

SPEC BUY

Current Price \$0.37
Target Price \$0.70

Ticker: GOR
Sector: Materials

Shares on Issue (m): 686.4
Market Cap (\$m): 233.4
Cash Estimate (\$m): 49.8
Enterprise Value (\$m): 183.6

52 wk High/Low: \$0.48 \$0.20
12m Av Daily Vol (m): 1.36

Mineral Inventory

	Mt	g/t	Moz
Reserves	-	-	-
Resources	134.3	1.4	6.1

	\$/oz
EV / Reserve	-
EV / Resource	30

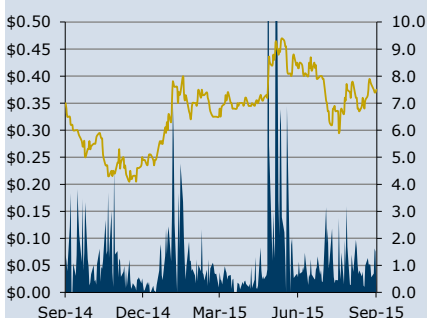
Directors:

Ian Murray	Executive Chairman
Justin Osborne	Executive Director
Russell Davis	Non-Executive Director
Timothy Netscher	Non-Executive Director
Martin Pyle	Non-Executive Director

Substantial Shareholders:

Platypus	8.0%
Van Eck	6.0%
RCF	9.0%

Share Price Graph



Thursday, 17 September 2015

Gold Road Resources

Gruyere Resource update

Analysts | Patrick Chang, CFA | Matthew Keane

Quick Read

Gold Road (GOR) released an updated Resource at Gruyere, increasing the inventory to 5.62Moz @ 1.36g/t (was 5.51Moz @ 1.24g/t), incorporating additional, higher grade drilling results and improved estimation techniques (see below). This updated Resource will be incorporated into the upcoming PFS, due early CY16, and likely result in an improved head grade. The Resource estimate was completed in-house, and independently audited by Optiro. Accounting for the better grades (an increase in diluted head grade of 0.05g/t to 1.20g/t) and a marginally higher strip ratio improves our valuation to A\$0.70 (was A\$0.66). Argonaut maintains a SPECULATIVE BUY recommendation.

Event & Impact | Positive

Grade up, tonnes down: The updated Gruyere Resource features higher grades and lower tonnes, resulting from the incorporation of higher grade drilling results and an improved estimation technique. A significant change in estimation methodology is the inclusion of Localised Uniform Conditioning. This approach delivers a recoverable Resource resulting from a more realistic selectivity under a mining scenario (Selective Mining Unit of 5m x 12.5m x 5m).

Table 1: Gruyere May and September Resource comparison

Gruyere Resource using 0.7g/t cut-off and A\$1,600/oz pit shell	Mt	g/t	Moz
May 2015 Resource	137.8	1.24	5.51
September 2015 Resource, Ordinary Krigging	141.1	1.28	5.81
September 2015 Resource, Localised Uniform Conditioning	128.4	1.36	5.62

Source: GOR

Attila trend now JORC 12: GOR has updated the Attila Trend Resource to JORC 12, using a 0.7g/t cut-off and constrained by A\$1,600/oz pit shells. The updated Resource is 270koz @ 1.6g/t. Although this is a significant reduction from the previous JORC 04 estimate of 1.0Moz @ 1.3g/t, the updated Resource better reflects potentially economic ounces. Argonaut has not factored in any production from the Attila Trend or Central Bore (180koz @ 9.0g/t).

Recommendation

Gruyere's scale, geometry, long life (10-15 years), and favourable metallurgical properties, combined with a low sovereign risk jurisdiction, will ensure the asset attracts market and corporate attention. SPEC BUY maintained with a revised target price of A\$0.70 (was A\$0.66).

Resource update

GOR updated its Resource at Gruyere...

GOR released an updated Resource at Gruyere of 5.62Moz @ 1.36g/t (was 5.5Moz @ 1.24g/t), incorporating additional, higher grade drilling results and improved estimated technique (employing localised uniform conditioning). 73% of the Resource is now in the Measure and Indicated categories.

...incorporating additional drilling results and improved estimation technique...

Table 2: Updated Gruyere Resource

Gruyere September 15 Resource Estimate			
	Mt	g/t	Moz
Measured	1.6	1.41	0.07
Indicated	93.5	1.35	4.05
Inferred	33.3	1.40	1.49
TOTAL	128.4	1.36	5.62

