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# Gold Road Resources (GOR)

## Regains 100% of South Yamarna exploration as Gruyere build cracks on

### Going back to 100% of South Yamarna reflects financial ability

GOR's acquisition of Sumitomo's 50% interest in the South Yamarna Joint Venture (JV) reflects the gold development company's greatly improved financial position (relative to when it formed the JV with Sumitomo over four years ago) and its understandable desire to have more control of the highly prospective Yamarna district given its stunning exploration success there in recent years. Consideration for Sumitomo's 50% interest is A\$7m cash and the granting of certain rights of first refusal and first negotiation. GOR is in a very strong financial position with cash of \$236m at December 2017 and is fully funded for its share of the Gruyere development. The company continues to generate positive near mine and regional exploration results and plans to increase exploration activities in the Yamarna Belt upon completion of the summer targeting and ranking process. Updated Reserves for Alaric and Attila along with Maiden Resources for Argos, Montagne and YAM 14 are underway and due to be reported in the March quarter of 2018. GOR has also agreed to an earn-in with a privately owned greenfields explorer, Cygnus Gold Ltd, in the south-west of WA.

### Cracking on with Gruyere, taking advantage of favourable build terms

The construction of the Gruyere mine is moving ahead well under the skilful management of experienced mine builder, Gold Fields, taking advantage of the favourable conditions for building new mines currently. A five-year, A\$400m mining services contract was recently signed with Downer EDI. Engineering and construction of the Project was 72% and 32% complete respectively at the end of December 2017 and it is on schedule and budget to produce its first gold early in 2019.

### Investment thesis – Speculative Buy, Valn. \$1.04/sh (prev. \$1.01)

Gold Fields continues to advance the Gruyere development and GOR is actively progressing near mine and regional exploration at Yamarna. We have rolled forward our valuation and incorporated minor changes to our gold price and US\$/A\$ forecasts and positive recent exploration results. This has resulted in our valuation of this well-funded and increasingly de-risked gold developer and explorer being increased by 3% to \$1.04 per share. Our Speculative Buy recommendation is retained.

### Recommendation

**Buy** (Buy)

Price

**\$0.80**

Valuation

**\$1.04** (previously \$1.01)

Risk

**Speculative**

### Expected Return

|                       |              |
|-----------------------|--------------|
| Capital growth        | <b>30.0%</b> |
| Dividend yield        | <b>0%</b>    |
| Total expected return | <b>30.0%</b> |

### Company Data & Ratios

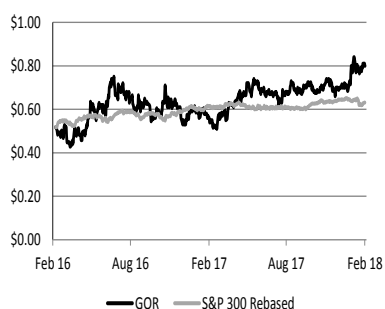
|                        |                          |
|------------------------|--------------------------|
| Enterprise value       | <b>\$473m</b>            |
| Market cap             | <b>\$702m</b>            |
| Issued capital         | <b>877.1m</b>            |
| Free float             | <b>67%</b>               |
| Avg. daily val. (52wk) | <b>\$876k</b>            |
| 12 month price range   | <b>\$0.505 - \$0.845</b> |
| GICS sector            |                          |

### Materials

### Price Performance

|                | (1m) | (3m) | (12m) |
|----------------|------|------|-------|
| Price (A\$)    | 0.72 | 0.71 | 0.57  |
| Absolute (%)   | 11.9 | 13.5 | 40.4  |
| Rel market (%) | 13.2 | 13.3 | 37.9  |

### Absolute Price



SOURCE: IRESS

### Earnings Forecasts

| Year end June for FY17; then December | FY17a | 2017 <sup>1</sup> e | 2018e  | 2019e |
|---------------------------------------|-------|---------------------|--------|-------|
| Revenues (A\$m)                       | 0.0   | 0.0                 | 0.0    | 177.0 |
| EBITDA (A\$m)                         | 307.4 | 16.8                | 38.7   | 80.7  |
| NPAT (reported) (A\$m)                | 229.8 | 13.9                | 29.1   | 44.5  |
| NPAT (adjusted) (A\$m)                | (2.7) | (8.6)               | (23.2) | 44.5  |
| EPS (adjusted) (eps)                  | (0.3) | (1.0)               | (2.6)  | 5.1   |
| EPS growth (%)                        | na    | na                  | na     | na    |
| PER (x)                               | na    | na                  | na     | na    |
| FCF Yield (%)                         | na    | na                  | na     | 5%    |
| EV/EBITDA (x)                         | na    | na                  | na     | 0.0   |
| Dividend (eps)                        | -     | -                   | -      | 1.0   |
| Yield (%)                             | -     | -                   | -      | 1%    |
| Franking (%)                          | -     | -                   | -      | 100%  |
| ROE (%)                               | na    | na                  | na     | 10%   |

