

# GOR.AU

23 September 2011  
Gold, Uranium  
Australia (WA)  
Advanced Exploration  
Exchanges: ASX:GOR

## Gold Road Resources Limited

A\$ 0.35

**GOR will increasingly be seen as an emerging producer over the next six months as it completes a scoping study for production while building on its >1moz resource inventory from a dominant position in the highly prospective under-explored Yamarna Belt.**

### Capital Profile

Share price (A\$)	0.35
52 week range (A\$/share)	0.12 to 0.84
Number of shares (m) *	317.1
Options and warrants (m) *	17.7
Convertible notes (m)	0.0
Fully diluted (m)	334.8
Market capitalisation (undiluted) (A\$m)	109.4
Debt (A\$m) - Sep 11F	0.0
Enterprise value (A\$m)	109.4
Major shareholders: HSBC Noms (10.1%), Directors (6.9%), JP Morgan Noms (3.2%), Perth Select Seafoods (3.1%).	
Avg monthly volume (m)	32
Cash (A\$m) - Sep 11F	6.1
Price/Cash (x)	18.1
Price/Book (x)	5.0
ASX-listed options:	No

### Investment Points

GOR's holds a strategic position (~5,000km<sup>2</sup>) in remote under-explored Yamarna greenstone belt Eastern Goldfields, WA. Exploration budget ~A\$12mpa.

Total Yamarna resource 1.07Moz, likely to continue to increase with aggressive 150,000m p.a. drilling.

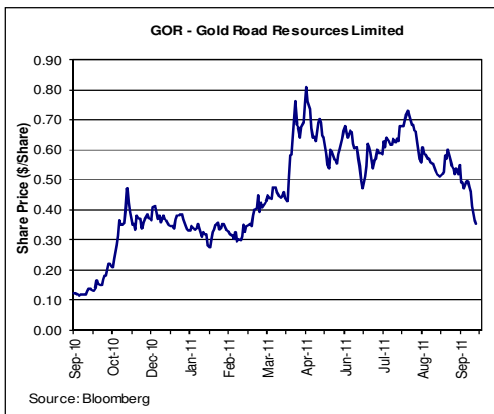
Central Bore discovery - 150kz at 7.86g/t grade. Includes high grade Imperial Shoot, 57koz @ 23.1g/t. Recent deeper drilling confirms high grade depth extension.

Cluster of multiple parallel high grade zones discovered in just 6km<sup>2</sup> around Central Bore: Justinian, Hann, Central Bore North and new targets.

New Justinian zone at least 500m long, looks like high grade with widths > Central Bore. Initial JORC resource expected early 1Q11.

GOR is assessing possible fast track low capex on-site production options, transition to producer commencing.

With continued discovery momentum and resource tonnage and grade likely to build, our six month target range is A\$0.56 to A\$0.64/share.



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### Directors

I Murray (Exec Chairman)  
Z Lubieniecki (Exec Dir)  
K Hart (Non Exec Dir)  
M Pyle (Non Exec Dir)  
R Davis (Non Exec Dir)

### Production and Financial Forecasts

YEAR END: June	Jun-11a	Sep-11F	2010a	2011F	2012F
Exploration and evaluation (A\$m)	2.36	3.50	2.13	6.06	12.50
Corporate (A\$m)	0.69	0.50	0.94	2.02	2.10
Exploration/(Expl.+ Corporate) (%)	77	88	69	83	103
Funding duration at current burn (years)	-	-	0.6	1.2	0.4
Shares on issue (pr end) (m shares)	311.5	317.1	195.8	311.5	339.3
Drilling - RAB (m)	30,000	35,000	10,500	60,000	125,000
Drilling - RC/Diamond (m)	15,000	12,000	18,900	36,000	48,000
Land holding ('000 ha)	500	500	410	500	500
Tenement costs (\$k per year)	-	-	-	-	-
Capital raisings (A\$m)	2.63	0.00	2.67	17.00	10.00
Funding from JV partners (A\$m)	0	0	0	0	0
Cash (A\$m)	9.8	6.1	1.8	9.8	5.7
Cash backing (Ac/share)	3.1	1.9	0.9	3.5	2.0
Net asset backing (Ac/share)	7.1	6.9	3.4	7.9	10.8

### Company Comment

**Overview:** GOR listed on the ASX July '06 as Eleckra Mines Ltd. Its focus is the Yamarna greenstone belt where it has now established >1Moz gold resources, and a 6.2mlb shallow calccrete U<sub>3</sub>O<sub>8</sub> resource.

