

14 July 2017

Geopacific Resources (GPR)

BUY

Share Price: A\$0.027

Impressive drill results continue at Woodlark

Target Price:

A\$0.10

Geopacific (GPR) has released more impressive drill results from Woodlark, this time showing strong depth continuity at Kulumadau West and Busai, as well as more broad, near surface intersections outside the resource at Kulumadau East. These results continue to demonstrate the opportunity to capture additional high grade mineralisation in larger, optimised pit designs & significantly grow reserves. These results continue to build our confidence in the potential for Woodlark to become a multi-million ounce deposit which will underpin a robust new gold operation. We maintain a BUY with a price target of A\$0.10/sh (unchanged).

High grade depth extension at Kulumadau West

- Broad zone of **57m at 3.94g/t Au** extends mineralisation up to 100m below previous pit design
- Includes a high grade zone of **18m at 10.3g/t Au**
- Mineralisation remains open at depth (Figure 2)
- Previous open pit designed to only 170m depth, strong chance to increase this significantly

Nice results from northern end of Kulumadau East

- More broad, near surface results from the northern extension of Kulumadau East; this area is 100m to the north of the previous open pit design (Figure 4)
- A further two intersections, with 30m at 2.1g/t Au from just 28m down-hole and 22m at 2.8g/t Au from 53m

Unusually high grade extending Busai at depth

- A hit of **18m at 5.6g/t** around 70m below the previous pit design at Busai; remains open at depth (Figure 3)
- Higher grade relative to the bulk of the Busai deposit (current resource 19Mt at 1.5g/t) with the breccia zones shown to host better grades & will be used to help determine orebody orientation & refine targeting
- Previous open pit only designed to 105m depth, with a strong chance of a revised pit pushing deeper

Drill results building a robust picture of Woodlark

- Drilling continues to successfully extend mineralisation outside previous pit shells, with an updated resource/reserve in 2H CY17 expected to underpin a robust gold development at Woodlark
- Major recent milestone with grant of 2.5yr extension to start project construction and retain 20yr mining lease

Price target unchanged at A\$0.10/sh

- Our price target is based on 1xP/NPV₁₅ which assumes 104kozpa at A\$1,100/oz AISC over 11.5 yrs

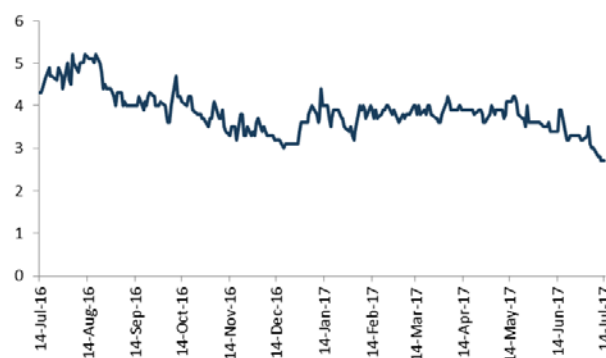
Company Data

Shares – ordinary (M)	1,156
Market capitalisation (\$M)	\$31.2m
12 month low/high (\$)	\$0.027 / \$0.054
Average monthly turnover (\$M)	\$0.23m
GICS Industry	Diversified metals & mining

Financial Summary (fully diluted/normalised)

Year end Dec	2016A	2017F	2018F	2019F	2020F
Revenue (\$M)	0.1	0.0	0.0	62.2	141.8
Costs (\$M)	1.9	2.0	3.5	31.4	69.8
EBITDA (\$M)	-1.9	-2.0	-3.5	30.8	72.0
NPAT (A\$M)	-4.1	-1.8	-3.1	17.4	34.7
EPS (cps)	-0.4	-0.1	-0.2	1.1	2.1
EPS Growth (%)	>100	-70.4	75.7	662.7	99.4
PER (x)	na	na	na	4.0	2.0
Cashflow (Gross A\$M)	-3.5	-4.0	-3.1	27.8	57.8
CFPS (c/sh)	-0.3	-0.2	-0.2	1.7	3.5
PCFPS	na	na	na	2.5	1.2
EV	37	50	100	168	118
EV/EBITDA	-19.8	-25.0	-28.7	5.5	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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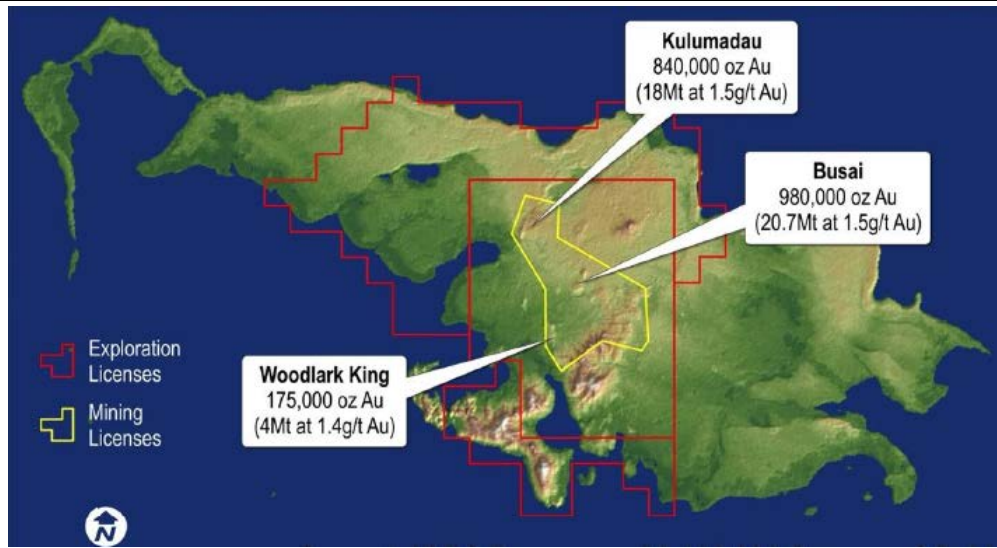


