

SPEC BUY

Current Price \$0.405
Valuation \$0.75

Ticker: GOR
Sector: Materials

Shares on Issue (m):* 684.3
Market Cap (\$m): 277.2
Cash Estimate (\$m): 50.0
Enterprise Value (\$m): 227.2
*Excluding spp shares

52 wk High/Low: \$0.48 \$0.20
12m Av Daily Vol (m): 1.71

Mineral Inventory (100% basis, Gruyere only)

	Mt	g/t	Moz
Reserves	-	-	-
Resources	137.8	1.2	5.5

EV / Reserve \$/oz -
EV / Resource 41

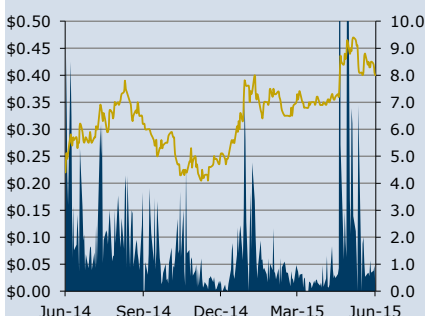
Directors:

Ian Murray	Executive Chairman
Justin Osborne	Executive Director
Russell Davis	Non-Executive Director
Martin Pyle	Non-Executive Director
Kevin Hart	Company Secretary

Substantial Shareholders:

Platypus	7.5%
Van Eck	5.9%
RCF	4.5%

Share Price Graph



Wednesday, 24 June 2015

Gold Road Resources

Gruyère Premier Cru

Analysts | Patrick Chang, CFA | Matthew Keane

Quick Read

Gold Road (GOR) delivered further positive drilling results from Gruyere, with most holes intersecting similar or better tenor mineralisation compared to the Resource model. Importantly, higher grade, wide mineralisation was intersected at depth outside the existing Resource envelope. The results highlight the potential for a bulk tonnage, underground operation at Gruyere and the likelihood for further Resource expansion. An updated Resource model is expected in the coming months, incorporating these results. Gruyere's scale, geometry, long life, and favourable metallurgical properties, combined with a low sovereign risk jurisdiction, will ensure the asset attracts market and corporate attention. Following the recent capital raising, GOR is well funded (est ~A\$50m cash) to the completion of a BFS and to continue its high intensity exploration programs. SPEC BUY and A\$0.75 valuation maintained.

Event & Impact | Positive

Underground potential: Drilling results at Gruyere highlight the potential for a bulk tonnage underground operation. Specifically, the identification of wide, higher grade zones are supportive of this. Results include (downhole widths):

- 188m @ 1.5g/t from 611m, including 123m @ 1.8g/t from 659m
- 202m @ 1.5g/t from 383m, including 69m @ 2.0g/t from 516m

These grades are comparable with existing bulk underground tonnage operations in Australia, including Telfer (UG SLC Reserve grade 0.91g/t Au, 0.23% Cu, December 2013) and Cadia East Underground (Reserve grade 0.48g/t Au, 0.29% Cu). The feasibility of a bulk tonnage underground operation at Gruyere will be dependent upon geometry, grade and rock characteristics. This is being investigated by AMC Consultants.

Potential 270-350koz pa operation: Both the inventory (>5Moz) and the vertical endowment (12.5koz per vertical metre in top 260m) are supportive of a 7.5Mtpa-10Mtpa operation in the upcoming PFS (Phase I), producing 270-350koz pa. Argonaut's valuation is based on a 270koz pa scenario (only pit only). An upsized, 350koz pa operation and a viable underground operation will likely result in enhanced economics.

Regional exploration: With the Resource drilling program at Gruyere now complete, GOR's reinvigorated regional exploration program, consisting of 118.5km of drilling (excluding South Yamarna JV projects) will likely deliver further upside (see Page 3). Following the recent capital raising, GOR is well funded (est ~A\$50m cash) to rapidly advance its exploration pipeline.

Recommendation

SPECULATIVE BUY and A\$0.75 valuation maintained.

Underground potential

Positive results from drilling at Gruyere...

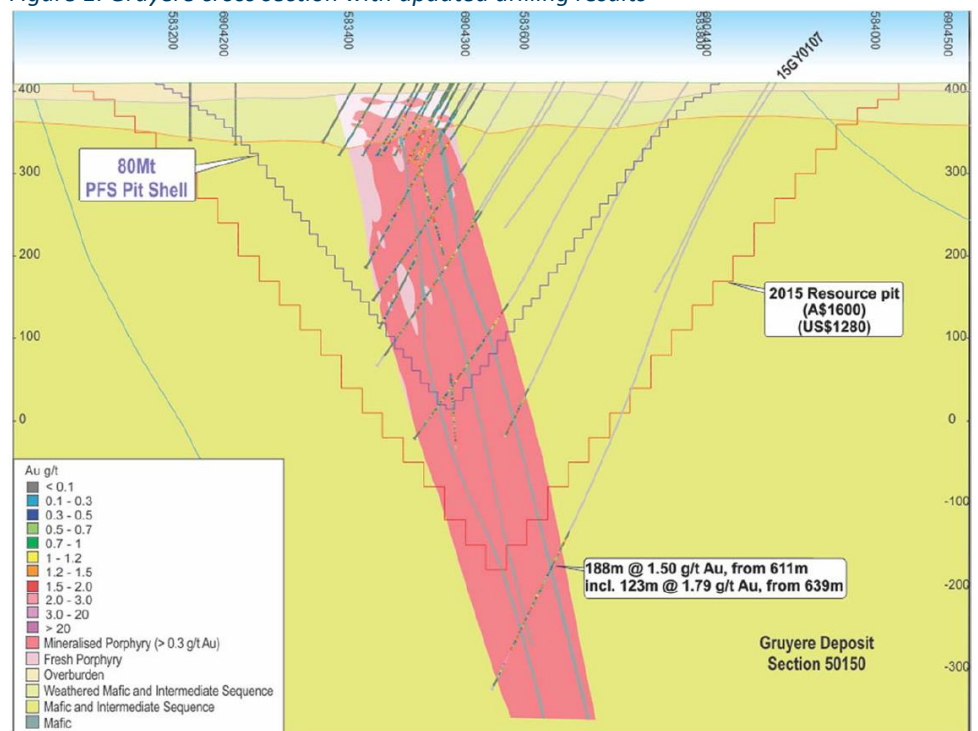
Gold Road (GOR) delivered further positive drilling results from Gruyere. Better results include (downhole):

