



AUSTRALIA

GOR AU Outperform

Price (at 06:11, 06 Aug 2015 GMT) A\$0.34

Valuation A\$ 0.55

- DCF (WACC 9.0%)

12-month target A\$ 0.55

12-month TSR % +64.2

Volatility Index Very High

GICS sector Materials

Market cap A\$m 230

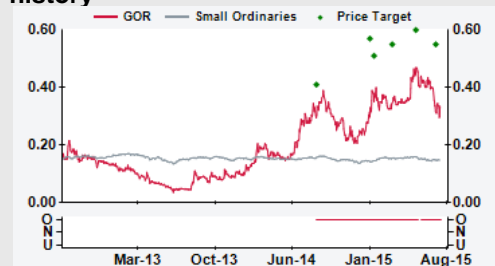
30-day avg turnover A\$m 0.3

Number shares on issue m 686.4

Investment fundamentals

| Year end 30 Jun | | 2014A | 2015E | 2016E | 2017E |
|-----------------|---|-------|-------|-------|---------|
| Revenue | m | 0.0 | 0.0 | 0.0 | 0.0 |
| EBIT | m | -2.9 | -16.8 | -10.2 | -13.6 |
| Reported profit | m | 0.4 | -11.4 | -6.2 | -8.9 |
| Adjusted profit | m | 0.4 | -11.4 | -6.2 | -8.9 |
| Gross cashflow | m | 0.4 | 1.4 | -0.1 | -2.6 |
| CFPS | ¢ | 0.1 | 0.3 | 0.0 | -0.2 |
| CFPS growth | % | nmf | 192.9 | nmf | -1226.5 |
| PGCFPS | x | 387.4 | 132.2 | nmf | nmf |
| PGCFPS rel | x | 41.05 | 14.23 | nmf | nmf |
| EPS adj | ¢ | 0.1 | -1.8 | -0.9 | -0.7 |
| EPS adj growth | % | nmf | nmf | 50.2 | 23.1 |
| PER adj | x | 390.6 | nmf | nmf | nmf |
| PER rel | x | 23.14 | nmf | nmf | nmf |
| Total DPS | ¢ | 0.0 | 0.0 | 0.0 | 0.0 |
| Total div yield | % | 0.0 | 0.0 | 0.0 | 0.0 |
| ROA | % | -8.8 | -22.6 | -9.5 | -4.1 |
| ROE | % | 1.3 | -17.0 | -6.6 | -4.0 |
| EV/EBITDA | x | -50.3 | -53.9 | -53.0 | -57.5 |
| Net debt/equity | % | -26.7 | -57.5 | -21.0 | 0.0 |
| P/BV | x | 4.8 | 2.4 | 2.6 | 1.2 |

GOR AU vs Small Ordinaries, & rec history



Note: Recommendation timeline - if not a continuous line, then there was no Macquarie coverage at the time or there was an embargo period.

Source: FactSet, Macquarie Research, August 2015
(all figures in AUD unless noted)

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7 August 2015

Macquarie Securities (Australia) Limited

Gold Road Resources

PFS Stage 1 confirms size and power options

Event

- GOR has released the results of Stage 1 of the Gruyere PFS. The company confirmed the size of the planned mill at 7.5Mtpa with a conventional CIL plant and a preference for gas power generation over diesel.

Impact

- A significant gold producer.** At 7.5Mtpa Gruyere is expected to yield 250kozpa over a 10 to 15 year mine life. We had previously assumed an 8Mtpa operation with a 10 year life. We have lowered our modelled throughput rate to 7.5Mtpa but have kept our assumed mining inventory constant and only extended our modelled mine life by one year.
- Further mine life extensions likely.** We believe that as the understanding of Gruyere evolves further mine life extensions are likely. We also expect GOR's extensive Yamarna ground holding and exploration programme to deliver satellite discoveries and extend the life of a central processing facility at Gruyere.
- Gas power favoured over diesel.** Provision of gas power is assumed to be through a BOO agreement similar to that underway at Tropicana. We understand options to tie-in to the new Eastern Goldfields pipeline and a longer dedicated pipeline are being considered. In our view, a +10 year mine life should be sufficient to justify the higher capex dedicated option.
- Opex and capex estimates to come in Stage 2.** In its scoping study for Gruyere GOR estimated capex of \$360m for a 5Mtpa project. We estimate capex of ~\$545m for the 7.5Mtpa option inclusive of ongoing study and exploration costs and pre-stripping. Our estimates are based on a review of IGO/Anglo's Tropicana and RRL's Duketon Projects which we believe provide reasonable benchmarks. In our view Gruyere's low strip ratio, consistent grade, high tonnage and good metallurgy will deliver a compelling project. We estimate LoM operating costs for Gruyere of A\$790/oz C1 and believe the operation will have and AISC of ~\$1,050/oz.

