RED 5 LIMITED

ABN 73 068 647 610

AND CONTROLLED ENTITIES

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2014

RED 5 LIMITED
ABN 73 068 647 610

CORPORATE DIRECTORY

BOARD OF DIRECTORS
Kevin Dundo (Chairman)
Mark Williams (Managing Director)
Ian Macpherson
Mark Milazzo

COMPANY SECRETARY
Frank Campagna

REGISTERED OFFICE
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West Perth Western Australia 6005

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SHARE REGISTRY
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770 Canning Highway
Applecross WA 6153

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

BANKERS
National Australia Bank Limited

AUDITORS
KPMG

SOLICITORS
Minter Ellison (Australia)
HopgoodGanim (Australia)
SyCip Salazar Hernandez & Gatmaitan (Philippines)

STOCK EXCHANGE LISTING
Shares in Red 5 Limited are quoted on:

Australian Securities Exchange
Trading code: RED

OTCQX International
Trading code: RDFLY

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

DIRECTORS' REPORT

The directors of Red 5 Limited ("Red 5" or "parent entity") present their report on the results and state of affairs of Red 5 and its subsidiaries ("the Group" or the "consolidated entity") for the financial year ended 30 June 2014.

DIRECTORS

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

Kevin Anthony Dundo
Mark Francis Milazzo
Mark James Williams (appointed 16 January 2014)
Ian Keith Macpherson (appointed 15 April 2014)
Johannes Norregaard (resigned 15 April 2014)
Colin George Jackson (retired 28 November 2013)

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

PRINCIPAL ACTIVITIES

The principal activities of Red 5 and the consolidated entity (which includes controlled entities of Red 5) during the financial year were related to the Siana gold project in the Philippines.

RESULTS OF OPERATIONS

The net loss of the consolidated entity after income tax was $6,935,115 (2013: $8,813,753).

REVIEW OF OPERATIONS

Project Description

The Siana Gold Project, located on the southern Philippine Island of Mindanao, continued to be the main focus for the Group during the year. It is currently in the open pit phase and will be followed by an underground mine. Ore is treated through a conventional modern gravity and carbon-in-leach plant to produce gold doré. The project is expected to have a ten year mine life with the open pit mining to continue for up to four years before transitioning to underground mining.

The Siana Gold Project remained on care and maintenance throughout the financial year due to a Cease and Desist Order (the Order) placed over the processing operations by the Philippines Mines and Geoscience Bureau (MGB) in June 2013. The Group worked with Knight Piésold Consulting to engineer and design a suitable tailing storage solution and GR Engineering Services to engineer and design a thickener and cement addition facility in order for the Order to be lifted. In December 2013 a final solution was submitted to the MGB and Environmental Management Bureau (EMB).

From January to March 2014 a number of engagements and discussions were held with the MGB and EMB culminating in the Department of Environment and Natural resources (DENR) issuing a letter in April 2014 stating that the Order shall be lifted as soon as the following measures are completed:

- Construction of a new High Density Poly Ethylene (HDPE) lined tailing storage facility for additional storage capacity and strength;
- Installation of a thickener and cement mixing facility to allow for production of dry tailings product with greater residual strength; and
- Necessary modifications to existing tailings storage facilities (TSF3 and TSF4) to accommodate the new thickened cement tailings.

The Group immediately began preparations to commence construction of the above three measures. In June 2014, the Group transitioned back into a construction phase. The Group worked with Knight Piésold Consulting and GR Engineering Services to complete studies and design plans for the new thickener plant, HDPE lined tailings facility and existing tailings facilities. Senior management personnel were engaged, including the positions of General Manager, Mine Manager, Maintenance Manager and Health, Safety, Environment and Community Manager. Philippine mining contractor, Galeo Equipment and Mining Company Inc, was engaged to provide the mining and construction equipment needed for the capital works and for the restart of processing activities.

DIRECTORS' REPORT (continued)

REVIEW OF OPERATIONS (continued)

As at the date of this report, the construction work is progressing to schedule and is within the expected budget. It is estimated that the construction activities will be completed before the end of December 2014. The total cost for the capital works and operating activities to prepare the mine and plant ready to re-commence production in the first quarter of the 2015 calendar year is expected to be in the range of A$25-A$30 million.

Production and Operating Results
Commercial production was suspended due to the Order prohibiting the processing of ore through the Siana Gold Project processing plant.

Dewatering activities in the Siana open pit continued to ensure mining operations could re-commence once the Order was lifted. An amount of water was maintained at the bottom of the pit to enable the pontoon pumps to able to operate and to minimise silt disturbance.

In June 2014, the mining and construction equipment provider, Galeo, was notified to provide sufficient equipment so that material needed for the construction of the tailings facilities could be mined from the Siana open pit.

At the time operations were suspended, 43,000 tonnes of ore was stored on the ROM stockpile ready for processing. The ore remains on the ROM pad with an additional 18,000 tonnes of ore mined at the date of this report. The Group aims to have a minimum of 100,000 tonnes of ore stored, available ready for the restart of processing as soon as the Order is lifted.

The consolidated entity made an operating loss of A$6.9 million before tax and spent a total of A$9.1 million on capital expenditure during the year. The operating loss was offset by the insurance proceeds amounting to US$10 million. The Siana operation remained on care and maintenance for the full year with no gold sales other than 50 ounces which was produced as part of the care and maintenance activities and was in inventory at the end of the 2013 financial year.

Financial Summary	**CONSOLIDATED 2014 A$m**	**CONSOLIDATED 2013 A$m**
Sales Proceeds	0.1	28.5
Cost of Sales	-	(18.2)
Care and Maintenance Costs	(7.7)	(4.3)
EBITDA from Operations	(7.6)	6.0
Depreciation and Amortisation	(0.6)	(7.5)
Net Loss from Operations	**(8.2)**	**(1.5)**
Philippine and Australian Corporate Costs (net of insurance proceeds)	1.3	(7.2)
Net Profit/(Loss)	**(6.9)**	**(8.7)**
Capital Expenditure		
Waste Stripping Costs	-	14.2
Plant and Equipment	4.9	7.2
Exploration	4.2	0.5

Financing
In December 2012, the Group announced that its Philippine associated company Greenstone Resources Corporation (GRC) entered into a three year prepaid swap facility with Credit Suisse AG. The facility was repayable over 30 months commencing from the end of July 2013.

DIRECTORS' REPORT (continued)

REVIEW OF OPERATIONS (continued)

After production activities ceased at the Siana Gold Project, Credit Suisse issued GRC with a breach notice and in July 2013 notified GRC that an event of default had occurred. Credit Suisse and the Group then entered into a standstill agreement to allow the Group time to raise additional funds through a rights issue. The rights issue was launched in mid July 2013 but did not achieve the minimum required amount of A$35 million and as a result on 5 September 2013 the Group announced a share placement of 500 million shares at 10 cents per share to raise A$50 million. In addition to the placement the Group announced a plan to raise up to an additional $15 million through a share purchase plan. Credit Suisse AG agreed to extend the standstill agreement until 23 October 2013 to allow the Group time to obtain the necessary shareholder approvals for the Share Placement.

The Group repaid a portion of the loan facility accumulated interest and principal using the proceeds of closing out the gold hedge (US$3.17 million) and releasing of the retention fund (US$5 million). The balance of US$18.4 million was repaid from the proceeds of the share placement on 22 October 2013.

Insurance proceeds
In October 2013, the Group was advised that after an extensive investigation, the insurance underwriters agreed to pay out on the policy and made an advance payment of US$2.5 million. After an independent review to determine the quantum of the claim, the insurance companies paid out a further US$7.5 million bringing the total payments received to US$10 million, which was the maximum amount payable under the policy.

Exploration
As a result of the Order, which was issued to the Group in June 2013, the Siana mine and processing facility was on care and maintenance for the whole year and all significant field exploration activities were suspended. During the year the Group continued performing spectral clay analysis on Mapawa drill hole pulps.

Future Strategy
The Group's main focus during the next financial year is to complete the required construction activities. Once these measures are complete, the Group expects that the MGB shall lift the Order which will allow the Group to recommence milling from the Siana processing plant.

The Group expects to produce gold within six weeks of the commencement of processing and at the rate of 3,000 tonnes per day within three months of the restart of operations.

The current open pit mine schedule forecasts an open pit mine life of over three years before commencing underground operations. During the 2015 financial year, the Group intends to commence a detailed review of the underground reserves and proposed mining methodology.

Key risks to the Group include:

- Delays in lifting the Order.
- Delays to the construction activities.
- Interruptions to mining operations.