- 188m @ 1.5g/t from 611m, including 123m @ 1.8g/t from 659m
- 202m @ 1.5g/t from 383m, including 69m @ 2.0g/t from 516m

These results confirmed the continuity and width of the orebody, particularly at depth. The identification of wide, higher grade zones demonstrate the potential for a bulk tonnage, underground operation at Gruyere.

...highlights further Resource upside...

Figure 1: Gruyere cross section with updated drilling results



Source: GOR

...and the potential for a bulk tonnage, underground operation...

These grades are comparable with existing bulk underground tonnage operations, including Telfer (UG SLC Reserve grade 0.91g/t Au, 0.23% Cu, December 2013 Technical Report), Cadia East Underground (Reserve grade 0.48g/t Au, 0.29% Cu), and Ridgeway (Reserve grade 0.55g/t Au, 0.28% Cu).

The feasibility of a bulk tonnage underground operation at Gruyere will likely be dependent upon rock characteristics, geometry and grade. This is being investigated by AMC Consultants. If viable at ~A\$1,600/oz, the inventory will likely be expanded significantly with further drilling.

...with comparable grades to existing bulk tonnage, underground operations...

...its feasibility is being investigated by AMC

Resource expansion potential

The results affirm the Company's geological model and highlight the likelihood for further Resource expansion. An updated Resource model is expected in the coming months, incorporate new drilling results. This updated model will be used for detailed mine design and schedules in the ongoing PFS (Stage 2).

Uncovering Yamarna

Regional exploration pipeline

GOR is well funded with a plethora of targets to test...

GOR is well funded (~A\$50m cash) following the recent capital raising and is newsflow rich with a high intensity exploration program underway. Targets (North Yamarna only) to be tested in the next 12 months are listed below.

Table 1: GOR preliminary regional program (North Yamarna)

Target	Drill Type	Sep 2015 Quarter	Dec 2015 Quarter	Mar 2016 Quarter	Jun 2016 Quarter	Total Metres
Gruyere	Diamond	1,500	1,500			3,000
	RC	5,500	9,500			15,000
	Aircore	8,000				8,000
Dorothy Hills South	Diamond			2,000	1,500	3,500
	RC		1,500	5,000	3,500	10,000
	Aircore	8,000	12,000		8,000	28,000
Sun River-Wanderrie	Diamond	500	1,500		1,500	3,500
	RC	2,500		1,500	3,500	7,500
	Aircore	5,000		4,000		9,000
Pacific Dunes-Corkwood	Diamond				1,500	1,500
	RC		1,500		3,500	5,000
	Aircore		6,000	4,000		10,000
Attila-Alaric Trend, Central Bore and North tenements	Diamond	500		500	1,500	2,500
	RC				3,500	3,500
	Aircore	4,500			4,000	8,500
TOTAL		36,000	33,500	17,000	32,000	118,500

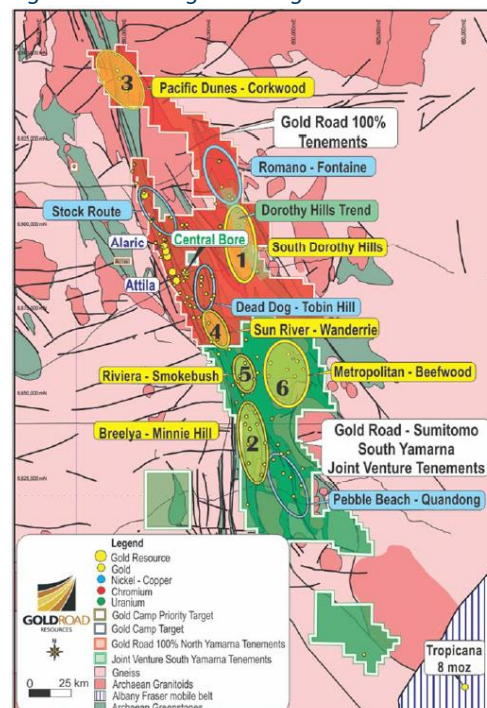
Source: GOR

...including Dorothy Hills South, Pacific Dunes – Corkwood, and Sun-River Wanderrie

Given dominant landholding and prospective geology...

Given the endowment of better explored greenstone belts in WA and GOR’s dominant >5,000km² landholding, the Company’s strategy to concentrate on regional exploration is likely to pay further dividends. Sizable shallow discoveries are possible by following first principles and employing conventional exploration techniques, evident from the discovery of the Gruyere deposit.

Figure 2: GOR regional targets



Source: GOR

...GOR’s regional exploration program is likely to pay further dividends

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Important Disclosure

Argonaut acted as Joint Lead Manager to the Placement to raise up to \$40M in June 2015 and will receive 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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