Earnings and target price revision

- We have made some minor changes to our long-term production and earnings forecasts. The net impact on our NPV for Gruyere is negligible and we leave our target price of \$0.55/sh unchanged.

Price catalyst

- 12-month price target: A\$0.55 based on a DCF methodology.
- Catalyst: We expect Stage 2 of the PFS to be delivered in early CY16. In the interim, GOR continues to explore aggressively and we see this as a key near term catalyst.

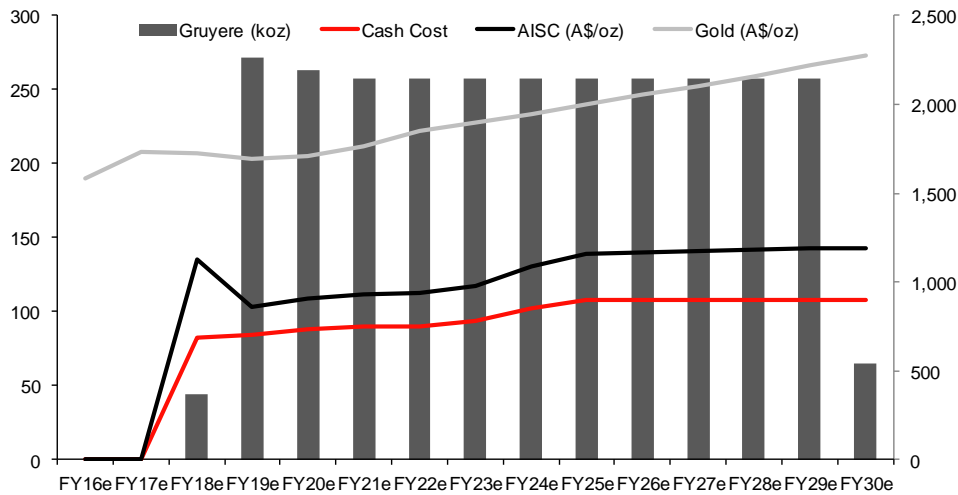
Action and recommendation

- Outperform.** Stage 1 of the PFS is in line with our expectation and outlines what we believe will be a robust gold project with significant upside.

Stage 1 PFS confirms 7.5Mtpa option

- GOR announced the results of Stage 1 of the Gruyere PFS. The company has confirmed the size of the planned mill at 7.5Mt with a conventional CIL plant and a preference for gas power generation over diesel. Such an operation is expected to yield 250kozpa over a 10 to 15 year mine life.

Fig 1 Modelled Gruyere production and costs



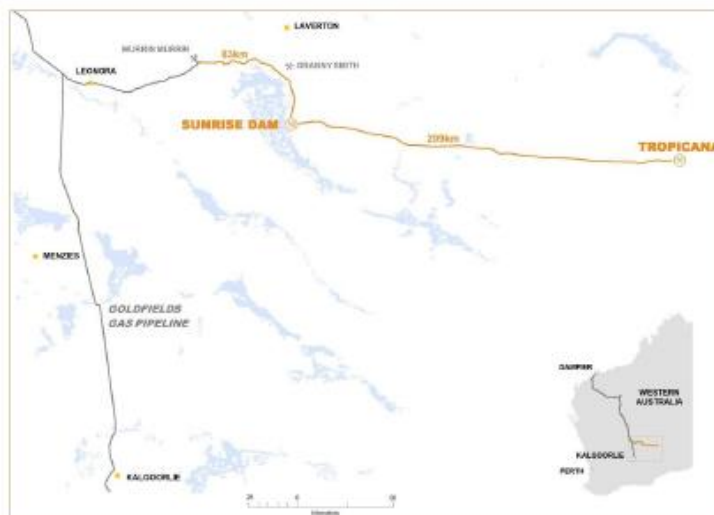
Source: GOR, Macquarie Research, August 2015

