

GOR.AU

19 March 2012
Gold
Australia (WA)
Advanced Exploration, Transition to Producer.
Exchanges: ASX:GOR

Gold Road Resources Limited

A\$ 0.34

We think it is quite possible that GOR could achieve ~50kozpa initial production early in CY14 from its own plant. That would be a major milestone, but should not distract focus from the big prize - untapping the major exploration potential of the Yamarna belt.

Capital Profile

Share price (A\$)	0.34
52 week range (A\$/share)	0.30 to 0.84
Number of shares (m)	390.0
Options and warrants (m)	17.8
Convertible notes (m)	0.0
Fully diluted (m)	407.4
Market capitalisation (undiluted) (A\$m)	132.6
Debt (A\$m) - Mar 12F	0.0
Enterprise value (A\$m)	132.6
Major shareholders: No individual shareholder holds >5%.	
Approx: Retail ~70%; Institutions ~25%; Directors & management ~25%.	
Avg monthly volume (m)	37
Cash (A\$m) - Mar 12F	19.2
Price/Cash (x)	6.9
Price/Book (x)	3.1
ASX-listed options:	No

Production and Financial Forecasts

YEAR END: June	Dec-11a	Mar-12F	2011a	2012F	2013F
Exploration and development (A\$m)	3.46	3.50	6.06	16.57	24.00
Corporate (A\$m)	0.73	0.70	2.02	2.86	2.80
Exploration/(Expl.+ Corporate) (%)	83	83	75	94	107
Funding duration at current burn (years)			1.2	0.7	-0.5
Shares on issue (pr end) (m shares)	390.0	390.0	311.5	390.0	390.0
Drilling - RAB (m)	20,000	30,000	97,000	115,000	120,000
Drilling - RC/Diamond (m)	13,655	12,000	41,000	49,655	48,000
Land holding ('000 ha)	500	500	500	500	500
Tenement costs (\$k per year)	-	-	-	-	-
Capital raisings (A\$m)	23.26	0.00	17.00	23.40	0.00
Funding from JV partners (A\$m)	0	0	0	0	0
Cash (A\$m)	23.1	19.2	9.8	12.7	-13.9
Cash backing (A\$/share)	5.9	4.9	3.1	3.6	-4.3
Net asset backing (A\$/share)	11.0	10.9	6.8	11.8	12.1

Investment Points

GOR holds a strategic position (~5,000km²) in under-explored Yamarna greenstone belt E Goldfields, WA. Exploration & Dev't budget increased to ~A\$23mpa.

Cashed up to fund CY12 intensive exploration and development initiatives.

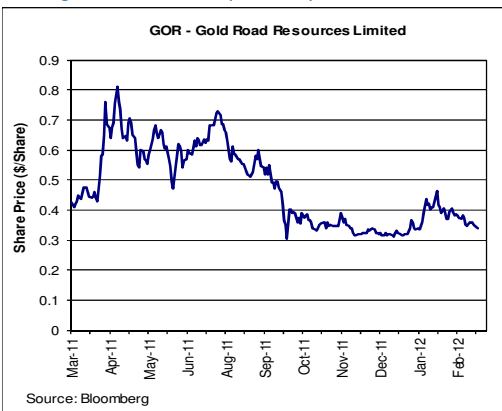
Total Yamarna resource (Atilla and Central Bore) 1.07moz, likely to continue to increase with aggressive 150,000m p.a. drilling program for CY12.

Cluster of multiple parallel high grade zones discovered in just 10km² around Central Bore indicates huge exploration potential for under-explored Yamarna belt.

Central Bore high grade resource - 152koz at 9.1g/t, Scoping Study completed for modest ~25kozpa 'truck and treat' production.

Drilling aimed at proving up Atilla higher grade zones could shift focus to larger scale production through a new dedicated processing plant.

Accordingly, we envisage GOR as a potential ~50kozpa producer in 1H14 generating strong cash flow to address the huge Yamarna belt exploration potential.



