

Gold Road Resources (GOR)				CASE:	BASE	DATE:	29/03/2022			
The Story										
GOR is a WA based gold miner and explorer with a current JV mine at Gruyve that has a 10 year life and is generating significant positive cash at current gold prices. It is expected that other current leases and exploration work will be able to at least replace depleted deposits from this site and generate at least as much production at a similar economic rate perpetually. Current gold prices and FX rates don't seem to fully reflect medium term pressures and I expect large variability in the A\$ price. GOR has a strong cash position to ride the volatility and exploit price cycles as it grows its production portfolio. Management of costs to extract ore and process it will be critical in GOR maintaining shareholder value and there is upside potential from an extensive exploration program, but this is also at a significant cost, the cost and opportunity have been netted off for this valuation.										
The Assumptions										
What	Base Year	Terminal Year	Link to story							
Customers/GTV/Rev KPI	123.3	175.0	Koz of attributable gold production							
Revenue	-34.0%	2.0%	Assumed price increase of 4% on capped production volume of 175Koz (Gruyere only)							
Gross Margin %	37.0%	42.3%	AISC of \$A1,350 FY22 & Price of A\$2,375 both growing at 4% a year							
EBITDA Margin %	21.1%	37.1%	Assumed corporate costs growing at 4% (same as gold price and extraction costs)							
Tax	24.8%	27.5%	Australian based							
Capital Spend	-	15,970	Nominal other capex assumed, Production capex incorporated in AISC							
Share Count Changes	881,915	1,096,551	Low cash operating cost offset by 2% ESOP assumption							
Discount% : EV/EBITDA	10.0%	8.40	Low risk discount rate; used perpetual growth on terminal value, equivalent to 8.4							
The Cash Flows (A\$'000)										
Year	Dilution	Rev KPI	Revenue	Gross Margin	%	EBITDA	%	Tax	Capex	FCFF
1	899,554	-	380,000	160,800	42.3%	141,962	37.4%	39,040	11,000	91,923
2	917,545	-	432,250	182,910	42.3%	163,319	37.8%	44,913	11,440	106,966
3	935,896	-	449,540	190,226	42.3%	169,852	37.8%	46,709	11,898	111,245
4	954,614	-	467,522	197,835	42.3%	176,646	37.8%	48,578	12,374	115,695
5	973,706	-	486,222	205,749	42.3%	183,712	37.8%	50,521	12,868	120,322
6	993,180	-	505,671	213,979	42.3%	191,060	37.8%	52,542	13,383	125,135
7	1,013,043	-	525,898	222,538	42.3%	198,703	37.8%	54,643	13,919	130,141
8	1,033,304	-	546,934	231,440	42.3%	206,651	37.8%	56,829	14,475	135,346
9	1,053,970	-	568,812	240,697	42.3%	214,917	37.8%	59,102	15,054	140,760
10	1,075,050	-	591,564	250,325	42.3%	223,513	37.8%	61,466	15,656	146,391
Terminal	1,096,551	-	615,227	260,338	42.3%	227,984	37.1%	62,695	15,970	149,319
The Value (A\$'000)										
Terminal Value (Diluted)			1,501,142	Terminal value based on perpetual Growth of 2% (10% disc - 2% Infl)						
PV (Terminal Value)			537,950	Cashflows discounted for dilution						
PV (FCFF of next 10yrs)			654,781							
Value of Operating Asset			1,192,730							
Adjustment for Distress			-	Failure Probability = Very Low - ignore						
Adjustment for Future Options			-	Option Case = Considered in cashflows						
- Debt & Minority Interest			-							
+ Cash & Equivalents			131,512							
Value of Equity			1,324,242							
Value per share (Base Currency)			\$ 1.50	Insider Holding%: 5.37% (YahooFinance)						
FX Rate			1.000	Current Price	%	IV of \$2.33 at A\$2,850 gold price				
Value per share (A\$)			\$ 1.50	\$ 1.64	-8%	IV of \$0.90 at A\$2,000 gold price				
<i>Source: Methodology and Format are based on that done by Aswath Damodran (see: aswathdamodaran.blogspot.com)</i>										
<i>Disclaimer: Valuation is not to be relied on as financial advice of any sort and is prepared for personal use of the author only.</i>										