- We have lowered our modelled throughput rate to 7.5Mtpa from 8Mtpa but have kept our assumed mining inventory unchanged and only extended our assumed mine life by one year from 10 to 11 years. We believe that as the understanding of Gruyere evolves further mine life extensions are likely. We also expect the prospectivity of GOR’s extensive Yamarna ground holding to deliver more discoveries and extend the life of a central processing facility at Gruyere.

Gas power favoured over diesel

- Provision of gas power is assumed to be through a Build Own Operate agreement similar to that underway at Tropicana. We understand GOR is considering two gas options: firstly the possibility of tying in to new Eastern Goldfields pipeline from Murrin Murrin to Tropicana which will pass ~120km south of Gruyere. Secondly a longer ~220km dedicated pipeline running directly from Murrin Murrin could offer some competitive advantages.

Fig 2 The Tropicana gas pipeline will pass ~120km to the south of Gruyere



Source: IGO, Macquarie Research, August 2015

- The \$140m cost of the Eastern Goldfields pipeline suggests a relatively modest ~\$60m for a branch line off the Tropicana pipeline. We estimate third-party capex for a dedicated option would be in the order of ~\$120m plus. We estimate that a minimum 10-year mine life will be required to justify the longer payback period. In our view more work needs to be done to firm up the argument for a dedicated pipeline but, as we have said previously, we expect mine life extensions at Gruyere and from regional satellites over time.

Opex and capex estimates to come in Stage 2

- Operating and capital costs will be the focus of Stage 2 of the study. In its scoping study for Gruyere GOR estimated capex of \$360m for a 5Mtpa project inclusive of \$20m to establish an underground at Central Bore. We conservatively estimate capex of ~\$545m for the \$7.5Mtpa option inclusive of ongoing study and exploration costs and pre-stripping. Our estimates are based on a review of IGO's Tropicana and RRL's Duketon Projects which we believe provide reasonable benchmarks.

Fig 3 Scoping study (5Mtpa option) capital estimate

| 5Mtpa capital estimates | A\$m |
|-------------------------|------------|
| Process plant | 190 |
| TSF | 13 |
| Infrastructure | 85 |
| Pre-production mining | 52 |
| Central Bore U/G | 20 |
| Total | 360 |

Source: GOR, Macquarie Research, August 2015

- In our view Gruyere's low strip ratio, consistent grade, high tonnage and excellent metallurgy will deliver a compelling project. We estimate LoM operating costs for Gruyere of A\$790/oz C1 and believe the operation will have and AISC of ~\$1,050/oz.

Fig 4 We expect Gruyere to measure up on a number of key mining metrics

| | Tropicana | Gruyere | Duketon (FY16 guidance) |
|---|------------|----------------------------|-------------------------|
| Reserves | 53.3Mt | 80Mt (MacqE) | 54.3 |
| Grade | 2.08 | 1.15 (MacqE) | 1.02 |
| Resources | 115.7Mt | 97.9 | 162.3 |
| Grade | 2.03 | 1.23 | 0.92 |
| Throughput | 5.8Mtpa | 7.5Mtpa | 10Mtpa |
| Mine life on current (estimated) reserves | ~9 | 11 | 3 - 7 years |
| LoM Strip ratio | 5.5 | 1.9 - 2.7 (excl pre strip) | 4.2 |
| Grind size | 75µm | 106-150µm | |
| Recovery | 91% | 89-93% | 91% |
| Ave gold production | ~390kozpa | ~258kozpa (Macq E) | 290 |
| AISC | ~A\$850/oz | ~A\$1050/oz (MacqE) | 1,020 |
| Capex | ~\$930m | \$545m (MacqE) | ~\$460m |

