RED 5 LIMITED

ABN 73 068 647 610

AND CONTROLLED ENTITIES

HALF YEAR FINANCIAL REPORT

31 DECEMBER 2016

RED 5 LIMITED
ABN 73 068 647 610

CORPORATE DIRECTORY

BOARD OF DIRECTORS
Kevin Dundo (Chairman)
Mark Williams (Managing Director)
Ian Macpherson (Non-Executive Director)
Colin Loosemore (Non-Executive Director)

COMPANY SECRETARY
Frank Campagna

REGISTERED OFFICE
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West Perth Western Australia 6005

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SHARE REGISTRY
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Applecross WA 6153

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

BANKERS
National Australia Bank Limited

AUDITORS
KPMG

SOLICITORS
Squire Patton Boggs
HopgoodGanim
SyCip Salazar Hernandez & Gatmaitan (Philippines)

STOCK EXCHANGE LISTING
Shares in Red 5 Limited are quoted on the Australian Securities Exchange. Trading code: RED

CONTENTS

DIRECTORS' REPORT

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 half year ended 31 December 2016.

DIRECTORS

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

Kevin Anthony Dundo
Mark James Williams
Ian Keith Macpherson
John Colin Loosemore

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

PRINCIPAL ACTIVITIES

The principal activities of Red 5 and the consolidated entity (which includes associated entities of Red 5) during the financial period were related to the Siana gold project in the Philippines.

RESULTS OF OPERATIONS

The net loss of the consolidated entity after income tax was $72,217,028 (2015: Profit of $10,939,018), which includes a non-cash impairment expense on mine properties of $70,392,762 (2015: $Nil).

Following a review of impairment indicators required under the Accounting Standard AASB136, Impairment of Assets at 31 December 2016, an impairment expense has been recorded for the period.

The impairment charge has been allocated 100% against mine development rather than apportioned against plant and equipment as the mine development predominantly relates to the open pit operations and the plant and equipment is expected to be used for an extended period of time for the underground development.

The events and circumstances that have led to the recognition of the impairment include:

- The revision of the open pit mine plan.
- The delay to the approval for the Tailings Storage Facility application resulting in the Siana processing plant being placed on standby.
- An increase in sovereign risk in the Philippines, asset risk and an increase in government bond rates, resulting in a higher discount rate used to calculate the recoverable amount of the mine asset.

This impairment charge results in the carrying values of assets being no more than their assessed recoverable amount.

Please refer to additional details in note 6 of the Financial Statements.

REVIEW OF OPERATIONS

During the half-year the Group reported a positive production performance at the Siana Gold Project with gold sales of 33,737 (2015: 30,043) ounces at an average price of A$1,669 (2015: A$1,560) and a total operating cost of A$1,637 (2015: A$1,109) per ounce.

Mining Activities

Mining activities during the half-year were focused on mining ore from Stage 4 and waste stripping from Stage 6 of the Siana open pit.

A total of 620,007 tonnes at 2.14 g/t Au of ore and 876,426 bank cubic metres of waste was moved ex-pit during the half-year. Ore stockpiles, including low-grade material, at 31 December 2016 were 373,279 tonnes at 1.2g/t Au.

Reconciliations of actual ore tonnes mined against the block model and contained ounces therein have continued to exceed expectations to date.

Processing

The Siana processing plant continued to perform well during the period, with a total of 439,849 (2015: 384,173) tonnes of ore processed for the half-year. The average head grade and recovery rate was 3.02 g/t Au (2015: 3.10 g/t Au) and 83% (2015: 85%) respectively, resulting in the production of a total of 35,257 (2015: 32,168) ounces of gold.

Underground

Underground development has progressed well to date, with the advancement of the main portal and ventilation portal reaching a combined 100 metres at the end of December 2016. Construction of the bulk emulsion depot and batching plant were completed, with the heavy vehicle workshop completed at the end of January 2017.

Underground development will continue throughout 2017 using low-cost hand-held air-leg mining techniques.

Exploration

Drilling programmes commenced at the Alegria-Madja prospect area, where previous soil sampling, geophysics and early reconnaissance drilling have identified significant copper-gold anomalies (up to 1km in diameter). The drilling will target a deep porphyry copper-gold target coincident with a magnetic high, and near-surface epithermal veins down dip from a series of small-scale artisanal workings.

