

mine**life**

WEEKLY RESOURCE REPORT by Gavin Wendt



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Gold Road Resources (GOR) – Take up SPP/Spec Buy around \$0.11

Advanced gold explorer that boasts an outstanding new high-grade gold belt within the Yamarna district of Western Australia, which hosts a resource of more than 1M ounces and continues to grow through drilling.

Corporate Details

Status: Advanced Explorer
 Size: Small Cap
 Commodity Exposure: Gold
 Share Price: \$0.11
 12-month Range: \$0.105 - \$0.47
 Shares: 390m, Options: 18m
 Top 20: 33%
 Net Cash: \$5m
 Market Value: \$43m



	Rating (✓out of 5)
Management Quality	✓✓✓✓✓
Financial Security	✓✓✓✓
Project Quality	✓✓✓✓✓
Exploration / Resource Potential	✓✓✓✓✓
Project Risk	✓✓✓✓✓

We introduced Gold Road Resources to our Portfolio back in December 2010 with a Speculative Buy recommendation around \$0.38 and we continue to maintain our confidence in the company's longer-term resource and production potential. We recommend that existing holders take up their current SPP entitlement at \$0.11 and we also recommend the stock to new investors as a Speculative Buy around current price levels. The company's Yamarna project is shaping up as a multi-million ounce gold belt.

Significantly, not only is Yamarna shaping up in terms of its overall size, but most importantly the grades being generated are in many instances amongst the best seen in an Australian gold project for several decades. What makes Gold Road's exploration achievements even more notable is that they have taken place against a background of relative mediocrity in terms of grassroots exploration discoveries within the Australian gold sector.

Given the vast sums of exploration dollars that have been raised by gold exploration companies over the past decade, there isn't a huge lot to show for it in terms of 'greenfields' discoveries - with Gold Road's Yamarna project and Independence/Anglogold's Tropicana project being the notable exceptions. The key to Yamarna is that exploration has been restricted due to funding constraints, an issue which management is looking to address via a move into near-term production.

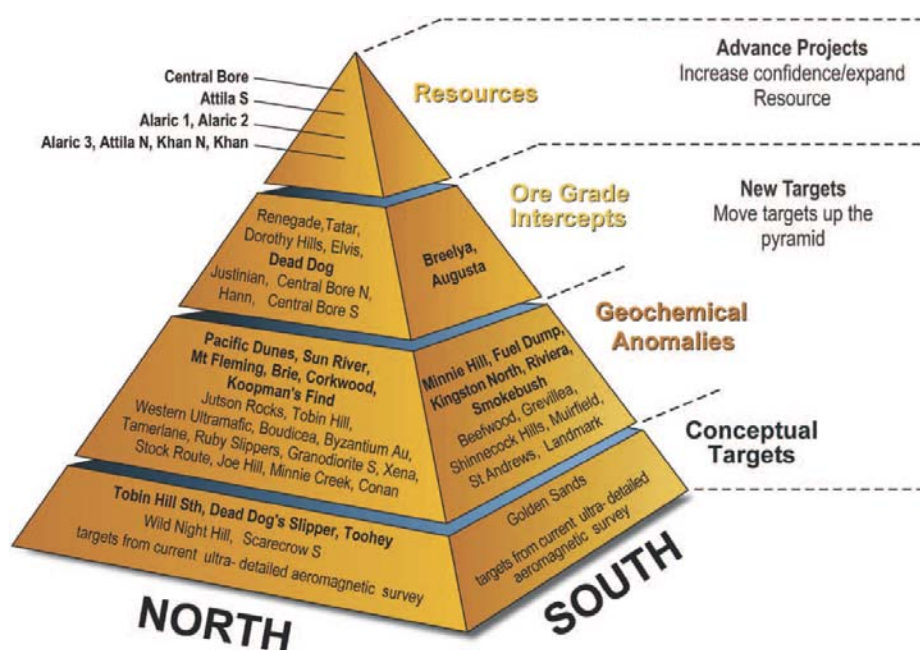
Yamarna Project

The company's acreage position is vast and encompasses more than 5,000 sq km of the Yamarna greenstone belt, 150km east of Laverton on the eastern edge of the Yilgarn Craton. The Yamarna belt lies adjacent to the 500km-long Yamarna shear zone and north of the developing +5-million ounce Tropicana deposit, jointly-owned by AngloGold-Ashanti/Independence. Although it was discovered during the 1990s, Yamarna's remoteness 870km from Perth and its abundant surface cover means it is one of the most underexplored greenstone belts within Western Australia.

The Yamarna Belt was recently identified by the Geological Society of Western Australia as sharing the same age and characteristics as the prolific Kalgoorlie Belt, so the same gold exploration techniques that proved effective in Kalgoorlie may also prove effective for Yamarna. Past gold production from the Kalgoorlie greenstone belt exceeds 120 million ounces and it continues to deliver new discoveries 130 years later.