Source: GOR, Macquarie Research, August 2015

Gold Road Resources

| | | | | | | | |
|----------|-----------------|------|--------------------|-------|---------|------------|-------|
| ASX: GOR | Price: (A\$ps) | 0.34 | Year end: | Jun | Rating: | Outperform | Up/dn |
| | Mkt cap: (A\$m) | 240 | Diluted shares (m) | 707.1 | Target: | 0.55 | 62% |

| ASSUMPTIONS | | FY13 | FY14e | FY15e | FY16e | FY17e | FY18e | FY19e |
|---------------|-----------|-------|-------|-------|-------|-------|-------|-------|
| Exchange Rate | A\$/US\$ | 1.03 | 0.92 | 0.83 | 0.71 | 0.70 | 0.76 | 0.81 |
| Spot Gold | (US\$/oz) | 1,604 | 1,295 | 1,232 | 1,125 | 1,206 | 1,306 | 1,375 |
| Spot Gold | (A\$/oz) | 1,563 | 1,406 | 1,477 | 1,580 | 1,732 | 1,724 | 1,690 |

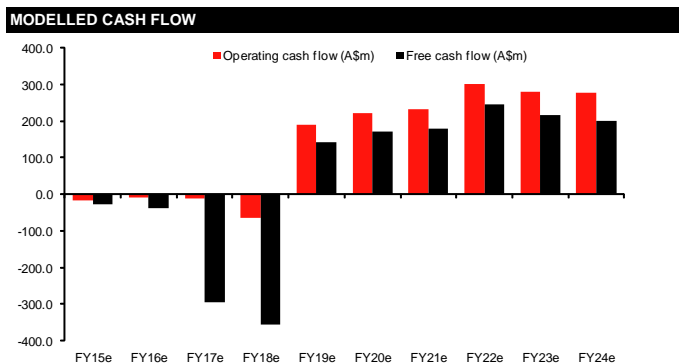
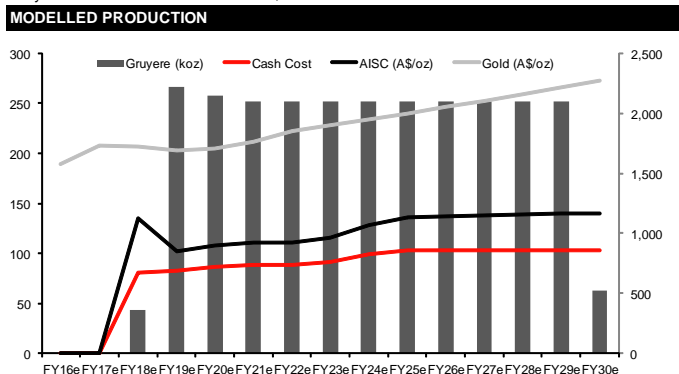
| RATIO ANALYSIS | | FY13 | FY14e | FY15e | FY16e | FY17e | FY18e | FY19e |
|----------------------------------|-------|--------|--------|--------|--------|---------|---------|---------|
| Diluted share capital | m | 494.1 | 514.4 | 819.3 | 707.1 | 1,318.2 | 1,318.2 | 1,318.2 |
| EPS (diluted and pre sig. items) | A¢ | -4.6 | 0.1 | -1.8 | -0.9 | -0.8 | -4.5 | 5.4 |
| P/E | x | -7.3x | 404.6x | -18.5x | -38.8x | -43.2x | -7.6x | 6.3x |
| CFPS | A¢ | (0.4) | 0.2 | (2.0) | (1.3) | (1.0) | (5.0) | 14.3 |
| P/CF | x | -89.3x | 152.1x | -17.1x | -27.1x | -35.3x | -6.9x | 2.4x |
| DPS | A¢ | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Dividend yield | % | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Franking Level | % | 100% | 100% | 100% | 100% | 100% | 100% | 100% |
| Book value per share | x | 0.05 | 0.07 | 0.12 | 0.13 | 0.27 | 0.23 | 0.28 |
| P/Book value | x | 6.5x | 4.8x | 2.9x | 2.6x | 1.3x | 1.5x | 1.2x |
| R.O.E. (pre sig items) | % | -88% | 1% | -12% | -7% | -2% | -20% | 19% |
| R.O.A. (pre sig items) | % | -87% | -7% | -15% | -10% | -2% | -9% | 18% |
| Interest Cover | x | 65.3x | 8.4x | 30.9x | 7.8x | 16.0x | -3.4x | 4.8x |
| EBITDA per share | A\$ps | -0.05 | -0.01 | -0.02 | -0.01 | -0.01 | -0.03 | 0.19 |
| EV/EBITDA | x | -9.8x | -79.6x | -11.0x | -21.8x | -17.7x | -12.9x | 1.8x |

