RED 5 LIMITED

(FORMERLY GREENSTONE RESOURCES NL)
ABN 73 068 647 610

AND CONTROLLED ENTITIES

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 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)

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
Chartered Accountants

SOLICITORS

Pullinger Readhead Stewart

STOCK EXCHANGE LISTING

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

This financial report covers both Red 5 Limited (formerly Greenstone Resources NL) as an individual entity and the consolidated entity, consisting of Red 5 Limited and its controlled entities. Red 5 Limited is a company limited by shares, incorporated and domiciled in Australia.

A description of the nature of the consolidated entity's operations and principal activities is included in the attached Directors' Report.

RED 5 LIMITED
AND CONTROLLED ENTITIES

DIRECTORS' REPORT

The directors of Red 5 Limited (formerly Greenstone Resources NL) ("Red 5" or "parent entity") provide hereunder their report on the results and state of affairs of the parent entity and the consolidated entity for the financial year ended 30 June 2003.

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:

Nicholas James Smith
Gregory Charles Edwards
Allen Lance Govey
John Wilson Fraser (resigned on 2 October 2002)

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

PRINCIPAL ACTIVITIES

The principal activities of Red 5 and the consolidated entity (which includes the controlled entities of Red 5) during the financial year were mineral exploration and evaluation. There was no significant change in the nature of these activities during the year.

RESULTS OF OPERATIONS

The net loss of the consolidated entity after provision for income tax was $1,753,093.

REVIEW OF OPERATIONS

During the financial year the consolidated entity continued its exploration and evaluation activities on tenements located within Australia and the Philippines.

The name and legal status of the parent entity was changed from Greenstone Resources NL to Red 5 Limited with effect from 6 September 2002.

Red 5 raised equity funds during the year of $1,697,975 before costs, through a share purchase plan offer to shareholders in October 2002 and through two private share placements.

A Mineral Production Sharing Agreement (MPSA) was granted by Philippine authorities in December 2002 over the area of the Siana gold project. The MPSA provides authority for all exploration, development and mining activities on the project.

In January 2003, an option was granted to third party interests over the consolidated entity's Ravensthorpe nickel tenements. The third party may elect to acquire the tenements for up to $350,000 in cash or $400,000 in a mix of cash and securities.

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

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 continue its mineral exploration and development activities and to investigate additional resources projects in which the consolidated entity may participate.

In the opinion of the directors there is no additional information available as at the date of this report on any likely developments which may materially affect the operations of the consolidated entity and the expected results of those operations in subsequent years.

OPTIONS GRANTED OVER UNISSUED SHARES

At the date of this report, 79,369,620 ordinary fully paid shares which are subject to options were unissued. The terms of these options are as follows:

Options granted over ordinary fully paid shares exercisable:

	Number
- at 10 cents each on or before 30 January 2004	10,000,000
- at 20 cents each on or before 31 January 2004	54,419,620
- at 12 cents each on or before 31 October 2003	250,000
- at 10 cents each on or before 16 November 2003	9,000,000
- at 25 cents each on or before 31 December 2003	1,000,000
- at 12 cents each on or before 31 July 2004	250,000
- at 15 cents each on or before 31 July 2004	125,000
- at 20 cents each on or before 31 July 2004	125,000
- at 40 cents each on or before 31 December 2004	2,000,000
- at 15 cents each on or before 8 January 2005	100,000
- at 20 cents each on or before 17 June 2005	100,000
- at 60 cents each on or before 31 December 2005	2,000,000
	79,369,620

Details of options issued and exercised during the financial year are contained in Note 14(c) to the financial report.

The following movements in options occurred subsequent to the end of the financial year:

- 9,000,000 unlisted options were issued as part of a share placement by the parent entity; and
- 1,000,000 unlisted options were issued to participating brokers to the share placement.

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) Equity funds of $1,697,975 before costs were raised during the year through private share placements and a share purchase plan offer to shareholders of the parent entity.

(b) A Mineral Production Sharing Agreement (MPSA) was granted by Philippine authorities over the area of the Siana gold project. The MPSA provides authority for all exploration, development and mining activities on the project.

(c) An option was granted to third party interests over the consolidated entity's Ravensthorpe nickel tenements. The third party may elect to acquire the tenements for up to $350,000 in cash or $400,000 in a mix of cash and securities.

EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Significant events which have occurred subsequent to the end of the financial year are set out in Note 30 to the financial report.

INFORMATION ON DIRECTORS

DIRECTORS	QUALIFICATIONS, EXPERIENCE AND SPECIAL RESPONSIBILITIES	SHARES BENEFICIALLY HELD IN PARENT ENTITY
Nicholas J Smith (Chairman)	LL.B A director since April 2002. Mr Smith is a solicitor with considerable international mining business experience, more recently spending 12 years as group general counsel for the Normandy Mining group. Mr Smith operates a corporate consultancy business and specialises in advice on sovereign risk issues in developing countries.	65,000 shares 5,000,000 options
Gregory C Edwards (Managing Director)	B.Sc. (Hons), AusIMM A director since November 2001. Mr Edwards is a geologist with 18 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.	6,055,000 shares 5,500,000 options
Allen L Govey (Exploration Director)	B.Sc. (Hons), M.Sc., MAusIMM A director since November 2001. Mr Govey is a senior geologist with wide ranging exploration and mining geology experience within Australia and Indonesia. He has been involved with the successful exploration and mining of Archean lode gold deposits for the last 16 years. Mr Govey spent 12 years with the Normandy Mining group, his most recent role being Principal Geologist responsible for project generation and evaluation of new business opportunities within Western Australia.	6,055,000 shares 5,500,000 options

