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**RED 5 LIMITED**

ABN 73 068 647 610

**AND CONTROLLED ENTITIES**

**HALF YEAR FINANCIAL REPORT**

**31 DECEMBER 2007**

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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 (Exploration Director)  
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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**SHARE REGISTRY**

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Applecross WA 6153

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E-mail: registrar@securitytransfer.com.au  
Web-site: www.securitytransfer.com.au

**BANKERS**

Bank of New Zealand, Australia

**AUDITORS**

KPMG

**SOLICITORS**

Pullinger Readhead Lucas (Australia)  
Quisumbing Torres (Philippines)

**STOCK EXCHANGE LISTING**

Shares in Red 5 Limited are quoted on 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 2007.

**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 \$702,259.

**REVIEW OF OPERATIONS**

During the half year ended 31 December 2007 exploration and evaluation activities continued on the Siana gold project located in the Philippines. A feasibility study for the development of the project was extended to include an assessment of an underground extension of gold mineralisation below an open pit operation and the potential for recovery of a zinc concentrate. An in-fill drilling programme was commissioned to confirm the extent of the underground resource. A project information memorandum, based on the results of the feasibility study, was prepared and distributed to selected debt and equity providers.

A mandate was granted to a financial institution to arrange a senior debt financing facility. This resulted in Red 5 subsequently receiving an indicative term sheet for project development and working capital facilities. In December 2007, Red 5 raised \$35 million through a share placement of 350,000,000 ordinary shares at a subscription price of 10 cents each, to clients of Southern Cross Equities Limited. The placement forms part of the equity funding contribution for project development.

In August 2007, Red 5 raised \$1.188 million in equity capital through a private share placement of 18,000,000 fully paid shares at a subscription price of 6.6 cents each.

**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**

No matter or circumstance has arisen since the end of the half year which may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in future financial years.

Signed in accordance with a resolution of the directors.

***G F Scanlan***  
Director

Perth, Western Australia  
14 March 2008



***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 financial half-year ended 31 December 2007 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 horizontal line.

R Gambitta  
*Partner*

Perth  
14 March 2008

**RED 5 LIMITED  
AND CONTROLLED ENTITIES**

**INCOME STATEMENT  
FOR THE HALF YEAR ENDED 31 DECEMBER 2007**

	NOTE	CONSOLIDATED	
		31.12.07 \$	31.12.06 \$
<b>Other income</b>	2(a)	-	11,969
<b>Expenses</b>			
Amortisation and depreciation expenses		(9,702)	(14,096)
Employee and consultancy expenses		(364,734)	(396,334)
Exploration expenditure written-off		(24,300)	(738)
Occupancy expenses		(68,682)	(60,460)
Regulatory expenses		(68,544)	(70,823)
Other expenses		<u>(131,465)</u>	<u>(115,556)</u>
Operating loss before financing income/(expenses)		(667,427)	(646,038)
Financing income		136,302	39,781
Financing expenses		<u>(171,134)</u>	<u>(18,932)</u>
Loss before income tax expense		(702,259)	(625,189)
Income tax expense		<u>-</u>	<u>-</u>
Net loss after income tax		(702,259)	(625,189)
Attributable to:			
Equity holders of the parent entity		<u>(702,259)</u>	<u>(625,189)</u>
Net loss after income tax		<u><u>(702,259)</u></u>	<u><u>(625,189)</u></u>
		<b>Cents</b>	<b>Cents</b>
Basic and diluted loss per share (cents per share)	8	(0.21)	(0.23)

The accompanying notes form part of these financial statements.

**RED 5 LIMITED  
AND CONTROLLED ENTITIES**

**BALANCE SHEET  
AS AT 31 DECEMBER 2007**

	NOTE	CONSOLIDATED	
		31.12.07	30.06.07
		\$	\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		33,056,307	996,138
Trade and other receivables		<u>265,639</u>	<u>49,290</u>
<b>TOTAL CURRENT ASSETS</b>		<u>33,321,946</u>	<u>1,045,428</u>
<b>NON-CURRENT ASSETS</b>			
Receivables		24,306	24,306
Property, plant and equipment		1,765,335	1,775,037
Exploration and evaluation expenditure	3	<u>17,386,046</u>	<u>16,425,904</u>
<b>TOTAL NON-CURRENT ASSETS</b>		<u>19,175,687</u>	<u>18,225,247</u>
<b>TOTAL ASSETS</b>		<u>52,497,633</u>	<u>19,270,675</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		849,788	427,261
Interest bearing loans		1,801,930	-
Provisions		<u>84,032</u>	<u>203,982</u>
<b>TOTAL CURRENT LIABILITIES</b>		<u>2,735,750</u>	<u>631,243</u>
<b>NON-CURRENT LIABILITIES</b>			
Interest bearing loans		-	1,694,373
Borrowings		294,837	303,270
Provisions		<u>212,422</u>	<u>196,101</u>
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>507,259</u>	<u>2,193,744</u>
<b>TOTAL LIABILITIES</b>		<u>3,243,009</u>	<u>2,824,987</u>
<b>NET ASSETS</b>		<u>49,254,624</u>	<u>16,445,688</u>
<b>EQUITY</b>			
Contributed equity	4	67,221,875	33,340,684
Reserves	5	(2,330,224)	(1,960,228)
Accumulated losses		<u>(15,637,027)</u>	<u>(14,934,768)</u>
<b>TOTAL EQUITY</b>		<u>49,254,624</u>	<u>16,445,688</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 2007**

