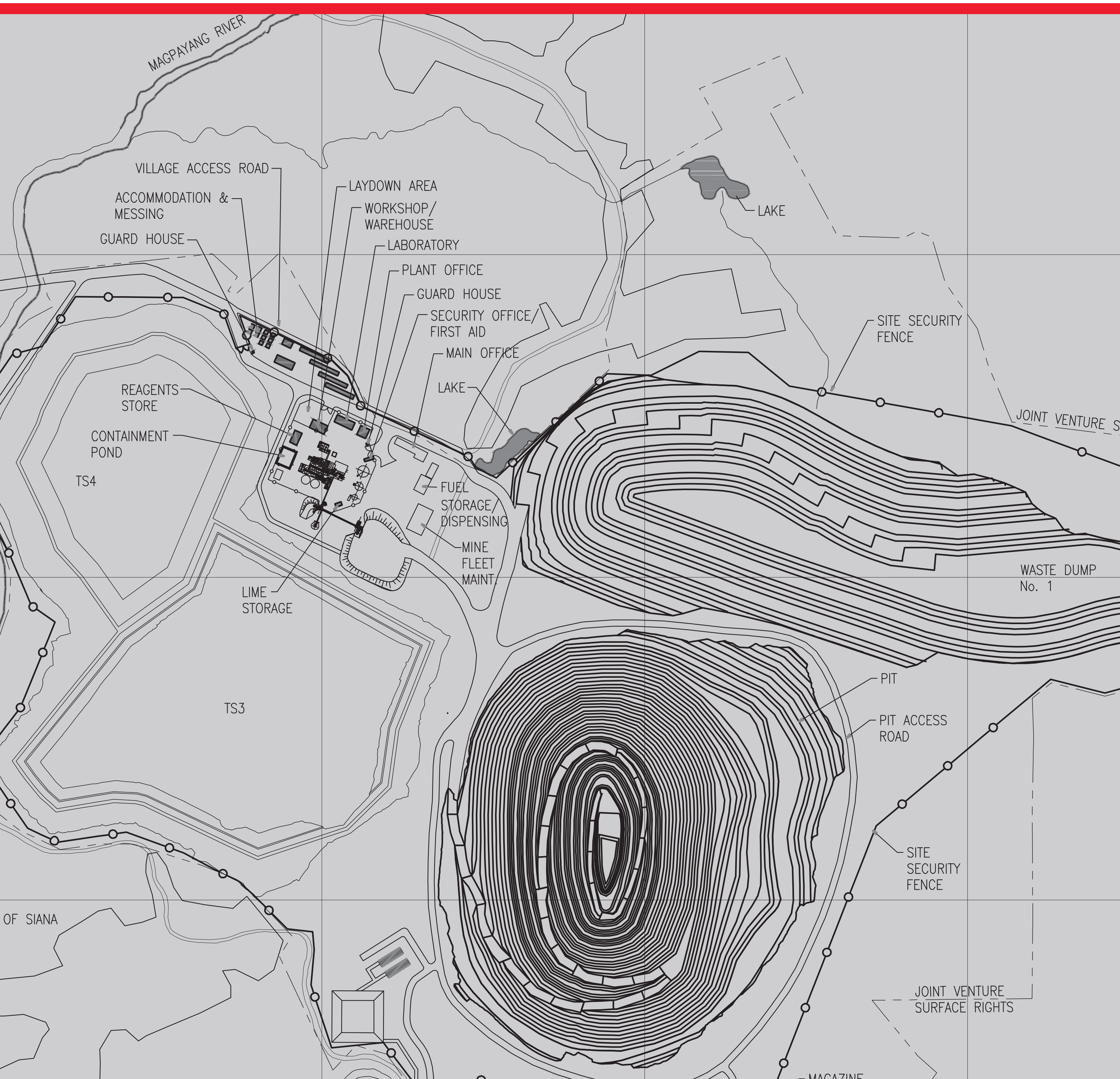
Red5Limited

ANNUAL REPORT **2008**



Corporate Profile

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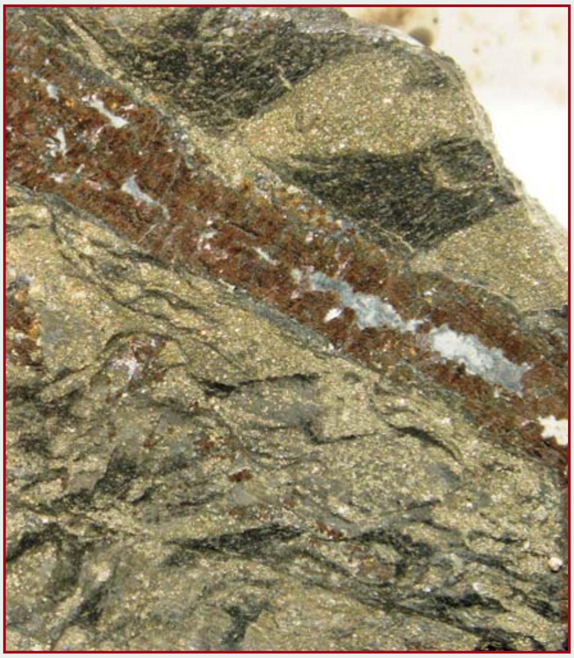
Red 5 Limited (ABN 73 068 647 610) is listed on the Australian Stock Exchange (ticker RED) with over 1,600 shareholders. The largest shareholders are Mathews Capital with a 19% interest, AngloGold Ashanti Australia Limited with a 10% interest and Portfolio Partners with a 6% interest.

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 study (open pit followed by an underground mine, and modern gravity and carbon-in-leach treatment plant) was completed in 2007 and is currently being reviewed to reflect the impact of inflation on capital and operating costs. The equity component for the project development was raised in November 2007.

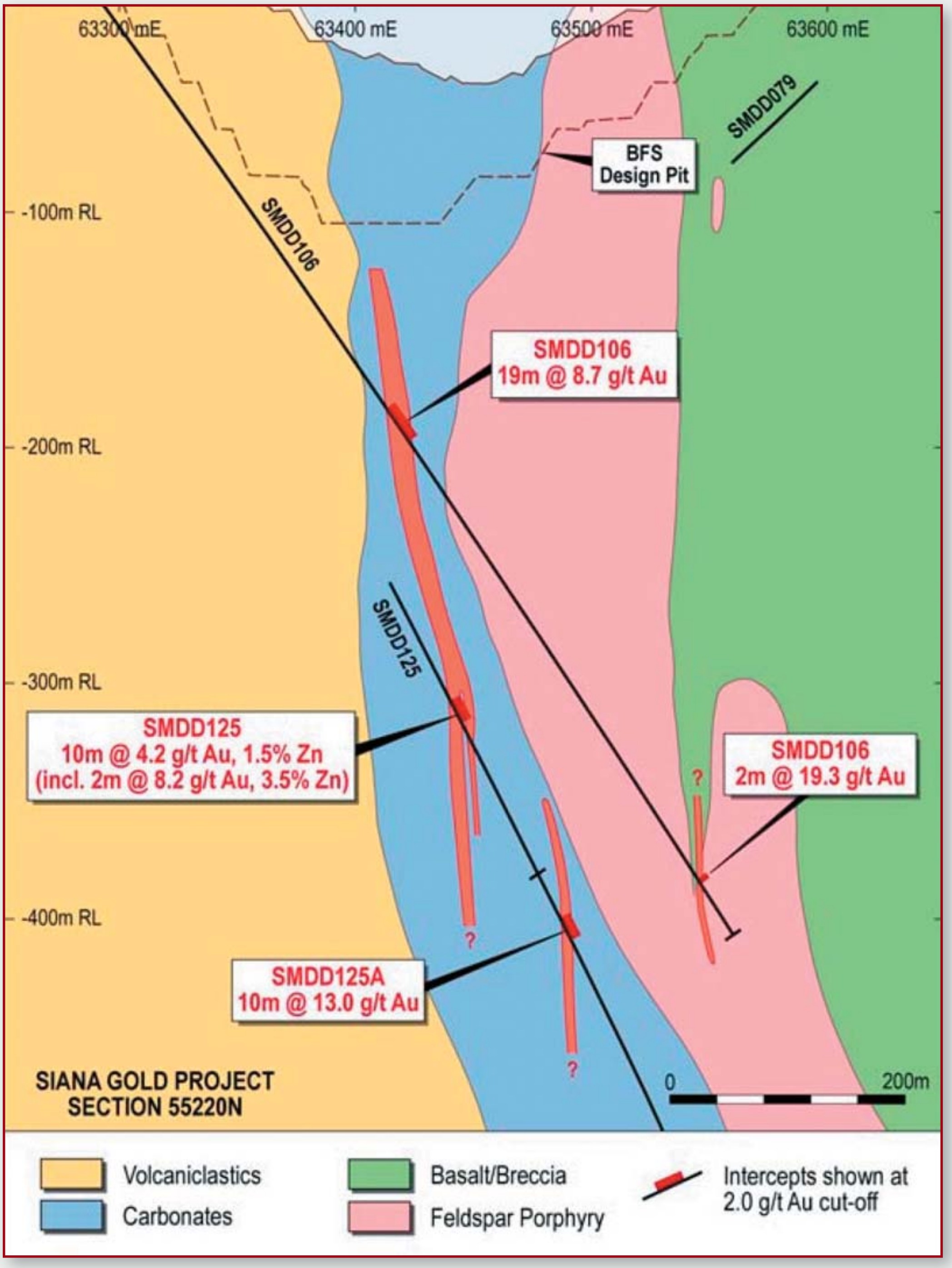
Current activities – detailed underground mine plan, Environmental Impact Statement Submission and Environmental Compliance Certificate approval, and title transfer to the operating company – are Board and bank funding syndicate conditions precedent prior to proceeding.

AngloGold Ashanti, under a strategic alliance may proceed to joint venture two tenements areas, namely Outer Siana and Mapawa. They may earn up to 67.5% and 60% respectively with staged exploration expenditure totalling US$10.5 million in each area.



High grade gold/zinc vein in SMDD105 (507m).

The Siana ore body remains open at depth with the deepest intersection to date now at 450 metres vertical.



Chairman's Address

The Company has continued to progress the development of the one million ounce Siana deposit, but has taken longer than anticipated to complete the required drilling, upgrade and evaluation of the underground resource component.

The Board and management has shown strong support for the project since the Mineral Production and Sharing Agreement award in December 2002, and acknowledge the patience of all stakeholders, long time shareholders and particularly the November 2007 equity providers alike.

Management is working closely with supportive regulatory authorities to ensure earliest possible commencement of operations that will contribute significant benefits throughout the mine life to the host communities, local and provincial governments and national economy. Based on current calculations the total statutory tax and fee return to the nation is estimated at approximately 5 billion pesos, or in excess US$100 million at current exchange rates.

Red 5 has supported local communities throughout this period, particularly those in neighbouring Siana, Cawilan and Dayano. The Company delivers potable water to nearly 3,000 inhabitants, provides medical, dental and emergency hospital transport, delivers nutrition programmes for under-nourished children, has built public playgrounds and supported local schools. Previous annual reports have documented these activities.

The Company has undertaken a measured build up of key Philippino and expatriate professional staff as we transition from exploration and evaluation to permitting and design. A corporate office was established in Manila facilitating more efficient communication with government departments and mining service providers.

