RED 5 Ltd (ASX: RED)

Recommendation: Overweight; Price Target: $3.00

Red 5 Limited	
ASX: RED	$1.96
Rating	Overweight
Risk	High
Target Price	$3.00
Projected Total Return	53.1%

Market Data	
52-Week Trading Range	$1.10-$2.40
Shares Outstanding, Diluted (mm)	128.4
Market Capitalization (mm)	$251.7
Cash + Eq (mm)	$20.8
Enterprise value (mm)	$230.9

Forecasts *FYE: June*	2011E	2012E	2013E
Au Production (k oz)	0	22	104
Ag Production (k oz)	0	60	170
Sales price ($/oz)	0	1,713	1,625
Capex (mm)	50.6	44.9	3.0
Free cash flow (mm)	(50.6)	(14.8)	95.4
Per Share ($)			
EPS (fd)	(0.11)	0.12	0.50
FCFPS (fd)	(0.39)	(0.12)	0.74

Current Valuation	
P/NAV	0.6
FV/R&R	1.0
FV/2012E Production	1.0

Target Valuation
NAV (60%); FV/R&R (20%); FV/2012E Production (20%)

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All figures in A$ unless noted otherwise

Please see back pages for important disclosures.

First Gold Pour; Other Developments; Increasing Price Target to $3.00 from $2.60

First Gold Pour

Red 5 Ltd (RED) completed the first gold pour at its **Siana Gold Mine** (Philippines), substantially reducing the development risk for this junior exploration and development company.

Coupled with the recent increase in the company's open pit resource, we are utilizing this opportunity to increase our price target on the stock to $3.00 from $2.60.

Substantial Resource Increase

RED recently increased its resource by 21% in gold ounces.

Importantly, 83% of the tons and 65% of the ounces are now accessible from the open pit. As a result, we are delaying in our NAV model the underground development phase by two years to 2017.

Further Exploration Upside

Finally, RED last week announced what we see as encouraging exploration results.

Increasing Price Target to $3.00 from $2.60

The derivation of our price target, which is a weighted average of NAV, FV/2R and FV/2013E production estimates, is demonstrated herein.

We reiterate our **Overweight** recommendation on the stock.

First Gold Pour; Other Developments Increasing Price Target to $3.00 from $2.60

First Gold Pour

Red 5 completed the first gold pour at its **Siana Gold Mine**, located on the Philippine island of Mindanao, marking the culmination of a nearly two-year, $87 million construction phase. The bar, which is comprised equally of gold and silver and weighs 228 oz, utilized Siana low-grade stockpiles, minor **Mapawa** low-grade stockpiles and ore from the upper pit benches exposed during the pre-strip.

The crusher has demonstrated that it can now produce at 150% of its initial design capacity (750k t/annum), and the pre-SAG mill transfer has produced above the initial design capacity of 2k t per day.

Substantial Resource Increase

Moreover, RED recently increased its resource by 21% in gold ounces based on a US$900 per ounce pit shell (Exhibit 1). Indicated Resources now represent 81% of the total resource, up from 60%, and the vast majority (89%) of RED's LOM is from Panels 1-3 (see page 3-4).

Importantly, 83% of the tons and 65% of the ounces are now accessible from the open pit. As a result, we are delaying in our NAV model (Appendix I) the underground development phase by two years to 2017.

Exhibit 1: Red 5- Resources

Mineral Resource (as at September 2011)

