Red5Limited

Producing gold
in the Philippines

2012 Annual Report

Corporate Profile

Red 5 Limited (ABN 73 068 647 610) is listed on the Australian Securities Exchange (ticker RED) with over 4,000 shareholders.

The largest shareholders are Baker Steel Capital Managers with a 8.2% interest and Franklin Templeton with a 6.6% interest. There are also a further nineteen institutional shareholders based in Toronto, New York, Connecticut, San Francisco, London, Melbourne and Sydney.

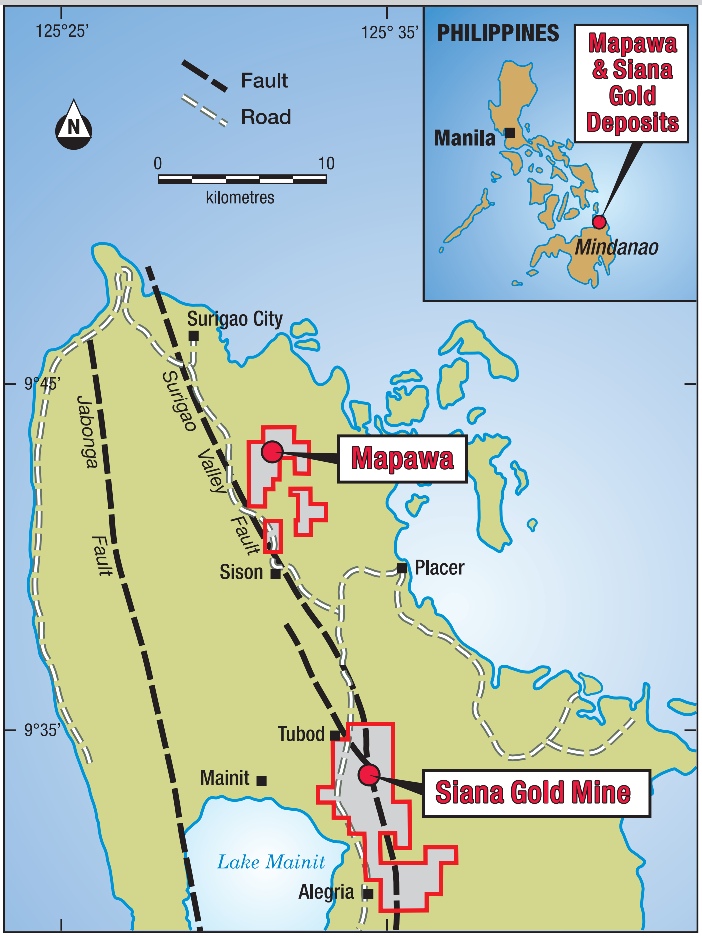
The Company's principal asset is the Siana Gold Mine in the Philippines, held under a Mineral Production Sharing Agreement by a Philippine compliant company.

The Siana mine development comprises an open pit operation, followed by an underground mine, and with ore treated through a conventional modern gravity and carbon-in-leach plant to produce gold doré, which is shipped to Metalore in Geneva for refining.

A total of US$85.8 million has been invested in the mine, process plant and infrastructure. Commercial production was declared mid-April 2012.

The project development was based on a ten year mine life and is expected to deliver a minimum 849,000 ounces of gold production at a cash cost of below US$400 per ounce. An increase to the Mineral Resource, estimated in compliance with JORC guidelines, would likely increase the mine life and aggregate production outcome.

A second asset is the Mapawa MPSA, 20km north of Siana which has the potential to provide satellite ore to the Siana development. The property is also prospective for a gold-porphyry discovery.



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Address to Shareholders

from the Chairman

Dear Shareholder,

All new mine developments have their challenges and the one million ounce Siana deposit in the Surigao del Norte region of Mindanao in the Philippines, was no exception.

The abnormal wet season, which finally abated in May 2011, delayed the plant build, particularly with respect to the critical path major concrete pours for the crusher and SAG mill. The extended wet season also had dramatic consequences on the open pit pre-strip mining schedule with access to ore on the upper pit benches significantly delayed. Whilst the six wheel articulated trucks were perfectly suited to the task, the heavy clay nature of the near surface soils detracted from movement productivity performance.

The inaugural gold pour was achieved on 6 February 2012; however, feed for the plant was predominantly reliant, in the absence of adequate ore positions in the pit, on low grade stockpiles remaining from the previous operations. This material was super saturated from rain absorbed over more than twenty years and recorded moisture levels in excess of 25 per cent. With this material dominating the mill feed the plant suffered various material handling issues, particularly at transfer points. Modifications were made at negligible cost and we now have a very robust and flexible process plant, and one built without suffering the capital cost escalations typically experienced in Australia.

Our next challenge was back in the mine. Over 8.2 billion litres of water, plus natural precipitation and ground water inflow was finally extracted from the pit only to reveal a deep layer of silt sitting over the entire pit floor which precluded immediate access to exposed ore faces. The difficult and unchartered activity of removing the silt commenced in late May 2012.

Whilst the cumulative sequence of events were challenging, they were not fatal. In particular, the Company was fortunate not to have debt or gold hedge repayments, for which it is indebted to its equity providers. Shortfalls in gold production and revenues necessitated careful management of cash flows, a discipline essential to the survival of new enterprises. This included the curtailment of exploration drilling and reduced waste movement from the pit.

However, with production delays of an unknown duration during the early silt removal programme, the Company opted to raise $15 million in additional working capital. Whilst this action disappointed some shareholders, prudence and protecting the value of the asset in place was foremost in the decision making process.

The gold price closed the year at US$1,598 per ounce, a 6.2% increase, having touched US$1,900 per ounce for a short period. Gold equities did not however reflect this performance, possibly due to the increasing popularity of the gold bullion ETFs – the largest; SPDR Gold Trust has, at the time of writing, held US$66 billion in gold bullion, and trades US$1.5 billion a day. Global equity performance by contrast, and as measured by the Van Eck Junior Gold ETF – 85 constituents and valued, again at the time of writing , at US$2.6 billion, was down 38% for the year. Red5 was admitted to the ASX300 Resources index and was included in the Van Eck ETF in March 2012.

Despite Red5 being one of only nine of the 47 companies in the ASX gold index to report a positive share price performance (up 27%) in the year to 30 June 2012, the Managing Director elected not to receive his short term incentive bonus entitlement, noting that the closing share price remains below the last equity raise price.

At the time of going to press, silt in the pit is no longer an issue, and with the pit floor largely cleared of debris from the previous operation, Red5 is now in a position to access the exposed ore faces.

Colin G Jackson
Chairman

Dear Shareholder,

Red 5 has completed the development and construction of the Siana Gold Mine and is ramping up to full scale production at the time of writing. The newest mine in the Philippines, the Siana Project was built entirely by Philippine contractors under the supervision of an internal Engineering, Procurement and Construction Management team. During construction the various contractor's teams were augmented with the Company's supervisors to ensure the quality and timeliness of the build.

Natural conditions during the construction and commissioning periods have, to say the least, been difficult and it is a testament of the dedication of the construction and operating teams that the hurdles during this period have largely been overcome. We now look to improve production going forward.

The quality of the process plant and associated infrastructure is excellent. Whilst the project came in at a capital cost of less than US$86 million, there have been no compromises in the quality of the equipment installed or constructed. The site has recently experienced a series of major, shallow earthquakes up to 7.6 Richter magnitude and with at least 50 aftershocks above 4.5 magnitude that attest to the quality of the build – there has been no damage to any of the site infrastructure despite the intensity of these events.

The mining side of the equation has, however, been disappointing. The equipment and operators of the mining contractor are well suited to the conditions and are capable of high material movement rates. Equipment maintenance and operational management of the contractor's fleet has, however, been sub-standard and the Company has been prompted by this poor performance to embed a number of procurement, maintenance and operating specialists into the contractors team to ensure operational improvements. The Company expects significant improvements in the mining performance over the next few months.

This coming year will be an exciting time for the Company, its employees and the local community. It is particularly pleasing to begin to see the tangible benefits that this new operation has provided to the region. With the ramp-up complete we will be looking at expansion alternatives for the Siana operation combined with additional project generation activities for the next development.

The Company and its employees are indebted to the strong shareholder support throughout the exploration, development, construction, commissioning and ramp-up stages of the Siana Project.

Greg Edwards
Managing Director

Siana Gold Mine

Project description

The Siana project is located on the southern Philippine island of Mindinao and covers an area of approximately 39 square kilometres around the former Siana gold mine in the established gold mining province of Surigao del Norte. The Siana tenements cover 12 kilometres of strike along the Surigao Valley fault which is a richly endowed mineral field with many epithermal gold systems and several known porphyry copper-gold deposits.

There is substantial infrastructure near the mine including grid power, easy access to the national sealed highway, close proximity to shipping and airport facilities and good modern telecommunications coverage.

Local government and community leaders are familiar with the previous history of the mine and actively supported the new development.

The Siana project comprises an initial open pit operation which will be followed by an underground mine. Ore is treated through a conventional modern gravity and carbon-in-leach plant to produce gold-silver doré, which is shipped to the Metalor refinery in Geneva, Switzerland.

The project was approved by the Red5 board based on a million ounce resource and a minimum ten year mine life with an open pit operating for at least 5 years and then a transition period of 18 months where both underground mining and open pit mining operate simultaneously, followed by underground mining only. The current period of sustained higher precious metal prices will likely see a longer overall mine life and the transition to underground mining postponed by several years.

The cash operating cost per ounce of gold is forecast to be in the lowest quartile. The drivers include:

- A mill feed grade more than double the world average
- Gold mineralisation associated with argillised clays rather than quartz, leading to lower energy consumption and wear rates in the crushing and grinding sections of the process plant
- Availability of grid power, generated by hydro and modest government taxed diesel, and
- A lower wage environment relative to Australia.

Construction

Construction of the processing plant and associated infrastructure, which had been severely hampered by record rainfall during an extended Philippine wet season recommenced in early June 2011. By late December 2011, the large contingent of vendor equipment specialists had completed their installation warranty assignments and handed over the plant to Company operating staff, complemented by commissioning specialists, Independent Metallurgical Operations.

Subsequent modifications to the plant were remarkably few, attesting to the quality of the initial design. Changes included: lowering of the inter-tank carbon transfer pumps; changing pipework to facilitate more efficient carbon transfer to the gold elution section; modification to the auto voltage regulators in the power house and two changes to address particularly sticky and difficult to handle water saturated stockpiles, namely; RSJ bull nose bars above the 8m by 1.2m Jacques apron feeder to control feed bed depth to the crusher and steel skirts replacing rubber skirts at the transfer bin. The only scheduled, but not critical modifications planned in the short term are the introduction of a by-pass jaw crusher and a steel apron feeder to replace the rubber conveyor belt at the transfer bin.

The final capital cost of the project, audited and agreed with vendors, is US$85.8 million. This compares with an original approved budget of US$72.5 million. However, the incorporation of scope changes and risk mitigation changes to the original design, have been shown during early operations to be readily justified and advantageous. These improvements include the replacement of a second hand grinding mill (subsequently sold) with a state of the art Outotec SAG mill at a cost of US$5.1 million, the installation of a 3 by 2Mw Cat power station, which provides total power back up to the site, US$3.4 million, a tailings dam dewatering redundancy system, an increased tailings dam wall height to raise the freeboard, a TAC cyanide analyser to optimise cyanide dosage and a double entry ramp into the pit. Capital was also brought forward such that the original bankable feasibility plant start-up throughput rate of 750,000 tonnes per annum could be transitioned immediately to the final 1.1 million tonne per annum rate.

Other costs included in the total, which would be overruns, were associated with additional construction time resulting from the delays caused by the rain, additional engineering fill, and a more substantial Irish Crossing for the site access road. Project support costs also increased due to the extra time required to complete the project, some of which were partially mitigated by changing the construction strategy, whereby plant items normally constructed on site were constructed offsite and then modularised for transportation to site for immediate erection.

Throughout, the Company maintained its treasury position in Australian dollars, which over the construction period appreciated against the Philippines peso, in which 88% of all invoice costs were denominated.

Financing

The construction and commissioning phases were financed from treasury funds sourced exclusively from equity, a significant portion of which was raised in October 2010. Increases to the project scope, but more importantly delays with commissioning and production ramp-up, placed significant constraints on cash levels. During this period a standby facility of US$8.0 million remained in place and undrawn, with Sprott Resource Lending Partnership, of Toronto, Canada.

As the indeterminate duration of the commissioning timetable continued, the board, cognisant that Red5 is a single asset Company, determined that a small equity raise was prudent. Accordingly, a $15 million raise, gross of fees, was completed in March 2012 with existing professional shareholders.

The Company continued to actively manage its cash position for the remainder of the year, deferring waste movement in particular, to synchronise with ore extraction rates.

Post the year end; with the removal of silt delaying production and delaying cash flows, the Company advanced the Sprott facility to the executable phase to be available for draw down in October 2012. The US$8.0 million senior secured facility is non-revolving and can be repaid at any time without penalty. There are no associated gold hedge or foreign exchange contract positions.

Final capital costs

Capital Item	US$m
Mine dewatering and pre-strip	20.52
Process plant	52.88
Infrastructure	9.07
Misc capital	3.29
Total	**85.76**

Siana Gold Mine

Mining

The record wet season, which severely hampered the plant construction activity, similarly hindered earth moving activity in the pit cut-back. With the abatement of the heavy rains and with the mining pre-strip eventually reaching an RL where suitable fresh rock became available, Delta Earthmoving Inc., the Philippines based contractor, was able to properly sheet the haul roads to allow operations to continue during rainy periods. In addition the drainage system around the pit and the haul roads was improved with the installation of culverts in areas particularly affected by the rain.

Pit dewatering, primarily using two 1,000 litre a second pontoon mounted Atlas pumps, continued for most of the year, extracting the original 8.2 billion litres of water in the pit, plus an additional 6 billion litres from natural precipitation and ground in-flows. The water quality was continuously monitored and readily achieved environmental standards which allowed discharge into the local river system. Two 26 inch dewatering bores and several perimeter bores operated to further draw down the water table.

The dewatering configuration changed as the water level neared the bottom of the original pit floor, with the increasingly dirtier discharge, due to suspended silt, directed to settling ponds before release into the local river system. The silt layer which covered the entire pit floor was more extensive than originally envisaged. Pit de-silting is a rare event and various techniques had to be trialled over a period of time to handle this difficult material. The successful technique developed firstly utilised 8 to 10 metre deep sumps and rock filter walls to drain the silt of free water. Cells were then established using causeways to divide the pit floor into manageable areas, before excavating and trucking to the waste dump. The drained and excavated material was of a consistency akin to sloppy peanut butter and did not therefore lend itself to a highly productive operation.