DIRECTORS' REPORT (continued)

DIVIDENDS
No amounts were paid by way of dividend since the end of the previous financial year (2013: nil). The directors do not recommend the payment of a dividend.

OPTIONS GRANTED OVER SHARES
At the date of this report, there were 150,000 options granted over ordinary fully paid shares. The terms of these options are as follows:

	Number
- at $2.70 each on or before 31 December 2014	40,000
- at $4.00 each on or before 30 April 2016	70,000
- at $4.30 each on or before 31 December 2016	40,000
	150,000

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 the parent entity or any other corporation.

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

(a) On 22 October 2013, the Group paid out the remaining principal and accumulated interest components of the Credit Suisse AG secured loan facility thereby extinguishing all third party debt. The final payout amount was US18.4 million.

(b) After receiving formal notification from the Department of Environment and Natural Resources (DENR) in April 2014 that the Order will be withdrawn upon completion of the three key activities discussed above, the Group transitioned from care-and-maintenance into construction in late June 2014 with the expectation to restart production within the first quarter of the 2015 calendar year.

EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR
No matters have arisen since 30 June 2014, which have significantly affected, or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial years.

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

DIRECTORS' REPORT (continued)

INFORMATION ON DIRECTORS

Director	Qualifications, experience and special responsibilities
Kevin Dundo (Non-Executive Chairman)	B.Com, LLB, FCPA A non-executive director since March 2010 and Chairman since November 2013. 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. Mr Dundo is chairman of the remuneration committee and a member of the audit committee and the health, safety, environment and community committee. Other current directorships: Imdex Limited (since January 2004) and Synergy Plus Limited (since July 2006). Former directorships in the last 3 years: ORH Limited (March 2013 to December 2013).
Mark Williams (Managing Director)	Dip CSM Mining, GAICD A non-executive director since January 2014 and managing director since April 2014. Mr Williams was previously General Manager of the Tampakan Copper-Gold Project in 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. Mr Williams has not held directorships in any other listed companies in the last 3 years.
Mark Milazzo (Non-Executive Director)	B.Eng. Mining, FAusIMM A non-executive director since May 2011. Mr Milazzo is a mining engineer with 30 years' experience in mining operations. He was previously General Manager of the Olympic Dam mine and Kambalda Nickel Operations with WMC Limited and General Manager for HWE Mining Pty Ltd where he was responsible for managing a portfolio of surface and underground mining contracts for a wide range of clients across a range of commodities. Mr Milazzo is chairman of the health, safety, environment and community committee and a member of the audit committee and the remuneration committee. Other current directorships: Aurelia Metals Limited (formerly YTC Resources Limited - since August 2012) and Mirabela Nickel Limited (since June 2014). Former directorships in the last 3 years: Cortona Resources Limited (May 2011 to January 2013).
Ian Macpherson (Non-Executive Director)	B.Comm, CA A non-executive director since April 2014. Mr Macpherson is a chartered accountant with over 30 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 in the mining and industrial areas. He is a member of the Institute of Chartered Accountants in Australia and the Australian Institute of Company Directors. Mr Macpherson is chairman of the audit committee and a member of the remuneration committee. Other current directorships: Avita Medical Limited (since March 2008) and Rubicon Resources Ltd (since October 2010). Former directorships in the last 3 years: Navigator Resources Limited (July 2003 to January 2013), Kimberly Rare Earth Limited (December 2010 to November 2012) and Nimrodel Resources Limited (July 2007 to August 2011).
Colin Jackson	M.Sc., B.Sc. (Hons), DIC, Grad. Dip. Bus. Admin. A non-executive director from November 2001 to November 2013.
Johannes Norregaard	B.Eng. Mining, WASM, MAusIMM Managing director from February 2013 to April 2014.

DIRECTORS' REPORT (continued)

Information on Company Secretary

Frank Campagna B.Bus (Acc), CPA
Company Secretary of Red 5 since June 2002. 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.

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

Director	Fully paid shares	Options
K Dundo	-	-
M Williams	-	-
M Milazzo	175,000	-
I Macpherson	-	-

MEETINGS OF DIRECTORS

The number of meetings of the Board of Directors of Red 5 and of each Board committee held during the year ended 30 June 2014 and the number of meetings attended by each director whilst in office are as follows:

	Board meetings		Audit committee		Remuneration committee		HSEC committee *	
	Number held	Number attended	Number held	Number attended	Number held	Number attended	Number held	Number attended
C Jackson	8	8	2	2	-	-	-	-
K Dundo	18	17	3	2	1	1	1	-
S Norregaard	15	14	-	-	-	-	-	-
M Williams	10	9	1	-	1	1	-	-
M Milazzo	18	18	3	3	-	-	1	1
I Macpherson	3	3	-	-	-	-	-	-

* Health, safety, environment and community committee.

REMUNERATION REPORT (AUDITED)

This report sets out the current remuneration arrangements for directors and executives of Red 5. For the purposes of this report, key management personnel 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.

Principles used to determine the nature and amount of remuneration

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

Red 5's remuneration policy for the managing director and senior management is designed to promote superior performance and long term commitment to Red 5. Remuneration packages are set at levels that are intended to attract and retain executives capable of managing 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.

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:

- Reward reflects the competitive market in which Red 5 operates; and
- Individual reward should be linked to performance criteria.

The structure of remuneration packages for the managing director and other senior executives comprises:

- A fixed sum base salary plus superannuation benefits;
- Short term incentives through eligibility to participate in a performance bonus scheme if deemed appropriate; and
- Long term incentives through the managing director and other senior executives being eligible to participate in share option schemes or performance rights plans with the prior approval of shareholders as required.

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

In considering the relationship between the consolidated entity's performance and the benefits for shareholder wealth, the Board believes that at this stage of development of the group there is no relevant direct link between revenue and profitability and the advancement of shareholder wealth. Accordingly, for the purposes of determining performance incentives, the group does not currently link revenue and profitability against shareholder wealth.

	2014	**2013**	**2012**	**2011**	**2010**
Loss attributable to owners of the company	(6,935,115)	($8,813,753)	($1,682,914)	($8,111,524)	($438,421)
Dividends paid	-	-	-	-	-
Share price at 30 June	$0.09	$0.62	$1.46	$1.15	$1.20

Performance incentives may be offered to the managing director and senior management through the operation of performance bonus schemes. The performance bonus, based on a percentage of annual salary, is payable upon the achievement of agreed key performance indicators (KPIs) for each executive, which comprise a combination of agreed milestones and relative peer group share price performance. KPIs are reviewed and agreed annually by the remuneration committee and based on a combination of group and specific role related operational targets and above median share price performance compared to a relative peer group such as the S&P/ASX All Ordinaries Gold Index. 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. A declared bonus may be payable in a proportion of cash and shares, subject to shareholder approval, if required.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED) (continued)

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 $500,000 per annum. The remuneration committee recommends the actual payments to directors and the Board is responsible for ratifying any recommendations. The Chairperson receives fees of $90,000 per annum and non-executive directors receive $70,000 per annum, with additional amounts for chairing of
board committees, namely $10,000 per annum for audit committees and $5,000 per annum for other committees, all exclusive of superannuation. Committee members are not paid a fee. Non-executive directors are entitled to statutory superannuation benefits. The Board approves any consultancy arrangements for non-executive directors who provide services outside of and in addition to their duties as non-executive directors.

Non-executive directors are not entitled to participate in equity based remuneration schemes.

Details of remuneration
The following table discloses details of the nature and amount of each element of the remuneration of each key management personnel including the directors of Red 5 for the year ended 30 June 2014. No bonuses, options or performance shares were granted in relation to the 2014 financial year.

2014	Short term			Post-employment	Equity				
Name	Salary or directors fees (1)	Consulting fees	Severance payment	Super-annuation	Shares	Options	Total	Performance related	Value of options as a proportion
	$	$	$	$			$	%	%
Executive directors									
S Norregaard (2)	306,407	-	285,000	32,063	-	-	623,470	-	-
M Williams (3)	95,982	-	-	8,183	-	-	104,165	-	-
Non-executive directors									
C Jackson (4)	28,897	59,563	-	2,673	-	-	91,133	-	-
M Williams (3)	18,545	70,379	-	1,715	-	-	90,639	-	-
K Dundo	73,539	-	-	6,802	-	-	80,341	-	-
M Milazzo	72,884	-	-	6,742	-	-	79,626	-	-
I Macpherson (5)	16,840	-	-	1,558	-	-	18,398	-	-
Executives									
J Mobilia	266,858	-	-	25,000	-	-	291,858	-	-
R Williams (6)	130,443	-	-	14,000	-	-	144,443	-	-
Total	1,010,395	129,942	285,000	98,736	-	-	1,524,073	-	-

(1) Salary as noted in the table includes adjustment for movements in the current value of employee leave provisions, being $7,521 for Mr M Williams and -$10,642 for Mr Mobilia.
(2) Up to date of resignation on 15 April 2014.
(3) Appointed as a non-executive director on 16 January 2014 and as managing director on 15 April 2014. Mr Williams provided technical consultancy services to the Group during the period he was a non-executive director of Red 5. The services were Philippines based in relation to the Cease and Desist Order on the Siana project and were in addition to his role as a non-executive director and were requested and approved by the Board.
(4) Up to date of retirement on 28 November 2013.
(5) Appointed as a non-executive director on 15 April 2014.
(6) Up to date of resignation on 31 October 2013. Remuneration includes payment in lieu of notice of $60,000.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED) (continued)

All directors are entitled to have premiums on indemnity insurance paid by Red 5. During the financial year, Red 5 paid premiums of $142,711 (2013: $129,710) 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.