Mapping is also underway over high-priority targets in the Block 2 region at the Mapawa MPSA, which area has demonstrated the presence of significant quantities of free gold from soil panning.

Future Development Strategy – Mapawa deposit

Following the Scoping Study completed in the March 2016 Quarter to assess the potential of the Mapawa Project to provide a source of satellite ore feed for the Siana processing plant, it has been decided to defer the completion of the Feasibility Study to allow additional exploration activities to be conducted in this area. This reflects the significant prospectivity of this area and the potential for new discoveries to further enhance the Feasibility Study for the Mapawa MPSA.

The additional exploration activities planned at Mapawa are aimed at increasing the current Mineral Resource base.

EVENTS SUBSEQUENT TO THE END OF THE HALF YEAR

As outlined in the ASX announcement on 19 January 2017, a revised operational strategy for the Siana Gold Project is to be implemented in response to the delay in obtaining the required approvals for construction of the proposed new long-term Tailings Storage Facility (TSF) for the open pit operation and previously reported pit wall stability concerns in the open pit.

The revised strategy will see an extension of the East wall cut-back which is designed to optimise remaining open pit gold production and cash flows while minimising operational risks.

The Siana processing plant was temporarily placed on standby at the end of January 2017.

AUDITOR'S INDEPENDENCE DECLARATION

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

Signed in accordance with a resolution of the directors.

Kevin Dundo
Chairman

Perth, Western Australia
8 March 2017

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

To: the directors of Red 5 Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2016 there have been:

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

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

KPMG

KPMG

Brent Steedman

Partner

Perth

8 March 2017

RED 5 LIMITED
AND CONTROLLED ENTITIES

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2016

	NOTE	CONSOLIDATED 31.12.16 $	31.12.15 $
Revenue		56,290,474	46,868,485
Cost of sales	2(a)	(55,221,105)	(33,327,286)
Gross profit		1,069,369	13,541,199
Other income		13,098	-
Administration and other expenses	2(b)	(2,611,459)	(2,584,159)
Exploration expenses		(223,102)	(26,286)
Impairment expense	6	(70,392,762)	-
Operating profit / (loss)		**(72,144,856)**	**10,930,754**
Financing income		12,631	12,270
Financing expenses		(3,841)	(4,006)
Net financing income		8,790	8,264
Profit / (loss) before income tax expense		**(72,136,066)**	**10,939,018**
Income tax expense		(80,962)	-
Net profit / (loss) after income tax for the period		**(72,217,028)**	**10,939,018**
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Movement in foreign currency translation reserve		(3,683,709)	2,175,253
Total other comprehensive income / (loss) for the period		**(75,900,737)**	**13,114,271**
Net profit / (loss) after income tax attributable to:			
To non-controlling interest		(1,733,209)	262,536
To members of parent entity		(70,483,819)	10,676,482
		(72,217,028)	**10,939,018**
Total comprehensive profit / (loss) attributable to:			
To non-controlling interest		(1,821,618)	314,742
To members of parent company		(74,079,119)	12,799,529
		(75,900,737)	**13,114,271**
		Cents	**Cents**
Basic and diluted profit / (loss) per share (cents per share)	11	(9.25)	1.40

The accompanying notes form part of these interim financial statements.