Each of the expanded executive team, the Chief Financial Officer, the Project Manager, the Construction Manager, the senior Philippino staff and a change in our legal advisors both in Australia and the Philippines has increased project momentum and preparedness markedly.

At the date of this report the Environmental Impact Statement submission was pending. Management has worked on a closely co-operative basis with the committee of the Environmental Management Bureau who again visited site in May 2008 for a positive consultation with local government and community representatives. The EIS document which requires the co-ordination of many consultant disciplines has been prepared in meticulous detail to meet both the requirements of the Philippines authorities and the Equator Principle tests of our lead arranger bank. In parallel, all project numbers are being refreshed to reflect capital and operating cost inflation since the technical study was complete.

While human and financial resources have been prioritised toward the Siana development and associated tenements in Surigao del Norte a number of approaches and opportunities were also considered by the Company. None were significant enough to warrant material due diligence.

For most of the year gold equities were not the first choice of investors despite the physical breaching US$1,000 per ounce in March 2008. Whilst the rapidly expanding availability of stock exchange listed ETFs (exchange traded funds) has generated greater depth in demand for the physical commodity, it has simultaneously provided an investment alternative that removes management risk associated with an equity investment. Unfortunately, this trend away from gold equities has been reinforced with producing gold company disappointments outpacing successes.

Given the difficult share market for all equities at the time of writing, the Company confirms that it does not hold securities in other companies and cash reserves are held exclusively with major Australian street banks.

Colin G Jackson
Chairman

Siana Gold Project

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 is manager of a joint venture between Philippine companies Greenstone Resources Corporation and Merrill Crowe Corporation, an associated company of First Metro Investment Corporation, a division of Metrobank.

The MPSA (Mineral Production Sharing Agreement) title transfer from the original joint venture partner to Merrill Crowe Corporation was completed during the year and at the date of this report a further transfer of title to a newly created joint operator company is contemplated.

Location and logistics

The project covers an area of approximately 39 km^2 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 discovery (15 million ounce gold equivalent) made by the Anglo American-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, three experienced senior professionals joined the team, Mr William Darcey (Project Manager), Mr Warren Mathews (Construction Manager) and Mr Raj Surendran (Chief Financial Officer) to provide on-going planning, co-ordination and implementation of the development. An office was opened in Manila with three key Philippino professionals and a number of support personnel engaged.

Specialist groups currently engaged in various elements of the pre-development activities include:

Cube Consulting
Underground Resource estimation

Red Rock Engineering
Underground mine design, scheduling and costing

Intermet Engineering
Underground metallurgy, process plant design and site infrastructure

GHD
Tailings storage facility final design

Peter O'Bryan & Associates
Underground geotechnical assessment, review and recommendation

Meyer Water & Environmental Solutions
Hydrology and Hydrogeology

BMP Environment & Community Care Inc
Environmental impact assessment and community development

Bill Darcey, Project Manager (right) and Warren Mathews, Construction Manager.

Pre-development Activities

Environmental Impact Study

A comprehensive EIS is being finalised by Manila based consultant BMP Environment and Community Care Inc. to be lodged with the Environmental Management Bureau (EMB) in October 2008. A mandatory final public hearing is scheduled for late 2008. As previously stated, community support for the project remains at a high level.

Declaration of Feasibility

The Declaration of Feasibility is a mandatory presentation of the definitive feasibility study, in prescribed format, to the Mines and Geosciences Bureau (MGB). This major document draws on some elements of the EIS and hence will be completed and submitted to the MGB, following the EIS submission.

Legal

Extensive legal and financial due diligence was undertaken by the partners for the establishment of a jointly owned operating company for mine development. All key documents and agreements relating to the incorporation were prepared for submission to the relevant authorities.

Early infrastructure

Designs for early infrastructure requirements including an access road and river crossing, accommodation camp, administration building and other buildings have been completed or are near finalisation.

Contracts preparation

Major contracts for mining and construction were prepared for distribution to prospective tenderers. Power, fuel, and other minor camp services draft contracts have been prepared with explosives and plant reagent contracts in preparation. Each has been subject to legal review by Freehills in collaboration with Philippine legal counsel.

Plant and tailings dam

Detailed final design of the tailings storage facility has commenced. Further detailed engineering inspections of the used ball mill and crusher (Krupp Sizer) were completed and detailed quotations sought for shipping and refurbishment. Transport of both items to Manila is imminent.

Finance

Activity was focused toward securing project finance, and major permitting approvals. Société Générale Corporate Investment Banking issued a revised term sheet offering a syndicated debt facility stipulating as one of the conditions precedent a requirement for the Company to provide a substantial share of the project capital cost. To this end, a total of 350 million new shares was successfully placed in late 2007, mainly to institutional investors. The bank finance is also contingent upon permitting approvals, chief amongst which is the Environmental Compliance Certificate (ECC).

Société Générale is an adherent to the internationally recognised Equator Principles on environmental management. As such the bank requires an internal review and approval of the environmental impact study.

Key milestones

- EIS submission/ECC approval
- Declaration of Feasibility
- Underground Resource upgrade
- Incorporation of operator and title transfer
- Power and diesel supply contracts
- Finance completion
- Early infrastructure implementation
- EPCM and mining contract award
- Construction, pit dewatering, pre-strip
- Commissioning

Mill shell at Cebu storage facility.

Community & Environment

Public information sessions

Project information sessions were well attended and accepted by the local community, government agencies and other interested parties

Water

Water purification system and pumps

Laying of pipes for water supply – a joint Company and local villagers effort

The Company is proud of its achievements and the mutually supportive relationship it has developed with our local communities during the exploration and evaluation period.

Significant among these are:

- Improved community health programme including transport and emergency hospital care for gravely ill residents where possible
- Creation of community facilities including a nutrition programme for those children in special need
- Strong support for and improvements to local schools
- Environment greening
- Community infrastructure assistance
- Community awareness regarding health and safety issues
- Assistance to peace and order programmes
- Agricultural farming trials.

Water

Local villagers enjoying the supply of high quality water

Feeding

Daily nutritional feeding program for local children

Programmes and assistance to date have been funded at modest levels however when the mine becomes operational these activities would be greatly accelerated under the auspices of the Social Development Management Plan.

One percent of annual mining and processing costs will be set aside to provide revenue for expanded programmes including development of significant new livelihood projects, skills training and education scholarships.

Other direct tangible benefits during the life of mine include employment of approximately 500 local residents, with a business multiplier estimated at approximately twelve to one.

Agriculture & greening

Company has invested time and money in educating and helping locals reinvigorate and improve local fauna and farming methods

Schools

One of three modern play-grounds installed by the Company for use by local children

Clothing

Annual donation of clothing to needy children from surrounding villages

Infrastructure

Recent Company donation to the 3 immediate impact villages around the mine-site.

Development Drilling

Diamond drilling continued throughout the year for an aggregate 8,286m with most of the seventeen holes targeted to infill the upper portion of the underground resource. The exception was exploration hole SMDD117, drilled to test for a deep resource extension at the southern end – no economic mineralisation was intersected. Details and assay highlights are listed below.

At the time of writing an updated geological interpretation had been prepared to provide the basis for a new underground Resource estimation to be undertaken by Cube Consulting.

Geotechnical analysis of data and samples from the drilling was undertaken by Peter O'Bryan and Associates to assess requirements for underground mine design. Recommendations from this work have been applied to initial design investigations by Red Rock Engineering.

Bulk samples of high and low zinc sulphide core were composited from selected gold rich intervals and despatched for preliminary metallurgical tests with the objective of determining if there is any significant variation in the recovery characteristics of the underground resource material compared with that of the open pit, upon which the process plant design has been based. Results to hand indicate that at the same grind size the open pit and underground material have near identical gold and silver recoveries.

Siana drilling results

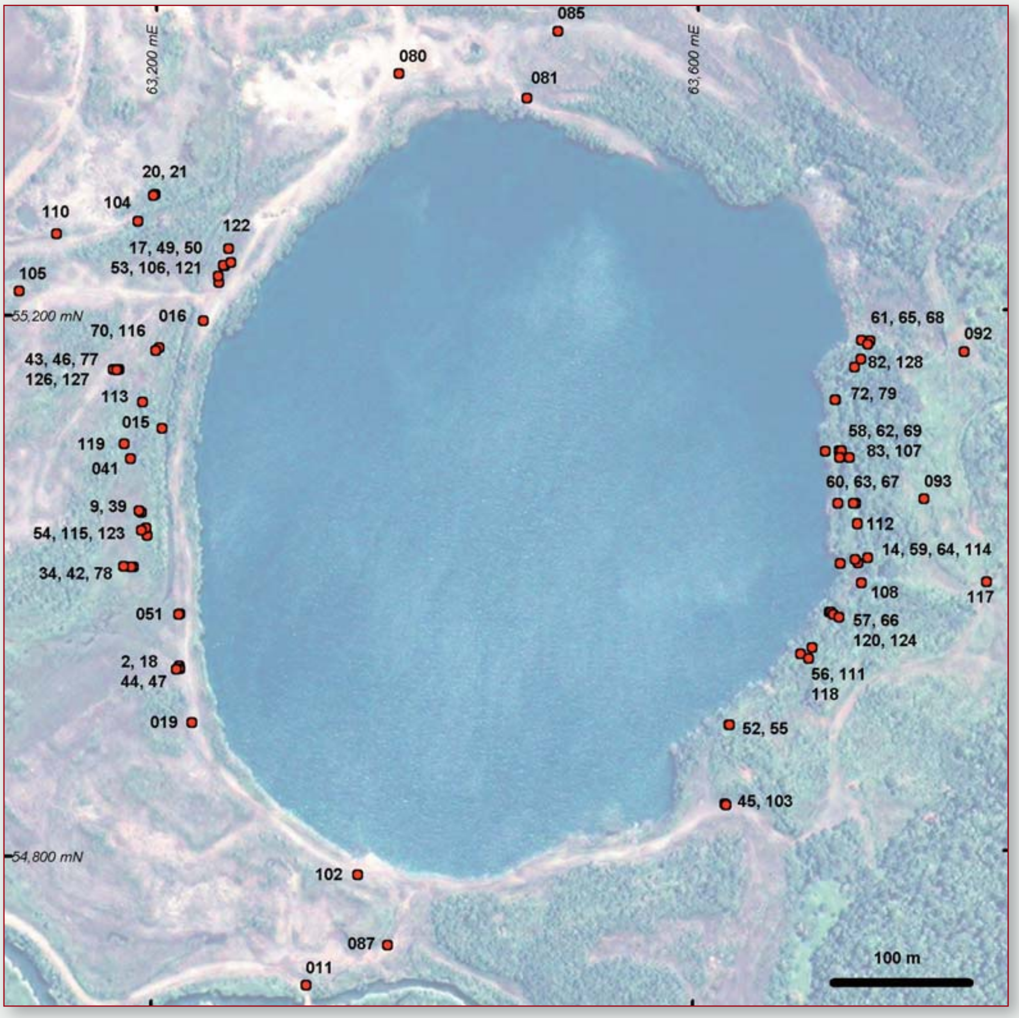
Hole No	From	Interval	Au g/t*	Zn %*
112	301	7	2.7	-
	354	7	3.1	-
	374	7	4.3	-
113	375	8	5.6	-
	393	16	5.9	-
	422	2	13.3	1.3
114	269	5	5.6	-
	312	3	5.2	-
	354	10	7.2	-
	393	1	18.6	-
115	401	5	6.6	-
	420	4	7.3	-
119A	417	4	2.1	3.1
	444	2	18.6	6.3
	450	7	9.8	1.1
	462	4	2.5	2.6
	473	2	25.6	2.2
	505	7	7.3	4.2
	526	3	2.1	1.6
120	308	2	9.0	-
	328	1	4.4	-
	350	1	5.5	-

Hole No	From	Interval	Au g/t*	Zn %*
121	222	1	2.1	-
122	257	2	3.7	-
	263	1	10.5	-
	279	15	11.2	-
	305	5	3.4	-
	324	4	3.3	-
123	403	2	2.2	-
	408	2	3.0	-
	441	1	5.8	-
125	350	2	6.7	-
	369	1	3.5	2.0
	403	10	4.2	1.5
	420	4	3.5	-
126	365	1	11.2	-
	394	27	3.1	-
127	345	2	5.3	-
	382	2	7.8	-
	457	5	4.8	1.0
	493	2	7.1	-
128	433	5	13.3	4.9
	457	5	4.8	1.0

*cut-off 2.0g/t Au, 1% Zn

SMDD116, 118 & 124 at southern and upper margins intersected lode horizons with <2g/t Au.