2013	Short term			Post-employment	Equity		Other			
Name	Salary or directors fees [1]	Consulting fees	Ex-gratia payment	Super-annuation	Shares	Options	Expenses	Total	Perform-ance related	Value of options as a proportion
	$	$	$	$			$	$	%	%
Executive director										
G Edwards [2]	263,494	-	-	14,813	-	-	13,213	291,520	-	-
S Norregaard [3]	182,968	-	-	16,875	-	-	-	199,843		
Non-executive directors										
C Jackson	70,000	201,501	-	6,300	-	-	-	277,801	-	-
G Scanlan [4]	95,000	-	-	8,396	-	-	-	103,396	-	-
K Dundo	55,000	-	-	4,950	-	-	-	59,950	-	-
M Milazzo	58,333	-	-	5,250	-	-	-	63,583	-	-
Executives										
J Mobilia	303,615	-	30,000	25,000	-	-	-	358,615	-	-
R Pyatt [5]	62,357	-	-	5,907	-	-	2,953	71,217	-	-
R Williams	253,733	-	20,000	25,000	-	-	-	298,733	-	-
Total	1,344,500	201,501	50,000	112,491	-	-	16,166	1,724,658	-	-

(1) Salary as noted in the table includes adjustment for movements in the current value of employee leave provisions, being $14,218 for Mr Norregaard, $23,115 for Mr Mobilia and $12,733 for Mr Williams.
(2) Up to date of resignation on 15 November 2012. The termination component of Mr Edwards' salary was $115,369.
(3) Appointed as managing director on 1 February 2013.
(4) Up to date of resignation on 31 December 2012.
(5) Up to date of resignation on 4 October 2012. Remuneration includes payment in lieu of notice of $20,042.

Share-based compensation

The Board has adopted the Red 5 Employee Share Option Plan (ESOP) and a Performance Rights Plan (PR 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. Specific performance hurdles or vesting schedules are determined by the Board at the time of grant under the ESOP or PR Plan and are aligned with the stage of development and operations of the Group and market conditions.

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.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED) (continued)

Options granted to key management personnel

During the year the parent entity granted no options over ordinary shares to executive officers of the parent entity 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. Options to Mr Mobilia expired during the year at a fair value of nil. No options have been granted since the end of the financial year.

Share holdings of key management personnel

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

2014	Balance at 1 July 2013	Received during the year through the issue of shares to meet bonus payment	Other purchases during the year	Balance at 30 June 2014
J Norregaard (1)	-	-	-	-
M Williams (2)	-	-	-	-
I Macpherson (3)	-	-	-	-
C Jackson (4)	22,500	-	150,000	172,500
K Dundo	-	-	-	-
M Milazzo	25,000	-	150,000	175,000
J Mobilia	44,958	-	150,000	194,958
R Williams (5)	-	-	-	-
Total	92,458	-	450,000	542,458

(1) resigned on 15 April 2014 with nil held at the date of resignation.
(2) appointed 16 January 2014.
(3) appointed 15 April 2014.
(4) retired on 28 November 2013 and his holding represents the number held at resignation.
(5) resigned on 31 October 2013 with nil held at the date of resignation.

2013	Balance at 1 July 2012	Received during the year through the issue of shares to meet bonus payment	Other purchases during the year	Balance at 30 June 2013
J Norregaard (1)	-	-	-	-
G Edwards (2)	1,065,111	-	-	1,065,111
C Jackson	22,500	-	-	22,500
G Scanlan (3)	50,000	-	-	50,000
K Dundo	-	-	-	-
M Milazzo	25,000	-	-	25,000
J Mobilia	44,958	-	-	44,958
R Pyatt (4)	-	-	-	-
R Williams	-	-	-	-
Total	1,207,569	-	-	1,207,569

(1) appointed 1 February 2013.
(2) resigned on 28 November 2013 and his holding represents the number held at resignation.
(3) resigned on 31 December 2012 and his holding represents the number held at resignation.
(4) resigned on 4 October with nil held at the date of resignation.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED) (continued)

Option holdings of key management personnel
The numbers of options in the parent entity held during the financial year by key management personnel are set out below.

2014	Held at 1 July 2013	Granted as compensation	Exercised	Other changes *	Held at 30 June 2014	Vested during the year	Vested and exercisable at 30 June 2014
J Mobilia	160,000	-	-	(40,000)	120,000	-	120,000
Total	160,000	-	-	(40,000)	120,000	-	120,000

2013	Held at 1 July 2012	Granted as compensation	Exercised	Other changes *	Held at 30 June 2013	Vested during the year	Vested and exercisable at 30 June 2013
J Mobilia	160,000	-	-	-	160,000	-	160,000
Total	160,000	-	-	-	160,000	-	160,000

* Other changes represent options that expired or were forfeited during the year.

Service agreements

The terms of employment for executive directors and key management personnel are formalised in service agreements. Major provisions of the agreements are set out below.

Mark Williams – Managing Director
Term of agreement: no defined period.
Remuneration: base salary of $420,000 per annum plus statutory superannuation contributions.
Performance bonus: short term incentive bonus of up to 80% of annual salary. Entitlement is weighted between above median peer group share price performance (20%) and the achievement of Group budget, production and costs targets plus annually agreed KPIs (80%). KPIs are based on a combination of Group and specific role related operational targets and include completion of construction projects and recommencement of gold production within pre-determined periods. To receive 100% of the peer group share price performance component, the Red 5 share price must be in the top quartile of the S&P/ASX All Ordinaries gold index. To receive 50% of the share price performance component, the Red 5 share price must be in the second quartile of the S&P/ASX All Ordinaries Gold Index. No component is received for median or below median performance. Payment of a performance bonus is 50% cash and 50% shares (escrowed for two years). 100% of the performance bonus will be paid in cash in the event necessary shareholder or regulatory approvals are not obtained for the share component of the performance bonus.
Equity compensation: entitlement to be granted performance rights under the PR Plan vesting 50% after 3 years and 50% after 4 years from commencement or grant subject to satisfaction of performance hurdles including above median share price scaled performance against the S&P/ASX All Ordinaries Gold Index, a positive share price performance and minimum share price thresholds at the end of the performance period.
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.

Joe Mobilia – Chief Financial Officer
Term of agreement: no defined period.
Remuneration: base salary of $275,000 per annum plus 10% superannuation contributions.
Performance bonus: short term incentive bonus of up to 45% of annual salary weighted equally between the achievement of annually agreed KPIs (which are based on a combination of Group and specific role related operational targets) and above median share price performance compared to the relative peer group S&P/ASX All Ordinaries Gold Index.
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 and by Mr Mobilia giving 2 months' notice.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED) (continued)

Rohan Williams – Group Exploration and Technical Manager
Term of agreement: no defined period.
Remuneration: base salary of $240,000 per annum plus 10% superannuation contributions.
Performance bonus: short term incentive bonus of up to 35% of annual salary weighted equally between the achievement of annually agreed KPIs (which are based on a combination of Group and specific role related operational targets) and above median share price performance compared to the relative peer group S&P/ASX All Ordinaries Gold Index.
Termination provisions: termination by the Company (other than for unsatisfactory performance, gross misconduct or long term incapacity) upon giving 3 months' notice or payment in lieu of notice and by Mr Williams giving 3 months' notice.

Johannes Norregaard – Managing Director
Term of agreement: no defined period.
Remuneration: base salary of $405,000 per annum plus 10% superannuation contributions.
Performance bonus: short term incentive bonus of up to 80% of annual salary. Entitlement is weighted between relative peer group share price performance (20%) and the achievement of Group budget, production and costs targets plus annually agreed KPIs (80%). To receive 100% of the peer group share price performance component, the Red 5 share price must be in the top quartile of the S&P/ASX All Ordinaries Gold Index. To receive 50% of the share price performance component, the Red 5 share price must be in the second quartile of the S&P/ASX All Ordinaries Gold Index. No component is received for below median performance. Payment of a performance bonus is 50% cash and 50% shares (escrowed for two years).
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 and by Mr Norregaard giving 3 months' notice.