RED 5 LIMITED
AND CONTROLLED ENTITIES

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

	NOTE	CONSOLIDATED 31.12.16 $	CONSOLIDATED 30.06.16 $
CURRENT ASSETS			
Cash and cash equivalents	3	5,550,854	18,189,210
Trade and other receivables	4	32,370,559	12,354,255
Inventory		15,217,329	10,770,146
TOTAL CURRENT ASSETS		53,138,742	41,313,611
NON-CURRENT ASSETS			
Trade and other receivables	4	134,883	134,883
Property, plant and equipment	5	74,933,700	74,955,919
Mine development	6	1,590,783	91,833,116
TOTAL NON-CURRENT ASSETS		76,659,366	166,923,918
TOTAL ASSETS		**129,798,108**	**208,237,529**
CURRENT LIABILITIES			
Trade and other payables		10,359,012	10,275,941
Income tax payable		-	2,752,893
Employee benefits		177,189	176,228
Provisions		1,116,104	1,116,104
TOTAL CURRENT LIABILITIES		11,652,305	14,321,166
NON-CURRENT LIABILITIES			
Employee benefits		59,988	50,355
Provisions		2,403,860	2,439,118
TOTAL NON-CURRENT LIABILITIES		2,463,848	2,489,473
TOTAL LIABILITIES		**14,116,153**	**16,810,639**
NET ASSETS		**115,681,955**	**191,426,890**
EQUITY			
Contributed equity	8	236,633,352	236,554,512
Other equity		930,285	930,285
Reserves	9	30,007,638	33,525,976
Accumulated losses		(149,336,969)	(78,853,150)
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**118,234,306**	**192,157,623**
Non-controlling interest		(2,552,351)	(730,733)
TOTAL EQUITY		**115,681,955**	**191,426,890**

The accompanying notes form part of these interim financial statements.

RED 5 LIMITED
AND CONTROLLED ENTITIES

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 31 DECEMBER 2016

	Attributable to equity holders of the parent entity					
CONSOLIDATED	**Issued capital**	**Other equity**	**Accumulated losses**	**Other reserves(i)**	**Non-controlling interest**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Balance at 1 July 2016	236,554,512	930,285	(78,853,150)	33,525,976	(730,733)	191,426,890
Net profit/(loss)	-	-	(70,483,819)	-	(1,733,209)	(72,217,028)
Other comprehensive (loss) / income for the period	-	-	-	(3,595,300)	(88,409)	(3,683,709)
Total comprehensive (loss) / income for the period	-	-	(70,483,819)	(3,595,300)	(1,821,618)	(75,900,737)
Shares issued during the period	78,840	-	-	-	-	78,840
Issue of service rights expense	-	-	-	39,420	-	39,420
Issue of employee performance rights	-	-	-	37,542	-	37,542
Balance at 31 December 2016	**236,633,352**	**930,285**	**(149,336,969)**	**30,007,638**	**(2,552,351)**	**115,681,955**
Balance at 1 July 2015	236,416,512	930,285	(99,988,195)	35,335,482	(1,226,387)	171,467,697
Net profit/(loss)	-	-	10,676,482	-	262,536	10,939,018
Other comprehensive income for the period	-	-	-	2,123,047	52,206	2,175,253
Total comprehensive income for the period	-	-	10,676,482	2,123,047	314,742	13,114,271
Shares issued during the period	138,000	-	-	-	-	138,000
Non-controlling interest movement	-	-	-	(21,733)	21,733	-
Issue of employee performance rights	-	-	-	37,542	-	37,542
Balance at 31 December 2015	**236,554,512**	**930,285**	**(89,311,713)**	**37,474,338**	**(889,912)**	**184,757,510**

(i) Other reserves represent foreign currency translation reserve, defined retirement benefit and the share based payment reserve.

The accompanying notes form part of these interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED 31 DECEMBER 2016

	CONSOLIDATED	
	31.12.16	**31.12.15**
	$	**$**
Cash flows from operating activities		
Receipts from sale of gold	35,332,440	47,457,948
Payments to suppliers and employees	(37,709,574)	(24,509,888)
Payments for exploration and evaluation	(517,888)	(214,657)
Payments for property and income taxes	(1,753,993)	-
Interest received	12,560	12,507
Interest paid	(3,841)	(4,006)
Sundry receipts	13,098	-
Net cash from operating activities	(4,627,198)	22,741,904
Cash flows from investing activities		
Payments for plant and equipment	(5,681,080)	(4,075,838)
Payments for mine development [(i)]	(1,937,940)	(20,402,437)
Net cash used in investing activities	(7,619,020)	(24,478,275)
Net decrease in cash held	(12,246,218)	(1,736,371)
Cash at the beginning of the financial period	18,189,210	10,033,274
Effect of exchange rate fluctuations on cash held	(392,138)	282,075
Cash at the end of the financial period	5,550,854	8,578,978

The accompanying notes form part of these interim financial statements.