<b>Consolidated</b>	<b>Attributable to equity holders of the parent entity</b>			
	<b>Issued capital \$</b>	<b>Accumulated losses \$</b>	<b>Reserves \$</b>	<b>Total equity \$</b>
<b>At 1 July 2006</b>	31,272,684	(13,557,944)	(133,545)	17,581,195
Loss for the period	-	(625,189)	-	(625,189)
Share placement (net of cash transaction costs)	2,068,000	-	-	2,068,000
Issue of options for finance facility	-	-	387,500	387,500
Movement in foreign currency translation reserve	-	-	(1,042,106)	(1,042,106)
Fair value reserve	-	-	(17,442)	(17,442)
<b>At 31 December 2006</b>	<u>33,340,684</u>	<u>(14,183,133)</u>	<u>(805,593)</u>	<u>18,351,958</u>
<b>At 1 July 2007</b>	33,340,684	(14,934,768)	(1,960,228)	16,445,688
Loss for the period	-	(702,259)	-	(702,259)
Share placements (net of cash transaction costs)	34,346,791	-	-	34,346,791
Issue of options for share placement	(465,600)	-	465,600	-
Fair value adjustment of options issued for finance facility	-	-	61,250	61,250
Movement in foreign currency translation reserve	-	-	(896,846)	(896,846)
<b>At 31 December 2007</b>	<u>67,221,875</u>	<u>(15,637,027)</u>	<u>(2,330,224)</u>	<u>49,254,624</u>

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 2007**

	<b>CONSOLIDATED</b>	
	<b>31.12.07</b>	<b>31.12.06</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>		
Payments to suppliers and employees	(755,859)	(630,160)
Interest received	43,619	38,020
	<u>                    </u>	<u>                    </u>
<b>Net cash outflow from operating activities</b>	<u>(712,240)</u>	<u>(592,140)</u>
<b>Cash flows from investing activities</b>		
Payments for exploration and evaluation expenditure	(1,574,382)	(2,271,155)
Payments for plant and equipment	-	(1,296,727)
Proceeds on sale of investments	-	282,377
	<u>                    </u>	<u>                    </u>
<b>Net cash outflow from investing activities</b>	<u>(1,574,382)</u>	<u>(3,285,505)</u>
<b>Cash flows from financing activities</b>		
Proceeds from issues of shares	36,188,000	2,200,000
Payments for share issue expenses	(1,841,209)	(132,000)
	<u>                    </u>	<u>                    </u>
<b>Net cash inflow from financing activities</b>	<u>34,346,791</u>	<u>2,068,000</u>
<b>Net increase/(decrease) in cash held</b>	32,060,169	(1,809,645)
Cash at the beginning of the financial period	<u>996,138</u>	<u>2,761,504</u>
Cash at the end of the financial period	<u><u>33,056,307</u></u>	<u><u>951,859</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 2007**

**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 2007 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 2007. 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 half year consolidated financial report 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 2007.

**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 2007.

**RED 5 LIMITED  
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		<b>CONSOLIDATED</b>	
		<b>31.12.07</b>	<b>31.12.06</b>
		\$	\$
<b>2. REVENUE AND EXPENSES</b>			
(a) Other income			
Gain on sale of investments		-	11,969
		<u>                    </u>	<u>                    </u>
(b) Provision for employee entitlements		(102,883)	35,731
		<u>                    </u>	<u>                    </u>
(c) Financing income/(expenses)			
Finance revenue – interest received		127,869	38,560
Other financing gains		8,433	1,221
Interest expense		(171,134)	(14,900)
Other financing expenses		-	(4,032)
		<u>                    </u>	<u>                    </u>
		(34,832)	20,849
		<u>                    </u>	<u>                    </u>
<b>3. EXPLORATION AND EVALUATION EXPENDITURE</b>			
Opening balance		16,425,904	15,431,936
Exploration and evaluation expenditure incurred in current period		1,881,288	2,064,846
Exploration expenditure written-off		(24,300)	(738)
Foreign currency translation adjustment		(896,846)	(1,042,106)
		<u>                    </u>	<u>                    </u>
		17,386,046	16,453,938
		<u>                    </u>	<u>                    </u>