SMDD117 deep exploration hole below south end intersected lode position with <2g/t Au.



Siana Diamond Drill Hole Locations

Siana 2008 drilling co-ordinates

Hole No	Depth (m)	E (m)	N (m)	RL (m)
SMDD112	395	783432	1055616	119
SMDD113	458	782904	1055706	121
SMDD114	409	783430	1055589	119
SMDD115	471	782904	1055614	119
SMDD116	361	782914	1055743	121
SMDD117	901	783528	1055573	126
SMDD118	396	783396	1055516	118
SMDD119	682	782891	1055674	121
SMDD120	416	783415	1055548	118

Hole No	Depth (m)	E (m)	N (m)	RL (m)
SMDD121	322	782960	1055799	119
SMDD122	400	782965	1055820	118
SMDD123	540	782904	1055609	119
SMDD124	396	783419	1055547	118
SMDD125	677	782969	1055809	118
SMDD126	458	782885	1055729	122
SMDD127	509	782885	1055729	123
SMDD128	497	783435	1055737	123
Total	8,286			

Note: Co-ordinates are in UTM WGS84

Reserves / Resources

Resource area	JORC category	Tonnes	Grade g/t Gold	Grade g/t Silver	Contained ounces Gold	Contained ounces Silver
Open pit	Indicated	3,072,000	3.4	8.5	336,200	839,900
	Inferred	156,000	2.9	13.6	14,500	68,200
	Total	3,229,000	3.4	8.7	350,700	908,200
Underground	Inferred	2,951,000	7.4	13.1	702,800	1,246,300
Stockpiles	Indicated	83,000	1.3	10.7	3,500	28,500
Overall Total	Indicated	3,156,000	3.3	8.6	339,700	868,400
	Inferred	3,107,000	7.2	13.2	717,300	1,314,500
	Total	6,263,000	5.3	10.8	1,057,000	2,183,000

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 for the open pit is based on information compiled by Hellman and Schofield Pty Ltd using the method of Multiple Indicator Kriging. Only those Resources contained within the Feasibility open pit design are tabulated.

The information in this report that relates to Mineral Resources for the underground 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 Australian 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.

Reserve area	JORC category	Tonnes	Grade g/t Gold	Grade g/t Silver	Contained ounces Gold	Contained ounces Silver
Open pit	Probable	3,073,000	3.4	8.5	336,200	839,900
Stockpiles	Probable	83,000	1.3	10.7	3,500	28,500
	Total	3,156,000	3.3	8.6	339,700	868,400

Notes: Within the open-pit design there are additional Inferred Resources amounting to 156,000 tonnes at 2.9 g/t gold and 13.6 g/t silver containing 14,500 ounces gold and 68,200 ounces of silver. Under the JORC Code guidelines this material is not included in the Ore Reserve and is summarily classified as waste.

Mapawa APSA

Additional documentation was completed to facilitate grant and transfer of the Mapawa MPSA to Merrill Crowe Corporation. At the time of writing the application is under near-final review. On grant, exploration may commence immediately.

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 2008.

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:

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

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 was $627,705 (2007: $1,376,824).

Review of Operations

During the year exploration and evaluation activities continued on the Siana gold project located in the Philippines however these activities have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. A bankable feasibility study for the development of the project was completed, which included an assessment of an underground extension of gold mineralisation below an open pit operation and the potential for recovery of a zinc concentrate.

Further, a project information memorandum, based on the results of the feasibility study, was prepared and distributed to selected debt and equity providers. A mandate was granted to a financial institution to arrange a senior debt financing facility. This resulted in Red 5 subsequently receiving an indicative term sheet for project development and working capital facilities. Preliminary technical due diligence was completed by the banking syndicate and Red 5 commenced work on satisfying the conditions precedent to the debt funding facilities.

These conditions precedent included the confirmation of a level of underground resources and the finalisation of an underground mine plan. Project financiers have also linked approval of financing to the satisfaction of these matters and other financier related requirements such as the transfer of the Mineral Production Sharing Agreement for Siana into Greenstone Resources Corporation and the approval of an Environmental Compliance Certificate for the project by the relevant authorities.

Significant effort and costs have gone towards satisfying the requirements above. An in-fill drilling programme was commissioned to confirm the extent of the underground resource. Work commenced on selected pre-development activities including an environmental impact study and other development permit approvals, engineering design optimisations and the appointment of senior management personnel. Approximately $2.6 million was expended on the Siana project in this financial year on drilling and drilling associated activities as well as on pre-development activities, studies and applications whilst total wage costs for the year accounted for approximately another $0.67 million of total costs.

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

In December 2007 Red 5 raised $35 million through a share placement of 350,000,000 ordinary shares at a subscription price of 10 cents each, to clients of Southern Cross Equities Limited. The placement forms part of the equity funding contribution for project development.

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 may 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.

Options Granted Over Unissued Shares

At the date of this report, 19,900,000 ordinary fully paid shares which are subject to options were unissued. The terms of these options are as follows:

Options granted over ordinary fully paid shares exercisable:

	Number
at 17 cents each on or before 30 June 2009	12,500,000
at 15 cents each on or before 30 June 2011	700,000
at 15 cents each on or before 31 December 2012	6,000,000
at 25 cents each on or before 30 June 2013	700,000
	19,900,000

Details of options issued and exercised during the financial year are contained in Note 14 to the financial report. All options issued were fully vested.

No person entitled to exercise the options has any right by virtue of the option to participate in any share issue of the parent entity or any other corporation.

Significant Changes

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

Red 5 raised a total of $36,188,000 in equity capital through share placements of 350,000,000 ordinary shares at a subscription price of 10 cents per share and 18,000,000 ordinary shares at a subscription price of 6.6 cents per share.

Events Subsequent to the End of the Financial Year

Subsequent to 30 June 2008 the USD to AUD exchange rate has decreased from 0.9605 as at 30 June 2008 to 0.8349, at the date of signing this financial report. The Consolidated entity's primary asset being exploration and evaluation expenditure relating to the Siana gold project is held by a foreign operation whose functional currency is USD. Accordingly, the measurement of the exploration and evaluation expenditure would be subject to this subsequent volatility of the exchange rate.

Information on Directors

Director	Qualifications, experiences and special responsibilities
Colin G Jackson	**M.Sc., B.Sc. (Hons), DIC, Grad. Dip. Bus. Admin.**
(Non-Executive Chairman)	A director since December 2003 and Chairman since April 2007. 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. Mr Jackson is a member of the audit and remuneration committees. Other current directorships: Intrepid Mines Limited (since December 2003). Former directorships in the last three years: Terramin Australia Limited (August 2003 to December 2005).

Directors' Report

Information on Directors (continued)

Director	Qualifications, experiences and special responsibilities
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 (Executive Director - Technical)	**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 South-East Asia. 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.
Peter W Rowe (Non-Executive Director)	**B.Sc. (Chem Eng), FAusIMM, MAICD** A director since October 2004. Mr Rowe spent 20 years with Anglo American and De Beers in South Africa. 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 has recently retired from AngloGold Ashanti Limited, but at 30 June 2008 was executive vice president in charge of business effectiveness. He is a past chairman of the Australian Gold Council. Mr Rowe is a member of the audit committee and chairman of the remuneration committee.
Gary F Scanlan (Non-Executive Director)	**FAusIMM, CA** A director since November 2006. Mr Scanlan has over 20 years experience in the mining industry preceded by 10 years experience with PricewaterhouseCoopers. Mr Scanlan is currently Managing Director of Castlemaine Goldfields Limited (since June 2005), a gold exploration company based in Victoria. His previous roles include Executive General Manager – Finance for Newcrest Mining Limited. Mr Scanlan is chairman of the audit committee and a member of the remuneration committee. Mr Scanlan has held no other directorships in any other listed companies in the last 3 years.

Information on Company Secretary

Frank J Campagna B.Bus (Acc), CPA

Company Secretary of Red 5 since June 2002. Mr Campagna is a Certified Practicing 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
C G Jackson	225,000	-
G C Edwards	8,000,000	-
A L Govey	6,786,500	-
P W Rowe	-	-
G F Scanlan	-	-

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 2008 and the number of meetings attended by each director whilst in office are as follows:

	Board meetings		Audit committee		Remuneration committee	
	Number held	Number attended	Number held	Number attended	Number held	Number attended
C G Jackson	11	11	2	2	2	2
G C Edwards	11	11				
A L Govey	11	11				
P W Rowe	11	10	2	2	2	2
G F Scanlan	11	11	2	2	2	2

Remuneration Report (Audited)

This report sets out the current remuneration arrangements for directors and executives of Red 5. For the purposes of this report, key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling major activities of the Consolidated entity, including any director (whether executive or non-executive) of Red 5, and includes the executives in the Consolidated entity receiving the highest remuneration.

Principles used to determine the nature and amount of remuneration

Directors and executives remuneration

Overall remuneration policies are determined by the Board and are adapted to reflect competitive market and business conditions. Within this framework, the remuneration committee considers remuneration policies and practices generally, and determines specific remuneration packages and other terms of employment for 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 Red 5's 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. As Red 5's principal activities during the year were mineral exploration and evaluation, measurement of remuneration policies against financial performance is not considered relevant until such time as mining operations commence.

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

- reward reflects the competitive market in which Red 5 operates;
- 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 scheme 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.

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

The Consolidated entity encourages executives who have been granted share based payments as part of their remuneration package not to enter into other arrangements that limit their exposure that would result from share price decreases. Executives are required to advise Red 5 in advance if such arrangements are contemplated.

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. Non-executive directors are entitled to statutory superannuation benefits. The Board approves any consultancy arrangements for non-executive directors who provide services outside of and in addition to their duties as non-executive directors.

Non-executive directors 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 premiums on 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 remuneration of each director of Red 5 and each of the officers receiving the highest remuneration and other key management personnel for the year ended 30 June 2008.