End of Audited Remuneration Report.

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 $31,913 for taxation services and $8,000 for other advisory services. Further details of remuneration of the auditors are set out in Note 22.

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.

ENVIRONMENTAL REGULATIONS

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

Compliance with environmental obligations is monitored by the Board of Directors. No environmental breaches have been notified to the consolidated entity by any government agency during the year ended 30 June 2014. Refer note 3 for further information regarding the Cease and Desist Order.

Signed in accordance with a resolution of the directors.

Kevin Dundo
Chairman

Perth, Western Australia
26 September 2014

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 for the financial year ended 30 June 2014 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

Brent Steedman
Partner

Perth
26 September 2014

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2014

	NOTE	CONSOLIDATED 2014 $	2013 $
Continuing operations			
Revenue		70,829	28,508,389
Cost of sales		-	(24,901,777)
Care and maintenance		(8,330,923)	(5,056,063)
Gross loss		(8,260,094)	(1,449,451)
Other income	5(a)	11,204,499	66,085
Administration and other expenses	5(b)	(4,953,680)	(5,109,770)
Exploration expenses	(14)	(4,623)	(2,352)
Impairment of property, plant and equipment	5(c)	-	(7,228,733)
Operating loss before financing income/(expenses)		(2,013,898)	(13,724,221)
Financing income	5(d)	773,530	7,219,710
Financing expenses	5(d)	(5,694,747)	(2,176,180)
Net financing (loss)/income		(4,921,217)	5,043,530
Loss before income tax expense		(6,935,115)	(8,680,691)
Income tax expense	6	-	(133,062)
Net loss after income tax for the year		**(6,935,115)**	**(8,813,753)**
Other comprehensive (loss)/income			
Items that may be reclassified subsequently to profit or loss:			
Movement in foreign currency translation reserve		(7,172,426)	11,679,864
Total comprehensive (loss)/income for the year		**(14,107,541)**	**2,866,111**
Net loss after income tax attributable to:			
- Non-controlling interest		(168,180)	(101,831)
- Members of parent entity		(6,766,935)	(8,711,922)
		(6,935,115)	**(8,813,753)**
Total comprehensive (loss)/income attributable to:			
- Non-controlling interest		(340,318)	178,486
- Members of parent company		(13,767,223)	2,687,625
		(14,107,541)	**2,866,111**
		Cents	**Cents**
Basic and diluted loss per share (cents per share)	27	(1.23)	(6.51)

The accompanying notes form part of these financial statements.

RED 5 LIMITED
AND CONTROLLED ENTITIES

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

	NOTE	CONSOLIDATED 2014 $	2013 $
CURRENT ASSETS			
Cash and cash equivalents	7	37,913,020	7,582,253
Restricted cash	8	-	5,499,388
Trade and other receivables	9	1,097,921	1,270,564
Derivatives	9	-	7,629,663
Inventory	10	4,391,127	5,590,406
TOTAL CURRENT ASSETS		43,402,068	27,572,274
NON-CURRENT ASSETS			
Receivables	11	6,711,804	12,830,080
Property, plant and equipment	12	60,066,493	58,563,021
Mine development expenditure	13	92,073,157	92,572,814
TOTAL NON-CURRENT ASSETS		158,851,454	163,965,915
TOTAL ASSETS		**202,253,522**	**191,538,189**
CURRENT LIABILITIES			
Trade and other payables	15	1,595,035	8,398,949
Employee benefits	16	72,745	126,390
Provisions	17	1,116,104	1,116,104
Borrowings	18	-	27,752,520
TOTAL CURRENT LIABILITIES		2,783,884	37,393,963
NON-CURRENT LIABILITIES			
Employee benefits	16	-	-
Provisions	17	1,876,474	1,735,307
TOTAL NON-CURRENT LIABILITIES		1,876,474	1,735,307
TOTAL LIABILITIES		**4,660,358**	**39,129,270**
NET ASSETS		**197,593,164**	**152,408,919**
EQUITY			
Contributed equity	19 (a) (b)	236,416,512	177,124,726
Other equity	19 (c)	930,285	930,285
Reserves	20	1,981,376	9,027,489
Accumulated losses		(41,157,429)	(34,436,319)
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**198,170,744**	**152,646,181**
Non-controlling interest		(577,580)	(237,262)
TOTAL EQUITY		**197,593,164**	**152,408,919**

The accompanying notes form part of these financial statements.

RED 5 LIMITED
AND CONTROLLED ENTITIES

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014

	Attributable to equity holders of the parent entity					
	Issued capital	**Other equity (ii)**	**Accumulated losses**	**Other reserves (i)**	**Non controlling interest**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Consolidated						
Balance at 1 July 2012	177,124,726	930,285	(25,752,817)	(2,343,638)	(415,748)	149,542,808
Net loss	-	-	(8,711,922)	-	(101,831)	(8,813,753)
Other comprehensive income for the year	-	-	-	11,399,547	280,317	11,679,864
Total comprehensive income for the year	-	-	(8,711,922)	11,399,547	178,486	2,866,111
Shares issued during the year	-	-	-	-	-	-
Transaction costs	-	-	-	-	-	-
Expired options – transfers from reserves	-	-	28,420	(28,420)	-	-
Balance at 30 June 2013	**177,124,726**	**930,285**	**(34,436,319)**	**9,027,489**	**(237,262)**	**152,408,919**
Balance at 1 July 2013	177,124,726	930,285	(34,436,319)	9,027,489	(237,262)	152,408,919
Net loss	-	-	(6,766,935)	-	(168,180)	(6,935,115)
Other comprehensive loss for the year	-	-	-	(7,000,288)	(172,138)	(7,172,426)
Total comprehensive loss for the year	-	-	(6,766,935)	(7,000,288)	(340,318)	(14,107,541)
Shares issued during the year	62,396,300	-	-	-	-	62,396,300
Transaction costs	(3,104,514)	-	-	-	-	(3,104,514)
Expired options – transfers from reserves	-	-	45,825	(45,825)	-	-
Balance at 30 June 2014	**236,416,512**	**930,285**	**(41,157,429)**	**1,981,376**	**(577,580)**	**197,593,164**

(i) Other reserves represent foreign currency translation reserve and the share based payment reserve.
(ii) Refer to note 19 (c) for further explanation.

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2014

	NOTE	CONSOLIDATED 2014 $	2013 $
Cash flows from operating activities			
Receipts from sale of gold		70,829	29,194,644
Payments to suppliers and employees		(16,331,376)	(24,721,625)
Payments for exploration and evaluation expenditure		(4,623)	(49,954)
Interest received		657,344	145,276
Interest paid		(608,982)	(233,144)
Tailings dam remedial works		-	(2,966,144)
Royalty receipts		-	392,944
Insurance receipts		11,200,177	-
Sundry receipts		73,568	1,425
Net cash used in (from) operating activities	26	(4,943,063)	1,763,422
Cash flows from investing activities			
Payments for plant and equipment		(2,845,288)	(9,463,464)
Payments for development		(404,565)	(16,773,238)
Net cash used in investing activities		(3,249,853)	(26,236,702)
Cash flows from financing activities			
Proceeds from issues of shares		62,396,300	-
Payments for share issue expenses		(3,104,514)	-
Proceeds from issue of borrowings		-	30,858,340
Proceeds from issue of borrowings placed on retention		-	(4,766,951)
Proceeds from payout of gold collar derivative		3,443,278	-
Repayment of borrowings		(22,509,581)	(7,824,082)
Finance facility expenses		(1,097,735)	(703,630)
Net cash from financing activities		39,127,748	17,563,677
Net increase/(decrease) in cash held		30,934,832	(6,909,603)
Cash at the beginning of the financial year		7,582,253	13,463,345
Effect of exchange rate fluctuations on cash held		(604,065)	1,028,511
Cash at the end of the financial year	7	37,913,020	7,582,253

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1. REPORTING ENTITY

Red 5 Limited (the "Company") is a for profit company domiciled in Australia. The address of the Company's registered office is Level 2 35 Ventnor Avenue, West Perth Western Australia. The consolidated financial statements of the Company as at and for the year ended 30 June 2014 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 2014.

2.2 Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for share based payments, derivative financial instruments and rehabilitation provisions. 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. Derivative financial instruments are measured at fair value and are discussed in Note 4.10. Rehabilitation provisions are based on net present value and are discussed in Note 4.14.

