
RED 5 LIMITED

ABN 73 068 647 610

AND CONTROLLED ENTITIES

HALF YEAR FINANCIAL REPORT

31 DECEMBER 2003

RED 5 LIMITED

ABN 73 068 647 610

CORPORATE DIRECTORY

BOARD OF DIRECTORS

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

COMPANY SECRETARY

Frank J Campagna

REGISTERED OFFICE

Level 1
43 Ventnor Avenue
West Perth
Western Australia 6005

Telephone: (61 8) 9322 4455
Facsimile: (61 8) 9481 5950
E-mail: info@red5limited.com
Web-site: www.red5limited.com

SHARE REGISTRY

Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross WA 6153

Telephone: (61 8) 9315 0933
Facsimile: (61 8) 9315 2233
E-mail: registrar@securitytransfer.com.au

BANKERS

Bank of New Zealand, Australia

AUDITORS

KPMG

SOLICITORS

Pullinger Readhead Stewart

STOCK EXCHANGE LISTING

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

CONTENTS

Directors' report	2
Statement of financial performance	4
Statement of financial position	5
Statement of cash flows	6
Notes to the financial statements	7
Declaration by directors	10
Independent review report	11

**RED 5 LIMITED
AND CONTROLLED ENTITIES**

DIRECTORS' REPORT

The directors of Red 5 Limited ("Red 5" or "parent entity") present their report on the results and state of affairs of the consolidated entity (consisting of Red 5 and its controlled entities) for the half year ended 31 December 2003.

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:

Nicholas James Smith
Gregory Charles Edwards
Allen Lance Govey
Colin George Jackson (appointed on 5 December 2003)

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

RESULTS OF OPERATIONS

The net loss of the consolidated entity after provision for income tax was \$377,341.

REVIEW OF OPERATIONS

During the half year ended 31 December 2003 the consolidated entity continued its strategy of divestment of non-core assets in order to focus on the early development of the Siana gold project located in the Philippines.

Red 5 raised equity funds during the period of a total of \$4,543,629 (before costs) through a private share placement in July 2003, a fully underwritten pro-rata rights issue offer to shareholders, on the basis of 3 new shares for every 10 shares held at a subscription price of 7.3 cents per share, and through the exercise of unlisted options.

Red 5 disposed of its shareholding in a wholly owned subsidiary company, Opus Exploration Pty Ltd, to the listed gold explorer, Range River Gold Limited. Opus Exploration Pty Ltd holds interests in the Indee and Telfer projects, both of which are located in the Pilbara region of Western Australia. The sale consideration was \$1.7 million and comprised \$500,000 in cash and 9,132,420 shares in Range River Gold Limited (at a nominal value of 13.1 cents each).

In November 2003, the listed exploration company, Traka Resources Limited exercised its option to acquire Red 5's interests in the Ravensthorpe group of tenements. Proceeds from the sale of the tenements comprised a cash consideration of \$350,000.

Exploration and evaluation activities on the Siana project continued during the period. The consolidated entity entered into a variation to the joint venture agreement on the Siana project, whereby by payment of \$79,023 (US\$60,000) and subject to finalisation of the ownership structure under Philippine jurisdiction, Red 5 is entitled to take an 80% economic interest in the Siana project. Under the terms of the original agreement, the consolidated entity was required to complete a bankable feasibility study within 5 years to earn an 80% interest in the project.

The consolidated entity entered into a joint venture agreement over the Mapawa gold project in the Philippines. The project covers an area of 1,400 hectares and is located 18 kilometres north of the Siana project. Under the terms of the agreement, Red 5 will own an 80% interest in the project (under the provisions of Philippine law) in return for reimbursement of tenement expenses, progression of the grant of a Mineral Production Sharing Agreement (MPSA) and the expenditure of \$133,333 (US\$100,000) within a period of 15 months.

In January 2004, the Supreme Court of the Republic of the Philippines handed down a decision which affected the validity of forms of tenure held under Financial and Technical Assistance Agreements. The Siana project is unaffected by this decision as it operates under a granted MPSA held by the consolidated entity's local Philippine partner.

