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**RED 5 LIMITED**

ABN 73 068 647 610

**AND CONTROLLED ENTITIES**

**HALF YEAR FINANCIAL REPORT**

**31 DECEMBER 2008**

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**CORPORATE DIRECTORY**

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**BOARD OF DIRECTORS**

Colin G Jackson (Chairman)  
Gregory C Edwards (Managing Director)  
Allen L Govey (Executive Director, Technical)  
Peter W Rowe  
Gary F Scanlan

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**COMPANY SECRETARY**

Frank J Campagna

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**REGISTERED OFFICE**

Level 2  
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West Perth Western Australia 6005

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Web-site: www.red5limited.com

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**SHARE REGISTRY**

Security Transfer Registrars Pty Ltd  
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**

Bank of New Zealand, Australia

**AUDITORS**

KPMG

**SOLICITORS**

Freehills (Australia)  
SyCip Salazar Hernandez & Gatmaitan (Philippines)

**STOCK EXCHANGE LISTING**

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

**RED 5 LIMITED  
AND CONTROLLED ENTITIES**

**DIRECTORS' REPORT**

The directors of Red 5 Limited ("Red 5" or "parent entity") present their report on the results and state of affairs of the consolidated entity (consisting of Red 5 and its controlled entities) for the half year ended 31 December 2008.

**DIRECTORS**

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

Colin George Jackson  
Gregory Charles Edwards  
Allen Lance Govey  
Peter William Rowe  
Gary Francis Scanlan

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

**RESULTS OF OPERATIONS**

The net loss of the consolidated entity after provision for income tax was \$328,888 (2007: \$702,259)

**REVIEW OF OPERATIONS**

Red 5 has made material advances to the outstanding permitting, technical and legal elements required prior to the Board being able to approve the development of the Siana project. This approval will also be dependent on acceptable financing terms. The process for the application of an Environmental Compliance Certificate (ECC) was completed in December with final approval of the ECC pending from Philippine regulatory authorities (Environmental Management Bureau and Department of Environment and Natural Resources).

On the finance front, whilst the global banking environment remains volatile there appears to be strong support for gold projects and companies in the form of equity raisings and debt financing albeit on terms that are onerous. As previously announced Société Générale has advised Red 5 of their withdrawal as lead arranger and member of the lending syndicate. Discussions with replacement banks have commenced.

The substantial fall in the Australian dollar against the US dollar from June 2008 to December 2008 resulted in a \$7.4 million increment in the carrying value of Exploration and Evaluation expenditure, in addition to expenditure incurred of \$3.7 million. The foreign currency translation adjustment was taken directly to the foreign currency translation reserve.

A charge has been made in the income statement of \$0.4m following an ongoing assessment of the ball mill acquired in June 2006.

At the date of this report the underground Indicated Resource estimate has been published. Mine design options continue to be reviewed by the Board whilst all required in-fill drilling on site has now been completed. It is apparent that circumstances in the mine construction services industry have changed markedly in recent times with reputable engineering groups now aggressively seeking construction mandates despite a significant reduction to their workforce numbers. Red 5 is working hard to be ready to participate in this window of opportunity. In addition Red 5 continues to review other corporate opportunities.

**AUDITOR'S INDEPENDENCE DECLARATION**

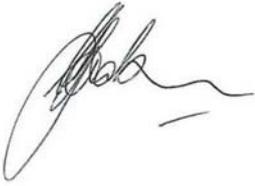
A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act is included immediately following the Directors' Report and forms part of the Directors' Report.

**EVENTS SUBSEQUENT TO THE END OF THE HALF YEAR**

Subsequent to the end of the half year Red 5 repaid the \$2 million loan and capitalised interest to Société Générale. No further matter or circumstance has arisen since the end of the half year which may significantly impact the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in future financial years.

**RED 5 LIMITED  
AND CONTROLLED ENTITIES**

Signed in accordance with a resolution of the directors.

A handwritten signature in black ink, appearing to read 'CG Jackson', with a horizontal line underneath.

***CG Jackson***  
Chairman

Perth, Western Australia  
12 March 2009



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

To: the directors of Red 5 Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2008 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

*KPMG*

KPMG

A handwritten signature in black ink, appearing to read 'R Gambitta', written over a circular stamp or mark.