(i) Payments for deferred waste which have been expensed during the period are not classified in investing activities as mine development.

CONDENSED NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2016

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Red 5 Limited ("parent entity") is a for profit company domiciled in Australia. The condensed consolidated half year financial report of the Company as at and for the six months ended 31 December 2016 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.

The consolidated annual financial statements of the Group as at and for the year ended 30 June 2016 are available upon request from the Company's registered office at Level 2, 35 Ventnor Avenue, West Perth, Western Australia.

Statement of Compliance

The condensed consolidated half year financial report is a general purpose financial report and has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001, and with IAS 34 Interim Financial Reporting.

Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last consolidated annual financial report as at and for the year ended 30 June 2016. The condensed consolidated half year financial report does not include full note disclosure of the type that would normally be included in the consolidated annual financial report, and should be read in conjunction with the consolidated annual financial report as at and for the year ended 30 June 2016. The condensed consolidated half year financial report should also be read in conjunction with any public announcements made by Red 5 Limited and its controlled entities during the half year in accordance with continuous disclosure obligations arising under the Corporations Act 2001.

The condensed consolidated half year financial report was authorised for issue by the parent entity's Board of Directors on 8 March 2017

Use of estimates and judgements

The preparation of the condensed consolidated half year financial report in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing the consolidated half year financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated annual financial report as at and for the year ended 30 June 2016.

Going Concern

The consolidated financial report has been prepared on the going concern basis which assumes the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. For the half year ended 31 December 2016, the group incurred a loss of $72,217,028 (2015: profit of $10,939,018), however had a net working capital surplus of $41,486,437 (2015: 26,992,445).

In January 2017, the Group outlined a revised operational strategy and open pit plan for the Siana Gold project which was released to the market through an ASX announcement on 19 January 2017. The strategy implemented was in response to the delay in obtaining the required approvals for construction of the proposed new long-term Tailings Storage Facility (TSF) for the open pit operation and previously reported pit wall stability concerns in the open pit.

The revised strategy will see an extension of the East wall cut-back which is designed to optimise remaining open pit gold production and cash flows while minimising operational risks. As a result of the permitting delays for the new long term TSF, the Siana processing plant was temporarily placed on standby at the end January 2017.

Management have prepared a cash flow forecast based on the approval for the TSF extension being obtained in accordance with the revised operational strategy. The Directors have reasonable expectations that approval for the new TSF will be obtained from the Philippines regulatory authorities, and therefore believe that the going concern basis of preparation remains appropriate.

In the event of further delays in the permitting approvals for the construction of the long-term TSF, production facilities may not be restarted and therefore the expected cash flows from the open pit mine which were allocated to fund the underground mine will not be realised. In this circumstance, the Group may have to consider implementing an alternate tailings disposal option and/or raising additional funds either through debt and/or equity financing to transition the mine into an underground operation, or alternatively place the Siana mine into a state of care-and-maintenance.

Continued permitting delays in the TSF approval would create uncertainty on the Group's ability to continue as a going concern and realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

	CONSOLIDATED	
	31.12.16	**31.12.15**
	$	**$**
2. EXPENSES		
(a) Cost of sales		
Operating costs	(21,293,227)	(17,977,447)
Deferred waste expense [(i)]	(9,831,343)	-
Depreciation and amortisation	(24,096,535)	(15,349,839)
	(55,221,105)	(33,327,286)

(i) Due to uncertainty with respect to the recognition and recovery of deferred waste under an updated open pit mine plan, all incurred costs during the half year ended 31 December 2016 have been expensed.