2008	Short term				Post-employment	Share based payments	Other		
Name	Salary or directors fees $	Consulting fees $	Non-monetary benefits $	Cash bonuses $	Super-annuation $	Equity options $	Insurance premiums $	Total $	Performance related %
Executive directors									
G C Edwards	265,051	-	-	-	22,544	-	5,106	292,701	-
A L Govey	219,767	-	-	-	25,350	-	5,106	250,223	-
Non-executive directors									
C G Jackson	50,000	111,120	-	-	4,500	-	5,106	170,726	-
P W Rowe	35,000	-	-	-	3,150	-	5,106	43,256	-
G F Scanlan	35,000	-	-	-	3,150	-	5,106	43,256	-
Other executives									
R K Surendran (1)	103,686	-	-	-	8,728	26,460	-	138,874	-
W P Darcey (2)	118,981	-	-	-	11,156	26,460	-	156,597	-
F J Campagna	-	114,440	-	-	-	-	-	114,440	-
Total	827,485	225,560	-	-	78,578	52,920	25,530	1,210,073	-

(1) From commencement of employment as Chief Financial Officer on 11 February 2008.

(2) From commencement of employment as Project Manager on 21 January 2008.

Commencing 1 July 2008 executive director salaries were increased by the CPI whilst non-executive directors' fees remained unchanged. No entitlement to performance bonuses accrued during the financial year. The company secretary is deemed to be an executive by virtue of being an officer of the parent entity. The role performed by the company secretary does not meet the definition of key management person under AASB 124, hence this officer has been excluded from the key management personnel disclosures in the financial report.

2007	Short term				Post-employment	Other		
Name	Salary or directors fees	Consulting fees	Non-monetary benefits	Provisions	Super-annuation	Insurance premiums	Total	Performance related
	$	$	$	$	$	$	$	%
Executive directors								
G C Edwards	240,804	-	-	41,427	23,728	4,666	310,625	-
A L Govey	194,300	-	-	41,763	19,500	4,667	260,230	-
Non-executive directors								
C G Jackson	37,500	78,561	-	-	3,375	4,667	124,103	-
P W Rowe	35,000	-	-	-	3,150	4,667	42,817	-
G F Scanlan	21,240	-	-	-	1,912	4,667	27,819	-
N J Smith	41,666	65,000	-	-	3,750	4,666	115,082	-
Other executives								
F J Campagna	-	72,050	-	-	-	-	72,050	-
Total	570,510	215,611	-	83,190	55,415	28,000	952,726	-

Provisions include amounts provided in the previous financial year for a completion bonus.

Options granted to officers

During the year the parent entity granted options over ordinary shares to the following executive officers of the parent entity as part of their remuneration.

2008	Granted	Terms and conditions for each grant				Vested	
	Number	Grant date	Fair value per option	Exercise price per option	Expiry date	Number	%
			$	$			
Executives							
R K Surendran	350,000	16.06.08	0.0350	0.15	30.06.11	350,000	100
	350,000	16.06.08	0.0406	0.25	30.06.13	350,000	100
W P Darcey	350,000	16.06.08	0.0350	0.15	30.06.11	350,000	100
	350,000	16.06.08	0.0406	0.25	30.06.13	350,000	100

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

Share-based compensation

The Board has adopted the Red 5 Employee Option Plan (Plan). Shareholders authorised the issue of options under the Plan at the annual general meeting of Red 5 held on 27 November 2007. 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.

Options granted as part of remuneration

Options over ordinary shares were granted to specified executives as part of contractual negotiations for commencement of employment with the Consolidated entity.

	Value of options granted during the period	Value of options exercised during the period	Value of options lapsed during the period	Total	Value of options as percentage of remuneration
	$	$	$	$	%
Executives					
R K Surendran	26,460	-	-	26,460	19%
W P Darcey	26,460	-	-	26,460	17%

Options granted as part of executive remuneration have been valued using a Black Scholes option pricing model. The following factors and assumptions were used in determining the fair value of options on the grant date:

	Options 30.06.11	Options 30.06.13
Grant date	16.06.08	16.06.08
Option life	3.038 years	5.041 years
Exercise price	$0.15	$0.25
Share price on grant date	$0.079	$0.079
Expected volatility	85%	85%
Risk free interest rate	7.14%	6.86%
Dividend yield	Nil	Nil

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 16 of the financial report.

During the financial year, Red 5 paid premiums of $25,530 (2007: $28,000) 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 directors and key management personnel are formalised in service agreements. Major provisions of the agreements relating to duration and termination are set out below.

G C Edwards – Managing Director

Term of agreement: 2 years from 1 July 2007.
Remuneration: base salary plus 10% superannuation contributions, to be reviewed annually by the remuneration committee.
Performance bonus: up to 50% of annual salary upon the achievement of agreed milestones and targets.
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 or the balance of the term if less than 12 months.

A L Govey – Technical Director

Term of agreement: 2 years from 1 July 2007.
Remuneration: base salary plus 10% superannuation contributions, to be reviewed annually by the remuneration committee.
Performance bonus: up to 50% of annual salary upon the achievement of agreed milestones and targets.
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 or the balance of the term if less than 12 months.

R K Surendran – Chief Financial Officer

Term of agreement: no defined period.
Remuneration: base salary plus 10% superannuation contributions, to be reviewed annually.
Equity compensation: issue of 700,000 unlisted options vesting three months after commencement.
Performance bonus: up to 35% of annual salary upon the achievement of agreed milestones and targets.
Termination provisions: payment upon early termination by the Company (other than for unsatisfactory performance, gross misconduct or long term incapacity) equal to three months of the annual salary.

W P Darcey – Project Manager

Term of agreement: no defined period.
Remuneration: base salary plus 10% superannuation contributions, to be reviewed annually.
Equity compensation: issue of 700,000 unlisted options vesting three months after commencement.
Performance bonus: up to 30% of annual salary upon the achievement of agreed milestones and targets.
Termination provisions: payment upon early termination by the Company (other than for unsatisfactory performance, gross misconduct or long term incapacity) equal to three months of the annual salary.

Non-Audit Services

During the year, Red 5's external auditors, KPMG, have provided other services in addition to their statutory audit function. Non-audit services provided by the external auditors comprised $75,396 for taxation and other advisory services. Further details of remuneration of the auditors are set out in Note 17.

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

Environmental Regulations

The Consolidated entity is subject to significant environmental regulation in respect to its mineral exploration activities. These obligations are regulated under relevant government authorities within Australia and overseas. The Consolidated entity is a party to exploration and development licences and has beneficial interests in Mineral Production Sharing Agreements.

Generally, these licences and agreements specify the environmental regulations applicable to exploration and mining operations in the respective jurisdictions. The Consolidated entity aims to ensure that it complies with the identified regulatory requirements in each jurisdiction in which it operates.

Compliance with environmental obligations is monitored by the Board of Directors. No environmental breaches have been notified to the Consolidated entity by any government agency during the year ended 30 June 2008.

Signed in accordance with a resolution of the directors.

G F Scanlan	Perth, Western Australia
Director	25 September 2008

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 2008 there has been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Rob Gambitta
Partner

Perth
Dated: 25 September 2008

Income Statements for the year ended 30 June 2008

		CONSOLIDATED		PARENT ENTITY	
		2008	2007	2008	2007
	NOTE	$	$	$	$
Other income		-	11,969	-	11,969
Total income	2	-	11,969	-	11,969
Expenses					
Amortisation and depreciation expenses		(15,693)	(25,418)	(15,693)	(25,418)
Employee and consultancy expenses	2	(1,001,112)	(727,799)	(1,001,112)	(727,799)
Exploration expenditure written-off		(33,600)	(100,905)	(9,300)	(100,174)
Foreign currency translation adjustment		-	-	(1,710,263)	(2,162,617)
Impairment in loans		-	-	(539)	(731)
Occupancy expenses		(131,883)	(119,681)	(131,883)	(119,681)
Regulatory expenses		(138,591)	(106,214)	(138,591)	(106,214)
Other expenses		(261,696)	(216,818)	(261,434)	(216,818)
Operating loss before financing income/(expenses)		(1,582,575)	(1,284,866)	(3,268,815)	(3,447,483)
Financing income	2	1,330,334	61,399	1,319,665	59,478
Financing expenses	2	(375,464)	(153,357)	(375,464)	(153,357)
Net financing income/(expense)		954,870	(91,958)	944,201	(93,879)
Loss before income tax expense		(627,705)	(1,376,824)	(2,324,614)	(3,541,362)
Income tax expense	3	-	-	-	-
Net loss after income tax		(627,705)	(1,376,824)	(2,324,614)	(3,541,362)
		Cents	**Cents**		
Basic and diluted loss per share (cents per share)	23	(0.13)	(0.49)		

The accompanying notes form part of these financial statements.

Balance Sheets as at 30 June 2008

		CONSOLIDATED		PARENT ENTITY	
		2008	2007	2008	2007
	NOTE	$	$	$	$
Current Assets					
Cash and cash equivalents	4	30,615,336	996,138	30,521,192	957,087
Trade and other receivables	5	499,103	49,290	499,103	49,290
Total Current Assets		31,114,439	1,045,428	31,020,295	1,006,377
Non-Current Assets					
Receivables	6	24,306	24,306	20,549,452	17,728,993
Investments in subsidiaries	7	-	-	335,540	335,540
Property, plant and equipment	8	1,773,082	1,775,037	28,103	30,058
Exploration and evaluation expenditure	9	19,187,826	16,425,904	-	-
Total Non-Current Assets		20,985,214	18,225,247	20,913,095	18,094,591
Total Assets		52,099,653	19,270,675	51,933,390	19,100,968
Current Liabilities					
Trade and other payables	10	924,068	427,261	809,370	402,391
Employee benefits	11	107,168	203,982	59,152	94,791
Interest bearing loans	12	2,006,260	-	2,006,260	-
Total Current Liabilities		3,037,496	631,243	2,874,782	497,182
Non-Current Liabilities					
Interest bearing loans	12	-	1,694,373	-	1,694,373
Borrowings	13	292,601	303,270	-	-
Employee benefits	11	227,344	196,101	96,479	83,631
Total Non-Current Liabilities		519,945	2,193,744	96,479	1,778,004
Total Liabilities		3,557,441	2,824,987	2,971,261	2,275,186
Net Assets		48,542,212	16,445,688	48,962,129	16,825,782
Equity					
Contributed equity	14	67,221,875	33,340,684	67,221,875	33,340,684
Reserves	15	(3,117,190)	(1,960,228)	967,270	387,500
Accumulated losses		(15,562,473)	(14,934,768)	(19,227,016)	(16,902,402)
Total Equity		48,542,212	16,445,688	48,962,129	16,825,782

The accompanying notes form part of these financial statements.