SOURCE: BELL POTTER SECURITIES ESTIMATES

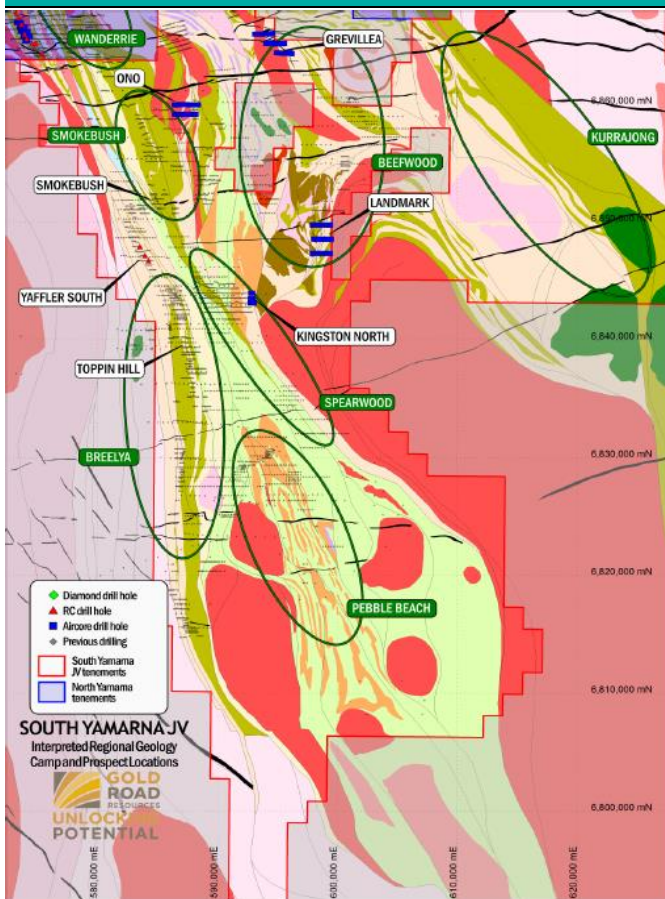
NOTE 1. FOR 6 MONTHS TRANSITION PERIOD

# Moves back to 100% of South Yamarna

## Financially strong GOR to target smaller deposits

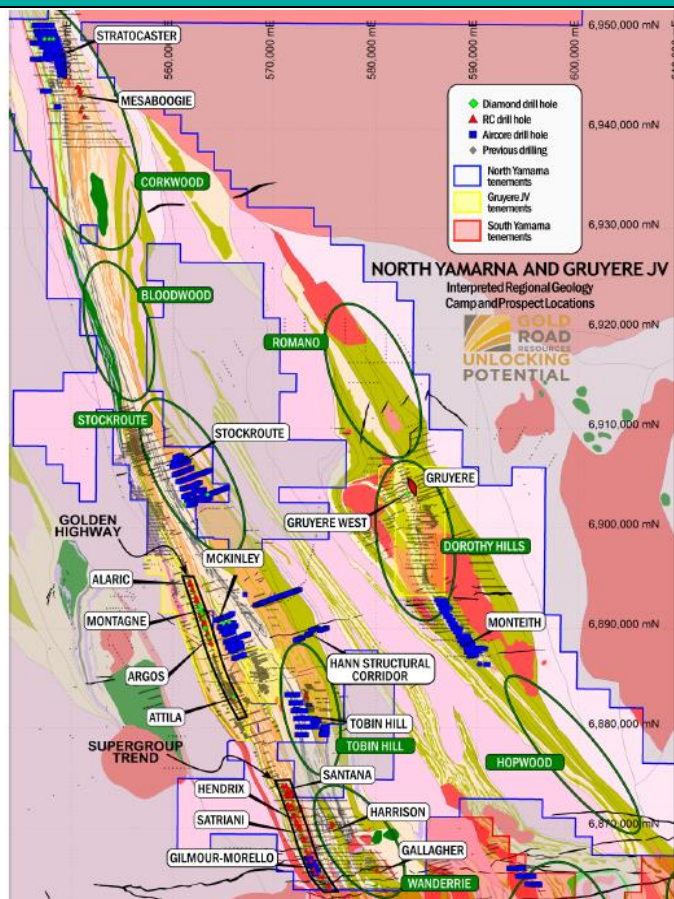
When GOR secured Sumitomo Metal Mining Oceana Pty Ltd (Sumitomo) to fund exploration of the large South Yamarna area in GOR's Yamarna Gold Project in May 2013, it was a very difficult environment for funding exploration and GOR was a much smaller company. Sumitomo agreed to fund what was then a very significant commitment of \$8m to earn a 50% interest by December 2016. Sumitomo duly earned its interest and the JV had considerable exploration success, discovering significant gold mineralisation at a number of prospects, particularly at the Smokebush, Beefwood, Breelya-Toppin Hill and Spearwood Camps (Figure 1), although to date none of the discoveries had the likely size potential to meet the JV partners' target threshold of 2+Moz. GOR's acquisition of Sumitomo's 50% interest in the South Yamarna Joint Venture (JV) reflects the gold development company's greatly improved financial position now and its understandable desire to have more control of the highly prospective Yamarna district given its stunning exploration success in the Yamarna Belt (most particularly at Gruyere) in recent years. Consideration for Sumitomo's 50% interest is A\$7m cash and the granting of certain rights of first refusal and first negotiation. GOR is now in a very strong financial position, having had cash of \$236m at December 2017 and being fully funded for its 50% share of the Gruyere Project development. The company plans to increase exploration activities in the Yamarna Belt upon completion of the summer targeting and ranking process. We expect GOR will accelerate exploration in the South Yamarna area as it has lagged at times in the past and the company has said that it will undertake targeted framework drilling on several smaller deposits that didn't meet the size criteria set by the South Yamarna Joint Venture.

Figure 1 – Map of main prospects in the South Yamarna area



SOURCE: GOLD ROAD RESOURCES LTD

Figure 2 – Map of the Gruyere JV area and the North Yamarna area



SOURCE: GOLD ROAD RESOURCES LTD

**Exploration improves knowledge at Smokebush, Spearwood and Beefwood Camps**

Recent exploration involving RC drilling to test extensions to the mineralisation at the **Yaffler South** Prospect in the Smokebush Camp achieved mixed and, at best, modest results of which the most significant were the following:

- 13m at 0.54g/t gold from 142m including 2m at 2.1g/t gold from 152m (17SYRC0122)
- 13m at 0.45g/t gold from 226m including 2m at 1.88g/t gold from 227m (17SYRC0123)

These new intersections along with the historic intersections define gold mineralisation over a 1.4km long strike extent on 400m spaced drill sections to a depth of more than 100m below the surface. The mineralised system is open to the north, south and at depth.

A best intersection of 12m at 1.60g/t gold from 60m down hole including 4m at 4.63g/t gold from 60m was achieved from a program of 16 aircore holes completed at the **Kingston North** Prospect in the Spearwood Camp. Gold mineralisation at Kingston North is hosted in intermediate crystal and laminated tuff units within a 1km long gold anomaly defined by a 0.1g/t gold cut-off.

