

Gold Road accelerates PFS after Gruyere increase

Gold Road Resources (ASX: GOR) has been travelling in the fast lane for the first half of 2015.

In February, Gold Road released a Scoping Study into the development of its Gruyere gold project, located on the Dorothy Hills Trend of the Yamarna Belt in Western Australia.

The Study considered a large-scale open pit mine, a narrow vein underground mine at Central Bore and a conventional 5 million tonnes per annum Carbon In Leach processing facility (7.5Mtpa and 10Mtpa scenarios were also investigated).

Based on key metrics, projections and estimates at \$1,350 per ounce, Gruyere emerged economically robust averaging annual gold production of 190,000 ounces over an 11 year life of mine for 2.1 million ounces.

For the moment these exciting results are old news, however as the company progresses Gruyere through a Pre-Feasibility Study based on a subsequent update to the project's already substantial resource.

Soon after the Scoping Study, Gold Road updated the JORC 2012 Mineral Resource estimate for Gruyere to 137.81 million tonnes at 1.24 grams per tonne gold for a total of 5.51 million ounces of gold.

"We are using the Scoping Study as the base case - we have upgraded the Resource, but the Scoping Study was completed on the smaller Resource," Gold Road Resources executive director Justin Osborne told *The Resources Roadhouse*.

"We are in the middle of an options study – which is basically looking at options available to us to determine the optimum size project to build at Gruyere.

"We are considering three cases (5Mtpa, 7.5Mtpa, and 10Mtpa) and they all have merits.

"If you look at the straight NPV, larger projects tend to look better because companies mine them quickly proposing a shorter mine life.

"There are advantages in a longer mine life, not least being greater flexibility within the operation and more time to make potentially higher grade discoveries to extend project life, enhancing value for all of our stakeholders.



“A smaller project with a smaller mill is obviously going to be easier to keep fed.

“It is very difficult to feed a mill of 10 million tonnes at the end of a project like Gruyere, unless you have another Gruyere waiting in the wings.



“If new discoveries are more typical of what we see in the Yilgarn we would expect smaller tonnage projects at higher grade.

“A five or seven tonne mill is much easier to satisfy under that scenario.”

Numbers take on particular importance with the 44 per cent increase on the Gruyere Resource providing Gruyere with some scale of real consequence.

The new Resource also provided a good indication of the quality of the deposit.

“At 5.51 million ounces it’s a very robust ore body,” Osborne said.

“What is very important to note, however, is that the grade remains constant across all categories, Inferred, Indicated or Measured.

“We are busy at the moment with our PFS mining studies, from which we hope to determine the optimum throughput rate as well as the life of mine.

“That’s very important for us as this is the first mining project on the Yamarna Belt and it needs to be a long life project with very robust margins.

“At this stage, for us, it is not about maximising the NPV, it is about having the most robust, safe, long-term mining project we can have operating on that Belt, and one which will produce at healthy margins.

“Once that first plant is built – further discoveries become much easier – and converting those discoveries into economic mining projects is also much easier as the infrastructure is already in place.



“Gold mining operations throughout Western Australia have historically had great success with Brownfields exploration adding significantly to mine life and we see no reason why the Yamarna Project will be any different.

“We are targeting an all-inclusive cost to be in the range of \$1000 to \$1100, so for a \$1500 per ounce gold price you are talking a \$400 to \$500 margin over all-inclusive costs – not just cash flow.

“If we can achieve that, plus development of a robust project with a mine life more than 10 years, that sets up the first operation on that belt on a sound basis.

“It also provides us good cash flows to fund the future exploration - to allow for further discoveries.”

Ongoing drilling at Gruyere has demonstrated the quality of the deposit and a further increase to the Resource is anticipated for later in the year.

The results for the final 22 drill holes of the 2015 Gruyere Resource drilling program were announced at the end of June.

They included 10 diamond holes, 10 RC holes, and two RC pre-collars and indicated discrete zones of higher-grade mineralisation continue to more than 50m below the current Resource Pit Shell.

A high-level assessment of the potential for large-scale underground mining at Gruyere below the open pit operation is now underway.

This conceptual Underground Mining Study is focusing on mining method, size dimensions and grade and/or gold price required for economic extraction.

“As part of our Gruyere exploration program we are drilling a deep hole, (co-funded by the WA-Government Exploration Incentive Scheme) targeting around 1200 to 1500 metres,” Osborne explained.

“That is mainly to provide information on the Gruyere system at greater depth - whether it is going to prove to be economic depth.

“We are now working on a very high level underground conceptual study. We know that we have the bulk, definitely, for the size and dimensions that would be amenable to large-scale underground mining.

“We are just determining now whether we have the grades down there to make an underground operation economic.

“That would be 15 to 20 years down the track in terms of production, but it has potential to demonstrate what the Gruyere system really is – what the overall size and potential could be.”

Gold Road defied recent market trends and sentiment by raising \$39 million by way of a share placement at 44 cents per share,



which not only retained its strong institutional and sophisticated shareholder registry, it also added a few more.

Although the company was boasting an enviable bank balance of around \$12 million at the time of the raising it was pleased to complete it when there was some market interest in the stock, which was highlighted by an on-market investment by Independence Group (ASX: IGO).

The cash injection will enable Gold Road to complete the PFS and its subsequent Definitive Feasibility Study (DFS) by the end of 2016.

“It was a great opportunity and the perfect time to conduct a raising,” Osborne said.

“The gold price was bubbling and then the Independence Group investment provided some market confidence in the stock.

“The biggest boost of course came from the 44 per cent increase in the Gruyere Resource.

“The best aspect of the raising was maintaining support of institutional investors who realised our share price had moved along nicely since the previous raising at 30 cents, which has ensured we are now fully-funded through to the end of the DFS.”

Gold Road Resources Limited (ASX: GOR)

...The Short Story

HEAD OFFICE

22 Altona Street
West Perth WA 6005

Ph: + 61 8 9200 1600

Fax: +61 8 9481 6405

Email: perth@goldroad.com.au

Website: www.goldroad.com.au

DIRECTORS

Ian Murray, Justin Osborne, Russell Davis,
Martin Pyle, Tim Netscher

MAJOR SHAREHOLDERS

RCF	9.8%
Platypus	8.6%
Van Eck	5.9%

Cheers

Wally Graham



www.resourcesroadhouse.com.au

E: wally@resourcesroadhouse.com.au

M: 0410 788 304

A: PO