Statements of Changes in Equity for the year ended 30 June 2008

	Attributable to equity holders of the parent entity			
	Issued capital	Accumulated losses	Other reserves	Total
	$	$	$	$
Consolidated				
Balance at 1 July 2006	31,272,684	(13,557,944)	(133,545)	17,581,195
Foreign currency translation reserve	-	-	(2,196,741)	(2,196,741)
Fair value reserve	-	-	(17,442)	(17,442)
Total income and expenses recognised directly in equity	-	-	(2,214,183)	(2,214,183)
Loss for the period	-	(1,376,824)	-	(1,376,824)
Total recognised income and expenses	-	(1,376,824)	(2,214,183)	(3,591,107)
Share placement – net of transaction costs	2,068,000	-	-	2,068,000
Issue of options for finance facility	-	-	387,500	387,500
Balance at 30 June 2007	33,340,684	(14,934,768)	(1,960,228)	16,445,688
Foreign currency translation reserve	-	-	(1,736,732)	(1,736,732)
Total income and expenses recognised directly in equity	-	-	(1,736,732)	(1,736,732)
Loss for the period	-	(627,705)	-	(627,705)
Total recognised income and expenses	-	(627,705)	(1,736,732)	(2,634,437)
Share placement – net of transaction costs	33,881,191	-	-	33,881,191
Issue of options - various	-	-	579,770	579,770
Balance at 30 June 2008	67,221,875	(15,562,473)	(3,117,191)	48,542,212
Parent				
Balance at 1 July 2006	31,272,684	(13,361,040)	17,442	17,929,086
Fair value reserve	-	-	(17,442)	(17,442)
Total income and expenses recognised directly in equity	-	-	(17,442)	(17,442)
Loss for the period	-	(3,541,362)	-	(3,541,362)
Total recognised income and expenses	-	(3,541,362)	(17,442)	(3,558,804)
Share placement – net of transaction costs	2,068,000	-	-	2,068,000
Issue of options for finance facility	-	-	387,500	387,500
Balance at 30 June 2007	33,340,684	(16,902,402)	387,500	16,825,782
Total income and expenses recognised directly in equity	-	-	-	-
Loss for the period	-	(2,324,614)	-	(2,324,614)
Total recognised income and expenses	-	(2,324,614)	-	(2,324,614)
Share placement – net of transaction costs	33,881,191	-	-	33,881,191
Issue of options - various	-	-	579,770	579,770
Balance at 30 June 2008	67,221,875	(19,227,016)	967,270	48,962,129

The accompanying notes form part of these financial statements.

Statements of Cash Flows for the year ended 30 June 2008

		CONSOLIDATED		PARENT ENTITY	
		2008	2007	2008	2007
	NOTE	$	$	$	$
Cash flows from operating activities					
Payments to suppliers and employees		(1,542,671)	(1,210,857)	(1,542,410)	(1,210,857)
Interest received		876,663	59,187	876,663	59,187
Net cash used in operating activities	21	(666,008)	(1,151,670)	(665,747)	(1,151,670)
Cash flows from investing activities					
Payments for exploration and evaluation expenditure		(4,047,846)	(3,663,388)	(37,698)	(122,980)
Payments for plant and equipment		(13,739)	(1,300,685)	(13,739)	(5,152)
Proceeds on sale of investments		-	282,377	-	282,377
Net cash from/(used in) investing activities		(4,061,585)	(4,681,696)	(51,437)	154,245
Cash flows from financing activities					
Proceeds from issues of shares		36,188,000	2,200,000	36,188,000	2,200,000
Payments for share issue expenses		(1,841,209)	(132,000)	(1,841,209)	(132,000)
Loans to controlled entities		-	-	(4,065,502)	(4,829,228)
Proceeds from borrowings		-	2,000,000	-	2,000,000
Net cash from/(used in) financing activities		34,346,791	4,068,000	30,281,289	(761,228)
Net increase/(decrease) in cash held		29,619,198	(1,765,366)	29,564,105	(1,758,653)
Cash at the beginning of the financial year		996,138	2,761,504	957,087	2,715,740
Cash at the end of the financial year	4	30,615,336	996,138	30,521,192	957,087

The accompanying notes form part of these financial statements.

Notes to the Financial Statements for the year ended 30 June 2008

1. BASIS OF PREPARATION

Red 5 Limited (the "Company") is a company domiciled in Australia. The financial report includes separate financial statements for Red 5 Limited as an individual entity as well as the Consolidated entity which consists of Red 5 Limited and all its controlled entities, which together are referred to as the Consolidated entity in this financial report.

The financial report was authorised for issue by the directors on the date of signing of the Directors' Report.

1.1 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. The consolidated financial report and company financial report also comply with IFRS and interpretations adopted by the International Accounting Standards Board.

1.2 Basis of measurement

These financial statements have been prepared under historical cost convention except for share based payments which are measured at fair value. The methods used to measure fair values are discussed further in the Note 2.12.

1.3 Functional and presentation currency

The financial report is presented in Australian dollars, which is Red 5 Limited's functional currency, however the functional currency for the majority of the members of the Consolidated entity is United States dollars.

1.4 Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amount of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, and which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The areas involving a higher degree of judgements or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed further below in Section 2.5 and 2.12.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Consolidated entity. No additional standards or amendments have been early adopted in the current year.

2.1 Principles of consolidation

The consolidated financial report incorporates the assets and liabilities of all entities controlled by Red 5 Limited as at 30 June 2008 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.

2.2 Finance income and expenses

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. Finance income comprises interest income on funds invested. Interest income is recognised as it accrues, using the effective interest rate method. Finance expenses comprise interest expense on borrowings and amortisation of loan borrowing costs. Loan borrowing costs are amortised using the effective interest rate method.

2.3 Investments

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 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.

2.4 Property, plant and equipment

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

Plant and equipment is included at cost less provision for depreciation and any impairment in value and depreciated using a combination of the straight line 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.

2.5 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 and all key project permits, approvals and financing are in place, the exploration and evaluation assets attributable to that area of interest will then be tested for impairment and reclassified to mining property and development assets within property, plant and equipment.

2.6 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 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.

2.7 Income tax

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.

2.8 Tax consolidation

Red 5 Limited and its wholly-owned Australian resident entities have formed a tax-consolidated group and are therefore taxed as a single entity. The head entity within this group is Red5 Limited.

The current and deferred tax amounts for the tax consolidated group are allocated among the entities in the group using a "group allocation method" approach. Deferred tax assets and deferred tax liabilities are measured by reference to the carrying amounts of assets and liabilities in the entities in the group and their tax values applying under tax consolidation.

Any current tax liabilities or assets and deferred tax assets arising from unused tax losses of the subsidiaries is assumed by the head entity in the tax-consolidated group and are recognised as amounts payable to or receivable from other entities in the tax-consolidated group in conjunction with any tax funding arrangements. Any difference between these amounts is recognised by Red 5 Limited as an equity contribution or distribution.

Red 5 Limited recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future tax profits of the tax-consolidated group will be available against which the assets can be utilised. Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

2.9 Financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other creditors. Non-derivative financial instruments are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Liabilities for trade creditors and other amounts are carried at amortised cost. Trade payables are non interest bearing and are normally settled on 30 day terms.

For the purposes of the statement of cash flows, cash includes deposits at call which are readily convertible to cash on hand and which are used in the cash management function on a day to day basis, net of outstanding bank overdrafts.

2.10 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.

2.11 Employee benefits

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

Liabilities arising in respect of employee benefits expected to be settled within twelve months of the balance date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the balance date. Obligations for contributions to defined contribution superannuation funds are recognised as an expense in the income statement as incurred.

2.12 Share based payments

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

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

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

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

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

2.13 Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the 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.

2.14 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.

2.15 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.

2.16 Earnings per share

Basic earnings per share is determined by dividing net operating results after income tax attributable to members of the parent entity, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to potential ordinary shares.

2.17 New standards and interpretations not yet adopted

The following standards and amendments have been identified as those which may impact the entity in the period of initial adoption. They are available for early adoption at 30 June 2008 but have not been applied by the Consolidated entity in these financial statements:

- Revised AASB 3 Business Combinations changes the application of acquisition accounting for business combinations and the accounting for non-controlling (minority) interests. Key changes include: the immediate expensing of all transaction costs; measurement of contingent consideration at acquisition date with subsequent changes through the income statement; and measurement of non-controlling (minority) interests at full fair value or the proportionate share of the fair value of the underlying net assets. The revised standard becomes mandatory for the Consolidated entity's 30 June 2010 financial statements. The Consolidated entity has not yet determined the potential effect of the revised standard on the Consolidated entity's financial report.
- AASB 8 Operating Segments replaces the presentation requirements of Segment reporting in AASB 114 Segment Reporting and introduces the "management approach" to segment reporting. AASB 8, which becomes mandatory for the Group's 30 June 2010 financial statements, is not expected to have an impact on the Consolidated entity's financial results as the standard is only concerned with disclosures. The Consolidated entity has not yet determined the potential effect of the revised standards on its disclosures.

- Revised AASB 101 Presentation of Financial Statements introduces as financial statement (formerly "primary" statement) the "statement of comprehensive income". The revised statement does not change the recognition, measurement or disclosure of transactions that are required by other AASBs. The revised standard becomes mandatory for the Consolidated entity's 30 June 2010 financial statements. The Consolidated entity has not yet determined the potential effect of the revised standards on its disclosures.
- Revised AASB 127 Consolidated and Separate Financial Statements changes the accounting for investments in subsidiaries. Key changes include: the measurement to fair value of any previous / retained investment when control is obtained / lost, with any resulting gain or loss being recognised in profit or loss; and the treatment of increases in ownership interest after control is obtained as transactions with equity holders in their capacity as equity holders. The revised standard becomes mandatory for the Consolidated entity's 30 June 2010 financial statements. The Consolidated entity has not yet determined the potential effect of the revised standards on the Consolidated entity's financial report.
- Revised AASB 123 Borrowing Costs removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised AASB 123 which becomes mandatory for the Consolidated entity's 30 June 2010 financial statements is not expected to have any effect on the financial report.
- AASB 2008-1 Amendments to Australian Accounting Standard - Share-based Payment: Vesting Conditions and Cancellations change the measurement of share-based payments that contain non-vesting conditions. AASB 2008-1 becomes mandatory for the Consolidated entity's 30 June 2010 financial statements. The Consolidated entity has not yet determined the potential effect of the amending standard on the Consolidated entity's financial report.

	CONSOLIDATED		PARENT ENTITY	
	2008	2007	2008	2007
	$	$	$	$

2. Revenue and Expenses

		2008	2007	2008	2007
(a)	Other income				
	Gain on sale of investments	-	11,969	-	11,969
(b)	Employee and consultancy services				
	Provision for employee entitlements	38,454	42,922	38,454	42,922
	Superannuation contributions	56,049	38,376	56,049	38,376
	Other employee benefits and consultancy expenses	906,609	646,501	906,609	646,501
		1,001,112	727,799	1,001,112	727,799
(c)	Financing income/(expenses)				
	Finance revenue - interest received	1,319,665	59,478	1,319,665	59,478
	Other financing gains	10,669	1,921	-	-
	Amortisation of loan establishment fees	(167,000)	(90,000)	(167,000)	(90,000)
	Interest paid	(208,464)	(31,873)	(208,464)	(31,873)
	Other financing expenses	-	(31,484)	-	(31,484)
	Net financing income/(expense)	954,870	(91,958)	944,201	(93,879)
(d)	Operating lease payments				
	Rental and outgoings relating to operating lease	109,712	100,130	109,712	100,130

3. Income Tax

		2008	2007	2008	2007
(a)	The major components of income tax expense are:				
	Income statement				
	Current income tax				
	Current income tax charge/(credit)	(225,250)	(338,850)	221,244)	(339,427)
	Deferred income tax				
	Unused tax losses not recognised as deferred tax asset	225,250	338,850	221,244	339,427
	Income tax expense				
	A reconciliation between income tax expense and the numerical loss before income tax at the applicable income tax rate is as follows:				
	Loss before income tax	(627,705)	(1,376,824)	(2,324,614)	(3,541,362)
	At statutory income tax rate of 30% (2007: 30%)	(188,312)	(413,047)	(697,384)	(1,062,409)
	Items not allowable for income tax purposes:				
	Unearned income	(133,421)	-	(133,421)	-
	Foreign currency translation adjustment	-	-	513,078	648,785
	Non-deductible expenses	96,483	74,197	96,483	74,197
		(225,250)	(338,850)	(221,244)	(339,427)
	Current year tax losses not brought to account	225,250	338,850	221,244	339,427
	Income tax expense	-	-	-	-