Aircore drilling programs totalling 97 holes were completed in the Beefwood Camp at the **Grevillea** and **Landmark** Prospects and 40 holes at the **Ono** Prospect located 5km to the west of Beefwood. At Landmark, two of the three 1,200m lines with 100m hole spacings returned anomalous results, the best being 4m at 0.38g/t gold from 48m down hole. Drilling at Grevillea and Ono was completed on 800m spaced lines with 100m line spacings and while the targeted structures were intersected, no significant assays (above 0.2g/t gold) were returned.

**More joy from exploration at Wanderrie Camp in North Yamarna area**

Active exploration continued in the North Yamarna area, particularly in the Wanderrie and Corkwood Camps and at several early stage regional targets (Figure 2 on page 2).

RC and diamond drilling programs at the Wanderrie Camp in the North Yamarna area infilled previous bedrock intersections and at two places (Gilmour-Morello and Satriani) successfully tested depth extensions of aircore anomalism identified previously at the Santana, Hendrix, Satriani and Gilmour-Morello Prospects. Best results included:

- 5m at 12.52g/t gold from 143m down hole including 3m at 20.52g/t gold from 143m in hole 17WDRC0057 at the Gilmour-Morello Prospect;
- 12m at 1.17g/t gold from 60m down hole in hole 17WDRC0090 at the Satriani Prospect; and
- 7m at 1.76g/t gold from 126m down hole including 1m at 5.59g/t gold from 113m down hole in hole 17WDRC0082 also at the Satriani Prospect.

A 49 hole aircore program was also completed at Gilmour-Morello, infilling previous drilling to a 200m line spacing and confirming continuity of regolith anomalism, which will be used to aid targeting for future bedrock testing.

A follow-up aircore program of 188 holes at the **Stratocaster Target** in the Corkwood Camp identified a more than 3.5km long continuous zone of low level anomalism (above 0.1g/t gold) coincident with a contact between mafic volcanics and sediments and an intermediate sedimentary sequence. Best intersection from the program was 12m at 0.19g/t gold from 40m down hole.

Four regional reconnaissance aircore drilling programs tested a number of early stage targets in the North Yamarna area. An anomaly approximately 1.5km long was defined in the Stock Route Prospect in sediments flanking a monzonite intrusive. The best intersection within this anomaly was 3m at 0.6g/t gold from 44m down hole. All of the results from this program are currently being reviewed to identify zones of gold or pathfinder anomalism that may warrant further investigation in 2018.

**Positive results in search for additional higher grade Resources around Gruyere mill**

Drilling within the Gruyere JV tenements has continued to focus on delineation of incremental higher grade Resources within economic haulage distance (approximately 25km) of the Gruyere mill and open pit mine currently under development. A program of diamond and RC drilling completed along the “Golden Highway”, a 14km long zone of anomalous gold that is up to 90m wide and which defines the Attila-Alaric Trend (Figure 2 on page 2). The drilling focused on the Montagne, Argos and Attila Prospects with the best intersection being:

- 8.47m at 15.38g/t gold from 56m down hole (17ALDD0011), which was drilled as a twin of an historic RC hole (9EYRC0039) that had intersected 7m at 11.91g/t gold from 53m.

Other significant diamond intersections at Montagne included:

- 2.12m at 14.17g/t gold from 140.23m down hole including 0.33m at 87.27g/t gold from 140.23m in hole 17ALDD0018; and
- 2.40m at 8.59g/t gold from 104.0m down hole in hole 17ALDD0011.

An infill program of RC drilling at Montagne, Argos and Alaric tested zones between the deposits with 38 of the 41 holes intersecting gold grades of greater than 1g/t, confirming the internal continuity and extending the depth of the Montagne and Argos deposits. Best intersections from this included:

- 22m at 1.93g/t gold from 8m down hole at Montagne; and
- 10m at 3.83g/t gold from 165m down hole including 1m at 17.68g/t gold from 169m down hole at Argos.

A detailed IP geophysical survey was also completed recently over the full strike extent of the Attila-Alaric Trend to assist defining the extents of the sulphide-bearing mineralisation and understanding the lithological and structural controls of the mineralised shoots.

Updated Reserves for Alaric and Attila along with Maiden Resources for Argos, Montagne and YAM 14 are underway and due to be reported in the March quarter of 2018.

**Earn-in agreement and investment in Cygnus Gold Ltd**

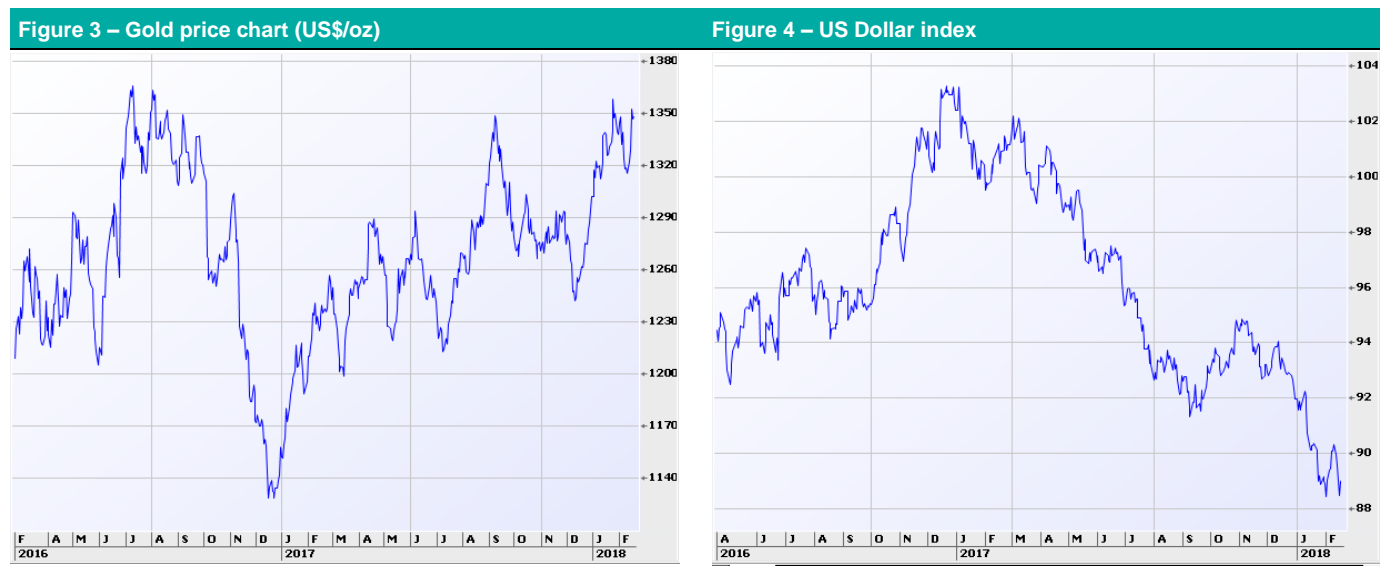
GOR has agreed to an earn-in joint venture with a privately owned greenfields explorer, Cygnus Gold Ltd, in the Wandderin and Lake Grace regions of the south-west of WA. The agreement provides for GOR to earn up to a 75% interest in each of the projects, which cover a combined area of 3,400km<sup>2</sup> of prospective greenstone belts in the prolific Yilgarn Craton by funding exploration. As part of the transaction, GOR also subscribed for A\$0.75m of shares in the initial public offering of Cygnus Gold, which began trading on the ASX in mid-January 2018. GOR's objective in its involvement with Cygnus gold is the discovery of plus one million ounce gold discoveries.



