

19 July 2011

Spec Buy

# Gold Road Resources

## Initiation – New Gold Belt

**Upcoming Events**

Exploration Drilling Results - Ongoing  
Resource Update - Late 2011  
Scoping Study - Early 2012

Price (A\$)	0.62
Ticker	GOR.AX
Market cap (A\$m)	195
Estimated cash (A\$m)	9
Debt (A\$m)	0
Attr Reserve (Moz Au)	0
Attr Resource (Moz Au)	1.1
EV/Reserve (US\$/oz Au)	0
EV/Resource (US\$/oz Au)	177

<b>52-week (A\$)</b>	
High	0.81
Low	0.27
3M-avg daily vol (000)	1,822
3M-avg daily val (A\$000)	1,137

<b>Shares</b>	
Basic (m)	317
Fully diluted (m)	335

<b>Top shareholders (%)</b>	
Directors	7.7
HSBC Noms	7.5
Citicorp Noms	3.8
Perth Select Seafoods	3.6
JP Morgan Noms	2.8
<b>Total</b>	<b>25.4</b>

**Share Price Performance (A\$)**



Source: Fidessa

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*Gold Road Resources has exploration tenure across the recently discovered Yamarna Gold Belt, Australia. Early-stage exploration has indicated potential for significant gold mineralisation within the 200km long greenstone belt.*

**Main Assets**

Asset	Country	Attributable Resource	Interest	CY11E Production
Yamarna	Australia	1.1Moz @ 1.63 g/t Au	100%	N/A

Source: Company data

**Gold Road has already defined 1.1Moz of gold resources within the Yamarna Greenstone Belt. A resource upgrade is expected later this year.**

**A high-grade resource of 150,300oz at 7.9 g/t Au has been defined at Central Bore.** The resource remains open in all directions. Recent results outside the current resource include 13m @ 40.5 g/t Au, 0.95m @ 636 g/t Au and 0.8m @ 225 g/t Au.

**High-grade gold intersections below existing drilling at Central Bore indicates that the mineralisation may thicken at depth. All drilling is less than 400m vertical.**

**Additional resources are expected from a pipeline of projects, including Justinian.** Drilling results from Justinian are encouraging and include 7m @ 27.2 g/t Au from 69m and 3m @ 7.4 g/t Au from 42m. This target will be drilled later this year.

**The Attila trend hosts a number of low-grade, shallow resources that would blend nicely with the high-grade Central Bore ore.** Most of these shallow resources remain untested at depth.

**Aggressive exploration programme looks set to supply positive newsflow through 2011.** We expect further high grade gold intersections from the Central Bore trend.

**Recommendation – SPECULATIVE BUY**

**We initiate coverage on Gold Road as a SPECULATIVE BUY.**

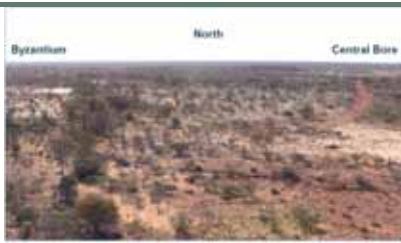
**We do not believe a sector-based in-situ ounce valuation of Gold Road resources is appropriate at this stage of the project.** We feel that the bulk of the market valuation represents the high-grade Central Bore deposit and the potential for further high-grade gold mineralisation. We perceive that the market places little value in the low-grade 0.9Moz at Attila, and consequently an in-situ ounce valuation would not be representative of Gold Road at the moment.

**We believe there is a huge amount of potential to develop significant gold resources at the Yamarna Greenstone belt.** We look forward to the resource upgrade at the end of the year. We consider a high-grade gold resource within a newly discovered gold belt in one of the world's most mature gold mining regions as a great opportunity for an early investment in a growing story.

Gold Road has tenements across most of the Yamarna Greenstone belt

Central Bore looks set to grow, with a pipeline of prospects to follow

Central Bore Landscape



Source: Company

The company has to determine whether to develop a long-term or near-term production strategy

Yilgarn Craton Showing Yamarna Belt



Source: Company

Investment Case

Gold Road’s price performance during 2011 is testament to the market’s appreciation of good, solid exploration stories. We believe Gold Road’s large tenement holding over most of the under-explored 200km Yamarna Greenstone belt has the potential to host multiple orebodies. The Central Bore resource shows the potential for high-grade gold mineralisation in what is essentially a new gold belt, and we are optimistic that there are many more gold ounces to be discovered at Yamarna.