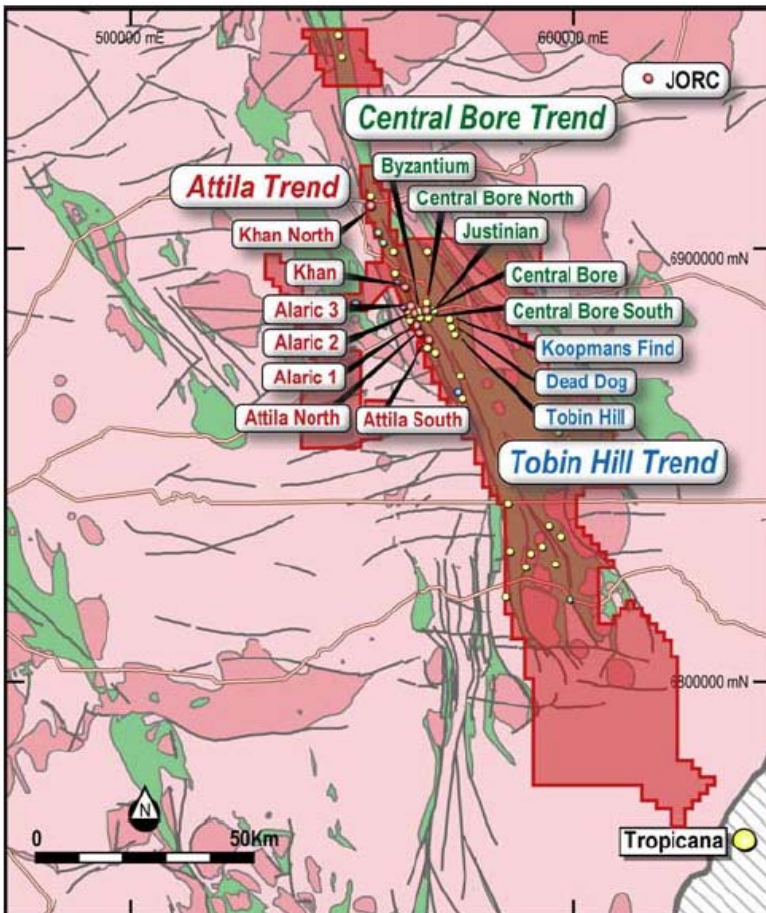
Importantly, Gold Road is the only company to have consolidated tenements and conducted systematic exploration within the Yamarna Belt. With only a small proportion of the belt having so far received detailed exploration, the company has made 13 new gold discoveries since 2009, established a pipeline of more than 100 targets and compiled a JORC-compliant Resource comprising more than 1.2 million ounces of gold.

Exploration is focused on increasing confidence and expanding the resource of the advanced projects, whilst also searching for more new gold discoveries. Meeting its target of 150,000 metres of drilling during calendar 2012, around one-third of the total metres drilled (two-thirds of the budget) was focused on further proving the company's advanced projects, whilst two-thirds was spent on establishing new gold prospects. The company is prioritising projects and allocating drill rigs and resources to the key projects, with the aim of advancing projects into the JORC Resource category.



Central Bore & Attila Trends

Gold Road is progressing two key gold trends, together with two recently discovered trends, within the Yamarna Belt. The first comprises the Attila Trend that extends for more than 33km and hosts a significant JORC-compliant resource; whilst the second comprises the Central Bore Trend, an area east of the southern extent of the Attila Trend which has delivered six new discoveries in 24 months and hosts a significant JORC resource.



The company aims to be a self-funded explorer from late 2014 through utilization of cash flow from future production at its advanced projects (Central Bore and Attila) that will fund systematic exploration of its Yamarna Belt – which has strong potential to be a multi-million ounce gold camp.

Central Bore was discovered during 2009 and is the company's flagship high-grade gold deposit. The project is located within the heart of the Central Bore Area, a 6 sq km zone that hosts at least four other known gold deposits - Justinian, Byzantium, Central Bore North and Central Bore South. Drilling has been designed to increase confidence in grade and geological continuity and the deposit remains open at depth.

Gold mineralisation at the Attila Trend extends for 33km in a north-northwest direction from the Attila South deposit to the Khan North deposit. The Attila resource includes seven deposits - Attila South, Attila North, Alaric 1, Alaric 2, Alaric 3, Khan and Khan North. The company has increased the total JORC-compliant Resource estimate for the Attila Trend to 25.5 million tonnes @ 1.29 g/t Au for a total of 1,060,000 oz Au.

Confidence in the Resource has also been enhanced, as a substantial proportion (~72%) of the Resource has been moved into the Measured or Indicated categories. Resource drilling has also confirmed the initial potential economics of open-pits along the Attila Trend. Initial pit optimisation studies have been very encouraging and the company will investigate underground mining potential below several of the open-pits. Resource drilling along the Attila trend to date has been relatively shallow at depth and limited to key zones.