# Gold price holds gains despite rates outlook

## Weakening US dollar continues as key driver, trending lower

The gold price has increased over recent months despite the widely held expectations that there would be further interest rate rises by the US Federal Reserve (Fed) in the current cycle with at least two further rate rises expected over the balance of 2018. Over the period since the first of the current round of Fed rate rises in December 2015, the US\$ gold price has appreciated by about 28% from US\$1,050/oz to the current price of around US\$1,341/oz (Figure 3) while the US Dollar index has moved down by about a net 5% to its current level of around 89 (Figure 4) after having peaked out at around 103 at the end of December 2016. Gold’s ability to move higher in the face of interest rate rises by the Fed makes it look like the Fed rate rises are a catalyst for higher gold prices but the reality is that it is other factors that are driving the gold price higher. The weakness of the US Dollar has been arguably the major factor for gold’s price rises over the past year or so along with ongoing and increasing concerns about the size of the US deficits and financial stability of the USA while more recently there has been evidence emerging that inflationary signs are starting to appear and there is also growing concern that the recently passed tax reductions in the USA may lead to further financial instability in the USA economy that has been interpreted as another source of stimulus to the gold price.



SOURCE: IRESS

# GOR valuations increased by several factors

We have revised our valuations of GOR (Table 1) based on the net impact of several different factors:

- Roll forward of our model for the production of gold from the Gruyere gold Project starting in early 2019;
- Incorporating slightly revised gold price and US\$/A\$ forecasts; and
- The continued strong cash position which consisted of a cash balance of \$235.9m at 31 December 2017 less \$7m for the purchase of Sumitomo's 50% interest in the South Yamarna area along with an estimated receivable of about \$34m related to cash calls that can be made on Gold Fields to fund the capex of the Gruyere development.

Our Gruyere JV valuations are based on risk-weighted Net Present Value (NPV) methodology of which our Gruyere valuation is based on detailed information from the 2016 Feasibility Study with subsequent updated information while our Central Bore/Attila valuations are based on far more preliminary information. Our valuations for GOR's other exploration assets at Yamarna are based on our risked estimates of the exploration potential, which are related to target size, style, and geological characteristics.

## Reversion to valuation methodology using 12-month forward valuation to give 3% higher valuation of \$1.04/sh

We have reverted to our usual valuation practice for resource companies under coverage, with the valuation based on the forward 12-month NPV valuation. Our valuation for GOR was previously based on the average of the 12-month and 24-month forward NPV valuations on the basis that that was a fairer representation of the situation under which GOR had receive a substantial up-front payment from Gold Fields which meant that that cash injection had a distorting (value inflating) effect in an NPV assessment as that cash was received before GOR actually had to spend it on the construction of the Gruyere Project or pay any tax on its receipt. This meant the receipt of the sale proceeds of the 50% interest in Gruyere to Gold Fields, which also included a receivable of just under A\$100m (related to cash calls in connection with GOR's share of the capex), had a disproportionate influence on the valuation in relation to the subsequent two years, when significant cash outflows have been occurring in relation to capex for Gruyere and tax paid on the sale proceeds. Our valuation for GOR is raised 3% to \$1.04 per share.

**Table 1 - Summary valuations for GOR**

| Assets                                       | Now               |                         | +12 Months        |                         | + 24 Months       |                         | +36 Months        |                         |
|--|-------------------|-------------------------|-------------------|-------------------------|-------------------|-------------------------|-------------------|-------------------------|
|  | \$ M <sup>1</sup> | \$/share <sup>1,2</sup> | \$ M <sup>1</sup> | \$/share <sup>1,2</sup> | \$ M <sup>1</sup> | \$/share <sup>1,2</sup> | \$ M <sup>1</sup> | \$/share <sup>1,2</sup> |
| Yamarna Gold Project – Gruyere JV area (50%) | 601               | 0.68                    | 778               | 0.88                    | 763               | 0.86                    | 667               | 0.76                    |
| - North Yamarna area (100%)                  | 76                | 0.09                    | 76                | 0.09                    | 76                | 0.09                    | 76                | 0.09                    |
| - South Yamarna <sup>3</sup> (100%)          | 36                | 0.04                    | 36                | 0.04                    | 36                | 0.04                    | 36                | 0.04                    |
| Total exploration assets                     | <b>714</b>        | <b>0.81</b>             | <b>891</b>        | <b>1.01</b>             | <b>875</b>        | <b>0.99</b>             | <b>779</b>        | <b>0.88</b>             |
| Corporate                                    | (38)              | (0.04)                  | (33)              | (0.04)                  | (30)              | (0.03)                  | (26)              | (0.03)                  |
| <b>Enterprise Value</b>                      | <b>675</b>        | <b>0.76</b>             | <b>858</b>        | <b>0.97</b>             | <b>846</b>        | <b>0.95</b>             | <b>753</b>        | <b>0.85</b>             |
| Net Cash <sup>4</sup>                        | 229               | 0.26                    | 63                | 0.07                    | 93                | 0.11                    | 234               | 0.27                    |
| <b>TOTAL ASSETS</b>                          | <b>904</b>        | <b>1.02</b>             | <b>921</b>        | <b>1.04</b>             | <b>938</b>        | <b>1.06</b>             | <b>988</b>        | <b>1.12</b>             |

