

24 March 2017

**Geopacific Resources (GPR)****BUY****Share Price: A\$0.04****Drilling continues to expand the Woodlark footprint****Target Price: A\$0.10**

Geopacific (GPR) continue to release exciting drill results from the ongoing infill & extensional drill program at the Woodlark Gold Project, PNG. Following on from recent holes returning gold mineralisation outside the previous open pit designs at Busai & Kulumadau West, GPR now appears to have defined a northern extension to the Kulumadau East orebody. Two holes were completed around 80m to the north of the previous Kulumadau East pit crest, with a broad intersection of 70m at 1.45g/t from 11m reported in KU17RC009; this included 21m at 3.3g/t from 40m. The second hole (KU17DD003) has intersected a wide zone of altered breccia with two occurrences of visible gold; assay results are pending. These two holes appear to identify a mineralised zone 50-60m wide (Figure 2), although further drilling is required to refine the geological interpretation & orientation, as well as continue extending the zone to the north. With each drill result further increasing our confidence in the potential to grow Woodlark into a multi-million ounce deposit we maintain a BUY with a price target of A\$0.10/sh (unchanged).

**Drill results extend Kulumadau East to the north**

- Two holes intersect significant mineralisation c.80m north of the previous pit crest (Figure 1)
- KU17RC009 returned 70m at 1.45g/t from 11m, including 21m at 3.3g/t from 40m
- KU17DD003 drilled as a deeper cut has intersected a broad breccia zone with visible gold
- Mineralised zone appears to be 50-60m and remains open along strike to the north and at depth

**Significant scope to define a very large gold system**

- Drilling has returned strike &/or depth extension at all three of the main deposits at Woodlark (Busai, Kulumadau East and Kulumadau West)
- Step-out drilling to continue extending the mineralisation, with infill drilling remaining focused on upgrading Inferred resources to Measured & Indicated
- Earn-in hurdles appearing readily achievable

**Updated resource/reserve & revised DFS in 2H CY17**

- GPR is targeting its preliminary resource/reserve update mid-year, with the revised DFS in 2H CY17

**Price target unchanged at A\$0.10/sh**

- Our price target is based on 1xP/NPV<sub>15</sub> which assumes 104kozpa at A\$1,100/oz AISC over 11.5 yrs

**Company Data**

Shares – ordinary (M)	1,156
Market capitalisation (\$M)	\$46.2m
12 month low/high (\$)	\$0.023 / \$0.054
Average monthly turnover (\$M)	\$1.8m
GICS Industry	Diversified metals & mining

**Financial Summary (fully diluted/normalised)**

Year end June	2016F	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 (A\$M)	-1.7	-1.8	-3.1	17.4	34.7
EPS (cps)	-0.2	-0.1	-0.2	1.1	2.1
EPS Growth (%)	na	na	na	>100	99.3
PER (x)	na	na	na	4.0	2.0
Cashflow (Gross A\$M)	-1.7	-1.8	-3.1	27.8	57.9
CFPS (c/sh)	-0.2	-0.1	-0.2	1.7	3.5
PCFPS	na	na	na	2.5	1.2
EV	38	48	99	167	116
EV/EBITDA	-18.8	-24.2	-28.2	5.4	1.6
DPS	0.0	0.0	0.0	0.0	0.0

**GPR – performance over one year (A¢/sh)****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 sole lead manager and bookrunner for GPR's placement of \$15m at A\$0.043/share on 18 August 2016, for which a fee was received