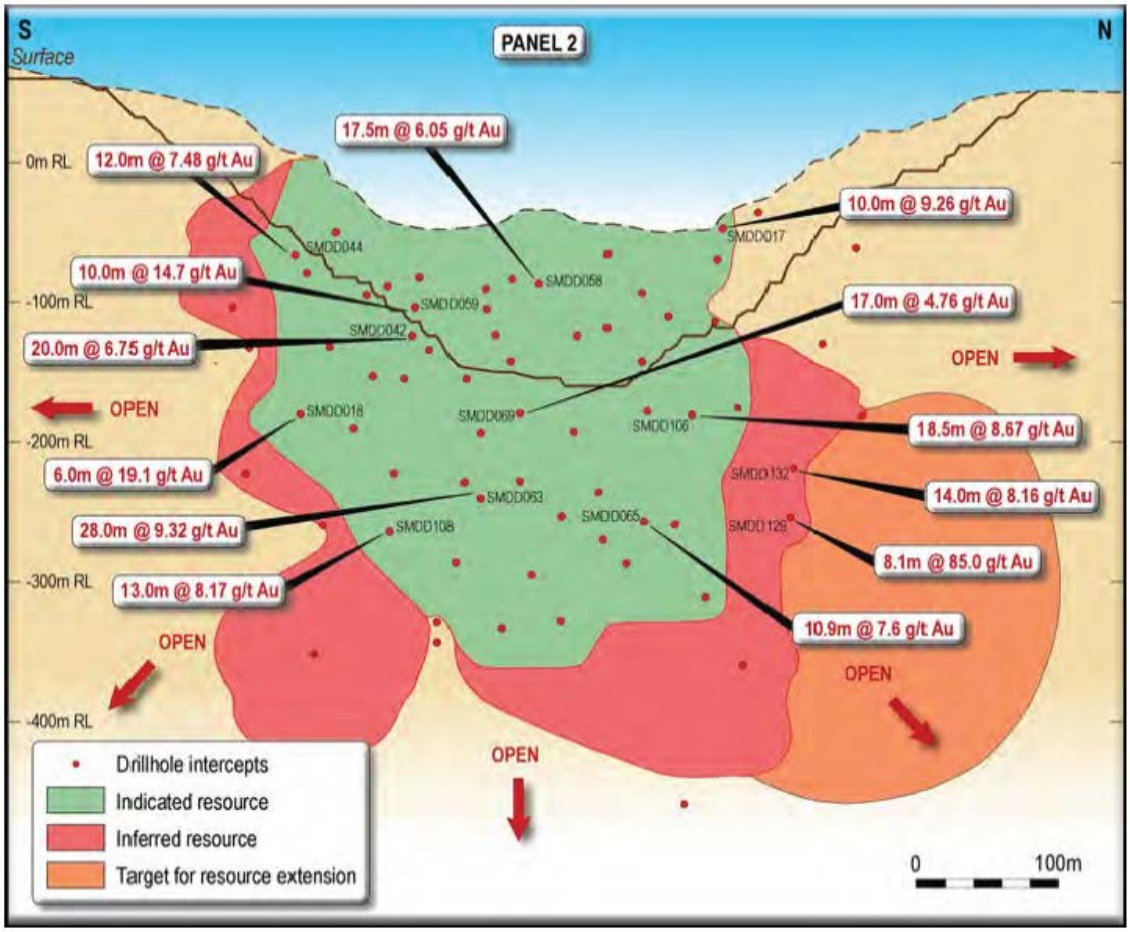
Category	Tonnes (million)	Gold Grade (g/t)	Contained Gold ('000oz)	Silver Grade (g/t)	Contained Silver ('000oz)
Indicated Resource					
Stockpiles	0.1	1.2	4	8.7	31
Open Pit	9.6	2.5	765	4.5	1,379
Underground	0.9	6.7	199	12.2	359
Total Indicated Resource	**10.7**	**2.8**	**969**	**4.6**	**1,775**
Inferred Resource					
Open Pit	1.4	2.6	112	4.8	209
Underground	1.1	7.6	276	11.9	433
Total Inferred Resource	**2.5**	**4.8**	**388**	**8**	**642**
Total Mineral Resource	**13.2**	**3.2**	**1,357**	**5.7**	**2,417**