SOURCE: BELL POTTER SECURITIES ESTIMATES

NOTES: 1. MAY NOT ADD DUE TO ROUNDING AND DILUTION EFFECTS

2. BASED ON FULLY DILUTED CAPITAL OF 882.4M SHARES (INCLUDES ALL PERFORMANCE RIGHTS)

3. SOUTH YAMARNA AREA NOW OWNED 100% FOLLOWING RECENT ACQUISITION OF SUMITOMO'S 50% INTEREST

4. BASED ON ESTIMATED CASH BALANCE FROM 31 DECEMBER 2017 ADJUSTED FOR PAYMENT FOR ACQUISITION OF SUMITOMO INTEREST

# Gold Road Resources Ltd (GOR)

## Company description

GOR is a gold exploration and development company whose principal asset is the very large Yamarna Gold Project (YGP), which covers over 6,000km<sup>2</sup> of tenements on the eastern edge of the Yilgarn Craton in Western Australia, which it has been exploring since 2006. GOR now has interests in three projects at Yamarna. The company has a 50% joint venture interest in the Gruyere Gold Project (GGP) with Gold Fields being the Manager and holding the other 50% interest. The GGP has a total gold resource base of 6.7Moz at an average grade of 1.34g/t made up of 6.2Moz at 1.30g/t at Gruyere, 0.2Moz at 9.0g/t at Central Bore and 0.4Moz at 1.57g/t at the Attila Trend. Gruyere has an Ore Reserve of 3.5Moz at an average grade of 1.20g/t. GOR holds a 100% interest in the North Yamarna area and it now has a 100% interest (subject to certain rights of first refusal and first negotiation) in the area known as South Yamarna that was previously explored in a joint venture with Sumitomo Metal Mining Oceania Pty Ltd. GOR is the Manager of the North Yamarna and South Yamarna projects and is the Exploration Manager for the GGP JV. GOR is actively exploring multiple high priority gold camp-sized regional targets across the YGP and has also defined over 50 targets within the YGP that are now getting detailed attention as part of a major exploration program budgeted at \$23m in 2018.

GOR also has a 6.2% interest in and an earn-in joint venture arrangement with junior gold explorer, Cygnus Gold Ltd in relation to gold exploration projects in the south-west of WA.

## Investment Thesis – Speculative Buy, Valuation \$1.04/sh (prev. \$1.01/sh)

Gold Fields continues to advance the Gruyere development and GOR is actively progressing near mine and regional exploration at Yamarna. We have rolled forward our valuation and incorporated minor changes to our gold price and US\$/A\$ forecasts and positive recent exploration results. This has resulted in our valuation of this well-funded and increasingly de-risked gold developer and explorer being increased by 3% to \$1.04 per share. Our Speculative Buy recommendation is retained.

## Valuation

Our valuations of GOR are based on a risked sum-of-the-parts DCF valuation for GOR's 50% joint venture (JV) interest in the Gruyere Gold Project (comprising Gruyere, Central Bore and Attila Trend resources) using a discount rate of 10% along with an estimated valuation for GOR's other various exploration prospects in its large Yamarna Gold Project, which comprises 100% of the North Yamarna area and 100% of the South Yamarna area. We have used the 12 months forward NPV-based valuation of the company's 50% interest in the Gruyere Gold Project JV for its interest in that project, for which it is fully funded for the development cost that is planned to lead to first gold production in early 2019.

# Investment Risks

The key risks for resources investments such as GOR include, but are not limited to:

- **Gold price volatility:** Despite the relatively liquid nature of gold markets, those markets are still subject to wide fluctuations in price, particularly during more difficult economic times or major world events. Associated with gold price volatility are potentially different gold price and foreign exchange rate outcomes to our forecasts.
- **Development and operating performance:** With development of the Gruyere Project well advanced after very detailed feasibility studies and being managed by Gold Fields (using well experienced personnel and contractors) which has demonstrated its ability to build and operate large gold processing facilities in many parts of the world, the risks of development and operating performance are considerably reduced.
- **Lack of exploration success:** The difficulty of exploring in the Yamarna district is related to the fact that the region has variable sand cover that overlies a variable but generally thin Permian sandstone sequence, which sits on the Archaean bedrock hosting the gold mineralisation. This means that there is little or no outcrop and further complexity comes from the nature of the Archaean bedrock, which has suffered variable alteration and weathering and, like most Archaean terrains, has been subjected to many geological events and may contain greater than expected geological complexities that may be difficult to resolve without extensive drilling programs and may inhibit the definition of adequate resources and reserves.
- **Lack of funding:** Exploration companies generally do not have a source of revenue and so they require access to funding to enable them to carry out adequate exploration and related development activities in order to continue to develop their operations until they are able to establish reliable cash flows. As a result of the sale of a 50% interest in the Gruyere Gold Project and the associated cap on capital expenditure to be supplied by GOR, the company is adequately funded for its share of the development costs of the Gruyere Project and an active exploration program on the surrounding North and South Yamarna areas.
- **Metallurgical issues:** Notwithstanding that several phases of extensive metallurgical test work has consistently given very positive outcomes with encouragingly very high gold recovery results from simulated gravity and conventional CIL processing, subsequent identification of adverse metallurgical characteristics may arise that could lead to the need for more complicated and expensive processing requirements.
- **Regulatory and social licence approvals:** The Gruyere Project is fully permitted and while there are currently no indications there will be any difficulties complying with the necessary regulatory and social licence requirements that have been agreed for the mining operation to be established and operate, prolonged delays can sometimes result from unforeseen adverse regulatory issues and from the need to progress the related negotiations in a very careful and sensitive manner. Various stages of the regulatory approvals process can sometimes suffer unforeseen delays related to changes in personnel involved or from the need to resolve differences in interpretations.
- **Weather impacts:** Cost overruns or operational delays can be caused by severe weather events because site access may be restricted due to the unsealed nature of roads and airstrips in the remote regions in which the company operates.
- **Inappropriate acquisitions:** The acquisition of other assets can divert management effort from the current focus and may yield inadequate returns.