MEETINGS OF DIRECTORS

The number of meetings of the Board of Directors of Red 5 held during the year ended 30 June 2003 and the number of meetings attended by each director are as follows:

	Number held whilst in office	Number attended
N J Smith	10	10
G C Edwards	10	10
A L Govey	10	10
J W Fraser (resigned on 2 October 2002)	3	3

Red 5 does not have a separate audit committee. The directors believe that Red 5 is not currently of a size nor are its affairs of such complexity as to warrant the establishment of a separate audit committee. Accordingly, all matters capable of delegation to an audit committee are considered by the full Board of Directors.

DIRECTORS AND EXECUTIVES REMUNERATION

The Board of Directors considers remuneration policies and practices generally, and determines specific remuneration packages and other terms of employment for executive directors, senior management and non-executive directors. Executive remuneration and other terms of employment are reviewed annually by the Board having regard to performance, relevant comparative information and independent expert advice.

Remuneration packages are set at levels that are intended to attract and retain executives capable of managing the consolidated entity's Australian and overseas operations.

Details of the nature and amount of each element of the emoluments of each director of Red 5 are as follows:

Name	Base salary	Directors fees	Superannuation	Consulting fees	Options	Options
	$	$	$	$	Number	$
Directors						
Executive directors						
G C Edwards	142,917		12,862			
A L Govey	95,000		8,550			
Non-executive directors						
N J Smith		25,000	1,688	78,000	5,000,000	183,000
J W Fraser		22,500				

Unlisted options were granted to Mr Smith in accordance with a resolution of shareholders passed at a general meeting of Red 5 held on 19 July 2002. The assessed fair value of the options as at the date of grant has been determined using the Black Scholes option pricing model, which takes account of factors such as the option exercise price, the level and volatility of the underlying share price and the time to maturity of the options.

Other than directors of Red 5, there were no other executive officers of the consolidated entity during the year.

Information on any benefits received by directors of Red 5 by reason of a contract made by the consolidated entity with a director or a director-related entity are contained in Note 24(b) of the financial report.

During the financial year, Red 5 paid premiums of $16,320 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.

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 a mineral production sharing agreement. 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 2003.

Signed in accordance with a resolution of the directors.

G C Edwards
Managing Director

Perth, Western Australia
19 September 2003

RED 5 LIMITED
AND CONTROLLED ENTITIES

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2003

	NOTE	CONSOLIDATED 2003 $	CONSOLIDATED 2002 $	PARENT ENTITY 2003 $	PARENT ENTITY 2002 $
Revenue from ordinary activities		12,053	46,035	12,011	45,851
Revenue from option fees on mining tenements		30,000	-	30,000	-
Total revenue	2	42,053	46,035	42,011	45,851
Depreciation expenses		6,681	10,234	6,681	10,234
Employee expenses		441,577	308,789	441,577	308,789
Exploration expenditure written-off		969,003	1,015,029	518,417	899,726
Occupancy expenses		57,330	39,971	57,330	39,971
Provision for diminution in investments		50,000	-	50,000	-
Provision for non-recovery of loans		-	-	178,141	56,342
Regulatory expenses		59,781	46,534	59,781	46,534
Other expenses from ordinary activities		210,774	161,417	210,677	161,315
Loss from ordinary activities before income tax expense	3	(1,753,093)	(1,535,939)	(1,480,593)	(1,477,060)
Income tax expense	4	-	-	-	-
Net loss attributable to members of Red 5 Limited		(1,753,093)	(1,535,939)	(1,480,593)	(1,477,060)

		Cents	Cents
Basic and diluted earnings/(loss) per share	29	(1.48)	(1.52)

The accompanying notes form part of these financial statements.

RED 5 LIMITED
AND CONTROLLED ENTITIES

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2003

	NOTE	CONSOLIDATED 2003 $	CONSOLIDATED 2002 $	PARENT ENTITY 2003 $	PARENT ENTITY 2002 $
CURRENT ASSETS					
Cash assets	5	367,834	748,398	198,056	740,114
Receivables	6	93,986	89,226	93,986	89,226
TOTAL CURRENT ASSETS		461,820	837,624	292,042	829,340
NON-CURRENT ASSETS					
Receivables	7	17,000	17,000	1,813,403	1,074,474
Other financial assets	8	-	50,000	1,325,540	1,040,000
Property, plant and equipment	9	24,155	21,894	24,155	21,894
Deferred exploration expenditure	10	3,036,213	2,816,935	307,219	728,416
TOTAL NON-CURRENT ASSETS		3,077,368	2,905,829	3,470,317	2,864,784
TOTAL ASSETS		3,539,188	3,743,453	3,762,359	3,694,124
CURRENT LIABILITIES					
Payables	11	231,226	333,201	231,226	333,201
Provisions	12	31,072	10,644	31,072	10,644
TOTAL CURRENT LIABILITIES		262,298	343,845	262,298	343,845
NON-CURRENT LIABILITIES					
Borrowings	13	322,846	322,846	-	-
TOTAL NON-CURRENT LIABILITIES		322,846	322,846	-	-
TOTAL LIABILITIES		585,144	666,691	262,298	343,845
NET ASSETS		2,954,044	3,076,762	3,500,061	3,350,279
EQUITY					
Contributed equity	14	14,084,079	12,453,704	14,084,079	12,453,704
Accumulated losses	15	(11,130,035)	(9,376,942)	(10,584,018)	(9,103,425)
TOTAL EQUITY	16	2,954,044	3,076,762	3,500,061	3,350,279

The accompanying notes form part of these financial statements.

