

9 May 2016

Gold Road Resources (GOR)

BUY

Share Price: A\$0.50

De-risking Gruyere

Target Price: A\$0.55

Over the last few weeks Gold Road has achieved a number of milestones in de-risking the Gruyere gold project which from 2H18 is expected to produce 265koz annually at ~A\$1,000/oz for 12 years. These milestones include: (i) raising A\$74M in equity (see disclosure below) to fund on going feasibility works, secure long lead items and commence early works and, (ii) the important granting of the mining licence. At spot prices we expect the project to generate an IRR of +20%, with a number of key catalysts expected over the balance of 2016 (gas deal, FS, environmental licence). GOR is higher risk / reward with permitting and funding key catalysts over the next 12 months. We maintain our Buy rating and price target of A\$0.55/share.

Recent 2016 developments

- April – resource update to 6.2Moz
- April/May – A\$74M equity raising (use of funds: A\$32M for long lead items, A\$18M for early works and FEED, A\$5M deep drilling at Gruyere and A\$5M exploration)
- May – native title agreement
- May – mining lease granted

Next steps

- 2H 2016 – granting of the environmental licence
- Late 2016 – delivery of feasibility study
- Mid-2016 – gas power supply BOO tendering
- Ongoing regional exploration

Financials

- Following the A\$74M equity issue we have reduced, our expected remaining equity funding for Gruyere to A\$125M. Our net funding requirement is unchanged at A\$550M assuming 60:40 debt to equity.
- The recent issue price of A\$0.44/share was a discount to our A\$0.50 estimate, however our 12 month price target (fully diluted) is unchanged at A\$0.55/share.
- Further, as capital is deployed and cash flows commence our valuation steadily rises to A\$0.80/share with production.

Company Data

Shares – ordinary (M)	699.9M
Market capitalisation (\$M)	A\$339M
12 month low/high (\$)	A\$0.29 / A\$0.54
Average monthly turnover / volume	A\$38M / 77M
GICS Industry	Materials / Gold

Financial Summary (fully diluted)

Year end June	2016F	2017F	2018F	2019F	2020F
Revenue (\$M)	1	0	0	184	580
Costs (\$M)	-7	-6	-6	-140	-277
EBITDA (\$M)	-6	-6	-6	44	303
NPAT (\$M)	-4	-3	-3	4	153
EPS (¢ps)	-1	0	0	0	18
PER (x)	N.M	N.M	N.M	N.M	2.8
Cashflow (\$M)	-2	-2	-2	42	235
CFPS (¢ps)	0	0	0	5	27
PCFPS (x)	-255	-265	-186	10	2
Enterprise Value (\$M)	304	341	406	691	480
EV / EBITDA (x)	N.M	N.M	N.M	15.7	1.6
Dividends (¢ps)	0	0	0	0	0
Yield (%)	0.0	0.0	0.0	0.0	0.0

GOR – performance over one year



Disclosure and Disclaimer

This report must be read with the disclosure and disclaimer on the final page of this document. Petra Capital was the Co-lead Manager for Gold Road's A\$74 Million Placement and Accelerated Entitlement Offer first announced on 27 April 2016, for which a fee was received.

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Analysis



Gold Road Resources (GOR)

P&L (A\$M)	FY16F	FY17F	FY18F	FY19F	FY20F	Analyst: David Radclyffe & David Cotterell					
Revenues	1	0	0	184	580	Rating	BUY				
Operating Costs	-7	-6	-6	-140	-277	Target Price (A\$)	0.55	TSR			10%
Other	0	0	0	0	0	Price (A\$)	0.50	Price (US\$)			0.37
EBITDA	-6	-6	-6	44	303	NPV (A\$)	0.52	NPV (US\$)			0.38
D&A	0	0	0	-20	-62	Shares (M)	1,163				
EBIT	-7	-6	-6	24	241	Mcap (A\$M)	406			Mcap (US\$M)	300
Net Interest	0	2	1	-19	-23	EV (A\$M)	356			EV (US\$M)	263
Taxes	2	1	1	-2	-66	Year End	June			Discount Rate	10%
Adjustments	0	0	0	0	0						
Net Profit	-4	-3	-3	4	153						
EPS (¢)	-1	0	0	0	18						
DPS (¢)	0	0	0	0	0						