2.3 Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency.

2.4 Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The areas involving a higher degree of judgements or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed further in Note 4.17.

2.5 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 31.

3. GOING CONCERN

The consolidated financial report has been prepared on the going concern basis which assumes the continuity of normal business activities and the realisation and settlement of liabilities in the ordinary course of business.

For the year ended 30 June 2014, the Group incurred a loss of $6,935,115 (2013: loss of $8,813,753) however had a net working capital surplus of $40,618,184 (2013: deficit of $9,821,689), consistent with a net cash inflow from financing activities of $39,127,748. The net cash inflow from financing activities is reflective of the net impact of raising $59,291,786 from the completion of a combined equity Share Placement and Share Purchase Plan (SPP) and the final settlement of outstanding principal and accumulated interest components totalling $19,066,303 to Credit Suisse AG thereby extinguishing all third party debt.

In April 2013 milling operations were suspended at the Siana gold mine following early detection of subsidence on a minor section of the external wall of Tailings Dam 4. As a result, the Central Office of the Philippines Mines and Geosciences Bureau (MGB) issued a Cease and Desist Order (the Order) to the Group on 6 June 2013 requiring the cessation of gold ore mineral processing activity. As a consequence of this encumbrance, the mine has been in a state of care-and-maintenance since this date and for the majority of the 2014 financial year.

3. GOING CONCERN (continued)

In January 2014, to address certain matters seen by the MGB to be outstanding in relation to the withdrawal of the Order, the Group submitted to the MGB an independently prepared and certified tailings storage facility design report. The report endorses 1) the long term suitability of Tailings Dam 4 to accept tailings thickened with cement and 2) the construction of a new HDPE (High Density Polyethylene) lined tailings dam downstream from Tailings Dam 4. In February 2014, the Group made a further submission to the MGB detailing a proposal for the future deposition of tailings at the Siana mine. In April 2014, the Group received formal notification from the MGB that the Order will be lifted once the following mitigating measures, as proposed by the Group, are fully completed:

* Construction of a new HDPE-lined interim tailings storage facility;
* Construction of a new thickener/cement plant and;
* Modification of existing tailings storage facilities 3 and 4 to accommodate the new thickened cement tailings.

As a result of this formal communication, activity at the Siana gold mine transitioned from care-and-maintenance to construction in early June 2014 and the Group continues to liaise with the Department of Environment and Natural Resources of the Philippines (DENR) to process the necessary permit amendments before the new HDPE tailings facility can be completed.

The Directors are aware that the ability to continue as a going concern is dependent upon the successful completion of the abovementioned measures and the consequent formal withdrawal of the Order as well as the successful ramp up of production and sales of gold to achieve forecast cash flows.

Accordingly, the Board believes that the going concern basis of preparation remains appropriate for the following reasons:

* The MGB has indicated that the Order will be withdrawn upon completion of the required capital works;
* The gold reserves and resources are the same quantum and classification as to that prior to the Order being issued;
* The Group has sufficient cash available to fund completion of capital works required for the withdrawal of the Order and the recommencement of operations early in the first quarter of the 2015 calendar year with anticipated expenditure forecast in the range of $A25 to $A30 million;
* The forecasted mine cash flows support the carrying value of the mine assets.

Should there be a delay in the withdrawal of the Order, this will postpone the sale of gold as per the Group's cash flow projection and the Group may have to consider raising additional funds through debt and/or equity financing as well as transitioning the Siana mine back into a state of care-and-maintenance.

Should the Group not be successful in its efforts to withdraw the Order or raise additional funds through debt and/or equity financing, there exists material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore it may not be able to realise its assets and extinguish its liabilities in the normal course of business and at amounts stated in this financial report.

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. No additional standards or amendments have been early adopted in the current year.

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 2014 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 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. The following specific recognition criteria must be met before revenue is recognised:

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Gold and silver sales
Revenue from the sale of gold and silver is measured at fair value of the consideration received or receivable. Revenue is recognised when the significant risks and rewards of ownership have transferred to the buyer upon receipt of doré in the gold room. Income received by the consolidated entity for silver sales is deducted from the cost of sales.

4.3 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.

4.4 Property, plant and equipment
All assets acquired, including property, plant and equipment and intangibles other than goodwill, are initially recorded at their cost of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition.

Plant and equipment is 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. No depreciation has been calculated on mine plant and equipment whilst the Siana mine has been in a state of care-and-maintenance.

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 expenditure
Exploration and evaluation expenditure incurred is 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. Mine development costs are deferred until production commences, at which time they are amortised over the productive life of the project on a unit-of-production basis, based on reserves.

Deferred waste mining costs
In the production phase all costs associated with waste removal are capitalised and amortised over the productive life of the open pit on a unit-of-production basis based on reserves and current mine schedule.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 to sell 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.

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

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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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, and changes therein are accounted for as described below.

The gold collar derivative financial instrument is not recognised in a hedge relationship that qualifies for hedge accounting, as such all changes in its fair value are recognised immediately in profit and 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. 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.

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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 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 to sell. 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 and Other Comprehensive Income unless the asset has previously been revalued (refer Note 13 for further detail).

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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 and Other Comprehensive Income.

Reserves and resources
The Group determines and reports ore reserves under the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves as revised December 2004, known as the JORC Code. 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 note 12), amortisation of capitalised development expenditure (refer to note 13), 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.

4.18 New and revised standards that are effective for these financial statements

The Group has adopted the following revisions and amendments to AASB's issued by the Australian Accounting Standards Board which are relevant to and effective for the Group's financial statements for the annual period beginning 1 July 2013.

Information on these new standards is presented below:

(i) AASB 10 *Consolidated Financial Statements*: supersedes AAS127 *Consolidated and Separate Financial Statements* (AASB 127) and AASB Interpretation 112 C*onsolidation – Special Purpose Entities*. AASB 10 revises the definition of control and provides extensive new guidance on its application. These new requirements have the potential to effect which of the Group's investees are considered to be subsidiaries and therefore to change the scope of consolidation. The requirements on consolidation procedures, accounting for change in non-controlling interests and accounting for loss of control of a subsidiary are unchanged. Management has reviewed its control assessments in accordance with AASB 10 and has concluded that there is no effect on the classification (as subsidiaries or otherwise) of any of the Group's investees held during the period or comparative periods covered by these financial statements.

(ii) AASB 11 *Joint Arrangements*: supersedes AASB 131 *Interests in Joint Ventures* (AAS 131) and AASB Interpretation 113 *Jointly Controlled Entities – Non-Monetary-Contributions by Ventures.* AASB 11 revises the categories of joint arrangement, and the criteria for classification into the categories, with the objective of more closely aligning the accounting with the investor's rights and obligations relating to the arrangement. The Group does not maintain any joint arrangement within the scope of AASB 11. The effect of the new standard on the Group's financial statements will continued to be assessed.

(iii) AASB 12 *Disclosure of interest in Other Entities*: integrates and makes consistent the disclosure requirements for various types of investments, including unconsolidated structures. It introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities. The effect of the new standard on the Group's financial statements will continued to be assessed.

(iv) AASB 13 *Fair Value Measurement*: establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other AASBs. It does not affect which items are required to be fair-valued. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The standard is not expected to have a material effect on the Group's financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) AASB 119 *Employee Benefits*: the 2011 amendments to AASB 119 made a number of changes to the accounting for employee benefits, the most significant relating to defined benefit plans. The amendments:

- Eliminate the 'corridor method' and requires the recognition of re-measurements (including actuarial gains and losses) arising in the reporting period in other comprehensive income;
- Change the measurement and presentation of certain components of the defined benefit cost. The net amount in profit or loss is affected by the removal of the expected return on plan assets and interest cost components and their replacement by a net interest expense or income based on the net defined benefit asset or liability; and
- Enhance disclosures, including more information about the characteristics of defined benefit plans and related risks.

Under the amendments, employee benefits 'expected to be settled wholly' (as opposed to 'due to be settled' under the superseded version of AASB 119) within 12 months after the end of the reporting period are short-term benefits, and are therefore not discounted when calculating leave liabilities. As the Group expects all annual leave for all employees to be used wholly within 12 months of the end of reporting period, annual leave is included in 'current employee benefit' and not discounted when calculating leave liability.

4.19 New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2013, but have not been applied in preparing this financial report.

(i) AASB 9 *Financial Instruments*: includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 *Financial Instruments: Recognition and Measurement*. AASB will become mandatory for the Group's 30 June 2016 financial statements. The Group has not yet determined the potential impact of the standard.

