

Gold Road Resources Limited (ASX:GOR)

SPECULATIVE BUY

VALUATION: N/A

SHARE PRICE: A\$0.15

COMPANY DATA

ASX Code	GOR
Market Cap (fully diluted, A\$m)	58.5
Shares on Issue (m)	390.0
Options on Issue (m)	19.9
52 Week Hi Lo (A\$)	\$0.14-\$0.60
Cash at Bank (30 Jun 2012, A\$m)	12.9

RESOURCES

Project	Mt	g/t	ozs Au
Central Bore			
Measured	0.022	22.5	16,000
Indicated	0.444	8.90	128,000
Inferred	0.053	5.25	9,000
Total	0.519	9.13	153,000
Attila Trend			
Measured	8.382	1.44	389,000
Indicated	9.360	1.24	373,000
Inferred	7.785	1.19	298,000
Total	25.527	1.29	1,060,000
TOTAL	26.046	1.45	1,213,000

SHARE PRICE PERFORMANCE



BOARD

Mr Ian Murray	Executive Chairman
Mr Ziggy Lubieniecki	Executive Director
Mr Russell Davis	Non-Executive Director
Mr Kevin Hart	Non-Executive Director
Mr Martin Pyle	Non-Executive Director
Mr David Woodall	Non-Executive Director

MAJOR SHAREHOLDER

HSBC Nominees	10.1 %
Directors	6.9 %
JP Morgan Nominees	3.2 %

Scoping study confirms economic viability of mining at Yamarna

RECOMMENDATION

The scoping study indicates an initial short but profitable mine life. Subject to a positive feasibility study, gold production could commence in late 2014. A valuation of the project will be published shortly, although the company's major asset remains the under-explored Yamarna Belt.

We continue to recommend Gold Road as a Speculative Buy. The Yamarna Belt provides unparalleled exploration upside for a gold explorer in Australia. Even a modest start-up operation would provide cash flow to allow the systematic exploration of the region, which would hopefully lead to an expanded operation over time.

KEY POINTS

- Gold Road today announced the results of its recently completed scoping study. The project is estimated to produce approximately 190,000 ounces of gold over an initial 4 year mine life.
- Gold production is expected to average around 47,500 ounces annually through the treatment of 400,000t of ore. Approximately 300,000tpa of ore would be sourced from two open pits at Attila South and Alaric 3 at an average grade of 1.9g/t, mined to a depth of 60m and 45m respectively. A further 100,000tpa at 9.4g/t would be sourced from an underground operation at Central Bore.
- The high grade shoot at Central Bore is open at depth; mining is currently initially envisaged to a depth of 250m. Both pits remain open at depth and along strike. The plant can be easily upgraded to 800,000t per annum should additional reserves be identified.
- The estimated capital cost of the project is \$62.8m, with the process plant accounting for \$40m of the total. Operating costs are expected to average \$806 per ounce and total costs (including capital) ~\$1,248 per ounce over the initial four year mine life.
- Key mining assumptions underlying the study include metallurgical recovery of 97%, underground and open pit mining dilution of 50% and 10% respectively, underground and open pit mining recovery of 90% and 97% respectively, mining costs based on applicable contractor rates and a gold price of A\$1,600 per ounce.
- Based on the above, the project would return a pre-tax NPV of \$47m at an 8% discount rate, an IRR of 42% (37% post tax) and an ROI of 89% (77% post tax). Payback would be achieved in less than two years.
- In a separate announcement, Gold Road identified five high priority Gold Camp Targets, each with a 15-20km strike length and containing numerous potential prospects. The targets are based on the intersection of local gravity highs and regional structures/lineaments.

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