Company Comment

Overview: GOR listed on the ASX July '06, totally focused on the Yamarna greenstone belt where it has established >1moz gold resources. The company now had a dual focus – development of the advanced projects (Central Bore and Atilla Trend) to achieve production and cash flow in the next 1-2 years, while maintaining a regional exploration program focusing on new target identification and upgrading.

Yamarna Project (WA): The under-explored remote Yamarna greenstone belt is a regional scale mineralised trend looking increasingly likely to be WA's fifth major greenstone belt. The spectacular Yamarna belt exploration success for GOR is reflected in 13 new gold zone discoveries in the last 30 months – in an area that represents a mere 1% of GOR's Yamarna belt holdings.

Central Bore Area ("CB"): Discovered in 2009. CB is a linear steeply dipping high grade carbonate narrow vein system. Current JORC resource 519kt @ 9.1g/t for 152koz (of which 94% is Measured and Indicated) along an 800m strike length, to a depth of ~400m. The resource is open at depth (with grades increasing) and may extend up to 2km to the north (1km **CB North** anomaly) and south (**CB South** ~500m mineralised zone). **Justinian** (200m E of CB), is a parallel high grade discovery.

Atilla Trend (3.7km W of CB): The 'original' resource - 917koz @ 1.44g/t occurs in four main open-pit deposits along a 33km strike length. In order to bring Atilla into a production focus, GOR's current RC drilling is aimed at proving up higher grade zones. The primary strategy is to prove up higher grade 'starter pits' (past drilling identified higher grade shoots), and increase overall resource size and grade. Additionally, the gaps between existing deposits hold significant resource expansion potential, as well as newly discovered prospects such as Hann (4.3km Au anomaly), Tatar (1.5km Au anomaly) and Khan North (1.8km Au-Cu anomaly).

Grass Roots Exploration: New target identification and upgrading will take up about 67% of est. 150,000m drilling in 2012. The huge broader regional exploration potential and multiple target zones within ~30km of Central Bore is highlighted in the large number of potential targets in the 'resource pyramid' on the following page. Immediate focus is on exciting new discoveries (from 2011 RAB drilling) at **Tobin Hill** (5.5km SE of CB), namely Koopman's Find (40.7g/t rock chip) and Dead Dog, and at **Dorothy Hills** (26km NE of CB) – 3 anomalies identified.

Transition to Producer: GOR has completed a Scoping Study for an initial four-year ~95ktpa (~25kozpa Au) 'truck and treat' underground mining operation at CB which could be in production early in 2013 and be generating solid cash flow (A\$10-A\$15mpa). However, subject to proving up higher grade (2-3g/t) zones at Atilla (and updating for the the recently upgraded CB resource) a more likely outcome is for GOR to build a stand-alone treatment plant at Central Bore by late 2013 which could be producing closer to 50kozpa assuming average combined Atilla/CB grades in the range 4g/t to 6g/t.

Corporate: GOR is fully funded for CY12 exploration and development with ~A\$19m (est.) current cash. **Investment Comment:** Sometimes when explorers start transitioning to production the shift of focus from exploration potential to production numbers and NPV's can be a negative! This may be the case with GOR, with initial 'headline' Scoping Study production expectations of 20-25kozpa underwhelming the market. However, we think the focus could soon shift towards 50kozpa initial production, and with the huge Yamarna belt exploration potential still untapped, the shares should resume an upwards trend.