RED 5 LIMITED
AND CONTROLLED ENTITIES

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2003

	NOTE	CONSOLIDATED 2003 $	CONSOLIDATED 2002 $	PARENT ENTITY 2003 $	PARENT ENTITY 2002 $
Cash flows from operating activities					
Receipts from customers		30,000	-	30,000	-
Payments to suppliers and employees		(733,103)	(501,125)	(733,006)	(503,554)
Interest received		12,053	48,895	12,011	48,711
Net cash outflow from operating activities	27	(691,050)	(452,230)	(690,995)	(454,843)
Cash flows from investing activities					
Payments for controlled entities, net of cash acquired		-	67	(335,540)	-
Payments for mineral exploration expenditure		(1,264,328)	(1,281,147)	(330,672)	(289,677)
Payments for plant and equipment		(12,008)	(24,205)	(12,008)	(24,205)
Payments for purchase of mining tenements		(43,553)	(87,452)	-	(87,452)
Payments for security deposits		-	(17,000)	-	(17,000)
Advances to other corporations		-	(50,000)	-	(50,000)
Net cash outflow from investing activities		(1,319,889)	(1,459,737)	(678,220)	(468,334)
Cash flows from financing activities					
Proceeds from issues of shares		1,697,975	1,118,779	1,697,975	1,118,779
Payments for share issue expenses		(67,600)	-	(67,600)	-
Loans to controlled entities		-	-	(803,218)	(991,468)
Net cash inflow from financing activities		1,630,375	1,118,779	827,157	127,311
Net increase/(decrease) in cash held		(380,564)	(793,188)	(542,058)	(795,866)
Cash at the beginning of the financial year		748,398	1,541,586	740,114	1,535,980
Cash at the end of the financial year	5	367,834	748,398	198,056	740,114
Non-cash financing and investing activities	28				

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION OF THE FINANCIAL REPORT

This financial report is a general purpose financial report which has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The financial report has been prepared on an accruals basis and is based on historical cost 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 adopted are consistent with those applied in the previous financial year, except as specifically noted.

Change in basis of employee benefits policy

The consolidated entity has applied the revised Accounting Standard AASB 1028 "Employee Benefits" (issued in June 2001) for the first time from 1 July 2002, which has resulted in a change in the accounting policy for the measurement of the provision for employee benefits. There was no impact on initial application as at 1 July 2002.

Change in basis of provisions, contingent liabilities and contingent assets policy

The consolidated entity has applied Accounting Standard AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets" (issued in October 2001) for the first time from 1 July 2002. There was no impact on initial application as at 1 July 2002.

1.2 GOING CONCERN

The statement of financial position of the parent entity and the consolidated entity as at 30 June 2003 discloses a net working capital position of $29,744 and $199,522 respectively. The financial statements have been prepared on the basis that the parent entity and the consolidated entity can meet their commitments and can therefore continue normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

Subsequent to the end of the financial year, the parent entity made a share placement to raise equity funds of $450,000 before costs and also entered into an agreement for the sale of the consolidated entity's interests in the Indee project for a consideration comprising $500,000 in cash and $1,200,000 in shares in a listed company. The parent entity has also announced a fully underwritten pro-rata rights issue to shareholders (Refer Note 30). Given the stage of the consolidated entity's development, it will remain reliant upon equity capital for ongoing funding requirements. Based upon these circumstances, the directors believe that it is appropriate for the financial statements to be prepared on the basis of the parent entity and the consolidated entity as a going concern.

1.3 PRINCIPLES OF CONSOLIDATION

The consolidated financial report incorporates the assets and liabilities of all entities controlled by Red 5 Limited ("parent entity") as at 30 June 2003 and the results of all controlled entities for the year then ended. Red 5 Limited and its controlled entities together are referred to in this financial report as the consolidated entity. A list of controlled entities appears in Note 26. The effects of all transactions between entities in the consolidated entity are eliminated in full.

Where control of an entity is obtained during a financial year, its results are included only from the date upon which control commences. Where control of an entity ceases during a financial year, its results are included for that part of the year during which control existed.

1.4 INVESTMENTS

Investments classified as current assets represent securities in listed companies purchased for resale and are valued at the lower of cost or net realisable value as at balance date.

Investments classified as non-current assets represent securities in listed and unlisted companies acquired as investments and are shown at cost except where in the opinion of the directors there has been a permanent diminution in value, in which case the investments are written down to their recoverable amount.

1.5 INCOME TAX

Tax effect accounting procedures are followed whereby the income tax expense in the statement of financial performance is matched with the accounting profit or loss, after allowing for permanent differences. Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt, or if relating to tax losses, when realisation is virtually certain. Income tax on net cumulative timing differences is set aside to the deferred income tax and future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse.