Brett McKay

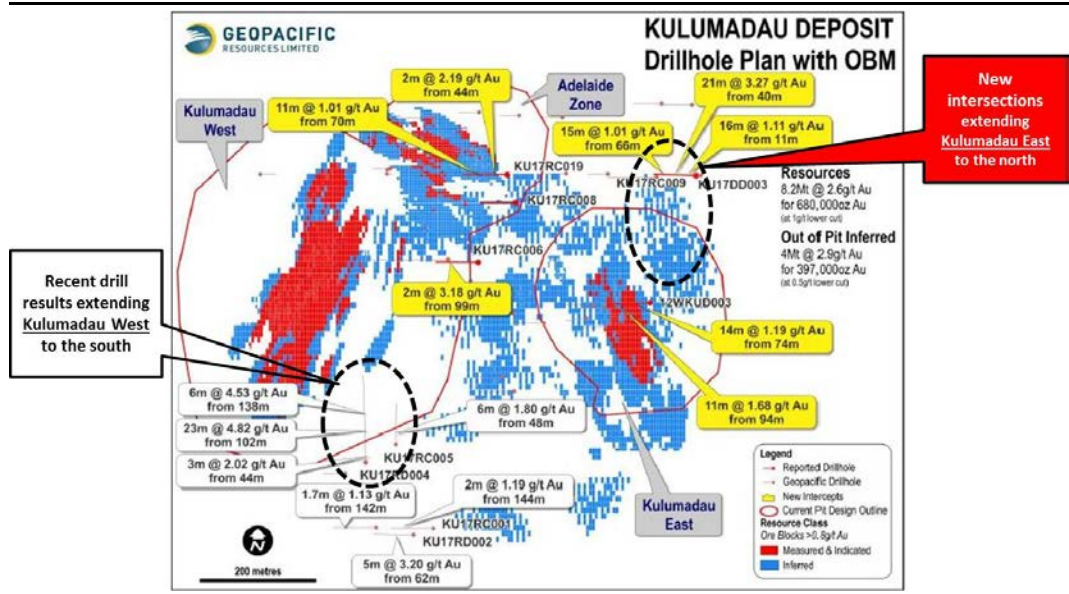
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## Analysis