The silt was primarily the accumulation of twenty years of soil runoff from the pit surrounding area. It is a one-off event, as the pit is now protected by a perimeter drain.

The silt delayed access to the pit floor, where the ore body averages 70 metres wide. Waste removal was slowed to synchronise with the rate of ore extraction. At the date of this report, the silt had been largely removed, the causeway and remainder of the pit wall slide from twenty years ago excavated, and regular ore extraction commenced.

Under the current approved mine plan, the open pit will be developed to a maximum depth of 215 metres below surface. Benches are blasted on 5 metre lifts and excavated on 2.5 metre flitches using Komatsu PC800 and PC850 excavators and Komatsu six wheel drive 35 tonne and 40 tonne articulated trucks.

The open pit is expected to operate for five years, however, the production schedule is being reviewed to investigate opportunities to lower the cut-off grade and extend the life of the open pit and fully utilise the process plant installed capacity earlier than originally scheduled.

For the underground mining phase, a portal, 75 metres above the final pit floor will be established with a 5 metre by 5 metre decline heading at a gradient of 1:7. The underground mining method will utilise jumbo drill and blast for the decline and road headers for ore production using underhand cut and fill. A paste fill, comprising the coarse fraction of cycloned tailings and local cement, will be used for ground support.

Production

Dry commissioning commenced in December 2011 and the first clean gold-silver doré bar was poured on 6 February 2012. In common with the commissioning of most new process plants, the early operations provided numerous challenges, all of which were resolved. In particular, the three power plant engines were not initially synchronised, and regular power outages occurred. Modern SAG mill units are stringently monitored, and once stopped; the start-up can take 45 minutes, due to the permissive sequential protocol procedure.

Initial production from the upper levels of the cut-back provided parcels of ore with much higher than the life-of-mine average silver to gold ratios. The net result was that precious metal stripping from the steel wool in the gold room was occurring with much greater frequency than anticipated and doré bars were also assaying only 12 to 15% gold rather than the expected 35% gold. As a consequence shipments to the Metalor refinery in Geneva were occurring more frequently.

Production Costs Summary

	*Commission Phase** *A$/oz*	*Commercial Production Phase* *A$/oz*
Mine Costs Open Pit (attributable to ORE tonnes)	N/A	88
Processing Costs	N/A	526
G & A Costs (includes portion of Manila costs)	N/A	300
Other Selling costs (Gvt Excise Tax, SDMP)	N/A	28
Silver Credits	N/A	(113)
Total Cash Operating Costs	N/A	**829**
Depreciation - Plant and Equipment (LOM including forward sustaining capex)	N/A	52
Amortisation - Mine Property & Development (sunk costs)	N/A	121
Total Depreciation and Amortisation	N/A	173
Total Costs	N/A	1,002
Ounces Sold	N/A	2,742

* *All costs and revenues capitalised.*

Production Summary

Key Indicators	*Units*	*Commission Phase*	*Commercial Production**	*Year 2011/2012*
Mine Production				
Waste Mined	*BCM '000s*	955	293	1,248
Ore Mined	*t*	109,932	47,252	157,184
Mined Grade - Gold	*g/t*	–	2.1	–
Mill Production				
Ore Processed	*t*	106,525	46,828	153,353
Head Grade - Gold	*g/t*	1.46	1.96	1.61
Head Grade - Silver	*g/t*	11.5	11.5	11.5
Recovery - Gold	*%*	69	72	70
Recovery - Silver	*%*	55	55	55
Gold Produced	*oz*	3,507	2,079	5,586
Silver Produced	*oz*	20,377	15,227	35,604
Gold Sold	*oz*	2,377	2,742	5,119
Silver Sold	*oz*	20,361	15,135	35,496
Average Gold Price received	*US$/oz*	–	1,626	–
Cash Operating Costs *(i)*	*A$/oz*	N/A	829	829
Total Operating Costs *(ii)*	*A$/oz*	N/A	1,002	1,002
Capital Expenditure				
Waste Stripping Costs *(iii)*	*A$m*	–	2.45	2.45
Plant and Equipment	*A$m*	–	0.52	0.52
Exploration	*A$m*	–	0.20	0.20

(i) Includes all site expenditure, royalties, dore shipping & refining costs, silver credits and inventory movement adjustments. Does not include actual waste stripping costs which are deferred and amortised over the life of the open pit.

(ii) Includes all cash operating costs plus plant & equipment depreciation and amortisation of waste stripping costs and capitalised pre production mining and exploration costs.

(iii) All waste stripping costs for the period are capitalised and amortised over the life-of-pit.

* *Commercial production declared 16 April 2012.*

Low grade stockpiles, totalling approximately 80,000 tonnes, from the operation twenty years prior, were anticipated to provide supplementary feed during the production ramp-up phase. Delays in the pit, however, resulted in this material becoming the main mill feed for extended periods. With the degradation of this material over time and extremely high moisture levels, this material was very difficult to handle at transfer points in the crushing and grinding circuit. These issues were eventually rectified and now place the plant in preparedness for ore in the coming wet season.

Commercial production, defined as an average 60% of the initial 750,000 tonne per annum nameplate capacity over thirty days, was declared on the 16 April 2012. Commissioning costs and revenues to this point; production of 3,507 ounces of gold and 20,377 ounces of silver, were attributed to the capital cost account.

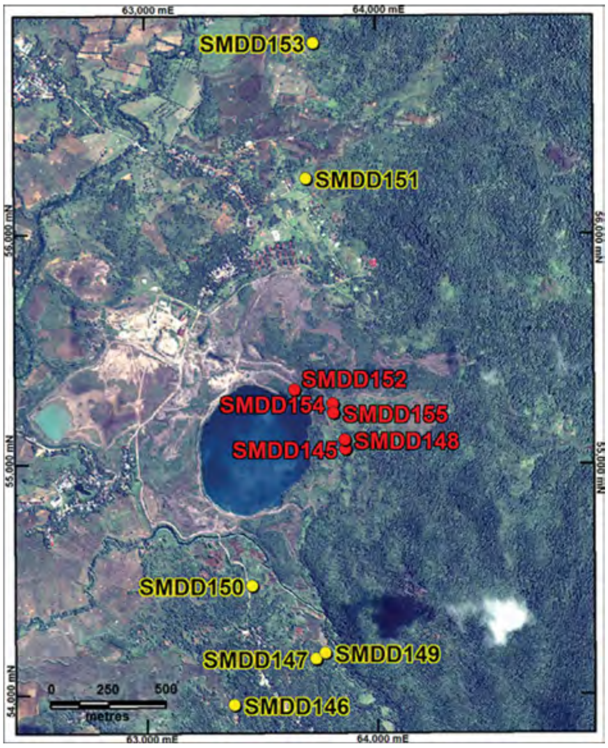
With ore availability from the pit still being constrained, due to the unexpected volume of silt, and with the stockpiles exhausted, the plant operated on an intermittent basis. And although the plant has operated at in excess of 3,200 tonnes per day, which exceeds the ultimate 1.1 million tonne per annum nameplate, only 46,828 tonnes was processed in May and June 2012. The cash cost of production was A$829 per ounce and total cost A$1,002 per ounce. Higher throughput rates and sustained operations will markedly lower these costs.

Exploration

Siana and near mine

Exploration and resource definition drilling continued at Siana for most of the year with two diamond drill rigs deployed. A total of 13 holes were drilled, six around the pit (3,151 metres) and seven near mine (1,127 metres).

One rig was stationed at Siana, drilling in and around the pit with another smaller, man portable rig drilling regional targets. Five holes were completed from the eastern side of the pit targeting along strike and down dip extensions to the known mineralised Panels. SMDD145, SMDD148 and SMDD152 intersected several zones of alteration and mineralisation of Panels 4-10 in the Eastern Basalt before encountering the feldspar porphyry and then an altered limestone unit which is predominantly the host of Panels 1-3, before encountering barren volcaniclastics.



Siana resource definition and near mine drillhole locations.

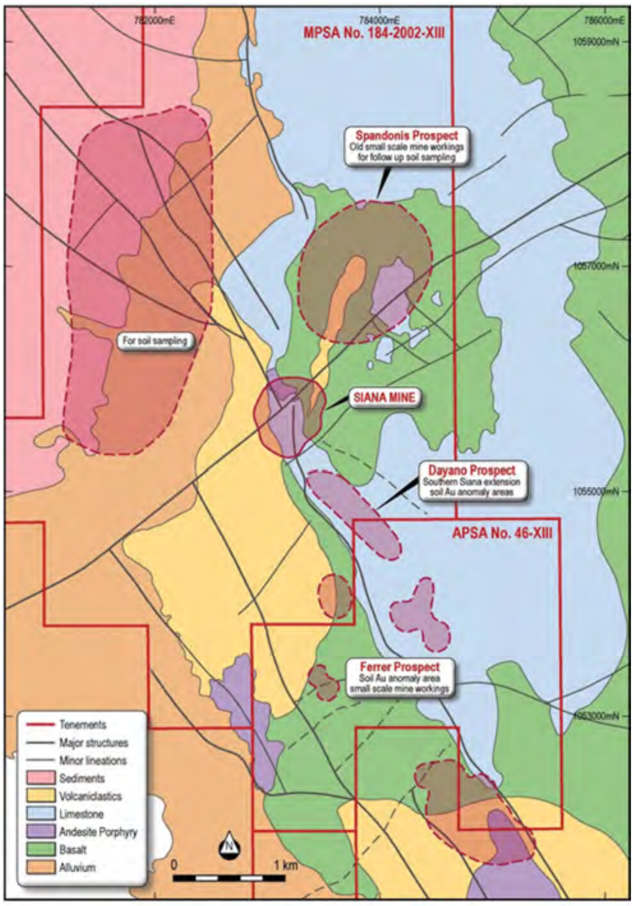
The discovery of a previously undrilled high grade structure in the north east of the Siana pit cutback was investigated. This mineralisation represents one of the Eastern Panels, likely to be Panel 8, which was unable to be drilled due to unstable ground in that area. Channel sampling in the cutback in that area revealed high grade assays with several samples over 100g/t gold with one sample assaying 847g/t gold. SMDD154 and SMDD155 were drilled targeting this structure with SMDD154 intersecting a zone of low grade mineralisation. Drilling activity was terminated due to increased mobile fleet movements around the pit as production commenced.

Hole No.	Significant Intersections above 1g/t gold cut-off			
	From (m)	Interval (m)	Gold (g/t)	Silver (ppm)
SMDD128	50	10	4.0	2.2
	234	7	11.8	19.5
	269	3	9.7	3.9
SMDD143	291	4	3.3	2.0
	324	1	12.2	0.7
	562	4	10.6	3.4
	583	3	10.9	5.2
SMDD145	479	4	9.8	1.0
including	479	2	18.2	1.7
	654	3	7.1	5.6
SMDD148	396	8	2.9	0.6
including	397	1	16.9	1.7
	447	2	1.9	0.3
	459	6	2.0	0.3
	506	4	3.5	1.2
	573	2	3.5	13.1
	595	1	10.5	15.7
SMDD151	83	1	1.8	8.3
SMDD152	371	1	8.7	7.2
	475	1	2.6	14.8
SMDD154	179	6	1.0	–

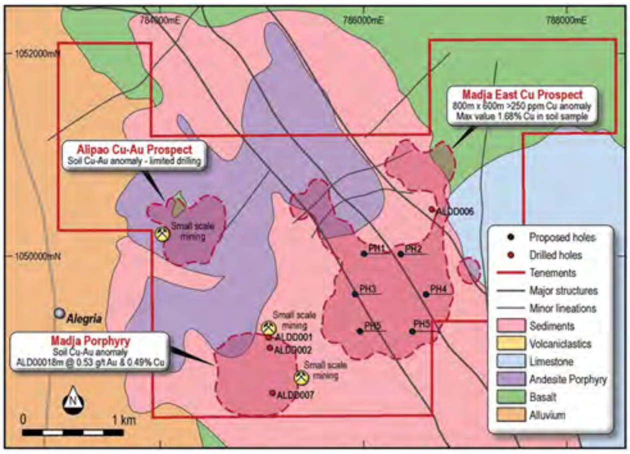
No significant results for drillholes SMDD144, SMDD146, SMDD147, SMDD 149, SMDD150, SMDD151, SMDD153, and SMDD155.

Hole No.	Collar					
	Depth	Easting (m)	Northing (m)	mRL	Azimuth	Dip
SMDD128	497	63723	55165	54	272	-51
SMDD143	659	63820	54996	65	270	-60
SMDD145	711	63866	55063	75	270	-63
SMDD148	696	63864	55105	85	270	-53
SMDD151	280	63702	56239	55	70	-45
SMDD152	565	63647	55320	39	270	-55
SMDD154	303	63813	55260	79	270	-53

Drilling on a more regional basis to the south of Siana in the Dayano region was also completed during the year with a programme of five exploration diamond holes drilled. SMDD144 and SMDD146 were drilled to follow up previous encouraging results from Suricon, the previous owners of the Siana mine. SMDD147 and SMDD149 were drilled targeting the limestone – basalt contact, one of the favourable geological environments for mineralisation at Siana. The rig was then transferred closer to the Siana mine pit with SMDD150 drilled to test a similar structural target along the predominant regional north west – south east structure of the Philippine Rift Zone and to follow up anomalous soil samples and other previous drilling completed by Suricon. Two holes were also completed in the Spandonis region to the north east of the Siana open pit, SMDD151 and SMDD153 targeting geophysical anomalies and areas of small scale mining activity.



Siana Mine pit with interpreted geology and regional structures with gold in soil anomalism in the Dayano and Ferrer areas.



Alegria region with interpreted geology and gold and copper anomalism with the planned location of exploration diamond drillholes.

A High Resolution Mineral Spectrometer was purchased late in the year to develop detailed alteration studies, particularly for the Mapawa project. A programme of analysing pulps and drillcore should deliver a greater understanding on the controls of mineralisation in this porphyry system. It is envisaged that will improve vectoring accuracy of mineralised areas at Mapawa with better targeting of drillholes where mineralisation remains open along strike (MDD0017 – 33m @ 3.4g/t Au) and at depth (MDD003 – 144m @ 1.3g/t Au), results previously reported.

In conjunction with diamond exploration drilling a dedicated geochemical soil sampling and reconnaissance team conducted programmes in the Dayano and Ferrer region, along the regional trend to the south of the Siana open pit. The results were encouraging with gold in soils of up to 0.47g/t Au with samples collected from small scale mine workings in the area assaying up to 9.07g/t Au. Applications for conversion of this Application for Mineral Production Sharing Agreement (APSA) to a Mineral Production Sharing Agreement (MPSA) have begun to enable this encouraging area to be drill tested. Following this the team turned their focus to the north west of the Siana mine and in the Spandonis area to the north east where structural repetitions similar to Siana have been observed. Previous historical and current small scale mining activity in the Spandonis region has given further encouragement to the prospectivity of the area.