Drilling results at Central Bore indicate good potential to grow this high-grade resource to 0.5Moz. However, in our opinion, it does not look like it will be large enough to support a larger-scale standalone operation on its own, but there are already signs that there is significant potential to grow resources throughout the belt, and especially at the recently discovered Justinian and Hann prospects. It is our opinion that Gold Road is in a strong position to continue growing the resources required to support a larger conventional operation. We feel this is a better option for the company than commencing a near-term heap leaching operation at Yamarna.

With A\$9m of cash on hand and an aggressive exploration programme set to continue, we believe there will be strong newsflow from Gold Road for the remainder of 2011.

Company Strategy

The company is focused on defining resources prior to a scoping study within nine months. The scoping study will determine whether Gold Road is best placed to continue defining resources for a longer-term standalone CIL operation, or develop a smaller-scale ‘truck & treat’ and heap leach operation on existing resources, to provide early cashflow in the short term.

Yamarna Gold Belt

Gold Road’s tenements cover over 5,000km<sup>2</sup> of the Yamarna Greenstone belt in Western Australia, some 140km east of Laverton on the eastern edge of the Yilgarn Craton. Historically the belt has been under-explored as previous explorers did not believe there was much potential for gold mineralisation in this region. However, the Tropicana discovery and Gold Road’s recent discoveries have since proved that this is not the case.

Situated directly north of the 5Moz Tropicana deposit, there is increasing evidence that the Yamarna Greenstone belt could be the newest gold belt in the world-class Yilgarn Craton, the source of over half of Australia’s current gold production.

The presence of a major deep-crustal shear zone, the Yamarna Shear, and an associated complex structural corridor has positive implications for the formation of major gold deposits. Much of the Achaean bedrock at Yamarna is obscured by a thin veneer of windblown sand. This would have masked gold mineralisation from previous explorers not prepared to sink exploration drill holes. The sand cover and isolation has resulted in Yamarna being one of the most under-explored greenstone belts in WA. Since taking ownership of Yamarna in 2006, Gold Road has defined a total resource at Yamarna of some 1,068,000oz Au, as shown in the table below.

The project currently has two main trends: Attila and Central Bore

The Central Bore Trend has delivered five new discoveries in the past 15 months

Visible Gold in Diamond Drilling



Source: Company

Recent high-grade results include 0.95m @ 636 g/t Au

The bulk of the high-grade mineralisation is in the Imperial shoot

## Total Yamarna Belt Resource

Category	Tonnes (Mt)	Grade (g/t)	Contained Au Oz (000)
Measured	6.5	1.61	334
Indicated	6.6	1.77	374
Inferred	7.4	1.52	359
<b>Total</b>	<b>20.4</b>	<b>1.63</b>	<b>1,068</b>

Source: Company

The Yamarna Project is divided into two geological trends: the high-grade Central Bore Trend to the east and the lower-grade bulk tonnage Attila Trend to the west. Most of the resource in the table represents the lower-grade, shallow historical resources along the Attila Trend and, consequently, the overall grade is diluted.

## Central Bore Trend

The Central Bore Trend is located to the east of the Attila Trend and has delivered five new discoveries in the past 15 months. Despite being discovered subsequent to the Attila Trend, the majority of Gold Road's current programme is focused on the Central Bore Trend, with over 100,000m of drilling planned for 2011. The trend likely represents a splay off a regional shear zone that marks the Attila Trend. As is often the case in the West Australian gold fields, the major shears act as the major fluid pathways for gold mineralising fluids and often host only low-grade gold. The secondary structures off these regional shears often act as the trap for higher-grade gold mineralisation. The more prospective targets at the Central Bore Trend are summarised below.

## Central Bore Deposit

The Central Bore deposit is located approximately 3.7km from the Attila Trend and was the first deposit discovered within the Central Bore Trend. Since discovery, Gold Road has defined high-grade (often 'bonanza grade') gold mineralisation over an 800m strike length and to a depth of 440m. The mineralisation remains open in all directions. A maiden resource of 150,300oz Au was released in March 2011, as shown in table below.