Analysis

Geopacific Resources (GPR)								Share Price (\$)		0.027					
14-Jul-17								Iss. Shares (current) (M)		1152.3					
Year End 31 Dec								Iss. Shares (diluted) (M)		1735.3					
A\$								Unlisted Options (M)		0.0					
								Mkt Cap. (\$M)		31.1					
PROFIT & LOSS								RESOURCES INVENTORY							
	2015A	2016A	2017F	2018F	2019F	2020F		2015A	2016A	2017F	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	0.1	0.0	0.0	0.0	0.0	Tonnes	Mt	0.0	0.0	19.0	19	18	16
Operating Costs	\$M	1.9	1.9	2.0	3.5	31.4	69.8	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)	(1.9)	(2.0)	(3.5)	30.8	72.0	Tonnes	Mt	0.0	0.0	45	45	44	43
Dep. & Amort.	\$M	0.1	0.1	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)	(1.9)	(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	0.0	(0.2)	(0.4)	3.0	6.7	PRODUCTION (100%)							
Pre-Tax Profit	\$M	(2.0)	(1.9)	(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	2.2	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)	(4.1)	(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)	(4.1)	(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)	(18.2)	(19.9)	(23.0)	(5.6)	29.1	COSTS (attributable)							
CASH FLOW								Cash costs	A\$/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	A\$/oz	0	0	0	0	830	863
Costs	\$M	(1.7)	(3.6)	(2.0)	(3.5)	(31.4)	(69.8)	Cash costs	US\$/oz	0	0	0	0	543	561
Net Interest	\$M	0.0	0.1	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	(2.2)	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)	(3.5)	(4.0)	(3.1)	27.8	57.8	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)	(12.1)	(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)	(15.7)	(12.0)	(80.4)	(67.9)	50.0	Total	\$M	0.0	0.0	0.0	69.3	90.7	2.8
Equity Issues	\$M	25.4	14.6	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	(1.1)	8.0	(0.4)	(17.9)	30.0	Total	\$M	0.0	0.0	0.0	0.0	3.0	15.7
BALANCE SHEET								EBITDA (attributable)							
Cash	\$M	12.6	11.5	19.5	19.1	1.2	31.2	Woodlark	\$M	0.0	-2.0	-2.0	-3.5	30.8	72.0
Other Current	\$M	0.8	2.3	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	13.7	19.5	19.1	1.2	31.2	Total	\$M	0.0	-2.0	-2.0	-3.5	30.8	72.0
Fixed Assets	\$M	0.2	0.1	0.1	69.4	157.1	144.2	HEDGING (attributable)							
Exploration	\$M	26.2	33.2	41.2	49.2	54.2	59.2	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	13.7	13.7	13.7	13.7	13.7	Hedged price	A\$/oz	0	0	0	0	0	0
Total NC Assets	\$M	34.9	47.0	55.0	132.3	225.0	217.1	Sales hedged	%	0%	0%	0%	0%	0%	0%
TOTAL ASSETS	\$M	48.2	60.7	74.5	151.4	226.2	248.4	Ave. deliverable price	US\$/oz	1160	1247	1229	1220	1210	1200
Total Debt	\$M	0.0	0.0	0.0	50.0	100.0	80.0	Ave. deliverable price	A\$/oz	1,541	1,677	1,645	1,671	1,681	1,702
Current Liab	\$M	1.1	0.6	(1.6)	(1.6)	5.8	13.2	ASSUMPTIONS							
Non Current Liab	\$M	0.0	2.2	0.3	0.3	0.3	0.3	Exchange Rate	AS/US\$	0.75	0.74	0.75	0.73	0.72	0.71
TOTAL LIAB	\$M	1.1	2.8	(1.3)	48.7	106.1	93.5	Gold Price	US\$/oz	1160	1247	1229	1220	1210	1200
NET ASSETS	\$M	47.1	57.9	75.8	102.7	120.1	154.8	Gold Price	A\$/oz	1541	1677	1645	1671	1681	1702
SH/HLDRS FUNDS	\$M	47.1	57.6	75.8	102.7	120.1	154.8	Silver price	US\$/oz	15.71	17.09	18.98	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	c	(0.3)	(0.4)	(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	2.6	1.3	Interest Rate Charged	%	6.00	6.00	6.78	6.78	6.78	6.78
EPS Growth	%	>100	>100	(70.4)	75.7	662.7	99.4	VALUATION (fully diluted) at 15% discount rate							
EBITDA per share	c	-0.2	-0.2	-0.1	-0.2	1.9	4.4	Woodlark (80%)						111.6	\$ 0.06
EBITDA Multiple	x	-11.4	-16.7	-22.3	-12.7	1.4	0.6	Exploration						40.0	\$ 0.02
EV/EBITDA	x	-4.7	-10.5	-12.6	-21.6	4.7	1.3	Corporate / Other						(14)	\$ (0.01)
CFPS	c	(0.2)	(0.3)	(0.2)	(0.2)	1.7	3.5	Net Cash (Debt)						19.5	\$ 0.01
PCFR	x	na	na	na	na	1.6	0.8	Total						157.1	\$ 0.10
DPS	c	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	30.1	82.2	31.5								
Interest Cover	x	0.0	0.0	8.4	8.6	9.3	8.3								
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)	(2.7)	(2.3)	12.3	22.7								
Return On Equity	%	(4.2)	(7.2)	(2.3)	(3.0)	14.5	22.4								
Eff Tax rate	%	0	30	30	30	30	30								