In the Alegria area, 8km to the south of Siana, a six drillhole exploration programme is planned. Community consultation and baseline studies have commenced and access road preparation tendered. The programme is designed to test potential porphyry copper gold targets, where a large copper in soils anomaly exists, and which was further defined by geophysical Induced Polarisation (IP) surveys.

Competent Person Declaration

The information in this Public Report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on, and accurately reflects, information compiled by Mr Rohan D Williams who is a full-time employee of Red 5 Limited and is a Member of The Australasian Institute of Mining and Metallurgy.

Mr Williams has sufficient experience that is relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code). Mr Williams consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Siana Resource & Reserve Statement

The Mineral Resource, dated as at the end of July 2012, and calculated using a US$900 per ounce gold price, has not been updated to include drill results recorded during the 2011/2012 drilling campaign in and adjacent to the Siana pit. It has however been depleted to account for the processing of the entire low grade stockpiles previously recorded.

The Mineral Resource, calculated in accordance with JORC guidelines is 13.0Mt at 3.2g/t gold and 5.7g/t silver for 1,347,000 ounces of gold and 2,323,000 ounces of silver.

A cut-off grade of 0.8g/t gold was used to define the Mineral Resource in the open pit and 2.0g/t gold was used for the cut-off grade in the underground portion of the deposit.

The Ore Reserve of the Siana Project remains unchanged, other than for the depletion of the stockpiles. It has not been updated to reflect the September 2011 Mineral Resource and therefore reflects an open pit currently being implemented based on a gold price of US$650 per ounce. An updated Ore Reserve is under preparation.

Mineral Resource (depleted to the end of June 2012)

Category	Tonnes (million)	Gold Grade (g/t)	Contained Gold ('000 oz)	Silver Grade (g/t)	Contained Silver ('000 oz)
Indicated Resource					
Open Pit	9.7	2.5	764	4.3	1,343
Underground	0.9	6.7	199	12.2	359
Total Indicated Resource	**10.6**	**2.9**	**963**	**5.0**	**1,702**
Inferred Resource					
Open Pit	1.3	2.6	108	4.5	188
Underground	1.1	7.6	276	11.9	433
Total Inferred Resource	**2.4**	**4.9**	**384**	**8.0**	**621**
Total Mineral Resource	**13.0**	**3.2**	**1,347**	**5.7**	**2,323**

Note:- contains minor rounding adjustments; - Open pit cut-off grade 0.8g/t Au; - Underground Resources are defined as the region below the optimised Open Pit at a US$900 gold price (nominally below -270mRL) using a +2g/t Au cut-off

Ore Reserve (as at February 2009 - update pending)

Category	Tonnes (million)	Gold Grade (g/t)	Contained Gold ('000 oz)	Silver Grade (g/t)	Contained Silver ('000 oz)
Probable Reserve					
Open Pit	3.11	3.42	341	8.7	870
Underground	1.94	5.82	363	9.1	566
Total Ore Reserve	**5.05**	**4.34**	**704**	**5.7**	**1,436**

Mineral Resource

Mineral Resource estimates described in this report are consistent with the guidelines and definitions of the 2004 Australasian Code for Reporting of Mineral Resources and Ore Reserves (the JORC Code).

They are assumed to have a reasonable prospect for eventual economic extraction according to the analysis of the known data, and from which Ore Reserves have been derived by the application of appropriate Modifying Factors including mining, metallurgical, economic, marketing, legal, environmental, social and governmental considerations.

Open Pit Mineral Resource

The open pit Mineral Resource was estimated by Hellman & Schofield Pty Ltd using the method of Multiple Indicator Kriging with block support correction.

Underground Mineral Resource

The underground Mineral Resource was estimated by Cube Consulting Pty Ltd based on drill data available at December 2008.The Mineral Resource remains open to the north, south and at depth below 500 metres vertical.

Ore Reserve

The Ore Reserve extends to approximately 400 metres below surface.

Community, Environment & Safety

Despite commissioning difficulties beyond those that could have been anticipated, the Company did not compromise on its stated aim of ensuring the highest levels of environmental and safety standards and community participation at the Siana Project. As a reflection of the Company's commitment, one of the Red5 non-executive directors accepted the inaugural position of Chairman of the HSE (Health, Safety and Environment) committee reporting to the main Board on matters relating to this important facet of the Company's business.

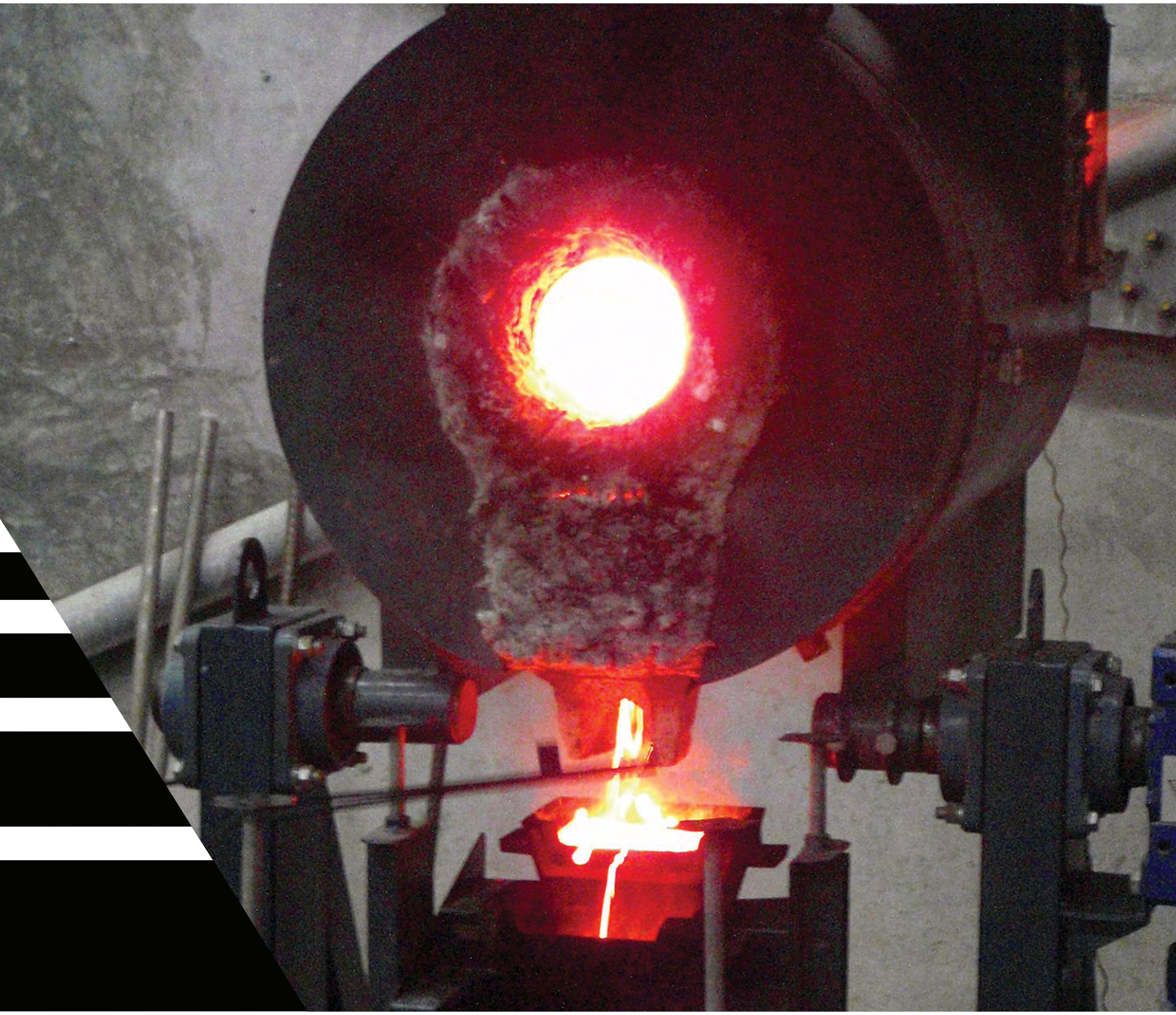
During construction of the project a peak workforce of over 1,500 personnel achieved an outstanding 6.6 million hours without a lost-time injury (LTI); a major feat in such difficult working conditions. Sadly, a death by misadventure of one of the mining contractor's personnel occurred in February 2012, and this was recorded as an LTI. At the time of writing the Company had again recorded more that 1.6 million hours without a lost-time injury. The Company continues to improve the working conditions and training of its personnel to the highest industry standards.

During the period the Company operated in accordance with the provisions of the Environmental Compliance Certificate and the approved Environmental Protection and Enhancement Program. Comprehensive controls and monitoring systems have been implemented to ensure the project has a minimal impact on the environment. During the period political dignitaries visited the project on a number of occasions and consumed water directly from where it is released to the environment, attesting to the quality of the discharge.

Now that the mine is operational, the Company has begun advancing monies from the Social Development Management Plan (1% of annual mining and processing costs) to a number of worthy programmes in the seven surrounding villages. These include health, education, livelihood and infrastructure initiatives.

The Company has an additional Corporate Social Responsibility programme that provides additional benefits to the local communities. As part of this programme the Company has awarded 13 tertiary scholarships in advanced education covering earth sciences, mining engineering and environmental science.

Financial Statements



for the year ended 30 June 2012

The directors of Red 5 Limited ("Red 5" or "parent entity") present their report on the results and state of affairs of Red 5 and its subsidiaries ("the Group" or the "consolidated entity") for the financial year ended 30 June 2012.

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 Jackson
Gregory Edwards
Gary Scanlan
Kevin Dundo
Mark Milazzo

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 completion of the mine development and construction phase of the Siana gold project. During the latter half of the year, the Siana gold project moved into the production phase.

Results of Operations

The net loss of the consolidated entity after income tax was $1,682,914 (2011: $8,111,524).

Review of Operations

Mine development and construction of the gold processing plant at the Siana project in the Philippines were completed during the year. Preliminary commissioning of the process plant commenced in November 2011 and was initially impacted by interruptions to on-site power generation capability. Minor engineering modifications to the plant circuit were also required to overcome materials handling issues related to the sticky nature of the ore sourced from the existing low grade stockpile, which had been used as the initial feed to the mill.

An initial gold and silver doré bar was produced at the Siana mine in early February 2012. A total of 5,586 ounces were produced to 30 June 2012, of which 2,079 ounces were produced after "commercial production" (defined as 30 continuous days at an average of 60% of the interim processing throughput rate of 750,000 tonnes per annum) was declared on the Siana project in mid-April 2012.

Dewatering of the open pit was impacted by higher than expected ground water inflows at the base of the open pit. This was compounded by operational difficulties in the excavation and removal of a significant volume of accumulated silt material from the base of the pit, in order to expose the ore body and enable ore extraction. Consequently, delays were encountered in the consistent delivery of ore feed to the processing plant.

By mid-September 2012, the open pit was successfully dewatered and the majority of the silt material had been removed, enabling the commencement of full scale mining of the ore body with mine production planned to ramp up in the December quarter.

The Siana project recorded gold sales of 2,742 ounces in May and June. The average price received for the sale of gold bullion was US$1,626 per ounce.

The production schedule for the Siana mine is under review in order to investigate opportunities to lower the cut-off grade based on prevailing gold prices rather than the original feasibility study base line schedule.

Exploration activities during the year focussed on testing extensions of known mineralised zones around the Siana ore body. Soil sampling and reconnaissance were conducted at the nearby Dayano and Ferrer prospects to identify priority targets for follow-up drilling. No drilling activity occurred at the Mapawa project whilst analytical work on previous samples was undertaken and priority given to near-mine resource extension opportunities.

Red 5 received royalties of $1,081,059 from Galaxy Resources Limited for the year ending 30 June 2012.

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 intends to ramp up gold production from the Siana gold mine, evaluate an expansion of the original open pit operation and resume mineral exploration activities in its other project areas.

Working capital was drawn down in the June and September quarters because of the delayed ore production from the Siana pit. Since 30 June 2012, the Group has completed the execution of a US$8,000,000 credit facility with Sprott Resource Lending Partnership.

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 Shares

The only grant of options during the year was 80,000 options granted to the CFO. At the date of this report, there were 290,000 options granted over ordinary fully paid shares. The terms of these options are as follows:

Options over ordinary fully paid shares exercisable:	**Number**
- at $2.50 each on or before 30 June 2013	70,000
- at $2.50 each on or before 30 April 2014	70,000
- at $2.70 each on or before 31 December 2014	40,000
- at $4.00 each on or before 30 April 2016	70,000
- at $4.30 each on or before 31 December 2016	40,000
	290,000

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

Significant Changes

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

(a) On 23 November 2011, the Company completed a share consolidation resulting in one new share for every ten existing shares.

(b) Gross equity funds of $15,000,000 were raised through a share placement of 7,075,472 ordinary shares at an issue price of $2.12 per share in March 2012.

(c) In April 2012, the Company declared the commencement of commercial production on the Siana project.

Events Subsequent to the End of the Financial Year

Since 30 June 2012, the Group has completed the execution of a US$8,000,000 credit facility with Sprott Resource Lending Partnership.

Information on Directors

Colin G Jackson
(Non-Executive Chairman)
M.Sc., B.Sc. (Hons), DIC, Grad. Dip. Bus. Admin.

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, remuneration and health, safety, environment and community committees.
Other current directorships:
Intrepid Mines Limited (since December 2003).
Mr Jackson has not held directorships in any other listed companies in the last 3 years.

Gregory C Edwards
(Managing Director)
B.Sc. (Hons), MAusIMM

A director since November 2001. Mr Edwards is a geologist with over 25 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.

Gary F Scanlan
(Non-Executive Director)
FAusIMM, CA

A director since November 2006. Mr Scanlan has over 28 years' experience in the mining industry preceded by 10 years' experience with PricewaterhouseCoopers. His previous roles include Executive General Manager – Finance for Newcrest Mining Limited and Managing Director of Castlemaine Goldfields Limited. Mr Scanlan is chairman of the audit committee and is a member of the remuneration committee.
Other current directorships:
Castlemaine Goldfields Limited (since June 2005, chairman since December 2010). Mr Scanlan was a director of Citadel Resource Group between December 2009 and March 2011. Mr Scanlan has not held other directorships in any other listed companies in the last 3 years.