3. *Continued*	CONSOLIDATED 2008 $	CONSOLIDATED 2007 $	PARENT ENTITY 2008 $	PARENT ENTITY 2007 $
(b) Deferred income tax				
Deferred income tax at balance date relates to the following:				
Deferred tax liabilities				
Non-assessable income	133,422	-	133,422	-
Capitalised expenditure	5,756,348	4,944,405	-	-
	5,889,770	4,944,405	133,422	-
Deferred tax assets				
Accrued expenses	4,538	2,002	13,611	21,577
Provisions	100,354	18,775	46,689	(47,723)
Tax value of losses recognised	5,784,878	4,923,629	-	-
Non-recognition of deferred taxes	-	-	73,121	26,146
	5,889,770	4,944,405	133,422	-
Net deferred income tax balances	-	-	-	-
(c) Tax losses				
The directors estimate that the potential deferred tax assets in respect of tax losses not brought to account is:	1,521,710	1,228,642	1,489,470	1,196,514

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:

(a) 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;

(b) the Consolidated entity complies with the conditions for deductibility imposed by income tax law; and

(c) 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

	CONSOLIDATED 2008 $	CONSOLIDATED 2007 $	PARENT ENTITY 2008 $	PARENT ENTITY 2007 $
Cash at bank	325,225	68,395	231,081	29,605
Cash on deposit	30,289,811	927,282	30,289,811	927,282
Cash on hand	300	461	300	200
	30,615,336	996,138	30,521,192	957,087

5. Trade and Other Receivables

	CONSOLIDATED 2008 $	CONSOLIDATED 2007 $	PARENT ENTITY 2008 $	PARENT ENTITY 2007 $
Sundry debtors - other corporations	499,103	49,290	499,103	49,290

	CONSOLIDATED 2008 $	CONSOLIDATED 2007 $	PARENT ENTITY 2008 $	PARENT ENTITY 2007 $

Non-Current Assets

6. Receivables

Security deposit	24,306	24,306	24,306	24,306
Unsecured loans - wholly owned controlled entities	-	-	22,632,599	19,811,602
Allowance for impairment	-	-	(2,107,453)	(2,106,915)
	-	-	20,525,146	17,704,687
	24,306	24,306	20,549,452	17,728,993

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. The recoverability of the loan 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.

7. Investments

Shares in controlled entities - at cost	-	-	1,203,823	1,203,823
Less allowance for impairment	-	-	(868,283)	(868,283)
	-	-	335,540	335,540

8. Property, Plant and Equipment

Plant and equipment - at cost				
Opening balance	1,868,740	578,631	123,761	129,185
Additions	13,739	1,300,685	13,739	5,152
Plant and equipment impairment	-	(10,576)	-	(10,576)
Closing balance	1,882,479	1,868,740	137,500	123,761
Accumulated depreciation				
Opening balance	93,703	78,032	93,703	78,032
Depreciation for the year	15,694	25,418	15,694	25,418
Plant and equipment impairment	-	(9,747)	-	(9,747)
Closing balance	109,397	93,703	109,397	93,703
Net book value	1,773,082	1,775,037	28,103	30,058

Notes to the Financial Statements for the year ended 30 June 2008

	CONSOLIDATED		PARENT ENTITY	
	2008	2007	2008	2007
	$	$	$	$
9. Exploration and Evaluation Expenditure				
Opening balance	16,425,904	15,431,936	-	-
Exploration and evaluation expenditure incurred in current year	4,532,254	3,291,614	9,300	100,174
Exploration expenditure written-off	(33,600)	(100,905)	(9,300)	(100,174)
Foreign currency translation adjustment	(1,736,732)	(2,196,741)	-	-
	19,187,826	16,425,904	-	-

Exploration and evaluation activities have not yet reached a stage which permits a reasonable assessment of the existence of or otherwise of economically recoverable reserves. The ultimate recoupment of deferred exploration and evaluation expenditure carried forward is dependent upon the successful development and exploitation, or alternatively sale, of the respective areas of interest at an amount greater than or equal to the carrying value.

Current Liabilities

10. Trade and Other Payables

Sundry creditors and accruals	924,068	427,261	809,370	402,391

11. Employee Benefits

(a) Provision for employee entitlements				
Balance at 1 July 2007	400,083	317,294	178,422	137,060
Increase/(decrease) in provision during the period	(64,429)	84,349	(21,649)	42,922
Net present value discount adjustment	(1,142)	(1,560)	(1,142)	(1,560)
	334,512	400,083	155,631	178,422
(b) Provision for retirement benefits				
Balance at 1 July 2007	-	141,810	-	141,810
Provision used during the period	-	(150,000)	-	(150,000)
Net present value discount adjustment	-	8,190	-	8,190
	-	-	-	-
Total provisions	334,512	400,083	155,631	178,422
Current	107,168	203,982	59,152	94,791
Non-current	227,344	196,101	96,479	83,631
	334,512	400,083	155,631	178,422

	CONSOLIDATED 2008 $	CONSOLIDATED 2007 $	PARENT ENTITY 2008 $	PARENT ENTITY 2007 $

12. Interest Bearing Liabilities

	Consolidated 2008 $	Consolidated 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
Current liability				
Secured loan – other corporation	2,238,010	-	2,238,010	-
Less loan establishment fee	(231,750)	-	(231,750)	-
	2,006,260	-	2,006,260	-
Non-current liability				
Secured loan – other corporation	-	2,031,873	-	2,031,873
Less loan establishment fee	-	(337,500)	-	(337,500)
	-	1,694,373	-	1,694,373

The loan due to other corporation is secured by a fixed and floating charge over the assets and undertakings of the parent entity. The loan is repayable on the earlier of 31 December 2009 or the date that debt funding to be provided to the Consolidated entity for the development of the Siana project is first executed.

13. Borrowings

	Consolidated 2008 $	Consolidated 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
Unsecured loans – other corporations	292,601	303,270	-	-

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. Contributed Equity

(a) Share capital

	Consolidated 2008 $	Consolidated 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
659,288,043 (2007: 291,288,043) ordinary fully paid shares	67,221,875	33,340,684	67,221,875	33,340,684

(b) Movements in ordinary share capital

	Consolidated 2008 Shares	Consolidated 2008 $
Opening balance 1 July 2007	291,288,043	33,340,684
Share placement	18,000,000	1,188,000
Share placement	350,000,000	35,000,000
Less share issue expenses	-	(2,306,809)
Balance 30 June 2008	659,288,043	67,221,875

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.

		CONSOLIDATED		PARENT ENTITY	
		2008	2007	2008	2007
14.	***Continued***	$	$	$	$
(c)	Movements in share options			**Options**	**$**
	Opening balance 1 July 2007			12,500,000	387,500
	Fair value adjustment				61,250
	Issue of options for placement fees			6,000,000	465,600
	Issue of options to employees			1,400,000	52,920
	Balance 30 June 2008			19,900,000	967,270

Following the issue of options to a financial institution as part consideration for the provision of a finance facility to the parent entity, an error was identified in the loan documentation which stated an incorrect expiry date of 30 June 2008 for the options. During the year, shareholders of the parent entity approved an amendment to the expiry date of the options to the correct date of 30 June 2009. Accordingly, the fair value of the options was adjusted with effect from the grant date.

15. Reserves

	2008 $	2007 $	2008 $	2007 $
Foreign currency translation reserve	(4,084,460)	(2,347,728)	-	-
Share based payment reserve	967,270	387,500	967,270	387,500
	(3,117,190)	(1,960,228)	967,270	387,500

Translation reserve

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

Share based payment reserve

The share based payment reserve arises on the granting and vesting of equity instruments. Refer to Note 25 for further details.

16. Related Parties

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

Executive directors

Gregory Edwards – Managing Director
Allen Govey – Executive Director – Technical

Non-executive directors

Colin Jackson
Peter Rowe
Gary Scanlan

Other executives

Raj Surendran – Chief Financial Officer (appointed 11 February 2008)
William Darcey – Project Manager (appointed 21 January 2008)

There are no individuals (other than the directors and executives above) 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:

16. Continued	CONSOLIDATED 2008 $	CONSOLIDATED 2007 $	PARENT ENTITY 2008 $	PARENT ENTITY 2007 $
Key management personnel				
Short term benefits	938,605	797,261	673,554	515,030
Post-employment benefits	78,578	55,415	56,034	31,687
Share based payments	52,920	-	52,920	-
Other benefits	25,530	28,000	20,424	28,000
	1,095,633	880,676	802,932	574,717

Loans to key management personnel

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

Other transactions with directors

Other than as disclosed in the remuneration report, there were no 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.

2008	Balance at 1 July 2007	Received during the year on the exercise of options	Other changes during the year	Balance at 30 June 2008
G C Edwards	7,500,000	-	500,000	8,000,000
A L Govey	6,786,50	-	-	6,786,500
C G Jackson	225,000	-	-	225,000
P W Rowe	-	-	-	-
G F Scanlan	-	-	-	-
Total	14,511,500	-	500,000	15,011,500

2007	Balance at 1 July 2006	Received during the year on the exercise of options	Other changes during the year	Balance at 30 June 2007
G C Edwards	7,500,000	-	-	7,500,000
A L Govey	6,786,500	-	-	6,786,500
C G Jackson	225,000	-	-	225,000
P W Rowe	-	-	-	-
G F Scanlan	-	-	-	-
N J Smith	509,500	-	-	509,500
Total	15,021,000	-	-	15,021,000

Shareholdings for Mr Smith are up to the date of resignation as a director on 30 April 2007.

16. Continued

Option holdings of key management personnel

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

2008	Held at 1 July 2007	Granted as compensation	Exercised	Other changes	Held at 30 June 2008	Vested during the year	Vested and exercisable at 30 June 2008
R Surendran	-	700,000	-	-	700,000	700,000	700,000
W Darcey	-	700,000	-	-	700,000	700,000	700,000
Total	-	1,400,000	-	-	1,400,000	1,400,000	1,400,000

No options over fully paid shares in the parent entry were held during the 30 June 2007 financial year by any director of the parent entity, or their personally-related entities.

Transactions with related parties in the wholly owned group

During the financial year, unsecured loan advances were made between the parent entity and its controlled entities. All such loans were interest free. 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 20.