Table 2 - Financial summary

| PROFIT AND LOSS                      |             |              |                     |               |             |              |
|--------------------------------------|-------------|--------------|---------------------|---------------|-------------|--------------|
| Year to 30 Jun for FY, 31 Dec for CY | Unit        | FY17a        | 2017 <sup>1</sup> e | 2018e         | 2019e       | 2020e        |
| Revenue                              | A\$m        | 0.0          | 0.0                 | 0.0           | 177.0       | 307.1        |
| Expenses                             | A\$m        | (12.2)       | (8.6)               | (21.6)        | (96.3)      | (135.2)      |
| <b>EBITDA</b>                        | <b>A\$m</b> | <b>307.4</b> | <b>16.8</b>         | <b>38.7</b>   | <b>80.7</b> | <b>171.9</b> |
| Depreciation and amortisation        | A\$m        | (0.6)        | (0.4)               | (0.9)         | (21.3)      | (34.2)       |
| <b>EBIT</b>                          | <b>A\$m</b> | <b>306.8</b> | <b>16.4</b>         | <b>37.8</b>   | <b>59.4</b> | <b>137.8</b> |
| Net interest income (expense)        | A\$m        | 5.0          | 2.9                 | 2.6           | 1.6         | 2.9          |
| <b>PBT</b>                           | <b>A\$m</b> | <b>311.8</b> | <b>19.3</b>         | <b>40.4</b>   | <b>61.0</b> | <b>140.7</b> |
| Tax (Expense) Benefit                | A\$m        | (81.9)       | (5.4)               | (11.3)        | (16.5)      | (40.1)       |
| <b>NPAT (reported)</b>               | <b>A\$m</b> | <b>229.8</b> | <b>13.9</b>         | <b>29.1</b>   | <b>44.5</b> | <b>100.6</b> |
| Adjustments (after-tax)              | A\$m        | (232.5)      | (22.5)              | (50.7)        |             |              |
| <b>NPAT (adjusted)</b>               | <b>A\$m</b> | <b>(2.7)</b> | <b>(8.6)</b>        | <b>(23.2)</b> | <b>44.5</b> | <b>100.6</b> |

Note 1. For 6 months transitional period

| PROFIT AND LOSS (INTERIM)     |             |              |              |              |              |              |
|-------------------------------|-------------|--------------|--------------|--------------|--------------|--------------|
| Half year ending              | Unit        | Dec-15e      | Jun-16a      | Dec-16a      | Jun-17a      | Dec-17e      |
| Revenue                       | A\$m        | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| Expenses                      | A\$m        | (4.0)        | (5.9)        | 151.0        | (7.5)        | (8.6)        |
| <b>EBITDA</b>                 | <b>A\$m</b> | <b>(4.0)</b> | <b>(5.9)</b> | <b>151.0</b> | <b>(7.5)</b> | <b>16.8</b>  |
| Depreciation and amortisation | A\$m        | (0.2)        | (0.3)        | (0.3)        | (0.3)        | (0.4)        |
| <b>EBIT</b>                   | <b>A\$m</b> | <b>(4.2)</b> | <b>(6.3)</b> | <b>150.7</b> | <b>(7.8)</b> | <b>16.4</b>  |
| Net interest expense          | A\$m        | 0.5          | 0.8          | 1.0          | 4.0          | 2.9          |
| <b>PBT</b>                    | <b>A\$m</b> | <b>(3.7)</b> | <b>(5.5)</b> | <b>151.7</b> | <b>(3.8)</b> | <b>19.3</b>  |
| Tax (Expense) Benefit         | A\$m        |              |              | 80.9         | 1.1          | (5.4)        |
| <b>NPAT (reported)</b>        | <b>A\$m</b> | <b>(3.7)</b> | <b>(5.5)</b> | <b>232.5</b> | <b>(2.7)</b> | <b>13.9</b>  |
| Adjustments (after-tax)       | A\$m        |              |              | (232.5)      |              | (22.5)       |
| <b>NPAT (adjusted)</b>        | <b>A\$m</b> | <b>(3.7)</b> | <b>(5.5)</b> | <b>0.0</b>   | <b>(2.7)</b> | <b>(8.6)</b> |