Kevin A Dundo
(Non-Executive Director)
B.Com, LLB, FCPA

A director since March 2010. Mr Dundo practices as a lawyer and specialises in commercial and corporate areas (in particular mergers and acquisitions) with experience in the mining sector, the service industry and the financial services industry. Mr Dundo is chairman of the remuneration committee and is a member of the audit committee.
Other current directorships:
Imdex Limited (since January 2004) and Synergy Plus Limited (since July 2006).
Former directorships in the last 3 years:
Intrepid Mines Limited (April 2002 to May 2009).

Mark F Milazzo
(Non-Executive Director)
B.Eng. Mining, FAusIMM

A director since May 2011. Mr Milazzo is a mining engineer with 30 years' experience in mining operations. He was previously General Manager of HWE Mining Pty Ltd where he was responsible for managing a portfolio of surface and underground mining contracts for a wide range of clients across a range of commodities. Mr Milazzo is a chairman of the health, safety, environment and community committee.
Other current directorships:
Cortona Resources Limited (since May 2011) and YTC Resources Limited (since August 2012).

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 25 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 Red 5 as at the date of this report are as follows:

Director	Fully paid shares	Options
C Jackson	22,500	–
G Edwards	1,065,111	–
G Scanlan	50,000	–
K Dundo	–	–
M Milazzo	25,000	–

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 2012 and the number of meetings attended by each director whilst in office are as follows:

	Board meetings			Audit Committee meetings			Remuneration Committee meetings		
	held	eligible	attended	held	eligible	attended	held	eligible	attended
C Jackson	14	14	14	3	3	2	2	2	2
G Edwards	14	14	13	3	–	–	2	–	–
G Scanlan	14	14	14	3	3	3	2	2	2
K Dundo	14	14	13	3	3	3	2	2	2
M Milazzo	14	14	13	3	–	–	2	–	–

A health, safety, environment and community committee was established on 1 January 2012. There were no formal meetings of this committee during the reporting period.

Remuneration Report (audited)

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

Principles used to determine the nature and amount of remuneration

Directors and executives remuneration

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

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

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

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

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

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

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

In considering the consolidated entity's performance and benefits for shareholder wealth, the Board believe that at this stage of development there is no relevant direct link between revenue and profitability and the advancement of shareholders wealth. For this reason, the Group does not currently link revenue and profitability against shareholder wealth.

	2012	2011	2010	2009	2008
Loss attributable to owners of the company	($1,682,914)	($8,111,524)	($438,421)	($850,076)	($627,705)
Dividends paid	-	-	-	-	-
Share price at 30 June	$1.46	$1.15	$1.20	$0.72	$0.84
Return on capital employed	(0.85%)	(5.49%)	(0.38%)	(1.79%)	(1.13%)

Performance incentives may be offered to the managing director and senior management through the operation of performance bonus schemes. The performance bonus, based on a percentage of annual salary, may be payable upon achievement of agreed key performance indicators (KPIs), which are weighted equally between agreed milestones and relative peer group share price performance. A declared bonus may be payable in a proportion of cash and shares, subject to shareholder approval, if required. KPIs are reviewed and agreed annually by the remuneration committee and include financial and non-financial objectives for example, performance against the annual operating budget, health and safety measures and other operations-related criteria. Measures chosen directly align the individual's reward to the KPIs of the Group and to its strategy and performance.

Non-executive directors' remuneration

In accordance with current corporate governance practices, the structure for the remuneration of non-executive directors and senior executives is separate and distinct. Shareholders approve the maximum aggregate remuneration payable to non-executive directors, with the current approved limit being $500,000 per annum. The remuneration committee recommends the actual payments to directors and the Board is responsible for ratifying any recommendations. The Chairman receives fees of $70,000 per annum and non-executive directors receive $50,000 per annum, with additional amounts for chairing of board committees, namely $10,000 per annum for audit committees and $5,000 per annum for other committees, all exclusive of superannuation. Committee members are not paid a fee. Non-executive directors are entitled to statutory superannuation benefits. Directors' fees have remained unchanged since the year ending 30 June 2010. 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.

Details of remuneration

The following table discloses details of the nature and amount of each element of the remuneration of each key management personnel including the directors of Red 5 for the year ended 30 June 2012. There have been no bonuses, options or performance shares granted in relation to the 2012 financial year.

2012	Short term			Post-employment	Equity		Other	Prior year bonus			
Name	Salary or directors fees	Consulting fees	Performance cash bonus	Super-annuation	Shares	Options	Expenses	Cash/ Shares (3)	Total	Performance related	Value of options as a proportion
	$	$	$	$			$	$	$	%	%
Executive director											
G Edwards (1)	436,065	–	–	45,425	–	–	20,073	59,250	560,813	10.6	–
Non-executive directors											
C Jackson	70,000	138,563	–	6,300	–	–	–	–	214,863	–	–
G Scanlan	60,000	–	–	5,400	–	–	–	–	65,400	–	–
K Dundo	55,000	–	–	4,950	–	–	–	–	59,950	–	–
M Milazzo	52,500	–	–	4,725	–	–	–	–	57,225	–	–
Executives											
J Mobilia (1)	248,556	–	–	25,259	–	55,139	–	15,094	344,048	4.4	16.0
R Pyatt (1)	255,305	–	–	23,514	–	–	11,237	–	290,056	–	–
R Williams (1)(2)	217,247	–	–	20,000	–	–	–	–	237,247	–	–
Total	**1,394,673**	**138,563**	**–**	**135,573**	**–**	**55,139**	**31,310**	**74,344**	**1,829,602**	**4.1**	**3.0**

(1) *Salary as noted in the table includes adjustment for movements in the current value of employee leave provisions (as a consequence of increased base salary), being $41,065 for Mr Edwards, $11,056 for Mr Mobilia, $20,033 for Mr Pyatt and $17,247 for Mr Williams. For clarity, Mr Edwards' 2012 base salary was $395,000.*

(2) *Appointed 1 July 2011.*

(3) *Prior year bonuses represent short term incentive bonuses relating to executive performance during the year to 30 June 2011. The bonus is satisfied 50% in cash and 50% by the issue of shares. The bonuses were determined by the remuneration committee after performance reviews and were based on achievement of pre-determined key performance indicators, for example, performance against the annual operating budget, health and safety measures, other operations-related criteria ("the agreed KPIs") and relative peer group share price performance. The bonus is weighted 50% to the agreed KPIs and 50% to the share price performance (for more details refer to service agreements). The component relating to share price performance was forfeited during the year ended 30 June 2011 in its entirety. The cash bonus of $29,625 plus 24,688 vested shares ($29,625) for Mr Edwards represents 40% of the available bonus for the agreed KPIs and for Mr Mobilia the cash bonus of $7,547 plus 6,287 vested shares ($7,547) represents 37.5% of the available bonus for the agreed KPIs, with the remaining component being forfeited due to KPIs not being met. Mr Pyatt and Mr Williams were not entitled to any bonus for the year ending 30 June 2011 as Mr Pyatt had only been with the company for one month and Mr Williams was not appointed until 1 July 2011.*

All directors are entitled to have premiums on indemnity insurance paid by Red 5. During the financial year, Red 5 paid premiums of $70,831 (2011: $61,758) 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.

2011	Short term			Post-employment	Equity		Other			
Name	Salary or directors fees $	Consulting fees $	Performance cash bonus (6) $	Super-annuation $	Shares(7) $	Options $	Expenses $	Total $	Performance related (6) %	Value of options as a proportion %
Executive director										
G Edwards (1)	440,825	–	28,437	45,368	59,859	–	18,849	593,338	14.9	–
Non-executive directors										
C Jackson	70,000	165,751	–	6,300	–	–	–	242,051	–	–
G Scanlan	60,000	–	–	5,400	–	–	–	65,400	–	–
K Dundo	52,743	–	–	5,578	–	–	–	58,321	–	–
M Milazzo (2)	8,333	–	–	750	–	–	–	9,083	–	–
B Bolitho (3)	27,500	–	–	2,475	–	–	–	29,975	–	–
Executives										
J Mobilia (1)	240,084	–	15,710	25,142	15,710	55,840	–	352,486	8.9	15.8
W Darcey (4)	122,766	–	–	8,333	–	–	–	131,099	–	–
R Pyatt (5)	39,897	–	–	3,710	–	–	129	43,736	–	–
Total	**1,062,148**	**165,751**	**44,147**	**103,056**	**75,569**	**55,840**	**18,978**	**1,525,489**	**7.8**	**3.7**

(1) Salary includes adjustment for movements in the current value of employee leave provisions of $68,325 for Mr Edwards and $20,084 for Mr Mobilia.

(2) Appointed 1 May 2011.

(3) Up to date of resignation on 23 November 2010.

(4) Up to date of resignation on 31 October 2010.

(5) Appointed 9 May 2011.

(6) Short term incentive bonuses relate to executive performance during the period to 31 December 2010. The amounts were determined by the remuneration committee after performance reviews and were based on achievement of pre-determined key performance indicators. The amount vested for Mr Edwards represents 25% of the available bonus and for Mr Mobilia the amount vested represents 57% of the available bonus, with the respective balances being forfeited due to performance criteria not being met. The bonus comprised 50% in cash and 50% to be satisfied by the issue of shares. Mr Edwards' component of the bonus includes the shares relating to the prior financial year (approved during the year) in addition to those relating to the 2011 year (which remains subject to shareholder approval).

(7) Shares issued are the equity component of short term incentive bonuses. These include 165,342 shares issued to Mr Edwards relating to a bonus for the period to 31 December 2009, 76,711 shares issued to Mr Mobilia relating to a bonus for the period to 31 December 2010, and a provision for 138,885 shares to be issued to Mr Edwards (subject to shareholder approval) for the period to 31 December 2010. Excluded from the 2011 remuneration table are 144,141 shares that were issued to Lance Govey in 2011, previously a director of the Company, relating to a bonus for the period ended 31 December 2009.

Share-based compensation

The Board has adopted the Red 5 Employee Share Option Plan (ESOP) and a Performance Rights Plan (PR Plan). The primary purposes of these plans are to increase the motivation of employees, promote the retention of employees, align employee interests with those of Red 5 and its shareholders and to reward employees who contribute to the growth of Red 5.

Red 5's share trading policy prohibits key management personnel that are granted share-based payments as part of their remuneration from entering into other arrangements that limit their exposure to losses that would result from share price decreases. Entering into such arrangements has been prohibited by law since 1 July 2011.

Options granted to key management personnel

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.

2012	Granted	Terms and conditions for each grant				Vested	
	Number	Grant date	Fair value per option $	Exercise price per option $	Expiry date	Number	%
Executives							
J Mobilia	40,000	22.03.2012	0.6609	2.70	31.12.2014	40,000	100
	40,000	22.03.2012	0.7176	4.30	31.12.2016	40,000	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. No options have been granted since the end of the financial year.

Details of options over ordinary shares in the consolidated entity that were granted as compensation to executives during the reporting period are as follows:

	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 a percentage of remuneration %
Executive					
J Mobilia	55,139	–	–	55,139	16.0

Options granted vest immediately to the holder and therefore are not subject to the fulfilment of any performance criteria.

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

	Options 31.12.14	Options 31.12.16
Grant date	22.03.2012	22.03.2012
Option life	2.778 years	4.778 years
Exercise price	$2.70	$4.30
Share price on grant date	$1.93	$1.93
Expected volatility	0.65	0.65
Risk free interest rate	3.43%	3.55%
Dividend yield	Nil	Nil

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

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 Edwards – Managing Director

Term of agreement: no defined period.
Remuneration: base salary of $395,000 per annum plus 10% superannuation contributions, to be reviewed annually by the remuneration committee.
Performance bonus: up to 75% of annual salary weighted equally between the achievement of the agreed KPIs and relative peer group share price performance. To receive 100% of the peer group share price performance component the Red 5 share price must be in the top quartile of the ASX All Ordinaries gold index. To receive 50% of the share price performance component the Red 5 share price must be in the second quartile of the ASX All Ordinaries gold index. No component is received for below median performance. Payment of a performance bonus is 50% cash and 50% shares (escrowed for two years).
Termination provisions: payment upon early termination by the Company (other than for unsatisfactory performance, gross misconduct or long term incapacity) equal to 3 months of the annual salary.

J Mobilia – Chief Financial Officer

Term of agreement: no defined period.
Remuneration: base salary of $245,000 per annum plus 10% superannuation contributions, to be reviewed annually.
Performance bonus: up to 45% (2011: 35%) of annual salary weighted equally between the achievement of the agreed KPIs and relative peer group share price performance.
Equity compensation: entitlement to participate in the ESOP or PR Plan.
Termination provisions: payment upon early termination by the Company (other than for unsatisfactory performance, gross misconduct or long term incapacity) equal to 2 months of the annual salary.

R Pyatt – Operations Director

Term of agreement: no defined period.
Remuneration: base salary of US$250,000 per annum plus 10% superannuation contributions, to be reviewed annually.
Performance bonus: up to 50% of annual salary upon the achievement of the agreed KPIs and relative peer group share price performance.
Termination provisions: payment upon early termination by the Company (other than for unsatisfactory performance, gross misconduct or long term incapacity) equal to 3 months of the annual salary.

R Williams – Group Exploration and Technical Manager

Term of agreement: no defined period.
Remuneration: base salary of $200,000 per annum plus 10% superannuation contributions, to be reviewed annually.
Performance bonus: up to 35% of annual salary weighted equally between the achievement of the agreed KPIs and relative peer group share price performance.
Termination provisions: payment upon early termination by the Company (other than for unsatisfactory performance, gross misconduct or long term incapacity) equal to all remuneration (including salary and any performance bonus) accrued up to and including the date of termination.

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 $44,462 for taxation services and $18,405 for advisory services. Further details of remuneration of the auditors are set out in Note 19.

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

- All non-audit services were subject to the corporate governance guidelines adopted by Red 5;
- Non-audit services have been reviewed by the audit committee to ensure that they do not impact the impartiality or objectivity of the auditor; and
- The non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity, acting as an advocate for Red 5 or jointly sharing economic risks and rewards.

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

Environmental Regulations

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

Compliance with environmental obligations is monitored by the Board of Directors. No environmental breaches have been notified to the consolidated entity by any government agency during the year ended 30 June 2012.

Signed in accordance with a resolution of the directors.

