

PRIMARY MILL
20MIL01

ACACIA REACTOR

GRINDING

Corporate Profile

Contents

Chairman's Address	2
<hr/>	
Management Discussion and Analysis	
Siana Gold Project	4
Pre-feasibility Study	6
Exploration	10
Community Assistance Programme	12
Mineral Resources	14
Other Assets	16
<hr/>	
Statutory Information and Financial Report	
Director's Report	18
Income Statement	25
Balance Sheet	26
Statement of Changes in Equity	27
Statement of Cash Flows	28
Notes to the Financial Statements	29
Declaration by Directors	51
Independent Audit Report	52
<hr/>	
Corporate Governance Statement	53
<hr/>	
Statement of Shareholders	55
<hr/>	
Investor Information	56
<hr/>	
Corporate Directory	IBC

Corporate Profile

Red 5 Limited (ABN 73 068 647 610) is listed on the Australian Stock Exchange (ticker RED) with nearly 1,400 shareholders. The two largest shareholders are Mathews Capital with a 19% interest and AngloGold Ashanti Australia Limited with a 14% interest.

The Company's principal asset is a 90 percent beneficial interest in the Siana Gold Project in the Philippines held under a Mineral Production Sharing Agreement.

A bankable feasibility study (open pit mine, modern gravity and carbon-in-leach treatment plant) is nearing completion. Discussions with financiers have commenced.

Recent exploration has identified high grade positions below the designed floor of the open pit.

AngloGold Ashanti, under a strategic alliance has elected to proceed to joint ventures on two tenements areas, namely Outer Siana and Mapawa. They may earn up to a 75 percent interest from Red 5 through staged exploration expenditure on each totalling US\$10.5 million.

Exploration on copper-gold porphyries discovered on the southern portion of the MPSA is subject to on-going review.





As the project design approached completion a new dimension to the project scope evolved with high grade gold intersections below the open pit.

Siana mine site layout.

Chairman's Address

When reflecting on the last twelve months it is easy to feel frustration with the seemingly slow progress to complete the Siana feasibility studies and the consequent disappointing share price.

The slow progress is in part due to consequences not entirely under the Company's control – a rampant resources sector constraining access to mine design development specialists and a slow bureaucratic in-country approval process. The latter may possibly be influenced by early start up difficulties for another mining company operating the first mine development in the Philippines for three decades.

It is equally important, however, to recognise at least two significant Red5 assertive decisions that were designed to recapture the initiative.

The first was to discontinue with the services of international mining and project management groups engaged on the pre-feasibility study initially chosen because of in-country experience and acceptability to the banking community. The engineering role was then awarded to Intermet Engineering of Perth. Shortly thereafter the consultant group providing a co-ordinating role was also replaced by in-house consultants.

The net result was the delivery in May 2006 of a pre-feasibility study indicating both a technically and financially viable project. The study identified an initial (first stage) mine plan based on Main Zone with characteristics designed to lower project risk and enhance bankability. The key features contributing to this outcome were a high resource drilling density, shorter construction lead time and lower capital, and the ability to operate within the original mine site footprint.

The Bankable Feasibility Study mandate included the engineering evaluation of an expanded production profile commencing in the second or third year by exploiting East Zone and the early identification of suitable second hand long lead time capital items.

Secondary, after an extensive search and thorough engineering review the Company proceeded to negotiate and commit to the purchase of a large grinding mill for US \$1.33M. This action, at a time of modest treasury funds, was decisive and reflected confidence in the project viability.

In many respects the decision was almost immediately justified when the manufacture times for new mills increased to 76 weeks due to a dramatic increase in demand, which with delivery and installation translates to a near two year production lead time. Detailed documentation with Société Générale Australia to refinance the mill with a \$2 million facility is at an advanced stage.



Technical aspects of the bankable feasibility study are now essentially complete, with the evaluation process concluding that to maximise recovery of the East Zone resource (assuming a sustained gold price) would require additional land acquisition for associated waste rock storage.

As land purchase negotiating is a time consuming activity, a strategy to target a modest postulated higher grade position just below the pit bottom design (and readily accessible by decline) was authorised.

Success was immediate and well in excess of expectations, with the initial hole SMDD105 delivering the strongest gold intersection to date (144 metres of 5.8 g/t including 12 metres at 25 g/t and 42 metres of 10 g/t). Immediate follow-up drilling delivered confirmation of a potential substantial higher grade underground position.

This potential has been specifically excluded from the bankable feasibility study evaluation as further drilling, geotechnical and mining studies could delay delivery of the final study by six months. The potential value ascribed to these results may still be reflected in the bank debt finance offerings where 'reserve tail' criteria, one of the determinants of debt lending, is likely to be at relatively conservative levels.

Again the Board and management acknowledge the importance of shareholder support throughout the year, noting the increase in ownership by Sydney based investment fund, Mathews Capital, which is now the Company's largest shareholder.

The next few months will see the Company enter new territory:

- the debt and equity funding activity for Siana (with preliminary discussions with banks and equity providers already identifying approximate funding parameters),***
- deeper drilling below the pit (an immediate further two holes are planned) and,***
- the commencement of AngloGold Ashanti funded exploration (US \$3 million in the first year for no interest) at Outer Siana post due diligence and possibly Mapawa, once the MPSA grant is received.***

A handwritten signature in purple ink, appearing to read 'Nicholas Smith'.

Nicholas Smith
Chairman

Siana Gold Project

Siana Gold Project (Philippines) (RED 5 - 90 percent economic interest)

Following execution of a Joint Venture Heads of Agreement in June 2002 the Company has significantly advanced towards development of the gold resource at Siana, located in Northern Mindanao.

Red 5 has a 90% economic interest in the project and is progressing towards committing to development in early 2007.

Red 5 is manager of the joint venture through Greenstone Resources Corporation, a Philippine registered wholly owned subsidiary. The Philippine joint venture partner is Merrill Crowe Corporation.

A JORC compliant Indicated and Inferred Mineral Resource of 1.18 million ounces of gold is estimated at Siana.

Red 5 expenditure on exploration and on-going evaluation totals \$13.2 million with a further \$2.2 million incurred to increase beneficial interest by 10 percent in August 2005 to 90 percent.

Location and Logistics

The project covers an area of approximately 39 km² focused around the former Siana Gold Mine in the established gold mining province of Surigao del Norte.

Excellent infrastructure includes nearby grid power, easy access from National Highway One, a large cement factory, two ports and modern mobile phone network coverage.

The mine-site is located 30 km south of the major regional centre and shipping port of Surigao City. The local airport has regular flights to Manila International Airport. The province is stable, with a predominantly Christian population.

Local government and community leaders, familiar with the long history of gold mining in the area have indicated their support for a new development. Another advantage is the availability of experienced personnel, many of whom were employed at the mine when it closed prematurely in 1990.

Siana is located in a richly endowed mineral field with many epithermal gold systems and several known porphyry copper-gold deposits.

The project area is located five km south-east of the world-class Boyongan porphyry copper-gold (15 million ounce gold equivalent) discovery made by the AngloAmerican-Philex Gold Joint Venture.

Siana covers 12 km of strike of the Surigao Valley Fault, the same regional structure with which Boyongan is associated.

Project Management

Project management is the direct responsibility of Red 5 executive directors, Mr Greg Edwards and Mr Lance Govey.

During the year it became necessary to make changes to the internationally accredited team conducting the pre-feasibility study and to the Perth based co-ordinating consultant.

Process plant and site infrastructure engineering design was awarded to Internet Engineers, a group more cognisant and aligned to a junior's capital constraints.

In addition, two experienced in-house consultants, Mr Geoff Jones (Project Manager) and Mr Paul Odd (Mining Engineer) were contracted to provide overall on-going planning, co-ordination and mining advice.

Specialist groups contracted to various elements of the bankable feasibility study include:

RSG Global (now Coffey)

Optimisation, mine & waste dump design, scheduling

Hellman & Schofield

Resource estimation and audit

Golder Associates

Tailings storage facility design

Mining One Pty Ltd

Geotechnical assessment, review and recommendation

Meyer Water & Environmental Solutions

Hydrology and Hydrogeology

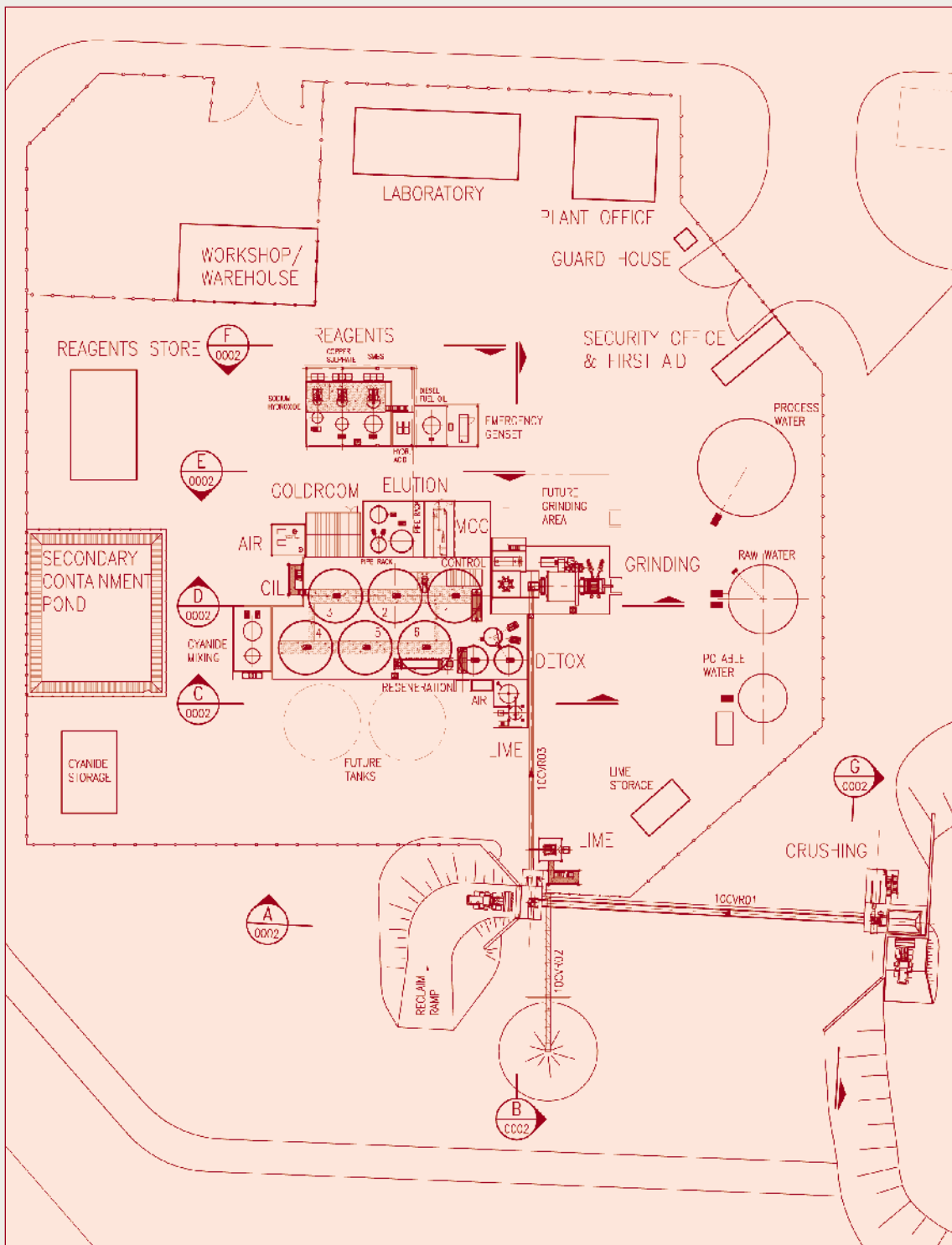
BMP Environment & Community Care Inc

Environmental and Community

JMG Projects

Project management

Progress with the bankable feasibility study in-line with a rigid schedule was not possible due to a resurgent resources industry resulting in diminished availability of many specialists.



Siana process plant general arrangement.

Pre-feasibility Study

Summary

The study released on 1 May 2006 concluded Siana to be both a technical and financially viable project with an IRR of 27 percent at a gold price of US\$600 per ounce and a cash operating cost of US\$253 per ounce.

This was based on initial open-pit and nominal 750,000 tonne per annum conventional process plant delivery 344,000 ounces of gold over a mine life of 86 months.

The partners elected to progress with the first stage mine plan concept due to deemed lower risk and greater bankability based on a higher resource drilling density, lower capital, shorter lead time and ability to operate within the original mine site footprint.

The capital cost to first gold pour was estimated at US\$44.5 million inclusive of early site infrastructure (US\$1.0 million), escalation and contingency (US\$4.7 million) and bankable feasibility study cost (US \$1.8 million).

Plant Design

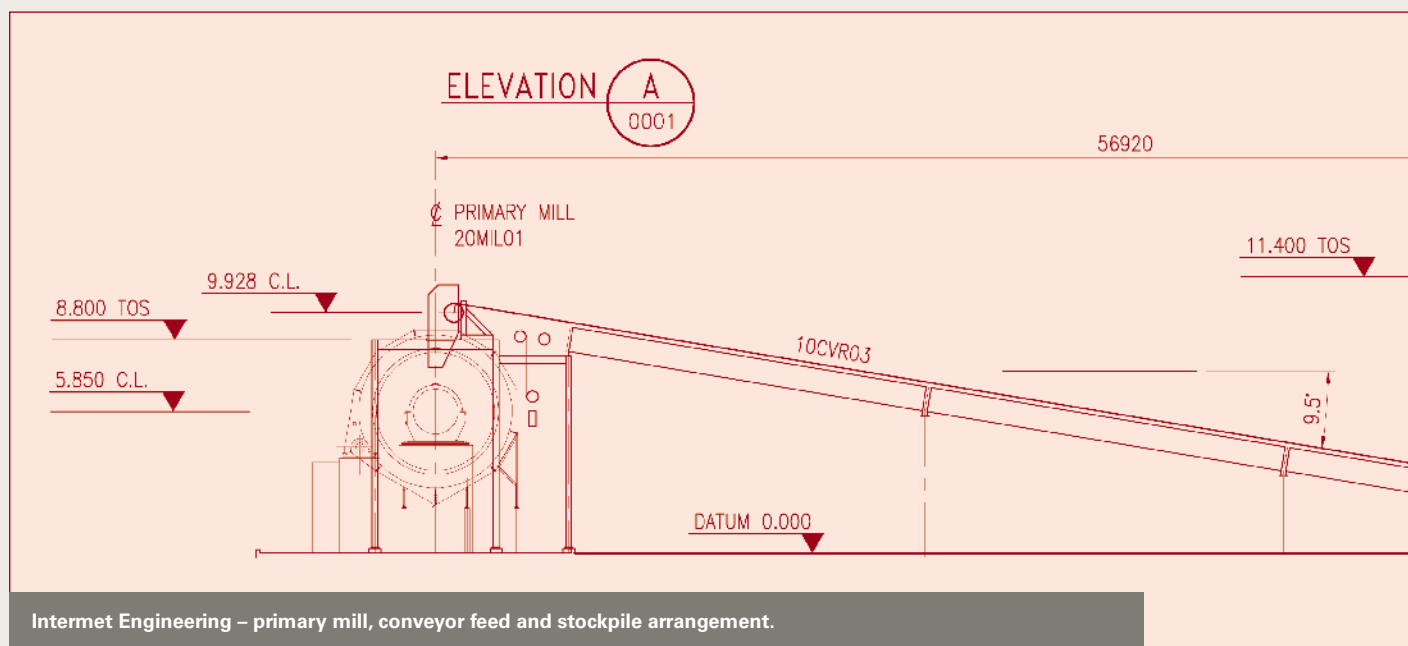
Due to the low Bond and Rod Mill work index, and low Abrasion index, the plant design envisages a simple crushing and grinding circuit comprising a primary rolls crusher and SAG mill.