| EARNINGS | | FY13 | FY14e | FY15e | FY16e | FY17e | FY18e | FY19e |
|---------------------------------|-------------|-------------|------------|-------------|-------------|-------------|-------------|------------|
| Sales Revenue | A\$m | 0 | 0 | 0 | 0 | 0 | 0 | 450 |
| Other Revenue | A\$m | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Revenue | A\$m | 0 | 0 | 0 | 0 | 0 | 0 | 450 |
| Operating Costs | A\$m | 0 | 0 | 0 | 0 | 0 | (29) | (184) |
| Operational EBITDA | A\$m | 0 | 0 | 0 | 0 | 0 | (29) | 266 |
| Exploration Expense/Wwrite-offs | A\$m | (20) | (0) | (13) | (6) | (6) | (6) | (7) |
| Corporate & Other Costs | A\$m | (4) | (3) | (4) | (4) | (7) | (11) | (11) |
| EBITDA | A\$m | (24) | (3) | (17) | (10) | (14) | (46) | 248 |
| D&A | A\$m | 0 | 0 | 0 | 0 | 0 | (19) | (120) |
| EBIT | A\$m | (24) | (3) | (17) | (10) | (14) | (65) | 128 |
| Net Interest | A\$m | 0 | 0 | 1 | 1 | 1 | (19) | (27) |
| Profit Before Tax | A\$m | (23) | (3) | (16) | (9) | (13) | (85) | 102 |
| Tax Expense | A\$m | 1 | 3 | 5 | 3 | 4 | 25 | (31) |
| Minorities | A\$m | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Adjusted NPAT | A\$m | (23) | 0 | (11) | (6) | (9) | (59) | 71 |
| Significant Items (post tax) | A\$m | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Reported NPAT | A\$m | (23) | 0 | (11) | (6) | (9) | (59) | 71 |

| CASHFLOW | | FY13 | FY14e | FY15e | FY16e | FY17e | FY18e | FY19e |
|-------------------------------|-------------|-------------|------------|-------------|-------------|--------------|--------------|-------------|
| Net Profit | A\$m | -23 | 0 | -11 | -6 | -9 | -59 | 71 |
| Interest/Tax/D&A | A\$m | 9 | (17) | (5) | (3) | (4) | (6) | 151 |
| Working Capital/other | A\$m | 12 | 17 | 0 | 0 | 0 | 0 | (34) |
| Net Operating Cashflow | A\$m | (2) | 1 | (16) | (9) | (13) | (65) | 188 |
| Capex | A\$m | (10) | (13) | (20) | (28) | (281) | (291) | (47) |
| Investments | A\$m | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Sale of PPE and Other | A\$m | 1 | 3 | 10 | 0 | 0 | 0 | 0 |
| Free cash flow | A\$m | (11) | (9) | (26) | (37) | (294) | (357) | 141 |
| Dividends Paid | A\$m | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Debt | A\$m | 0 | 0 | 0 | 0 | 155 | 230 | (80) |
| Equity Issuance | A\$m | 7 | 10 | 73 | 0 | 275 | 0 | 0 |
| Other | A\$m | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net Financing Cashflow | A\$m | 7 | 10 | 73 | 0 | 430 | 230 | (80) |
| Net change in cash | A\$m | (4) | 1 | 46 | (37) | 136 | (127) | 61 |