Colin G Jackson
Chairman

Perth, Western Australia
26 September 2012

KPMG

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 2012 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

KPMG

R Gambitta
Partner

Perth
26 September 2012

Statement of Comprehensive Income

for the year ended 30 June 2012

	Note	CONSOLIDATED 2012 $	2011 $
Revenue		**4,277,750**	–
Cost of sales		**(2,643,930)**	–
Gross profit		**1,633,820**	–
Other income	*4(a)*	**1,209,150**	611,965
Administration and other expenses	*4(b)*	**(5,916,041)**	(4,311,135)
Exploration expenses		**(10,557)**	(2,026,093)
Impairment reversal/(impairment) of property, plant and equipment	*4(c)*	**262,495**	(950,000)
Operating loss before financing income/(expenses)		**(2,821,133)**	(6,675,263)
Financing income	*4(d)*	**1,139,265**	2,989,172
Financing expenses	*4(d)*	**(1,046)**	(4,425,433)
Net financing income/(expense)		**1,138,219**	(1,436,261)
Loss before income tax expense		**(1,682,914)**	(8,111,524)
Income tax (expense)/benefit	*5*	**–**	–
Net loss after income tax		**(1,682,914)**	(8,111,524)
Movement in foreign currency translation reserve		**7,675,605**	(8,089,047)
Total comprehensive income		**5,992,691**	(16,200,571)
Net profit/(loss) after income tax			
To non-controlling interest		**60,748**	(57,647)
To members of parent entity		**(1,743,662)**	(8,053,877)
		(1,682,914)	(8,111,524)
Total comprehensive income			
To non-controlling interest		**(123,467)**	(251,784)
To members of parent company		**6,116,158**	(15,948,787)
		5,992,691	(16,200,571)
		Cents	*Cents*
Basic and diluted loss per share (cents per share)	*24*	**(1.29)**	(6.98)

The accompanying notes form part of these financial statements.

Statement of Financial Position

as at 30 June 2012

	Note	CONSOLIDATED 2012 $	2011 $
CURRENT ASSETS			
Cash and cash equivalents	*6*	**13,463,345**	52,504,956
Trade and other receivables	*7*	**3,379,697**	3,263,346
Inventory	*8*	**6,907,113**	–
Total current assets		**23,750,155**	55,768,302
NON-CURRENT ASSETS			
Receivables	*9*	**8,917,025**	3,481,359
Property, plant and equipment	*10*	**50,926,893**	36,386,015
Mine development expenditure	*11(a)(b)*	**77,457,637**	40,497,382
Total non-current assets		**137,301,555**	80,364,756
TOTAL ASSETS		**161,051,710**	136,133,058
CURRENT LIABILITIES			
Trade and other payables	*13*	**8,748,138**	5,056,848
Employee benefits	*14*	**203,070**	136,287
Provisions	*15*	**1,116,104**	1,116,104
Total current liabilities		**10,067,312**	6,309,239
NON-CURRENT LIABILITIES			
Employee benefits	*14*	**115,506**	104,614
Provisions	*15*	**1,326,084**	307,940
Total non-current liabilities		**1,441,590**	412,554
TOTAL LIABILITIES		**11,508,902**	6,721,793
NET ASSETS		**149,542,808**	129,411,265
EQUITY			
Contributed equity	*16*	**177,124,726**	163,041,013
Other equity	*16*	**930,285**	930,285
Reserves	*17*	**(2,343,638)**	(10,258,597)
Accumulated losses		**(25,752,817)**	(24,009,155)
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**149,958,556**	129,703,546
Non controlling interest		**(415,748)**	(292,281)
TOTAL EQUITY		**149,542,808**	129,411,265

The accompanying notes form part of these financial statements.

for the year ended 30 June 2012

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT ENTITY					
	Issued Capital $	Other Equity $	Accumulated Losses $	Other Reserves[1] $	Non-Controlling Interest $	Total $
CONSOLIDATED						
Balance at 1 July 2010	113,322,069	930,285	(16,445,378)	(1,971,306)	(40,497)	95,795,173
Net loss	–	–	(8,053,877)	–	(57,647)	(8,111,524)
Other comprehensive income for the period	–	–	-	(7,894,910)	(194,137)	(8,089,047)
Total comprehensive income for the period	–	–	(8,053,877)	(7,894,910)	(251,784)	(16,200,571)
Shares issued during the year	51,000,000	–	–	–	–	51,000,000
Transaction costs	(3,139,203)	–	–	–	–	(3,139,203)
Issue of employee performance shares	60,554	–	–	–	–	60,554
Issue of options	–	–	–	97,719	–	97,719
Exercised options	900,000	–	–	–	–	900,000
Treasury shares (re-issued)	897,593	–	–	–	–	897,593
Transfers from reserves	–	–	490,100	(490,100)	–	–
Balance at 30 June 2011	**163,041,013**	**930,285**	**(24,009,155)**	**(10,258,597)**	**(292,281)**	**129,411,265**
Balance at 1 July 2011	163,041,013	930,285	(24,009,155)	(10,258,597)	(292,281)	129,411,265
Net loss	–	–	(1,743,662)	–	60,748	(1,682,914)
Other comprehensive income for the period	–	–	–	7,859,820	(184,215)	7,675,605
Total comprehensive income for the period	–	–	(1,743,662)	7,859,820	(123,467)	5,992,691
Shares issued during the year	15,000,000	–	–	–	–	15,000,000
Transaction costs	(981,903)	–	–	–	–	(981,903)
Issue of employee performance shares	65,616	–	–	–	–	65,616
Transfers from reserves	–	–	–	55,139	–	55,139
Balance at 30 June 2012	**177,124,726**	**930,285**	**(25,752,817)**	**(2,343,638)**	**(415,748)**	**149,542,808**

(1) Other reserves represent foreign currency translation reserve and the share based payment reserve.

The accompanying notes form part of these financial statements.

Statement of Cash Flows

for the year ended 30 June 2012

	Note	CONSOLIDATED 2012 $	2011 $
Cash flows from operating activities			
Receipts from sale of gold		**4,277,750**	–
Payments to suppliers and employees		**(5,972,275)**	(2,897,194)
Payments for exploration and evaluation expenditure		**(19,540)**	(1,920,988)
Interest received		**1,338,904**	2,876,814
Interest paid		**(1,046)**	(2,846)
Tax payments		**–**	(155,359)
Royalty receipts		**1,081,059**	265,000
Sundry receipts		**27,493**	117,391
Net cash from operating activities	*23*	**732,345**	(1,717,182)
Cash flows from investing activities			
Payments for plant and equipment		**(19,743,010)**	(37,689,432)
Payments for development		**(33,677,350)**	(8,108,399)
Net cash from/(used in) investing activities		**(53,420,360)**	(45,797,831)
Cash flows from financing activities			
Proceeds from issues of shares		**15,000,000**	51,900,000
Payments for share issue expenses		**(981,903)**	(3,085,006)
Finance facility expenses		**–**	(4,536,714)
Repayment of borrowings		**–**	(322,846)
Net cash from/(used in) financing activities		**14,018,097**	43,955,434
Net increase/(decrease) in cash held		**(38,669,918)**	(3,559,579)
Cash at the beginning of the financial year		**52,504,956**	57,681,899
Effect of exchange rate fluctuations on cash held		**(371,693)**	(1,617,364)
Cash at the end of the financial year	*6*	**13,463,345**	**52,504,956**

The accompanying notes form part of these financial statements.

1. REPORTING ENTITY

Red 5 Limited (the "Company") is a company domiciled in Australia. The address of the Company's registered office is Level 2, 35 Ventnor Avenue, West Perth Western Australia. The consolidated financial statements of the Company as at and for the year ended 30 June 2012 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in associates and jointly controlled entities. The Group is primarily involved in the exploration and mining of gold.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements were authorised for issue by the Board of Directors on 26 September 2012.

2.2 Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for share based payments and rehabilitation provisions. Share based payments are measured at fair value. The methods used to measure fair values of share based payments are discussed further in the Note 3.14. Rehabilitation provisions are based on net present value and are discussed in Note 3.16.

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The areas involving a higher degree of judgements or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed further in Note 3.19.

2.5 Removal of parent entity financial statements

The Group has applied amendments to the Corporations Act (2001) that remove the requirement for the Group to lodge parent entity financial statements. Parent entity financial statements have been replaced by the specific parent entity disclosures in Note 28.

2.6 Changes in accounting policies

In preparing the consolidated financial statements, the Group has adopted one year early IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine. Mandatory adoption would have applied to the Group's financial statements for the year ending 30 June 2013.

3. 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.

3.1 Principles of consolidation

The consolidated financial report incorporates the assets and liabilities of all entities controlled by the Company as at 30 June 2012 and the results of all controlled entities for the year then ended. The Company and its controlled entities together are referred to in this financial report as the consolidated entity. The financial statements of controlled entities are prepared for the same reporting period as the parent entity, using consistent accounting policies. Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

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

3.2 Revenue recognition

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

Gold and silver sales

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

3.3 Finance income and expenses

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

3.4 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 statement of comprehensive income.

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.

3.5 Property, plant and equipment

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

Plant and equipment is measured at cost less accumulated depreciation and any accumulated impairment losses. Items of plant and equipment are depreciated using a combination of the straight line and diminishing value methods commencing from the time they are installed and ready for use, or in respect of internally constructed assets, from the date the asset is completed and ready for use. Depreciation of the processing plant is based on life of mine. The expected useful lives of plant and equipment are between 3 and 13 years.

3.6 Inventories

Gold in circuit, bullion on hand and ore stockpiles are physically measured or estimated and valued at the lower of cost and net realisable value. Cost represents the weighted average cost and comprises direct material, labour and an appropriate portion of fixed and variable production overhead expenditure on the basis of normal operating capacity, including depreciation and amortisation incurred in converting materials to finished products.

Inventories of consumable supplies and spare parts expected to be used in production are valued at the lower of cost and net realisable value. Any provision for obsolescence or damage is determined by reference to specific stock items identified. The carrying value of those items identified, if any, is written down to net realisable value.

3.7 Exploration and evaluation expenditure

Exploration and evaluation expenditure incurred is accumulated at cost in respect of each identifiable area of interest. Costs incurred in respect of generative, broad scale exploration activities are expensed in the period in which they are incurred. Costs incurred for each area of interest where a resource or reserve, estimated in accordance with JORC guidelines has been identified, are capitalised. The costs are only carried forward to the extent they are expected to be recouped through the successful development of the area, or where further work is to be performed to provide additional information.

When production commences, the accumulated costs for the relevant area of interest will be amortised over the life of the area according to the rate of depletion of reserves. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Accumulated costs in relation to an abandoned area will be written off in full to the statement of comprehensive income in the year in which the decision to abandon the area is made.

3.8 Mine development

Pre-production

Costs incurred in the development of a mine before production commences are capitalised as part of the mine development costs. Mine development costs are deferred until production commences, at which time they are amortised over the productive life of the project on a unit-of-production basis.

Deferred waste mining costs

In the production phase all costs associated with waste removal are capitalised and amortised over the productive life of the open pit on a unit-of-production basis.

3.9 Impairment

At each reporting date, the consolidated entity reviews and tests the carrying value of assets when events or changes in circumstances indicate that the carrying amount may not be recoverable. Where an indicator of impairment exists, the consolidated entity makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in the statement of comprehensive income unless the asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the statement of comprehensive income.

Calculation of recoverable amount

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless 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.

3.10 Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at reporting date, and any adjustment to tax payable in respect of previous years. Deferred income tax is provided using the balance sheet liability method on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax to be utilised. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted at the balance date. Income taxes relating to items recognised directly in equity are recognised in equity and not in the statement of comprehensive income.

3.11 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.

3.12 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 statement of financial position. 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.

3.13 Employee benefits

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

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

3.14 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.

3.15 Foreign currency

Foreign currency transactions

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

Financial statements of foreign operations

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

The 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.

3.16 Rehabilitation costs

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

3.17 Provisions

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

3.18 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.

3.19 Accounting estimates and judgements

The selection and disclosure of the consolidated entity's critical accounting policies and estimates and the application of these policies, estimates and judgements is the responsibility of the Board of Directors. The estimates and judgements that may have a significant impact on the carrying amount of assets and liabilities are discussed below.

Impairment of assets

At each reporting date, the group makes an assessment for impairment of all assets if there has been an impairment indicator by evaluating conditions specific to the Group and to the particular assets that may lead to impairment. The recoverable amount of Property, Plant and Equipment and Mine Development expenditure relating to the Siana gold project is determined as the higher of value-in-use and fair value less costs to sell. Value-in-use is generally determined as the present value of the estimated future cash flows. Present values are determined using a risk adjusted discount rate appropriate to the risks inherent in the asset.

Given the nature of the Group's mining activities, future changes in assumptions upon which these estimates are based may give rise to a material adjustment to the carrying value. This could lead to the recognition of impairment losses in the future. The inter-relationship of the significant assumptions upon which estimated future cash flows are based is such that it is impracticable to disclose the extent of the possible effects of a change in a key assumption in isolation.

Future cash flow estimates are based on expected production volumes and grades, gold price and exchange rate estimates, budgeted and forecasted development levels and operating costs. Management is required to make these estimates and assumptions which are subject to risk and uncertainty. As a result there is a possibility that changes in circumstances may alter these projections, which could impact on the recoverable amount of the assets. In such circumstances, some or all of the carrying value of the assets may be impaired. Impairment losses are recognised in the Statement of Comprehensive Income unless the asset has previously been revalued.

Rehabilitation and mine closure provisions

As set out in Note 3.16, this provision represents the discounted value of the present obligation to restore, dismantle and rehabilitate certain items of property, plant and equipment. The discounted value reflects a combination of the Group's assessment of the costs of performing the work required, the timing of the cash flows and the discount rate.

A change in any, or a combination, of the three key assumptions used to determine the provisions could have a material impact to the carrying value of the provision. In the case of provisions for assets which remain in use, adjustments to the carrying value of the provision are offset by a change in the carrying value of the related asset. Where the provisions are for assets no longer in use or for obligations arising from the production process, the adjustment is reflected directly in the statement of comprehensive income.

Reserves and resources

The Group determines and reports ore reserves under the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves as revised December 2004, known as the JORC Code. The JORC code requires the use of reasonable investment assumptions to calculate reserves. Reserves determined in this way are taken into account in the calculation of depreciation of mining plant and equipment (refer to note 10), amortisation of capitalised development expenditure (refer to note 11), and impairment relating to these assets.

Changes in reported reserves may affect the Group's financial results and financial position in a number of ways, including:

- asset carrying values may be impacted due to changes in estimated cash flows;
- depreciation and amortisation charged in the income statement may change where such charges are calculated using the units of production basis.
- deferred waste amortisation, based on estimates of reserve to waste ratios.
- decommissioning, site restoration and environmental provisions may change where changes in estimated reserves alter expectations about the timing or cost of these activities.

3.20 New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2012, but have not been applied in preparing this financial report.

