

# Gold Road Resources

Resource update

## Central Bore project resource upgrade

Metals &amp; mining

11 April 2013

**Price** **A\$0.10**
**Market cap** **A\$45.5m**

US/AUD 0.9525

Net cash (as at Dec 12) A\$5.1m

Shares in issue 454.5m

Free float 95%

Code GOR

Primary exchange ASX

Gold Road Resources has released an updated mineral resource estimate for the combined Central Bore project, incorporating the Imperial Shoot, the Senate and Justinian. The upgraded estimate will be incorporated into the pre-feasibility study (PFS) work currently underway and due for completion by the end of June 2013.

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.

### A 32% increase in total Central Bore project resource

In its second upgrade since establishing a maiden resource in 2011 at the Central Bore project, Gold Road reported a combined JORC-compliant resource of 813.9kt at 7.7g/t for 201,100 ounces contained gold, an increase of 32%. Central Bore includes the Imperial Shoot deposit which accounts for 112,200 ounces of the contained gold, an increase of 10% since the previous published estimate in February 2012, at a notably higher average grade of 22.7g/t compared with 19.2g/t. On an uncut resource basis, Imperial Shoot contributes an additional 40% or 42.3koz to gold contained. Importantly, of 220 RAB-drill holes used in the revised estimate, one in 10 included intercept readings of over 100g/t, which bodes well for enhancing near-term cash flows from mining higher grade portions of the ore body.

### Pre-feasibility study due the end of June 2013

Gold Road continues to target production by end-2014 and has completed the necessary hydrological, geotechnical, environmental and preliminary metallurgical test work required for the currently ongoing PFS. We expect completion of the PFS by the end of June 2013 and continue to anticipate a small scale underground mining operation at Central Bore as the most likely production scenario (see our February 2013 report [Unlocking Yamarna](#)).

### Valuation: Shares at 70% discount

Our 33c/share sum-of-the-parts valuation remains broadly unchanged and comprises 8.4c/share from an NPV calculation, whereby small-scale production commences at the Central Bore by end-CY14. We have added 24.6c/share for the now slightly higher remaining resources, derived by benchmarking forecast residual levels against global average EV/in-situ values for measured, indicated and inferred ounces for the Australian market (see Edison's sector report [Gold: New benchmarks for old](#)), which is then discounted back into current money terms. The market is applying a 71% discount to Gold Road's EV compared to global average benchmarks, which when applied to the remaining resource generates a valuation of 7.2c/share for the remaining resource and a sum-of-parts-valuation of 15.6c/share.

### Share price performance



%	1m	3m	12m
Abs	0.0	(20.0)	(62.3)
Rel (local)	3.3	(23.7)	(66.8)

52-week high/low A\$0.29 A\$0.08

### Business description

Gold Road Resources is an ASX-listed gold exploration company with a 5,000km<sup>2</sup> 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

### Analysts

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**Exhibit 1: Financial summary**

	AS'000s	2011	2012	2013e	2014e
30-June		IFRS	IFRS	IFRS	IFRS
<b>PROFIT &amp; LOSS</b>					
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 (c)		(0.6)	(0.7)	(0.6)	(0.7)
EPS - normalised fully diluted (c)		(0.6)	(0.6)	(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
<b>BALANCE SHEET</b>					
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
<b>CASH FLOW</b>					
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, Edison Investment Research

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