| BALANCE SHEET | | FY13 | FY14e | FY15e | FY16e | FY17e | FY18e | FY19e |
|----------------------------------|-------------|-----------|-----------|------------|------------|------------|------------|------------|
| Cash | A\$m | 9 | 10 | 56 | 19 | 155 | 28 | 89 |
| PP&E & Mine Development | A\$m | 1 | 1 | 21 | 49 | 331 | 603 | 530 |
| Exploration | A\$m | 17 | 27 | 27 | 31 | 38 | 48 | 58 |
| Total Assets | A\$m | 27 | 39 | 110 | 105 | 549 | 705 | 703 |
| Debt | A\$m | 0 | 0 | 0 | 0 | 155 | 385 | 305 |
| Total Liabilities | A\$m | 1 | 3 | 12 | 14 | 192 | 406 | 333 |
| Total Net Assets / Equity | A\$m | 26 | 36 | 97 | 91 | 357 | 298 | 369 |
| Net Debt / (Cash) | A\$m | (9) | (10) | (56) | (19) | (0) | 357 | 216 |
| Gearing (net debt/(nd + equity)) | % | (53%) | (36%) | (135%) | (27%) | (0%) | 54% | 37% |
| Gearing (net debt/equity) | % | (35%) | (27%) | (57%) | (21%) | (0%) | 120% | 58% |

| ATTRIBUTABLE MINE OUTPUT | | FY16e | FY17e | FY18e | FY19e | FY20e | FY21e |
|--|-----------------|------------|------------|--------------|--------------|--------------|--------------|
| Gold production (equity) | | | | | | | |
| Gruyere | (koz) | 0.0 | 0.0 | 43.1 | 266.2 | 257.8 | 252.3 |
| Total | (koz) | 0.0 | 0.0 | 43.1 | 266.2 | 257.8 | 252.3 |
| Cash costs | | | | | | | |
| Gruyere | (A\$/oz) | - | - | 674 | 690 | 721 | 737 |
| AISC Cash Costs | | | | | | | |
| Gruyere | (A\$/oz) | - | - | 1,122 | 853 | 898 | 922 |
| AISC Cash Costs | (A\$/oz) | - | - | 1,122 | 853 | 898 | 922 |
| Operational EBITDA Contribution (pre hedging) | | | | | | | |
| Gruyere | A\$m | - | - | -29 | 266 | 254 | 258 |



| RESERVES AND RESOURCES (ATTRIBUTABLE) | | | |
|---------------------------------------|--------------|-------------|--------------|
| Reserves | | | |
| Project | Mt | g/t | koz |
| Gruyere | 0.0 | 0.0 | 0 |
| Attila - Central Bore | 0.0 | 0.0 | 0 |
| Total | 0.0 | 0.0 | 0 |
| Resources | | | |
| Project | Mt | g/t | koz |
| Gruyere | 137.8 | 1.24 | 5,494 |
| Attila - Central Bore | 26.3 | 1.49 | 1,262 |
| Total | 137.8 | 1.24 | 5,512 |

| EQUITY DCF VALUATION | | Macquarie forecasts | | Spot prices | |
|--------------------------------------|--|---------------------|-------------|-------------|-------------|
| Projects | | A\$m | A\$ps | A\$m | A\$ps |
| Gruyere | | 341 | 0.26 | 292 | 0.22 |
| Undeveloped Resources & exploration | | 87 | 0.07 | 86 | 0.07 |
| Unpaid capital & new equity | | 326 | 0.25 | 326 | 0.25 |
| Forwards | | 0 | 0.00 | 0 | 0.00 |
| Corporate | | (48) | (0.04) | (48) | (0.04) |
| Net cash (debt) | | 14 | 0.01 | 14 | 0.01 |
| Net Equity Value (@ 10% WACC) | | 719 | 0.55 | 670 | 0.51 |
| Price Target | | | 0.55 | | 0.51 |

Source: GOR, Macquarie Research, August 2015

Important disclosures:

