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# AT A GLANCE

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## Gold Road Resources

### Progressing on multiple fronts

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<b>Stock</b>	<b>GOR: ASX</b>
<b>Recommendation</b>	<b>BUY</b>
<b>Current Price</b>	<b>\$0.68</b>
<b>Target Price</b>	<b>\$0.84</b>

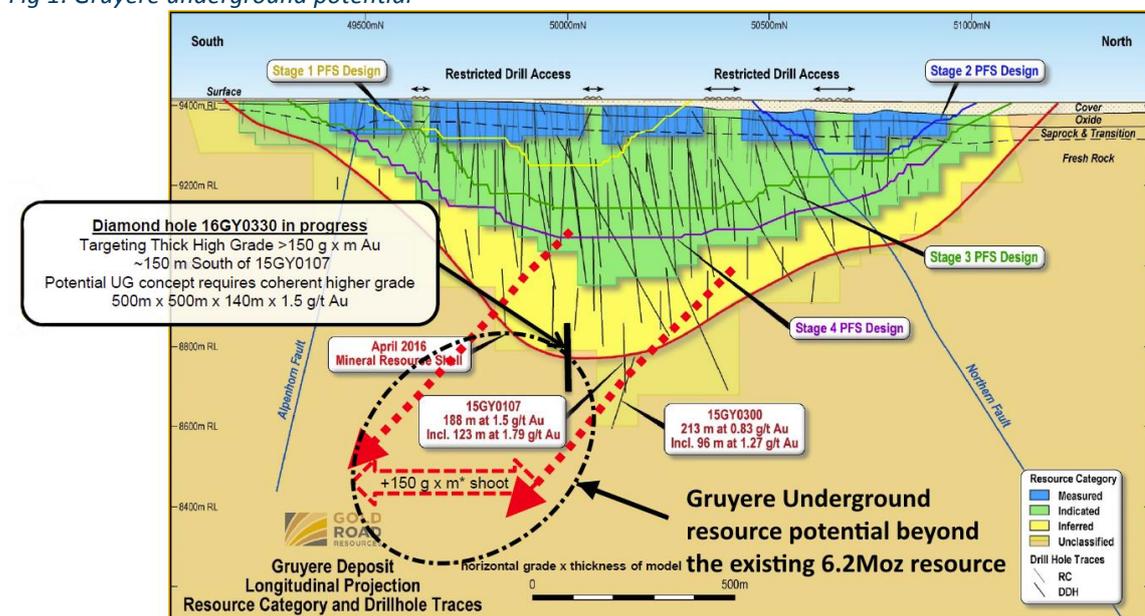
### Quick Read

Argonaut met with GOR management this week. Work on the Gruyere feasibility is progressing well, and we note that management are working on a multi-pronged approach to i) enhance the mine life through potential underground expansion, ii) advance regional exploration targets and iii) Optimisation of the mine schedule to include high grade near mine targets. Momentum is clearly building as GOR aims to complete the feasibility study in late 2HCY16.

### Event & Impact

**Potential for 5Moz of underground resources at Gruyere?** Work is progressing on the potential for underground resources at Gruyere. Drilling is at an early stage with hole 16GY0330 in progress during the recent company update. GOR's early indications on the recent company presentation show this zone could be ~150m x 500m x 500m, and Argonaut calculates at an approximate grade of 1.5gt Au this zone could host up to 3-5Moz of additional resources. Whilst economic viability is yet to be assessed, this target obviously represents a significant area warranting further work. Resolute Mining (RSG) recently released results of their Syama PFS suggesting sub-level caving was viable at 2Mtpa using grades of 2.4g/t Au. As such – we argue at ~5-7.5mtpa the economics of scale would give further scope to lower grade feed from projects such as Gruyere. Its early days, but the indications so far could impact long term positive value which is not factored into the current feasibility study.

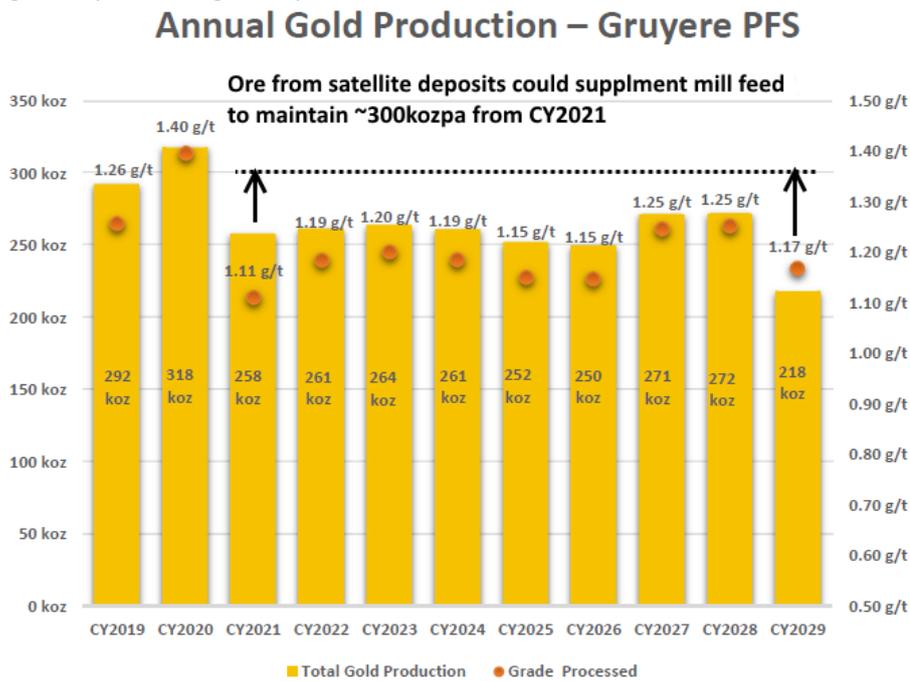
Fig 1: Gruyere underground potential



Source: GOR, modified by Argonaut

**Targeting near mine resources to maintain 300kozpa long term:** The Gruyere pre-feasibility study shows Year 3 production falling to ~260kozpa (from ~292koz in CY19, 318koz in CY20) so management are focussing on supplementing mill feed from near mine resources to maintain +300kozpa in the long term. The strategy is reasonably simple to achieve – in our estimates if GOR can supply ~1Mtpa of material with high margin near mine satellite ores at an average grade of ~1.5g/t Au, it could add +30kozpa to the mine plan which would increase output to circa ~300kozpa for the life of mine. Transport costs equate to ~0.1gt Au for 25km trucking distance to the Gruyere processing plant, so deposits such as Central Bore (180koz), Attila (220koz) come into play. Targets closer to the processing plant include South Dorothy Hills (YAM-14) and Wanderrie which show promising early stage results.

Fig 2: Gruyere underground potential



Source: Gruyere PFS, modified by Argonaut

**Exploration is now advanced to test targets at depth in 2017:** Over the last few years, a large proportion of GOR's exploration push has been with assessing bedrock geology, geochemistry and geophysics. GOR's understanding of litho-geochemistry is now well advanced with comprehensive coverage of the belt so we expect a large proportion of exploration will focus on refined targets. Management intoned that there will be significant RC and Diamond Core drilling this year as opposed to air-core drilling in previous years. Argonaut expects that this will pay off in significantly more resource upside than in previous years.

## Recommendation

BUY and A\$0.84 target price maintained.

**Important Disclosure:** Argonaut acted as Joint Lead Manager to the Placement to raise up to \$74M in April 2016 and will receive fees commensurate with this service.