Gold Road Rises on Potential Bid Target Rumours

Gold Road Resources (ASX: GOR)

Comments in the Australian media are suggesting Gold Road may have appointed a capital advisor, possibly McQuarie Capital, as a defence advisor, to defend a possible bid for the company.

Gold Road – Gruyere JV Gold Mine at night.

Gold Road	ASX : GOR
Stage	Production (50% JV)
Metals	Gold
Market cap	A$1.81 Billion @ A$1.67
Location	Laverton, Western Australia
Website	www.goldroad.com.au

Gold Road Rises on Potential Bid Target Rumours

Gold Road Resources (ASX: GOR) has become the subject of speculation in the Australian media, where *The Australian* is suggesting that it may have appointed a capital advisor, possibly Macquarie Capital, as a defence advisor, to defend a possible bid for the company.

The share price rose over 5% in trading on the ASX on Monday as investors reacted to the speculation.

Given the success of Gold Road's JV with Gold Fields at Gruyere, their significant cash holding, plus a 17% shareholding in De Grey Mining, and another in IGO, it is not a surprise to me that it may be a potential bid target. The only surprise for me is that it has not happened before.

The most obvious suitor would be, in my opinion, **Gold Fields** themselves, as it would give them 100% ownership of Gruyere, plus the large exploration package surrounding the mine currently owned 100% by Gold Road.

There could of course be others enviously looking at the attractive package of cash in the bank, the free cashflow being generated from Gruyere, plus the value of their shareholdings in De Grey and IGO.

Interestingly Gold Road was involved in a bid to purchase 40% of the Greenstone Mine in Canada very recently, and one wonders whether that may have been an attempt to deter a bid for themselves?

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There is clearly a lag between the rising price of gold and the value of the gold producers themselves, which seems to have given some urgency to companies in a position to make opportunistic bids before the gold producers' valuations start to catch up.

The rumours regarding a potential bid for Gold Road seem to fall into that category, in my opinion.

The next few weeks may be interesting.

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The live Spot gold price can be found HERE

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Disclosure

At the time of writing the author holds shares in Gold Road Resources.

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