Reserves and Resources/Mineralised Material

Code for reporting mineral resources - Australian:		(JORC)						
Gold	Classification	Project Equity	Ore Mt	Au g/t	Cut Off g/t	Au t	Au koz	Au Equity koz
Reserves								
Resources								
Yamarna - Atilla Trend	Meas., Ind. & Inf.	100%	19.82	1.44	0.50	28.5	917	917
Yamarna - Central Bore	Meas., Ind. & Inf.	100%	0.52	9.10	1.00	4.7	152	152
Total Resources			20.34	1.64		33.3	1,069	1,069
Mineralised Material (est., non compliant with JORC)						0.0	0.0	0.0
		Project Equity	U ₃ O ₈ Mt	U ₃ O ₈ %	Cut Off ppm	U ₃ O ₈ kt	U ₃ O ₈ mlb	U ₃ O ₈ Eqty mlb
Uranium Resources								
Thatcher Soak	Inferred	100%	16.1	0.017	100	2.7	6.2	6.2

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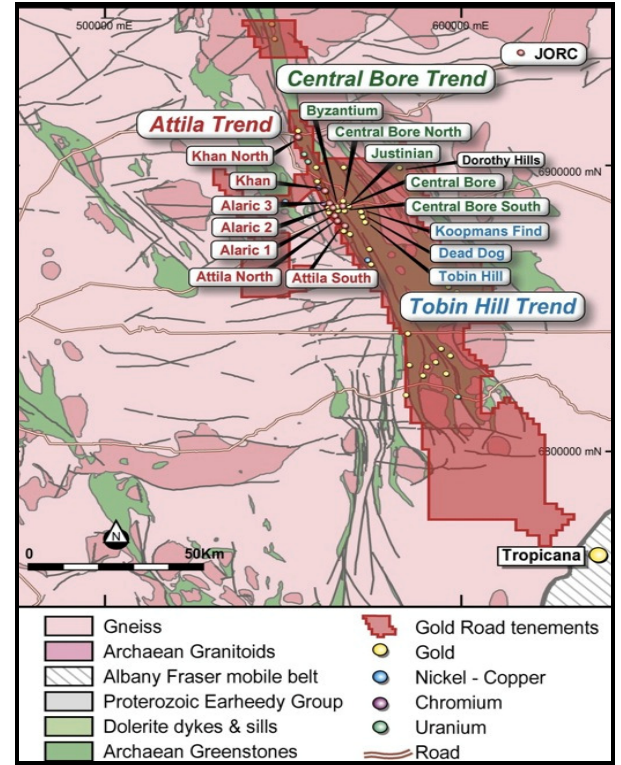
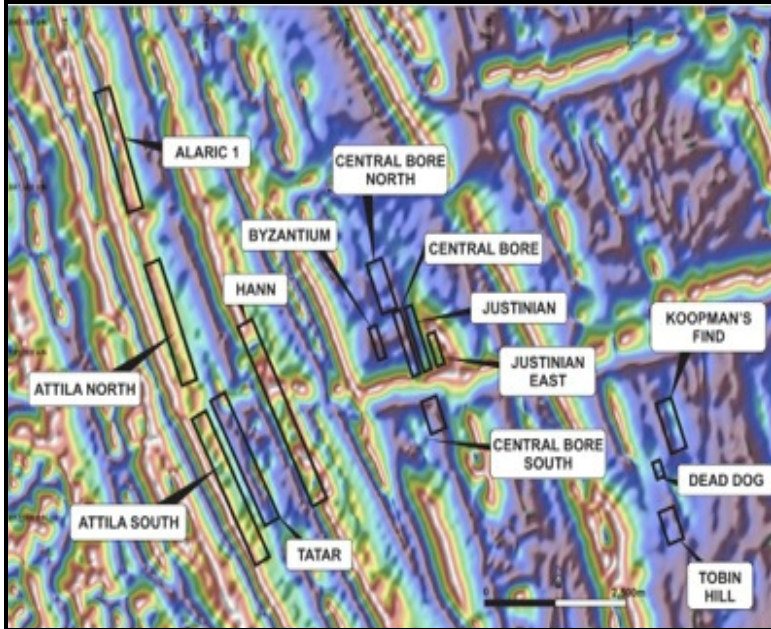
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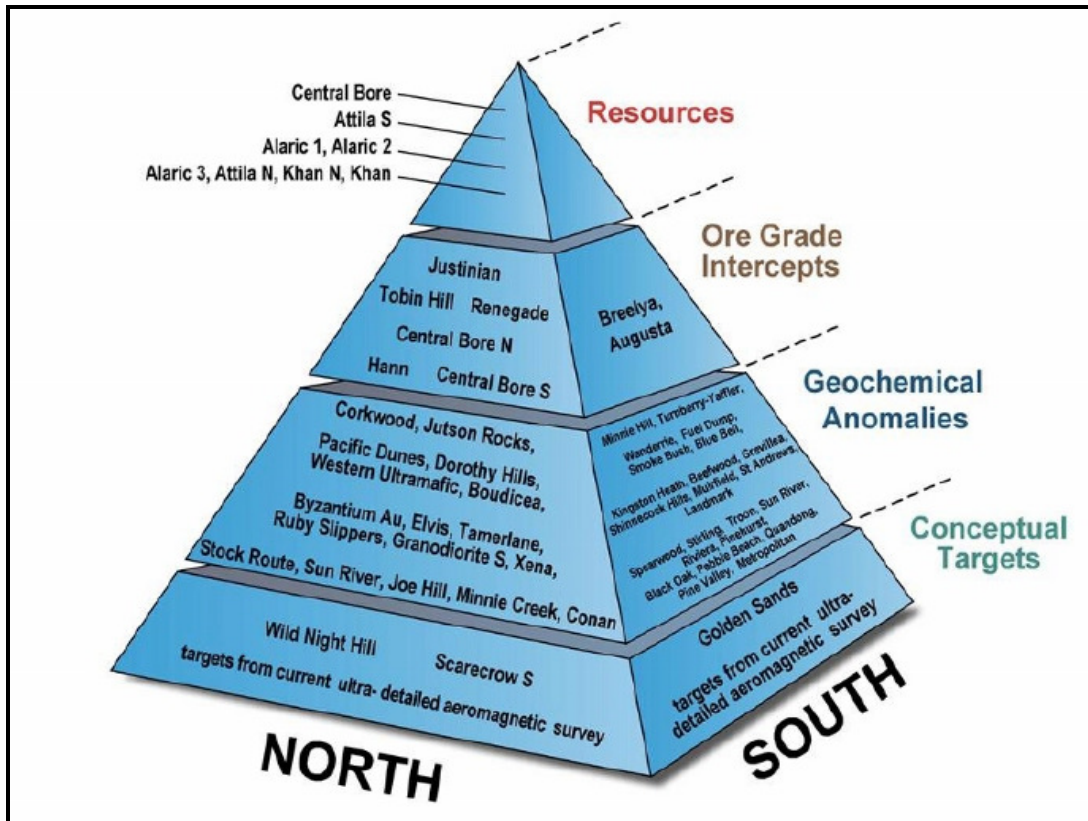
Key Projects

Project	Ownership/Option	Metal	JV Partner	Target Type	Process Route	Project Status	Location
Yamarna - Central Bore	100%	Au	none	h.g.vein	gravity/CIP	Proj. Dev't	Aus (WA)
Yamarna - Atilla	100%	Au	none	ox/sulp	CIP	Adv. Expl.	Aus (WA)
Yamarna - Gold regional	100%	Au	none	ox/sulp	na	Early Expl.	Aus (WA)
Golden Sands	100%	Au,U	none	ox/sulp	na	Early Expl.	Aus (WA)
Yamarna: Thatcher Soak	100%	U	none	Calcrete	Alk. Leach	Adv. Expl.	Aus (WA)

Most of the high grade discoveries in the past 30 months, including Central Bore, are in a small area (~10km²) at the SE end of the Attila Trend (LH graphic). It is intriguing to ponder the potential for further discoveries in the remainder of GOR's 5,000km² relatively unexplored Yamarna belt tenements.



Gold Road has developed a 'resource pyramid' showing regional targets identified to date, that goes some way to highlighting the huge resource potential of the Yamarna greenstone belt. Only a small percentage of the numerous targets have been explored sufficiently to move into the upper Resources category.



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