1.6 EXPLORATION AND EVALUATION EXPENDITURE

Exploration and evaluation costs are accumulated in respect of each separate area of interest.

Exploration and evaluation costs for each area of interest are carried forward where rights of tenure of the area of interest are current and the costs are expected to be recouped through the successful development and exploitation of the area of interest, or by its sale, or where exploration and evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in relation to the area are continuing.

When an area of interest is abandoned or the directors decide that it is not commercial, any accumulated costs in respect of that area are written off in the financial year in which the decision is made. Each area of interest is reviewed at the end of each accounting period and accumulated expenditure is written off to the extent that it is considered that the costs will not be recoverable in the future.

1.7 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. When equity instruments are issued as consideration, their market price at the date of acquisition is used as fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity subject to the extent of proceeds received, otherwise expensed.

1.8 DEPRECIATION

Depreciation is calculated on a diminishing value basis to write off the net cost of each item of plant and equipment over its expected useful life to the consolidated entity.

1.9 RECOVERABLE AMOUNT

Where the carrying value of an individual non-current asset, other than exploration expenditure, is greater than its recoverable amount, the asset is written down to its recoverable amount. The directors periodically review the carrying values of non-current assets and in determining recoverable amount, the expected net cash flows are not discounted to their present values.

1.10 EMPLOYEE ENTITLEMENTS

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. The provision is based on remuneration rates including related on-costs and is measured using undiscounted amounts expected to be paid when the liability is settled.

1.11 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.

1.12 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.

1.13 CASH

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.

	CONSOLIDATED		PARENT ENTITY	
	2003	2002	2003	2002
	$	$	$	$
2. REVENUE				
(a) Revenue from ordinary activities				
- interest received	12,053	46,035	12,011	45,851
(b) Revenue from outside operating activities				
- option fees on mining tenements	30,000	-	30,000	-
	42,053	46,035	42,011	45,851
3. LOSS FROM ORDINARY ACTIVITIES				
Loss from ordinary activities before income tax expense includes the following specific net gains and expenses:				
Net gains				
Interest received - other corporations	12,053	46,035	12,011	45,851
Expenses				
Depreciation of property, plant and equipment	6,681	10,234	6,681	10,234
Provision for employee entitlements	20,428	10,644	20,428	10,644
Provision for diminution in investments	50,000	-	50,000	-
Provision for non-recovery of loans	-	-	178,141	56,342
Rental and outgoings relating to operating lease	57,330	34,610	57,330	34,610
Individually significant items				
Expenses				
Deferred exploration expenditure written-off on:				
- areas abandoned	255,906	602,285	256,401	486,982
- areas retained	713,097	412,744	262,016	412,744
4. INCOME TAX				
The difference between income tax expense provided in the financial statements and the prima facie income tax expense is reconciled as follows:				
Operating loss	(1,753,093)	(1,535,939)	(1,480,593)	(1,477,060)
Prima facie tax benefit at 30%	(525,928)	(460,781)	(444,178)	(443,118)
Tax effect of permanent differences:				
Exploration expenditure written-off	216,592	304,509	155,525	269,918
Non-deductible expenses	13,215	12,804	13,215	12,804
Non-deductible capital items	920	692	920	692
Other deductible items	(139,052)	-	(28,331)	-
	(434,253)	(142,776)	(302,849)	(159,704)
Timing differences not brought to account	87,668	21,896	87,668	21,896
Current year tax losses not brought to account	346,585	120,880	215,181	137,808
Income tax expense	-	-	-	-
Income tax provision	-	-	-	-

	CONSOLIDATED		PARENT ENTITY	
	2003	2002	2003	2002
	$	$	$	$
The directors estimate that the potential future income tax benefit in respect of tax losses not brought to account is:	2,755,533	2,394,344	2,102,071	2,038,375

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 being virtually certain.

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 continues to comply with the conditions for deductibility imposed by income tax law; and

(c) no changes in income tax legislation adversely affects the consolidated entity in realising the benefit of the deduction for the loss.

CURRENT ASSETS

5. CASH ASSETS

Cash at bank	243,845	349,660	74,067	341,376
Cash on deposit	123,789	398,538	123,789	398,538
Cash on hand	200	200	200	200
	367,834	748,398	198,056	740,114

6. RECEIVABLES

Sundry debtors - other corporations	93,986	89,226	93,986	89,226
	93,986	89,226	93,986	89,226

NON-CURRENT ASSETS

7. RECEIVABLES

Security deposits	17,000	17,000	17,000	17,000
Unsecured loans - wholly owned controlled entities	-	-	3,859,179	2,942,109
Provision for doubtful recovery	-	-	(2,062,776)	(1,884,635)
	-	-	1,796,403	1,057,474
	17,000	17,000	1,813,403	1,074,474

Unsecured loans to controlled entities are interest free and have no fixed terms of repayment.