R Gambitta  
*Partner*

Perth

12 March 2009

**RED 5 LIMITED  
AND CONTROLLED ENTITIES**

**INCOME STATEMENT  
FOR THE HALF YEAR ENDED 31 DECEMBER 2008**

|   | NOTE | CONSOLIDATED            |                         |
|---|------|-------------------------|-------------------------|
|   |      | 31.12.08<br>\$          | 31.12.07<br>\$          |
| Amortisation and depreciation expenses                        |      | (5,656)                 | (9,702)                 |
| Employee and consultancy expenses                             |      | (535,245)               | (364,734)               |
| Exploration expenditure written-off                           |      | (68,052)                | (24,300)                |
| Impairment of property, plant and equipment                   |      | (444,979)               | -                       |
| Occupancy expenses  |      | (71,760)                | (68,682)                |
| Regulatory expenses   |      | (74,066)                | (68,544)                |
| Other expenses  |      | <u>(45,096)</u>         | <u>(131,465)</u>        |
| Operating loss before financing income/(expenses)             |      | (1,244,854)             | (667,427)               |
| Financing income  |      | 1,112,287               | 136,302                 |
| Financing expenses  |      | <u>(196,321)</u>        | <u>(171,134)</u>        |
| Loss before income tax expense                                |      | (328,888)               | (702,259)               |
| Income tax expense  |      | <u>-</u>                | <u>-</u>                |
| Net loss after income tax                                     |      | <u><u>(328,888)</u></u> | <u><u>(702,259)</u></u> |
|   |      | <b>Cents</b>            | <b>Cents</b>            |
| Basic and diluted earnings/(loss) per share (cents per share) | 7    | (0.05)                  | (0.21)                  |

The accompanying notes form part of these financial statements.

**RED 5 LIMITED  
AND CONTROLLED ENTITIES**

**BALANCE SHEET  
AS AT 31 DECEMBER 2008**

|  | NOTE | CONSOLIDATED        |                     |
|--|------|---------------------|---------------------|
|  |      | 31.12.08            | 30.06.08            |
|  |      | \$                  | \$                  |
| <b>CURRENT ASSETS</b>                  |      |                     |                     |
| Cash and cash equivalents              |      | 26,879,374          | 30,615,336          |
| Trade and other receivables            |      | <u>718,292</u>      | <u>499,103</u>      |
| <b>TOTAL CURRENT ASSETS</b>            |      | <u>27,597,666</u>   | <u>31,114,439</u>   |
| <b>NON-CURRENT ASSETS</b>              |      |                     |                     |
| Receivables                            |      | 24,306              | 24,306              |
| Property, plant and equipment          |      | 1,325,427           | 1,773,082           |
| Exploration and evaluation expenditure | 3    | <u>30,231,868</u>   | <u>19,187,826</u>   |
| <b>TOTAL NON-CURRENT ASSETS</b>        |      | <u>31,581,601</u>   | <u>20,985,214</u>   |
| <b>TOTAL ASSETS</b>                    |      | <u>59,179,267</u>   | <u>52,099,653</u>   |
| <b>CURRENT LIABILITIES</b>             |      |                     |                     |
| Trade and other payables               |      | 582,842             | 924,068             |
| Employee benefits                      |      | 126,785             | 107,168             |
| Interest bearing loans                 |      | <u>2,192,609</u>    | <u>2,006,260</u>    |
| <b>TOTAL CURRENT LIABILITIES</b>       |      | <u>2,902,236</u>    | <u>3,037,496</u>    |
| <b>NON-CURRENT LIABILITIES</b>         |      |                     |                     |
| Borrowings                             |      | 302,574             | 292,601             |
| Employee benefits                      |      | <u>328,626</u>      | <u>227,344</u>      |
| <b>TOTAL NON-CURRENT LIABILITIES</b>   |      | <u>631,200</u>      | <u>519,945</u>      |
| <b>TOTAL LIABILITIES</b>               |      | <u>3,533,436</u>    | <u>3,557,441</u>    |
| <b>NET ASSETS</b>                      |      | <u>55,645,831</u>   | <u>48,542,212</u>   |
| <b>EQUITY</b>                          |      |                     |                     |
| Contributed equity                     | 4    | 67,221,875          | 67,221,875          |
| Reserves                               | 5    | 4,315,317           | (3,117,190)         |
| Accumulated losses                     |      | <u>(15,891,361)</u> | <u>(15,562,473)</u> |
| <b>TOTAL EQUITY</b>                    |      | <u>55,645,831</u>   | <u>48,542,212</u>   |

The accompanying notes form part of these financial statements.

**RED 5 LIMITED  
AND CONTROLLED ENTITIES**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF YEAR ENDED 31 DECEMBER 2008**