Source: Red 5

Further Exploration Upside

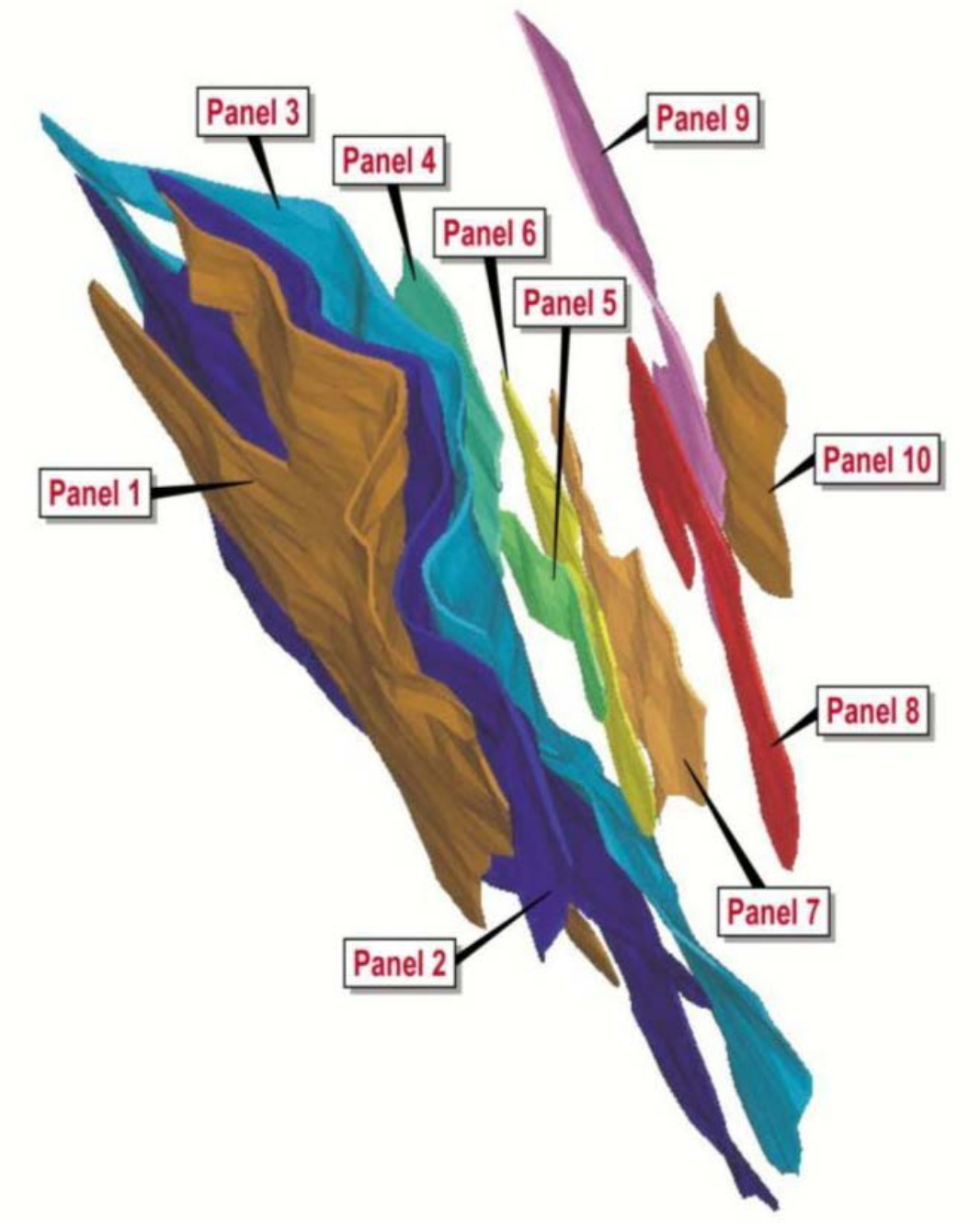
Finally, RED last week announced what we see as encouraging exploration results (Appendix II). Following more than two years of no activity, RED commenced drilling at the site in June 2011. Holes are targeting northern and southern extensions to know mineralization in Panels 1-3, which remain open at depth, below 400 meters vertical and along strike extensions (see Exhibits 2 and 3). Panels 4-10 will be drilled from underground, as the angle of their holes would be too expensive with surface drilling.

Exhibit 2: Siana Long Section



Source: Red 5

Exhibit 3: Siana Resource Panels



Source: Red 5

Increasing Price Target

Given the first gold pour, which in our view, substantially reduces RED's development risk, and the recent increase in the company's open pit resource, which delays the commencement of underground operations, we are utilizing this opportunity to increase our price target on the stock to $3.00 from $2.60.

The derivation of our target is demonstrated in Exhibit 4. We reiterate our **Overweight** recommendation on shares of Red 5 Ltd.

Exhibit 4: Price Target Derivation

	Equity Value	Weighting	Premium	Equity Value Contribution
NAV	$3.25	60%	1.15	$2.24
Firm Value/Reserves & Resources	$1.93	20%	N/A	$0.39
Firm Value/2013E Production	$1.97	20%	N/A	$0.39
Price Target				**$3.02**

Source: Casimir Capital L.P.