The gold recovery plant design comprises gravity concentration (and Acacia reactor), six stage carbon-in-leach circuit, four tonne AARL gold elution circuit and an SO₂/air cyanide destruction circuit.

Mine Design

The RSG Global open-pit mine design is based on the use of 6WD articulated haul trucks, due to periods of heavy rainfall, operating on a pit ramp slope of 1:8. The pit extends to approximately 220 metres below surface and contains 5.35 million tonnes of run of mine (ROM) mineralisation and low grade mineralisation (combined) at a waste to mineralisation strip ratio of 2.8:1. The pit ramp is designed to exit in the north-western corner to minimise haul distances to the ROM stockpile and waste dumps.

The northern dump, located on the site of an existing dump, is the main waste storage area. The dumps are designed with 20 metre lifts, 10 metre wide berms and 30° batter angles with a 1:10 (10%) haul ramp.



Internet Engineering – primary mill, conveyor feed and stockpile arrangement.

The waste dumps and site layout have been specifically planned to minimize the environmental impact and do not substantially increase the existing waste dump footprint.

Approximately 115,000 bcm of topsoil material from the upper eastern wall cut back will be stockpiled for environmental rehabilitation of the waste dumps and other disturbed areas.

The mine plan includes progressive rehabilitation of the site during operations to reduce the requirement for major works at mine closure.

Pit de-watering

The existing flooded pit is estimated to contain 8.2GL of water. The mine groundwater model estimated the annual inflow at 6.8GL/yr, including 3.6m annual rainfall.

The pit will be dewatered in two stages using in-pit pumps and external bores. Stage one is to dewater the pit over a 4 month period using pontoon mounted electric drive pumps, with power from the main grid. The total volume to be pumped including inflows is estimated to be 9.64 GL over 120 days, allowing for 50% of the groundwater inflow to be taken up by external water bores.

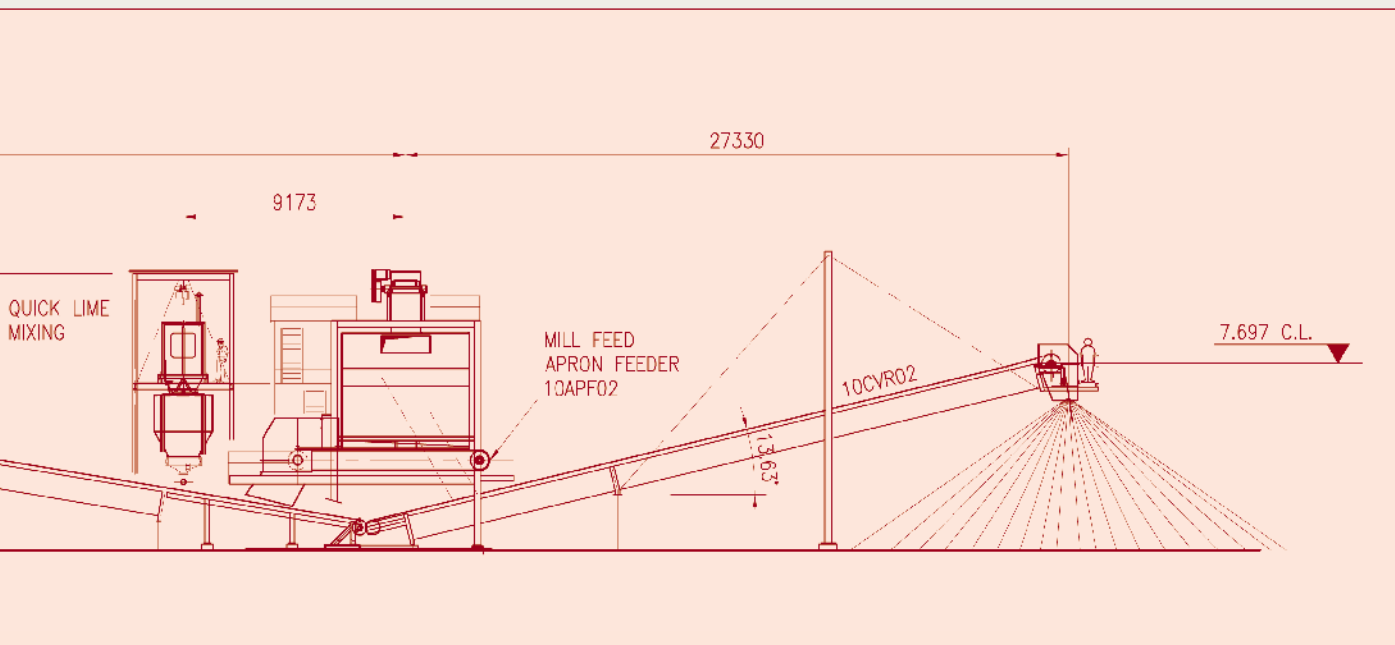
Stage two comprises ongoing pumping from bores and in-pit pumps. Historically the southern limestone was a major source of groundwater inflow into the pit. Bores abstracting 3.2GL/yr will be located at the southern end of the pit to dewater this aquifer, and the remaining inflows of approx 3.6GL/yr will be pumped from the pit.

Mine Costing Analysis

The mining cost has been generated from an owner operator first principles estimate with earthmoving equipment performance and operating costs developed using specifications from a major international supplier as a reference base. A Philippine supplier has provided prices for selected equipment.

Blasting will be a separate contractor. Quotes were obtained for the supply of all personnel, equipment and consumables.

The mining cost analysis is a detailed model for owner (capital, insurance) and operating costs for equipment (wear parts, maintenance, tyres/tracks, fuel and lubricants) and labour. An industry competitive mark-up rate is incorporated for conversion to a contractor operation.



Pre-feasibility Study

Infrastructure

The infrastructure requirements of the site have been costed and include:

- A 130 man permanent camp,
- the construction of 4.1km of roads and access bridge,
- power distribution from the National 138KV line 1.2km from the site, site drainage and run-off mitigation,
- potable water and site waste disposal facilities,
- construction of administration and permanent medical facilities on site.

Financial model

The Capital Cost Model includes estimated expenditure relating to the construction of all facilities on site and the pre-stripping of the open-pit to the first gold pour. The model covers Legal, Environment and Community, Geotechnical, Hydrology/Hydrogeology, Processing (including TRS construction), Mining (dewatering and pre-strip) and Infrastructure and Project Plan Implementation (commissioning, recruitment).

The Operating Cost Model provides costs for life of mine administration, processing and mining.

The Financial Model amalgamates the mine schedule, Capital Cost and Operating Cost models. Key sensitivities, including individual operating costs, direct and indirect capital costs, mine and processing recoveries and mine head grades are dynamically modelled.

Net Cash Flows and IRR's are calculated on cash flows from the commencement of the main phase of dewatering. Assumptions include exchange rates - PHP53.4:USD1.00:AUD1.39, and diesel (Singapore Pricing model and the discounted Philippine Wholesale Posted Price) and grid power prices of USD0.52/litre and USD0.059/kWhr respectively.

Red 5 cannot quote an Ore Reserve as defined by the JORC Code 2004 at this time as this requires completion of the Bankable feasibility study.

Bankable feasibility study

The bankable feasibility study scope comprises further detailed engineering refinement, optimisation studies and updates to all cost estimates. The current status is as follows:

- long lead time items – second hand crusher and grinding mill secured,
- geotechnical work for the plant site layout – completed,
- grid power availability and pricing – completed,
- mine dewatering cost and strategy – completed,
- Environmental Compliance Certificate – final document near completion (Barangay captains' agreements awaiting signature),
- optimisation studies - RSG determined that East Zone could not be mined in totality due to waste volumes exceeding land available within the existing mine site footprint. Studies continue.
- metallurgical test work - the high tail assay of 0.48 – 0.50 g/t gold remains the subject of further test work (diagnostic analysis has indicated that three quarters of the gold losses appear to be associated with sulphides however at this point no economical process recovery route has been established).

Final permit approvals require a completed and audited bankable feasibility study.



National Highway connecting Siana site to Surigao City.



Computer based logging of geotechnical data.

Exploration

AngloGold Ashanti strategic alliance

AngloGold Ashanti Australia Limited (AGAA) has exercised its option to enter into exploration service agreements over two areas of influence in the vicinity (but exclusive of) the Siana development project - Outer Siana, and Mapawa located 20km to the north.

Key provisions of the agreements include:

- AGAA minimum expenditure of US\$1.5 million in the first year in each area for no interest, during which period Red 5 retains management.
- a further US\$4 million in each area for 65 percent of the Red 5 interest.
- a further US\$5 million in each area for a further 10 percent of the Red 5 interest, within four years of completion of the minimum expenditure period.

Expenditure on the granted tenure within the Outer Siana area, which covers extensions of the Boyongan Corridor will commence immediately on execution of the agreement. Previous exploration by Red5 included stream sediment and rock chip sampling, auger soil geochemistry and diamond drilling at Crackerjack and environs in 2004-2005.

At Mapawa the agreement will become effective on grant of the MPSA, now pending, subsequent to approval by local communities and Regulatory authorities and submission of all documentation.

Mapawa Project (Red 5 80%, Merrill Crowe 20%)

Detailed compilations of historic technical data including drilling, geological mapping, geochemical and geophysical data were completed. Former operator Suricon mined a parcel of stockwork ore from the "LSY" prospect in the early 1990s - priority exploration immediately on grant of the MPSA will include detailed geochemical and ground geophysical surveys, and diamond drilling, focused around LSY.

Boyongan Corridor (‘Outer Siana’)

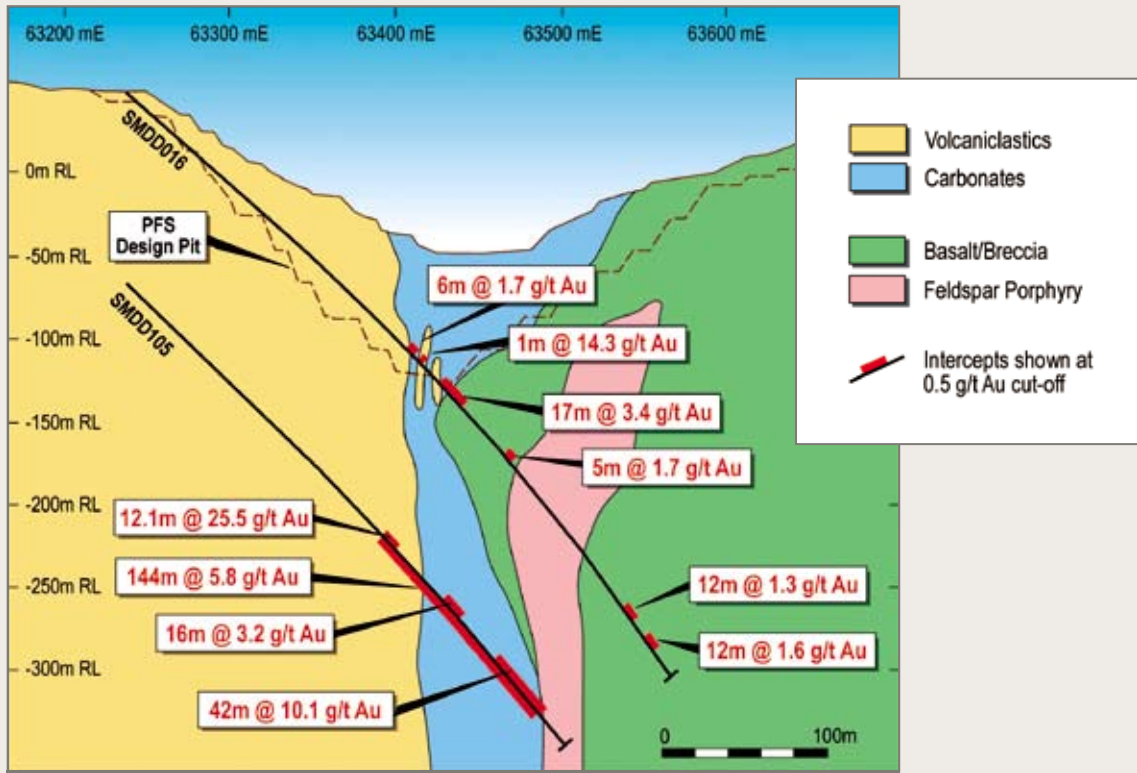
Results from a stratigraphic drilling programme (SMDD96-101) on gold and copper-gold targets within a 2km radius of the Siana pit included a 5m zone from 219m with anomalous maximum grades of 1.0g/t Au, 0.15% Cu and 0.21% Zn in SMDD94, and 2m from 159m at 1.5 g/t Au in SMDD95.

Significantly, native copper was intersected at shallow levels in two holes and could be an indicator of a nearby primary copper source. Additionally, alteration that may be characteristic of a proximal mineralized porphyry copper system was observed in neighbouring holes SMDD91 and SMDD94 north of the pit.

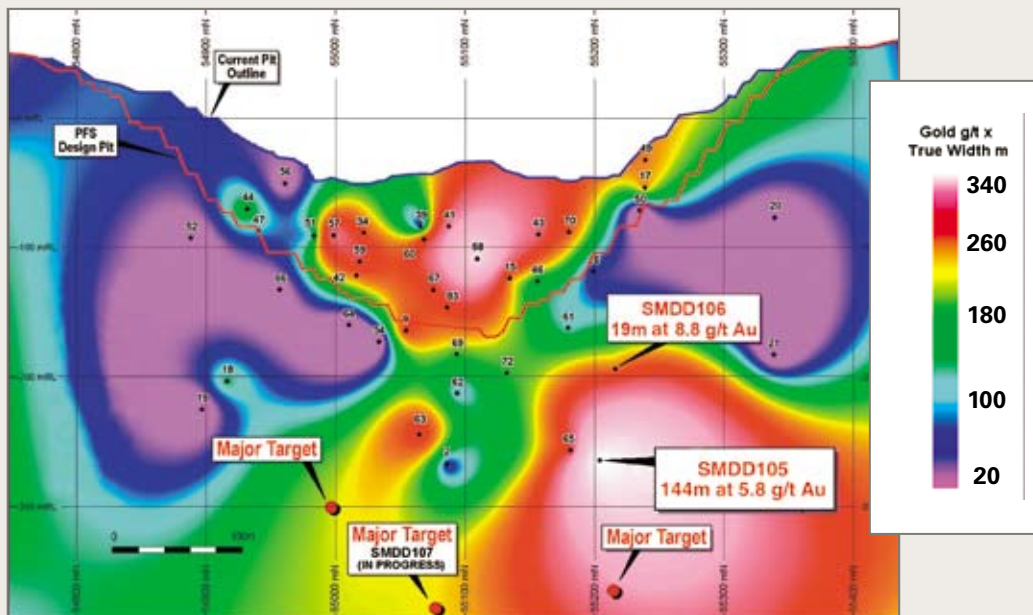
Reconnaissance sampling of stream float draining hills to the south of Siana returned visible lead and zinc sulphides with anomalous gold and silver assays. The source outcrops of the mineralisation are yet to be discovered.