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

(ii) AASB 11 Joint Arrangements, which becomes mandatory for the Group's 30 June 2014 financial statements and could change the classification and measurement of investments in jointly controlled entities. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

(iii) Amended AASB 119 Employee Benefits, which becomes mandatory for the Group's 30 June 2014 financial statements and could change the definition of short-term and other long-term employee benefits and some disclosure requirements. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

4. REVENUE AND EXPENSES

	CONSOLIDATED 2012 $	CONSOLIDATED 2011 $
(a) Other income		
Royalty income	**1,181,657**	492,687
Insurance receipts	**14,584**	1,887
Sundry revenue	**12,909**	117,391
	1,209,150	611,965
(b) Administration and other expenses		
Superannuation contributions	**(66,532)**	(56,244)
Other employee and consultancy expenses	**(1,869,033)**	(1,419,758)
Occupancy costs	**(299,238)**	(368,547)
Regulatory expenses	**(347,457)**	(355,233)
Provision for doubtful debts	**(483,678)**	–
Foreign exchange losses	**(774,300)**	(529,557)
Depreciation	**(41,950)**	(26,987)
Other administration overheads	**(2,033,853)**	(1,554,809)
	(5,916,041)	(4,311,135)
(c) Impairment reversal/(impairment) of PP&E		
Impairment of ball mill	**–**	(950,000)
Proceeds from sale of ball mill	**612,495**	–
Written down value of ball mill on sale	**(350,000)**	–
	262,495	(950,000)
(d) Financing income/(expenses)		
Interest received	**1,139,265**	2,989,172
Interest expense	**(1,046)**	(2,846)
Other financing expenses	**–**	(53,576)
Funding extinguishment costs	**–**	(4,369,011)
	1,138,219	(1,436,261)

	CONSOLIDATED	
	2012	2011
	$	$

5. INCOME TAX

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

	2012 $	2011 $
Statement of comprehensive income		
Current income tax		
Current income tax charge/(credit)	**(826,455)**	(1,657,665)
Adjustment for prior year	**–**	181,395
Deferred income tax		
Origination and reversal of temporary differences – current year	**334,256**	421,585
Origination and reversal of temporary differences – prior year adjustment	**–**	880,669
Unused tax losses not recognised as deferred tax asset	**492,199**	174,016
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:		
Profit/(loss) before income tax	**(1,682,914)**	(8,111,524)
At statutory income tax rate of 30% (2011: 30%)	**(504,874)**	(2,433,457)
Items not allowable for income tax purposes:		
Non-deductible expenses	**12,675**	1,197,377
Current year tax losses not brought to account	**492,199**	1,236,080
Income tax expense/(benefit)	**–**	–

(b) Deferred income tax

	2012 $	2011 $
Deferred income tax at balance date relates to the following:		
Deferred tax liabilities		
Accrued interest and prepayments	**(8,474)**	(67,630)
	(8,474)	(67,630)
Deferred tax assets		
Doubtful debt	**150,342**	–
Net pre-commissioning revenue	**143,753**	–
Accrued expenses	**335,319**	38,844
Black hole expenditure	**1,092,579**	1,381,776
Tax value of losses recognised	**–**	28,786
	1,721,993	1,449,406
Net deferred income tax balances	**1,713,519**	1,381,776

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

	2012 $	2011 $
The directors estimate that the potential deferred tax assets:		
In respect of tax losses not brought to account	**3,620,411**	2,866,876
In respect of deductible temporary differences not brought to account	**1,713,519**	1,381,776

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.

	CONSOLIDATED 2012 $	2011 $

6. CASH AND CASH EQUIVALENTS

	2012 $	2011 $
Cash at bank	**7,463,230**	19,504,656
Cash on deposit	**6,000,000**	33,000,000
Cash on hand	**115**	300
	13,463,345	52,504,956

Cash on deposit represents short-term deposits that mature within three months of acquisition date.

7. TRADE AND OTHER RECEIVABLES

	2012 $	2011 $
Interest receivable	**22,708**	222,347
Prepayments	**2,357,765**	2,064,959
Sundry debtors	**950,072**	928,427
GST receivable	**49,152**	47,613
	3,379,697	3,263,346

8. INVENTORIES

	2012 $	2011 $
Raw materials and consumables	**5,672,274**	–
Ore stocks	**125,136**	–
Gold in circuit	**1,109,703**	–
	6,907,113	**–**

9. RECEIVABLES

	2012 $	2011 $
Prepayments	**11,250**	389,477
Security deposit	**106,397**	134,265
VAT receivable	**8,799,378**	2,957,617
	8,917,025	3,481,359

Security deposits represent funds held on deposit as security against bank guarantees.

10. PROPERTY, PLANT AND EQUIPMENT

	2012 $	2011 $
Plant and equipment - at cost		
Opening balance	**36,819,658**	758,542
Additions	**25,928,552**	34,867,205
Transferred to mine development	**(13,740,271)**	1,880,908
Transferred from assets held for sale	**–**	1,300,000
Impairment loss	**–**	(950,000)
Disposals	**(350,000)**	–
Foreign currency translation adjustment	**3,010,776**	(1,036,997)
Closing balance	**51,668,715**	36,819,658
Accumulated depreciation		
Opening balance	**433,643**	311,130
Depreciation for the year	**278,038**	151,088
Foreign currency translation adjustment	**30,141**	(28,575)
Closing balance	**741,822**	433,643
Net book value	**50,926,893**	36,386,015

	CONSOLIDATED	
	2012	2011
	$	$

11. MINE DEVELOPMENT

(a) Pre-production		
Opening balance	**40,497,382**	39,386,037
Transferred to property, plant and equipment	**–**	(1,880,908)
Transferred from property, plant and equipment	**13,740,271**	–
Development expenditure incurred in current year	**21,232,097**	8,352,808
Pre-production gold sales	**(3,900,406)**	–
Foreign currency translation adjustment	**3,963,595**	(5,360,555)
	75,532,939	40,497,382
Accumulated amortisation		
Opening balance	**–**	–
Amortisation for the year	**133,030**	–
Foreign currency translation adjustment	**4,609**	–
Closing balance	**137,639**	–
Pre-production net book value	**75,395,300**	40,497,382
(b) Deferred mining waste costs		
Opening balance	**–**	–
Deferred waste mining expenditure incurred during the year	**2,372,402**	–
Foreign currency translation adjustment	**82,195**	–
	2,454,597	–
Accumulated amortisation		
Opening balance	**–**	–
Amortisation for the period	**379,125**	–
Foreign currency translation adjustment	**13,135**	–
Closing balance	**392,260**	–
Deferred mining waste costs net book value	**2,062,337**	–
Total development net book value	**77,457,637**	40,497,382

12. EXPLORATION AND EVALUATION EXPENDITURE

Opening balance	**–**	–
Exploration and evaluation expenditure incurred	**10,557**	2,026,093
Exploration expenditure written-off	**(10,557)**	(2,026,093)
	–	–

Exploration and evaluation activities have not yet reached a stage which permits a reasonable assessment of the existence 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.

	CONSOLIDATED 2012 $	CONSOLIDATED 2011 $

13. TRADE AND OTHER PAYABLES

	2012 $	2011 $
Creditors and accruals	**8,748,138**	5,056,848

14. EMPLOYEE BENEFITS

	2012 $	2011 $
Provision for employee entitlements		
Opening balance	**240,901**	144,244
Increase in provision during the period	**77,675**	87,100
Net present value discount adjustment	**–**	9,557
	318,576	240,901
Current	**203,070**	136,287
Non-current	**115,506**	104,614
	318,576	240,901

15. PROVISIONS

	2012 $	2011 $
MCC final acquisition	**1,116,104**	1,116,104
Rehabilitation provision	**347,305**	307,940
Other	**978,779**	–
	2,442,188	1,424,044
Current	**1,116,104**	1,116,104
Non-current	**1,326,084**	307,940
	2,442,188	1,424,044

16. CONTRIBUTED EQUITY

(a) Share capital

	2012 $	2011 $
135,488,008 (2011: 128,367,673) ordinary fully paid shares (i)	**177,124,726**	163,041,013

(b) Movements in ordinary share capital

	CONSOLIDATED 2012 *Shares*	CONSOLIDATED 2012 *$*	CONSOLIDATED 2011 *Shares*	CONSOLIDATED 2011 *$*
On issue at 1 July (i)	**128,367,673**	**163,041,013**	97,168,098	113,322,069
Share placements	**7,075,472**	**15,000,000**	30,000,000	51,000,000
Less share issue expenses	**–**	**(981,903)**	–	(3,139,203)
Exercised options	**–**	**–**	600,000	900,000
Re-issued treasury shares	**–**	**–**	560,956	897,593
Shares issued to management	**44,863**	**65,616**	38,619	60,554
On issue at 30 June	**135,488,008**	**177,124,726**	128,367,673	163,041,013

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.

16. CONTRIBUTED EQUITY (continued)

	CONSOLIDATED 2012 Shares	CONSOLIDATED 2012 $
(c) Other equity		
Opening balance 1 July 2011 (i)(ii)	581,428	930,285
Balance 30 June 2012	581,428	930,285

	Options Number	Option Reserve $
(d) Movements in share options		
Opening balance 1 July 2011 (i)	210,000	126,139
Issue of options to employees	80,000	55,139
Balance 30 June 2012	290,000	181,278

(i) On 7 December 2011, Red 5 Limited completed a shareholder approved consolidation that resulted in every ten (10) existing shares being consolidated into one (1) new share. Where the consolidation resulted in a fraction of a share being held by a shareholder, that fraction has been rounded up to the nearest whole number. Numbers of shares prior to this date have been presented on a post-consolidation basis.

(ii) Red 5 has provided for 581,428 shares to be issued at a fair value of $930,285 to settle the outstanding tax liability in relation to the prior year acquisition of the Merrill Crowe Corporation (MCC). If the estimated tax liability is greater than provided, Red 5 will issue fewer shares to the vendor. If the tax liability is lower, it will issue up to 1.2 million shares to the vendor. This calculation is made based on $1.51 per share.

	CONSOLIDATED 2012 $	CONSOLIDATED 2011 $
17. RESERVES		
Foreign currency translation reserve	(2,524,916)	(10,384,736)
Share based payment reserve	181,278	126,139
	(2,343,638)	(10,258,597)

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 26 for further details.

18. 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

Non-executive directors

Colin Jackson
Gary Scanlan
Kevin Dundo
Mark Milazzo

Other executives

Joe Mobilia – Chief Financial Officer
Ron Pyatt – Operations Director
Rohan Williams – Group Exploration and Technical Manager

18. RELATED PARTIES (continued)

	CONSOLIDATED	
	2012	2011
Compensation of key management personnel	***$***	*$*
A summary of the compensation of key management personnel is as follows:		
Key management personnel		
Short term benefits	**1,570,408**	1,272,046
Post-employment benefits	**135,573**	103,056
Share based payments	**92,311**	131,409
Other benefits	**31,310**	18,978
	1,829,602	1,525,489

Loans to key management personnel

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

Other transactions with directors

As at 30 June 2012, unpaid salaries of $136,460 are recognised and payable to Mr G Edwards. The unpaid salaries to Mr Edwards were paid out in full in July 2012. Other than as disclosed in the remuneration report, there were no other transactions during the year between the consolidated entity and directors or their director-related entities.

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.

2012	Balance at 1 July 2011	Received during the year through the issue of shares to meet bonus payment	Other purchases during the year	Balance at 30 June 2012
G Edwards (1)	1,026,535	38,576	–	1,065,111
C Jackson	22,500	–	–	22,500
G Scanlan	50,000	–	–	50,000
K Dundo	–	–	–	–
M Milazzo	25,000	–	–	25,000
J Mobilia (2)	38,671	6,287	–	44,958
P Pyatt	–	–	–	–
R Williams (3)	–	–	–	–
Total	**1,162,706**	**44,863**	**–**	**1,207,569**

(1) a prior period bonus payment consisting of 38,576 fully paid shares was approved by shareholders during the year. 13,888 of the fully paid shares were for the period to 31 December 2010 and are disclosed in the 2011 remuneration table. The remainder of 24,688 fully paid shares were for the period to 30 June 2011 and are disclosed in the 2012 remuneration table.

(2) a prior period bonus payment consisting of 6,287 fully paid shares for the period to 30 June 2011 was paid during the year.

(3) appointed 1 July 2011.

2011	Balance at 1 July 2010	Received during the year through the issue of bonus shares	Other purchases during the year	Balance at 30 June 2011*
G Edwards (1)	1,010,000	16,535	–	1,026,535
C Jackson	22,500	–	–	22,500
G Scanlan	–	–	50,000	50,000
K Dundo	–	–	–	–
M Milazzo (2)	–	–	25,000	25,000
B Bolitho (3)	–	–	710	710
J Mobilia	10,000	7,671	21,000	38,671
R Pyatt (4)	–	–	–	–
W Darcey (5)	–	–	–	–
Total	**1,042,500**	**24,206**	**96,710**	**1,163,416**

(1) a bonus payment consisting of 16,534 fully paid shares for the period to 31 December 2009 was approved by shareholders during the year. A bonus payment of 13,888 fully paid shares was yet to be approved by shareholders and has not been included in this table.

(2) appointed 1 May 2011.

(3) resigned on 23 November 2010 and his holding represents the number held at resignation.

(4) appointed 9 May 2011.

(5) resigned 31 October 2010.

** Numbers of shares on issue for the year ending 30 June 2011 have been presented on a post-consolidation basis that resulted in every ten (10) existing shares being consolidated into one (1) new share.*

18. RELATED PARTIES (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.

2012	Held at 1 July 2011	Granted as compensation	Exercised	Other changes	Held at 30 June 2012	Vested during the year	Vested and exercisable at 30 June 2012
J Mobilia	80,000	80,000	–	–	160,000	–	160,000
Total	**80,000**	**80,000**	**–**	**–**	**160,000**	**–**	**160,000**

2011	Held at 1 July 2010	Granted as compensation	Exercised	Other changes	Held at 30 June 2011	Vested during the year	Vested and exercisable at 30 June 2011*
J Mobilia	–	80,000	–	–	80,000	–	80,000
F Campagna	–	60,000	–	–	60,000	–	60,000
Total	**–**	**140,000**	**–**	**–**	**140,000**	**–**	**140,000**

* *Numbers of options on issue for the year ending 30 June 2011 have been presented on a post-consolidation basis that resulted in every ten (10) existing shares being consolidated into one (1) new share.*

Transactions with related parties in the wholly owned group

During the financial year, unsecured loan advances were made between the parent entity and its controlled entities. All such loans were interest free. Intra entity loan balances have been eliminated in the financial report of the consolidated entity. The ownership interests in related parties in the wholly owned group are set out in Note 22.