8. OTHER FINANCIAL ASSETS

Unquoted investments - at cost	50,000	50,000	50,000	50,000
Less provision for diminution	(50,000)	-	(50,000)	-
	-	50,000	-	50,000
Shares in controlled entities - at cost	-	-	1,925,540	1,590,000
Less provision for diminution	-	-	(600,000)	(600,000)
	-	-	1,325,540	990,000
	-	50,000	1,325,540	1,040,000

	CONSOLIDATED		PARENT ENTITY	
	2003	2002	2003	2002
	$	$	$	$
9. PROPERTY, PLANT AND EQUIPMENT				
Office furniture and equipment - at cost				
Opening balance	37,621	16,389	37,621	16,389
Additions	12,008	24,207	12,008	24,207
Plant and equipment written-off	(11,968)	(2,975)	(11,968)	(2,975)
Closing balance	37,661	37,621	37,661	37,621
Accumulated depreciation				
Opening balance	15,727	6,158	15,727	6,158
Depreciation for the year	6,681	10,234	6,681	10,234
Plant and equipment written-off	(8,902)	(665)	(8,902)	(665)
Closing balance	13,506	15,727	13,506	15,727
Net book value	24,155	21,894	24,155	21,894
10. DEFERRED EXPLORATION EXPENDITURE				
Opening balance	2,816,935	1,391,551	728,416	1,225,945
Acquisition costs	43,553	1,079,818	-	92,417
Exploration expenditure incurred in current year	1,144,728	1,360,595	97,220	369,127
Exploration expenditure written-off	(969,003)	(1,015,029)	(518,417)	(899,726)
Reclassification of expenditure	-	-	-	(59,347)
	3,036,213	2,816,935	307,219	728,416

The ultimate recoupment of deferred exploration expenditure carried forward is dependent upon the successful development and exploitation, or alternatively sale, of the respective areas of interest at an amount greater than or equal to the carrying value.

CURRENT LIABILITIES

11. PAYABLES				
Sundry creditors and accruals	231,226	333,201	231,226	333,201
	231,226	333,201	231,226	333,201
12. PROVISIONS				
Provision for employee entitlements	31,072	10,644	31,072	10,644
	31,072	10,644	31,072	10,644

The consolidated entity makes superannuation contributions in compliance with superannuation guarantee legislation. Superannuation contributions are made to complying funds nominated by each employee. The average number of employees of the consolidated entity during the financial year was 4 (2002: 4).

NON-CURRENT LIABILITIES

13. BORROWINGS				
Unsecured loans – other corporations	322,846	322,846	-	-
	322,846	322,846	-	-

Loans due to other corporations are unsecured and interest free.

	CONSOLIDATED		PARENT ENTITY	
	2003	2002	2003	2002
	$	$	$	$
14. CONTRIBUTED EQUITY				
(a) Share capital				
127,558,467 (2002: 108,080,967) ordinary fully paid shares	12,908,300	11,277,925	12,908,300	11,277,925
69,369,620 (2002: 66,269,620) options over fully paid shares	1,175,779	1,175,779	1,175,779	1,175,779
	14,084,079	12,453,704	14,084,079	12,453,704

(b) Movements in ordinary share capital

	Number of shares	$
Opening balance 1 July 2002	108,080,967	11,277,925
Share purchase plan	3,477,500	312,975
Share placements	16,000,000	1,385,000
Less share issue expenses	-	(67,600)
Balance 30 June 2003	127,558,467	12,908,300

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.

As at balance date, 4,500,000 fully paid shares were held in voluntary escrow and will only be released upon specified hurdles being met within 4 years from their date of issue of November 2001. The shares will be cancelled if the hurdles are not met within the 4 year period.

(c) Movements in share options

	Number of options	$
Opening balance 1 July 2002	66,269,620	1,175,779
Issue of options to director	5,000,000	-
Issue of options to consultant	100,000	-
Cancellation of unlisted options	(1,000,000)	-
Lapse of options without being exercised	(1,000,000)	-
Balance 30 June 2003	69,369,620	1,175,779

As at 30 June 2003, the following options over ordinary fully paid shares were outstanding:

	Options
- exercisable at 20 cents each on or before 31 January 2004	54,419,620
- exercisable at 12 cents each on or before 31 October 2003	250,000
- exercisable at 10 cents each on or before 16 November 2003	9,000,000
- exercisable at 25 cents each on or before 31 December 2003	1,000,000
- exercisable at 12 cents each on or before 31 July 2004	250,000
- exercisable at 15 cents each on or before 31 July 2004	125,000
- exercisable at 20 cents each on or before 31 July 2004	125,000
- exercisable at 40 cents each on or before 31 December 2004	2,000,000
- exercisable at 15 cents each on or before 8 January 2005	100,000
- exercisable at 20 cents each on or before 17 June 2005	100,000
- exercisable at 60 cents each on or before 31 December 2005	2,000,000
	69,369,620