Madja copper-gold porphyry

Drilling continued on three IP targets – Vein12 (ALDD3-5), Bacuag (ALDD6) and Madja (ALDD7). Sub economic copper grades (up to 0.3%) were intersected in all holes at Vein 12 and Madja, but the single hole at Bacuag porphyry was barren. Further work in the area was suspended pending a review of the copper prospectivity and completion of the BFS at Siana.



Resource potential below pit-bottom design level.



Gram-metre gold distribution.

Community Assistance Programme

Since inception the Company has adopted and applied in a concerted fashion a policy of fostering an open and trusting relationship with the local and provincial communities - this conviction is reflected in the Company's ambition to impact positively on the way these communities will grow and develop within the wider society. It cares about quality of life, health, education, livelihood projects, skills training and other social development programs, in addition to being a friend of the natural environment.

The local community includes the Mamanwa Indigenous Peoples who have been supported through continuous employment since work began in 2003, and whose rights to ancestral lands south of Siana are recognized in the first Certificate of Free and Prior Informed Consent issued to a mineral company in the Philippines.

Two Community Technical Working Groups continued throughout the year to promote effective bilateral communication with all local stakeholders through regular meetings and site visits.

These groups represent, amongst others local government units, religious groups, environmentalists, Indigenous Peoples, the Mines and Geosciences Bureau, local development committees and other non-government organisations.

New and continuing initiatives include:

- development and implementation of a twelve point social development plan that is a major component of the requirement for grant of an Environmental Compliance Certificate.
- the Community Water Project continues to provide reticulated potable water from the Siana pit to the 2,400 inhabitants of the nearby villages of Cavilan, Siana and Dayano. A purpose built pump, filter and sterilization unit constructed in Perth was installed on site and is operated and maintained by our local employees. Prior consultation with the Communities identified a reliable supply of clean water as the highest priority in improving health standards and quality of life.
- routine water quality monitoring of the open pit, local groundwater, streams and rivers. Long-term monitoring stations are sampled on a quarterly basis by a multipartite team from the two Community Technical Working Groups. The potable water supply is tested monthly.
- regular employment – the current team comprises 64 employees, supplemented as required by casual workers. Peak employment reached 130 at the height of the resource drilling programme. Tangible evidence of the benefits of this employment includes the number of new substantial dwellings being built in the local areas.
- health assistance including provision of a Health Clinic at Cavilan with funding for a full time medical doctor, community nurse and part-time dentist.
- a feeding programme for approximately 110 under-nourished local children was initiated during 2006 with demonstrable benefit – the success of the programme is evidenced by the recent replacement of a large number of the initial participants with a new group of needy children.

- education assistance – as well as providing books, classroom materials, and maintenance, the Company has erected a communal ablution facility for children of Indigenous Peoples at Cawilan school, and is undertaking provision of a special purpose room for additional tutoring of Indigenous Peoples, including mature age students.
- general assistance with public safety, road and church maintenance, agriculture support and various other local events and projects.
- A children’s playground facility was donated to the remote Dayano community.
- re-vegetation and reforestation using a broader range of species, particularly local native hardwood species that have been over-exploited in the past. Approximately 10,000 trees were donated and planted in local areas. The supply of seedlings from the Company site nursery continues to expand to serve the increased community planting programmes.



Company reticulated drinking water.



Company donated playground at Dayano School.



Endangered species nursery.

Mineral Resources

The geological and Resource aspects of the project have been the subject of studies by a multidisciplinary team of Joint Venture staff and external consultants.

The Pre-feasibility and Bankable feasibility engineering studies have been based on an extensive resource data base including:

- A total of 53 core holes for 21,432 metres included in the Resource model.
- A digital terrain model constructed from 3D point data derived from three sources - ground survey measurements (32,940 points), pit and waste dump surveys from Suricon site plans (2,377 points) and a digital terrain model constructed from stereo-pair Ikonos satellite imagery (2,247 points).
- A total of 18,400 SG determinations completed during the resource drilling programme with a total of 2,913 reporting gold grades greater than 0.2g/t and 1,356 reporting grades greater than 1.0g/t.
- Geotechnical logging of 44 diamond core holes - overseen by BFP Consultants (now Mining One Pty Ltd) and including 12,600 routine RQD measurements, and a number of other parameters from oriented core including Q, Q', RMR and MRMR.

Audits, reviews and accreditation

Independent inspection and review of the site data collection, sampling methods and QA/QC procedures, and the McPhar laboratory sample preparation facilities and analytical techniques was undertaken by Snowden.

All routine samples were processed at McPhar Geoservices (Phil.) Inc located in Makati, Metro Manila. The laboratory is accredited with ISO 9001 certification, and is a regular participant in the Australian based Geostats Pty Ltd international laboratory quality monitoring scheme.

Umpire check analyses were completed by Amdel Laboratory in Perth, (NATA registered for ISO/IEC 17025 and accredited for AS/NZS ISO 9001). Amdel is also a participant in the Geostats quality assurance survey.

The Joint Venture commissioned Geostats to report on the performance of both laboratories. Ninety percent of biases were within 1.0 standard deviation.

Underground potential

Current broad spaced deep diamond drilling below the design open pit has the multiple objectives of upgrading and extending the Resource at depth, and scoping the potential for a second phase mine development via large stope underground operations.

Early success has been achieved in holes SMDD105 (144m at 5.8g/t Au, including 42m at 10.1g/t Au) and SMDD106 (19m at 8.8g/t Au) below the north end of the design pit, while recently completed hole SMDD107 (assays pending) has confirmed that strong sulphide mineralisation extends to at least 450m below surface. Two further step-out holes including the current SMDD108 are planned.

The current programme has the potential to outline the scope for an underground resource in excess of 400,000 ounces of gold. From an engineering perspective the occurrence of a competent porphyry rock type adjacent to the relatively soft mineralised zone is advantageous.

Resource Category (JORC)	Tonnes	Grade g/t Gold	Contained Ounces Gold
Indicated	11,460,000	2.40	884,000
Inferred	3,020,000	3.04	295,000
Total	14,480,000	2.53	1,179,000

Notes: Figures are 100% of project. The estimates of Identified Mineral Resources shown in the table above have been prepared as per the JORC Code guidelines for reporting Mineral Resources and Ore Reserves.

The information in this report that relates to Mineral Resources or Ore Reserves is based on information compiled by Mr Allen L Govey and Mr Gregory C Edwards, who are full-time employees of Red 5 Limited and are Members of The Australasian Institute of Mining and Metallurgy.

Mr Govey and Mr Edwards have sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that they are undertaking to qualify as Competent Person(s) as defined in the 2004 Edition of the "Australasian Code for Reporting of Mineral Resources and Ore Reserves." Mr Govey and Mr Edwards consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.



Gold mineralised quartz vein stockwork – Mapawa.

Other Assets

Montague Gold Project (RED 5 20% free carried)

The Company has a free carried interest in the Montague Joint Venture, located 80km NNE of Sandstone, Western Australia, in the Gum Creek Greenstone Belt.

During the year, the Company renegotiated the 25% free carry with Gateway Mining NL to a superior overall position 20% free carry with Barrick Gold, the world's largest gold miner.

Barrick Gold, through wholly owned subsidiary Placer Dome Australia may earn a 60 percent interest by spending \$2.5M in the first three years (subject to a minimum \$400,000 in the first year) and an additional 10 percent interest by a further expenditure of \$1.5M by the fifth year.

Placer is targeting a large sediment hosted deposit similar to Granny Smith (where it has operated for 15 years) and Wallaby in the Laverton Greenstone Belt. The nearby Wallaby deposit was discovered in 1997 and integrated into the production schedule in 2001. Production last year exceeded 300,000 ounces.

Detailed Placer proprietary interpretive analysis suggests strong potential for a 5 million ounce deposit under cover.

Red 5 will retain a 20 percent free carry in a highly prospective property managed by a major with substantial processing infrastructure in the region.

Asia Gold Limited

Asia Gold is a private company incorporated in the United Kingdom in May 2004 with a mandate to acquire exploration and mining tenements of the Tian Shan gold belt.

This belt stretches from the Ural Mountains in Russia, through Central Asia and China to Mongolia. The belt includes numerous world class gold mines, including Murantau (140 million ounces). The aggregate production plus reserve/resource gold endowment is placed at in excess of 500 million ounces.

Red 5, a founding shareholder and seed capital provider earned a 50 percent interest through agreed capped expenditure of US\$200,000 last financial year.

The other shareholders are Midlands Minerals Limited of Glasgow, Scotland, (world renowned for their 3D computer modelling) and Partners Davis Exploration and Orlov (who contributed their field experience and government relationships in Central Asia).

Title to identified prospective ground continues to be difficult to secure and it is believed that a recent government pronouncement has indicated that tenure may be limited to 150 km². If this is correct the viability of continuance is compromised.

Red 5 has expensed all previous expenditure to the Income Statement.

Romarco Minerals Incorporation

The Company holds 1,140,000 shares in Toronto listed Romarco, purchased in the 2005 financial year.

At the date of this report the shares were trading at Canadian 25 cents per share representing a modest increase on the book value.

The investment reflects exceptional leverage to an impressive exploration portfolio in combination with considerable depth and experience in the Board and management. Through its investment, Red 5 has an indirect interest in prospective properties in highly regarded locations that would not otherwise be available to the Company.

At the time of the investment Romarco had interests in five gold projects, four in Nevada (Buckskin-National, Pine Grove, Roberts Mountains and Golden Zebra) and one in Peru (Cori Puncho).

This year Romarco has added two properties to the portfolio - Red Canyon, located in the Cortez Trend of Nevada (and just north of the Roberts Mountain Project) and the other, is Pinos Gold District JV in Mexico (where historical production quoted by Bethlehem Steel is 5 million ounces of gold and 25 million ounces of silver).

Romarco completed a Canadian \$8.5 million private placement in September 2006 sufficient to finance an active exploration programme on each of the properties for the next eighteen months.

Financial Statements



Directors' Report

The directors of Red 5 Limited ("Red 5" or "parent entity") present their report on the results and state of affairs of the parent entity and the consolidated entity for the financial year ended 30 June 2006.

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:

Nicholas James Smith
Gregory Charles Edwards
Allen Lance Govey
Colin George Jackson
Peter William Rowe

All directors held their position as a director throughout the entire financial year and up to the date of this report.

Principal Activities

The principal activities of Red 5 and the consolidated entity (which includes the controlled entities of Red 5) during the financial year were mineral exploration and evaluation. There was no significant change in the nature of these activities during the year.

Results of Operations

The net loss of the consolidated entity after provision for income tax and minority interests was \$1,112,743.

Review of Operations

During the year the consolidated entity continued to focus on the development of the Siana gold project located in the Philippines. Comprehensive technical studies were undertaken, a pre-feasibility study was completed and work commenced on a bankable feasibility study. Completion of the feasibility study in the next financial year will enable development and financing decisions on the Siana project to be considered. Preliminary discussions with banking institutions have commenced.

In August 2005, the consolidated entity exercised its pre-emptive rights to acquire an additional 10% beneficial interest in the Siana project, plus a share of land access rights covering the area of the Siana mine foot print and the right to negotiate joint ventures on four early stage gold exploration properties on Mindanao Island in the Philippines, for a consideration of \$2,171,052 (US\$1,650,000), which was satisfied by the issue of 16,829,865 fully paid shares in Red 5.

In September 2005, Red 5 disposed of its shareholding in Range River Gold Limited for aggregate sale proceeds of \$875,379. The carrying value of the investment was \$860,014.

The consolidated entity entered into a farm-out joint venture agreement on the Montague project whereby Placer Dome Inc (now Barrick Gold Corporation) may earn up to a 70% interest in the project by spending \$4,000,000 within a period of 5 years. As a consequence, the parent entity would dilute marginally to a 20% free-carried interest.

The directors are continuing to evaluate other resources projects and corporate opportunities in which the consolidated entity may participate.

Dividends

No amounts were paid by way of dividend since the end of the previous financial year. The directors do not recommend the payment of a dividend.

Likely Developments

During the course of the next financial year, the consolidated entity will continue its mineral exploration and development activities and will investigate additional resources projects in which the consolidated entity may participate.

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

Red 5 Limited and Controlled Entities

Options Granted Over Unissued Shares

At the date of this report, there were no ordinary fully paid shares which are subject to options. Details of options issued and exercised during the financial year are contained in Note 15(c) to the financial report. All options issued were fully vested.

Significant Changes

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

- (a) the consolidated entity acquired an additional 10% beneficial interest in the Siana project for a consideration of \$2,171,052 (US\$1,650,000).
- (b) the consolidated entity disposed of its shareholding in Range River Gold Limited.
- (c) a pre-feasibility study for the development of the Siana project was completed in May 2006.

Events Subsequent to the End of the Financial Year

Significant events which have occurred subsequent to the end of the financial year are set out in Note 28 to the financial report.

Information on Directors

Director	Qualifications, experience and special responsibilities
Nicholas J Smith (Non-Executive Chairman)	LL.B A director since April 2002. Mr Smith is a solicitor with considerable international mining business experience, including 12 years as group general counsel for the Normandy Mining group. Mr Smith operates a corporate consultancy business and specialises in advice on sovereign risk issues in developing countries. Mr Smith is a member of the audit and remuneration committees. Other current directorships: Mindax Limited (since October 2003). Former directorships in the last three years: Ferraus Limited (May 2003 to December 2005).
Gregory C Edwards (Managing Director)	B.Sc. (Hons), MAusIMM A director since November 2001. Mr Edwards is a geologist with over 20 years experience. He has a broad gold and base metals exploration and development background, spending 13 years with the Normandy Mining group, holding various positions including Exploration Manager - Western Australia and Manager - Business Analysis, where he focussed on commercial evaluations of potential project and corporate acquisitions. Mr Edwards has not held directorships in any other listed companies in the last 3 years.
Allen L Govey (Exploration Director)	B.Sc. (Hons), M.Sc., MAusIMM A director since November 2001. Mr Govey is a senior geologist with wide ranging exploration and mining geology experience within Australia and Indonesia. He has been involved with the successful exploration and mining of Archean lode gold deposits for the last 16 years. Mr Govey spent 12 years with the Normandy Mining group, including as Principal Geologist responsible for project generation and evaluation of new business opportunities within Western Australia. Mr Govey has not held directorships in any other listed companies in the last 3 years.

