

Geopacific Resources Ltd

INITIATION REPORT

Unlocking hidden treasures at Woodlark Project

Mining - Development

Overview

The Woodlark Project is an advanced stage gold development asset in Papua New Guinea. Geopacific recently commenced a three rig drill program aimed at increasing the reserve to at least 1.2Moz Au, whilst work has also commenced on a Bankable Feasibility Study.

Geopacific can earn up to an 80% interest in Woodlark by meeting a number of pre-determined targets. This includes increasing the projects **reserve to 1.2Moz Au** (51% interest) and completing a **Bankable Feasibility Study** (75% interest).

The Woodlark Gold Project is located in The New Guinea Mobile Belt, which is one of the most **highly prospective and well-endowed gold regions** in the world hosted numerous multimillion ounce deposits.

Significant work has already been completed at the project as it moves towards production, including **all mining licences & environmental approvals in place**, as well as a Definitive feasibility study completed in 2012, which outlined a 1.8Mtpa operation, that would produce **+100,00oz of gold production per annum**.

Investment View

Geopacific pulled off a fantastic deal when they executed the earn in agreement to acquire up to an **80% interest in the Woodlark gold project**. This is a deal structure typical for an early stage exploration asset rather than one that is nearing a decision to mine for a **+100koz per annum gold operation**. It has no upfront or deferred capital due and achievable ownership milestone targets (1.2Moz reserve & Bankable Feasibility Study).

With 3 drill rigs, now at site (results are continuously being released) the company has set to work to achieve the initial reserve target. Whilst key areas of improvement in the BFS have also been identified, including a **reduction in capital costs, the strip ratio as well as power costs (Opex)**.

Valuation

We initiated coverage on Geopacific **with a valuation of \$0.11 / share (share price \$0.035 / share)**.

We see further upside potential in the share price as we believe operating costs (TSI C1 Cash Cost – US\$742 / oz) are likely to decrease when the BFS is released (strip ratio & power costs), whilst the continued uncertainty in global politics since the change in the USA government could see further upside in the gold price. **This could see our future valuation increase up to \$0.18 / share (6:1 strip ratio; US\$1,400 / oz Au)**.

February 2017

Share Price	A\$0.035
TSI Valuation	\$A0.11
Implied Return	203%

Company Information

ASX Code	GPR
Ord Shares	1,155M
Market Cap	\$40M
Cash & Inv. (Jan 17)	A\$10M
Total Debt (Jan 17)	A\$0M

Board & Management

Milan Jerkovic	Chair
Ronald Heeks	MD
Philippa Leggat	Exec. D
Mark Bojanjac	Non-Exec

Substantial Shareholders

RCF	32%
Tembo Capital	27%

Share Price

52 week High	\$0.052
52 week Low	\$0.023
3m avg dail vol	363k
3m avg daily value	13k

Initiation Video



Geopacific Resources

Company Ticker	GPR.ASX	Cash & Investment - (Jan 17) (A\$)	10.0
Shares on issue - current (m)	1,155	Debt - (Jan 17) (A\$)	0.0
Share Price (A\$)	0.035	EV (A\$m)	30.4
Market Cap (A\$m)	40.4	Valuation/share (A\$)	0.11
Industry	Mining - Gold	Intrinsic Value - TSI (A\$m)	235.8
Stage of Development	Dev.	Implied Return (%)	203%
Project Location	PNG	P/NAV (x)	0.33

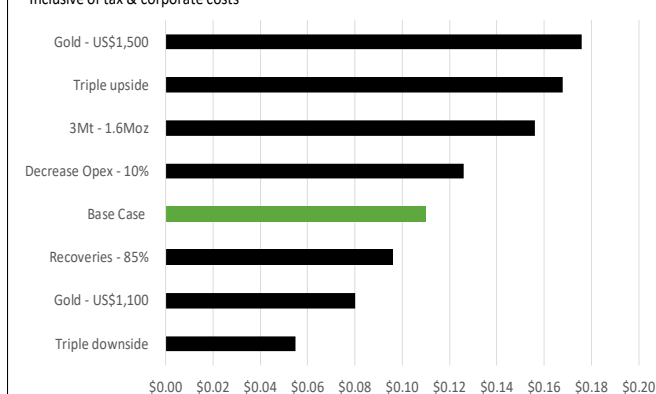
Year end: 30 June

Valuation	Disc' rate	Ownership	Valuation (A\$m)	Valuation / share (A\$)*	Price Assumptions	2020	2021	2022	2023
Woodlark - Base Case	10.0%	80%	\$108.2	\$0.050	Gold (US\$ / oz)	\$1,200	\$1,200	\$1,200	\$1,200
Unpaid Capital			\$92.7	\$0.040	FX (A\$:USD\$)	\$0.74	\$0.74	\$0.74	\$0.74
Current Cash & Investment			\$10.0	\$0.005	Gold (A\$ / oz)	\$1,622	\$1,622	\$1,622	\$1,622
Kou Sa			\$20.0	\$0.009					
Fiji assets			\$5.0	\$0.002					