| CASH FLOW                            |             |               |                     |               |               |               |
|--------------------------------------|-------------|---------------|---------------------|---------------|---------------|---------------|
| Year to 30 Jun for FY, 31 Dec for CY | Unit        | FY17a         | 2017 <sup>1</sup> e | 2018e         | 2019e         | 2020e         |
| <b>OPERATING CASH FLOW</b>           |             |               |                     |               |               |               |
| Receipts                             | A\$m        | 0.0           | 0.0                 | 0.0           | 178.2         | 308.6         |
| Payments                             | A\$m        | (18.2)        | (5.3)               | (14.5)        | (88.8)        | (125.4)       |
| Tax                                  | A\$m        | (70.2)        | (0.4)               | (0.5)         | (8.9)         | (16.0)        |
| Net interest                         | A\$m        | 3.5           | 3.4                 | 2.6           | 2.3           | 2.9           |
| Other                                | A\$m        | 0.2           | 0.2                 | 0.0           | 0.0           | 0.0           |
| <b>Operating cash flow</b>           | <b>A\$m</b> | <b>(84.6)</b> | <b>(2.2)</b>        | <b>(12.4)</b> | <b>82.7</b>   | <b>170.1</b>  |
| <b>INVESTING CASH FLOW</b>           |             |               |                     |               |               |               |
| Cap Ex and exploration               | A\$m        | (65.9)        | (49.4)              | (201.2)       | (47.8)        | (28.6)        |
| Other                                | A\$m        | (0.2)         | (0.6)               | 19.7          | 0.0           | 0.0           |
| <b>Investing cash flow</b>           | <b>A\$m</b> | <b>132.9</b>  | <b>(50.5)</b>       | <b>(56.6)</b> | <b>(53.0)</b> | <b>(28.6)</b> |
| <b>FINANCING CASH FLOW</b>           |             |               |                     |               |               |               |
| Net equity proceeds                  | A\$m        | 0.4           | 0.3                 | 0.0           | 0.0           | 0.0           |
| Debt proceeds                        | A\$m        | 0.0           | 0.0                 | 0.0           | 0.0           | 0.0           |
| Debt repayments                      | A\$m        | 0.0           | 0.0                 | 0.0           | 0.0           | 0.0           |
| Dividends                            | A\$m        | 0.0           | 0.0                 | 0.0           | 0.0           | (15.7)        |
| Other                                | A\$m        | 11.9          | 0.0                 | 0.0           | 0.0           | 0.0           |
| <b>Financing cash flow</b>           | <b>A\$m</b> | <b>12.4</b>   | <b>0.3</b>          | <b>0.0</b>    | <b>0.0</b>    | <b>(15.7)</b> |
| Change in cash                       | A\$m        | 60.7          | (52.4)              | (69.0)        | 29.7          | 125.8         |

Note 1. For 6 months transitional period

| Balance Sheet (\$M)                  |             |              |                     |              |              |              |
|--------------------------------------|-------------|--------------|---------------------|--------------|--------------|--------------|
| Year to 30 Jun for FY, 31 Dec for CY | Unit        | FY17a        | 2017 <sup>1</sup> e | 2018e        | 2019e        | 2020e        |
| <b>ASSETS</b>                        |             |              |                     |              |              |              |
| Cash and short term investments      | A\$m        | 255.1        | 235.9               | 63.1         | 92.8         | 218.6        |
| Accounts receivable                  | A\$m        | 55.9         | 57.4                | 48.2         | 51.7         | 57.2         |
| Inventory                            | A\$m        | 0.1          | 0.1                 | 6.6          | 11.1         | 10.6         |
| Property, plant & equipment          | A\$m        | 1.7          | 2.2                 | 9.4          | 10.8         | 12.2         |
| Exploration & development            | A\$m        | 28.8         | 34.0                | 46.5         | 56.4         | 62.0         |
| Other                                | A\$m        | 0.4          | 0.9                 | 1.4          | 2.3          | 5.1          |
| <b>Total assets</b>                  | <b>A\$m</b> | <b>416.6</b> | <b>444.8</b>        | <b>472.3</b> | <b>526.0</b> | <b>653.2</b> |
| <b>LIABILITIES</b>                   |             |              |                     |              |              |              |
| Accounts payable                     | A\$m        | 12.4         | 20.9                | 24.4         | 31.3         | 38.2         |
| Borrowings                           | A\$m        | 0.0          | 0.0                 | 0.0          | 0.0          | 0.0          |
| Other                                | A\$m        | 15.5         | 21.1                | 16.0         | 27.0         | 67.2         |
| <b>Total liabilities</b>             | <b>A\$m</b> | <b>28.0</b>  | <b>42.1</b>         | <b>40.4</b>  | <b>58.3</b>  | <b>105.3</b> |
| <b>SHAREHOLDERS EQUITY</b>           |             |              |                     |              |              |              |
| Share capital                        | A\$m        | 203.7        | 203.9               | 203.9        | 203.9        | 203.9        |
| Reserves                             | A\$m        | 6.1          | 6.1                 | 6.1          | 6.1          | 6.1          |
| Retained earnings                    | A\$m        | 178.9        | 192.8               | 221.9        | 257.6        | 337.9        |
| <b>Total equity</b>                  | <b>A\$m</b> | <b>388.6</b> | <b>402.8</b>        | <b>431.9</b> | <b>467.7</b> | <b>547.9</b> |
| <b>Weighted average shares</b>       | <b>m</b>    | <b>870</b>   | <b>875</b>          | <b>872</b>   | <b>872</b>   | <b>872</b>   |

Note 1. For 6 months transitional period

| FINANCIAL RATIOS                     |        |         |                     |         |       |       |
|--------------------------------------|--------|---------|---------------------|---------|-------|-------|
| Year to 30 Jun for FY, 31 Dec for CY | Unit   | FY17a   | 2017 <sup>1</sup> e | 2018e   | 2019e | 2020e |
| NPAT (adjusted)                      | A\$m   | (2.7)   | (8.6)               | (23.2)  | 44.5  | 100.6 |
| Adjusted EPS                         | A¢/shr | (0.3)   | (1.0)               | (2.6)   | 5.1   | 11.5  |
| EPS grow th                          | %      | na      | na                  | na      | na    | 126%  |
| PER                                  | x      | na      | na                  | na      | 15.7  | 6.9   |
| DPS                                  | A¢/shr | -       | -                   | -       | 1.0   | 2.0   |
| Yield                                | %      | -       | -                   | -       | 1%    | 3%    |
| Franking                             | %      | -       | -                   | -       | 100%  | 100%  |
| Free Cash Flow (FCF)                 | A\$m   | (150.5) | (51.6)              | (213.7) | 34.9  | 141.5 |
| FCF / share                          | A¢/shr | na      | na                  | na      | 4.0   | 16.2  |
| Price / FCF                          | x      | na      | na                  | na      | 20.0  | 4.9   |
| FCF yield                            | %      | na      | na                  | na      | 5%    | 20%   |
| EV / EBITDA                          | x      | na      | na                  | na      | 0.0   | 0.0   |
| EV / EBIT                            | x      | na      | na                  | na      | 0.0   | 0.0   |
| EBITDA margin                        | %      | na      | na                  | na      | 46%   | 56%   |
| EBIT margin                          | %      | na      | na                  | na      | 34%   | 45%   |
| Return on assets                     | %      | na      | na                  | na      | 9%    | 17%   |
| Return on equity                     | %      | na      | na                  | na      | 10%   | 20%   |

| LIQUIDITY & LEVERAGE           |      |       |       |      |      |       |
|--------------------------------|------|-------|-------|------|------|-------|
| Net Debt (Cash)                | A\$m | (255) | (236) | (63) | (93) | (219) |
| Net Debt / Equity              | %    | na    | na    | na   | na   | na    |
| Net Debt / (Net Debt + Equity) | %    | na    | na    | na   | na   | na    |
| Net Debt / Total Assets        | %    | na    | na    | na   | na   | na    |
| Net Debt / EBITDA              | %    | na    | na    | na   | na   | na    |
| EBITDA / Interest              | x    | na    | na    | na   | na   | na    |