(b) Administration and other expenses		
Superannuation contributions	(102,365)	(70,520)
Other employee and consultancy expenses	(1,458,453)	(1,435,909)
Occupancy costs	(145,127)	(181,956)
Regulatory expenses	(165,381)	(295,038)
Foreign exchange gains	167,598	232,440
Depreciation	(5,389)	(18,970)
Legal fees	(83,882)	(37,142)
VAT assessed unrecoverable	-	(173,466)
Other expenses	(818,460)	(603,598)
	(2,611,459)	(2,584,159)

(c) Impairment		
Mine development (note 6)	(70,392,762)	-
	(70,392,762)	-

	CONSOLIDATED	
	31.12.16	**30.06.16**
	$	**$**
3. CASH AND CASH EQUIVALENTS		
Cash at bank	5,550,552	18,188,908
Cash on hand	302	302
	5,550,854	18,189,210
4. TRADE AND OTHER RECEIVABLES		
Current assets		
Interest receivable	2,359	2,288
Prepayments	3,619,780	2,434,335
Debtors (i)	24,315,423	1,583,930
Sundry debtors	434,978	881,324
GST receivable	50,549	92,887
VAT receivable	3,947,470	7,359,491
	32,370,559	12,354,255
Non-current assets		
Security deposits	134,883	134,883
	134,883	134,883

(i) Debtors of $24.3 million have increased during the period as a result of significantly higher gold ounces held in the metal account. Subsequent to 31 December 2016 the metal account is being converted to cash.

5. PROPERTY, PLANT & EQUIPMENT

	31.12.16 $	30.06.16 $
Plant and equipment – at cost		
Opening balance	87,784,349	75,651,605
Additions	5,782,772	8,123,504
Disposal of plant and equipment	(418,576)	-
Reclassification of mine development assets	-	4,575,987
Foreign currency translation adjustment	(1,891,333)	(566,747)
Closing Balance	91,257,212	87,784,349
Accumulated depreciation		
Opening balance	12,828,430	6,592,709
Depreciation for the period	3,738,903	6,440,504
Foreign currency translation adjustment	(243,821)	(204,783)
Closing balance	16,323,512	12,828,430
Net book value	74,933,700	74,955,919

	CONSOLIDATED	
	31.12.16	**30.06.16**
	$	**$**
6. MINE DEVELOPMENT		
(a) Mine Development		
Opening balance	111,569,528	116,711,920
Development expenditure incurred in current period	2,599,010	100,597
Reclassification of mine development assets	-	(4,575,987)
Foreign currency translation adjustment	(2,328,817)	(667,002)
Closing Balance	111,839,721	111,569,528
Accumulated amortisation		
Opening balance	42,554,875	36,889,830
Amortisation for the period	2,997,495	6,323,300
Impairment	65,625,288	-
Foreign currency translation adjustment	(928,720)	(658,255)
Closing balance	110,248,938	42,554,875
Mine development net book value	1,590,783	69,014,653
(b) Deferred mining waste costs		
Opening balance	71,611,128	36,061,179
Deferred waste mining expenditure incurred in current period	-	36,986,205
Foreign currency translation adjustment	(1,616,728)	(1,436,256)
Closing balance	69,994,400	71,611,128
Accumulated amortisation		
Opening balance	48,792,665	36,061,179
Amortisation for the period	17,364,174	13,389,006
Impairment	4,767,473	-
Foreign currency translation adjustment	(929,912)	(657,520)
Closing balance	69,994,400	48,792,665
Deferred mining waste costs net book value	-	22,818,463
Total mine development net book value	1,590,783	91,833,116

Following a review of impairment indicators required under the Accounting Standard AASB136, Impairment of Assets at 31 December 2016, an impairment expense has been recorded for the period. This impairment expense of $70.4 million has been allocated to mine development $65.6 million and to deferred mining waste of $4.8 million.

The remaining balance of $1.6 million in mine development consists of accumulated expenditure relating to the underground development.

The impairment charge has been allocated 100% against mine development rather than apportioned against plant and equipment as the mine development predominantly relates to the open pit operations and the plant and equipment is expected to be used for an extended period of time for the underground development.

The events and circumstances that have led to the recognition of the impairment include:

- The revision of the open pit mine plan.
- The delay to the approval for the TSF application resulting in the Siana processing plant being placed on standby.
- An increase in sovereign risk in the Philippines, asset risk and an increase in government bond rates, resulting in a higher discount rate used to calculate the recoverable amount of the mine asset.

The impairment charge results in the carrying values of assets being no more than their assessed recoverable amount.

