

25 January 2017

## Geopacific Resources (GPR)

**BUY**

**Share Price: A\$0.037**

**Drilling off to a solid start at Woodlark**

**Target Price:**

**A\$0.10**

Geopacific Resources (GPR) has reported first assay results from the 15,000m drill program on the Woodlark Gold Project, PNG. The first hole at the Busai deposit reported a number of high grade intercepts within a broader zone of 92m at 1g/t from surface. Further, gold mineralisation has been intersected below the base of the previous Busai open pit design, indicating the potential to extend the depth of the pit (currently only 65m) & significantly add to reserves. These infill & extensional opportunities are abundant at Woodlark, with three drill rigs to continue generating results over the coming months. GPR continue to target a 1.2Moz reserve at Woodlark to earn a 51% interest within 2yrs, with 80% achieved upon completion of BFS and project financing. We continue to like Woodlark, with a 2.1Moz resource, 0.77koz open pittable reserve at 2.2g/t, free-milling metallurgy and abundant free dig potential. The 1.2Moz reserve target looks achievable, in our view, with ongoing drilling focused on upgrading the 800koz of inferred resources sitting adjacent/within open pit designs. **Maintain BUY.**

### 92m at 1g/t including 2.9m at 8.9g/t & 7m at 3.3g/t

- Broad zone of mineralisation confirmed within Busai open pit, including a number of high grade zones
- Extensive mineralisation intersected 50-100m beneath the existing Busai pit design, suggests the conservatively designed open pit will push beyond the current 65m plan; potential to add significant ounces

### Revised structural interpretation confirmed at Busai

- Improved understanding of structural control on mineralisation; continuity of structures can now be tested along strike & at depth

### Drilling & revised economics to boost reserves

- 2.1Moz resource incl 0.8Moz of inferred mainly located adjacent to pit designs; 0.77koz reserve at 2.2g/t
- Pit designs ignore inferred resources & unsupported drill results; makes for easy infill/extensional targeting
- Improved project economics to reduce cut-off grade

### Drilling continues with 3 rigs, steady news flow

- Drilling at Busai continues with one rig, with two rigs now operating at the higher grade Kulumandau deposit
- Steady release of assay results over coming months; updated feasibility & reserve due in 2H CY17

**PT (1xP/NPV) of \$0.10/sh (unchanged)**

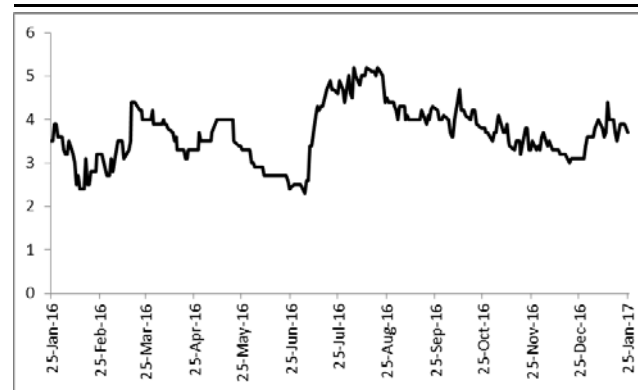
### Company Data

Shares – ordinary (M)	1,156m
Market capitalisation (\$M)	\$44m
12 month low/high (\$)	\$0.023 / \$0.054
Average monthly turnover (M)	13.7m
GICS Industry	Diversified Metals & Mining

### Financial Summary (fully diluted/normalised)

Year end June	2016A	2017F	2018F	2019F	2020F
Revenue (\$M)	0.0	0.0	0.0	62.2	141.8
Costs (\$M)	2.0	2.0	3.5	31.4	69.8
EBITDA (\$M)	-2.0	-2.0	-3.5	30.8	72.0
NPAT (\$M)	-1.7	-1.8	-3.1	17.4	34.7
EPS (¢ps)	-0.2	-0.1	-0.2	1.1	2.1
PER (x)	>100	-28.5	72.5	669.6	99.3
Cashflow (\$M)	na	na	na	4.0	2.0
CFPS (¢ps)	-1.7	-1.8	-3.1	27.8	57.9
PCFPS (x)	-0.2	-0.1	-0.2	1.7	3.5
Enterprise Value (\$M)	na	na	na	2.5	1.2
EV / EBITDA (x)	38	48	99	167	116
Dividends (¢ps)	-18.8	-24.2	-28.2	5.4	1.6
Yield (%)	0.0	0.0	0.0	0.0	0.0

### GPR – performance over one year



### Disclosure and Disclaimer

This report must be read with the disclosure and disclaimer on the final page of this document. Petra Capital Pty Ltd acted as bookrunner and Lead Manager for GPR's placement of \$15m at A\$0.043/share on 18 August 2016, for which a fee was received.