APPENDIX I

		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Siana - OP											
Orebody	mm t	7.43	6.33	5.23	4.13	3.03	2.33	1.63	0.94	0.24	0.00
Tonnes milled	mm t	0.23	1.10	1.10	1.10	1.10	0.70	0.70	0.70	0.70	0.24
Days in operations		112	365	365	365	365	365	365	365	365	365
TPD		2,083	3,013	3,013	3,013	3,013	1,917	1,917	1,917	1,917	1,917
Au Grade	g/t	3.42	3.42	3.20	2.60	2.55	2.50	2.50	2.50	2.50	3.50
Production @ 100% recovery		0.026	0.121	0.113	0.092	0.090	0.056	0.056	0.056	0.056	0.026
Average recovery		85.9%	85.7%	86.1%	86.2%	88.3%	88.6%	88.5%	88.8%	89.4%	89.4%
Gold production	**mm oz**	0.022	0.104	0.097	0.079	0.080	0.050	0.050	0.050	0.050	0.024
Silver Grade	g/t	10.1	6.2	5.9	6.0	8.7	10.0	11.9	12.2	11.1	12.1
Production @ 100% recovery	mm oz	0.0758	0.2	0.2	0.2	0.3	0.2	0.3	0.3	0.2	0.1
Average recovery		75%	76%	76%	76%	76%	76%	76%	76%	76%	76%
Silver Production	mm oz	0.06	0.17	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1
Gold Eq. Production	mm oz	0.02	0.11	0.10	0.08	0.08	0.05	0.05	0.05	0.05	0.02
Ore	mm t	0.23	1.10	1.10	1.10	1.10	0.70	0.70	0.70	0.70	0.24
Strip ratio		7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00
Waste	mm t	1.6	7.7	7.7	7.7	7.7	4.9	4.9	4.9	4.9	1.6
Total material	mm t	1.9	8.8	8.8	8.8	8.8	5.6	5.6	5.6	5.6	1.9
Operating cost											
Mining	US$/t mate	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Milling	US$/t	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00
G&A	US$/t	4.91	4.91	4.91	4.91	4.91	4.91	4.91	4.91	5.91	6.91
Mining	mm US$	3.7	17.6	17.6	17.6	17.6	11.2	11.2	11.2	11.2	3.8
Milling	mm US$	3.5	16.5	16.5	16.5	16.5	10.5	10.5	10.5	10.5	3.5
G&A	mm US$	1.1	5.4	5.4	5.4	5.4	3.4	3.4	3.4	4.1	1.6
Total operating cost	mm US$	8.4	39.5	39.5	39.5	39.5	25.1	25.1	25.1	25.8	8.9
Royalty	2.00%	0.8	3.5	2.8	2.0	1.9	1.2	1.2	1.2	1.2	0.6
Total cash cost	mm US$	9.2	42.9	42.3	41.5	41.4	26.3	26.3	26.4	27.1	9.5
Cash cost/oz	USD	$416	$414	$434	$524	$520	$529	$529	$528	$538	$401

APPENDIX I (cont.)