**Yamarna Project (WA):** GOR's exploration focus is on the under explored remote Yamarna greenstone belt - a regional scale mineralised trend considered potentially to be WA's fifth major greenstone belt.

**Central Bore ("CB"):** Discovered in 2009. CB is a linear steeply dipping high grade carbonate narrow vein system. Current JORC resource 595kt @ 7.9g/t for 150koz along an 800m strike length, to a depth of ~400m. The resource will keep expanding - being open at depth and may extend up to 2km to the north (2km CB North anomaly) and south (CB South ~500m mineralised zone). The fourth central Bore RC campaign (50 holes, 15,000m) is in progress - good initial results. Deeper drilling indicated grades probably improving with depth, 13m @ 40.1g/t from 426m (75m below previous deepest intercept).

**Parallel Discovery Zones:** The cluster of four additional zones discovered in the last 2 years in an area of only 6km<sup>2</sup> around CB has transformed thinking about the Yamarna Belt. **Justinian** (200m E of CB), is where the recent excitement has been - a high grade discovery (e.g. 7m @ 27.2g/t incl. 1m @ 102g/t) indicating similar but broader mineralised zones than CB. RAB and recent RC programs indicate a potential strike length of at least 500m, and possibly additional parallel zones nearby to the East. The **Hann anomaly** (2.4km W of CB) is 4.3km length. Recent shallow drilling (8,000m RC) in 2Q11 confirmed mineralisation over a 660m strike length. **Byzantium**, 2 anomalies ~1km long, VMS style?

**Attila Resource (3.7km W of CB):** Some focus is now shifting back to the 'original' resource - 917koz @ 1.44g/t - which occurs in multiple zones along a 33km strike length. GOR has recently completed its first RC drilling program (28 holes) in the gaps in the current resource block model. Best recent intercept 4m @ 10.61g/t. Excellent potential to prove up higher grade zones and increase overall resource size.

**Next Steps:** GOR is massively increasing its planned drilling from 37,000m CY10 to >150,000m in CY11 (RC+DDH+RAB). It has three rigs operating (2 x RC, 1 x DDH), plus an auger RAB rig. At **Central Bore** the drilling is expected to significantly increase the current 150koz resource both at depth and along strike, north and south. We would anticipate CB resource upgrade and an initial JORC resource for the exciting **Justinian** high grade zone(s) late 4Q11 or early 1Q12. The drilling at Attila targeting high grade shoots is on track to expand that resource. Drilling at Hann and Byzantium will continue.

**Fast Track Development Potential:** As total resources expand, a scoping study looking at potential production options is underway (due 4Q11). A number of possibilities exist - **see box on next page**.

**Golden Sands (WA):** (1,500km<sup>2</sup>, gold) Largely unexplored tenements north of the **Tropicana** gold project (5Moz resource). Deep sand cover, scout drilling (1 hole) and 2 holes at Dorothy Hills planned.

**Investment Comment:** Despite recent equity market mayhem seriously pulling back most gold juniors, including GOR, we maintain a medium term (six month) share price target of A\$0.56/share with upside to A\$0.64/share with further exploration success. Our confidence in this target is underpinned by our view that in 1Q12 GOR could be seen as an emerging (4Q12) 35-50kozpa producer with huge resource upside and strong production growth prospects, having only 'scratched the surface' of arguably Australia's most under-explored and highly prospective greenstone belts, which it effectively controls.

### 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
<b>Reserves</b>						0.0	0.0	0.0

#### Resources

Yamarna - Attila	Meas., Ind. & Inf.	100%	19.82	1.44	0.50	28.5	917	917
Yamarna - Central Bore	Meas., Ind. & Inf.	100%	0.60	7.86	1.00	4.7	150	150
<b>Total Resources</b>			20.4	1.63		33.2	1,067	1,067

#### Mineralised Material (est., non compliant with JORC)

Uranium Resources	Project Equity	Mt	U <sub>3</sub> O <sub>8</sub> %	Cut Off ppm	U <sub>3</sub> O <sub>8</sub> kt	U <sub>3</sub> O <sub>8</sub> mlb	U <sub>3</sub> O <sub>8</sub> Equity mlb
Thatcher Soak	Inferred	100%	16.1	0.017	100	2.7	6.2

### 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	Adv. Expl.	Aus (WA)
Yamarna - Attila	100%	Au	none	ox/sulp	heap leach	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	Calcrite	Alk. Leach	Adv. Expl.	Aus (WA)

The stepped up 2H11 drilling campaign, focusing on Central Bore strike and depth extensions, Justinian, Attila high grade shoots and other parallel zones near Central Bore, along with increasing focus on possible production, supports our A\$0.56 – A\$0.64/share (f. dil.) target valuation range.