Brett McKay

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## Analysis

Geopacific Resources (GPR)								Share Price (\$)							
25-Jan-17								1152.3							
Year End 31 Dec								1735.3							
A\$								0.0							
PROFIT & LOSS								48.4							
	2015A	2016F	2017F	2018F	2019F	2020F		2015A	2016F	2017F	2018F	2019F	2020F		
Sales Revenue	\$M	0.0	0.0	0.0	0.0	62.2	141.8	<b>RESOURCES INVENTORY</b>							
Other Income	\$M	0.1	0.0	0.0	0.0	0.0	0.0	<b>Mining Inventory</b>							
Operating Costs	\$M	1.9	2.0	2.0	3.5	31.4	69.8	Tonnes	Mt	0.0	0.0	19.0	19	18	16
Exploration	\$M	0.0	0.0	0.0	0.0	0.0	0.0	Grade	g/t	0.0	0.0	2.0	2.0	2.00	2.00
Other	\$M	0.0	0.0	0.0	0.0	0.0	0.0	Contained Gold	oz	0	0	0	1,221,728	1,170,287	1,054,544
<b>EBITDA</b>	<b>\$M</b>	<b>(1.9)</b>	<b>(2.0)</b>	<b>(2.0)</b>	<b>(3.5)</b>	<b>30.8</b>	<b>72.0</b>	<b>Resources</b>							
Dep. & Amort.	\$M	0.1	0.0	0.0	0.0	3.0	15.7	Tonnes	Mt	0.0	0.0	45	45	44	43
<b>EBIT</b>	<b>\$M</b>	<b>(2.0)</b>	<b>(2.0)</b>	<b>(2.0)</b>	<b>(3.5)</b>	<b>27.9</b>	<b>56.3</b>	Grade	g/t	0.0	0.0	1.5	1.5	1.5	1.5
Net Interest	\$M	0.0	(0.3)	(0.2)	(0.4)	3.0	6.7	Contained Gold	oz	0	0	0	2,174,998	2,123,557	2,007,814
<b>Pre-Tax Profit</b>	<b>\$M</b>	<b>(2.0)</b>	<b>(1.7)</b>	<b>(1.8)</b>	<b>(3.1)</b>	<b>24.9</b>	<b>49.6</b>	<b>PRODUCTION (100%)</b>							
Tax	\$M	0.0	0.0	0.0	0.0	7.5	14.9	Ore Milled	Mt	0.00	0.00	0.00	0.00	0.8	1.8
Minorities	\$M	0.0	0.0	0.0	0.0	0.0	0.0	Grade	g/t	0.0	0.0	0.0	0.0	2.0	2.0
<b>Net Profit</b>	<b>\$M</b>	<b>(2.0)</b>	<b>(1.7)</b>	<b>(1.8)</b>	<b>(3.1)</b>	<b>17.4</b>	<b>34.7</b>	Recovery	%	0%	0%	0%	0%	90%	90%
Abnormal	\$M	0.0	0.0	0.0	0.0	0.0	0.0	Gold Produced	oz	0	0	0	0	46,297	104,168
<b>Reported Profit</b>	<b>\$M</b>	<b>(2.0)</b>	<b>(1.7)</b>	<b>(1.8)</b>	<b>(3.1)</b>	<b>17.4</b>	<b>34.7</b>	<b>REVENUE (attributable)</b>							
Dividends Paid	\$M	0.0	0.0	0.0	0.0	0.0	0.0	Woodlark	\$M	0.0	0.0	0.0	0.0	62.2	141.8
Adjustments	\$M	0.0	0.0	0.0	0.0	0.0	0.0	Other	\$M	0.0	0.0	0.0	0.0	0.0	0.0
<b>Retained Earnings</b>	<b>\$M</b>	<b>(14.0)</b>	<b>(15.8)</b>	<b>(17.5)</b>	<b>(20.6)</b>	<b>(3.2)</b>	<b>31.6</b>	Total	\$M	0.0	0.0	0.0	0.0	62.2	141.8
<b>CASH FLOW</b>								<b>COSTS (attributable)</b>							
