Operating leases:		
- Not later than one year	61,586	147,178
- Later than one year but not later than two years	-	61,753
- Later than two years but not later than five years	-	-
Total financial commitments	61,586	208,931

(d) Contingent liabilities

The parent entity did not have any contingent liabilities at 30 June 2019 (2018: $nil)

37 SUBSEQUENT EVENTS

Working Capital Facility

The Company entered into an agreement with Macquarie Bank Limited to provide the Company with a A$20 million Working Capital Facility. This facility includes a hedging amounting to approximately 13,000 ounces per quarter over the term of the loan. The Working Capital Facility allows the refinancing, on improved terms of the current Gold Loan Facility with Malaysian-based investment fund, Asian Investment Management Services Ltd and strengthens the Company's balance sheet and operating liquidity. Subsequent to year-end, the Gold Loan Facility was fully repaid in August 2019.

DIRECTORS' DECLARATION

The Board of Directors of Red 5 Limited declares that:

(a) the consolidated financial statements, 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 Group's financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and
- 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 2.1; and

(c) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they fall due.

(d) At the date of the declaration, the Company is within the class of companies affected by ASIC Corporations (Wholly owned Companies) Instrument 2016/785. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee.

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, for the year ended 30 June 2019.

Signed in accordance with a resolution of the Directors.

Kevin Dundo
Chairman

Perth, Western Australia
25 September 2019

Independent Auditor's Report

To the shareholders of Red 5 Limited

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of Red 5 Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated Statement of financial position as at 30 June 2019
- Consolidated Statement of profit or loss and other comprehensive income, Consolidated Statement of changes in equity, and Consolidated Statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The ***Group*** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

The ***Key Audit Matters*** we identified are:

- Sales Revenue
- Property, plant and equipment and Mine development

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Sales revenue ($153.5m)	
Refer to Note 5(a) to the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
Existence and accuracy of sales revenue was considered to be a key audit matter. Gold sales revenue from its Darlot and King of the Hills (KOTH) operations was the most significant item in the consolidated statement of profit or loss ($153.5 million). We focused on the following judgements the Group applied in determining sales revenue: • Assessing the revenue recognised upon the adoption of AASB 15 *Revenue from Contracts with Customers*. This has resulted in a delay in revenue recognition from the previous standard AASB 118 *Revenue*; • The application of hedge accounting for gold forward contracts in accordance with AASB 9 *Financial Instruments*. The Group engages external experts to prepare hedge documentation and determine hedge ineffectiveness.	Our procedures included: • For gold sales recognised during the year we obtained the sales invoice and compared the ounces of gold sold to third party statements from the refinery and cash received in the bank; • For a sample of sales recorded close to year end (both 30 June 2018 and 2019), we tested against the recognition criteria in each period. This included comparing the Group's revenue recognition criteria against the requirements of AASB 15 to determine control had passed to the customer; • We evaluated the transition adjustment made as a result of adopting AASB 15; • For gold sales from KOTH close to the date of commercial production, we checked those prior to 1 December 2018 to determine they were offset against capitalised expenditure; • We compared realised hedging gains and losses to counterparty statements for gold forward hedges realised during the year, which have been recorded in gold sales; • For gold forward hedges not yet realised as at 30 June 2019, we checked open positions to counterparty statements, recalculated the fair value of the open positions (recorded as derivative financial instrument asset or liability) and checked the hedge effectiveness; • We assessed the scope, objectivity and competence of the Group's external experts responsible for preparation of hedge documentation and effectiveness assessment. We evaluated the hedge documentation and hedge accounting for compliance with AASB 9 *Financial Instruments.*

Property, plant and equipment ($76.2 million) and Mine Development ($23.9 million)	
Refer to Notes 10 and 12 to the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
Existence, accuracy and valuation of expenditure capitalised as an asset as part of the Group's mining operations was considered to be a key audit matter. Property, Plant and Equipment ($76.1 million) and Mine Development ($23.9 million), together represent 57% of total assets. The Group used judgement in the identification and allocation of cost between operating and capital expenditure. The risks we focused on include: • the existence of expenditure capitalised; • the capital nature of expenditure particularly the determination of when the King of the Hills (KOTH) project was considered capable of operating at commercial production and in a manner intended by the Group; • the methodology used to allocate costs between operating expenditure (including inventory stockpiles), capital expenditure and exploration & evaluation assets; and • the assessment of the existence of impairment or reversal indicators of the non-financial assets contained within Group's CGUs including Siana and Darlot/KOTH CGUs.	Our procedures included: • Test of controls and inputs relating to the authorisation and accuracy of the recording, classification and payment of expenditure; • Assessment of the allocation of costs between operating expenditure (including inventory stockpiles), capital expenditure and exploration & evaluation assets by inspecting documentation on a sample basis and assessing the nature of the underlying activity; • Challenge of the Group's determination of commercial production declaration from 1 December 2018 by evaluating the criteria by which the declaration was made against underlying documentation; and • Selecting a sample of supplier, contractor and customer invoices raised during the year and pre and post commercial production. We checked the timing and nature of recorded expenditure against the details of the service description on the invoice or contract. • Challenging the Group's assertion as to the presence of no impairment or reversal indicators. This included assessing the status of the Siana mine, financial performance against forecasts and comparing forecast prices to published views of market commentators on future trends.

Other Information

Other Information is financial and non-financial information in Red 5 Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Directors' Report and Corporate Directory. The Chairman's Address, Managing Director's Review, Resources and Reserves Statement, Tenement Schedule and Statement of Shareholders are expected to be made available to us after the date of the Auditor's Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our Auditor's Report.

KPMG

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Red 5 Limited for the year ended 30 June 2019, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in pages 8 to 17 of the Directors' report for the year ended 30 June 2019.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG.

KPMG

R Gambitta
Partner

Perth

25 September 2019