	CONSOLIDATED	
	2014	**2013**
	$	**$**
5. REVENUE AND EXPENSES		
(a) Other income		
Royalty income	-	64,660
Insurance claim receipts	11,130,931	-
Sundry revenue	73,568	1,425
	11,204,499	66,085
(b) Administration and other expenses		
Superannuation contributions	(116,272)	(83,648)
Other employee and consultancy expenses	(2,156,956)	(2,873,278)
Occupancy costs	(295,996)	(349,148)
Regulatory expenses	(289,464)	(290,996)
Provision for doubtful debts	16,200	(32,075)
Foreign exchange gains/(losses)	(407,167)	535,205
Depreciation	(100,834)	(110,876)
Other administration overheads	(1,603,191)	(1,904,954)
	(4,953,680)	(5,109,770)
(c) Impairment reversal/(impairment) of PP&E		
Tailings dam write-off	-	(7,228,733)
	-	(7,228,733)
(d) Financing income/(expenses)		
Interest received	773,530	125,561
Fair value of gold collar derivative (i)	-	7,094,149
	773,530	7,219,710
Interest expense	(608,982)	(1,459,326)
Fair value of gold collar derivative (i)	(3,988,030)	-
Finance facility fees	(1,097,735)	(716,854)
	(5,694,747)	(2,176,180)
	(4,921,217)	5,043,530

(i) Recognition at fair value of gold collar derivative related to Credit Suisse loan agreement (refer to note 18).

6. INCOME TAX

(a) Major components of income tax expense are: Statement of Profit or Loss and Other Comprehensive Income		
Current income tax		
Current income tax charge	-	-
Adjustment for prior year (under provided)	-	(133,062)
Deferred income tax	-	-
Income tax expense	-	(133,062)

A reconciliation between income tax expense and the numerical loss before income tax at the applicable income tax rate is as follows:

Loss before income tax	(6,935,115)	(8,680,691)

INCOME TAX (continued)

	CONSOLIDATED	
	2014	**2013**
	$	**$**
At statutory income tax rate of 30% (2013: 30%)	2,080,534	2,604,207
Items not allowable for income tax purposes:		
Non-deductible expenses	(963)	5,347
Adjustment for prior year	-	17,986
Current year deferred tax not brought to account	(2,079,571)	(2,760,602)
Income tax expense/(benefit)	-	(133,062)

(b) Tax losses and temporary differences not brought to account

The directors estimate that the potential deferred tax assets:		
In respect of tax losses not brought to account	8,500,549	6,933,620

Deferred tax assets have not been recognized for tax losses because it is not probable that future taxable profits will be available against which the Group can use the benefits there from.

7. CASH AND CASH EQUIVALENTS

	2014	2013
Cash at bank	14,912,907	7,582,122
Cash on deposit	23,000,000	-
Cash on hand	113	131
	37,913,020	7,582,253

8. RESTRICTED CASH

	2014	2013
Credit Suisse retention	-	5,499,388
	-	5,499,388

9. TRADE AND OTHER RECEIVABLES

	2014	2013
Interest receivable	119,179	2,993
Prepayments	401,654	821,157
Sundry debtors	532,449	397,287
GST receivable	44,639	49,127
	1,097,921	1,270,564
Fair value of gold collar derivative	-	7,629,663
	-	8,900,227

10. INVENTORIES

	2014	2013
Raw materials and consumables – at cost	4,106,286	5,156,565
Ore stocks – at cost	284,841	298,582
Gold bullion – at cost	-	135,259
	4,391,127	5,590,406

11. RECEIVABLES

	2014	2013
Security deposit	134,883	134,883
VAT receivable	6,576,921	12,695,197
	6,711,804	12,830,080

	CONSOLIDATED 2014 $	2013 $
12. PROPERTY, PLANT AND EQUIPMENT		
Plant and equipment - at cost		
Opening balance	61,154,946	51,668,715
Additions *	4,905,857	6,784,632
Tailings dam write-off	-	(2,394,717)
Foreign currency translation adjustment	(2,872,212)	5,096,316
Closing balance	63,188,591	61,154,946
Accumulated depreciation		
Opening balance	2,591,925	741,822
Depreciation for the year	656,857	1,669,704
Foreign currency translation adjustment	(126,684)	180,399
Closing balance	3,122,098	2,591,925
Net book value	60,066,493	58,563,021
13. MINE DEVELOPMENT		
(a) Pre-production		
Opening balance	81,028,036	75,532,939
Development expenditure incurred in current year *	4,151,753	1,706,244
Tailings dam write-off	-	(2,583,538)
Foreign currency translation adjustment	(4,120,125)	6,372,391
	81,059,664	81,028,036
Accumulated amortisation		
Opening balance	1,878,035	137,639
Amortisation for the year	-	1,606,401
Foreign currency translation adjustment	(86,426)	133,995
Closing balance	1,791,609	1,878,035
Pre-production net book value	79,268,055	79,150,001

* Unrecoverable VAT has been capitalised into property, plant and equipment and mine development during the financial year.

	2014 $	2013 $
(b) Deferred Mining Waste Costs		
Opening balance	18,500,664	2,454,597
Deferred waste mining expenditure incurred during the year	-	16,898,324
Tailings dam write-off	-	(2,189,641)
Foreign currency translation adjustment	(851,389)	1,337,384
	17,649,275	18,500,664
Accumulated amortisation		
Opening balance	5,077,851	392,260
Amortisation for the period	-	4,322,976
Foreign currency translation adjustment	(233,678)	362,615
Closing balance	4,844,173	5,077,851
Deferred mining waste costs net book value	12,805,102	13,422,813
Total development net book value	92,073,157	92,572,814

The recoverability of the carrying amounts of property, plant and equipment and mine development is dependent upon the successful development and commercial exploitation or sale of the respective area of interest.

	CONSOLIDATED 2014 $	CONSOLIDATED 2013 $
14. EXPLORATION AND EVALUATION EXPENDITURE		
Opening balance	-	-
Exploration and evaluation expenditure incurred	4,623	2,352
Exploration expenditure written-off	(4,623)	(2,352)
	-	-
15. TRADE AND OTHER PAYABLES		
Creditors and accruals	1,595,035	8,398,949
16. EMPLOYEE BENEFITS		
Provision for employee entitlements		
Opening balance	126,390	318,576
Increase in provision during the period	-	-
Decrease in provision during the period	(53,645)	(192,186)
	72,745	126,390
Current	72,745	126,390
Non-current	-	-
	72,745	126,390

	CONSOLIDATED	
	2014	2013
	$	$
17. PROVISIONS		
MCC final acquisition	1,116,104	1,116,104
Rehabilitation provision	341,443	357,914
Documentary stamp duty	1,316,435	1,148,252
Withholding tax	218,596	229,141
	2,992,578	2,851,411
Current	1,116,104	1,116,104
Non-current	1,876,474	1,735,307
	2,992,578	2,851,411
18. BORROWINGS		
Current		
Credit Suisse secured loan facility	-	27,752,520
	-	27,752,520

On 19 September 2013, the proceeds from the close out of the gold hedge (US$3,171,224) together with the funds held on retention (US$5,000,000) was paid against the principal and accumulated interest components of the Credit Suisse AG facility.

On 23 October 2013, the Group settled the remaining principal and accumulated interest components of the facility being $19,066,303 (US$18,370,383) with the funds raised from the share placement.

	CONSOLIDATED	
	2014	**2013**
	$	**$**
19. CONTRIBUTED EQUITY		
(a) Share capital		
759,451,008 (2013: 135,488,008) ordinary fully paid shares (i)	236,416,512	177,124,726

(i) 623,963,000 ordinary fully paid shares at an issue price of 10 cents per share were issued during the year ended 30 June 2014. Share costs associated with the share issue totalled $3,104,514.

(b) Movements in ordinary share capital

	CONSOLIDATED 2014		CONSOLIDATED 2013	
	Shares Number	**$**	**Shares Number**	**$**
On issue at 1 July	135,488,008	177,124,726	135,488,008	177,124,726
Share placements	500,000,000	50,000,000	-	-
Share purchase plan	123,963,000	12,396,300	-	-
Less share issue expenses	-	(3,104,514)	-	-
On issue at 30 June	759,451,008	236,416,512	135,488,008	177,124,726

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	**Shares Number**	**$**
Opening balance 1 July 2013 (ii)	581,428	930,285
Balance 30 June 2014	581,428	930,285

(ii) 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 prior year acquisition of the Merrill Crowe Corporation (MCC).

	CONSOLIDATED	
	2014	**2013**
	$	**$**
20. RESERVES		
Foreign currency translation reserve	1,874,343	8,874,631
Share based payment reserve	107,033	152,858
	1,981,376	9,027,489

Translation reserve

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

Share based payment reserve

The share based payment reserve arises on the granting and vesting of equity instruments. Refer to Note 29 for further details.