Individual directors and executives compensation disclosures

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

	CONSOLIDATED		PARENT ENTITY	
	2008	2007	2008	2007
	$	$	$	$

17. Remuneration of Auditor

Amounts paid or due and payable to the auditor for:

Auditing and reviewing financial reports (KPMG Australia)	50,040	45,437	50,040	45,437
Other services – accounting advice (KPMG Australia)	14,200	-	14,200	-
Taxation advisory services – KPMG Australia	28,141	40,000	28,141	40,000
– overseas KPMG firms	33,055	-	33,055	-
	125,436	85,347	125,436	85,347

18. Expenditure Commitments

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

– not later than one year	62,332	75,506	62,332	75,506
– later than one year but not later than two years	5,702	56,630	5,702	56,630
– later than two years but not later than five years	10,454	-	10,454	-
	78,488	132,136	78,488	132,136

19. Segment Information

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

Geographical segments	Australia	Philippines	Consolidated
	$	$	$
30 June 2008			
Total segment revenue	-	-	-
Amortisation and depreciation expenses	15,693	-	15,693
Exploration expenditure written-off	33,600	-	33,600
Acquisition of assets	13,739	4,522,955	4,536,694
Segment loss	(571,093)	(56,612)	(627,705)
Income tax expense	-	-	-
Net loss	(571,093)	(56,612)	(627,705)
Segment assets	31,072,704	21,026,949	52,099,653
Segment liabilities	2,401,527	1,155,914	3,557,441
30 June 2007			
Total segment revenue	-	-	-
Amortisation and depreciation expenses	25,418	-	25,418
Exploration expenditure written-off	100,905	-	100,905
Acquisition of assets	5,152	1,295,533	1,300,685
Segment loss	(1,346,083)	(30,741)	(1,376,824)
Income tax expense	-	-	-
Net loss	(1,346,083)	(30,741)	(1,376,824)
Segment assets	1,422,264	18,185,911	19,608,175
Segment liabilities	2,512,121	650,366	3,162,487

Notes to the Financial Statements for the year ended 30 June 2008

20. Investments in Controlled Entities

Name of controlled entities	Country of incorporation	Class of shares	Equity Holding 2008 %	Equity Holding 2007 %
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.

	CONSOLIDATED 2008 $	CONSOLIDATED 2007 $	PARENT ENTITY 2008 $	PARENT ENTITY 2007 $
21. Reconciliation of Net Cash Flows from Operating Activities				
Operating loss after income tax	(627,705)	(1,376,824)	(2,324,614)	(3,541,362)
Amortisation and depreciation	182,693	115,418	182,693	115,418
Exploration expenditure written-off	33,600	100,905	9,300	100,174
Impairment of loans	-	-	539	731
Profit on sale of investments	-	(11,969)	-	(11,969)
Plant and equipment written-off	-	829	-	829
Translation loss on loan to controlled entity	-	-	1,710,263	2,162,617
Changes in operating assets and liabilities				
(Increase) / decrease in receivables	(442,442)	14,159	(442,442)	14,159
(Increase) / decrease in other assets	-	(40,000)	-	(40,000)
Increase / (decrease) in payables	15,169	41,308	15,168	41,308
Increase / (decrease) in provisions	(33,460)	(27,369)	(22,791)	(25,448)
Increase / (decrease) in other liabilities	206,137	31,873	206,137	31,873
Net cash outflow from operating activities	(666,008)	(1,151,670)	(665,747)	(1,151,670)
22. Non Cash Financing and Investing Activities				
Issue of options for finance facility	61,250	387,500	61,250	387,500
Issue of options for share placement fee	465,600	-	465,600	-
	526,850	387,500	526,850	387,500
23. Earnings per Share				
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	492,307,221	281,222,290		

23. Continued	CONSOLIDATED 2008	2007
Issued ordinary shares at 1 July	291,288,043	269,288,043
Effect of share placement 14 December 2006	-	11,934,247
Effect of share placement 30 August 2007	14,991,781	-
Effect of share placement 18 December 2007	186,027,397	-
Weighted average number of ordinary shares at 30 June	492,307,221	281,222,290

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

There were no movements in ordinary shares or options subsequent to balance date.

24. Subsequent Events

Subsequent to 30 June 2008 the USD to AUD exchange rate has decreased from 0.9605 as at 30 June 2008 to 0.8349, at the date of signing this financial report. The Consolidated entity's primary asset being exploration and evaluation expenditure relating to the Siana gold project, is held by a foreign operation whose functional currency is USD. Accordingly, the measurement of the exploration and evaluation expenditure would be subject to this subsequent volatility of the exchange rate.

25. Share Based Payments

The Employee Option Plan ("the plan") was approved by shareholders at the annual general meeting of Red 5 held on 27 November 2007. All staff, (including executive directors), are eligible to participate in the scheme.

Shares and options are issued on the following terms:

- The Board may from time to time determine that any eligible person is entitled to participate in the plan and the extent of that participation. In making that determination, the Board may consider, where appropriate:
  - (a) the seniority of the eligible person and the position the eligible person occupies within the Consolidated entity;
  - (b) the length of service of the eligible person with the Consolidated entity;
  - (c) the record of employment or engagement of the eligible person with the Consolidated entity;
  - (d) the contractual history of the eligible person with the Consolidated entity;
  - (e) the potential contribution of the eligible person to the growth of the Consolidated entity;
  - (f) the extent (if any) of the existing participation of the eligible person (or any permitted nominee in relation to that eligible person in the plan; and
  - (g) any other matters which the Board considers relevant.
- A 5% limit is imposed on the number of shares to be received on exercise of the options issued under the plan. This includes all shares issued (or which might be issued pursuant to the exercise of an option under each outstanding offer), the number of shares in the same class that would be issued if offers under the plan were accepted or if options over them were exercised and the number of shares in the same class issued under the previous five years pursuant to the plan. Options are granted under the plan for no consideration. Options granted under the plan carry no dividend or voting rights.
- When exercisable, each option is convertible into one ordinary share. The exercise price of options is determined by the Board when it resolves to offer the option and will be not less than 80% of the average closing sale price of the shares on ASX Limited over the five trading days immediately preceding the date of issue of any offer document in relation to the offer, or the date of resolving to issue the options or the date of issue of options by the Board, as the case may be.

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

25. Continued

Grant date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Expired/ forfeited during the year	Balance at the end of the year	Vested and exercisable at end of the year
		$	Number	Number	Number	Number	Number	Number
Consolidated and parent entity - 2008								
12.12.07	31.12.12	0.15	-	6,000,000	-	-	6,000,000	6,000,000
16.06.08	30.06.11	0.15	-	350,000	-	-	350,000	350,000
16.06.08	30.06.13	0.25	-	350,000	-	-	350,000	350,000
16.06.08	30.06.11	0.15	-	350,000	-	-	350,000	350,000
16.06.08	30.06.13	0.25	-	350,000	-	-	350,000	350,000
			-	7,400,000	-	-	7,400,000	7,400,000
Weighted average exercise price			-	$0.16	-	-	$0.16	$0.16

The assessed weighted average fair value at grant date of options granted during the year ended 30 June 2008 was $0.070. The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

During the period, the parent entity granted 1,400,000 unlisted options as share based payment to executives. These options were issued on 16 June 2008, with 700,000 options expiring on 30 June 2011 and 700,000 options expiring on 30 June 2013. The exercise price of the options is 15 cents and 25 cents respectively and must be settled in cash. The fair value at grant date is determined using a Black-Scholes option pricing model with the following terms:

	CONSOLIDATED	
	2008	2007
	$	$
Weighted average exercise price: $0.20		
Average life of the option: 4.04 years		
Underlying share price: $0.079		
Expected share price volatility (based on historic volatility): 85%		
Dividend yield: nil		
Risk-free interest rate: 7%		
Total expenses arising from share-based payment transactions recognised as part of employee benefit expense	52,920	-

During the period, the parent entity granted 6,000,000 unlisted options as part consideration for share placement fees. The options are exercisable at 15 cents each on or before 31 December 2012, are not transferable by the holder and must be settled in cash. The fair value at grant date is determined using a Black-Scholes option pricing model with the following terms:

25. Continued	CONSOLIDATED 2008 $	2007 $
Option life: 5 years		
Fair value at grant date: $0.0776		
Underlying share price: $0.14		
Exercise price $0.15		
Dividend yield: nil		
Total expenses from options issued as part consideration for share placement fees	526,850	-

26. Financial Risk Management

Overview

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

The company and the Consolidated Entity do not use any form of derivatives as it is not at a level of exposure that requires the use of derivatives to hedge its exposure. Exposure limits are reviewed by management on a continuous basis. The Consolidated entity does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

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

Credit risk

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

Presently, the Consolidated entity undertakes exploration and evaluation activities exclusively in the Philippines. At the balance sheet date there were no significant concentrations of credit risk.

Cash and cash equivalents

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

Trade and other receivables

As the Consolidated entity operates primarily in exploration activities, it does not have trade receivables and therefore is not exposed to credit risk in relation to trade receivables.

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

Exposure to credit risk

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

	CONSOLIDATED Carrying amount	
	2008	2007
26. Continued	$	$
Trade and other receivables	523,404	73,596
Cash and cash equivalents	30,615,336	996,138

	PARENT ENTITY Carrying amount	
	2008	2007
	$	$
Loans to subsidiaries	20,525,146	17,704,687

Impairment losses

None of the Consolidated entity's or the Company's receivables are past due (2007: nil). The movement in the allowance for impairment in respect of inter-group loans on a non-consolidated basis during the year was $539 (2007: Nil). The impairment recognised during the year was due to an analysis of the respective subsidiaries financial position. The loans are not payable at 30 June 2008.

Liquidity risk

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

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

The Company anticipates a need to raise additional capital via debt facilities in the next 12 months to meet development activities. The final decision on how the Company will raise future capital will be influenced by market conditions existing at that time.

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

CONSOLIDATED
30 June 2008

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	More than 1 year
Trade and other payables	924,068	(924,068)	924,068	-	-
Interest bearing loan borrowings	2,006,260	(2,608,208)	-	2,608,208	-
Non-interest bearing loan	292,601	(322,846)	-	-	322,846
	3,222,929	(3,855,122)	924,068	2,608,208	322,846

30 June 2007

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	More than 1 year
Trade and other payables	427,261	(427,261)	427,261	-	-
Interest bearing loan borrowings	1,694,373	(2,408,731)	-	-	2,480,731
Non-interest bearing loan	303,270	(322,846)	-	-	322,846
	2,424,904	(3,230,838)	427,261	-	2,803,577

26. *Continued*

PARENT ENTITY

30 June 2008

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	More than 1 year
Trade and other payables	809,370	(809,370)	809,370	-	-
Interest bearing loan borrowings	2,006,260	(2,608,208)	-	2,608,208	-
	2,815,630	(3,417,578)	809,370	2,608,208	-
30 June 2007					
Trade and other payables	402,391	(402,391)	402,391	-	-
Interest bearing loan borrowings	1,694,373	(2,480,731)	-	-	2,480,731
	2,096,764	(2,883,122)	402,391	-	2,480,731

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Consolidated entity income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

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

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

Exposure to currency risk

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

	30 June 2008			30 June 2007		
	USD $	Peso $	Total $	USD $	Peso $	Total $
Cash	54,583	39,561	94,144	32,135	6,655	38,790
Trade payables	165,691	-	165,691	14,181	-	14,181
Gross balance sheet exposure	220,274	39,561	259,835	46,316	6,655	52,971

The Company's exposure to foreign currency risk was as follows, based on notional amounts:

	30 June 2008			30 June 2007		
	USD $	Peso $	Total $	USD $	Peso $	Total $
Trade and other receivables	18,780,167	-	18,780,167	15,959,708	-	15,959,708
Trade and other payables	(165,691)	-	(165,691)	(14,181)	-	(14,181)
Gross balance sheet exposure	18,614,476	-	18,614,476	15,945,527	-	15,945,527

26. Continued

Sensitivity analysis

A 10 percent strengthening of the Australian dollar against the following currencies at 30 June would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2007.

	CONSOLIDATED Profit or loss	PARENT ENTITY Profit or loss
30 June 2008		
USD	(20,025)	(1,692,226)
Peso	(3,597)	-
30 June 2007		
USD	(4,192)	(1,436,702)
Peso	(605)	-

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

Interest rate risk

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

The Consolidated entity adopts a policy of ensuring that as far as possible it maintains excess cash and cash equivalents in short terms deposit with more than one counterparty at interest rates maturing over 90 day rolling periods.

