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RED 5 LIMITED

ABN 73 068 647 610

AND CONTROLLED ENTITIES

HALF YEAR FINANCIAL REPORT

31 DECEMBER 2015

CORPORATE DIRECTORY

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BOARD OF DIRECTORS

Kevin Dundo (Chairman)
Mark Williams (Managing Director)
Mark Milazzo (Non-executive Director)
Ian Macpherson (Non-Executive Director)
Colin Loosemore (Non-Executive Director)

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COMPANY SECRETARY

Frank Campagna

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REGISTERED OFFICE

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BANKERS

National Australia Bank Limited

AUDITORS

KPMG

SOLICITORS

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

STOCK EXCHANGE LISTING

Shares in Red 5 Limited are quoted on:

ASX Limited
ASX code: RED

OTCQX International
Trading code: RDFLY

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**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 Red 5 and its subsidiaries ("the Group" or the "consolidated entity") for the half year ended 31 December 2015.

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
Mark Francis Milazzo
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 profit of the consolidated entity after income tax was \$10,939,018 (2014: Loss of \$5,876,231).

REVIEW OF OPERATIONS

During the half-year Red 5 reported a positive production performance at the Siana Gold Project with gold sales of 30,043 ounces at an average price of A\$1,560 and a total unit cost of A\$1,109 per ounce.

A total of 32,168 ounces of gold was recovered for the half-year ended 31 December 2015 taking production for the 2015 calendar year (since the restart of production in January 2015) to 55,813 ounces.

The continued production results reflect a solid performance from the open pit at Siana, with reconciliation of ore tonnes and grade continuing to exceed expectations.

As previously outlined in the September 2015 Quarterly Report, a revised open pit mining strategy has been implemented at Siana following the completion of a detailed Technical Study. The revised strategy is designed to optimise the extraction of open pit Ore Reserves over the remaining life of the open pit up to December 2017 in order to maximise cash flows, while at the same time mitigating as far as possible geotechnical risks and striving to preserve the integrity and safety of the open pit operation.

Construction

During the half-year Red 5 continued the upgrade of existing tailings storage facilities ("TSF"). TSF 3 stage two North to North West embankment uplift was completed and the construction to approved design and technical standards.

Mining Activities

Mining activities during the half-year were focused on:

- completion of Stage 2 as the primary ore source;
- establishing for the wet-season a dewatering sump to -85RL;
- Stage 3 and the associated removal of slough material from the East wall;
- Stage 4 West wall waste stripping;
- Stage 5, the East wall cut-back; and
- material suitable for delivery for TSF construction was ongoing.

A total of 294,974 tonnes at 3.55 g/t Au of ore and 1,569,904 bank cubic metres (BCM) of waste was moved ex-pit during the period. An additional 527,074 BCM of waste material, mainly relating to the East perimeter drain, was also moved during the period.

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Processing

The Siana processing plant continues to perform well, with a total of 384,173 tonnes of ore processed for the half-year. The average head grade and recovery rate was 3.10 g/t Au and 85% respectively resulting in a total of 32,168 ounces of gold.

To take advantage of the transition between mining ore tonnes from Stage 2 to Stage 3, planned annual maintenance of the processing plant was completed during January 2016 and early February 2016.

Future Development Strategy

Following the positive results from the Underground Concept Study completed during the half-year, underground mining consultants were commissioned to complete an updated Feasibility Study for the proposed underground mine development at Siana. Work on the updated Underground Feasibility Study is now underway and is expected to be completed by mid-2016.

A JORC 2012 Mineral Resource estimate for the underground deposit at Siana was released on 23 February 2016.

During the half-year concept designs were completed for an additional long-term storage capacity and a preferred location has been selected. The review of proposals for the development of the TSF and Environmental Performance Reports and Management Plans are expected to be completed during the remainder of the financial year.

EVENTS SUBSEQUENT TO THE END OF THE HALF YEAR

No significant subsequent events have occurred since 31 December 2015.