Geopacific Resources (GPR)								Share Price (\$)							
24-Mar-17								0.04							
Year End 31 Dec								1152.3							
A\$								1735.3							
PROFIT & LOSS								Unlisted Options (M) 0.0							
2015A								Mkt Cap. (\$M) 48.4							
2016F								REOURCES INVENTORY							
2017F								2015A							
2018F								2016F							
2019F								2017F							
2020F								2018F							
								2019F							
								2020F							
Sales Revenue	\$M	0.0	0.0	0.0	0.0	62.2	141.8	Mining Inventory							
Other Income	\$M	0.1	0.0	0.0	0.0	0.0	0.0	Tonnes	Mt	0.0	0.0	19.0	19	18	16
Operating Costs	\$M	1.9	2.0	2.0	3.5	31.4	68.8	Grade	g/t	0.0	0.0	2.0	2.0	2.00	2.00
Exploration	\$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
Other	\$M	0.0	0.0	0.0	0.0	0.0	0.0	Resources							
EBITDA	\$M	(1.9)	(2.0)	(2.0)	(3.5)	30.8	72.0	Tonnes	Mt	0.0	0.0	45	45	44	43
Dep. & Amort.	\$M	0.1	0.0	0.0	0.0	3.0	15.7	Grade	g/t	0.0	0.0	1.5	1.5	1.5	1.5
EBIT	\$M	(2.0)	(2.0)	(2.0)	(3.5)	27.9	56.3	Contained Gold	oz	0	0	0	2,174,998	2,123,557	2,007,814
Net Interest	\$M	0.0	(0.3)	(0.2)	(0.4)	3.0	6.7	PRODUCTION (100%)							
Pre-Tax Profit	\$M	(2.0)	(1.7)	(1.8)	(3.1)	24.9	49.6	Ore Milled	Mt	0.00	0.00	0.00	0.00	0.8	1.8
Tax	\$M	0.0	0.0	0.0	0.0	7.5	14.9	Grade	g/t	0.0	0.0	0.0	0.0	2.0	2.0
Minorities	\$M	0.0	0.0	0.0	0.0	0.0	0.0	Recovery	%	0%	0%	0%	0%	90%	90%
Net Profit	\$M	(2.0)	(1.7)	(1.8)	(3.1)	17.4	34.7	Gold Produced	oz	0	0	0	0	46,297	104,168
Abnormal	\$M	0.0	0.0	0.0	0.0	0.0	0.0	REVENUE (attributable)							
Reported Profit	\$M	(2.0)	(1.7)	(1.8)	(3.1)	17.4	34.7	Woodlark	\$M	0.0	0.0	0.0	0.0	62.2	141.8
Dividends Paid	\$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
Adjustments	\$M	0.0	0.0	0.0	0.0	0.0	0.0	Total	\$M	0.0	0.0	0.0	0.0	62.2	141.8
Retained Earnings	\$M	(14.0)	(15.8)	(17.5)	(20.6)	(3.2)	31.6	COSTS (attributable)							
CASH FLOW								Cash costs	AS/oz	0	0	0	0	754	796
Revenue	\$M	0.0	0.0	0.0	0.0	62.2	141.8	All in sustaining costs	AS/oz	0	0	0	0	830	863
Costs	\$M	(1.7)	(2.0)	(2.0)	(3.5)	(31.4)	(69.8)	Cash costs	US\$/oz	0	0	0	0	543	561
Net Interest	\$M	0.0	0.3	0.2	0.4	(3.0)	(6.7)	All in sustaining costs	US\$/oz	0	0	0	0	598	608
Tax Paid	\$M	0.0	0.0	0.0	0.0	0.0	(7.5)	Cash costs	\$M	0.0	0.0	0.0	0.0	27.9	66.3
Gross Cash Flow	\$M	(1.7)	(1.7)	(1.8)	(3.1)	27.8	57.9	Other/corporate	\$M	0.0	2.0	2.0	4	4	4
Net Capex	\$M	(0.0)	0.0	0.0	(69.3)	(90.7)	(2.8)	Total	\$M	0.0	2.0	2.0	3.5	31.4	69.8
Exploration	\$M	(10.8)	(15.0)	(8.0)	(8.0)	(5.0)	(5.0)	CAPEX (attributable)							
Dividends	\$M	0.0	0.0	0.0	0.0	0.0	0.0	Woodlark	\$M	0.0	0.0	0.0	69.3	90.7	2.8
Other	\$M	(5.0)	0.0	0.0	0.0	0.0	0.0	Other	\$M	0.0	0.0	0.0	0.0	0.0	0.0
Free Cashflow	\$M	(17.5)	(16.7)	(9.8)	(80.4)	(67.8)	50.1	Total	\$M	0.0	0.0	0.0	69.3	90.7	2.8
Equity Issues	\$M	25.4	15.0	20.0	30.0	0.0	0.0	DEPRECIATION (attributable)							
Net Borrowings	\$M	(0.1)	0.0	0.0	50.0	50.0	(20.0)	Woodlark	\$M	0.0	0.0	0.0	0.0	3.0	15.7
Net Investments	\$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
Surplus Cash Flow	\$M	7.8	(1.7)	10.2	(0.4)	(17.8)	30.1	Total	\$M	0.0	0.0	0.0	0.0	3.0	15.7
BALANCE SHEET								EBITDA (attributable)							
Cash	\$M	12.6	10.9	21.1	20.7	2.9	32.9	Woodlark	\$M	0.0	-2.0	-2.0	-3.5	30.8	72.0
Other Current	\$M	0.8	0.0	0.0	0.0	0.0	0.0	Other (incl. writedowns)	\$M	0.0	0.0	0.0	0.0	0.0	0.0
Total Current	\$M	13.3	10.9	21.1	20.7	2.9	32.9	Total	\$M	0.0	-2.0	-2.0	-3.5	30.8	72.0
Fixed Assets	\$M	0.2	0.2	0.2	69.5	157.2	144.3	HEDGING (attributable)							
Exploration	\$M	26.2	41.2	49.2	57.2	62.2	67.2	Gold hedged	oz	0	0	0	0	0	0
Intangibles	\$M	0.0	0.0	0.0	0.0	0.0	0.0	Hedged price	US\$/oz	0	0	0	0	0	0
Other	\$M	8.6	9.4	9.4	9.4	9.4	9.4	Hedged price	AS/oz	0	0	0	0	0	0
Total NC Assets	\$M	34.9	50.7	58.7	136.0	228.7	220.8	Sales hedged	%	0%	0%	0%	0%	0%	0%
TOTAL ASSETS	\$M	48.2	61.5	79.8	156.7	231.6	253.8	Ave. deliverable price	US\$/oz	1160	1247	1215	1220	1210	1200
Total Debt	\$M	0.0	0.0	0.0	50.0	100.0	80.0	Ave. deliverable price	AS/oz	1,541	1,677	1,642	1,671	1,681	1,702
Current Liab	\$M	1.1	1.1	1.1	1.1	8.6	16.0	ASSUMPTIONS							
Non Current Liab	\$M	0.0	0.0	0.0	0.0	0.0	0.0	Exchange Rate	AS/US\$	0.75	0.74	0.74	0.73	0.72	0.71
TOTAL LIAB	\$M	1.1	1.1	1.1	51.1	108.6	96.0	Gold Price	US\$/oz	1160	1247	1215	1220	1210	1200
NET ASSETS	\$M	47.1	60.4	78.6	105.6	123.0	157.7	Gold Price	AS/oz	1541	1677	1642	1671	1681	1702
SH/HLDRS FUNDS	\$M	47.1	60.4	78.6	105.6	123.0	157.7	Silver price	US\$/oz	15.71	17.09	19.50	20.00	20.00	20.00
RATIO ANALYSIS								90 day Bank Bills	%	2.26	2.14	2.09	2.09	2.09	2.09
EPS	¢	(0.3)	(0.2)	(0.1)	(0.2)	1.1	2.1	10 Yr Bond rate	%	2.71	2.38	2.78	2.78	2.78	2.78
PER	x	na	na	na	na	4.0	2.0	Interest Rate Charged	%	6.00	6.00	6.78	6.78	6.78	6.78
EPS Growth	%	>100	>100	(28.5)	72.5	669.6	99.3	VALUATION (fully diluted) at 15% discount rate							
EBITDA per share	¢	-0.2	-0.2	-0.1	-0.2	1.9	4.4	Woodlark (80%)						109.0	\$ 0.06
EBITDA Multiple	x	-17.7	-24.2	-34.7	-19.8	2.3	1.0	Exploration						35.0	\$ 0.02
EV/EBITDA	x	-11.1	-18.8	-24.2	-28.2	5.4	1.6	Corporate / Other						(14)	\$ (0.01)
CFPS	¢	(0.2)	(0.2)	(0.1)	(0.2)	1.7	3.5	Net Cash (Debt)						21.1	\$ 0.01
PCFR	x	na	na	na	na	2.5	1.2	Total						151.0	\$ 0.10
DPS	¢	0.0	0.0	0.0	0.0	0.0	0.0								
Yield	%	0.0	0.0	0.0	0.0	0.0	0.0								
Franking	%	0	0	0	0	0	0								
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								