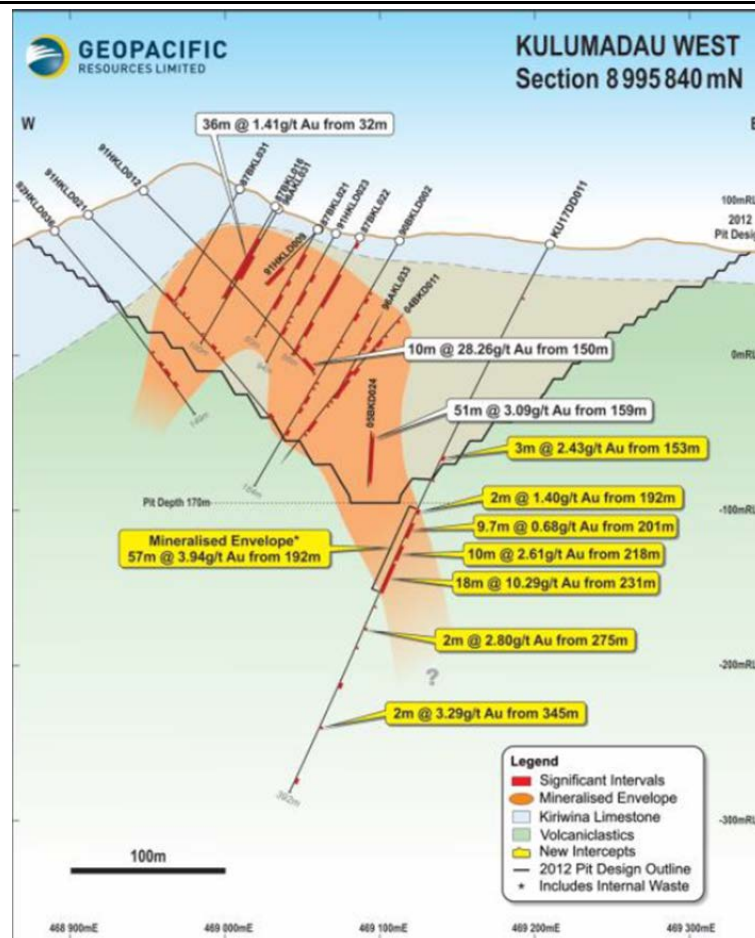
Source: Petra Capital

Figure 1: Location of key deposits & licenses on Woodlark Island



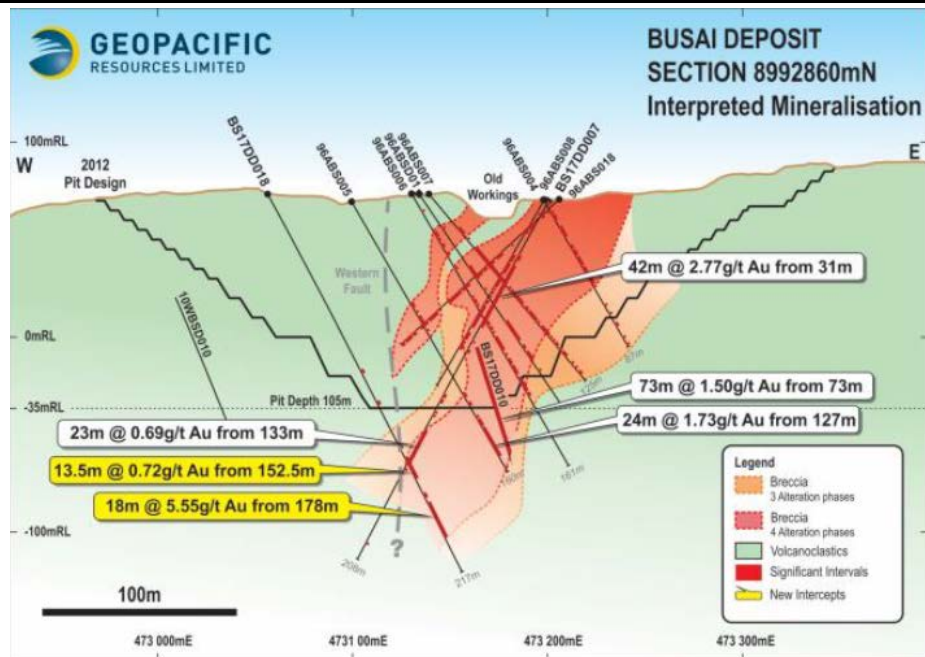
Source: Company reports

Figure 2: High grade intersection extending mineralisation at depth at Kulumadau West



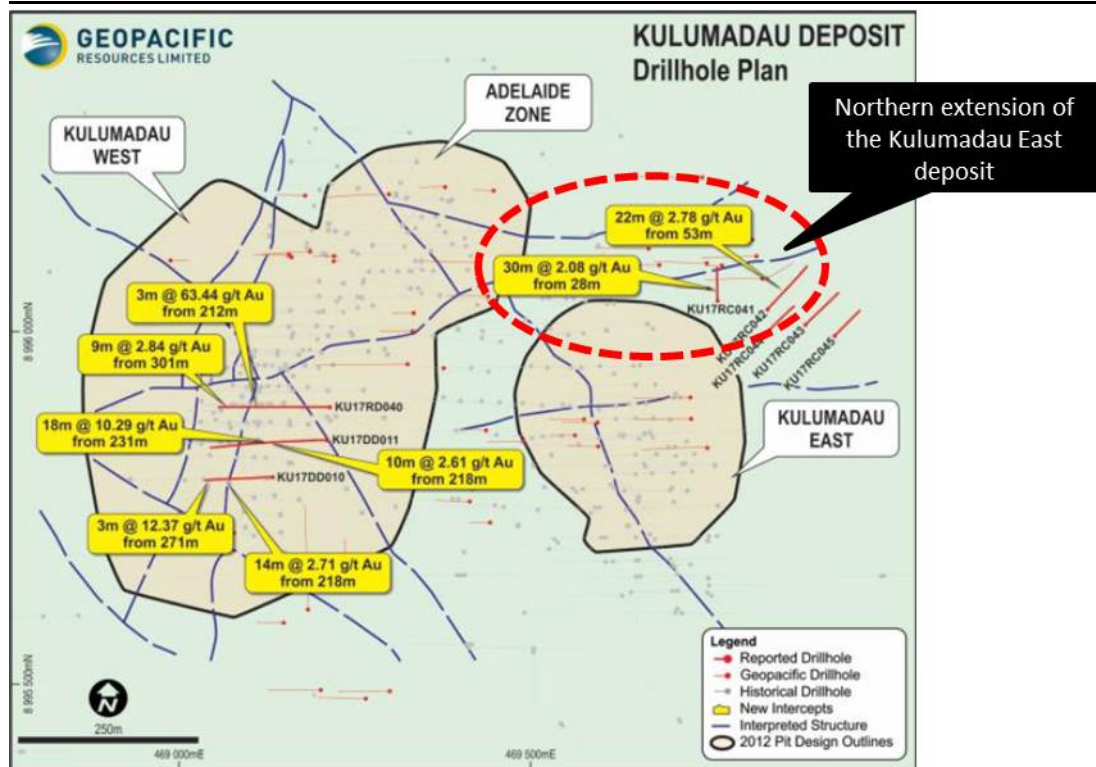
Source: Company reports

Figure 3: High grade intersection extending mineralisation at depth at Busai



Source: Company reports

Figure 4: Recent drill hits within the northern extension of Kulumadau East



Source: Company reports, Petra Capital



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