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
4 March 2016



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 financial half-year ended 31 December 2015 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

Rt Stm

Brent Steedman
Partner

Perth

4 March 2016

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**RED 5 LIMITED
AND CONTROLLED ENTITIES**

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2015**

	NOTE	CONSOLIDATED	
		31.12.15 \$	31.12.14 \$
Revenue		46,868,485	-
Cost of sales	2(a)	<u>(33,327,286)</u>	<u>(3,662,577)</u>
Gross profit / (loss)		13,541,199	(3,662,577)
Other income		-	22,177
Administration and other expenses	2(b)	(2,584,159)	(2,550,684)
Exploration expenses		<u>(26,286)</u>	<u>(1,973)</u>
Operating profit / (loss) before financing income		10,930,754	(6,193,057)
Financing income		12,270	317,420
Financing expenses		<u>(4,006)</u>	<u>(594)</u>
Net financing income		<u>8,264</u>	<u>316,826</u>
Profit / (loss) before income tax expense		10,939,018	(5,876,231)
Income tax (expense)/benefit		<u>-</u>	<u>-</u>
Net profit / (loss) after income tax for the period		10,939,018	(5,876,231)
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Movement in foreign currency translation reserve		<u>2,175,253</u>	<u>23,343,179</u>
Total other comprehensive income for the period		<u>13,114,271</u>	<u>17,466,948</u>
Net profit / (loss) after income tax attributable to:			
To non-controlling interest		262,536	(30,655)
To members of parent entity		<u>10,676,482</u>	<u>(5,845,576)</u>
		<u>10,939,018</u>	<u>(5,876,231)</u>
Total comprehensive profit attributable to:			
To non-controlling interest		314,742	529,581
To members of parent company		<u>12,799,529</u>	<u>16,937,367</u>
		<u>13,114,271</u>	<u>17,466,948</u>
		Cents	Cents
Basic and diluted profit/(loss) per share (cents per share)	11	1.40	(0.77)

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 2015**

	NOTE	CONSOLIDATED	
		31.12.15	30.06.15
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	3	8,578,978	10,033,274
Trade and other receivables	4	11,348,840	12,152,836
Inventory		<u>11,994,546</u>	<u>9,365,803</u>
TOTAL CURRENT ASSETS		<u>31,922,364</u>	<u>31,581,913</u>
NON-CURRENT ASSETS			
Receivables	4	3,263,228	2,226,060
Property, plant and equipment	5	75,224,568	69,058,896
Mine development	6	<u>85,084,618</u>	<u>79,822,090</u>
TOTAL NON-CURRENT ASSETS		<u>163,572,414</u>	<u>151,107,046</u>
TOTAL ASSETS		<u>195,494,778</u>	<u>182,688,959</u>
CURRENT LIABILITIES			
Trade and other payables		6,971,793	7,524,480
Employee benefits		157,755	113,108
Provisions		<u>1,116,104</u>	<u>1,116,104</u>
TOTAL CURRENT LIABILITIES		<u>8,245,652</u>	<u>8,753,692</u>
NON-CURRENT LIABILITIES			
Employee benefits		32,195	32,195
Provisions		<u>2,459,421</u>	<u>2,435,375</u>
TOTAL NON-CURRENT LIABILITIES		<u>2,491,616</u>	<u>2,467,570</u>
TOTAL LIABILITIES		<u>10,737,268</u>	<u>11,221,262</u>
NET ASSETS		<u>184,757,510</u>	<u>171,467,697</u>
EQUITY			
Contributed equity	8	236,554,512	236,416,512
Other equity		930,285	930,285
Reserves	9	37,474,338	35,335,482
Accumulated losses		<u>(89,311,713)</u>	<u>(99,988,195)</u>
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		<u>185,647,422</u>	<u>172,694,084</u>
Non-controlling interest		<u>(889,912)</u>	<u>(1,226,387)</u>
TOTAL EQUITY		<u>184,757,510</u>	<u>171,467,697</u>

The accompanying notes form part of these interim financial statements.