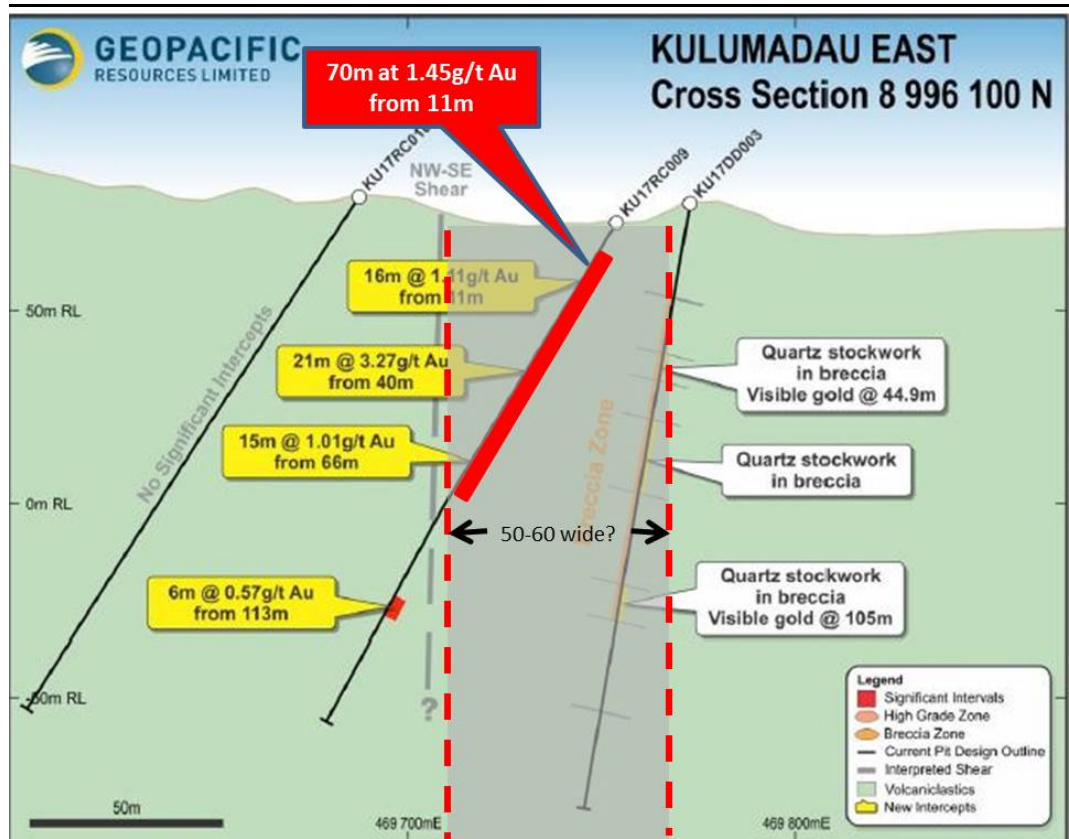
Source: Petra Capital

Figure 1: Kulumadau drill hole location plan & resource classification



Source: Company reports, Petra Capital

Figure 2: Cross section showing two new drill holes & potential 50-60m wide zone



Source: Company reports, Petra Capital



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