Current JORC-compliant Resource

Project Name (cut-off)	'000t	Grade g/t Au	Ounces Au
Central Bore Project (1.0 g/t) (2012)	519	9.1	152,323
Measured	22	22.4	15,710
Indicated	444	8.9	127,719
Inferred	53	5.3	8,893
Attila Trend (0.5g/t) (2012) (encompasses Attila South; Attila North; Alaric; Khan and Khan North projects)	25,527	1.296	1,060,000
Measured	8,382	1.44	389,000
Indicated	9,360	1.24	373,000
Inferred	7,785	1.19	298,000
TOTAL	26,046	1.45	1,213,000

Scoping Study

Scoping Study Key Outcomes (all references to \$ is Australian dollars)

Processing rate	400 ktpa
Gold production	47,500 oz pa (average)
Pre-production capital	\$62.8 million
Discounted net cash return at a discount rate of 8%	\$47 million (\$39 million post tax)
Cash-flow before capital (pre-tax)	\$132.7. million
Cash-flow after capital (pre-tax)	\$67.7 million
Operating costs (average over current life)	\$806 per ounce
Total costs including capital (average over current life)	\$1,248 per ounce.
IRR	42% (37% post tax)
ROI	89% (77% post tax)
Initial mine life	4 years

The Scoping Study for Attila and Central Bore was completed during September 2012 by Optiro Pty Limited and confirmed the economic viability of the projects. Since our coverage last week, the production scenario has been further enhanced with the announcement of results from ore processing studies that have confirmed the viability of an even smaller, 100,000tpa high-grade underground mining operation at Central Bore, with total gold production of around 35,000 ounces per annum. Production could be accelerated by ~6 months and pay-back could be achieved within 12 months.

The original Scoping Study was based on a processing throughput of 400ktpa via a conventional CIL plant, with blended feed material from both the high-grade Central Bore underground mining operation and the lower-grade Attila and Alaric open pit mining operations. However, despite the positive economic returns shown in the Scoping Study, a review of the outcomes highlighted the different

operating costs of the underground mine versus the open pit mines, and the increased project and funding risk from including the relatively lower-grade/higher-cost open-pit mining operations.

The company had previously commissioned investigations into smaller-sized processing plant options (fed only from the Central Bore underground mining operation) and over the past quarter a number of engineering firms have provided detailed quotations for both the capital expenditure and operating expenditure requirements for the smaller 100ktpa modular processing plant option. These quotes range from \$18 - \$20 million for the processing plant and \$80/t - \$100/t in plant operating expenditure.

The lower-cost option is more attractive in the current environment particularly, as it would allow the company to expedite production with a much lower financing requirement. Other potential benefits associated with the smaller modular plant are reduced plant construction lead times, a smaller mining camp, and a reduced environmental footprint. These numbers will be utilised in the Pre-feasibility Study, together with the revised Central Bore resource model and is due for completion during Q2 2013.

Exploration

Project Name (cut-off)	'000 t	Grade g/t Au	Ounces Au
Central Bore Project (1.0 g/t) (2012)	519	9.13	153,000
Measured	22	22.5	16,000
Indicated	444	8.90	128,000
Inferred	53	5.25	9,000
Attila Trend (0.5 g/t) (2012) (encompasses Attila South, Attila North, Alaric, Khan and Khan North projects)	25,527	1.29	1,060,000
Measured	8,382	1.44	389,000
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A conceptual targeting program has identified five new gold camp targets across the Yamarna Belt. The company recently reviewed regional gravity data and completed a high-resolution aero-magnetic survey in order to complete a detailed structural analysis of the Yamarna Belt. This analysis has narrowed the +100 prospects previously identified to 17 key prospects within five high-priority targets. Current diamond drilling aimed at extending the depth of gold mineralization past 250 metres has returned outstanding results, with the latest hole intersecting

1.76 metres @ 34.37 g/t Au from 270 metres including 0.2 metres @ 219 g/t Au and 0.2 metres @ 73.6 g/t Au. The current mine plan includes mining Central Bore from surface to a depth of 250 metres, so any increase in the mine plan deeper than 250 metres will increase the value of the project.

Summary

Over the past 12 months Gold Road has taken significant strides towards becoming a producing gold miner, with the completion of several resource upgrades and a Scoping Study that supports the case for rapid development. The company is now firmly on track to complete a pre-feasibility study during Q2 2013. As a reminder we recommend that eligible shareholders take up their full SPP entitlement at the \$0.11 issue price, whilst we also recommend the stock as a Speculative Buy around current price levels for new investors. The SPP closes on 8th February.

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MineLife Portfolio: Please refer to our Portfolio page for a full listing of all our stocks held, including purchase prices and dates.