		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Siana - UG											
Orebody	mm t	2.00	2.00	2.00	2.00	2.00	1.60	1.20	0.80	0.40	0.00
Tonnes milled	mm t	0.00	0.00	0.00	0.00	0.00	0.40	0.40	0.40	0.40	0.40
Days in operations		0	0	0	0	0	365	365	365	365	365
TPD		0	1,096	1,096	1,096	1,096	1,096	1,096	1,096	1,096	1,096
Au Grade	g/t	5.82	5.82	5.82	5.82	5.82	6.70	6.90	7.60	7.60	7.60
Production @ 100% recovery	mm oz	0.000	0.000	0.000	0.000	0.000	0.086	0.089	0.098	0.098	0.098
Average recovery		85.9%	85.7%	86.1%	86.2%	88.3%	88.6%	88.5%	88.8%	89.4%	89.4%
Gold production	**mm oz**	0.000	0.000	0.000	0.000	0.000	0.076	0.079	0.087	0.087	0.087
Silver Grade	g/t	10.1	6.2	5.9	6.0	8.7	10.0	11.9	12.2	11.1	12.1
Production @ 100% recovery	mm oz	0.0	0.0	0.0	0.0	0.0	0.1	0.2	0.2	0.1	0.2
Average recovery		75%	75%	75%	75%	75%	75%	75%	75%	75%	75%
Silver Production	**mm oz**	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1
Gold Eq. Production	mm oz	0.00	0.00	0.00	0.00	0.00	0.08	0.08	0.09	0.09	0.09
Ore	mm t	0.00	0.00	0.00	0.00	0.00	0.40	0.40	0.40	0.40	0.40
Strip ratio											
Waste	mm t	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total material	mm t	0.0	0.0	0.0	0.0	0.0	0.4	0.4	0.4	0.4	0.4
Operating cost											
Mining	US$/t mate	45.01	45.01	45.01	45.01	45.01	45.01	45.01	45.01	45.01	45.01
Milling	US$/t	15.01	15.01	15.01	15.01	15.01	15.01	15.01	15.01	15.01	15.01
G&A	US$/t	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Mining	mm US$	0.0	0.0	0.0	0.0	0.0	18.0	18.0	18.0	18.0	18.0
Milling	mm US$	0.0	0.0	0.0	0.0	0.0	6.0	6.0	6.0	6.0	6.0
G&A	mm US$	0.0	0.0	0.0	0.0	0.0	1.6	1.6	1.6	1.6	1.6
Total operating cost	mm US$	0.0	0.0	0.0	0.0	0.0	25.6	25.6	25.6	25.6	25.6
Royalty	2.00%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total cash cost	mm US$	0.0	0.0	0.0	0.0	0.0	25.6	25.6	25.6	25.6	25.6
Cash cost/oz	USD	NA	NA	NA	NA	NA	$329	$319	$289	$288	$287

APPENDIX II
FY12 2Q Exploration Activity

Three holes were completed from the eastern side of the pit targeting the down-dip extensions to the mineralized resource panels at Siana. Results indicated the continuation of mineralization at depth.

SMDD143 intersected several zones of alteration and mineralization of Panels 4 – 10 material in the Eastern Basalt before encountering the altered limestone unit that hosts the majority of the Siana Gold Deposit. SMDD145 recorded similar alteration, lithologies, and mineralization to SMDD143 approximately 80 meters to the north. Results are tabulated on the following page.

SMDD148, targeting the main limestone unit approximately 100 meters up dip of SMDD145, was completed to a total depth of 696 meters (as a wedge SMDD148b) and results are awaited.

The discovery of a previously untested high-grade structure in the northeast of the Siana pit cut-back will be drill targeted in the forthcoming quarter. This mineralization represents one of the eastern resource panels (likely to be Panel 8) which was unable to be drilled due to unsuitable drill angles when the open pit was filled with water. Channel sampling in the open pit in this area has recorded high-grade gold results with several samples over 100g/t gold and high of 847g/t gold.

Regional drill testing to the south of Siana in the Dayano region was conducted with five drill holes completed. SMDD146 and SMDD147 were drilled targeting the limestone – basalt contact, the favorable environment for Siana resource Panels 1 – 3. A follow-up hole (SMDD149) was completed to effectively test this target. SMDD150 was drilled to test a similar structural target along the predominant regional northwest – southeast structure and to follow up gold anomalous soil samples. No significant assay results were returned for SMDD146 and SMDD147, and assay results for SMDD149 and SMDD150 are awaited.

Detailed soil sampling and reconnaissance has also been conducted in the Dayano and Ferrer region to the south of the Siana project. Results received have been encouraging, with gold in soils of up to 470ppb and up to 9.1g/t gold in rock chip samples. The focus for the next quarter will be to the northwest and northeast of the Siana mine where structural repetitions similar to Siana deposit are inferred.

APPENDIX II
FY12 2Q Exploration Activity (cont.)

FY12 2Q Exploration Results

Hole No.	Significant Intersections above 1g/t gold cut-off			
	From (m)	Interval (m)	Gold (g/t)	Silver (ppm)
SMDD143	291	4	3.3	2.0
	324	1	12.2	0.7
	582	4	10.8	3.4
	583	3	10.9	5.2
SMDD144	No significant results			
SMDD145	479	4	9.8	1.0
including	479	2	18.2	1.7
	654	3	7.1	5.6
SMDD146	No significant results			
SMDD147	No significant results			

Source: Red 5

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All of the views expressed in this report accurately reflect the personal views of the responsible individual(s) about any and all of the subject securities or issuers. No part of the compensation of the responsible individual (s) named herein is, or will be, directly or indirectly, related to the specific recommendations or views expressed by the responsible individual(s) in this report.