* 0.7g/t cut-off, A\$1,600/oz pit shell

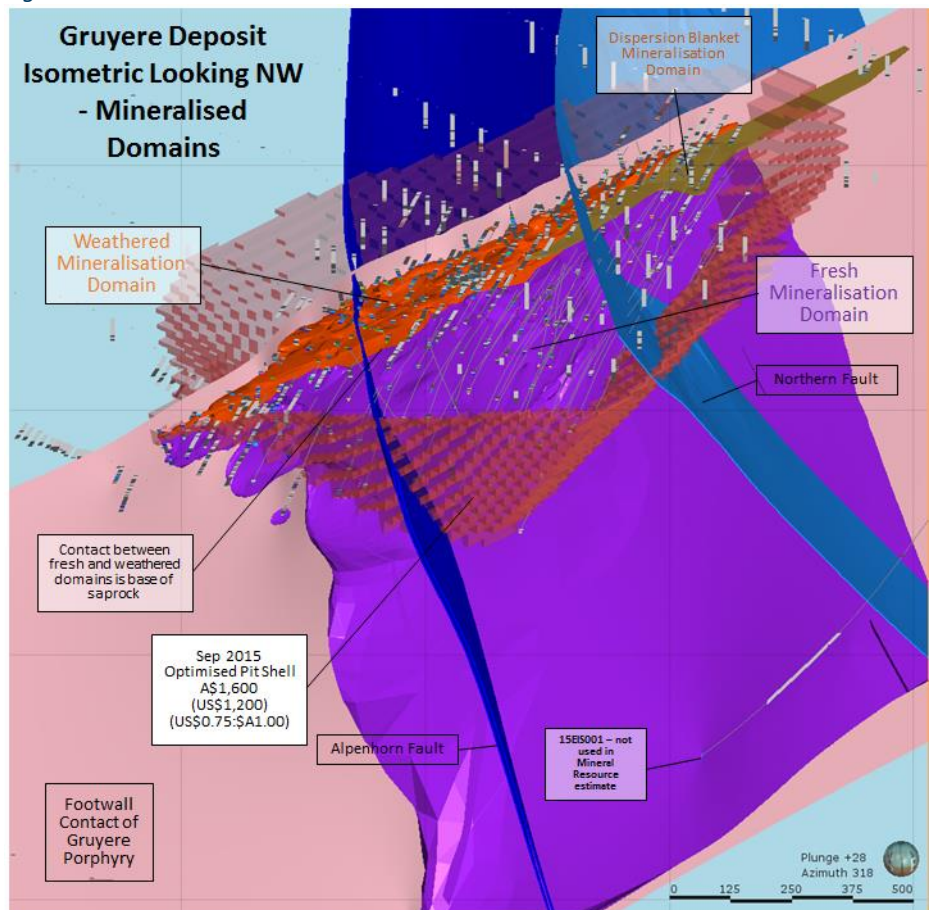
Source: GOR

...resulting in less tonnes and higher grades

Three mineralisation domains were used to constrain gold mineralisation, with the fresh comprising 93% of the overall mineralisation. A 25m x 25m RC program is in progress, aiming to convert the near surface portion (including the Weathered and Dispersion Blanket Domains) of the Resource to Measured Category. This will further improve the confidence on the Resource, particularly in the earlier years of future mining operations.

The mineralisation is constrained in three domains...

Figure 1: Mineralised domains used



...with the fresh comprising 93% of overall ounces

A 25m x 25m RC program will lift the confidence on near surface mineralisation

Source: GOR

RESEARCH:

Ian Christie | Director, Industrial Research
+61 8 9224 6872 ichristie@argonaut.com

Philipp M-O Kin | Analyst, Oil & Gas Research
+61 8 9224 6864 pkm@argonaut.com

Patrick Chang | Analyst, Metals & Mining Research
+61 8 9224 6835 pchang@argonaut.com

Matthew Keane | Analyst, Metals & Mining Research
+61 8 9224 6869 mkeane@argonaut.com

Helen Lau | Analyst, Metals & Mining Research
+852 3557 4804 hlau@argonaut.com

INSTITUTIONAL SALES - PERTH:

Chris Wippl | Executive Director, Head of Sales & Research
+61 8 9224 6875 cwippl@argonaut.com

John Santul | Consultant, Sales & Research
+61 8 9224 6859 jsantul@argonaut.com

Damian Rooney | Senior Institutional Dealer
+61 8 9224 6862 d Rooney@argonaut.com

Ben Willoughby | Institutional Dealer
+61 8 9224 6876 bwiloughby@argonaut.com

INSTITUTIONAL SALES – HONG KONG:

Travis Smithson | Managing Director - Asia
+852 9832 0852 tsmithson@argonaut.com

Glen Gordon | Institutional Research Sales
+852 3557 4874 ggordon@argonaut.com

CORPORATE AND PRIVATE CLIENT SALES:

Glen Colgan | Executive Director, Desk Manager
+61 8 9224 6874 gcolgan@argonaut.com

Kevin Johnson | Executive Director, Corporate Stockbroking
+61 8 9224 6880 kjohnson@argonaut.com

James McGlew | Executive Director, Corporate Stockbroking
+61 8 9224 6866 jmcglew@argonaut.com

Geoff Barnesby-Johnson | Senior Dealer, Corporate Stockbroking
+61 8 9224 6854 bj@argonaut.com

Rob Healy | Dealer, Private Clients
+61 8 9224 6873, rhealy@argonaut.com

Tony Lecantro | Dealer, Private Clients
+61 8 9224 6851, tlecantro@argonaut.com

Cameron Prunster | Dealer, Private Clients
+61 8 9224 6853 cprunster@argonaut.com

James Massey | Dealer, Private Clients
+61 8 9224 6849 jmassey@argonaut.com

Important Disclosure

Argonaut acted as Joint Lead Manager to the Placement to raise up to \$40M in June 2015 and received fees commensurate with this service. Argonaut acted as Sole Lead Manager & Exclusive Bookrunner to the Placement that raised \$23.3M in September 2014 and received fees commensurate with this service.

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