## Central Bore Resource

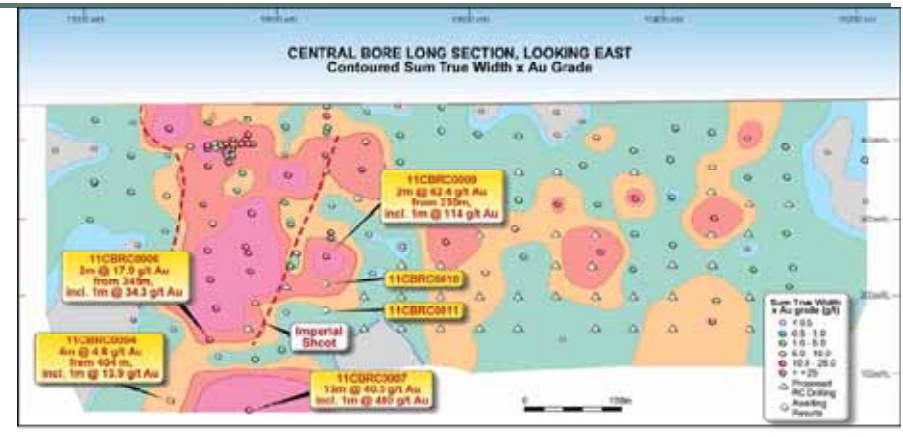
Category	Tonnes (Mt)	Grade (g/t)	Contained Au Oz (000)
Measured	0.1	16.67	13
Indicated	0.3	9.43	101
Inferred	0.2	4.78	37
<b>Total</b>	<b>0.6</b>	<b>7.86</b>	<b>150</b>

Source: Company

Since the release of the maiden resource statement the project has continued to deliver exceptional results, including 0.95 m @ 636 g/t Au and 0.8 m @ 225 g/t Au.

Gold Road has outlined a 23,000m drill programme for 2011 to further define the resource and assess the economic viability of the deposit. The bulk of the high-grade mineralisation has been defined in the sub-vertically plunging Imperial shoot. Recent high-grade drilling intersections from drill hole 11CBRC0011 of 13m @ 40.5 g/t Au (true width 4m) show the mineralisation continues well below the current resource, to at least 400m vertical depth.

Central Bore Long Section Showing Recent Intersections



Source: Company

Results including 7m @ 27.2 g/t Au from 69m and 3m @ 7.4 g/t Au from 42m

**Justinian Project**

The Justinian Project is located approximately 200m east of the Central Bore Deposit and has been identified over a 600m strike length. The Justinian Project appears to have similar characteristics to the Central Bore discovery, but is at a much earlier exploration stage. The discovery drill programme (November 2010) returned a number of encouraging intersections, including 7m @ 27.2 g/t Au from 69m and 3m @ 7.4 g/t Au from 42m.

Gold Road has outlined a drill programme of approximately 22,000m for the Justinian Project during 2011.

**Hann Project**

The Hann Project is at a much earlier stage, with a 2.4km long soil anomaly tested by a number of wide-spaced drill holes. Results returned to date include 4m @ 3 g/t Au and 1m @ 4.8 g/t Au. The prospect is located approximately 2.4km west of the Central Bore resource.

Gold Road has outlined a drill programme of approximately 20,000m for the Hann Project during 2011.

**Attila Trend**

The Attila Trend is located approximately 3.7km west of Central Bore and has only been partially tested given that the trend, believed to be a regional shear, has a strike length of 33km. Gold Road has defined resources on the Attila Trend of 917,000oz Au, as shown below.

Attila Low-grade Resource

Category	Tonnes (Mt)	Grade (g/t)	Contained Au Oz (000)
Measured	6.4	1.55	321
Indicated	6.3	1.36	273
Inferred	7.1	1.41	323
<b>Total</b>	<b>19.8</b>	<b>1.44</b>	<b>917</b>

Source: Company

There are a number of higher-grade targets on the Attila Trend

Within the overall Attila Trend there are a number of higher-grade targets that have been identified where later faults intersect the Attila shear and create dilational traps for gold mineralisation. We expect management to target these areas at the Attila Trend going forward.