The directors of Red 5 are continuing the rationalisation of the consolidated entity's tenement portfolio and have also reviewed other resources projects in which the consolidated entity may participate.

**RED 5 LIMITED
AND CONTROLLED ENTITIES**

EVENTS SUBSEQUENT TO THE END OF THE HALF YEAR

Significant events which have occurred subsequent to the end of the half year are contained in Note 9 to the financial report.

Signed in accordance with a resolution of the directors.

A L Govey
Director

Perth, Western Australia
11 March 2004

**RED 5 LIMITED
AND CONTROLLED ENTITIES**

**STATEMENT OF FINANCIAL PERFORMANCE
FOR THE HALF YEAR ENDED 31 DECEMBER 2003**

	NOTE	CONSOLIDATED	
		31.12.03	31.12.02
		\$	\$
Revenue from ordinary activities		28,829	6,753
Proceeds from the sale of controlled entity		1,700,000	-
Proceeds from the sale of mineral tenements		<u>365,000</u>	<u>-</u>
 Total revenue		 2,093,829	 6,753
 Carrying value of investment in controlled entity sold		 1,684,997	 -
Carrying value of mineral tenements sold		292,399	-
Depreciation expenses		3,629	1,636
Employee and consultancy expenses		316,863	236,089
Exploration expenditure written-off		23,317	461,130
Occupancy expenses		23,491	35,872
Regulatory expenses		55,761	36,264
Other expenses from ordinary activities		<u>70,713</u>	<u>75,340</u>
 Loss from ordinary activities before income tax expense		 (377,341)	 (839,578)
 Income tax expense		 -	 -
 Nett loss attributable to members of Red 5 Limited		 <u>(377,341)</u>	 <u>(839,578)</u>
		Cents	Cents
 Basic earnings/(loss) per share	6	 (0.25)	 (0.77)

The accompanying notes form part of these financial statements.

**RED 5 LIMITED
AND CONTROLLED ENTITIES**

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2003**

	NOTE	CONSOLIDATED	
		31.12.03	30.06.03
		\$	\$
CURRENT ASSETS			
Cash assets		4,552,561	367,834
Receivables		31,548	93,986
Other financial assets		1,205,000	-
Prepayments		<u>24,975</u>	<u>-</u>
TOTAL CURRENT ASSETS		<u>5,814,084</u>	<u>461,820</u>
NON-CURRENT ASSETS			
Receivables		-	17,000
Property, plant and equipment		25,057	24,155
Deferred exploration expenditure		<u>1,773,983</u>	<u>3,036,213</u>
TOTAL NON-CURRENT ASSETS		<u>1,799,040</u>	<u>3,077,368</u>
TOTAL ASSETS		<u>7,613,124</u>	<u>3,539,188</u>
CURRENT LIABILITIES			
Payables		314,096	231,226
Provisions		<u>41,007</u>	<u>31,072</u>
TOTAL CURRENT LIABILITIES		<u>355,103</u>	<u>262,298</u>
NON-CURRENT LIABILITIES			
Borrowings		<u>322,846</u>	<u>322,846</u>
TOTAL NON-CURRENT LIABILITIES		<u>322,846</u>	<u>322,846</u>
TOTAL LIABILITIES		<u>677,949</u>	<u>585,144</u>
NET ASSETS		<u>6,935,175</u>	<u>2,954,044</u>
EQUITY			
Contributed equity	2	18,442,551	14,084,079
Accumulated losses	3	<u>(11,507,376)</u>	<u>(11,130,035)</u>
TOTAL EQUITY		<u>6,935,175</u>	<u>2,954,044</u>

The accompanying notes form part of these financial statements.