Note 1. For 6 months transitional period

| ASSUMPTIONS - Prices                 |          |       |              |                     |              |              |
|--------------------------------------|----------|-------|--------------|---------------------|--------------|--------------|
| Year to 30 Jun for FY, 31 Dec for CY | Unit     | #REF! | FY17a        | 2017 <sup>1</sup> e | 2018e        | LT real      |
| <b>GOLD - Spot</b>                   | US\$/oz  |       | <b>1,168</b> | <b>1,259</b>        | <b>1,281</b> | <b>1,340</b> |
| <b>CURRENCY - USD / AUD</b>          | US\$/A\$ |       | <b>0.73</b>  | <b>0.75</b>         | <b>0.78</b>  | <b>0.77</b>  |

| ASSUMPTIONS - Production (Equity share) |        |       |                     |       |              |            |
|---|--------|-------|---------------------|-------|--------------|------------|
| Year to 30 Jun for FY, 31 Dec for CY    | Unit   | FY17a | 2017 <sup>1</sup> e | 2018e | 2019e        | 2020e      |
| <b>Gold production</b>                  | koz    |       |                     |       | <b>100.2</b> | <b>160</b> |
| <b>All in sustaining cost</b>           | A\$/oz |       |                     |       | <b>833</b>   | <b>752</b> |

Note 1. For 6 months transitional period

| RESOURCE BASE - Equity Share |             |            |              |            |              |             |
|------------------------------|-------------|------------|--------------|------------|--------------|-------------|
| Deposit                      | Unit        | Measured   | Indicated    | Inferred   | Total        | g/t Au      |
| Gruyere                      | kozs        | 263        | 1,894        | 924        | 3,080        | 1.30        |
| Central Bore                 | kozs        | 18         | 58           | 15         | 92           | 9.00        |
| Atila Trend                  | kozs        | 22         | 147          | 18         | 187          | 1.57        |
| <b>Total</b>                 | <b>kozs</b> | <b>304</b> | <b>2,099</b> | <b>956</b> | <b>3,359</b> | <b>1.34</b> |

| CAPITAL STRUCTURE                                    |          |              |
|--|----------|--------------|
| Issued Securities                                    | Unit     |              |
| Ordinary shares                                      | m        | 877.1        |
| Performance rights (various expiries and conditions) | m        | 5.3          |
| <b>Total Securities</b>                              | <b>m</b> | <b>882.4</b> |

| Substantial and Directors/Management Shareholdings |      |      |                |
|--|------|------|----------------|
|  | M    | (%)  | Date of change |
| Gold Fields Group                                  | 87.1 | 9.9% | 17/05/17       |
| Sun Valley Gold Master Fund                        | 84.5 | 9.6% | 18/09/17       |
| Mason Hill Partners                                | 58.4 | 6.7% | 18/09/17       |
| Van Eck Associates Corporation                     | 44.2 | 5.0% | 9/11/17        |
| Directors and management                           | 19.1 | 2.2% | various        |

|                                   | Now               |                             | +12 months        |                             | +24 months        |                             |
|-----------------------------------|-------------------|-----------------------------|-------------------|-----------------------------|-------------------|-----------------------------|
|                                   | \$ m <sup>2</sup> | \$ per share <sup>2,3</sup> | \$ m <sup>2</sup> | \$ per share <sup>2,3</sup> | \$ m <sup>2</sup> | \$ per share <sup>2,3</sup> |
| Exploration - Gruyere JV area     | 601               | 0.68                        | 778               | 0.88                        | 763               | 0.86                        |
| - North Yamarna area              | 76                | 0.09                        | 76                | 0.09                        | 76                | 0.09                        |
| - South Yamarna area              | 36                | 0.04                        | 36                | 0.04                        | 36                | 0.04                        |
| <b>- Total</b>                    | <b>714</b>        | <b>0.81</b>                 | <b>891</b>        | <b>1.01</b>                 | <b>875</b>        | <b>0.99</b>                 |
| Corporate costs                   | (38)              | (0.04)                      | (33)              | (0.04)                      | (30)              | (0.03)                      |
| <b>Net financials<sup>4</sup></b> | <b>229</b>        | <b>0.26</b>                 | <b>63</b>         | <b>0.07</b>                 | <b>93</b>         | <b>0.11</b>                 |
| <b>Total</b>                      | <b>904</b>        | <b>1.02</b>                 | <b>921</b>        | <b>1.04</b>                 | <b>938</b>        | <b>1.06</b>                 |

Notes: 2. May not add because of rounding and dilution effects;

3. Fully diluted basis using total of 882.4m securities (includes all performance rights); and

4. Includes cash, deposits and cash equivalents.

SOURCE: BELL POTTER SECURITIES ESTIMATES

**Recommendation structure**

**Buy:** Expect >15% total return on a 12 month view. For stocks regarded as 'Speculative' a return of >30% is expected.

**Hold:** Expect total return between -5% and 15% on a 12 month view

**Sell:** Expect <-5% total return on a 12 month view

*Speculative Investments are either start-up enterprises with nil or only prospective operations or recently commenced operations with only forecast cash flows, or companies that have commenced operations or have been in operation for some time but have only forecast cash flows and/or a stressed balance sheet.*

*Such investments may carry an exceptionally high level of capital risk and volatility of returns.*

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Peter Arden owns 100,000 shares in Gold Road Resources.

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