**GOLD ROAD RESOURCES LIMITED - VALUATION**

	Equity	Target	Valuation Range		
		Gold Resource (moz)	Low * A\$m	Mid** A\$m	High ^ A\$m
<b>Projects</b>					
+ Atilla existing resource (current 0.92Moz valued @ A\$50-A\$60/oz)	100%	0.92	45.9	55.0	55.0
+ Central Bore (current 0.15Moz high grade resource valued @ A\$150-A\$200oz)	100%	0.15	22.5	30.0	30.0
+ Justinian, Hann, Byzantium, CB North - likely new parallel high grade zones	100%		22.5	45.0	60.0
+ Thatcher Soak uranium resource (6.2Mlb @ A\$0.50/lb)	100%		3.1	3.1	3.1
+ Yamama 4,000km <sup>2</sup> Regional Expl'n (excellent potential for further h.g. zones)	100%		30.0	40.0	50.0
+ Other Exploration (Uranium potential, Golden Sands Au)	100%		2.0	3.0	5.0
Sub Total			126.0	176.1	203.1
+ Cash (est 30 Sep '11)			6.1	6.1	6.1
- Debt			0.0	0.0	0.0
Sub Total			6.1	6.1	6.1
<b>GOR NET ASSET VALUE</b>			<b>132.0</b>	<b>182.2</b>	<b>209.2</b>
<b>Capital Structure</b>					
Shares on Issue (m)			317.1	317.1	317.1
Fully Diluted Shares (m)			334.8	334.8	334.8
<b>GOR NET ASSET VALUE PER SHARE</b>	<b>:A\$/share</b>		<b>0.42</b>	<b>0.57</b>	<b>0.66</b>
<b>GOR NET ASSET VALUE DILUTED</b>	<b>:A\$/share fully diluted</b>		<b>0.41</b>	<b>0.56</b>	<b>0.64</b>
* Low valuation assumes little 2H11/1H12 exploration success - new high grade parallel discovery zones valued at 100% of Central Bore valuation.					
** Mid valuation assumes modest 2H11/1H12 exploration success - new high grade parallel discovery zones valued at 50% premium to Central Bore valuation.					
^ High valuation assumes continued 2H11/1H12 exploration success - multiple new high grade parallel discovery zones valued at a 100% premium to Central Bore.					

As the Scoping Study looking at production options progresses (completion due 4Q11), GOR will increasingly be seen as an emerging low cost producer. Accordingly, we have reviewed (on a conceptual basis) some possible production options for the Company.

PRODUCTION OPTION	DETAIL	POSSIBLE PRODUCTION
<b>Central Bore &amp; Justinian - narrow vein small scale underground mining</b>		
1	Mine high grade and truck to Laverton (Granny Smith?). Fast track minimum capex option to generate cashflow, but high trucking costs, reduced returns.	150ktpa ore trucked @ 8g/t head grade would produce ~35kozpa, moderate opex.
2	Mine high Grade and recover gold in simple gravity separation plant. Recoveries 60-70%? Low capex option to establish cashflow to fund CIL plant addition.	150ktpa @ 8g/t head grade would produce ~25kozpa, very low opex.
3	Mine high grade, gravity separation and CIL extraction. Capex for 200ktpa plant of order of A\$30m? Expect recoveries ~95%.	200ktpa @ 8g/t head grade would produce ~50kozpa, low opex.
<b>Attila - open pit mining of lower grade, high tonnage resource</b>		
4	Possible heap leach operation? Stand alone heap leach operation could be established in parallel with Central Bore development.	1mtpa heap leach @1.5g/t grade would produce ~35kozpa, moderate opex.
<b>Combined Attila, Central Bore, Justinian treatment plant.</b>		
5	Mine High grade and blend with Attila ore in large scale plant Large scale (2mtpa?) gravity/CIL ore treatment plant	2mtpa operation with blended grades ~2g/t would produce >100kozpa, low-moderate opex.
<b>COMMENTS</b>		
These development options are based on RCR conceptual analysis and are not necessarily those being considered by the Company in its current scoping study. They have been presented to illustrate the broad range of possible options.		
Options 1 or 2 represent an intermediate low capex development step prior to options 3 or 5.		
Option 4 could be developed in parallel with options 1,2 or 3 to give 60-85kozpa production.		
Option 5 could be considered if total combined resources increase to 1.5 - 2.0moz.		

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