| <b>Consolidated</b>  | <b>Attributable to equity holders of the parent entity</b> |                                      |                        |                                |
|--|--|--------------------------------------|------------------------|--------------------------------|
|  | <b>Issued<br/>capital<br/>\$</b>                           | <b>Accumulated<br/>losses<br/>\$</b> | <b>Reserves<br/>\$</b> | <b>Total<br/>equity<br/>\$</b> |
| <b>Balance at 1 July 2007</b>                                  | 33,340,684   | (14,934,768)                         | (1,960,228)            | 16,445,688                     |
| Movement in foreign currency translation reserve               | -  | -                                    | (896,846)              | (896,846)                      |
| Fair value adjustment of options issued for finance facility   | -  | -                                    | 61,250                 | 61,250                         |
| <b>Total income and expenses recognised directly in equity</b> | -  | -                                    | (835,596)              | (835,596)                      |
| Loss for the period  | -  | (702,259)                            | -                      | (702,259)                      |
| <b>Total recognised income and expenses</b>                    | -  | (702,259)                            | (835,596)              | (1,537,855)                    |
| Share placements (net of cash transaction costs)               | 34,346,791   | -                                    | -                      | 34,346,791                     |
| Issue of options for share placement                           | (465,600)  | -                                    | 465,600                | -                              |
| <b>Balance at 31 December 2007</b>                             | 67,221,875   | (15,637,027)                         | (2,330,224)            | 49,254,624                     |
| <b>Balance at 1 July 2008</b>                                  | 67,221,875   | (15,562,473)                         | (3,117,190)            | 48,542,212                     |
| Movement in foreign currency translation reserve               | -  | -                                    | 7,432,507              | 7,432,507                      |
| <b>Total income and expenses recognised directly in equity</b> | -  | -                                    | 7,432,507              | 7,432,507                      |
| Loss for the period  | -  | (328,888)                            | -                      | (328,888)                      |
| <b>Total recognised income and expenses</b>                    | -  | (328,888)                            | 7,432,507              | 7,103,619                      |
| <b>At 31 December 2008</b>                                     | 67,221,875   | (15,891,361)                         | 4,315,317              | 55,645,831                     |

The accompanying notes form part of these financial statements.

**RED 5 LIMITED  
AND CONTROLLED ENTITIES**

**STATEMENT OF CASH FLOWS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2008**

|   | <b>CONSOLIDATED</b>      |                          |
|---|--------------------------|--------------------------|
|   | <b>31.12.08</b>          | <b>31.12.07</b>          |
|   | <b>\$</b>                | <b>\$</b>                |
| <b>Cash flows from operating activities</b>         |                          |                          |
| Payments to suppliers and employees                 | (814,617)                | (755,859)                |
| Interest received                                   | <u>896,611</u>           | <u>43,619</u>            |
| <b>Net cash used in operating activities</b>        | <u>81,994</u>            | <u>(712,240)</u>         |
| <b>Cash flows from investing activities</b>         |                          |                          |
| Payments for exploration and evaluation expenditure | (3,814,976)              | (1,574,382)              |
| Payments for plant and equipment                    | <u>(2,980)</u>           | <u>-</u>                 |
| <b>Net cash from/(used in) investing activities</b> | <u>(3,817,956)</u>       | <u>(1,574,382)</u>       |
| <b>Cash flows from financing activities</b>         |                          |                          |
| Proceeds from issues of shares                      | -                        | 36,188,000               |
| Payments for share issue expenses                   | <u>-</u>                 | <u>(1,841,209)</u>       |
| <b>Net cash from/(used in) financing activities</b> | <u>-</u>                 | <u>34,346,791</u>        |
| <b>Net increase/(decrease) in cash held</b>         | (3,735,962)              | 32,060,169               |
| Cash at the beginning of the financial period       | <u>30,615,336</u>        | <u>996,138</u>           |
| Cash at the end of the financial period             | <u><u>26,879,374</u></u> | <u><u>33,056,307</u></u> |

The accompanying notes form part of these financial statements.

**RED 5 LIMITED  
AND CONTROLLED ENTITIES**

**CONDENSED NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2008**

**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

**REPORTING ENTITY**

Red 5 Limited (“parent entity”) is a company domiciled in Australia. The interim half year financial report for the six months ended 31 December 2008 comprises the parent entity and its controlled entities (together referred to as the “consolidated entity”).

The half year financial report does not include full note disclosure of the type that would be normally included in an annual financial report. The half year financial report should be read in conjunction with the annual financial report as at 30 June 2008. The half year financial report should also be read in conjunction with any public announcements made by Red 5 Limited and its controlled entities during the half year in accordance with continuous disclosure obligations arising under the Corporations Act 2001.

**STATEMENT OF COMPLIANCE**

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.

**SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies applied by the consolidated entity in this consolidated interim financial report are the same as those applied by the consolidated entity in its consolidated financial report as at and for the year ended 30 June 2008.

**ESTIMATES**

The preparation of the half year financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these results. In preparing the half year financial report, the significant judgements made by management in applying the consolidated entity’s accounting policies and the key sources of estimation were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2008.