Movements in share options	**Options Number**	**Options Reserve $**
Opening balance 1 July 2013	220,000	152,858
Expired options	(70,000)	(45,825)
Balance 30 June 2014	150,000	107,033

21. 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 (appointed 15 April 2014)
Johannes (Steve) Norregaard – Managing Director (resigned 15 April 2014)

Non-executive directors

Kevin Dundo
Mark Milazzo
Ian Macpherson (appointed 15 April 2014)
Colin Jackson (retired 28 November 2013)

Other executives

Joe Mobilia – Chief Financial Officer
Rohan Williams – Group Exploration and Technical Manager (resigned 31 October 2013)

Compensation of key management personnel

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

	CONSOLIDATED	
	2014	**2013**
	$	**$**
Key management personnel		
Short term benefits	1,425,337	1,596,001
Post-employment benefits	98,736	112,491
Other benefits	-	16,166
	1,524,073	1,724,658

Loans to key management personnel

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

Other transactions with directors

Other than as disclosed in the remuneration report, there were no other transactions during the year between the consolidated entity and directors or their director-related entities.

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 25.

Individual directors and executives compensation disclosures
Information regarding individual directors and executives' compensation and some equity instruments disclosures as permitted by Corporations Regulation 2M.3.03 is provided in the remuneration report section of the directors' report.

Key management personnel transactions
During the year, fees were paid in the normal course of business to HopgoodGanim of which Kevin Dundo is a partner, for the provision of legal services to the Group on normal commercial terms. The services were provided at the request of the Board following cessation of mining operations at the Siana project in April 2013 and related primarily to secured debt standstill arrangements, capital raisings and debt repayments at a time when the financial capacity of the Group was indeterminate.

	Transaction values $		**Balance outstanding $**	
	2014	**2013**	**2014**	**2013**
HopgoodGanim	348,815	81,188	4,017	70,305

	CONSOLIDATED	
	2014 $	**2013 $**

22. REMUNERATION OF AUDITOR

Amounts paid or due and payable to the auditor for:

Auditing and reviewing financial reports - KPMG Australia	100,935	115,380
- overseas KPMG firms	29,174	32,846
Other services – advisory (KPMG Australia)	8,000	-
Taxation advisory services – KPMG Australia	24,700	24,125
– overseas KPMG firms	7,213	11,165
	170,022	183,516

23. EXPENDITURE COMMITMENTS

Commitments in relation to capital expenditure commitments are payable as follows:

- not later than one year	16,471,220	1,359,188
	16,471,220	1,359,188

Commitments in relation to operating lease expenditure commitments are payable as follows:

- not later than one year	366,741	509,684
- later than one year but not later than two years	143,917	193,424
- later than two years but not later than five years	2,232	152,625
	512,890	855,733

24. SEGMENT INFORMATION

Identification of reportable segments

The Group has identified its operating segments on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of its Siana gold assets in the Philippines. Operating segments are therefore determined on the same basis. Reportable segments disclosed are based on aggregating tenements where the development and exploration interests are considered to form a single project. This is in indicated by:

- Having the same ownership structure.
- Exploration being focused on the same mineral or type of mineral.
- Exploration programs targeting the tenements as a group, indicated by the use of the same exploration team, shared geological data and knowledge across the tenements.
- Shared mining economic considerations such as mineralisation, metallurgy, marketing, legal environmental, social and government factors.

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

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 annual financial statements of the Group.

Unallocated items

The following items of revenue, expense, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Interest and other revenue.
- Income tax expense.
- Deferred tax assets and liabilities.

Comparative information

Comparative information has been restated to conform to the requirements of AASB 8: Operating Segments.

(i) Segment performance	**Philippines** $	**Australia** $	**Total** $
Year ended 30 June 2014			
Revenue [(i)]	70,829	-	70,829
Interest received	5,668	767,862	773,530
Other income	73,568	-	73,568
	150,065	**767,862**	**917,927**
Segment result	**(3,942,835)**	**(2,992,280)**	**(6,935,115)**
Included within segment result:			
Depreciation and amortisation	(655,371)	(1,486)	(656,857)
Exploration written off	(4,623)	-	(4,623)
Other income - insurance proceeds	11,204,499	-	11,204,499
Provision for doubtful debts	16,000	-	16,000
Year ended 30 June 2013			
Revenue [(i)]	28,508,389	-	28,508,389
Interest received	14,045	111,516	125,561
Other income	1,425	64,660	66,085
	28,523,859	**176,176**	**28,700,035**
Segment result	**(5,955,085)**	**(2,858,668)**	**(8,813,753)**
Included within segment result:			
Depreciation and amortisation	(7,645,120)	(4,649)	(7,649,769)
Exploration written off	(2,352)	-	(2,352)

(i) Segment performance (continued)

	Philippines $	Australia $	Total $
Assets written off	(7,228,733)	-	(7,228,733)
Provision for doubtful debts	(32,075)	-	(32,075)

(ii) Segment assets
As at 30 June 2014

	Philippines $	Australia $	Total $
Segment assets	**165,816,415**	**36,437,107**	**202,253,522**
Additions to non-current assets:			
Capital expenditure	4,903,949	1,908	4,905,857
Exploration expenditure	4,623	-	4,623
Development expenditure	4,151,753	-	4,151,753

As at 30 June 2013

	Philippines $	Australia $	Total $
Segment assets	**189,884,834**	**1,653,355**	**191,538,189**
Additions to non-current assets:			
Capital expenditure	6,784,229	403	6,784,632
Exploration expenditure	2,352	-	2,352
Development expenditure	18,094,204	-	18,094,204

(iii) Segment liabilities
As at 30 June 2014

	Philippines $	Australia $	Total $
Segment liabilities	**4,068,877**	**591,481**	**4,660,358**

As at 30 June 2013

	Philippines $	Australia $	Total $
Segment liabilities	**38,612,845**	**516,425**	**39,129,270**

(i) Revenue is attributable to one customer only.

25. INVESTMENTS IN CONTROLLED ENTITIES

Name of controlled entities	Country of incorporation	Class of shares	Equity holding 2014 %	Equity holding 2013 %
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
Bremer Binaliw Corporation	Philippines	Ordinary	100	100
Red5 Mapawa Incorporated	Philippines	Ordinary	100	100
Red5 Dayano Incorporated	Philippines	Ordinary	100	100
Red 5 Asia Incorporated	Philippines	Ordinary	100	100
Greenstone Resources Corporation (i)	Philippines	Ordinary	40	40
Surigao Holdings and Investments Corporation (i)	Philippines	Ordinary	40	40

(i) 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 127 *Consolidated and Separate Financial Statements,* relating to company control, Red 5 has consolidated these companies as subsidiaries in these financial statements.

26. RECONCILIATION OF NET CASH FLOWS FROM OPERATING ACTIVITIES

	CONSOLIDATED 2014 $	2013 $
Operating (loss) after income tax	(6,935,115)	(8,813,753)
Amortisation and depreciation	656,857	7,649,769
Provision for stock obsolescence	(80,637)	-
Doubtful debt expenses	(16,200)	32,075
Superannuation accrual	8,620	5,850
Exchange (gain)/loss	407,167	(535,205)
Cost of sales adjustment	(819,947)	2,555,545
Income tax expense	-	133,062
Changes in operating assets and liabilities		
(Increase)/decrease in inventories	850,927	1,707,044
(Increase)/decrease in receivables	6,577,264	(1,468,284)
Increase/(decrease) in payables	(5,759,379)	403,060
Increase/(decrease) in provisions	167,380	94,259
Net cash inflow/(outflow) from operating activities	(4,943,063)	1,763,422

27. EARNINGS PER SHARE

	2014 Number	2013 Number
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	561,592,417	135,488,008
Issued ordinary shares at commencement of financial year	135,488,008	135,488,008
Effect of shares issued 13 September 2013	16,184,384	-
Effect of shares issued 24 October 2013	328,561,644	-
Effect of shares issued 31 October 2013	35,127,148	-
Effect of shares issued 6 November 2013	46,231,233	-
Weighted average number of ordinary shares for the financial year	561,592,417	135,488,008

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

28. SUBSEQUENT EVENTS

No matters have arisen since 30 June 2014, which have significantly affected, or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial years.

29. SHARE BASED PAYMENTS

An Employee Option Plan (Plan) was approved by shareholders at the annual general meeting of the parent entity held on 27 November 2007. All staff (including executive directors) are eligible to participate in the scheme.