Red 5 Limited and Controlled Entities

Directors' Report

Information on Directors (continued)

Director	Qualifications, experience and special responsibilities
Colin G Jackson (Non-Executive Director)	<p>M.Sc., B.Sc. (Hons), DIC, Grad.Dip. Bus. Admin.</p> <p>A director since December 2003. Mr Jackson graduated as a mineral process design engineer and spent 10 years with Selection Trust Limited and RGC Group, followed by a 12 year finance career with McIntosh Securities Limited and 10 years corporate/communications responsibility with Newcrest Mining and Normandy Mining. He was a member of the finance/taxation committee of the Australian Gold Council until absorption into the Minerals Council of Australia. Mr Jackson is chairman of the audit and remuneration committees. Other current directorships: Intrepid Mines Limited (since December 2003) and EIM Capital Managers Pty Ltd. Former directorships in the last three years: Terramin Australia Limited (August 2003 to December 2005).</p>
Peter W Rowe (Non-Executive Director)	<p>B.Sc. (Chem Eng), FAusIMM, MAICD</p> <p>A director since October 2004. Mr Rowe spent 20 years with Anglo American and De Beers in South Africa before moving to Australia. He has held a number of senior managerial positions in Australia, including Project Director of the Kalgoorlie Super Pit (Fimiston) expansion and General Manager of the Boddington Gold Mine and of the Boddington Expansion Project. Mr Rowe is currently an executive officer of AngloGold Ashanti Limited, in charge of its corporate technical group. He is a past chairman of the Australian Gold Council. Mr Rowe is a member of the audit committee.</p>

Information on Company Secretary

Frank J Campagna B.Bus (Acc), CPA

Company Secretary of Red 5 since June 2002. Mr Campagna is a Certified Practising Accountant with over 20 years experience as Company Secretary, Financial Controller and Commercial Manager for listed resources and industrial companies. He presently operates a corporate consultancy practice which provides corporate secretarial and advisory services to both listed and unlisted companies.

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

Director	Fully paid shares	Options
N J Smith	509,500	-
G C Edwards	7,500,000	-
A L Govey	6,876,500	-
C G Jackson	225,000	-
P W Rowe	-	-

Mr Rowe is a director of AngloGold Ashanti Australia Limited (AngloGold) which owns 37,833,945 fully paid shares in Red 5. Under the terms of a subscription agreement with AngloGold, for a period of two years from October 2004 and provided that AngloGold retains a minimum 12% interest, Red 5 must give AngloGold an opportunity to participate in any issue of shares or securities on the same terms as any third party participation, to the extent necessary for AngloGold to maintain its percentage interest in the share capital of Red 5.

Red 5 Limited and Controlled Entities

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 2006 and the number of meetings attended by each director are as follows:

	Board meetings		Audit committee		Remuneration committee	
	Number held	Number attended	Number held	Number attended	Number held	Number attended
N J Smith	8	7	2	2	1	1
G C Edwards	8	8				
A L Govey	8	8				
C G Jackson	8	7	2	2	1	1
PW Rowe	8	7	1	-		

Remuneration Report

This report sets out the current remuneration arrangements for directors and executives of Red 5.

Principles used to determine the nature and amount of remuneration (audited)

Directors and executives remuneration

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

Red 5's remuneration policy for executive directors and senior management is designed to promote superior performance and long term commitment to Red 5. Remuneration packages are set at levels that are intended to attract and retain executives capable of managing the consolidated entity's Australian and overseas operations. Executive directors receive a base remuneration which is market related, together with performance based remuneration linked to the achievement of pre-determined milestones and targets.

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

- reward reflects the competitive market in which Red 5 operates;
- individual reward should be linked to performance criteria; and
- executives should be rewarded for both financial and non-financial performance.

The structure of remuneration packages for executive directors and other senior executives comprises:

- a fixed sum base salary payable monthly in cash;
- short term incentives through eligibility to participate in a performance bonus plan if deemed appropriate;
- long term incentives through executive directors being eligible to participate in share option schemes with the prior approval of shareholders. Other executives may also participate in employee share option schemes, with any option issues generally being made in accordance with thresholds set in plans approved by shareholders. The Board considers it appropriate to retain the flexibility to issue options to executives outside of approved employee option plans in appropriate circumstances; and
- other benefits, including participation in superannuation schemes.

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

Red 5 Limited and Controlled Entities

Directors' Report

Performance incentives may be offered to executive directors and senior management of Red 5 through the operation of performance bonus schemes. Performance and completion bonuses based on a percentage of annual salary are payable upon achievement of agreed operational milestones and targets.

Non-executive directors' remuneration

In accordance with current corporate governance practices, the structure for the remuneration of non-executive directors and senior executives is separate and distinct. Shareholders approve the maximum aggregate remuneration for non-executive directors. The remuneration committee recommends the actual payments to directors and the Board is responsible for ratifying any recommendations. 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 entitled to statutory superannuation benefits. The Chairman is also entitled to a retirement allowance to a maximum of three years director's fees.

Non-executive directors may be entitled to participate in equity based remuneration schemes. Shareholders must approve the framework for any equity based compensation schemes and if a recommendation is made for a director to participate in an equity scheme, that participation must be specifically approved by the shareholders.

All directors are entitled to have their indemnity insurance paid by Red 5.

Details of remuneration (parent entity and consolidated entity)

The following table discloses details of the nature and amount of each element of the emoluments of each director of Red 5 and each of the officers receiving the highest emoluments and other key management personnel for the year ended 30 June 2006. The information in this table has been audited.

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

Provisions include amounts provided for in the financial report for annual and long service leave and a completion bonus. Executives only qualify for long service leave entitlements after a specified period of continuous service and completion bonus is only payable if the executive maintains employment until June 2007. Cash bonuses relate to performance measures in the previous financial year. Other than directors of Red 5, there were no other executive officers of the consolidated entity during the year, with the exception that the company secretary is deemed to be an executive by virtue of being an officer of the parent entity.

Red 5 Limited and Controlled Entities

2005 Name	Short term			Post-employment		Other	Total	
	Salary or directors fees	Cash bonuses	Consulting fees	Provisions	Super- annuation	Retirement benefits provided for		Insurance premiums
	\$	\$	\$	\$	\$	\$	\$	
Directors								
Executive directors								
G C Edwards	200,003	-	-	61,561	20,001	-	4,884	286,449
A L Govey	150,000	-	-	37,044	15,000	-	4,884	206,928
Non-executive directors								
N J Smith	40,000	-	91,050	-	3,600	40,000	4,884	179,534
C G Jackson	25,000	-	117,150	-	2,250	-	4,884	149,284
P W Rowe	16,667	-	-	-	-	-	4,884	21,551
Other executives								
F J Campagna	-	-	60,325	-	-	-	-	60,325
Total	431,670	-	268,525	98,605	40,851	40,000	24,420	904,071

Information on any benefits received by directors of Red 5 by reason of a contract made by the consolidated entity with a director or a director-related entity is contained in Note 18 of the financial report.

During the financial year, Red 5 paid premiums of \$28,250 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.

Service agreements

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

G C Edwards - Managing Director

Term of agreement: 3 years from 1 July 2004.

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

Performance bonus: up to 25% of annual salary upon the achievement of agreed milestones and targets. Completion bonus of 25% of annual salary at the completion of the service agreement.

Termination provisions: payment upon early termination by the Company (other than for unsatisfactory performance, gross misconduct or long term incapacity) equal to the annual salary.

A L Govey - Exploration Director

Term of agreement: 3 years from 1 July 2004.

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

Performance bonus: up to 25% of annual salary upon the achievement of agreed milestones and targets. Completion bonus of 25% of annual salary at the completion of the service agreement.

Termination provisions: payment upon early termination by the Company (other than for unsatisfactory performance, gross misconduct or long term incapacity) equal to the annual salary.

Share-based compensation

The Board has adopted the Red 5 Employee Option Plan (Plan). The primary purposes of the Plan are to increase the motivation of employees, promote the retention of employees, align employee interests with those of Red 5 and its shareholders and to reward employees who contribute to the growth of Red 5. At the annual general meeting held on 24 November 2004, shareholders authorised the issue of options under the Plan. To date, no options have been issued under the Plan.

Red 5 Limited and Controlled Entities

Directors' Report

Non-audit Services

During the year, Red 5's external auditors, KPMG, has provided other services in addition to its statutory audit function. Non-audit services provided by the external auditors comprise \$25,162 for tax and corporate structuring advice. Further details of remuneration of the auditors are set out in Note 19.

The Board has considered the non-audit services provided during the year and is satisfied that the provision of those services is compatible with the general standard of independence for auditors imposed by the Corporations Act and did not compromise the auditor independence requirements of the Corporations Act, for the following reasons:

- all non-audit services were subject to the corporate governance guidelines adopted by Red 5;
- non-audit services have been reviewed by the audit committee to ensure that they do not impact the impartiality or objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in Professional Statement F1, Professional Independence, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity, acting as an advocate for Red 5 or jointly sharing economic risks and rewards.

A copy of the auditors' 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 2006.

Signed in accordance with a resolution of the directors.

G C Edwards

Managing Director

Perth, Western Australia

28 September 2006

Auditor's Independence Declaration

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 2006, there have been:

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

KPMG

B C FULLARTON

Partner

Perth, 28 September 2006

Red 5 Limited and Controlled Entities

Income Statement for the year ended 30 June 2006

	Note	Consolidated		Parent Entity	
		2006	2005	2006	2005
		\$	\$	\$	\$
Revenue from continuing operations					
Revenue		-	-	-	-
Other revenue		15,365	71,768	15,365	71,768
Total revenue	2	15,365	71,768	15,365	71,768
Expenses					
Amortisation and depreciation expenses		31,509	24,014	31,509	24,014
Employee and consultancy expenses	2	814,088	810,713	814,088	810,713
Exploration expenditure written-off		413,974	181,165	2,323	43,408
Impairment in investments		-	361,255	268,283	361,255
Impairment in loans		-	-	11,508	1,452
Occupancy expenses		106,638	75,960	106,638	75,960
Regulatory expenses		119,497	86,277	119,497	86,277
Other expenses		146,072	224,751	249,891	224,751
Operating loss before financing income		(1,616,413)	(1,692,367)	(1,588,372)	(1,556,062)
Financing income	2	303,670	473,281	302,017	473,281
Loss from ordinary activities before income tax expense		(1,312,743)	(1,219,086)	(1,286,355)	(1,082,781)
Income tax expense	3	-	-	-	-
Net loss after income tax		(1,312,743)	(1,219,086)	(1,286,355)	(1,082,781)
Attributable to:					
Equity holders of the parent entity		(1,112,743)	(1,150,803)	(1,286,355)	(1,082,781)
Minority interests		(200,000)	(68,283)	-	-
Net loss after income tax		(1,312,743)	(1,219,086)	(1,286,355)	(1,082,781)
		Cents	Cents		
Basic and diluted loss per share (cents per share)	27	(0.42)	(0.48)		

The accompanying notes form part of these financial statements.

Balance Sheet as at 30 June 2006

	Note	Consolidated		Parent Entity	
		2006	2005	2006	2005
		\$	\$	\$	\$
Current Assets					
Cash and cash equivalents	4	2,761,504	7,272,775	2,715,740	7,187,780
Trade and other receivables	5	81,863	99,744	81,863	99,744
Investments	6	287,850	1,130,422	287,850	1,130,422
Total Current Assets		<u>3,131,217</u>	<u>8,502,941</u>	<u>3,085,453</u>	<u>8,417,946</u>
Non-current Assets					
Receivables	7	25,094	-	15,468,168	8,850,413
Investments	8	-	-	335,540	603,823
Property, plant and equipment	9	500,599	74,967	51,153	74,967
Deferred exploration expenditure	10	15,431,936	9,051,016	-	5,776
Total Non-current Assets		<u>15,957,629</u>	<u>9,125,983</u>	<u>15,854,861</u>	<u>9,534,979</u>
Total Assets		<u>19,088,846</u>	<u>17,628,924</u>	<u>18,940,314</u>	<u>17,952,925</u>
Current Liabilities					
Trade and other payables	11	743,356	769,250	732,358	769,250
Provisions	12	151,191	87,885	70,734	87,885
Total Current Liabilities		<u>894,547</u>	<u>857,135</u>	<u>803,092</u>	<u>857,135</u>
Non-current Liabilities					
Borrowings	13	305,191	322,846	-	-
Provisions	14	307,913	188,843	208,136	188,843
Total Non-current Liabilities		<u>613,104</u>	<u>511,689</u>	<u>208,136</u>	<u>188,843</u>
Total Liabilities		<u>1,507,651</u>	<u>1,368,824</u>	<u>1,011,228</u>	<u>1,045,978</u>
Net Assets		<u>17,581,195</u>	<u>16,260,100</u>	<u>17,929,086</u>	<u>16,906,947</u>
Equity					
Contributed equity	15	31,272,684	28,981,632	31,272,684	28,981,632
Reserves	16	(133,545)	(460,329)	17,442	-
Accumulated losses		<u>(13,557,944)</u>	<u>(12,461,203)</u>	<u>(13,361,040)</u>	<u>(12,074,685)</u>
Total parent entity interest		17,581,195	16,060,100	17,929,086	16,906,947
Minority interests	17	-	200,000	-	-
Total Equity		<u>17,581,195</u>	<u>16,260,100</u>	<u>17,929,086</u>	<u>16,906,947</u>

The accompanying notes form part of these financial statements.

Statement of Changes in Equity for the year ended 30 June 2006

	Attributable to equity holders of the parent entity				Minority interests	Total equity
	Issued capital	Accumulated losses	Other reserves	Total		
	\$	\$	\$	\$	\$	\$
Consolidated						
At 1 July 2004	23,434,632	(11,310,400)	(47,189)	12,077,043	-	12,077,043
Loss for the period	-	(1,150,803)	-	(1,150,803)	(68,283)	(1,219,086)
Share placement	5,487,000	-	-	5,487,000	-	5,487,000
Issue of shares for services provided	60,000	-	-	60,000	-	60,000
Foreign currency translation reserve	-	-	(413,140)	(413,140)	-	(413,140)
Acquisition of controlled entity	-	-	-	-	268,283	268,283
At 30 June 2005	28,981,632	(12,461,203)	(460,329)	16,060,100	200,000	16,260,100
Adjustment on initial adoption of AASB 132 and AASB 139	-	16,002	-	16,002	-	16,002
Loss for the period	-	(1,112,743)	-	(1,112,743)	(200,000)	(1,312,743)
Issue of shares for services provided	120,000	-	-	120,000	-	120,000
Issue of shares for additional interest in Siana project	2,171,052	-	-	2,171,052	-	2,171,052
Foreign currency translation reserve	-	-	309,342	309,342	-	309,342
Fair value reserve	-	-	17,442	17,442	-	17,442
At 30 June 2006	<u>31,272,684</u>	<u>(13,557,944)</u>	<u>(133,545)</u>	<u>17,581,195</u>	-	<u>17,581,195</u>
Parent						
At 1 July 2004	23,434,632	(10,991,904)	-	12,442,728	-	12,442,728
Loss for the period	-	(1,082,781)	-	(1,082,781)	-	(1,082,781)
Share placement	5,487,000	-	-	5,487,000	-	5,487,000
Issue of shares for services provided	60,000	-	-	60,000	-	60,000
At 30 June 2005	28,981,632	(12,074,685)	-	16,906,947	-	16,906,947
Loss for the period	-	(1,286,355)	-	(1,286,355)	-	(1,286,355)
Issue of shares for services provided	120,000	-	-	120,000	-	120,000
Issue of shares for additional interest in Siana project	2,171,052	-	-	2,171,052	-	2,171,052
Fair value reserve	-	-	17,442	17,442	-	17,442
At 30 June 2006	<u>31,272,684</u>	<u>(13,361,040)</u>	<u>17,442</u>	<u>17,929,086</u>	-	<u>17,929,086</u>

The accompanying notes form part of these financial statements.