**RED 5 LIMITED
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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2015**

CONSOLIDATED	Attributable to equity holders of the parent entity					Total
	Issued capital	Other equity	Accumulated losses	Other reserves ⁽ⁱ⁾	Non- controlling interest	
	\$	\$	\$	\$	\$	
Balance at 1 July 2015	236,416,512	930,285	(99,988,195)	35,335,482	(1,226,387)	171,467,697
Net Profit	-	-	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
Balance at 1 July 2014	236,416,512	930,285	(41,157,429)	1,981,376	(577,580)	197,593,164
Net Loss	-	-	(5,845,576)	-	(30,655)	(5,876,231)
Other comprehensive income for the period	-	-	-	22,782,943	560,236	23,343,179
Total comprehensive income for the period	-	-	(5,845,576)	22,782,943	529,581	17,466,948
Expired options – transfers from reserves	-	-	26,436	(26,436)	-	-
Issue of employee performance rights	-	-	-	5,509	-	5,509
Balance at 31 December 2014	236,416,512	930,285	(46,976,569)	24,743,392	(47,999)	215,065,621

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

The accompanying notes form part of these interim financial statements.

**RED 5 LIMITED
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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2015**

	CONSOLIDATED	
	31.12.15	31.12.14
	\$	\$
Cash flows from operating activities		
Receipts from sale of Gold	47,457,948	-
Payments to suppliers and employees	(24,509,888)	(4,022,170)
Payments for exploration and evaluation	(214,657)	-
Interest received	12,507	422,788
Interest paid	(4,006)	(594)
Sundry receipts	-	22,177
	<u>22,741,904</u>	<u>(3,577,799)</u>
Net cash from operating activities		
Cash flows from investing activities		
Payments for plant and equipment	(4,075,838)	(16,856,021)
Payments for development	(20,402,437)	(1,255,713)
	<u>(24,478,275)</u>	<u>(18,111,734)</u>
Net cash used in investing activities		
Net decrease in cash held	(1,736,371)	(21,689,533)
Cash at the beginning of the financial period	10,033,274	37,913,020
Effect of exchange rate fluctuations on cash held	282,075	1,396,461
	<u>8,578,978</u>	<u>17,619,948</u>
Cash at the end of the financial period		

The accompanying notes form part of these interim financial statements.

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**CONDENSED NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2015**

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 2015 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 2015 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 2015. 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 2015. 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.

Use of estimates and judgements

The preparation of the 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 2015.

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	CONSOLIDATED	
	31.12.15	31.12.14
	\$	\$
2. REVENUE AND EXPENSES		
(a) Cost of sales		
Direct operating costs	(17,977,447)	-
Direct operating costs – Care and maintenance	-	(3,374,975)
Depreciation and amortisation	<u>(15,349,839)</u>	<u>(287,602)</u>
	<u>(33,327,286)</u>	<u>(3,662,577)</u>
(b) Administration and other expenses		
Superannuation contributions	(70,520)	(55,681)
Other employee and consultancy expenses	(1,435,909)	(1,103,471)
Occupancy costs	(181,956)	(160,717)
Regulatory expenses	(295,038)	(185,475)
Foreign exchange gains	232,440	1,094,616
Depreciation	(18,970)	(49,438)
Legal fees	(37,142)	(241,663)
VAT assessed unrecoverable	(173,466)	(1,320,471)
Other administration overheads	<u>(603,598)</u>	<u>(528,384)</u>
	<u>(2,584,159)</u>	<u>(2,550,684)</u>
(c) There is no income tax payable by the Group due to utilisation of prior period tax losses.		