6. MINE DEVELOPMENT (Continued)

The impairment expense was determined under AASB136 "Impairment of Assets" where the recoverable amount of the mine asset is the higher of fair value less cost of disposal (FVLCOD) and value in use (VIU). The Group has applied FVLCOD and determined using independent market assumptions to calculate the present value of the estimated value of future cash flows expected to arise from the continued use of the asset, including the anticipated cash flow effects of any capital expenditure to enhance production or reduce cost. Cash flows are discounted using an appropriate post tax market discount rate to arrive at a net present value (NPV) of the mine asset which is compared against the mine assets carrying value.

The key assumptions in the discounted cash flow model include :

- production levels and operating costs based on the most current mine plans;
- the average USD gold price was $1,250 per ounce over the life of mine;
- foreign exchange rates sourced from independent market analysts (AUD/PHP 37, USD/AUD 0.76); and
- a nominal post tax discount rate of 12%

The impairment expense is a non-cash item and does not have any impact on cash flow or mining operations.

	CONSOLIDATED	
	31.12.16	31.12.15
	$	$
7. EXPLORATION AND EVALUATION EXPENDITURE		
Opening balance		
Exploration and evaluation expenditure incurred in current period	223,102	77,963
Exploration expenditure written off	(223,102)	(77,963)
Closing balance	-	-
8. CONTRIBUTED EQUITY		
Share capital		
762,529,493 (30 June 2016: 761,851,008) ordinary fully paid shares	236,633,352	236,554,512
9. RESERVES		
Foreign currency translation reserve	29,967,364	33,562,664
Defined retirement benefit	(182,302)	(182,302)
Share based payment reserve	222,576	145,614
	30,007,638	33,525,976
10. EXPENDITURE COMMITMENTS		
Commitments in relation to capital expenditure commitments are payable as follows:		
- not later than one year	767,673	4,677,850
	767,673	4,677,850
Commitments in relation to operating lease expenditure commitments are payable as follows:		
- not later than one year	454,774	438,756
- later than one year but not later than two years	150,833	140,802
- later than two years but not later than five years	138,090	274,181
	743,697	853,739

	CONSOLIDATED	
	31.12.16	**31.12.15**
	$	**$**
11. EARNINGS PER SHARE		
The weighted average number of ordinary shares on issue are used in the calculation of basic earnings per share.	761,946,881	759,920,573

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

12. SEGMENT INFORMATION

The Group is managed primarily on the basis of its production, development and exploration assets in the Philippines. Operating segments are therefore determined on the same basis. 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 consolidated annual financial statements of the Group.

13. CONTINGENT LIABILITIES

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

14. RELATED PARTIES

There have been no material changes to the nature of transactions and arrangements with related parties as set out in the consolidated annual financial report for the year ended 30 June 2016.

15. SUBSEQUENT EVENTS

As outlined in the ASX announcement on 19 January 2017, a revised operational strategy for the Siana Gold Project is to be implemented in response to the delay in obtaining the required approvals for construction of the proposed new long-term TSF for the open pit operation and previously reported pit wall stability concerns in the open pit.

The revised strategy will see an extension of the East wall cut-back which is designed to optimise remaining open pit gold production and cash flows while minimising operational risks.

The Siana processing plant was temporarily placed on standby at the end of January 2017.

DIRECTORS' DECLARATION

In the opinion of the directors of Red 5 Limited:

1. the condensed consolidated financial statements and notes set out on page 5 to 15 are in accordance with the Corporations Act 2001, including:

   (a) giving a true and fair view of the financial position of the Group as at 31 December 2016 and of its performance for the 6 month period ended on that date; and

   (b) complying with Australian Accounting Standard AASB 134: *Interim Financial Reporting* and the Corporations Regulations 2001; and

2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors.

Kevin Dundo
Chairman

Perth, Western Australia
8 March 2017

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

Report on the financial report

We have reviewed the accompanying half-year financial report of Red 5 Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2016, condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes 1 to 15 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 half-year's end or from time to time during the half-year period.

Responsibility of the Directors for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Red 5 Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

(a) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material uncertainty regarding continuation as a going concern

Without modifying our conclusion expressed above, attention is drawn to note 1 in the half-year financial report. The matters set forth in note 1 indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

KPMG

KPMG

Brent Steedman

Partner

Perth

8 March 2017