Statement of Cash Flows for the year ended 30 June 2006

	Note	Consolidated		Parent Entity	
		2006	2005	2006	2005
		\$	\$	\$	\$
Cash flows from operating activities					
Payments to suppliers and employees		(1,075,887)	(1,086,801)	(1,075,887)	(1,086,801)
Interest received		301,229	473,281	301,229	473,281
Net cash outflow from operating activities	25	<u>(774,658)</u>	<u>(613,520)</u>	<u>(774,658)</u>	<u>(613,520)</u>
Cash flows from investing activities					
Payments for controlled entities, net of cash acquired		-	(106,754)	-	(107,015)
Payments for mineral exploration expenditure		(4,130,545)	(5,327,026)	(23,288)	(46,609)
Payments for plant and equipment		(7,695)	(49,051)	(7,695)	(49,051)
Payments for deposit on plant and equipment		(449,446)	-	-	-
Payments for purchase of investments		-	(286,677)	-	(286,677)
Payments for security deposit		(24,306)	-	(24,306)	-
Proceeds on sale of investments		875,379	71,768	875,379	71,768
Net cash inflow/(outflow) from investing activities		<u>(3,736,613)</u>	<u>(5,697,740)</u>	<u>820,090</u>	<u>(417,584)</u>
Cash flows from financing activities					
Proceeds from issues of shares		-	5,487,000	-	5,487,000
Loans to controlled entities		-	-	(4,517,472)	(5,266,520)
Net cash inflow/(outflow) from investing activities		<u>-</u>	<u>5,487,000</u>	<u>(4,517,472)</u>	<u>220,480</u>
Net decrease in cash held		<u>(4,511,271)</u>	<u>(824,260)</u>	<u>(4,472,040)</u>	<u>(810,624)</u>
Cash at the beginning of the financial year		<u>7,272,775</u>	<u>8,097,035</u>	<u>7,187,780</u>	<u>7,998,404</u>
Cash at the end of the financial year	4	<u><u>2,761,504</u></u>	<u><u>7,272,775</u></u>	<u><u>2,715,740</u></u>	<u><u>7,187,780</u></u>

The accompanying notes form part of these financial statements.

Notes to the Financial Statements for the year ended 30 June 2006

1. Statement of Significant Accounting Policies

(a) Basis of accounting

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

The financial report has been prepared on a historical cost basis and is presented in Australian dollars. The financial report was authorised for issue by the directors on the date of signing of the Directors' Report.

(b) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act. International Financial Reporting Standards (IFRS) form the basis of Australian Accounting Standards adopted by the AASB and for the purposes of this report are called Australian equivalents to IFRS (AIFRS) to distinguish from previous Australian GAAP. The consolidated financial statements and notes also comply with IFRS and interpretations adopted by the International Accounting Standards Board. The financial statements of the parent entity do not comply with IFRS as the parent entity has elected to apply the relief provided to parent entities by AASB 132 *Financial Instruments: Presentation and Disclosure* in respect of certain disclosure requirements.

This is the first financial report of the consolidated entity prepared in accordance with Australian Accounting Standards, being AIFRS and IFRS and AASB1 "First Time Adoption of AIFRS" has been applied. An explanation of how transition to AIFRS has affected the reported financial position, financial performance and cash flows of the consolidated entity and the parent entity is detailed in Note 29. The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial report and in preparing an opening AIFRS balance sheet as at 1 July 2004 for the purposes of the transition to Australian Accounting Standards - AIFRS, except for the adoption of AASB 132 *Financial Instruments: Presentation and Disclosure*. The parent entity and the consolidated entity have applied AASB 1.36A exemption and elected not to apply AASB 132 and AASB 139 to the comparative period. A reconciliation of opening balances impacted by AASB 132 and AASB 139 at 1 July 2005 has been provided in Note 29.

Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting period ended 30 June 2006.

AASB amendment	Affected standard(s)	Nature of change to accounting policy	Application date of standard*	Application date for group
2004 - 3	AASB 1 First-time Adoption of AIFRS; AASB 101 Presentation of Financial Statements; AASB 124 Related Party Disclosures	No change to accounting policy required. Therefore no impact.	01.01.06	01.07.06
2005 - 1	AASB 139 "Financial Instruments: Recognition and Measurement"	No change to accounting policy required. Therefore no impact.	01.01.06	01.07.06
2005 - 4	AASB 1 "First Time Adoption of AIFRS"; AASB 139 "Financial Instruments: Recognition and Measurement"	No change to accounting policy required. Therefore no impact.	01.01.06	01.07.06
2005 - 5	AASB 1 "First Time Adoption of AIFRS"; AASB 139 "Financial Instruments: Recognition and Measurement"	No change to accounting policy required. Therefore no impact.	01.01.06	01.07.06
2005 - 6	AASB 3 "Business Combinations"	No change to accounting policy required. Therefore no impact.	01.01.06	01.07.06

Red 5 Limited and Controlled Entities

Notes to the Financial Statements for the year ended 30 June 2006

AASB amendment	Affected standard(s)	Nature of change to accounting policy	Application date of standard*	Application date for group
2005 - 10	AASB 132 "Financial Instruments: Disclosure and Presentation"; AASB 101 "Presentation of Financial Statements"; AASB 114 "Segment Reporting"; AASB 117 "Leases"; AASB 133 "Earnings Per Share"; AASB 139 "Financial Instruments: Recognition and Measurement"; AASB 1 "First Time Adoption of AIFRS"; AASB 4 "Insurance Contracts"; AASB 1023 "General Insurance Contracts"; AASB 1038 "Life Insurance Contracts"	No change to accounting policy required. Therefore no impact.	01.01.07	01.07.07
New standard	AASB 7 "Financial Instruments: Disclosures"	No change to accounting policy required. Therefore no impact.	01.01.07	01.07.07
New standard	AASB 119 Employee Benefits (Revised December 2004)	No change to accounting policy required. Therefore no impact.	01.01.07	01.07.07
2005 - 2	AASB 1023 General Insurance Contracts	No change to accounting policy required. Therefore no impact.	01.01.07	01.07.07
2005 - 4	AASB 132 Financial Instruments - Disclosure and Presentation; AASB 1023 General Insurance Contracts; AASB 1028 Life Insurance Contracts	No change to accounting policy required. Therefore no impact.	01.01.07	01.07.07
2005 - 9	AASB 4 Insurance Contracts; AASB 1023 General Insurance Contracts; AASB 139 Financial Instruments - Recognition and Measurement; and AASB 132 Financial Instruments - Disclosure and Presentation	No change to accounting policy required. Therefore no impact.	01.01.07	01.07.07
2005 - 12	AASB 1038 Life Insurance Contracts; AASB 1023 General Insurance Contracts	No change to accounting policy required. Therefore no impact.	01.01.07	01.07.07
2005 - 13	AAS 25 Financial Reporting by Superannuation Plans	No change to accounting policy required. Therefore no impact.	01.01.07	01.07.07

* Application date is for the annual reporting periods beginning on or after the date shown in the above table.

(c) Going concern

The consolidated entity recorded a loss of \$1,312,743 for the year ended 30 June 2006 and has net working capital of \$2,236,670 as at 30 June 2006. In the forthcoming year, the consolidated entity will be required to meet purchase instalments on a second hand ball mill and intends to progress a bankable feasibility study on the Siana project.

The financial statements have been prepared on the basis that the consolidated entity will continue to meet its commitments and can therefore continue normal business activities as well as the realisation of assets and settlement of liabilities in the ordinary course of business. In arriving at this position, the directors have considered the following relevant matters:

Red 5 Limited and Controlled Entities

- subsequent to the end of the year, the parent entity agreed the terms of a finance facility of \$2,000,000 from a financial institution. The facility may be drawn down at any time up until 31 March 2007 and can be used to fund the Siana bankable feasibility study and the purchase of the ball mill. Interest may be paid in cash or shares at the parent entity's election. The facility is repayable on the earlier of 31 December 2008 or project financing of the Siana project. The facility is subject to completion of formal documentation and conditions precedent.
- the directors of the parent entity are investigating further funding initiatives to provide additional working capital.

The directors believe that at the date of signing the financial report there are reasonable grounds to believe that having regard to the matters set out above, the consolidated entity will be able to raise sufficient funds to meet its obligations as and when they fall due.

The financial report does not include any adjustment relating to the recoverability or classification of recorded asset amounts, or to the amounts or classifications of liabilities that might be necessary should the consolidated entity not be able to continue as a going concern.

(d) Principles of consolidation

The consolidated financial report incorporates the assets and liabilities of all entities controlled by Red 5 Limited as at 30 June 2006 and the results of all controlled entities for the year then ended. Red 5 Limited and its controlled entities together are referred to in this financial report as the consolidated entity. The financial statements of controlled entities are prepared for the same reporting period as the parent entity, using consistent accounting policies. The effects of all transactions between entities in the consolidated entity are eliminated in full.

Where control of an entity is obtained during a financial period, its results are included only from the date upon which control commences. Where control of an entity ceases during a financial period, its results are included for that part of the period during which control existed. Outside interests in equity and results of the entities which are controlled by the consolidated entity are shown as a separate item in the consolidated financial statements.

(e) 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 also be met before revenue is recognised.

Interest

Revenue is recognised as the interest accrues using the effective interest rate method (which is the rate that discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

(f) Investments

Current accounting policy

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

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

Comparative period policy

Investments classified as current assets represent securities in listed companies purchased for resale and are valued at the lower of cost or net realisable value as at balance date. Investments classified as non-current assets represent securities in listed and unlisted companies acquired as investments and are shown at cost except where in the opinion of the directors there has been a permanent diminution in value, in which case the investments are written down to their recoverable amount.

Notes to the Financial Statements for the year ended 30 June 2006

(g) 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. When equity instruments are issued as consideration, their market price at the date of acquisition is used as fair value.

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

(h) Exploration and evaluation expenditure

Exploration and evaluation costs are accumulated in respect of each separate area of interest. Exploration and evaluation costs for each area of interest are carried forward where rights of tenure of the area of interest are current and the costs are expected to be recouped through the successful development and exploitation of the area of interest, or by its sale, or where exploration and evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in relation to the area are continuing.

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

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

(i) Impairment

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

Calculation of recoverable amount

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

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

(j) Taxation

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

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

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted at the balance date. Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

(k) Trade and other payables

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.

(l) Goods and services tax

Revenues, expenses and assets are recognised net of goods and services tax (GST), except where the amount of GST incurred is not recoverable. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable or payable is included as a current asset or liability in the balance sheet. Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable or payable are classified as operating cash flows.

(m) Employee benefits

Provision for employee entitlements represents the amount which the consolidated entity has a present obligation to pay resulting from employees' service provided up to the balance date.

Liabilities arising in respect of employee benefits expected to be settled within twelve months of the balance date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the balance date.

Obligations for contributions to defined contribution superannuation funds are recognised as an expense in the income statement as incurred.

(n) Share based payments

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

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

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

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

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

Notes to the Financial Statements for the year ended 30 June 2006

(o) Foreign currency

Foreign currency transactions

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

Financial statements of foreign operations

Each entity in the consolidated entity determines its functional currency, being the currency of the primary economic environment in which the entity operates, reflecting the underlying transactions, events and conditions that are relevant to the entity.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated from the entity's functional currency to the consolidated entity's presentation currency of Australian dollars at foreign exchange rates ruling at reporting date. The revenues and expenses of foreign operations are translated to Australian dollars at the exchange rates approximating the exchange rates ruling at the date of the transactions. Foreign exchange differences arising on translation are recognised directly in a separate component of equity.

(p) Restoration costs

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

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

(q) Provisions

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

(r) 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.

(s) Cash and cash equivalents

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.

	Consolidated		Parent Entity	
	2006	2005	2006	2005
	\$	\$	\$	\$
2. Revenue and Expenses				
(a) Other revenue				
Gain on sale of investments	15,365	71,768	15,365	71,768
(b) Employee and consultancy expenses				
Provision for employee entitlements	96,373	139,726	96,373	139,726
Other employee benefits and consultancy expenses	717,715	670,987	717,715	670,987
	814,088	810,713	814,088	810,713
(c) Financing income				
Finance revenue - interest received	302,017	473,281	302,017	473,281
Other financing gains	1,653	-	-	-
	303,670	473,281	302,017	473,281
(d) Operating lease payments				
Rental and outgoings relating to operating lease	88,391	78,881	88,391	78,881

3. Income Tax

(a) The major components of income tax expense are:

Income statement

Current income tax

Current income tax charge	(384,914)	(247,759)	(296,947)	(206,432)
---------------------------	-----------	-----------	-----------	-----------

Deferred income tax

Relating to origination and reversal of temporary differences	-	-	-	-
Unused tax losses not recognised as deferred tax asset	384,914	247,759	296,947	206,432
	-	-	-	-

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

Accounting loss before income tax	(1,312,743)	(1,219,086)	(1,286,355)	(1,082,781)
At statutory income tax rate of 30% (2005: 30%)	(393,823)	(365,726)	(385,906)	(324,834)
Expenditure not allowable for income tax purposes:				
Impairment in investments	-	108,377	80,485	108,377
Non-deductible expenses	7,873	7,398	7,438	7,397
Other deductible items	1,036	2,192	1,036	2,628
	(384,914)	(247,759)	(296,947)	(206,432)
Current year tax losses not brought to account	384,914	247,759	296,947	206,432
Income tax expense	-	-	-	-
Income tax payable	-	-	-	-

Red 5 Limited and Controlled Entities

Notes to the Financial Statements for the year ended 30 June 2006

	Consolidated		Parent Entity	
	2006	2005	2006	2005
	\$	\$	\$	\$
(b) Deferred income tax				
Deferred income tax at balance date relates to the following:				
<i>Deferred tax liabilities</i>				
Capitalised expenditure	4,629,581	2,715,305	-	-
Set-off of tax assets	-	-	-	-
	<u>4,629,581</u>	<u>2,715,305</u>	<u>-</u>	<u>-</u>
<i>Deferred tax assets</i>				
Accrued expenses	7,050	4,200	7,050	4,200
Provisions	167,598	191,831	167,598	191,831
Tax value of losses recognised	4,454,933	2,517,541	-	-
Non-recognition of deferred taxes	-	-	(174,648)	(196,031)
	<u>4,629,581</u>	<u>2,713,572</u>	<u>-</u>	<u>-</u>

(c) Tax losses

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

	<u>913,821</u>	<u>639,992</u>	<u>881,737</u>	<u>607,908</u>
--	----------------	----------------	----------------	----------------

The potential benefit of tax losses has not been brought to account in this financial report as realisation of the benefit cannot be regarded as probable. The potential future income tax benefit will be obtainable by the consolidated entity only if:

- the consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit of the deductions for the loss to be realised;
- the consolidated entity complies with the conditions for deductibility imposed by income tax law; and
- no changes in income tax legislation adversely affects the consolidated entity in realising the benefit of the deduction for the loss.