**RED 5 LIMITED  
AND CONTROLLED ENTITIES**

| 2. REVENUE AND EXPENSES             | <b>CONSOLIDATED</b> |                 |
|-------------------------------------|---------------------|-----------------|
|                                     | <b>31.12.08</b>     | <b>31.12.07</b> |
|                                     | \$                  | \$              |
| (a) Financing income/(expenses)     |                     |                 |
| Finance revenue – interest received | 1,112,287           | 127,869         |
| Other financing gains               | -                   | 8,433           |
| Interest expense                    | (186,348)           | (171,134)       |
| Other financing expenses            | <u>(9,973)</u>      | <u>-</u>        |
|                                     | <u>915,966</u>      | <u>(34,832)</u> |

| 3. EXPLORATION AND EVALUATION EXPENDITURE                         | <b>CONSOLIDATED</b> |                    |
|---|---------------------|--------------------|
|   | <b>31.12.08</b>     | <b>30.06.08</b>    |
|   | \$                  | \$                 |
| Opening balance   | 19,187,826          | 16,425,904         |
| Exploration and evaluation expenditure incurred in current period | 3,679,587           | 4,532,254          |
| Exploration expenditure written-off                               | (68,052)            | (33,600)           |
| Foreign currency translation adjustment                           | <u>7,432,507</u>    | <u>(1,736,732)</u> |
|   | <u>30,231,868</u>   | <u>19,187,826</u>  |

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

| 4. CONTRIBUTED EQUITY  | <b>CONSOLIDATED</b> |                   |
|--|---------------------|-------------------|
|  | <b>31.12.08</b>     | <b>30.06.08</b>   |
|  | \$                  | \$                |
| (a) Share capital  |                     |                   |
| 659,288,043 (30 June 2008: 659,288,043) ordinary fully paid shares | <u>67,221,875</u>   | <u>67,221,875</u> |

| 5. RESERVES                          | <b>CONSOLIDATED</b> |                    |
|--------------------------------------|---------------------|--------------------|
|                                      | <b>31.12.08</b>     | <b>30.06.08</b>    |
|                                      | \$                  | \$                 |
| Option premium reserve               | 967,270             | 967,270            |
| Foreign currency translation reserve | <u>3,348,047</u>    | <u>(4,084,460)</u> |
|                                      | <u>4,315,317</u>    | <u>(3,117,190)</u> |
| Movements in share option reserve    | <b>Options</b>      | <b>\$</b>          |
| Opening balance 1 July 2008          | <u>19,900,000</u>   | <u>967,270</u>     |
| Balance 31 December 2008             | <u>19,900,000</u>   | <u>967,270</u>     |

**RED 5 LIMITED  
AND CONTROLLED ENTITIES**

**6. SEGMENT INFORMATION**

**Business segments**

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

**Geographical segments**

|                         | Australia<br>\$ | Philippines<br>\$ | Consolidated<br>\$ |
|-------------------------|-----------------|-------------------|--------------------|
| <b>31 December 2008</b> |                 |                   |                    |
| Total segment revenue   | -               | -                 | -                  |
| Segment result          | 177,204         | (506,092)         | (328,888)          |
| Income tax expense      | -               | -                 | -                  |
| Net profit              | 177,204         | (506,092)         | (328,888)          |
| <b>31 December 2007</b> |                 |                   |                    |
| Total segment revenue   | -               | -                 | -                  |
| Segment result          | (686,157)       | (16,102)          | (702,259)          |
| Income tax expense      | -               | -                 | -                  |
| Net loss                | (686,157)       | (16,102)          | (702,259)          |

**CONSOLIDATED**

**31.12.08                      31.12.07**  
**\$                                      \$**

**7. EARNINGS PER SHARE**

Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share

659,288,043                      328,048,913

The potential ordinary shares existing as at balance date are not dilutive, therefore diluted earnings per share has not been calculated or disclosed.

**8. CONTINGENT LIABILITIES**

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

**9. RELATED PARTIES**

There have been no material changes to the nature of transactions and arrangements with related parties as set out in the annual financial report for the year ended 30 June 2008.

**RED 5 LIMITED  
AND CONTROLLED ENTITIES**

**DECLARATION BY DIRECTORS**

In the opinion of the directors of Red 5 Limited:

1. the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
  - (a) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2008 and of its performance, as represented by the results of its operations and cash flows for the half year ended on that date; and
  - (b) complying with Australian Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the parent entity will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors.



**CG Jackson**  
Chairman

Perth, Western Australia  
12 March 2009



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

### **Report on the financial report**

We have reviewed the accompanying half-year financial report of Red 5 Limited, which comprises the consolidated interim balance sheet as at 31 December 2008, income statement, statement of changes in equity and cash flow statement for half-year period ended on that date, a statement of accounting policies and other explanatory notes and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year period.

#### *Directors' responsibility for the half-year financial report*

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

#### *Auditor's responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Red 5 Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



*Independence*

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

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Red 5 Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in black ink that reads 'KPMG'.

KPMG

A handwritten signature in black ink, appearing to be 'R Gambitta'.

R Gambitta  
*Partner*

Perth

12 March 2009