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	CONSOLIDATED	
	31.12.15	30.06.15
	\$	\$
3. CASH AND CASH EQUIVALENTS		
Cash at bank	8,578,825	10,032,974
Cash on hand	153	300
	<u>8,578,978</u>	<u>10,033,274</u>
4. TRADE AND OTHER RECEIVABLES		
Current assets		
Interest receivable	2,896	3,133
Prepayments	2,681,412	1,621,670
Debtors	3,000,255	3,181,173
Sundry debtors	355,149	688,772
GST receivable	70,626	77,506
VAT receivable	5,238,502	6,580,582
	<u>11,348,840</u>	<u>12,152,836</u>
Non-current assets		
VAT receivable	3,128,345	2,091,177
Security deposits	134,883	134,883
	<u>3,263,228</u>	<u>2,226,060</u>
5. PROPERTY, PLANT & EQUIPMENT		
Plant and equipment – at cost		
Opening balance	75,651,605	63,188,591
Additions	4,000,901	644,585
Reclassification of mine development assets	4,575,987	-
Foreign currency translation adjustment	942,079	11,818,429
Closing Balance	<u>85,170,572</u>	<u>75,651,605</u>
Accumulated depreciation		
Opening balance	6,592,709	3,122,098
Depreciation for the period	3,346,852	2,741,304
Foreign currency translation adjustment	6,443	729,307
Closing balance	<u>9,946,004</u>	<u>6,592,709</u>
Net book value	<u>75,224,568</u>	<u>69,058,896</u>
6. MINE DEVELOPMENT		
(a) Mine Development		
Opening balance	116,711,920	81,059,664
Development expenditure incurred in current period	-	22,323,619
Reclassification of mine development assets	(4,575,987)	-
Foreign currency translation adjustment	1,413,817	13,328,637
Closing Balance	<u>113,549,750</u>	<u>116,711,920</u>
Accumulated amortisation		
Opening balance	36,889,830	1,791,609
Amortisation for the period	3,463,047	3,445,153
Impairment	-	31,443,757
Foreign currency translation adjustment	196,977	209,311
Closing balance	<u>40,549,854</u>	<u>36,889,830</u>
Mine development net book value	<u>72,999,896</u>	<u>79,822,090</u>

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6. MINE DEVELOPMENT (Continued)

	CONSOLIDATED	
	31.12.15	30.06.15
	\$	\$
(b) Deferred mining waste costs		
Opening balance	36,061,179	17,649,275
Deferred waste mining expenditure incurred in current period	20,976,929	14,861,162
Foreign currency translation adjustment	(64,512)	3,550,742
Closing balance	<u>56,973,596</u>	<u>36,061,179</u>
Accumulated amortisation		
Opening balance	36,061,179	4,844,173
Amortisation for the period	8,558,908	5,488,899
Impairment	-	25,169,231
Foreign currency translation adjustment	268,787	558,876
Closing balance	<u>44,888,874</u>	<u>36,061,179</u>
Deferred mining waste costs net book value	<u>12,084,722</u>	<u>-</u>
Total mine development net book value	<u>85,084,618</u>	<u>79,822,090</u>

7. EXPLORATION AND EVALUATION EXPENDITURE

Opening balance		
Exploration and evaluation expenditure incurred in current period	-	-
Exploration expenditure written off	26,286	55,482
Closing Balance	<u>(26,286)</u>	<u>(55,482)</u>
	<u>-</u>	<u>-</u>

8. CONTRIBUTED EQUITY

Share capital

761,851,008 (30 June 2015: 759,451,008) ordinary fully paid shares	<u>236,554,512</u>	<u>236,416,512</u>
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9. RESERVES

Foreign currency translation reserve	37,313,760	35,212,446
Share based payment reserve	160,578	123,036
	<u>37,474,338</u>	<u>35,335,482</u>

10. EXPENDITURE COMMITMENTS

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

- not later than one year	1,357,829	1,391,303
	<u>1,357,829</u>	<u>1,391,303</u>

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

- not later than one year	370,903	366,082
- later than one year but not later than two years	138,691	2,232
- later than two years but not later than five years	274,181	-
	<u>783,775</u>	<u>368,314</u>

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	CONSOLIDATED	
	31.12.15	31.12.14
	\$	\$
11. EARNINGS PER SHARE		
The weighted average number of ordinary shares on issue are used in the calculation of basic earnings per share.	<u>759,920,573</u>	<u>759,451,008</u>
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 2015.		
15. SUBSEQUENT EVENTS		
No matters have arisen since 31 December 2015, which have significantly affected, or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial years.		

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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 13 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 2015 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
4 March 2016



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 2015, 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.

Directors' responsibility 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

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 2015 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*.

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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 2015 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*.

KPMG

KPMG

Rt St

Brent Steedman
Partner

Perth

4 March 2016

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