Current Assets

4. Cash and Cash Equivalents

Cash at bank	126,020	97,566	80,517	12,832
Cash on deposit	2,635,023	7,174,748	2,635,023	7,174,748
Cash on hand	461	461	200	200
	<u>2,761,504</u>	<u>7,272,775</u>	<u>2,715,740</u>	<u>7,187,780</u>

	Consolidated		Parent Entity	
	2006	2005	2006	2005
	\$	\$	\$	\$
5. Trade and Other Receivables				
Sundry debtors - other corporations	81,863	99,744	81,863	99,744
6. Investments				
Shares in other corporations - available for sale	287,850	1,130,422	287,850	1,130,422
Non-current Assets				
7. Receivables				
Security deposit	25,094	-	25,094	-
Unsecured loans - wholly owned controlled entities	-	-	17,549,258	10,945,089
Allowance for doubtful recovery	-	-	(2,106,184)	(2,094,676)
	-	-	15,443,074	8,850,413
	25,094	-	15,468,168	8,850,413
Security deposits represent funds held on deposit as security against a bank guarantee. Unsecured loans to controlled entities are interest free and are repayable on demand. The parent entity is not expected to request repayment within the next 12 months.				
8. Investments				
Shares in controlled entities - at cost	-	-	1,203,823	1,203,823
Less allowance for impairment	-	-	(868,283)	(600,000)
	-	-	335,540	603,823
9. Property, Plant and Equipment				
Office furniture and equipment - at cost				
Opening balance	121,490	79,753	121,490	79,753
Additions	7,695	49,051	7,695	49,051
Deposit for plant and equipment	449,446	-	-	-
Plant and equipment written-off	-	(7,314)	-	(7,314)
Closing balance	578,631	121,490	129,185	121,490
Accumulated depreciation				
Opening balance	46,523	25,942	46,523	25,942
Depreciation for the year	31,509	24,014	31,509	24,014
Plant and equipment written-off	-	(3,433)	-	(3,433)
Closing balance	78,032	46,523	78,032	46,523
Net book value	500,599	74,967	51,153	74,967

Notes to the Financial Statements for the year ended 30 June 2006

	Consolidated		Parent Entity	
	2006	2005	2006	2005
	\$	\$	\$	\$
10. Deferred Exploration Expenditure				
Opening balance	9,051,016	3,825,706	5,776	4,194
Acquisition costs	2,171,053	-	-	-
Exploration expenditure incurred in current year	4,623,841	5,060,017	(3,453)	44,990
Exploration expenditure written-off	(413,974)	(181,165)	(2,323)	(43,408)
Expenditure relating to controlled entity acquired	-	346,458	-	-
	<u>15,431,936</u>	<u>9,051,016</u>	<u>-</u>	<u>5,776</u>

The ultimate recoupment of deferred exploration 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.

Current Liabilities

11. Trade and Other Payables

Sundry creditors and accruals	<u>743,356</u>	<u>769,250</u>	<u>732,358</u>	<u>769,250</u>
-------------------------------	----------------	----------------	----------------	----------------

12. Provisions

Provision for employee entitlements	<u>151,191</u>	<u>87,885</u>	<u>70,734</u>	<u>87,885</u>
-------------------------------------	----------------	---------------	---------------	---------------

Non-current Liabilities

13. Borrowings

Unsecured loans - other corporations	<u>305,191</u>	<u>322,846</u>	<u>-</u>	<u>-</u>
--------------------------------------	----------------	----------------	----------	----------

Loans due to other corporations are unsecured and interest free and are repayable six months after the occurrence of specified events, including shareholders funds of a controlled entity exceeding specified levels or commencement of gold production.

14. Provisions

Provision for employee entitlements	166,103	68,843	66,326	68,843
Provision for retirement benefits	141,810	120,000	141,810	120,000
	<u>307,913</u>	<u>188,843</u>	<u>208,136</u>	<u>188,843</u>

15. Contributed Equity

(a) Share capital				
269,288,043 (2005: 251,688,948) ordinary fully paid shares	<u>31,272,684</u>	<u>28,981,632</u>	<u>31,272,684</u>	<u>28,981,632</u>

	Shares	Consolidated 2006 \$
(b) Movements in ordinary share capital		
Opening balance 1 July 2005	251,688,948	28,981,632
Issue for purchase of additional interest in Siana project	16,829,865	2,171,052
Issue for technical and financial services provided	<u>769,230</u>	<u>120,000</u>
Balance 30 June 2006	<u>269,288,043</u>	<u>31,272,684</u>

Ordinary shares entitle the holder to participate in dividends and proceeds on the winding up of the parent entity in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

	Options
(c) Movements in share options	
Opening balance 1 July 2005	2,000,000
Lapse of options	<u>(2,000,000)</u>
Balance 30 June 2006	<u>-</u>

	Consolidated		Parent Entity	
	2006	2005	2006	2005
	\$	\$	\$	\$

16. Reserves

Foreign currency translation reserve	150,987	460,329	-	-
Fair value reserve	<u>(17,442)</u>	<u>-</u>	<u>(17,442)</u>	<u>-</u>
	<u>133,545</u>	<u>460,329</u>	<u>(17,442)</u>	<u>-</u>

Translation reserve

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

Fair value reserve

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

17. Minority Interests

Interest in:

Share capital	268,283	268,283	-	-
Accumulated losses	<u>(268,283)</u>	<u>(68,283)</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>200,000</u>	<u>-</u>	<u>-</u>

Notes to the Financial Statements for the year ended 30 June 2006

18. Key Management Personnel Disclosures

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

Executive directors

Gregory C Edwards – Managing Director

Allen L Govey – Exploration Director

Non-executive directors

Nicholas J Smith – Chairman

Colin G Jackson

Peter W Rowe

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

Compensation of key management personnel

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

	Consolidated		Parent Entity	
	2006	2005	2006	2005
	\$	\$	\$	\$
<i>Key management personnel</i>				
Short term benefits	937,524	738,475	578,605	738,475
Post-employment benefits	82,286	80,851	56,799	80,851
Other benefits	<u>28,250</u>	<u>24,420</u>	<u>28,250</u>	<u>24,420</u>
	<u>1,048,060</u>	<u>843,746</u>	<u>663,654</u>	<u>843,746</u>

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

Loans to key management personnel

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

Other transactions with directors

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

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.

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

2005	Balance at 1 July 2004	Received during the year on the exercise of options	Other changes during the year	Balance at 30 June 2005
G C Edwards	6,850,000	-	650,000	7,500,000
A L Govey	6,706,500	-	80,000	6,786,500
N J Smith	409,500	-	100,000	509,500
C G Jackson	225,000	-	-	225,000
P W Rowe	-	-	-	-

Other changes during the previous financial year comprised on-market purchases.

Option holdings

The numbers of options over fully paid shares in the parent entity held during the financial year by each director of the parent entity, including their personally-related entities, are set out below.

2006	Balance at 01.07.05	Granted during the year as remuneration	Exercised during the year	Other changes during the year	Balance at 30.06.06	Vested and exercisable at 30.06.06
G C Edwards	-	-	-	-	-	-
A L Govey	-	-	-	-	-	-
N J Smith	2,000,000	-	-	(2,000,000)	-	-
C G Jackson	-	-	-	-	-	-
P W Rowe	-	-	-	-	-	-

2005	Balance at 01.07.04	Granted during the year as remuneration	Exercised during the year	Other changes during the year	Balance at 30.06.05	Vested and exercisable at 30.06.05
G C Edwards	1,712,500	-	-	(1,712,500)	-	-
A L Govey	1,676,625	-	-	(1,676,625)	-	-
N J Smith	4,102,375	-	-	(2,102,375)	2,000,000	2,000,000
C G Jackson	56,250	-	-	(56,250)	-	-
P W Rowe	-	-	-	-	-	-

Other changes during the current and previous year comprise the expiry of listed and unlisted options.

Red 5 Limited and Controlled Entities

Notes to the Financial Statements for the year ended 30 June 2006

	Consolidated		Parent Entity	
	2006	2005	2006	2005
	\$	\$	\$	\$
19. Remuneration of Auditors				
Amounts paid or due and payable to the auditors for:				
Auditing the financial reports	43,882	22,097	43,882	22,097
Taxation advisory services – KPMG Australia	15,500	11,000	15,500	11,000
– overseas KPMG firms	9,662	-	9,662	-
	<u>69,044</u>	<u>33,097</u>	<u>69,044</u>	<u>33,097</u>

20. Expenditure Commitments

(a) Commitments in relation to non-cancellable operating leases are payable as follows:

- not later than one year	70,800	60,849	70,800	60,849
- later than one year but not later than two years	70,800	-	70,800	-
- later than two years but not later than five years	53,100	-	53,100	-
	<u>194,700</u>	<u>60,849</u>	<u>194,700</u>	<u>60,849</u>

(b) Capital expenditure commitments

The consolidated entity has entered into an agreement to purchase a second hand grinding mill for a consideration of US\$1,330,000. A non-refundable deposit of \$449,446 (US\$332,500) has been paid (Refer Note 9), a second instalment of \$446,900 (US\$332,500) is payable on 30 September 2006 and the balance of \$893,800 (US\$665,000) is payable by 30 December 2006.

21. Segment Information

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

Geographical segments	Australia	Philippines	Central Asia	Consolidated
	\$	\$	\$	\$
30 June 2006				
Segment revenue and expenses				
Revenue from ordinary activities	303,670	-	-	303,670
Revenue from other activities	15,365	-	-	15,365
Total segment revenue	<u>319,035</u>	<u>-</u>	<u>-</u>	<u>319,035</u>
Amortisation and depreciation expenses	31,509	-	-	31,509
Exploration expenditure written-off	13,974	-	400,000	413,974
Acquisition of plant and equipment	7,695	-	-	7,695

Red 5 Limited and Controlled Entities

Geographical segments (continued)	Australia	Philippines	Central Asia	Consolidated
	\$	\$	\$	\$
Segment loss	(899,907)	(12,836)	(400,000)	(1,312,743)
Income tax expense	-	-	-	-
Net loss	<u>(899,907)</u>	<u>(12,836)</u>	<u>(400,000)</u>	<u>(1,312,743)</u>
Segment assets	3,185,462	15,903,123	261	19,088,846
Segment liabilities	434,743	1,021,704	51,204	1,507,651
Net cash flow from operating activities	<u>(774,658)</u>	<u>-</u>	<u>-</u>	<u>(774,658)</u>
30 June 2005				
Segment revenue and expenses				
Revenue from ordinary activities	473,281	-	-	473,281
Revenue from other activities	71,768	-	-	71,768
Total segment revenue	<u>545,049</u>	<u>-</u>	<u>-</u>	<u>545,049</u>
Depreciation expenses	24,014	-	-	24,014
Exploration expenditure written-off	14,103	-	167,062	181,165
Acquisition of plant and equipment	49,051	-	-	49,051
Segment loss	(1,058,775)	6,751	(167,062)	(1,219,086)
Income tax expense	-	-	-	-
Net loss	<u>(1,058,775)</u>	<u>6,751</u>	<u>(167,062)</u>	<u>(1,219,086)</u>
Segment assets	8,534,594	8,694,069	400,261	17,628,924
Segment liabilities	697,947	592,440	78,437	1,368,824
Net cash flow from operating activities	<u>(613,520)</u>	<u>-</u>	<u>-</u>	<u>(613,520)</u>

22. Related Parties

Transactions with related parties in the wholly owned group

During the financial year, unsecured loan advances were made between the parent entity and its controlled entities. All such loans were interest free. Loan balances between the parent entity and its controlled entities are disclosed in the financial report of the parent entity. Intra-entity loan balances have been eliminated in the financial report of the consolidated entity. The ownership interests in related parties in the wholly owned group are set out in Note 24.

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

23. Financial Instruments

Financial risk management objectives and policies

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

Red 5 Limited and Controlled Entities

Notes to the Financial Statements for the year ended 30 June 2006

(a) Foreign currency risk

As a result of its operations in the Philippines, the balance sheet of the consolidated entity can be significantly effected by movements in the US\$:A\$ exchange rate. The consolidated entity does not seek to hedge this exposure as revenue and expenses from production will both be predominantly in US\$.

(b) Credit risk exposure

Credit risk relates to the risk that a counter party will default on its contractual obligations resulting in financial loss to the consolidated entity. The exposure of the consolidated entity to credit risk at balance date in relation to each class of recognised financial asset is the carrying amount of the assets as indicated in the statement of financial position.

(c) Net fair values

The fair values of all financial assets and liabilities approximate their carrying values as indicated in the statement of financial position.

(d) Interest rate risk exposure

Interest rate risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market interest rates. The exposure of the consolidated entity to interest rate risk and the effective weighted average interest rate for classes of financial assets and liabilities is set out below.

	Floating interest rate	Fixed interest maturing in:		Non-interest bearing	Total
		1 year or less	Between 1 to 2 years		
30 June 2006	\$	\$	\$	\$	\$
<i>Financial assets</i>					
Cash and cash equivalents	126,020	2,635,023	-	461	2,761,504
Trade and other receivables	-	25,094	-	81,863	106,957
	<u>126,020</u>	<u>2,660,117</u>	<u>-</u>	<u>82,324</u>	<u>2,868,461</u>
Effective interest rate	1.85%	5.73%			
<i>Financial liabilities</i>					
Payables	-	-	-	743,356	743,356
Provisions	-	-	-	459,104	459,104
Borrowings	-	-	-	305,191	305,191
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,507,651</u>	<u>1,507,651</u>
30 June 2005					
<i>Financial assets</i>					
Cash and cash equivalents	193,811	7,078,503	-	461	7,272,775
Trade and other receivables	-	-	-	99,744	99,744
	<u>193,811</u>	<u>7,078,503</u>	<u>-</u>	<u>100,205</u>	<u>7,372,519</u>
Effective interest rate	2.43%	5.70%			
<i>Financial liabilities</i>					
Payables	-	-	-	769,250	769,250
Provisions	-	-	-	276,728	276,728
Borrowings	-	-	-	322,846	322,846
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,368,824</u>	<u>1,368,824</u>

Red 5 Limited and Controlled Entities

24. Investments in Controlled Entities

Name of controlled entities	Country of incorporation	Class of shares	Equity holding	
			2006	2005
			%	%
Asia Gold Limited	United Kingdom	Ordinary	50	50
Bremer Resources Pty Ltd	Australia	Ordinary	100	100
Estuary Resources Pty Ltd	Australia	Ordinary	100	100
Greenstone Resources (WA) Pty Ltd	Australia	Ordinary	100	100
Oakborough Pty Ltd	Australia	Ordinary	100	100
Opus Resources Pty Ltd	Australia	Ordinary	100	100
Red 5 Philippines Pty Ltd	Australia	Ordinary	100	100
Bremer Binaliw Corporation	Philippines	Ordinary	100	100
Greenstone Resources Corporation	Philippines	Ordinary	100	100

Bremer Binaliw Corporation is a wholly owned subsidiary company of Bremer Resources Pty Ltd.

Business combination - acquisition of Asia Gold Limited

During the previous financial year the parent entity entered into a subscription agreement to acquire a 50% shareholding in Asia Gold Limited, which is a private company incorporated in the United Kingdom, by contributing \$268,283 (US\$200,000) in share capital subscriptions. Asia Gold Limited became a partly owned controlled entity in October 2004 following the allotment of shares to the parent entity. Details of the acquisition are as follows:

	Recognised on acquisition
	\$
Fair value of identifiable net assets of controlled entity acquired	
Cash assets	261
Deferred exploration expenditure	536,305
Net assets	536,566
Less minority interests	(268,283)
Consideration	268,283
Outflow of cash to acquire controlled entity, net of cash acquired	
Cash consideration paid during current year	189,846
Deferred cash consideration	78,437
Less cash acquired	(261)
Consideration net of cash acquired	268,022

From the date of acquisition Asia Gold Limited contributed \$Nil to the net loss of the consolidated entity for the year ended 30 June 2005. If the combination had taken place at the beginning of the year ended 30 June 2005, there would be no effect on the loss or revenue for the consolidated entity for that year.

