

Gold Road Resources

Sumitomo Metal Mining JV

Gold Road has secured a binding exploration JV agreement with Sumitomo Metal Mining. This covers an unexplored area of 2,720km² south of the Central Bore project within the existing Yamarna tenement holding. The deal potentially adds up to A\$8m in exploration funding and provides Sumitomo with up to 50% interest in the project. Clearance surveys of the area are set to commence in May 2013, with drilling targeted by October 2013 subject to soil testing and sub-audio magnetic (SAM) surveys.

Year end	Revenue (A\$m)	PBT* (A\$m)	EPS* (c)	DPS (c)	P/E (x)	Yield (%)
06/11	0.0	(1.9)	(0.6)	0.0	N/A	N/A
06/12	0.0	(2.4)	(0.7)	0.0	N/A	N/A
06/13e	0.0	(2.5)	(0.6)	0.0	N/A	N/A
06/14e	0.0	(3.4)	(0.7)	0.0	N/A	N/A

Note: *PBT and EPS are normalised, excluding intangible amortisation, exceptional items and share-based payments.

Agreement covers 2,720km² of Yamarna tenements

The deal significantly expands exploration activity well beyond the current 6km² of the Central Bore area at no cost to the company. Under the terms of the binding agreement Sumitomo will spend a minimum of A\$1.75m by December 2013 and a further A\$1.75m by December 2014 to fund exploration of the southern Yamarna tenements. The agreement includes the option to fund up to A\$5m or A\$8m by December 2016 to earn up to a 30% or 50% interest in the South Yamarna project respectively.

Free to focus on Central Bore project

With funding now in place, Gold Road plans to commence soil testing ahead of the SAM surveys and potentially start drilling by October/November 2013. The deal significantly expands the exploration perimeter within Yamarna and frees Gold Road to focus on bringing Central Bore, where it retains a 100% interest, into production by end-2013. Completion of the Central Bore project's pre-feasibility study (PFS) is expected by end-June 2013.

Valuation: Shares at 79% discount

Our 33c/share sum-of-the-parts valuation remains unchanged at this point and comprises 8.4c/share from an NPV calculation, whereby small-scale production commences at Central Bore by end-CY14. We have added 24.6c/share for the remaining resources, derived by benchmarking forecast residual levels against the global average EV/in situ values for measured, indicated and inferred ounces for the Australian market (see our sector report [Gold: New benchmarks for old](#)), which is then discounted back into current money terms. At 7c/share the market is applying a 79% discount to Gold Road's EV compared to global average benchmarks, which, when applied, generates a valuation of 5.2c/share for the remaining resource and a sum-of-the-parts-valuation of 13.6c/share.

Strategic partnership update

Metals & mining

15 May 2013

Price **A\$0.07**

Market cap **A\$32m**

US\$/A\$0.9979

Net cash (A\$) as at March 2013 9.3m

Shares in issue 455.1m

Free float 95%

Code GOR

Primary exchange ASX

Secondary exchange N/A

Share price performance



% 1m 3m 12m

Abs (21.2) (44.2) (67.3)

Rel (local) (24.3) (45.4) (72.7)

52-week high/low A\$0.24 A\$0.07

Business description

Gold Road Resources is an ASX-listed gold exploration company with a 5,000km² tenement package in the Yamarna greenstone belt region of Western Australia. Its two key project areas are along the Attila and Central Bore Trends.

Next events

Pre-feasibility study June 2013

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[Edison profile page](#)

Exhibit 1: Financial summary

	A\$'000s	2011	2012	2013e	2014e
30-June		IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS					
Revenue		0	0	0	0
Cost of Sales		0	0	0	0
Gross Profit		0	0	0	0
EBITDA		(2,163)	(2,951)	(2,683)	(2,683)
Operating Profit (before amort and except)		(2,259)	(3,288)	(3,020)	(3,020)
Intangible Amortisation		0	0	0	0
Exceptionals		(404)	(45)	0	0
Other		(1,069)	(441)	0	0
Operating Profit		(3,732)	(3,774)	(3,020)	(3,020)
Net Interest		384	881	533	(369)
Profit Before Tax (norm)		(1,874)	(2,407)	(2,487)	(3,389)
Profit Before Tax (FRS 3)		(3,347)	(2,893)	(2,487)	(3,389)
Tax		318	0	0	0
Profit After Tax (norm)		(1,557)	(2,407)	(2,487)	(3,389)
Profit After Tax (FRS 3)		(3,030)	(2,893)	(2,487)	(3,389)
Average Number of Shares Outstanding (m)		250.5	367.6	414.7	499.9
EPS - normalised fully diluted (c)		(0.6)	(0.7)	(0.6)	(0.7)
EPS - (IFRS) (c)		(1.2)	(0.8)	(0.6)	(0.7)
Dividend per share (c)		0.0	0.0	0.0	0.0
Gross Margin (%)		N/A	N/A	N/A	N/A
EBITDA Margin (%)		N/A	N/A	N/A	N/A
Operating Margin (before GW and except.) (%)		N/A	N/A	N/A	N/A
BALANCE SHEET					
Fixed Assets		12,053	30,273	37,940	78,703
Intangible Assets		10,870	28,449	35,449	36,449
Tangible Assets		1,183	1,824	2,491	42,254
Investments		1	1	1	1
Current Assets		10,489	13,084	9,650	5,498
Stocks		0	0	0	0
Debtors		791	246	246	246
Cash		9,686	12,826	9,393	5,241
Other		11	11	11	11
Current Liabilities		(1,331)	(2,401)	(2,401)	(2,400)
Creditors		(1,271)	(2,258)	(2,258)	(2,257)
Short term borrowings		0	0	0	0
Long Term Liabilities		0	(14)	(14)	(30,014)
Long term borrowings		0	0	0	(30,000)
Other long term liabilities		0	(14)	(14)	(14)
Net Assets		21,211	40,942	45,176	51,789
CASH FLOW					
Operating Cash Flow		(2,344)	(2,469)	(2,683)	(2,683)
Net Interest		364	823	533	(369)
Tax		318	0	0	0
Capex/opex		(6,759)	(17,611)	(8,004)	(41,100)
Acquisitions/disposals		0	16	0	0
Financing		16,338	22,323	6,721	10,000
Dividends		0	0	0	0
Net Cash Flow		7,916	3,082	(3,433)	(34,152)
Opening net debt/(cash)		(1,770)	(9,686)	(12,826)	(9,393)
HP finance leases initiated		0	0	0	0
Other		(0)	58	0	0
Closing net debt/(cash)		(9,686)	(12,826)	(9,393)	24,759

Source: Gold Road Resources' accounts, Edison Investment Research

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