**RED 5 LIMITED
AND CONTROLLED ENTITIES**

**STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2003**

	CONSOLIDATED	
	31.12.03	31.12.02
	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees	(424,556)	(366,981)
Interest received	<u>28,829</u>	<u>6,753</u>
Net cash outflow from operating activities	<u>(395,727)</u>	<u>(360,228)</u>
Cash flows from investing activities		
Payments for mineral exploration expenditure	(581,464)	(604,471)
Payments for plant and equipment	(4,531)	-
Payments for purchase of investments	(5,000)	-
Payments for purchase of mining tenements	(79,023)	(1,064)
Proceeds on disposal of controlled entity	500,000	-
Proceeds on sale of mining tenements	365,000	-
Proceeds on security deposits returned	<u>17,000</u>	<u>-</u>
Net cash inflow/(outflow) from investing activities	<u>211,982</u>	<u>(605,535)</u>
Cash flows from financing activities		
Proceeds from issues of shares	4,543,629	1,587,975
Payments for share issue expenses	(185,157)	-
Proceeds from share applications in advance	10,000	-
Repayment of loans by other corporations	<u>-</u>	<u>20,000</u>
Net cash inflow from financing activities	<u>4,368,472</u>	<u>1,607,975</u>
Net increase in cash held	4,184,727	642,212
Cash at the beginning of the financial period	<u>367,834</u>	<u>748,398</u>
Cash at the end of the financial period	<u><u>4,552,561</u></u>	<u><u>1,390,610</u></u>

The accompanying notes form part of these financial statements.

**RED 5 LIMITED
AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2003**

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION OF THE HALF YEAR FINANCIAL REPORT

The half year consolidated financial report is a general purpose financial report which has been prepared in accordance with Accounting Standard AASB 1029 "Interim Financial Reporting", the recognition and measurement requirements of applicable AASB standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. This half year financial report is to be read in conjunction with the 30 June 2003 annual financial report and 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 half year financial report has been prepared on the basis of historical costs and does not take into account changing money values or, except where stated, fair values of non-current assets.

Cost is based on the fair values of the consideration given in exchange for assets. Accounting policies have been consistently applied by each entity in the consolidated entity and are consistent with those applied in the 30 June 2003 annual financial report, except as specifically noted.

The half year financial report does not include full note disclosure of the type that would be normally included in an annual financial report.

	CONSOLIDATED	
	31.12.03	30.06.03
	\$	\$
2. CONTRIBUTED EQUITY		
(a) Share capital		
188,555,976 (30.06.03: 127,558,467) ordinary fully paid shares	17,266,772	12,908,300
67,089,620 (30.06.03: 69,369,620) options over fully paid shares	<u>1,175,779</u>	<u>1,175,779</u>
	<u>18,442,551</u>	<u>14,084,079</u>
(b) Movements in ordinary share capital	Shares	\$
Opening balance 1 July 2003	127,558,467	12,908,300
Share placement	9,000,000	450,000
Pro-rata rights issue	40,967,509	2,990,628
Exercise of options	11,030,000	1,103,000
Less share issue expenses	<u>-</u>	<u>(185,156)</u>
Balance 31 December 2003	<u>188,555,976</u>	<u>17,266,772</u>
(c) Movements in share options	Options	\$
Opening balance 1 July 2003	69,369,620	1,175,779
Issued pursuant to share placement	9,000,000	-
Issue in consideration of placement fees	1,000,000	-
Exercise of options	(11,030,000)	-
Lapse of options	<u>(1,250,000)</u>	<u>-</u>
	<u>67,089,620</u>	<u>1,175,779</u>

**RED 5 LIMITED
AND CONTROLLED ENTITIES**

	CONSOLIDATED	
	31.12.03	31.12.02
	\$	\$
3. ACCUMULATED LOSSES		
Accumulated losses at the beginning of the half year	11,130,035	9,376,942
Net loss attributable to members of the parent entity	<u>377,341</u>	<u>839,578</u>
Accumulated losses at the end of the half year	<u>11,507,376</u>	<u>10,216,520</u>
4. TOTAL EQUITY RECONCILIATION		
Total equity at the beginning of the half year	2,954,044	3,076,762
Total changes in equity recognised in the statement of financial performance	(377,341)	(839,578)
Transactions with owners as owners:		
Contributions of equity, net of transaction costs	<u>4,358,472</u>	<u>1,524,225</u>
Total equity at the end of the half year	<u>6,935,175</u>	<u>3,761,409</u>

5. SEGMENT INFORMATION

Business segments

The consolidated entity is involved in mineral exploration activities on mining tenements located within Australia and the Philippines.