	CONSOLIDATED 2003 $	CONSOLIDATED 2002 $	PARENT ENTITY 2003 $	PARENT ENTITY 2002 $
15. ACCUMULATED LOSSES				
Accumulated losses at the beginning of the financial year	9,376,942	7,841,003	9,103,425	7,626,365
Net loss attributable to members of the parent entity	1,753,093	1,535,939	1,480,593	1,477,060
Accumulated losses at the end of the financial year	11,130,035	9,376,942	10,584,018	9,103,425
16. TOTAL EQUITY RECONCILIATION				
Total equity at the beginning of the financial year	3,076,762	2,503,925	3,350,279	2,718,560
Total changes in equity recognised in the statement of financial performance	(1,753,093)	(1,535,939)	(1,480,593)	(1,477,060)
Transactions with owners as owners:				
Contributions of equity, net of transaction costs	1,630,375	2,108,776	1,630,375	2,108,779
Total equity at the end of the financial year	2,954,044	3,076,762	3,500,061	3,350,279
17. REMUNERATION OF AUDITORS				
Amounts paid or due and payable to the auditors for:				
Auditing the financial report	20,596	10,100	20,596	10,100
Other services	-	2,500	-	2,500
	20,596	12,600	20,596	12,600
18. REMUNERATION OF DIRECTORS				
Amounts paid or due and payable to directors from the parent entity and related parties in connection with the management of those entities	308,517	293,475	308,517	293,475
Number of directors of the parent entity whose remuneration from the parent entity and all related parties was within the following bands:				
0 - $9,999	-	2	-	2
$10,000 - $19,999	-	1	-	1
$20,000 - $29,999	2	1	2	1
$70,000 - $79,999	-	2	-	2
$100,000 - $109,999	1	1	1	1
$150,000 - $159,999	1	-	1	-

Remuneration bands for directors emoluments differ from amounts disclosed in the Directors' Report as the basis of calculation is based on the differing requirements of accounting standards and the Corporations Act 2001.

Information on transactions with directors and director-related entities is contained in Note 24(b).

	CONSOLIDATED 2003 $	CONSOLIDATED 2002 $	PARENT ENTITY 2003 $	PARENT ENTITY 2002 $
19. REMUNERATION OF EXECUTIVES OFFICERS				
Remuneration paid or due and payable to executive officers (including executive directors) whose remuneration exceeded $100,000, from the parent entity and all related parties:				
Executive officers	259,329	105,300	259,329	105,300

	CONSOLIDATED		PARENT ENTITY	
	2003	2002	2003	2002
	$	$	$	$
The number of executive officers (including executive directors) of the consolidated entity and the parent entity whose remuneration exceeded $100,000, was within the following bands:				
$100,000 - $109,999	1	1	1	1
$150,000 - $159,999	1	-	1	-

20. EXPENDITURE COMMITMENTS

	CONSOLIDATED		PARENT ENTITY	
	2003	2002	2003	2002
	$	$	$	$
(a) Commitments in relation to non-cancellable operating leases are payable as follows:				
- not later than one year	26,051	22,925	26,051	22,925
- later than one year but not later than two years	19,104	22,925	19,104	22,925
- later than two years but not later than five years	-	19,104	-	19,104
	45,155	64,954	45,155	64,954
(b) Commitments for the payment of remuneration under long-term employment contracts in existence at balance date but not recorded as liabilities:				
- not later than one year	195,746	261,060	195,746	261,060
- later than one year but not later than five years	43,146	238,892	43,146	238,892
	238,892	499,952	238,892	499,952

(c) The consolidated entity has the right to earn an 80% interest in the Siana project by funding a bankable feasibility study on the project within a period of 5 years commencing from January 2003.

(d) The consolidated entity has the right to earn a 51% interest in the Indee project by spending $1,500,000 by April 2004. Subsequent to the end of the financial year the parent entity entered into an agreement to dispose of its beneficial interests in the Indee gold project, through the sale of all the shares in its wholly owned controlled entity, Opus Exploration Pty Ltd (Refer Note 30).

(e) Under the terms of mineral tenement licences held by the consolidated entity, minimum annual expenditure obligations of $1,940,000 (2002: $1,975,000) may be required to be expended during the forthcoming financial year in order for the tenements to maintain a status of good standing. This expenditure may be incurred by the consolidated entity or its joint venture partners and may be subject to variation from time to time in accordance with Department of Industry and Resources regulations.

21. AMOUNTS PAYABLE/RECEIVABLE IN FOREIGN CURRENCIES

	CONSOLIDATED		PARENT ENTITY	
	2003	2002	2003	2002
	$	$	$	$
Australian dollar equivalents of unhedged amounts payable or receivable in foreign currencies, calculated at year end exchange rates:				
Amounts payable				
United States dollars				
- current	113,852	43,025	113,852	43,025
	113,852	43,025	113,852	43,025

22. CONTINGENT LIABILITIES

The consolidated entity has provided a performance bond of $17,000 to secure rehabilitation commitments on a mining tenement. Funds are held on deposit as security against the performance bond.

23. SEGMENT INFORMATION

Business segments

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

	Australia 2003 $	Philippines 2003 $	Consolidated 2003 $	Australia 2002 $	Philippines 2002 $	Consolidated 2002 $
Geographical segments						
Segment revenue and expenses						
Revenue from ordinary activities	12,053	-	12,053	46,035	-	46,035
Revenue from other activities	30,000	-	30,000	-	-	-
Total segment revenue	42,053	-	42,053	46,035	-	46,035
Depreciation expenses	6,681	-	6,681	10,234	-	10,234
Exploration expenditure written-off	969,003	-	969,003	1,015,029	-	1,015,029
Acquisition of plant and equipment	12,008	-	12,008	24,207	-	24,207
Segment result	(1,721,348)	(31,745)	(1,753,093)	(1,535,939)	-	(1,535,939)
Income tax expense	-	-	-	-	-	-
Net loss	(1,721,348)	(31,745)	(1,753,093)	(1,535,939)	-	(1,535,939)
Segment assets	2,311,004	1,228,184	3,539,188	3,395,468	347,985	3,743,453
Segment liabilities	471,292	113,852	585,144	588,687	78,004	666,691
Net cash flow from operating activities	(689,305)	(31,745)	(721,050)	(452,230)	-	(452,230)