Notes to the Financial Statements for the year ended 30 June 2006

25. Reconciliation of Net Cash Outflow from Operating Activities to Operating Loss After Income Tax

	Consolidated		Parent Entity	
	2006	2005	2006	2005
	\$	\$	\$	\$
Net cash outflow from operating activities	(774,658)	(613,520)	(774,658)	(613,520)
Amortisation and depreciation	(31,509)	(24,014)	(31,509)	(24,014)
Exploration expenditure written-off	(413,974)	(181,165)	(2,323)	(43,408)
Impairment of investments	-	(361,255)	(268,283)	(361,255)
Impairment of loans	-	-	(11,508)	(1,452)
Profit on sale of investments	15,365	71,768	15,365	71,768
Plant and equipment written-off	-	(3,881)	-	(3,881)
Translation loss on loan to controlled entity	-	-	(103,819)	-
Changes in operating assets and liabilities				
Increase/(decrease) in receivables	(2,845)	13,032	(2,845)	13,032
(Increase)/decrease in payables	(10,402)	19,675	(10,402)	19,675
(Increase)/decrease in provisions	(94,720)	(139,726)	(96,373)	(139,726)
Operating loss after income tax	<u>(1,312,743)</u>	<u>(1,219,086)</u>	<u>(1,286,355)</u>	<u>(1,082,781)</u>

26. Non Cash Financing and Investing Activities

Issue of shares for purchase of an additional beneficial interest in the Siana project	2,171,052	-	2,171,052	-
Issue of shares for technical and financial advisory services	120,000	60,000	120,000	60,000
	<u>2,291,052</u>	<u>60,000</u>	<u>2,291,052</u>	<u>60,000</u>

27. Loss Per Share

Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	<u>266,552,368</u>	<u>241,644,270</u>
---	--------------------	--------------------

No dilutive potential ordinary shares existed as at balance date, therefore diluted earning per share has not been calculated or disclosed. No movements in ordinary shares and options occurred subsequent to balance date.

28. Subsequent Events

- Subsequent to the end of the financial year, the parent entity agreed the terms of a finance facility of \$2,000,000 from a financial institution. The facility may be drawn down at any time up until 31 March 2007 and can be used to fund the Siana bankable feasibility study and the purchase of the ball mill. The facility is repayable on the earlier of 31 December 2008 or project financing of the Siana project. The facility is subject to completion of formal documentation and conditions precedent.
- In September 2006, AngloGold Ashanti Australia Limited gave formal notice of its election to farm-in to and earn an interest in the regional area of the Siana project (excluding the Siana mine development area).

29. Explanation of Transition to AIFRS

This financial report is the first annual consolidated financial statements prepared by the consolidated entity applying Australian equivalents of International Financial Reporting Standards (AIFRS) in accordance with Australian Accounting Standards.

The accounting policies set out in Note 1 have been applied in preparing the financial statements for the year ended 30 June 2006 and the comparative information for the year ended 30 June 2005 and the preparation of an opening AIFRS balance sheet at 1 July 2004 (the consolidated entity's date of transition).

In preparing its opening AIFRS balance sheet and comparative information for the year ended 30 June 2005, the consolidated entity has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (previous AGAAP).

An explanation of how the transition from previous AGAAP to AIFRS has affected the consolidated entity's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

Reconciliation of equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to equity under Australian equivalents to IFRS (AIFRS)

(a) As at the date of transition to AIFRS on 1 July 2004

Consolidated	Note	Previous AGAAP	Effect of transition to AIFRS	AIFRS
			01.07.04	
Current assets				
Cash assets		8,097,035	-	8,097,035
Trade and other receivables		58,410	-	58,410
Other financial assets		1,205,000	-	1,205,000
Total current assets		<u>9,360,445</u>	<u>-</u>	<u>9,360,445</u>
Non-current assets				
Other financial assets		90,234	-	90,234
Property, plant and equipment		53,811	-	53,811
Deferred exploration expenditure	29(e)(i)	3,892,450	(66,744)	3,825,706
Total non-current assets		<u>4,036,495</u>	<u>(66,744)</u>	<u>3,969,751</u>
Total assets		<u>13,396,940</u>	<u>(66,744)</u>	<u>13,330,196</u>
Current liabilities				
Trade and other payables		793,305	-	793,305
Provisions		57,002	-	57,002
Total current liabilities		<u>850,307</u>	<u>-</u>	<u>850,307</u>
Non-current liabilities				
Borrowings		322,846	-	322,846
Provisions		80,000	-	80,000
Total non-current liabilities		<u>402,846</u>	<u>-</u>	<u>402,846</u>
Total liabilities		<u>1,253,153</u>	<u>-</u>	<u>1,253,153</u>
Net assets		<u>12,143,787</u>	<u>(66,744)</u>	<u>12,077,043</u>
Equity				
Contributed equity		23,434,632	-	23,434,632
Reserves	29(e)(i)	-	(47,189)	(47,189)
Accumulated losses	29(e)(i)	(11,290,845)	(19,555)	(11,310,400)
Total parent entity interest		<u>12,143,787</u>	<u>(66,744)</u>	<u>12,077,043</u>
Outside equity interests		-	-	-
Total equity		<u>12,143,787</u>	<u>(66,744)</u>	<u>12,077,043</u>

Notes to the Financial Statements for the year ended 30 June 2006

(b) As at the end of the previous reporting period under previous AGAAP, 30 June 2005

Consolidated	Note	Previous AGAAP	Effect of transition to AIFRS 30.06.05	AIFRS
Current assets				
Cash assets		7,272,775	-	7,272,775
Trade and other receivables		99,744	-	99,744
Other financial assets		1,130,422	-	1,130,422
Total current assets		<u>8,502,941</u>	<u>-</u>	<u>8,502,941</u>
Non-current assets				
Property, plant and equipment		74,967	-	74,967
Deferred exploration expenditure	29(e)(ii)	9,530,900	(479,884)	9,051,016
Total non-current assets		<u>9,605,867</u>	<u>(479,884)</u>	<u>9,125,983</u>
Total assets		<u>18,108,808</u>	<u>(479,884)</u>	<u>17,628,924</u>
Current liabilities				
Trade and other payables		769,250	-	769,250
Provisions		87,885	-	87,885
Total current liabilities		<u>857,135</u>	<u>-</u>	<u>857,135</u>
Non-current liabilities				
Borrowings		322,846	-	322,846
Provisions		188,843	-	188,843
Total non-current liabilities		<u>511,689</u>	<u>-</u>	<u>511,689</u>
Total liabilities		<u>1,368,824</u>	<u>-</u>	<u>1,368,824</u>
Net assets		<u>16,739,984</u>	<u>(479,884)</u>	<u>16,260,100</u>
Equity				
Contributed equity		28,981,632	-	28,981,632
Reserves	29(e)(ii)	-	(460,329)	(460,329)
Accumulated losses	29(e)(ii)	(12,441,648)	(19,555)	(12,461,203)
Total parent entity interest		<u>16,539,984</u>	<u>(479,884)</u>	<u>16,060,100</u>
Outside equity interests		200,000	-	200,000
Total equity		<u>16,739,984</u>	<u>(479,884)</u>	<u>16,260,100</u>

(c) Reconciliation of loss for the year ended 30 June 2005

Consolidated	Note	Previous AGAAP	Effect of transition to AIFRS	AIFRS
			For the year ended 30.06.05	
Revenue from continuing operations				
Revenue from ordinary activities		473,281	-	473,281
Proceeds from sale of investments	29(e)(iii)	71,768	(71,768)	-
Total revenue		<u>545,049</u>	<u>(71,768)</u>	<u>473,281</u>
Other operating income				
Profit on sale of investments	29(e)(iii)	-	71,768	71,768
Expenses				
Depreciation expenses		24,014	-	24,014
Employee and consultancy expenses		810,713	-	810,713
Exploration expenditure written-off		181,165	-	181,165
Insurance expenses		56,744	-	56,744
Occupancy expenses		75,960	-	75,960
Provision for diminution in investments		361,255	-	361,255
Regulatory expenses		86,277	-	86,277
Other expenses from ordinary activities		<u>168,007</u>	<u>-</u>	<u>168,007</u>
Loss from ordinary activities before income tax expense		<u>(1,219,086)</u>	<u>-</u>	<u>(1,219,086)</u>
Income tax expense		<u>-</u>	<u>-</u>	<u>-</u>
Net loss from ordinary activities after income tax		(1,219,086)	-	(1,219,086)
Net loss attributable to outside equity interests		<u>68,283</u>	<u>-</u>	<u>68,283</u>
Net loss attributable to members of Red 5 Limited		<u>(1,150,803)</u>	<u>-</u>	<u>(1,150,803)</u>
		Cents		Cents
Basic earnings/(loss) per share		(0.48)		(0.48)
Diluted earnings/(loss) per share		(0.48)		(0.48)

Notes to the Financial Statements for the year ended 30 June 2006

(d) Reconciliation of cash flow statement

The adoption of AIFRS has not resulted in any material adjustments to the cash flow statement in prior periods.

(e) Notes to the reconciliation of equity and loss

Effects of changes in foreign exchange rates

Under previous AGAAP, the consolidated entity elected to apply the temporal method for the translation of foreign currency operations, whereas this method is not available under AIFRS. AASB 121 does not distinguish between foreign operations that are integral and those that are self-sustaining and requires that the current rate method be applied in the translation of foreign currency operations. As a consequence, translation at transition date and each subsequent reporting date has been re-performed using the translation method required under AASB 121. The effect of this is as follows:

(i) At 1 July 2004

For the consolidated entity there has been a decrease in deferred exploration expenditure in the balance sheet of \$66,744, and a corresponding increase in reserves of \$47,189 and in accumulated losses of \$19,555.

(ii) At 30 June 2005

For the consolidated entity there has been a decrease in deferred exploration expenditure in the balance sheet of \$479,884, and a corresponding increase in other reserves of \$74,410, in foreign exchange translation differences in reserves of \$385,919 and in accumulated losses of \$19,555.

Revenue

AASB 118 under AIFRS requires disclosure of the net gain or loss on sale of assets such as investments and plant and equipment, rather than including the gross sale proceeds in revenue as required under previous AGAAP. The effect of this is as follows:

(iii) Year ended 30 June 2005

For the parent entity and the consolidated entity, proceeds on sale of investments have been re-classified as profit on sale of investments. There is no effect on the loss for the period.

(f) Change in accounting policy

In the current financial period the consolidated entity adopted AASB 132: Financial Instruments - Disclosure and Presentation and AASB 139: Financial Instruments - Recognition and Measurement. This change in accounting policy has been adopted in accordance with the transition rules contained in AASB 1, which does not require the restatement of comparative information for financial instruments within the scope of AASB 132 and AASB 139.

The adoption of AASB 139 has resulted in the consolidated entity recognising available-for-sale investments and all derivative financial instruments as assets or liabilities at fair value.

Under previous AGAAP, the consolidated entity recognised interest free borrowings at face value. An adjustment has been raised to recognise interest free borrowings at fair value at 1 July 2005 with the effect on the consolidated entity to decrease accumulated losses by \$16,002 and decrease in non-current borrowings by \$16,002.

Under previous AGAAP, the consolidated entity recorded available-for-sale financial instruments at cost. As the share prices of available-for-sale investments were below their original cost at 1 July 2005, under previous AGAAP the investments were written down to fair value. In accordance with AIFRS, available-for-sale financial investments are now recognised at fair value. As the carrying value of available-for-sale investments are the same under both previous AGAAP and AIFRS at 1 July 2005, no effect has occurred on adoption of AASB 139.

(g) Parent entity

No adjustments on transition to AIFRS by the parent entity were identified.

Declaration by Directors

The Board of Directors of Red 5 Limited declares that:

- (a) the financial statements and accompanying notes and the remuneration disclosures that are contained in the Remuneration Report in the Directors' Report are in accordance with the Corporations Act 2001, including:
 - giving a true and fair view of the financial position as at 30 June 2006 and performance of the parent entity and the consolidated entity for the financial year ended on that date; and
 - complying with Australian Accounting Standards and the Corporations Regulations 2001;
- (b) the remuneration disclosures that are contained in the Remuneration Report in the Directors' Report comply with Australian Accounting Standard AASB 124 Related Party Disclosures; and
- (c) at the date of this declaration and as set out in Note 1(c), there are reasonable grounds to believe that the parent entity will be able to pay its debts as and when they fall due.

The Board of Directors has received the declaration by the managing director and chief financial officer required by Section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors.

G C Edwards

Managing Director

Perth, Western Australia

28 September 2006

Independent Audit Report

Independent audit report to members of Red 5 Limited

Scope

The financial report, remuneration disclosures and directors' responsibility

The financial report comprises the income statements, statements of changes in equity, balance sheets, statements of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Red 5 Limited (the "Company") and Red 5 Limited and its Controlled Entities (the "Consolidated Entity") for the year ended 30 June 2006. The Consolidated Entity comprises both the Company and the entities it controlled during that year.

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

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report and the Remuneration report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The directors are also responsible for preparing the relevant reconciling information regarding the adjustments required under the Australian Accounting Standard AASB 1 First-time Adoption of Australian equivalents to International Financial Reporting Standards. The directors are also responsible for the remuneration disclosures contained in the directors' report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement and the remuneration disclosures comply with AASB 124. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, Australian Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's and the Consolidated Entity's financial position, and of their performance as represented by the results of their operations and cash flows and whether the remuneration disclosures comply with Australian Accounting Standard AASB 124.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Audit opinion

In our opinion:

- (1) the financial report of Red 5 Limited is in accordance with:
 - (a) Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's and Consolidated Entity's financial position as at 30 June 2006 and of their performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
 - (b) other mandatory financial reporting requirements in Australia; and
- (2) the remuneration disclosures that are contained under the heading "Remuneration report" in the directors' report comply with Australian Accounting Standard AASB 124 Related Party Disclosures.

KPMG

B C FULLARTON

Partner

Perth, 28 September 2006

Red 5 Limited and Controlled Entities

Corporate Governance Statement

A description of Red 5's main corporate governance practices is set out below. These practices, unless otherwise stated, were in place for the entire financial year. Copies of relevant corporate governance policies are available in the corporate governance section of the Company's web-site at www.red5limited.com.

The Company's Board and management are committed to a high standard of corporate governance practices. Good corporate governance will evolve with the changing circumstances of a company and must be tailored to meet these circumstances. Red 5 is a junior exploration company and currently operates with a limited number of permanent staff.

BOARD OF DIRECTORS

Role of the Board

The Board has the responsibility for protecting the rights and interests of shareholders and the enhancement of long-term shareholder value. The Board charter states that the Board is responsible for:

- the corporate governance of the Company;
- the overall strategic direction and leadership of the Company;
- approving and monitoring management implementation of objectives and strategies; and
- reviewing performance against stated objectives by receiving regular management reports on the business situation, opportunities and risks.