SHARE BASED PAYMENTS (continued)

Shares and options are issued on the following terms:

(a) The Board may from time to time determine that any eligible person is entitled to participate in the plan and the extent of that participation. In making that determination, the Board may consider, where appropriate:

- the seniority of the eligible person and the position the eligible person occupies within the consolidated entity;
- the length of service of the eligible person with the consolidated entity;
- the record of employment or engagement of the eligible person with the consolidated entity;
- the contractual history of the eligible person with the consolidated entity;
- the potential contribution of the eligible person to the growth of the consolidated entity;
- the extent (if any) of the existing participation of the eligible person (or any permitted nominee in relation to that eligible person in the plan; and
- any other matters which the Board considers relevant.

(b) A 5% limit is imposed on the number of shares to be received on exercise of the options issued under the plan. This includes all shares issued (or which might be issued pursuant to the exercise of an option under each outstanding offer), the number of shares in the same class that would be issued if offers under the plan were accepted or if options over them were exercised and the number of shares in the same class issued under the previous five years pursuant to the plan. Options are granted under the plan for no consideration. Options granted under the plan carry no dividend or voting rights.

(c) When exercisable, each option is convertible into one ordinary share. The exercise price of options is determined by the Board when it resolves to offer the option and will be not less than 80% of the average closing sale price of the shares on the ASX Limited over the five trading days immediately preceding the date of issue of any offer document in relation to the offer, or the date of resolving to issue the options or the date of issue of options by the Board, as the case may be.

Amounts receivable on the exercise of options are recognised as share capital. Set out below are summaries of options granted under the scheme.

Grant date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Expired/ forfeited during the year	Balance at end of the year	Vested and exercisable at end of the year
		$	Number	Number	Number	Number	Number	Number
Consolidated – 2014								
28.04.11	30.04.14	2.50	70,000	-	-	(70,000)	-	-
28.04.11	30.04.16	4.00	70,000	-	-	-	70,000	70,000
22.03.12	31.12.14	2.70	40,000	-	-	-	40,000	40,000
22.03.12	31.12.16	4.30	40,000	-	-	-	40,000	40,000
			220,000	-	-	(70,000)	150,000	150,000
Weighted average exercise price			$3.34	-	-	$2.50	$3.73	$3.73
Consolidated – 2013								
16.06.08	30.06.13	2.50	70,000	-	-	(70,000)	-	-
28.04.11	30.04.14	2.50	70,000	-	-	-	70,000	70,000
28.04.11	30.04.16	4.00	70,000	-	-	-	70,000	70,000
22.03.12	31.12.14	2.70	40,000	-	-	-	40,000	40,000
22.03.12	31.12.16	4.30	40,000	-	-	-	40,000	40,000
			290,000	-	-	(70,000)	220,000	220,000
Weighted average exercise price			$3.14	-	-	$2.50	$3.34	$3.34

The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option. In estimating the expected volatility of the underlying shares, the consolidated entity has considered the extent to which past experience is expected to be reasonably predictive of future experience. Consequently, the expected share price volatility has been calculated using daily closing share price observations for the most recent twelve month period from grant date of the underlying shares.

During the period, the parent entity granted no options or shares to executives.

30. 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 Group holds derivative financial instruments to hedge a portion of its gold sales as a condition under the loan facility with Credit Suisse AG.

Derivatives are recognised initially at fair value; any attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Separable embedded derivatives
Changes in the fair value of separable embedded derivatives are recognised immediately in profit or loss.

Other non-trading derivatives
When a derivative financial instrument is not designated in a hedge relationship that qualifies for hedge accounting, all changes in its fair value are recognised immediately in profit or loss.

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 exclusively in the Philippines. At the balance sheet date there were no significant concentrations of credit risk.

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 VAT 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 VAT refunds are due from a Government tax body namely the Philippines Bureau of Internal Revenue.

The consolidated entity has established an allowance for impairment that represents their estimate of incurred losses in respect of other receivables (mainly relate to unsecured loans to controlled entities) and diminution of investments in wholly owned entities. Management does not expect any counterparty to fail to meet its obligations.

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	
	2014	2013
	$	$
Trade and other receivables	1,097,921	1,270,564
Derivatives	-	7,629,663
Cash and cash equivalents	37,913,020	7,582,253
Term deposit (restricted)	-	5,499,388
Non-current receivables	6,711,804	12,830,080

The derivative is included in the Level 2 in the fair value hierarchy.

FINANCIAL RISK MANAGEMENT (continued)

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.

Refer to note 3 with respect to current liquidity issues.

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

CONSOLIDATED
30 June 2014

	Carrying amount	Contractual cash flows	6 mths or less	6-12 mths	More than 1 year
Trade and other payables	1,595,035	(1,595,035)	(1,595,035)	-	-
Provisions	3,065,323	(3,596,718)	(36,373)	(1,371,072)	(2,189,273)
	4,660,358	(5,191,753)	(1,631,408)	(1,371,072)	(2,189,273)

CONSOLIDATED
30 June 2013

	Carrying amount	Contractual cash flows	6 mths or less	6-12 mths	More than 1 year
Trade and other payables	8,398,949	(8,398,949)	(8,398,949)	-	-
Provisions	2,977,801	(3,534,830)	(63,195)	(1,408,440)	(2,063,195)
Secured bank loans	27,752,520	(27,752,520)	(27,752,520)	-	-
	39,129,270	(39,686,299)	(36,214,664)	(1,408,440)	(2,063,195)

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. The 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.

Currency risk

The consolidated entity is exposed to currency risk on investments, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the subsidiaries within the consolidated entity being AUD and Philippine PESO. The currencies in which these transactions primarily are denominated are United States dollars (USD).

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.

FINANCIAL RISK MANAGEMENT (continued)

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

	CONSOLIDATED Carrying Amount	
	2014 **$AUD**	**2013** **$AUD**
Cash	9,200,863	10,788,302
Trade payables	(148,659)	(99,197)
Secured bank loans	-	(27,752,520)
Gross balance sheet exposure	9,052,204	(17,063,415)

Sensitivity analysis
A 10 per cent strengthening of the Australian dollar against the following currencies at 30 June 2014 would have increased/ (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2013.

	CONSOLIDATED Profit or loss $AUD
30 June 2014	
USD	(905,220)
30 June 2013	
USD	1,706,341

A 10 per cent weakening of the Australian dollar against the above currencies at 30 June 2014 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 deposit 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	
	2014 **$**	**2013** **$**
Variable rate instruments		
Cash and cash equivalents	37,913,020	7,582,253
Term deposit (restricted)	-	5,499,388
Interest bearing bonds	134,883	134,883
	38,047,903	13,216,524

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 is performed on the same basis for 2013.

FINANCIAL RISK MANAGEMENT (continued)

CONSOLIDATED	**Profit or loss**		**Equity**	
	100bp increase $	**100bp decrease $**	**100bp increase $**	**100bp decrease $**
30 June 2014				
Variable rate instruments	380,479	(380,479)	380,479	(380,479)
30 June 2013				
Variable rate instruments	132,165	(132,165)	132,165	(132,165)

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

31. PARENT ENTITY DISCLOSURES

(a) Financial Position	**2014 $**	**2013 $**
Assets		
Current assets	36,295,711	1,512,379
Non-current assets	172,110,253	150,664,806
Total assets	208,405,964	152,177,185
Liabilities		
Current liabilities	1,862,945	1,787,889
Non-current liabilities	-	-
Total liabilities	1,862,945	1,787,889
Contributed equity	236.416,512	177,124,726
Other equity	930,285	930,285
Reserves	107,033	152,858
Accumulated losses	(30,910,811)	(27,818,573)
Total equity	206,543,019	150,389,296

(b) Financial Performance

(Loss)/profit for the year	(3,138,063)	665,845
Other comprehensive income	-	-
Total comprehensive (loss)/income	(3,138,063)	665,845

DECLARATION BY DIRECTORS

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 2014 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.

The Board of Directors has received the declaration by the Managing Director and Chief Financial Officer required by Section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors.

Kevin Dundo
Chairman

Perth, Western Australia
26 September 2014

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

Report on the financial report

We have audited the accompanying financial report of Red 5 Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2014, and 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 ended on that date, notes 1 to 31 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 2.1, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

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

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

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001 and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2.1.

Emphasis of matter regarding going concern

Without modification to the conclusion expressed above, we draw attention to the following matter. As a result of facts set out in note 3, there is a material uncertainty which may cast significant doubt regarding the ability of the Company to continue as a going concern and therefore whether it will be able to realise its assets and discharge its liabilities in the normal course of business and at the amounts raised in the financial report.

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2014. 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 responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Red 5 Limited for the year ended 30 June 2014, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Brent Steedman
Partner

Perth
26 September 2014