Revenue	\$M	0.0	0.0	0.0	0.0	62.2	141.8	Cash costs	A\$/oz	0	0	0	0	754	796
Costs	\$M	(1.7)	(2.0)	(2.0)	(3.5)	(31.4)	(69.8)	All in sustaining costs	A\$/oz	0	0	0	0	830	863
Net Interest	\$M	0.0	0.3	0.2	0.4	(3.0)	(6.7)	Cash costs	US\$/oz	0	0	0	0	543	561
Tax Paid	\$M	0.0	0.0	0.0	0.0	0.0	(7.5)	All in sustaining costs	US\$/oz	0	0	0	0	598	608
<b>Gross Cash Flow</b>	<b>\$M</b>	<b>(1.7)</b>	<b>(1.7)</b>	<b>(1.8)</b>	<b>(3.1)</b>	<b>27.8</b>	<b>57.9</b>	Cash costs	\$M	0.0	0.0	0.0	0.0	27.9	66.3
Net Capex	\$M	(0.0)	0.0	0.0	(69.3)	(90.7)	(2.8)	Other/corporate	\$M	0.0	2.0	2.0	4	4	4
Exploration	\$M	(10.8)	(15.0)	(8.0)	(8.0)	(5.0)	(5.0)	Total	\$M	0.0	2.0	2.0	3.5	31.4	69.8
Dividends	\$M	0.0	0.0	0.0	0.0	0.0	0.0	<b>CAPEX (attributable)</b>							
Other	\$M	(5.0)	0.0	0.0	0.0	0.0	0.0	Woodlark	\$M	0.0	0.0	0.0	0.0	69.3	90.7
<b>Free Cashflow</b>	<b>\$M</b>	<b>(17.5)</b>	<b>(16.7)</b>	<b>(9.8)</b>	<b>(80.4)</b>	<b>(67.8)</b>	<b>50.1</b>	Other	\$M	0.0	0.0	0.0	0.0	0.0	0.0
Equity Issues	\$M	25.4	15.0	20.0	30.0	0.0	0.0	Total	\$M	0.0	0.0	0.0	0.0	69.3	90.7
Net Borrowings	\$M	(0.1)	0.0	0.0	50.0	50.0	(20.0)	<b>DEPRECIATION (attributable)</b>							
Net Investments	\$M	0.0	0.0	0.0	0.0	0.0	0.0	Woodlark	\$M	0.0	0.0	0.0	0.0	3.0	15.7
<b>Surplus Cash Flow</b>	<b>\$M</b>	<b>7.8</b>	<b>(1.7)</b>	<b>10.2</b>	<b>(0.4)</b>	<b>(17.8)</b>	<b>30.1</b>	Other	\$M	0.0	0.0	0.0	0.0	0.0	0.0
<b>BALANCE SHEET</b>								<b>Total</b>							
Cash	\$M	12.6	10.9	21.1	20.7	2.9	32.9	Other	\$M	0.0	0.0	0.0	0.0	0.0	0.0
Other Current	\$M	0.8	0.0	0.0	0.0	0.0	0.0	Total	\$M	0.0	0.0	0.0	0.0	3.0	15.7
<b>Total Current</b>	<b>\$M</b>	<b>13.3</b>	<b>10.9</b>	<b>21.1</b>	<b>20.7</b>	<b>2.9</b>	<b>32.9</b>	<b>EBITDA (attributable)</b>							
Fixed Assets	\$M	0.2	0.2	0.2	69.5	157.2	144.3	Woodlark	\$M	0.0	-2.0	-2.0	-3.5	30.8	72.0
Exploration	\$M	26.2	41.2	49.2	57.2	62.2	67.2	Other (incl. writedowns)	\$M	0.0	0.0	0.0	0.0	0.0	0.0
Intangibles	\$M	0.0	0.0	0.0	0.0	0.0	0.0	Total	\$M	0.0	-2.0	-2.0	-3.5	30.8	72.0
Other	\$M	8.6	9.4	9.4	9.4	9.4	9.4	<b>HEDGING (attributable)</b>							
<b>Total NC Assets</b>	<b>\$M</b>	<b>34.9</b>	<b>50.7</b>	<b>58.7</b>	<b>136.0</b>	<b>228.7</b>	<b>220.8</b>	Gold hedged	oz	0	0	0	0	0	0
<b>TOTAL ASSETS</b>	<b>\$M</b>	<b>48.2</b>	<b>61.5</b>	<b>79.8</b>	<b>156.7</b>	<b>231.6</b>	<b>253.8</b>	Hedged price	US\$/oz	0	0	0	0	0	0