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

		<b>CONSOLIDATED</b>	
		<b>31.12.07</b>	<b>30.06.07</b>
		\$	\$
<b>4. CONTRIBUTED EQUITY</b>			
<b>Share capital</b>			
659,288,043 (30.06.07: 291,288,043) ordinary fully paid shares		67,221,875	33,340,684
		<u>                    </u>	<u>                    </u>
		<b>Shares</b>	<b>\$</b>
Opening balance 1 July 2007		291,288,043	33,340,684
Share placement		18,000,000	1,188,000
Share placement		350,000,000	35,000,000
Less share issue expenses		-	(2,306,809)
		<u>                    </u>	<u>                    </u>
Balance 31 December 2007		659,288,043	67,221,875
		<u>                    </u>	<u>                    </u>

		<b>CONSOLIDATED</b>	
		<b>31.12.07</b>	<b>30.06.07</b>
		\$	\$
<b>5. RESERVES</b>			
Option premium reserve		914,350	387,500
Foreign currency translation reserve		(3,244,574)	(2,347,728)
		<u>                    </u>	<u>                    </u>
		(2,330,224)	(1,960,228)
		<u>                    </u>	<u>                    </u>

**RED 5 LIMITED  
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	<b>Options</b>	<b>\$</b>
Movements in share option reserve		
Opening balance 1 July 2007	12,500,000	387,500
Issue of options for share placement fees	6,000,000	465,600
Fair value adjustment of options issued for finance facility	<u>-</u>	<u>61,250</u>
Balance 31 December 2007	<u>18,500,000</u>	<u>914,350</u>

At the annual general meeting of the parent entity held on 28 November 2007, shareholders approved a variation of the terms of existing unlisted options by an extension of the expiry date of the options from 30 June 2008 to 30 June 2009. This resulted in an increase of \$61,250 in the fair value of the options in the current period.

**6. SHARE BASED PAYMENTS**

During the period, the parent entity granted 6,000,000 unlisted options as part consideration for share placement fees. The options are exercisable at 15 cents each on or before 31 December 2012 and are not transferable by the holder.

Fair value of share options and assumptions for the six months ended 31 December 2007:

Fair value at grant date	7.76 cents
Share price at grant date	14 cents
Exercise price	15 cents
Expected volatility	80%
Option life	5 years
Expected dividends	Nil
Risk-free interest rate (based on government bonds)	6.525%

The basis of measuring fair value is consistent with that disclosed in the consolidated financial report as at and for the year ended 30 June 2007.

**7. 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).

<b>Geographical segments</b>	<b>Australia</b>	<b>Philippines</b>	<b>Consolidated</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>31 December 2007</b>			
Revenue from other activities	<u>136,302</u>	-	<u>136,302</u>
Total segment revenue	<u>136,302</u>	-	<u>136,302</u>
Segment result	(686,157)	(16,102)	(702,259)
Income tax expense	<u>-</u>	<u>-</u>	<u>-</u>
Net loss	<u>(686,157)</u>	<u>(16,102)</u>	<u>(702,259)</u>
<b>31 December 2006</b>			
Revenue from other activities	<u>51,750</u>	-	<u>51,750</u>
Total segment revenue	<u>51,750</u>	-	<u>51,750</u>
Segment result	(611,451)	(13,738)	(625,189)
Income tax expense	<u>-</u>	<u>-</u>	<u>-</u>
Net loss	<u>(611,451)</u>	<u>(13,738)</u>	<u>(625,189)</u>

**RED 5 LIMITED  
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		<b>CONSOLIDATED</b>	
		<b>31.12.07</b>	<b>31.12.06</b>
		\$	\$
<b>8. EARNINGS PER SHARE</b>			
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share		<u>328,048,913</u>	<u>271,320,652</u>
<p>The potential ordinary shares existing as at balance date are not dilutive, therefore diluted earnings per share has not been calculated or disclosed.</p>			
<b>9. CONTINGENT LIABILITIES</b>			
<p>The consolidated entity had no contingent liabilities as at the annual reporting date and as at the end of the half year period.</p>			
<b>10. RELATED PARTIES</b>			
<p>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 2007.</p>			

**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 2007 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.

***G F Scanlan***  
Director

Perth, Western Australia  
14 March 2008



## **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 2007, income statement, statement of changes in equity and cash flow statement for the half-year 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.

#### *Directors' responsibility for the 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 Standard AASB 134 *Interim Financial Reporting* 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 an Interim Financial Report 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 2007 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.



*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 2007 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.

KPMG

R Gambitta  
*Partner*

Perth  
14 March 2008