Cash Flows (A\$M)	FY16F	FY17F	FY18F	FY19F	FY20F	Assumptions	FY16F	FY17F	FY18F	FY19F	FY20F
Receipts	0	0	0	184	580	Gold (US\$/oz)	1,152	1,225	1,275	1,300	1,300
Payments	-5	-6	-6	-140	-277	Gold (A\$/oz)	1596	1713	1809	1871	1898
Net Interest	1	2	1	-19	-23	Silver (US\$/oz)	15	17	19	20	20
Taxes	2	1	1	16	-46	Copper (US\$/lb)	2.23	2.50	2.78	2.95	2.95
Other	1	1	1	1	1	AUD/USD	0.72	0.72	0.71	0.70	0.69
Operating Cash Flows	-2	-2	-2	42	235						
Capex	0	-25	-286	-222	-15	Key Ratios	FY16F	FY17F	FY18F	FY19F	FY20F
Disposals	0	0	0	0	0	PE (x)	N.M	N.M	N.M	N.M	2.8
Exploration	-18	-10	-10	-10	-10	EV/EBITDA (x)	N.M	N.M	N.M	15.7	1.6
Other	1	0	0	0	0	EPS Growth (%)	-4.6	-45.3	16.4	<-100	>100
Investing Cash Flows	-18	-35	-296	-232	-25	ROE (%)	-2.7	-1.7	-1.1	1.2	36.9
Change in Borrowings	0	0	165	165	-150	Net Debt to Equity (%)	-62.5	-40.7	32.2	88.6	17.9
Dividends	0	0	0	0	0	Net Debt to EBITDA (x)	16.1	11.3	-16.4	6.5	0.2
Equity	72	0	138	0	0	Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0
Other	0	0	0	0	0	FCF Yield (%)	-4.8	-8.5	-69.1	-44.0	48.8
Financing Cash Flows	72	0	303	165	-150						

Balance Sheet (A\$M)	FY16F	FY17F	FY18F	FY19F	FY20F	Production & Costs	FY16F	FY17F	FY18F	FY19F	FY20F
Cash	102	65	70	45	106	Gold Production (oz)					
Receivables	0	0	0	9	29	Gruyere	0	0	0	97,842	305,614
Inventories	0	0	0	15	46	Group Gold Production (oz)	0	0	0	97,842	305,614
Other	0	0	0	0	0	By-Product Gold AISC (US\$/oz)					
Current Assets	102	65	70	69	181	Gruyere	0	0	0	516	651
Receivables	0	0	0	0	0	AISC Gold Cash Costs (US\$/o:	0	0	0	516	651
Investments	0	0	0	0	0	AISC Gold Cash Costs (A\$/oz)	0	0	0	742	951
Property, Plant and Equipment	2	27	312	514	467	Resources (Contained Au, Moz)	6.1				
Intangibles	60	69	78	87	5	Reserves (Contained Au, Moz)	3.2				
Other	0	0	0	0	0						
Non Current Assets	62	96	390	601	472						
Total Assets	163	161	460	670	653	EBITDA (A\$M)	FY16F	FY17F	FY18F	FY19F	FY20F
Borrowings	0	0	0	0	0	Gruyere	0	0	0	50	309
Payables	0	0	0	18	58	Corporate & Other	-7	-6	-6	-6	-6
Provisions	0	0	0	0	0						
Other	0	0	0	0	0	NPV	(A\$M)		Per Share		
Current Liabilities	0	0	0	19	58	Gruyere	429		\$0.37		
Payables	0	0	165	330	180	Corporate	-31		-\$0.03		
Borrowings	0	0	0	0	0	Exploration	101		\$0.09		
Provisions	0	0	0	0	0	Hedging	0		\$0.00		
Other	0	0	0	0	0	Options	1		\$0.00		
Non Current Liabilities	0	0	165	330	180	Net Cash	102		\$0.09		
Total Liabilities	0	0	165	349	238	Total	602		\$0.52		
Total Equity	163	160	295	321	415	Assumes GOR issues A\$145M of equity at A\$0.50/share					

Source: Petra Capital

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