24. RELATED PARTIES

(a) DIRECTORS

The names of persons who were directors of the parent entity at any time during the financial year are as follows:

N J Smith
G C Edwards
A L Govey
J W Fraser (resigned on 2 October 2002)

(b) RELATED PARTY TRANSACTIONS

(i) Directors and director-related entities

Aggregate numbers of shares and options of the parent entity acquired or disposed of by directors or their director-related entities from the parent entity, except for on-market transactions, was as follows:

Fully paid shares	Options
165,000	5,000,000

Interests in the securities of the parent entity held by directors and their director-related entities as at 30 June 2003 are as follows:

	Fully paid shares	Options
N J Smith	65,000	5,000,000
G C Edwards	6,055,000	5,500,000
A L Govey	6,055,000	5,500,000

Fees were paid in the normal course of business to directors and director-related entities for the provision of services to the consolidated entity at normal commercial rates, as follows:

	2003 **$**	**2002** **$**
Portcullis Corporate Advisory Pty Ltd (N J Smith) for the provision of legal and corporate advisory services.	78,000	45,993
Pickup Golding, Chartered Accountants, (P C Golding, former director) for the provision of accounting and taxation services.	-	22,466

These amounts are not included in remuneration of directors set out in Note 18.

During the previous financial year, the consolidated entity contributed an amount of $53,029 to the office expenditure of a public company of which Mr G D Riley (former director) is a director, on normal commercial terms.

During the previous financial year, the parent entity acquired all the issued capital of Opus Exploration Pty Ltd for a consideration of $990,000 which was satisfied by the issue of 18,000,000 fully paid shares and 9,000,000 options over fully paid shares. Messrs G C Edwards and A L Govey held financial interests in Opus Exploration Pty Ltd and were subsequently appointed as directors of the parent entity.

(ii) Wholly owned group
During the financial year, unsecured loan advances were made between the parent entity and its controlled entities. All such loans were interest free. Loan balances between the parent entity and its controlled entities are disclosed in the financial report of the parent entity. Intra-entity loan balances have been eliminated in the financial report of the consolidated entity.

25. FINANCIAL INSTRUMENTS

(a) Credit risk exposure
Credit risk relates to the risk that a counter party will default on its contractual obligations resulting in financial loss to the consolidated entity. The exposure of the consolidated entity to credit risk at balance date in relation to each class of recognised financial asset is the carrying amount of the assets as indicated in the statement of financial position.

(b) Net fair values
The fair values of all financial assets and liabilities approximate their carrying values as indicated in the statement of financial position.

(c) Interest rate risk exposure
Interest rate risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market interest rates. The exposure of the consolidated entity to interest rate risk and the effective weighted average interest rate for classes of financial assets and liabilities is set out below.

30 June 2003

	Note	Floating interest rate	Fixed interest maturing in: 1 year or less	Over 1 year to 5 years	Non-interest bearing	Total
		$	$	$	$	$
Financial assets						
Cash assets	5	367,634	-	-	200	367,834
Receivables	6,7	-	-	-	110,986	110,986
		367,634	-	-	111,186	478,820
Weighted average interest rate		2.1%	-	-		
Financial liabilities						
Payables	11	-	-	-	231,226	231,226
Provisions	12	-	-	-	31,072	31,072
Borrowings	13	-	-	-	322,846	322,846
		-	-	-	585,144	585,144
Weighted average interest rate		-	-	-		

30 June 2002

	Note	Floating interest rate	1 year or less	Over 1 year to 5 years	Non-interest bearing	Total
Financial assets						
Cash assets	5	349,660	398,538	-	200	748,398
Receivables	6,7	-	-	-	106,226	106,226
Other financial assets	8	-	-	-	50,000	50,000
		349,660	398,538	-	156,426	904,624
Weighted average interest rate		3.4%	4.7%	-		
Financial liabilities						
Payables	11	-	-	-	333,201	333,201
Provisions	12	-	-	-	10,644	10,644
Borrowings	13	-	-	-	322,846	322,846
		-	-	-	666,691	666,691
Weighted average interest rate		-	-	-		

26. INVESTMENTS IN CONTROLLED ENTITIES

Name of entity	Country of incorporation	Class of shares	Equity holding 2003 %	2002 %
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 Asia (Philippines) Pty Ltd	Australia	Ordinary	100	-
Opus Exploration Pty Ltd	Australia	Ordinary	100	100
Opus Resources Pty Ltd	Australia	Ordinary	100	100
Bremer Binaliw Corporation	Philippines	Ordinary	100	100
Greenstone Resources Corporation	Philippines	Ordinary	100	-

Bremer Binaliw Corporation is a wholly owned subsidiary company of Bremer Resources Pty Ltd.

Acquisition of controlled entities

In April 2003 a wholly owned subsidiary company, Greenstone Resources Corporation, was incorporated with a capital subscription by the parent entity of $335,540. The consolidated entity's interests in the Siana project were subsequently assigned to Greenstone Resources Corporation.