Total Debt	\$M	0.0	0.0	0.0	50.0	100.0	80.0	Hedged price	A\$/oz	0	0	0	0	0	0
Current Liab	\$M	1.1	1.1	1.1	1.1	8.6	16.0	Sales hedged	%	0%	0%	0%	0%	0%	0%
Non Current Liab	\$M	0.0	0.0	0.0	0.0	0.0	0.0	Ave. deliverable price	US\$/oz	1160	1247	1215	1220	1210	1200
<b>TOTAL LIAB</b>	<b>\$M</b>	<b>1.1</b>	<b>1.1</b>	<b>1.1</b>	<b>51.1</b>	<b>108.6</b>	<b>96.0</b>	Ave. deliverable price	A\$/oz	1,541	1,677	1,642	1,671	1,681	1,702
<b>NET ASSETS</b>	<b>\$M</b>	<b>47.1</b>	<b>60.4</b>	<b>78.6</b>	<b>105.6</b>	<b>123.0</b>	<b>157.7</b>	<b>ASSUMPTIONS</b>							
<b>SH/HLDRS FUNDS</b>	<b>\$M</b>	<b>47.1</b>	<b>60.4</b>	<b>78.6</b>	<b>105.6</b>	<b>123.0</b>	<b>157.7</b>	Exchange Rate	A\$/US\$	0.75	0.74	0.74	0.73	0.72	0.71
<b>RATIO ANALYSIS</b>								Gold Price	US\$/oz	1160	1247	1215	1220	1210	1200
EPS	¢	(0.3)	(0.2)	(0.1)	(0.2)	1.1	2.1	Gold Price	A\$/oz	1541	1677	1642	1671	1681	1702
PER	x	na	na	na	na	4.0	2.0	Silver price	US\$/oz	15.71	17.09	19.50	20.00	20.00	20.00
EPS Growth	%	>100	>100	(28.5)	72.5	669.6	99.3	90 day Bank Bills	%	2.26	2.14	2.09	2.09	2.09	2.09
EBITDA per share	¢	-0.2	-0.2	-0.1	-0.2	1.9	4.4	10 Yr Bond rate	%	2.71	2.38	2.78	2.78	2.78	2.78
EBITDA Multiple	x	-17.7	-24.2	-34.7	-19.8	2.3	1.0	Interest Rate Charged	%	6.00	6.00	6.78	6.78	6.78	6.78
EV/EBITDA	x	-11.1	-18.8	-24.2	-28.2	5.4	1.6	<b>VALUATION (fully diluted) at 15% discount rate</b>							
CFPS	¢	(0.2)	(0.2)	(0.1)	(0.2)	1.7	3.5	Woodlark (80%)	ASM	130.0	\$	0.07			
PCFR	x	na	na	na	na	2.5	1.2	Exploration	A\$ps	30.0	\$	0.02			
DPS	¢	0.0	0.0	0.0	0.0	0.0	0.0	Corporate / Other		(14)	\$	(0.01)			
Yield	%	0.0	0.0	0.0	0.0	0.0	0.0	Net Cash (Debt)		21.1	\$	0.01			
Franking	%	0	0	0	0	0	0	Total		167.0	\$	0.10			
Payout Ratio	%	0%	0%	0%	0%	0%	0%								
Gearing D/E	%	na	na	na	27.8	79.0	29.8								
Interest Cover	x	0.0	7.4	8.8	8.0	9.4	8.4								
EBITDA Margin	%	na	na	na	na	49.5	50.8								
EBIT Margin	%	na	na	na	na	44.8	39.7								
Return On Assets	%	(4.1)	(3.2)	(2.5)	(2.2)	12.0	22.2								
Return On Equity	%	(4.2)	(2.9)	(2.3)	(2.9)	14.2	22.0								
Eff Tax rate	%	0	30	30	30	30	30								

Source: Petra Capital

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