

Monday, 5 May 2014

Gold Road Resources

Ticking the met box

Analysts | Patrick Chang | Matthew Keane

Stock	GOR
Recommendation	SPEC BUY
Current Price	\$0.15

Quick Read

Gold Road (GOR) released additional metallurgical results from its Gruyere Project. The results are highly promising and highlights included the viability of recovering >90% gold at coarser grind sizes, high gravity recoveries (~50%), favourable leach kinetics, as well as the potential for a low cost heap leach operation. These attributes should contribute to reduced capex / opex under a development / production scenario. The Company is well funded (~\$14m following the recent raising) and is one of the very few ASX gold explorers doing a significant amount of drilling with substantial potential to make further discoveries in the highly prospective Yamarna Belt. Speculative Buy recommendation maintained.

Event & Impact

High recoveries with coarser grind likely achievable: Recent testwork on coarser grind sizes (106µm and 125µm) demonstrated overall recoveries of >95% are achievable with conventional CIL and oxygen sparging. This result is similar to previous testwork results of ~97% recoveries with a finer 75µ grind. The testwork was completed by ALS in Perth and incorporates oxide, transitional and fresh material. Positives highlighted from this round of testwork included:

- High gravity recovery of ~50%
- Favourable leach kinetics, with >77% Au extracted into solution after 2 hours and >90% Au extracted after 24 hours

Very promising heap leach results: Although early stage, intermittent bottle roll test highlighted potential for a low cost heap leach operation. Testwork on a 5kg composite crushed to 3.35mm from Gruyere demonstrated potential overall recoveries of >80%. Likewise, the mineralisation demonstrated rapid leach kinetics with >70% of Au extracted after 24 hours. A viable heap leach operation could substantially reduce capex and opex and this saving is particularly significant given the relatively remote location of the project.

A pipeline of exciting targets to be tested in FY14: Given the Company's dominant landholding in the highly prospective but under-explored Yamarna belt, GOR's refocused strategy to concentrate on regional exploration is likely to pay further dividends. Several high priority targets around Gruyere are being drill tested. Argonaut is excited about the pipeline of prospects to be tested in FY14, including Pacific Dunes – Corkwood, Sun River – Wanderrrie and Riviera – Smokebush camp targets. The Company is well funded with ~\$14m cash to pursue its exploration aspirations.

Recommendation

GOR is one of our preferred gold explorers with significant catalysts from drilling at Gruyere as well as the potential for further discoveries within the Yamarna Belt in the near / medium term. Argonaut maintains a SPEC BUY recommendation

Important Disclosure: Argonaut acted as Joint Lead Manager to the Placement that raised \$10M in March 2014 and received fees commensurate with this service. Argonaut currently holds or controls 285,700 GOR shares.