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	
	2012	2011
	$	$

19. REMUNERATION OF AUDITOR

Amounts paid or due and payable to the auditor for:		
Auditing and reviewing financial reports – KPMG Australia	**110,473**	108,950
– overseas KPMG firms	**34,912**	26,104
Other services – advisory (KPMG Australia)	**18,405**	28,663
Taxation advisory services – KPMG Australia	**37,750**	61,372
– overseas KPMG firms	**6,712**	5,859
	208,252	230,948

20. EXPENDITURE COMMITMENTS

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

- not later than one year	**3,480,667**	19,106,547
	3,480,667	19,106,547

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

- not later than one year	**321,068**	292,516
- later than one year but not later than two years	**72,665**	231,673
- later than two years but not later than five years	**28,636**	134,649
	422,369	658,838

21. SEGMENT INFORMATION

Identification of reportable segments

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

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

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

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

Unless otherwise stated, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

Unallocated items

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

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

Comparative information

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

		Philippines $	Reconciliation to Group $	Total $
(i)	**Segment performance**			
	Year ended 30 June 2012			
	External sales	4,277,750	–	4,277,750
	Interest revenue	25,250	1,114,015	1,139,265
	Other income	27,493	1,181,657	1,209,150
	Segment revenue	**4,330,493**	**2,295,672**	**6,626,165**
	Segment result	**(1,359,210)**	**(323,704)**	**(1,682,914)**
	Included within segment result:			
	Depreciation and amortisation	(526,209)	(9,486)	(535,695)
	Option issue expense	–	(55,139)	(55,139)
	Exploration written off	(10,557)	–	(10,557)
	Reversal of impairment of assets	–	262,495	262,495
	Provision for doubtful debts	(483,678)	–	(483,678)
	Year ended 30 June 2011			
	Interest revenue	37,078	2,952,094	2,989,172
	Other income	48,860	563,105	611,965
	Segment revenue	**85,938**	**3,515,199**	**3,601,137**
	Segment result	**(3,484,855)**	**(4,626,669)**	**(8,111,524)**
	Included within segment result:			
	Depreciation	(10,080)	(16,907)	(26,987)
	Option issue expense	–	(97,719)	(97,719)
	Exploration written off	(2,026,093)	–	(2,026,093)
	Impairment of assets	(950,000)	–	(950,000)

21. SEGMENT INFORMATION (continued)

		Philippines $	Reconciliation to Group $	Total $
(ii)	**Segment assets as at 30 June 2012**			
	Segment assets	**150,161,198**	**10,890,512**	**161,051,710**
	Additions to non-current assets:			
	Capital expenditure	25,927,653	899	25,928,552
	Exploration expenditure	10,557	–	10,557
	Development expenditure	19,704,093	–	19,704,093
	As at 30 June 2011			
	Segment assets	**90,331,568**	**45,801,490**	**136,133,058**
	Additions to non-current assets:			
	Capital expenditure	34,856,708	10,497	34,867,205
	Exploration expenditure	2,026,093	–	2,026,093
	Development expenditure	8,352,808	–	8,352,808
(iii)	**Segment liabilities as at 30 June 2012**			
	Segment liabilities	**10,809,257**	**699,645**	**11,508,902**
	As at 30 June 2011			
	Segment liabilities	**5,453,517**	**1,268,276**	**6,721,793**

22. INVESTMENTS IN CONTROLLED ENTITIES

Name of controlled entities	Country of incorporation	Class of shares	Equity holding 2012 %	Equity holding 2011 %
Bremer Resources Pty Ltd	Australia	Ordinary	100	100
Estuary Resources Pty Ltd	Australia	Ordinary	100	100
Greenstone Resources (WA) Pty Ltd	Australia	Ordinary	100	100
Oakborough Pty Ltd	Australia	Ordinary	100	100
Opus Resources Pty Ltd	Australia	Ordinary	100	100
Red 5 Philippines Pty Ltd	Australia	Ordinary	100	100
Red 5 Mapawa Pty Ltd	Australia	Ordinary	100	100
Red 5 Dayano Pty Ltd	Australia	Ordinary	100	100
Bremer Binaliw Corporation	Philippines	Ordinary	100	100
Red 5 Mapawa Incorporated	Philippines	Ordinary	100	100
Red 5 Dayano Incorporated	Philippines	Ordinary	100	100
Red 5 Asia Incorporated	Philippines	Ordinary	100	100
Greenstone Resources Corporation (i)	Philippines	Ordinary	40	40
Surigao Holdings and Investments Corporation (i)	Philippines	Ordinary	40	40

(i) The Company holds a 40% direct interest in Greenstone Resources Corporation (GRC) and a 40% interest in Surigao Holdings and Investments Corporation (SHIC) voting stock. Agreements are in place which deals with the relationship between Red 5 and other shareholders of these entities. In accordance with Australian Accounting Standard, AASB 127 Consolidated and Separate Financial Statements, relating to company control, Red 5 has consolidated these companies as subsidiaries in these financial statements.

	CONSOLIDATED	
	2012	2011
	$	$

23. RECONCILIATION OF NET CASH FLOWS FROM OPERATING ACTIVITIES

	2012 $	2011 $
Operating profit/(loss) after income tax	**(1,682,914)**	(8,111,524)
Amortisation and depreciation	**535,695**	26,987
Share and options	**120,755**	134,315
Impairment of property, plant and equipment	**(262,495)**	950,000
Royalty income	**(100,598)**	–
Doubtful debt expenses	**483,678**	–
Financing expenses	**–**	53,576
Exchange loss	**774,300**	529,557
Funding extinguishment costs	**–**	4,369,011
Changes in operating assets and liabilities		
(Increase)/decrease in receivables	**(22,169)**	(399,188)
Increase/(decrease) in payables	**(176,950)**	817,443
Increase/(decrease) in provisions	**1,063,043**	(87,359)
Net cash inflow/(outflow) from operating activities	**732,345**	(1,717,182)

24. EARNINGS PER SHARE

	2012	2011
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	**130,305,678**	116,141,405
Issued ordinary shares at commencement of the financial year	**128,367,673**	97,167,809
Effect of share placement 21 October 2010	–	7,070,137
Effect of share placement 29 November 2010	–	11,554,521
Effect of shares issued 16 December 2010	–	16,704
Effect of exercise of unlisted options 9 February 2011	–	233,425
Effect of reissued treasury shares 21 April 2011	–	97,260
Effect of shares issued 10 May 2011	–	1,072
Effect of re-issued treasury shares 27-30 June 2011	–	477
Effect of shares issued 16 December 2011	**24,148**	–
Effect of share placement 23 March 2012	**1,913,857**	–
Weighted average number of ordinary shares for the financial year	**130,305,678**	116,141,405

Numbers of ordinary shares on issue for the financial year ending 30 June 2011 have been presented on a post-consolidation basis that resulted in every ten (10) existing shares being consolidated into one (1) new share.

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.

25. SUBSEQUENT EVENTS

Since 30 June 2012, the Group has completed the execution of a US$8,000,000 credit facility with Sprott Resource Lending Partnership.

26. SHARE BASED PAYMENTS

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

Shares and options are issued on the following terms:

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

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

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

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

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

Grant date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Expired/ forfeited during the year	Balance at end of the year	Vested and exercisable at end of the year(i)
		$	*Number*	*Number*	*Number*	*Number*	*Number*	*Number*
Consolidated - 2012								
16.06.08	30.06.13	2.50	70,000	–	–	–	70,000	70,000
28.04.11	30.04.14	2.50	70,000	–	–	–	70,000	70,000
28.04.11	30.04.16	4.00	70,000	–	–	–	70,000	70,000
22.03.12	31.12.14	2.70	–	40,000	–	–	40,000	40,000
22.03.12	31.12.16	4.30	–	40,000	–	–	40,000	40,000
			210,000	**80,000**	**–**	**–**	**290,000**	**290,000**
Weighted average exercise price			$3.00	$3.50	–	–	$3.25	$3.25
Consolidated - 2011								
12.12.07	31.12.12	1.50	600,000	–	(600,000)(ii)	–	–	–
16.06.08	30.06.11	1.50	70,000	–	–	(70,000)	–	–
16.06.08	30.06.13	2.50	70,000	–	–	–	70,000	70,000
28.04.11	30.04.14	2.50	–	70,000	–	–	70,000	70,000
28.04.11	30.04.16	4.00	–	70,000	–	–	70,000	70,000
			740,000	**140,000**	**(600,000)**	**(70,000)**	**210,000**	**210,000**
Weighted average exercise price			$1.60	$3.25	$1.50	$1.50	$3.00	$3.00

(i) Numbers of options for the financial year ending 30 June 2011 have been presented on a post-consolidation basis that resulted in every (10) existing shares being consolidated into one (1) new share.

(ii) 600,000 options were issued as part commission for a share placement and are not employee shares

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26. SHARE BASED PAYMENTS (continued)

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

During the period, the parent entity granted 80,000 unlisted options as share based payments to executives. These options were issued on 22 March 2012, with 40,000 options expiring on 31 December 2014 and 40,000 options expiring on 31 December 2016. The exercise price of the options is $2.70 and $4.30 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	
	2012	2011
Weighted average exercise price	**$3.50**	$0.325
Average life of the option	**3.778 years**	4.005 years
Underlying share price	**$1.93**	$0.16
Expected share price volatility (based on historic volatility)	**65%**	75%
Dividend yield	**Nil**	Nil
Risk free interest rate	**3.43%**	5.09%
Total expenses arising from share-based payment transactions recognised as part of employee benefit expense	**$55,139**	$97,719

During the year shares relating to prior period performance were issued to management in accordance with key performance indicators set by the remuneration committee, for example, performance against the annual operating budget, health and safety measures and other operations-related criteria. Subsequent to the approval at the annual general meeting held on 23 November 2011, Mr G Edwards was issued on 16 December 2011, 13,888 fully paid ordinary shares relating to performance during the period to 31 December 2010 at a market price of $1.80 and 24,688 fully paid ordinary shares relating to performance during the period to 30 June 2011 at a market price of $1.80. On 16 December 2011, 6,287 fully paid ordinary shares relating to performance during the period to 30 June 2011 were issued to Mr J Mobilia at a market price of $1.80.

27. FINANCIAL RISK MANAGEMENT

Overview

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

The consolidated entity does not currently use any form of derivatives. Exposure risks 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, mining and gold production activities exclusively in the Philippines. At the balance sheet date there were no significant concentrations of credit risk.

Cash and cash equivalents

The consolidated entity limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have an acceptable credit rating. 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

The Group's trade and other receivables relate mainly to gold sales and VAT refunds. The Group has determined that its exposure to trade receivable credit risk is low, given that it sells gold bullion to a single reputable refiner with short contractual payment terms and VAT refunds are due from a government tax body, namely the Philippines Bureau of Internal Revenue.

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

27. FINANCIAL RISK MANAGEMENT (continued)

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	
	2012	2011
	$	*$*
Trade and other receivables	**3,379,697**	3,263,346
Cash and cash equivalents	**13,463,345**	52,504,956
Non-current receivables	**8,917,025**	3,481,359

Liquidity risk

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

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

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

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	More than 1 year
CONSOLIDATED					
30 June 2012					
Trade and other payables	8,748,138	(8,748,138)	(8,748,138)	–	–
Provisions	2,760,764	(3,398,940)	(101,535)	(1,217,639)	(2,079,766)
	11,508,902	(12,147,078)	(8,849,673)	(1,217,639)	(2,079,766)
CONSOLIDATED					
30 June 2011					
Trade and other payables	5,056,848	(5,056,848)	(5,056,848)	–	–
Provisions	1,664,945	(2,318,417)	(1,184,248)	(68,143)	(1,066,026)
	6,721,793	(7,375,265)	(6,241,096)	(68,143)	(1,066,026)

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 subsidiaries within the consolidated entity being AUD and Philippine peso. The currencies in which these transactions primarily are denominated are United States dollars (USD).

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

27. FINANCIAL RISK MANAGEMENT (continued)

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 2012		30 June 2011	
	USD $AUD	**Total $AUD**	USD $AUD	Total $AUD
Cash	**145,025**	**145,025**	210,144	210,144
Trade payables	**(177,917)**	**(177,917)**	(75,278)	(75,278)
Gross balance sheet exposure	**(32,892)**	**(32,892)**	134,866	134,866

Sensitivity analysis

A 10 per cent strengthening of the Australian dollar against the following currencies at 30 June 2012 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 2011.

	CONSOLIDATED Profit or Loss $AUD
30 June 2012 – USD	**3,289**
30 June 2011 – USD	(13,487)

A 10 per cent weakening of the Australian dollar against the above currencies at 30 June 2012 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Interest rate risk

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

The consolidated entity adopts a policy of ensuring that as far as possible it maintains excess cash and cash equivalents in short term deposit with more than one counterparty at interest rates maturing over 90 day rolling periods. At the reporting date the interest rate profile of the consolidated entity and the Company's interest-bearing financial instruments were:

	CONSOLIDATED Carrying amount	
	2012 $	2011 $
Variable rate instruments		
Cash and cash equivalents	**13,463,345**	52,504,956
Interest bearing bonds	**106,397**	134,265
	13,569,742	52,639,221

Profile

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 2011.

	Profit or Loss		Equity	
CONSOLIDATED	**100bp increase** $	**100bp decrease** $	**100bp increase** $	**100bp decrease** $
30 June 2012				
Variable rate instruments	135,697	(135,697)	135,697	(135,697)
30 June 2011				
Variable rate instruments	526,392	(526,392)	526,392	(526,392)

27. FINANCIAL RISK MANAGEMENT (continued)

Net fair values

The carrying value of financial assets and liabilities equates their fair value. There are no financial assets and liabilities carried at fair value and therefore the hierarchy in AASB 7 is not applicable.

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.

28. PARENT ENTITY DISCLOSURES

		PARENT ENTITY	
		2012	2011
		$	$
(a)	**Financial position**		
	Assets		
	Current assets	**10,762,526**	45,298,781
	Non-current assets	**140,932,034**	91,429,056
	Total assets	**151,694,560**	136,727,837
	Liabilities		
	Current liabilities	**1,971,109**	2,539,740
	Non-current liabilities	**–**	–
	Total liabilities	**1,971,109**	2,539,740
	Contributed equity	**177,124,726**	163,041,013
	Other equity	**930,285**	930,285
	Reserves	**181,278**	126,139
	Accumulated losses	**(28,512,838)**	(29,909,340)
	Total equity	**149,723,451**	134,188,097
(b)	**Financial performance**		
	(Loss)/profit for the year	**1,396,502**	(12,671,147)
	Other comprehensive income	**–**	–
	Total comprehensive income	**1,396,502**	(12,671,147)
(c)	**Guarantees entered into by the parent entity in relation to the debts of its subsidiaries**		
	Guarantee provided under the deed of cross guarantee	**–**	–
(d)	**Contingent liabilities of the parent entity**	**–**	–
(e)	**Commitments for the acquisition of property, plant and equipment by the parent entity**	**–**	–

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 2012 and performance of the consolidated entity for the financial year ended on that date; and
- complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

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

(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.