| | | |
|--|--|---|
| <p>Recommendation definitions</p> <p>Macquarie - Australia/New Zealand Outperform – return >3% in excess of benchmark return Neutral – return within 3% of benchmark return Underperform – return >3% below benchmark return</p> <p>Benchmark return is determined by long term nominal GDP growth plus 12 month forward market dividend yield</p> <p>Macquarie – Asia/Europe Outperform – expected return >+10% Neutral – expected return from -10% to +10% Underperform – expected return <-10%</p> <p>Macquarie First South - South Africa Outperform – expected return >+10% Neutral – expected return from -10% to +10% Underperform – expected return <-10%</p> <p>Macquarie - Canada Outperform – return >5% in excess of benchmark return Neutral – return within 5% of benchmark return Underperform – return >5% below benchmark return</p> <p>Macquarie - USA Outperform (Buy) – return >5% in excess of Russell 3000 index return Neutral (Hold) – return within 5% of Russell 3000 index return Underperform (Sell) – return >5% below Russell 3000 index return</p> | <p>Volatility index definition*</p> <p>This is calculated from the volatility of historical price movements.</p> <p>Very high-highest risk – Stock should be expected to move up or down 60–100% in a year – investors should be aware this stock is highly speculative.</p> <p>High – stock should be expected to move up or down at least 40–60% in a year – investors should be aware this stock could be speculative.</p> <p>Medium – stock should be expected to move up or down at least 30–40% in a year.</p> <p>Low-medium – stock should be expected to move up or down at least 25–30% in a year.</p> <p>Low – stock should be expected to move up or down at least 15–25% in a year.</p> <p>* Applicable to Asia/Australian/NZ/Canada stocks only</p> <p>Recommendations – 12 months Note: Quant recommendations may differ from Fundamental Analyst recommendations</p> | <p>Financial definitions</p> <p>All "Adjusted" data items have had the following adjustments made: Added back: goodwill amortisation, provision for catastrophe reserves, IFRS derivatives & hedging, IFRS impairments & IFRS interest expense Excluded: non recurring items, asset revals, property revals, appraisal value uplift, preference dividends & minority interests</p> <p>EPS = adjusted net profit / epowa* ROA = adjusted ebit / average total assets ROA Banks/Insurance = adjusted net profit / average total assets ROE = adjusted net profit / average shareholders funds Gross cashflow = adjusted net profit + depreciation *equivalent fully paid ordinary weighted average number of shares</p> <p>All Reported numbers for Australian/NZ listed stocks are modelled under IFRS (International Financial Reporting Standards).</p> |
|--|--|---|

Recommendation proportions – For quarter ending 30 June 2015

| | AU/NZ | Asia | RSA | USA | CA | EUR | |
|--------------|--------|--------|--------|--------|--------|--------|---|
| Outperform | 46.23% | 58.36% | 47.27% | 44.20% | 60.65% | 43.01% | (for US coverage by MCUSA, 9.68% of stocks followed are investment banking clients) |
| Neutral | 37.67% | 25.65% | 29.09% | 49.29% | 34.19% | 40.93% | (for US coverage by MCUSA, 5.53% of stocks followed are investment banking clients) |
| Underperform | 16.10% | 15.99% | 23.64% | 6.52% | 5.16% | 16.06% | (for US coverage by MCUSA, 1.38% of stocks followed are investment banking clients) |



12-month target price methodology

GOR AU: A\$0.55 based on a DCF methodology

Company-specific disclosures:
GOR AU: MACQUARIE CAPITAL (AUSTRALIA) LIMITED or one of its affiliates managed or co-managed a public offering of securities of Gold Road Resources Ltd in the past 12 months, for which it received compensation.
 Important disclosure information regarding the subject companies covered in this report is available at www.macquarie.com/disclosures.

| Date | Stock Code (BBG code) | Recommendation | Target Price |
|-------------|-----------------------|----------------|--------------|
| 25-Jul-2015 | GOR AU | Outperform | A\$.55 |
| 28-May-2015 | GOR AU | Outperform | A\$.60 |
| 21-Mar-2015 | GOR AU | Outperform | A\$.55 |
| 27-Jan-2015 | GOR AU | Outperform | A\$.51 |
| 15-Jan-2015 | GOR AU | Outperform | A\$.57 |
| 13-Aug-2014 | GOR AU | Outperform | A\$.41 |

Target price risk disclosures:
GOR AU: Any inability to compete successfully in their markets may harm the business. This could be a result of many factors which may include geographic mix and introduction of improved products or service offerings by competitors. The results of operations may be materially affected by global economic conditions generally, including conditions in financial markets. The company is exposed to market risks, such as changes in interest rates, foreign exchange rates and input prices. From time to time, the company will enter into transactions, including transactions in derivative instruments, to manage certain of these exposures.

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 The views expressed in this research accurately reflect the personal views of the analyst(s) about the subject securities or issuers and no part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research. The analyst principally responsible for the preparation of this research receives compensation based on overall revenues of Macquarie Group Ltd ABN 94 122 169 279 (AFSL No. 318062) (MGL) and its related entities (the Macquarie Group) and has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations.

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