

BUY

Current Price \$0.62
Target Price \$0.93

Ticker: GOR
Sector: Materials

Shares on Issue (m): 868.8
Market Cap (\$m): 543.0
Cash Estimate (\$m): 90.0
Enterprise Value (\$m): 453.0

52 wk High/Low: \$0.75 \$0.35
12m Av Daily Vol (m): 1.68

Mineral Inventory

	Mt	g/t	Moz	
Reserves	81.1	1.2	3.2	
Resources	153.6	1.3	6.6	
				\$/oz
EV / Reserve				143
EV / Resource				69

Directors:

Tim Netscher	Non Exec Chairman
Justin Osborne	Managing Director
Russell David	Executive Director
Martin Pyle	Non-Executive Director
Sharon Warburton	Non-Executive Director

Substantial Shareholders:

Mason Hill / Equinox	5.0%
Platypus	7.0%
Van Eck	6.0%
RCF	10.0%

Share Price Graph



Wednesday, 14 September 2016

Gold Road Resources

Gruyere matures with depth

Analysts | James Wilson | Matthew Keane

Quick Read

Gold Road Resources (GOR) has announced the results of deep diamond drilling to test the extension of the interpreted southerly plunging high grade zone at Gruyere. High grade intercepts of 88m @ 1.7g/t and 85m @ 1.53g/t Au were returned which show mineralisation extends ~200m below the base of existing resources. This paves the way for further mining studies in Q4CY16 to determine the viability of an underground bulk mining scenario. Maintain BUY and target price of A\$0.93ps.

Event & Impact | Positive

Multi-million ounce underground resource potential: GOR's recent drilling has started looking at the potential for underground expansion beyond the existing mine life. GOR is targeting a zone of >40Mt @ 1.5g/t (~2Moz Au). Today's announcement flagged intercepts including 87.6m @ 1.66g/t Au (Hole 16GY0330) which sits below the existing mineral resources shell and 85m @ 1.53g/t (Hole 16GY0330-W1) which sits within a larger mineralised intercept of 146m @ 1.38g/t Au.

All results are materially higher than the Gruyere Reserve grade of 1.2g/t Au stated in the PFS. Perhaps the most important aspect is that grade increases with depth suggesting further upside with deeper drilling.

Early stage mining supports sub-level caving: A conceptual mining study was completed in 2015 to assess the potential for bulk mining of the Gruyere underground. High level reviews will now be undertaken during the Dec Q to determine the requirement for further drilling to extend the high grade shoot and bring it into an Inferred Resource category. If this study is positive, then GOR will move to a more detailed diamond core program in 2017.

Gruyere maturing into an even tastier deposit at depth: High grade gold at Gruyere is characterised by strong albite alteration with strong quartz and chlorite veining. The latest drilling showed increased proportions of alteration, veining and visible gold. GOR interprets these zones to occur within a distinct southerly plunging shoot with a 400m in strike, 500m in dip and 80m thickness, which remains open.

Expecting regional results soon: We don't expect any further drilling on the Gruyere deeps this year, but we do expect GOR's aggressive regional exploration to continue to deliver results on satellite projects over coming months. The aim of the program is to deliver additional production ounces to maintain GOR's 300kozpa output over 10 years.

Recommendation

We expect strong news-flow as GOR pushes into the final stages of the DFS as well as advancing brownfields exploration, which we see as two key value drivers over the next three months. Maintain BUY and target price of A\$0.93ps.

**Latest drill intercepts include
87.6m @ 1.66g/t Au**

The recent results occur below the existing resource by up to 200m and pave the way for an expansion in resources at Gruyere

The high grade zones occur within a distinct southerly plunging shoot with a 400m in strike x 500m in dip extent x 80m thick

Further mining studies are planned in Q4CY16. If further drilling is required, it could be commenced in early 2017