Profile

At the reporting date the interest rate profile of the Consolidated entity and the Company's interest-bearing financial instruments were:

	CONSOLIDATED Carrying amount		PARENT ENTITY Carrying amount	
	2008 $	2007 $	2008 $	2007 $
Variable rate instruments				
Cash and cash equivalents	30,615,336	996,138	30,521,192	957,087
Interest bearing loans	(2,006,260)	(1,694,373)	(2,006,260)	(1,694,373)
	28,609,076	(698,235)	28,514,932	(737,286)

26. Continued

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2007.

CONSOLIDATED	**Profit or loss**		**Equity**	
	100bp increase $	**100bp decrease $**	**100bp increase $**	**100bp decrease $**
30 June 2008				
Variable rate instruments	283,773	(283,773)	283,773	(283,773)
30 June 2007				
Variable rate instruments	(10,357)	10,357	(10,357)	10,357
PARENT ENTITY				
30 June 2008				
Variable rate instruments	282,832	(282,832)	282,832	(282,832)
30 June 2007				
Variable rate instruments	(10,748)	10,748	(10,748)	10,748

Fair values

Fair values versus carrying amounts

The carrying amounts of financial assets and liabilities approximate fair value except for the following balances:

CONSOLIDATED	**30 June 2008**		**30 June 2007**	
	Carrying Amount $	**Fair Value $**	**Carrying Amount $**	**Fair Value $**
Interest bearing loan	(2,006,260)	(2,238,010)	(1,694,373)	(2,031,873)
	(2,006,260)	(2,238,010)	(1,694,373)	(2,031,873)
PARENT ENTITY	(2,006,260)	(2,238,010)	(1,694,373)	(2,031,873)
Interest bearing loan	(2,006,260)	(2,238,010)	(1,694,373)	(2,031,873)

Capital management

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

There were no changes in the Consolidated entity's approach to capital management during the year. Risk management is facilitated by regular monitoring and reporting by the board and key management personnel.

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

Declaration by Directors

The Board of Directors of Red 5 Limited declares that:

(a) the financial statements, accompanying notes and the remuneration disclosures that are contained in the Remuneration Report in the Directors' Report are in accordance with the Corporations Act 2001, including:

- giving a true and fair view of the financial position as at 30 June 2008 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 financial report also complies with International Financial Reporting Standards as disclosed in note 1.1;

(c) the remuneration disclosures that are contained in the Remuneration Report in the Directors' Report comply with Australian Accounting Standard AASB 124 Related Party Disclosures, the Corporations Act 2001 and the Corporations Regulations 2001; and

(d) 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 F Scanlan
Director

Perth, Western Australia
25 September 2008

Independent Audit Report

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

Report on the financial report

We have audited the accompanying financial report of Red 5 Limited (the Company), which comprises the balance sheets as at 30 June 2008, and the income statements, statements of changes in equity and cash flow statements for the year ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 26 and the directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 1.1, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

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

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

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's and the Group's financial position and of their performance. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's opinion

In our opinion:

(a) the financial report of Red 5 Limited is in accordance with the *Corporations Act 2001,* including:

- (i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2008 and of their performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the financial report complies with International Financial Reporting Standards as disclosed in note 1.1.

Report on the remuneration report

We have audited the Remuneration Report included in pages 5 to 8 of the directors' report for the year ended 30 June 2008. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Red 5 Limited for the year ended 30 June 2008, complies with Section 300A of the *Corporations Act 2001*.

KPMG

Rob Gambitta
Partner

Perth
Dated: 25 September 2008

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 an exploration and development company which 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;
- reviewing performance against stated objectives by receiving regular management reports on the business situation, opportunities and risks; and
- the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Company.

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 is Mr Jackson by virtue of financial remuneration during the year. Mr Rowe is employed by one of the Company's major shareholders and is therefore deemed not to be independent. Mr Scanlan is an independent non-executive director.

Board members should possess complementary business disciplines and experience aligned with the Company's objectives. Under present circumstances there is not 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 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. The 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, with Mr Scanlan as chairman. The remuneration committee also comprises the three non-executive directors, with Mr Rowe as chairman. Details of the qualifications of committee members and attendance at committee meetings are set out in the Directors' Report.

The current size of the full Board permits it to act as the nomination committee and to regularly review membership. The Board will give consideration at an appropriate time in the Company's development to the creation of a separate nomination committee.

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. The Board is required to meet annually with the purpose of reviewing the role of the Board, assessing its performance over the previous 12 months and examining ways in which the Board can better perform its duties. A formal assessment was undertaken in August 2008, using a self-assessment checklist as the basis for evaluation of performance against the requirements of the Board charter.

AUDIT COMMITTEE

The responsibilities of the audit committee 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 Managing Director and Chief Financial Officer provide a certification to the Board that the Company's external financial reports present a true and fair view of the Company's financial condition and operational results and that the certification in relation to the integrity of the Company's external financial reports is founded on sound risk management systems and that compliance and control systems are operating efficiently and effectively.

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 2008 with rotation due no later than five years from that date.

REMUNERATION COMMITTEE

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.

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 auditors attend annual general meetings and are 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 authorised spokespersons. 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 specified employees in the period of two weeks prior to the release of quarterly reports and four weeks prior to the release of half year and full year results and for one business day thereafter. Any transactions to be undertaken must be notified to the Chairman or Managing Director in advance. Directors are also required to immediately advise the Company of any transactions conducted by them in the securities of the Company.

Statement of Shareholders

The following information was reflected in the records of the Company as at 25 September 2008.

Distribution of share and option holders

	Number of holders	
	Fully paid shares	Unlisted options
1 - 1,000	29	-
1,001 - 5,000	106	-
5,001 - 10,000	234	-
10,001 - 100,000	882	-
100,001 and over	419	6
	1,670	6
Including holdings of less than a marketable parcel	226	

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.

Twenty largest holders of fully paid shares

Shareholder		Shares	%
1.	ANZ Nominees Limited	131,649,437	19.97
2.	AngloGold Ashanti Australia Limited	67,171,875	10.19
3.	Merrill Lynch (Australia) Nominees Pty Ltd	30,700,000	4.66
4.	Sierra Bay Pty Ltd	24,547,264	3.72
5.	Fortis Clearing Nominees Pty Ltd	22,924,630	3.48
6.	J P Morgan Nominees Australia Limited	20,568,483	3.12
7.	National Nominees Limited	13,403,711	2.03
8.	Darley Pty Ltd	10,000,000	1.51
9.	HSBC Custody Nominees (Australia) Limited	10,000,000	1.51
10.	Kim Robinson	9,000,000	1.37
11.	Invia Custodian Pty Ltd	7,000,000	1.06
12.	Ross Francis Stanley	6,310,000	0.96
13.	Allen Lance Govey	6,135,000	0.93
14.	Gregory Charles Edwards	6,105,000	0.93
15.	Timothy Lyons & Heather Lyons	5,780,548	0.88
16.	Merrill Crowe Corporation	5,609,955	0.85
17.	HSBC Custody Nominees (Australia) Limited	5,350,000	0.81
18.	Breamlea Pty Ltd (J & E MacDonald Account)	5,000,000	0.76
19.	Nefco Nominees Pty Ltd	4,650,000	0.70
20.	Queensland Investment Corporation	4,379,904	0.66
		396,285,807	60.10

Substantial shareholders

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

Shareholder	Number of shares	%
Mathews Capital Partners – Sabre Fund	128,471,149	19.49
AngloGold Ashanti Australia Limited	67,171,875	10.19
Portfolio Partners Limited	40,000,000	6.07

Unquoted securities

The following classes of unquoted securities are on issue:

		Holders of greater than 20% of each class of security		
Security	**Number on issue**	**Name of holder**	**Number**	**%**
Options over fully paid shares exercisable:				
- at 17 cents each on or before 30.06.09	12,500,000	Societe Generale Australia Branch	12,500,000	100.00
- at 15 cents each on or before 30.06.11	700,000	William Darcey	350,000	50.00
		Raj Surendran	350,000	50.00
- at 15 cents each on or before 31.12.12	6,000,000	Lost Ark Nominees Pty Ltd	6,000,000	100.00
- at 25 cents each on or before 30.06.13	700,000	William Darcey	350,000	50.00
		Raj Surendran	350,000	50.00

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
30/07/2007	Fourth Quarter Activities and Cash Flow Report
17/08/2007	Change of Director's Interest Notice
23/08/2007	Equity placement signals drilling start
30/08/2007	Appendix 3B – share placement
30/08/2007	Section 708A notice
20/09/2007	Underground mine plan drilling commences
24/09/2007	Siana project feasibility upgrade
25/09/2007	Siana project presentation
28/09/2007	Financial Report year ended 30 June 2007
16/10/2007	Siana senior debt financing mandate awarded
25/10/2007	Annual Report
25/10/2007	Notice of Annual General Meeting
29/10/2007	Trading halt
31/10/2007	First Quarter Activities and Cash Flow Report
01/11/2007	Equity raising complete funding for Siana development
12/11/2007	Notice of General Meeting
28/11/2007	Initial underground resource upgrade results
28/11/2007	Results of Annual General Meeting

Release date	Announcement subject
28/11/2007	Chairman's AGM address to shareholders
29/11/2007	Annual General Meeting presentation
30/11/2007	Becoming a substantial holder from CBA
12/12/2007	Chairman's address
12/12/2007	Results of General Meeting
18/12/2007	Ceasing to be a substantial shareholder from CBA
19/12/2007	Placement Completion and Appendix 3B
21/12/2007	Becoming a substantial shareholder
31/12/2007	Appendix 3B – issue of unlisted options
31/01/2008	Second Quarter Activities and Cash Flow Report
14/03/2008	Half Year Accounts
28/03/2008	Indicative debt funding package for Siana development
09/04/2008	Third Quarter Activities Report
17/04/2008	Change in substantial holding
23/04/2008	GML intersects significant Cu at The Cup, Au at Julia's Fault
30/04/2008	Third Quarter Cash Flow Report
16/06/2008	Appendix 3B – issue of unlisted options

Share Price Movements

Share price ranges on the Australian Stock Exchange during the 2007-2008 year were:

Quarter Ended	High (cents)	Low (cents)
September 2007	11.0	7.0
December 2007	17.0	9.8
March 2008	14.0	7.0
June 2008	12.0	6.8

The closing share price on 30 June 2008 and on the date of this report was 8.4 cents (8.8 cents 2007) and 5.8 cents (10.0 cents 2007) 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

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

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
Web-site: www.securitytransfer.com.au

Bankers

Bank of New Zealand, Australia

Auditors

KPMG

Solicitors

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

Stock Exchange Listing

Shares in Red 5 Limited are quoted on ASX Limited.
ASX code:RED

Tenement Directory

Project	Tenement Number	Beneficial interest or joint venture details
Philippines		
Siana gold project	MPSA 184-2002-XIII	90% beneficial interest
	APSA 45-XIII	Right to earn an 80% interest
	APSA 30-XIII (Mapawa)	Right to earn 80% interest
Western Australia		
Montague	EL 57/561	25% free carried
	ML 57/429, ML 57/485	25% free carried

Abbreviations

ELA	Exploration Licence Application	MPSA	Mineral Production Sharing Agreement
ML	Mining Lease	APSA	Application for MPSA

www.red5limited.com