During the year, the parent entity acquired a 100% interest in Opus Asia (Philippines) Pty Ltd for a consideration of $1, being shares issued upon incorporation of the controlled entity.

During the previous financial year, the parent entity acquired all the issued capital of Opus Exploration Pty Ltd for a consideration of $990,000, which was satisfied by the issue of 18,000,000 fully paid shares in the parent entity at an issue price of 5.5 cents per share and 9,000,000 options over fully paid shares. Details of the acquisition are as follows:

	2003	2002
	$	$
Fair value of identifiable net assets of controlled entity acquired		
Cash assets	-	67
Receivables	-	2,532
Deferred exploration expenditure	-	987,401
Consideration	-	990,000
Inflow of cash to acquire controlled entity, net of cash acquired		
Cash consideration	-	-
Cash acquired	-	67
Inflow of cash	-	67

27. RECONCILIATION OF NET CASH OUTFLOW FROM OPERATING ACTIVITIES TO OPERATING LOSS AFTER INCOME TAX

	CONSOLIDATED		PARENT ENTITY	
	2003	2002	2003	2002
	$	$	$	$
Net cash outflow from operating activities	(691,050)	(452,230)	(690,995)	(454,843)
Depreciation	(6,681)	(10,234)	(6,681)	(10,234)
Exploration expenditure written-off	(969,003)	(1,015,029)	(518,417)	(899,726)
Plant and equipment written-off	(3,066)	(2,308)	(3,066)	(2,308)
Provision for diminution in investments	(50,000)	-	(50,000)	-
Provision for non-recovery of loans	-	-	(178,141)	(56,342)
Changes in operating assets and liabilities				
Increase/(decrease) in receivables	118,612	(7,998)	118,612	(5,467)
Increase/(decrease) other operating assets	(233,452)	84,415	(233,452)	84,415
(Increase)/decrease in payables	101,975	(121,911)	101,975	(121,911)
(Increase)/decrease in provisions	(20,428)	(10,644)	(20,428)	(10,644)
Operating loss after income tax	(1,753,093)	(1,535,939)	(1,480,593)	(1,477,060)

28. NON CASH FINANCING AND INVESTING ACTIVITIES

Issue of shares as consideration for the purchase of controlled entity	-	990,000	-	990,000

29. EARNINGS PER SHARE

Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	118,143,501	101,080,967
Weighted average number of ordinary shares on issue used in the calculation of diluted earnings per share	118,143,501	101,507,542

No dilutive potential ordinary shares existed as at balance date, therefore diluted earning per share has not been calculated or disclosed.

The following movements in ordinary shares and options occurred subsequent to balance date:
- 9,000,000 fully paid shares and 9,000,000 unlisted options were issued pursuant to a prospectus dated 9 July 2003.
- 1,000,000 unlisted options were issued to participating brokers to a share placement.

30. SUBSEQUENT EVENTS

(a) In July 2003, the parent entity raised $450,000 in equity capital through a placement of 9,000,000 fully paid shares at an issue price of 5 cents each and 9,000,000 free attaching unlisted options. A further 1,000,000 unlisted options were issued in payment of fees to participating brokers.

(b) In August 2003, the parent entity entered into an agreement for the sale of a controlled entity, Opus Exploration Pty Ltd, for a total consideration of $1,700,000, which is payable $500,000 in cash and $1,200,000 in shares in the purchaser, Range River Gold NL. Opus Exploration Pty Ltd holds the right to earn an interest in the Indee project and owns additional mining tenements in Western Australia.

(c) In September 2003, the parent entity announced a non-renounceable pro-rata rights issue to shareholders on the basis of three shares at a subscription price of 7.3 cents each for every ten shares held as at the record date. The rights issue is fully underwritten and funds raised will be $2,990,630 before costs.

DECLARATION BY DIRECTORS

The Board of Directors of Red 5 Limited declares that:

(a) the financial statements and associated notes comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

(b) the financial statements and associated notes give a true and fair view of the financial position as at 30 June 2003 and performance of the parent entity and the consolidated entity for the financial year ended on that date;

(c) at the date of this declaration, there are reasonable grounds to believe that the parent entity will be able to pay its debts as and when they fall due.

The consolidated financial report has been made out in accordance with Australian Accounting Standards and the Corporations Act 2001.

Signed in accordance with a resolution of the directors.

G C Edwards
Managing Director

Perth, Western Australia
19 September 2003

Independent audit report to 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 both Red 5 Limited (formerly Greenstone Resources NL) (the "Company") and the Consolidated Entity, for the year ended 30 June 2003. The Consolidated Entity comprises both the company and the entities it controlled during that 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.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, Australian Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's and the Consolidated Entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

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

Independence

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

Audit opinion

In our opinion, the financial report of Red 5 Limited is in accordance with:

a) the *Corporations Act 2001*, including:

   i. giving a true and fair view of the Company's and Consolidated Entity's financial position as at 30 June 2003 and of their performance for the financial year ended on that date; and

   ii. complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

b) other mandatory professional reporting requirements in Australia.

KPMG

KPMG

B C Fullarton

B C FULLARTON
Partner

Perth
22 September 2003