Gruyere is maturing at depth

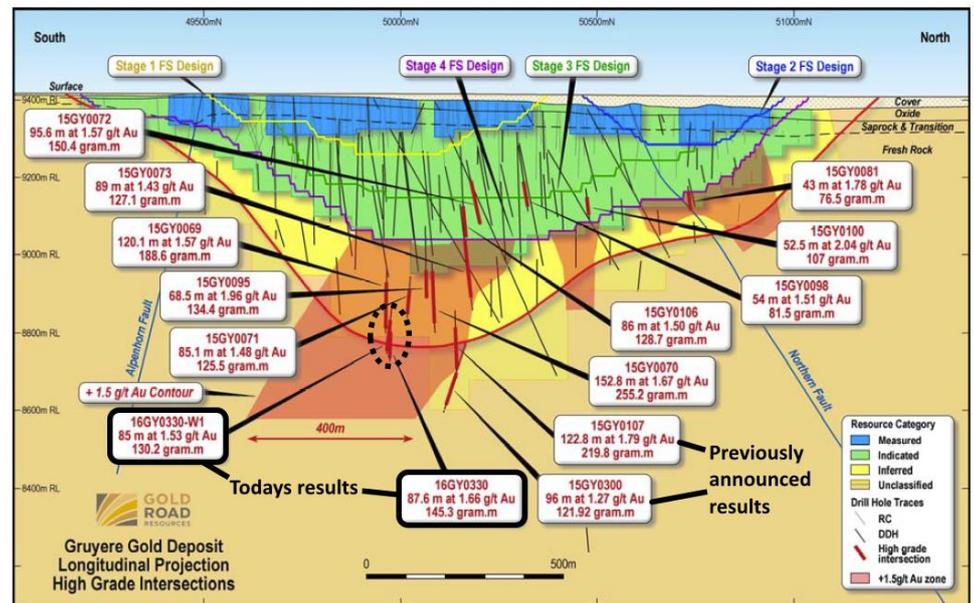
Multi-million ounce underground resources potential

GOR's recent drilling has started looking at the potential for underground expansion beyond the existing mine life. GOR interprets these zones to occur within a distinct southerly plunging shoot with a 400m in strike x 500m in dip extent x 80m thick, which remains open. GOR is targeting a high grade zone of >40Mt @ 1.5g/t (~2Moz Au), but Argonaut believes the overall size of the mineralised zone could be well in excess of 3-5Moz beneath Gruyere.

Today's announcement flagged intercepts including 87.6m @ 1.66g/t Au (Hole 16GY0330) which sits below the existing mineral resources shell and 85m @ 1.53g/t (Hole 16GY0330-W1) which sits within a larger mineralised intercept of 146m @ 1.38g/t Au. Results are materially higher than the Gruyere resource grade of 1.3g/t Au and more importantly the results are increasing in grade with depth. The holes are located around 200m to the south of the previous intercepts including 123m @ 1.79g/t Au which were announced in July 2016.

Mineralised intercepts to date sit up to 200m vertically below the existing resource at Gruyere paving the way for future resource expansion.

Figure 1: Gruyere Long Section



Source: GOR, Modified by Argonaut

Early stage mining supports sub-level caving: A conceptual mining study was completed in 2015 to assess the potential for bulk mining of the Gruyere underground. High level reviews will now be undertaken during the Dec Q to determine the requirement for further drilling to extend the high grade shoot and bring it into an Inferred Resource category. If this study is positive, then GOR will move to a more detailed diamond core program in 2017.

GOR interprets the high grade zone to extend 400m x 500m x 80m in a southerly plunging shoot

Gruyere maturing into an even tastier deposit at depth: High grade gold zones at Gruyere is characterised by strong albite alteration with strong quartz and chlorite veining. At higher cut-offs the high grade zones become evident in the recent drilling, and although they are discrete, they demonstrate the potential for high grade gold in the system.

Table 2: Gruyere Diamond drill intersections at 5.0g/t Au cut-off

Hole ID	From (m)	To (m)	Length (m)	Au Grade (g/t)	Gram x metre
16GY0330	685.00	685.45	0.45	8.19	3.7
	691.50	692.00	0.50	7.53	3.8
	724.85	725.47	0.62	5.35	3.3
	769.50	770.00	0.50	8.50	4.3
	772.21	773.00	0.79	13.31	10.5
	775.26	775.53	0.27	6.26	1.7
	788.00	788.79	0.79	20.85	16.5
	797.20	797.66	0.46	11.38	5.2
	810.00	810.50	0.50	16.31	8.2
	16GY0330-W1	658.70	659.20	0.50	5.47
	664.00	665.00	1.00	6.22	6.2
	724.00	725.00	1.00	5.5	5.5
	732.00	733.00	1.00	5.95	6.0
	745.00	746.00	1.00	7.07	7.1
	769.40	770.00	0.60	51.23	30.7

High grades occur within these broad zones of mineralisation with discrete zones >10g/t Au

Recommendation

Maintain BUY Recommendation and target price of A\$0.93ps

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Important Disclosure

Argonaut acted as Joint Lead Manager to the Placement in GOR to raise up to \$74M in April 2016 and received fees commensurate with this service.

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