	31 December 2003			31 December 2002		
	Australia	Philippines	Consolidated	Australia	Philippines	Consolidated
	\$	\$	\$	\$	\$	\$
Geographical segments						
Segment revenue						
Revenue from ordinary activities	2,093,829	-	<u>2,093,829</u>	6,753	-	<u>6,753</u>
Total segment revenue	<u>2,093,829</u>	<u>-</u>	<u>2,093,829</u>	<u>6,753</u>	<u>-</u>	<u>6,753</u>
Segment result	(368,230)	(9,111)	(377,341)	(839,578)	-	(839,578)
Income tax expense	-	-	-	-	-	-
Net loss	<u>(368,230)</u>	<u>(9,111)</u>	<u>(377,341)</u>	<u>(839,578)</u>	<u>-</u>	<u>(839,578)</u>

	CONSOLIDATED	
	31.12.03	31.12.02
	\$	\$
6. EARNINGS PER SHARE		
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	<u>151,936,772</u>	<u>109,007,040</u>

7. DISPOSAL OF CONTROLLED ENTITY

On 22 September 2003, the parent entity disposed of its 100% interest in Opus Exploration Pty Ltd for a consideration of \$1,700,000 comprising \$500,000 in cash and the issue of 9,132,420 quoted shares in the purchaser (at a nominal value of 13.1 cents each). Contribution to the net loss of the consolidated entity from the loss of control of the controlled entity was a profit of \$15,003.

8. CONTINGENT LIABILITIES

There have been no changes in any contingent liabilities of the consolidated entity since 30 June 2003.

**RED 5 LIMITED
AND CONTROLLED ENTITIES**

9. SUBSEQUENT EVENTS

- (a) Subsequent to the end of the half year, the parent entity has received a total \$5,632,671 in additional equity capital from the exercise of 24,528,357 listed and 7,220,000 unlisted options.

- (b) On 19 January 2004, the parent entity announced a pro-rata bonus issue of options to shareholders, on the basis of 1 new option (exercisable at 35 cents each on or before 31 January 2005) for every 4 shares held as at the record date of 23 February 2004.

**RED 5 LIMITED
AND CONTROLLED ENTITIES**

DECLARATION BY DIRECTORS

In the opinion of the directors of Red 5 Limited:

1. the financial statements and notes, set out on pages 4 to 9, are in accordance with the Corporations Act 2001, including:
 - (a) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2003 and of its performance, as represented by the results of its operations and cash flows for the half year ended on that date; and
 - (b) complying with Australian Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the parent entity will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors.

A L Govey
Director

Perth, Western Australia
11 March 2004



Independent review report to the members of Red 5 Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for the Red 5 Limited Consolidated Entity ("the Consolidated Entity"), for the half-year ended 31 December 2003. The Consolidated Entity comprises Red 5 Limited ("the Company") and the entities it controlled during that half-year.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

We conducted an independent review in order for the Company to lodge the financial report with the Australian Securities and Investments Commission. Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements.

We performed procedures in order to state whether on the basis of the procedures described anything has come to our attention that would indicate the financial report does not present fairly, in accordance with the Corporations Act 2001, Australian Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Consolidated Entity's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our statement on the basis of the review procedures performed, which were limited primarily to:

- enquiries of company personnel; and
- analytical procedures applied to the financial data.

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

The procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

A review cannot guarantee that all material misstatements have been detected.





Independence

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Statement

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

- a) the Corporations Act 2001, including:
 - i. giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2003 and of its performance for the half-year ended on that date; and
 - ii. complying with Australian Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- b) other mandatory professional reporting requirements in Australia.

KPMG

B C FULLARTON
Partner

Perth
11 March 2004