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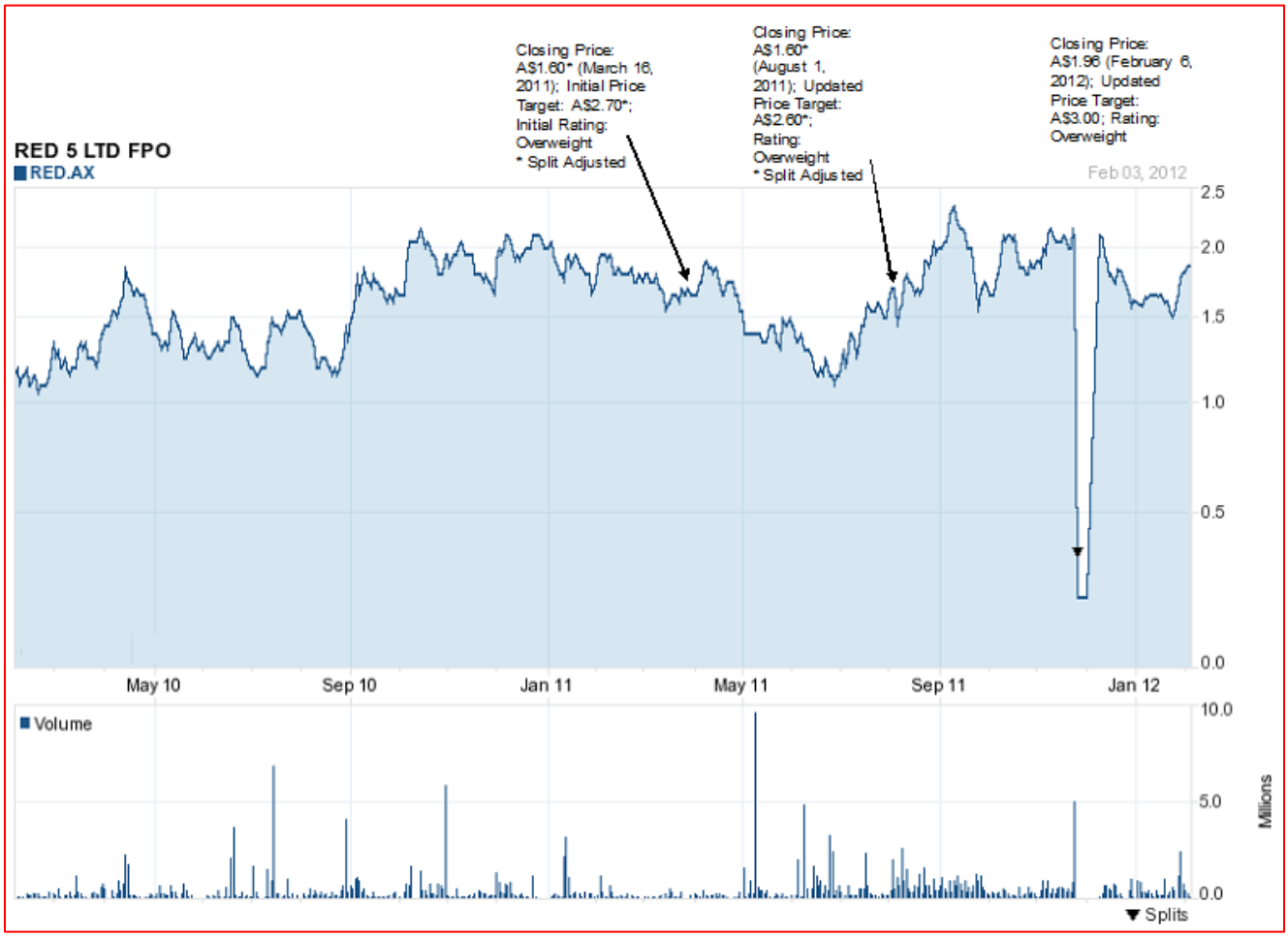

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Casimir Capital L.P. and its affiliate Casimir Capital Ltd. intend to seek compensation for investment banking services from Red 5 Limited during the next 3 months.

PERCENTAGE OF ALL SECURITIES RATED

Overweight: 90.48% (21.05%) of which are investment banking clients), Equal Weight: 9.52% (0% of which are investment banking clients), Underweight: 0%.

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