Total NAV	2020	2021	2022	2023
Total NAV	\$235.8	\$0.11		

* Fully diluted for project development 2,126.1

**Inclusive of tax & corporate costs



Mining Stats	2020	2021	2022	2023
Ore Mined - OP	1.33	1.80	1.80	1.80
Strip Ratio	8.90	8.90	8.90	8.90
Grade - OP	2.37	2.18	2.14	2.14
Total Gold Mined	100,961	126,304	123,845	123,845

Production Profile	2020	2021	2022	2023
Tonnes Processed (Mt pa)	1.33	1.80	1.80	1.80
Grade - g/t (Au)	2.37	2.18	2.14	2.14
Recovery (%)	88%	88%	88%	88%
Gold Produced (oz)	88,846	111,148	108,983	108,983

Cash costs (USD\$) / oz of gold produced	2020	2021	2022	2023
C1 Cash costs	\$612	\$664	\$677	\$677
AISC	\$813	\$831	\$833	\$819

Reserve	Tonnes (Mt)	Grade (g/t)	Contained Gold (M oz)	As at (date):
Proven	6.4	2.2	0.5	05 - Feb - 17
Probable	4.6	2.1	0.3	05 - Feb - 17
Total	11.0	2.2	0.8	

Ratios	2020	2021	2022	2023
EPS (A\$)	\$0.02	\$0.02	\$0.02	\$0.02
FCFPS (A\$)	\$0.02	\$0.03	\$0.03	\$0.03
P/E ratio (x)	2.1	1.8	1.9	1.8
P/FCF (x)	1.6	1.3	1.4	1.3
Shares on issue (m)	2126.1	2126.1	2126.1	2126.1

Resource	Tonnes (Mt)	Grade (g/t)	Contained Gold (M oz)	As at (date):
Measured	8.9	1.7	0.5	05 - Feb - 17
Indicated	17.8	1.5	0.9	05 - Feb - 17
Inferred	18.5	1.4	0.8	05 - Feb - 17
Total	45.2	1.5	2.2	05 - Feb - 17

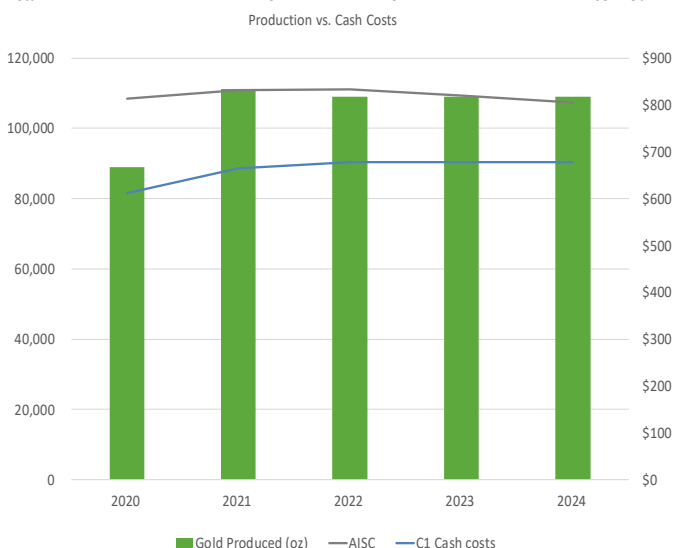
Earnings (A\$ m)	2020	2021	2022	2023
Revenue & other Inc.	\$144.2	\$181.5	\$178.9	\$179.8
Operating Costs	\$76.7	\$103.8	\$103.7	\$103.7
Other Expenses	\$6.8	\$6.8	\$6.8	\$6.8
Exp & Eval	\$1.4	\$1.4	\$1.4	\$1.4
EBITDA	\$59.5	\$69.6	\$67.1	\$68.0
Depreciation	\$14.2	\$19.8	\$20.4	\$21.0
Interest Expense	\$10.1	\$8.8	\$6.8	\$4.8
Profit (loss) after tax	\$35.2	\$41.0	\$39.9	\$42.2

Balance Sheet (A\$ m)	2020	2021	2022	2023
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Assets	2020	2021	2022	2023
Cash	\$39.7	\$77.4	\$114.7	\$154.9
PPE & Exp. & Dev.	\$194.4	\$180.0	\$165.1	\$149.4
Total Assets	\$242.6	\$266.0	\$288.3	\$312.9

Liabilities	2020	2021	2022	2023
Debt Facility	\$83.4	\$65.9	\$48.3	\$30.7

Cash flow Generation	2020	2021	2022	2023
Cash flow generated	\$40.9	\$37.8	\$37.3	\$40.2
Equity Placement	\$0.0	\$0.0	\$0.0	\$0.0
Capital Expenditure	\$4.1	\$5.4	\$5.4	\$5.4



Source: Company Data, TSI Assumptions

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