Structure of the Board

The Company has a five member Board comprising two executive directors and three non-executive directors, including the Chairman. The roles of Chairman and Managing Director are not combined. Messrs Edwards and Govey are not considered independent by virtue of their executive roles in the Company, neither are Mr Smith or Mr Jackson by virtue of financial remuneration during the year. Mr Rowe represents one of the Company's major shareholders and is therefore deemed not to be independent.

Board members should possess complementary business disciplines and experience aligned with the Company's objectives. At various times there may not be a majority of directors classified as being independent, according to ASX guidelines. Where any director has a material personal interest in a matter, the director is not permitted to be present during discussions or to vote on the matter. Details of the experience, qualifications and term of office of directors are set out in the Directors' Report.

Financial materiality thresholds used in the assessment of directors' independence are set at 5% of the annual gross expenditure of the Company and/or 25% of the annual income or business turnover of the director. Having regard to the structure of the Board and of executive management, it is considered appropriate by the Board to effectively utilise the Chairman's skills as a consultant to provide crucial peer review of the corporate, legal and commercial aspects of the Company's operations.

Each director is entitled to seek independent professional advice at the Company's expense in carrying out their duties. Prior written approval of the Chairman is required, but will not be unreasonably withheld.

The audit committee comprises the three non-executive directors of the Company and the remuneration committee comprises Mr Jackson and Mr Smith, with Mr Jackson being the chairman of both committees. Details of the qualifications of committee members and attendance at committee meetings are set out in the Directors' Report.

The Board will give consideration at an appropriate time in the Company's development, for the creation of a separate nomination committee. The current size of the full Board permits it to act as the nomination committee and to regularly review membership. The Board has adopted a formal process for an annual self assessment of its collective performance, the performance of individual directors and of Board committees. Due to the scheduling of Board meetings, no formal assessment was undertaken during the year ended 30 June 2006.

Corporate Governance Statement

AUDIT PROCESSES AND POLICIES

The Board is responsible for the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Company. An audit committee has been established whose responsibilities include:

- reviewing and approving statutory financial reports and all other financial information distributed externally;
- monitoring the effective operation of the risk management and compliance framework;
- reviewing the effectiveness of the Company's internal control environment including compliance with applicable laws and regulations;
- the nomination of the external auditors and the review of the adequacy of the existing external audit arrangements; and
- considering whether non-audit services provided by the external auditor are consistent with maintaining the external auditor's independence.

The external auditors, KPMG, have engagement terms refreshed annually and provide an annual declaration of their independence to the Board. KPMG were appointed as auditors in 1998. The current engagement partner has conducted the audit since 2003 with rotation due no later than 2008.

SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

The audit committee is responsible for reviewing and reporting to the Board on the Company's financial reports and external audit processes. The Managing Director and Chief Financial Officer provide a certification to the Board on the integrity of the Company's external financial reports.

The Board does not specifically require an additional certification that the financial statements are founded on sound risk management systems and that compliance and control systems are operating efficiently and effectively. The Board considers that risk management and internal compliance and control systems are sufficiently robust for the Board to place reliance on the integrity of the financial statements without the need for an additional certification by management.

RESPECT THE RIGHTS OF SHAREHOLDERS AND STAKEHOLDERS

The Board has adopted communications strategies and practices to promote communication with shareholders and to encourage effective participation at general meetings. The external auditor will attend annual general meetings and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report. The Board has also established a code of conduct to guide compliance with the legitimate interests of all stakeholders.

TIMELY AND BALANCED DISCLOSURES

The Board endorses a culture in favour of continuous disclosure and recognises the benefits of consistency to be achieved through a dedicated communications officer and authorised spokesperson. This is complemented by the National Investor Relations Institute (USA) "Code of Ethics" which amongst other elements demands the timely communication of information, whether favourable or unfavourable to the Company.

Material information is lodged immediately with the ASX and then disseminated by posting to the web-site. Shareholders, potential investors and interested parties can avail themselves of an email alert facility. A strict protocol is practiced for all investor/analyst/media meetings, group briefings and conference calls.

DEALINGS IN COMPANY SHARES

The Company's share trading policy prohibits the purchase or disposal of shares by directors, officers and employees in the period of 2 to 4 weeks prior to the release of quarterly reports, half year and full year results and for 48 hours thereafter. Any transactions to be undertaken must be notified to the Chairman or Managing Director in advance. Directors must also advise the Company of any transactions conducted by them in the shares of the Company.

REMUNERATE FAIRLY AND RESPONSIBLY

The remuneration committee operates in accordance with a formal written charter. The committee advises the Board on remuneration and incentive policies and practices generally and makes specific recommendations in relation to compensation arrangements for executive and non-executive directors and in respect of all equity based remuneration plans. Details of the Company's remuneration policies are set out in the Remuneration Report section of the Directors' Report.

Statement of Shareholders

The following information was reflected in the records of the Company as at 28 September 2006.

Distribution of shareholders	Number of holders
1 - 1,000	27
1,001 - 5,000	107
5,001 - 10,000	200
10,001 - 100,000	820
100,001 and over	243
	<hr/> 1,397 <hr/>
Including less than a marketable parcel	93

Classes of shares and voting rights

At meetings of members or classes of members, each member entitled to vote may vote in person or by proxy or attorney. 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 on a poll, every person present in person or by proxy has one vote for each ordinary share held.

Substantial shareholders

The following shareholders have lodged a notice of substantial shareholding in the Company.

Shareholder	Number of shares	%
Mathews Capital Partners - Sabre Fund	46,532,799	17.28
AngloGold Ashanti Australia Limited	37,833,945	14.05

Twenty largest holders of fully paid shares

Shareholder	Shares	%
1. ANZ Nominees Limited	53,740,177	19.96
2. AngloGold Ashanti Australia Limited	37,833,945	14.05
3. Abbotsleigh Pty Ltd	7,300,000	2.71
4. Allen Lance Govey	6,135,000	2.28
5. Gregory Charles Edwards	6,105,000	2.27
6. Merrill Crowe Corporation	5,609,955	2.08
7. Breamelea Pty Ltd (J&E MacDonald Account)	5,000,000	1.86
8. Arrow Investment Pty Ltd	4,519,818	1.68
9. Berne No. 132 Nominees Pty Ltd (323731 Account)	4,203,000	1.56
10. Berne No. 132 Nominees Pty Ltd (325489 Account)	3,800,000	1.41
11. Bruce Neville Tomich (Tomich Family Fund Account)	3,103,000	1.15
12. National Nominees Limited	3,057,270	1.14
13. Jeffrey Brookman & Barbara Brookman	3,034,425	1.13
14. Halb Nominees Limited	2,830,000	1.05
15. HSBC Custody Nominees (Australia) Limited	2,300,000	0.85
16. Berne No. 132 Nominees Pty Ltd (323723 Account)	2,169,992	0.81
17. RBC Dexia Investor Services Australia Nominees Pty Ltd	2,115,937	0.78
18. Geraldton Agricultural Services Pty Ltd	1,741,870	0.64
19. Reynolds (Nominees) Pty Ltd	1,697,507	0.63
20. Struven Nominees Pty Ltd	1,676,500	0.62
	<hr/> 157,973,396 <hr/>	<hr/> 58.66 <hr/>

Red 5 Limited and Controlled Entities

Investor Information

Announcements

The Company makes both statutory announcements (Activities or quarterly reports, financial reports, Appendix 5B cash statements, changes to Directors' interests) and specific announcements under Continuous Disclosure provisions on a timely basis. Significant announcements made during the financial year include:

Release date	Announcement subject
19/09/2005	Ceasing to be a substantial holder of Range River Gold
29/09/2005	Financial Report Year Ended 30 June 2005
20/10/2005	2005 Annual Report
28/10/2005	First Quarter Activities and Cash flow Report
24/11/2005	AGM Chairman's Address
5/01/2006	Lapse of unlisted options
23/01/2006	Montague JV – Placer Dome \$4 million farm-in
31/01/2006	Second Quarter Activities and Cash flow Report
6/02/2006	Change in substantial holding from Mathews Capital
10/02/2006	Change of Director's Interest Notice
15/03/2006	Half Year Financial Accounts
24/04/2006	Montague JV - Barrick-Placer commence exploration
24/04/2006	Change in substantial holding from Mathews Capital
28/04/2006	Third Quarter Activities and Cash flow Report
1/05/2006	Siana Pre-feasibility study results
15/05/2006	Change in substantial holding from Mathews Capital
26/07/2006	Record Siana gold and silver grade intersection
26/07/2006	Change in substantial holding from Mathews Capital
31/07/2006	Fourth Quarter Activities and Cash flow Report
30/08/2006	New drill result supports previous record gold intersection

Share Price Movements

Share price ranges on the Australian Stock Exchange during the 2005-2006 year were:

Quarter Ended	High (cents)	Low (cents)
September 2005	14.0	9.5
December 2005	13.0	9.6
March 2006	13.0	8.5
June 2006	13.5	9.0

The closing share price on 30 June 2006 and on the date of this report was 9.0 cents (12.0 cents 2005) and 11.0 cents (12.5 cents 2005) respectively.

Investor Relations

This Annual report has been produced with the objective of ensuring that shareholders are informed on company strategy and performance sufficient to make or retain and investment in the Company.

Announcements, statutory reports and the latest information on the Company's projects are available on the Red 5 Limited website: www.red5limited.com

Financial institutions, stockbrokers and other non-shareholder entities requiring copies of this report, Activities Reports and other corporate information should contact the Directors at:

Red 5 Limited Level 2,
35 Ventnor Avenue
West Perth 6005
Western Australia Australia
Phone: +61 8 9322 4455
Facsimile: +61 8 9481 5950
Shareholder Enquiries

Enquiries relating to shareholding, tax file number and notification of change of address should be directed to:

Security Transfer Registrars Pty Ltd
770 Canning Highway Applecross WA 6153

Telephone: +61 8 9315 2333
Facsimile: +61 8 9315 2233
Email: registrar@securitytransfer.com.au

Corporate Directory

Board of Directors

Nicholas J Smith (Chairman)
Gregory C Edwards (Managing Director)
Allen L Govey (Exploration Director)
Colin G Jackson (Non-executive Director)
Peter W Rowe (Non-executive Director)

Company Secretary

Frank J Campagna

Registered Office

Level 2
35 Ventnor Avenue
West Perth
Western Australia 6005
Telephone: (61 8) 9322 4455
Facsimile: (61 8) 9481 5950
E-mail: info@red5limited.com
Web-site: www.red5limited.com

Share Registry

Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross WA 6153
Telephone: (61 8) 9315 2333
Facsimile: (61 8) 9315 2233
E-mail: registrar@securitytransfer.com.au
Website: www.securitytransfer.com.au

Bankers

Bank of New Zealand, Australia
Level 10
2 The Esplanade
PERTH WA 6000

Auditors

KPMG
152-158 St George's Terrace
PERTH WA 6000

Solicitors

Pullinger Readhead Lucas
Level 2
50 Kings Park Road
WEST PERTH WA 6005

Annual General Meeting

The tenth Annual General Meeting will be held at 10am, 23 November 2006 at:
The Constitutional Centre of Western Australia,
Cnr Parliament Place & Havelock Street,
West Perth 6005.

All shareholders are invited to attend.



Tenement Directory

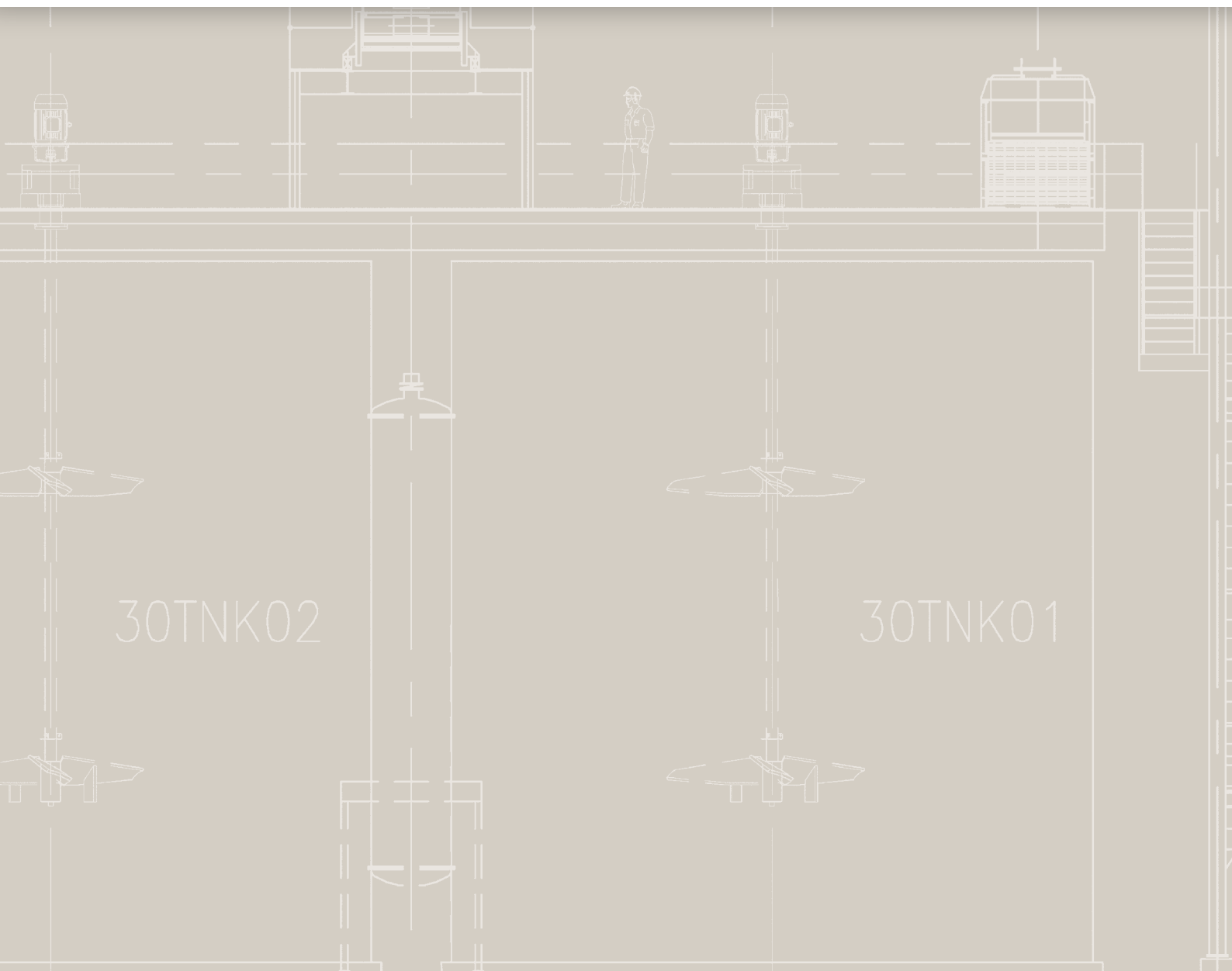
Philippines

Siana gold project	MPSA 184-2002-XIII APSA 46-XIII APSA 30-XIII (Mapawa)	(90% beneficial interest) (Right to earn an 80% interest) (Right to earn an 80% interest)
--------------------	---	---

Western Australia

Montague	ELA57/561 ML57/429, ML57/485	(25% free carried) (25% free carried)
----------	---------------------------------	--

www.red5limited.com



ELUTION COLUMN

CIL TANKS