Colin G Jackson
Chairman

Perth, Western Australia
26 September 2012

to the members of Red 5 Limited

KPMG

Report on the financial report

We have audited the accompanying financial report of Red 5 Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2012, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 28 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

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

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:
   (i) giving a true and fair view of the Group's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
   (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

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

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2012. 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 2012, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG
Perth, 26 September 2012

R Gambitta
Partner

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 and charters 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 high standards of corporate governance practices. Good corporate governance will evolve with the changing circumstances of a company and must be tailored to meet these circumstances.

BOARD OF DIRECTORS

The Board has the responsibility for protecting the rights and interests of shareholders and the enhancement of long-term shareholder value. The Board's primary role is to formulate the strategic direction of the Company and to oversee the Company's business activities and management. The Company has established functions reserved for the Board and those delegated to senior management. Day to day management of the Company's affairs and the implementation of corporate strategies are formally delegated by the Board to the Managing Director.

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.

Board composition and independence

The Company has a five member Board comprising one executive director and four non-executive directors, including the Chairman. The roles of Chairman and Managing Director are not combined. Mr Edwards is not considered independent by virtue of his executive role in the Company, neither is Mr Jackson due to additional activities undertaken for incremental remuneration during the year. Messrs Scanlan, Dundo and Milazzo are independent non-executive directors based on the principles set out below.

The current composition of the Board is considered suitable for the Company's current size and level of operations and includes an appropriate mix of skills, expertise and experience relevant to the Company's business. Details of the experience, qualifications and term of office of directors are set out in the Directors' Report.

Having regard to the structure of the Board and of executive management based in the Philippines, it is considered appropriate by the Board to utilise the Chairman's expertise as a consultant to assist with corporate and commercial aspects of the Company's operations. The Chairman is expected to bring independent thought and judgement to his role in all circumstances. Where matters arise in which there is a perceived conflict of interest in relation to any director, that director must declare his interest and abstain from any consideration or voting on the relevant matter.

The Board has adopted ASX recommended principles in relation to the assessment of directors' independence, which identifies shareholdings, executive roles and contractual relationships which may affect independent status. 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.

Directors have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Company's expense, subject to the prior written approval of the Chairman, which will not be unreasonably withheld.

The Audit Committee comprises three non-executive directors, Mr Scanlan (chairman), Mr Jackson and Mr Dundo. The Remuneration and Nomination Committee comprises three non-executive directors, Mr Dundo (chairman), Mr Jackson and Mr Scanlan. Details of the qualifications of committee members and attendance at committee meetings are set out in the Directors' Report.

Performance assessment

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 September 2012, using a self-assessment checklist as the basis for evaluation of performance against the requirements of the Board charter.

The performance of senior executives is reviewed annually by the Managing Director through a formal performance appraisal meeting, incorporating measurement against pre-determined key performance indicators. Executive remuneration and other terms of employment are reviewed annually by the Remuneration Committee having regard to performance, relevant comparative information and where appropriate, expert advice. A formal evaluation of senior executives was undertaken during the year in accordance with the Company's performance appraisal procedures.

AUDIT COMMITTEE

The Audit Committee charter sets out the responsibilities of the Audit Committee, including:

- reviewing and approving statutory financial reports and all other financial information distributed externally;
- 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 declaration 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 declaration in relation to the integrity of the Company's external financial reports is founded on sound risk management and internal control systems and that those systems are operating effectively in relation to financial reporting risks.

The external auditors provide an annual declaration of their independence to the Board. KPMG were appointed as external auditors in 1998. The current audit engagement partner has conducted the audit since 2008 with rotation in place commencing the 2012/13 interim accounts. The performance of the external auditors is reviewed annually.

REMUNERATION AND NOMINATION COMMITTEE

The Remuneration Committee operates in accordance with a formal written charter, which was expanded in April 2012 to include the functions associated with a nomination committee. The Remuneration and Nomination 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.

The Remuneration and Nomination Committee is also responsible for regularly reviewing the composition and membership of the Board and when a Board vacancy exists, initiating the selection process for potential directors. This includes an assessment of the necessary and desirable competencies of Board members, Board succession plans and an evaluation of the Board's performance.

The appropriate mix of skills and diversity for membership of the Board is considered by the Remuneration and Nomination Committee as part of ongoing nomination and succession planning and which recognises the value of balanced gender representation.

HEALTH, SAFETY, ENVIRONMENT AND COMMUNITY COMMITTEE

A Health, Safety, Environment and Community (HSEC) Committee was established in January 2012 to assist the Board in its oversight and review of issues relating to health, safety, the environment and sustainable development as they affect the Company's employees, contractors and the communities in which the Company operates. The HSEC operates under a written charter. Membership of the HSEC Committee comprises two non-executive directors, Mr Milazzo (chairman) and Mr Jackson, with the permanent invitation and participation of the Managing Director.

DIVERSITY AND EMPLOYMENT PRACTICES

A formal diversity policy was adopted in April 2012 which is designed to encourage diversity in employment and in the composition of the Board, as a means of enhancing the Company's performance and organisational capabilities.

Diversity objectives

A summary of the proportion of females employed by the Company is as follows:

	Actual 30 June 2012	Objectives 2013/2014
Whole organisation	19%	15 to 25%
In senior management positions	25%	20 to 30%
Appointed to the Board	0%	20%

The Company recognises that the mining and exploration industry is intrinsically male dominated in many of the operational sectors and the pool of women with appropriate skills may be limited in some instances. The Company also recognises the need to set diversity measures in each of its operating locations taking into account the differing diversity issues within each geographic location in which it operates.

The Remuneration Committee will monitor and report on the progress of achieving diversity objectives.

RISK MANAGEMENT

The Board is responsible for the oversight of the Company's risk management and control framework. Responsibility for control and risk management is delegated to the appropriate level of management within the Company with the Managing Director having ultimate responsibility to the Board for the risk management and control framework.

The Company's risk management systems and internal control systems are continuing to be developed and it is recognised that the extent of these systems will evolve with the growth in the Company's activities.

The Managing Director is required to formally report to the Board regarding material business risks and whether those risks are being managed effectively. Changes to key risk factors and mitigation actions are reported at each board meeting. All existing and potential new risk factors are reviewed on a periodic basis. The effectiveness of the Company's management of material business risks is monitored and reported on a regular basis and accordingly, no formal report is required from management.

RESPECT THE RIGHTS OF SHAREHOLDERS AND STAKEHOLDERS

The Board has adopted a formal written policy covering arrangements to promote communications with shareholders and to encourage effective participation at general meetings. The external auditor is requested to attend annual general meetings and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

The Board has established a code of conduct to guide compliance with the legitimate interests of all stakeholders. The code aims to encourage the appropriate standards of conduct and behaviour of the directors, employees and contractors of the Company. All personnel are expected to act with integrity and objectivity, striving at all times to enhance the reputation and performance of the Company. The Company has established a whistleblower policy which provides an independent mechanism for legitimate reporting of illegal or unethical practices by company employees.

TIMELY AND BALANCED DISCLOSURES

The Board recognises the obligations of continuous disclosure and the Company has a formal written policy for the continuous disclosure of any price sensitive information concerning the Company. A record of the circumstances surrounding each material continuous disclosure announcement is maintained and presented at the next board meeting.

Material information is lodged immediately with the ASX and then disseminated by posting to the Company's 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 proposed transactions to be undertaken must be notified to the Chairman or Managing Director in advance.

Where the Company grants securities under an equity based remuneration scheme, participants are prohibited from entering into arrangements for the hedging, or otherwise limiting their exposure to risk in relation to unvested shares, options or rights issued or acquired under the scheme.

Statement of Shareholders

as at 24 September 2012

Distribution of share and option holders

			Number of Holders	
			Fully paid shares	Unlisted options
1	–	1,000	1,018	–
1,001	–	5,000	1,631	–
5,001	–	10,000	577	–
10,001	–	100,000	669	–
100,001		and over	94	8
			3,989	8

Including holdings of less than a marketable parcel	298

Classes of shares and voting rights

At meetings of members or classes of members, each member entitled to vote may vote in person or by proxy or attorney. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote, and on a poll, every person present in person or by proxy has one vote for each ordinary share held.

Substantial shareholders

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

Shareholder	Number of shares	%
Baker Steel Capital Managers LLP	11,095,633	8.19
Franklin Resources Inc	8,900,795	6.57

Twenty largest holders of fully paid shares

	Shareholder	Number of shares	%
1.	National Nominees Limited	33,443,171	24.68
2.	HSBC Custody Nominees (Australia) Limited	15,108,010	11.15
3.	JP Morgan Nominees Australia Limited	13,645,727	10.07
4.	Citicorp Nominees Pty Ltd	4,668,294	3.45
5.	Equitas Nominees Pty Ltd	3,989,707	2.94
6.	JP Morgan Nominees Australia Limited	3,576,613	2.64
7.	Lujeta Pty Ltd	2,300,000	1.70
8.	Bell Potter Nominees Limited	1,800,000	1.33
9.	UBS Wealth Management Australia Nominees Pty Ltd	1,757,773	1.30
10.	HSBC Custody Nominees (Australia) Limited	1,595,292	1.18
11.	RBC Investor Services Australia Nominees Pty Ltd	1,499,100	1.11
12.	Bond Street Custodians Limited	1,398,468	1.03
13.	Seng Teoh and Sin Wong	1,185,791	0.88
14.	BNP Paribas Nominees Pty Ltd	925,000	0.68
15.	Allen Lance Govey	703,065	0.52
16.	Gregory Charles Edwards	685,000	0.51
17.	Suncorp Custodian Services Pty Ltd	677,610	0.50
18.	Southbridge Resources Inc	640,000	0.47
19.	Shomron Pty Ltd	600,000	0.44
20.	Merrill Lynch (Australia) Nominees Pty Ltd	539,583	0.40
		90,738,204	66.98

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 $2.50 each on or before 30.06.13	70,000	William Darcey	35,000	50.00
		Raj Surendran	35,000	50.00
– at $2.50 each on or before 30.04.14	70,000	Mobilia Enterprises Pty Ltd	40,000	57.14
		Gabrielle Metcalf	30,000	42.86
– at $2.70 each on or before 31.12.14	40,000	Mobilia Enterprises Pty Ltd	40,000	100.00
– at $4.00 each on or before 30.04.16	70,000	Mobilia Enterprises Pty Ltd	40,000	57.14
		Gabrielle Metcalf	30,000	42.86
– at $4.30 each on or before 31.12.16	40,000	Mobilia Enterprises Pty Ltd	40,000	100.00

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
01/07/2011	Lapse of unlisted options
15/07/2011	Siana mine construction update
29/07/2011	June 2011 quarter activities and cash flow reports
29/08/2011	Change in substantial holding – Baker Steel
31/08/2011	Change in substantial holding – Mathews Capital
07/09/2011	Siana gold mine build
27/09/2011	Annual financial statements
04/10/2011	Siana project mineral resource increase
20/10/2011	Proposal for share consolidation
20/10/2011	2011 annual report
31/10/2011	September 2011 quarter activities and cash flow reports
23/11/2011	AGM Chairman's address
23/11/2011	Results of annual general meeting
23/11/2011	Approval of share consolidation
23/11/2011	New Constitution
07/12/2011	Completion of share consolidation
14/12/2011	First gold production status
20/12/2011	Change of directors interest notice – G C Edwards
23/12/2011	Ceasing to be a substantial holder – Mathews Capital
28/12/2011	First production status
06/01/2012	Becoming a substantial holder – Franklin Resources
30/01/2012	December 2011 quarter activities and cash flow reports
01/02/2012	Ceasing to be a substantial holder – Sprott
06/02/2012	First gold at Siana
27/02/2012	Siana gold mine update
28/02/2012	Company Insight – MD on ramping up gold production
01/03/2012	Siana gold mine – production and cost guidance
02/03/2012	S and P indices ASX 300 inclusion
14/03/2012	Half year accounts
15/03/2012	Trading halt
15/03/2012	Investor presentation – Equity Raise
20/03/2012	Equity placement completed
28/03/2012	Change in substantial holding – Franklin Resources
20/04/2012	Commercial production declared on the Siana project
30/04/2012	March 2012 quarter activities and cash flow reports
05/06/2012	Ceasing to be a substantial holder – J.P. Morgan
06/06/2012	Siana production update
19/06/2012	Investor presentation – Wilson HTM conference
31/07/2012	June 2012 quarter activities and cash flow reports

Share Price Movements

Share prices on the Australian Securities Exchange during the 2011–12 year were:

Quarter ended	High	Low
September 2011	$2.30	$1.20
December 2011	$2.35	$1.48
March 2012	$2.35	$1.48
June 2012	$1.97	$1.28

The closing price on 29 June 2012 was $1.45 ($1.15 in 2011) and on the date of this report $1.29 ($1.55 in 2011).

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 an 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
Telephone: +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, Western Australia 6153
Telephone: +61 8 9315 2333
Facsimile: +61 8 9315 2233
Email: registrar@securitytransfer.com.au

Tenement Directory

Project	Tenement Number	Registered Holder	Equity Interest Red 5	Equity Interest Other
Philippines				
Siana	MPSA 184-2002-XIII	Greenstone	40%	SHIC 60%
	APSA 46-XIII	Greenstone	40%	SHIC 60%
Mapawa	MPSA 280-2009-XIII	Greenstone	40%	SHIC 60%
Western Australia				
Montague	ML 57/429, ML 57/485		25% free carried	

Abbreviations:

Greenstone	*Greenstone Resources Corporation*
SHIC	*Surigao Holdings and Investments Corporation*
MPSA	*Mineral Production Sharing Agreement*
APSA	*Application for MPSA*
ML	*Mining Lease*

Board of Directors

Colin Jackson (Chairman)
Gregory Edwards (Managing Director)
Gary Scanlan (Non-executive Director)
Kevin Dundo (Non-executive Director)
Mark Milazzo (Non-executive Director)

Company Secretary

Frank Campagna

Registered Office

Level 2, 35 Ventnor Avenue,
West Perth, Western Australia, 6005

Telephone: (61-8) 9322 4455
Facsimile: (61-8) 9481 5950
Email: info@red5limited.com
Website: www.red5limited.com

Manila Office

5th Floor, NOL Building,
Cnr Acacia / Commerce Avenue,
Madrigal Business Park
Ayala Alabang
Muntinlupa City
Philippines, 1770

Telephone: (63-2) 807 2790
Facsimile: (63-2) 807 6658

Share Registry

Security Transfer Registrars Pty Ltd
770 Canning Highway,
Applecross, Western Australia, 6153

Telephone: (61-8) 9315 2333
Facsimile: (61-8) 9315 2233
Email: registrar@securitytransfer.com.au
Website: www.securitytransfer.com.au

Bankers

National Australia Bank Limited

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

Red5Limited ABN 73 068 647 610

www.red5limited.com