PETRA CAPITAL

28 May 2020

Geopacific Resources Ltd (GPR) BUY Share Price: A$0.50

Simberi success a guide to a bright future at Woodlark Target Price: A$2.00

SBM's Simberi gold operation has a mixed history, with a challenging period following its acquisition in 2012, before becoming strongly cash-generative over the last 5 years. We estimate Simberi has contributed nearly A$350m of cash to SBM since mid-2014 during a period where the A$ gold price averaged A$1,703/oz. The Simberi oxide operation has many similarities to the emerging Woodlark Gold Project (WGP), in our view. Both assets are c.100kozpa, low-strip ratio open pits located on islands in PNG. Using actual production and cost data, we assess what Simberi would be worth in the current gold price environment and compare this to our estimates for WGP. Despite the poor start, we find SImberi would have a pre-tax NPV_{10} of A$712m using A$2,700/oz gold price, compared to WGP at A$1bn, with one of the key drivers for the difference being the high costs during the initial years at Simberi. From this, we see an equivalent operation, when well run, can generate significant cash flow and become a very valuable asset. With a fully-funded EV of just A$200m, GPR will undoubtedly re-rate as the final funding is secured and the market can better focus on the inherent value in this high quality asset. BUY, PT of A$2.00/sh (unchanged).

Simberi is proof that Woodlark can be successful

- Despite a poor start, Simberi has been a valuable cash generative asset for SBM over the last 5yrs
- This success demonstrates that operating a 1.2-1.3g/t open pit, producing at c.100kozpa, on an island in PNG is possible, and highly lucrative when done correctly

Close operating similarities allow a good comparison

- Simberi output has averaged 98kozpa at A$1,361/oz AISC, including the poor performance from FY13-FY15
- Simberi AISC's around A$1,000-1,200/oz in the better performing years, despite higher costs associated with severe topography between the mine and the mill
- WGP is currently forecast to produce 94kozpa at A$970/oz AISC over the first 9 years

Important learnings to be applied at Woodlark

- Positives: (i) low strip ratio drives strong economics (ii) low cost sea-borne logistics work well in island settings (iii) low cost 'walk-in, walk-out' local labour (iv) flat topography highly beneficial (v) mine life extensions highly likely, 3-4 years added at Simberi oxides
- Negatives: (i) logistics is critical (ii) higher working capital due to increased inventory & critical spares

PT unchanged at $2.00/sh (1xP/NPV)

- Spot valuation is $3.47/sh

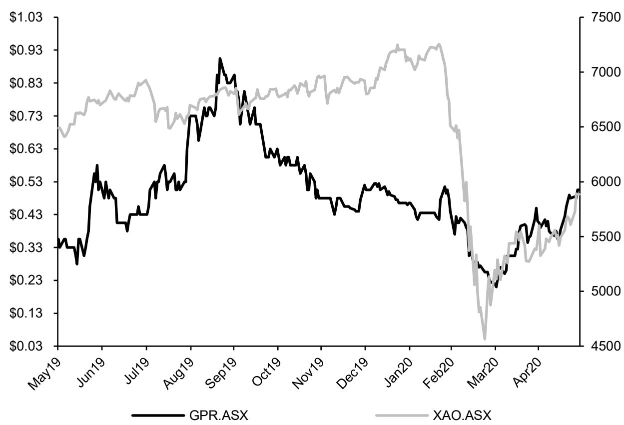
Company Data

Shares – ordinary (M)	174.5
Market capitalisation ($M)	87.3
12 month low/high ($)	0.2/ 0.93
Average monthly turnover ($M)	4.2
GICS Industry	Metals & Mining

Financial Summary (fully diluted/normalised)

Year end December	2020F	2021F	2022F	2023F	2024F
Revenue ($M)	0.0	0.0	227.0	216.5	206.0
Costs ($M)	4.0	17.9	76.7	88.3	90.8
EBITDA ($M)	-4.0	-17.9	150.3	128.2	115.2
NPAT ($M)	-3.2	-19.3	85.9	71.7	64.6
EPS (¢ps)	-1.3	-11.0	33.7	28.2	25.4
EPS growth (%)	na	na	>100	-16.5	-9.9
PER (x)	na	na	1.1	1.3	1.5
Op. Cashflow ($M)	-3.2	-19.3	138.5	82.1	78.4
OCFPS (¢ps)	-1.3	-11.0	54.4	32.3	30.8
POCFPS (x)	na	na	0.7	1.2	1.2
Enterprise Value ($M)	86	207	85	8	-64
EV / EBITDA (x)	na	na	0.6	0.1	-0.6
Payout ratio (%)	0.0	0.0	0.0	0.0	0.0
Dividends (¢ps)	0.0	0.0	0.0	0.0	0.0
Yield (%)	0.0	0.0	0.0	0.0	0.0
Franking (%)	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 exclusive Manager and Bookrunner for GPR's placement of $4.3m at A$0.0085/share on 28 March 2019 and $40m placement at $0.025/sh on 21 October 2019, for which fees were received

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Analysis

Geopacific Resources (GPR)

Share Price	($)	0.50	
Iss. Shares (current)	(M)	175	
Iss. Shares (diluted for $40m at 50¢/sh)	(M)	255	
Unlisted Options	(M)	0.0	
Mkt Cap.	($M)	87.3	

27-May-20

Year End 31 Dec A$

PROFIT & LOSS		2019A	2020F	2021F	2022F	2023F	2024F
Sales Revenue	$M	0.0	0.0	0.0	227.0	216.5	206.0
Other Income	$M	0.0	0.0	0.0	0.0	0.0	0.0
Operating Costs	$M	2.8	4.0	17.9	76.7	88.3	90.8
Exploration	$M	1.5	0.0	0.0	0.0	0.0	0.0
Other	$M	1.5	0.0	0.0	0.0	0.0	0.0
EBITDA	**$M**	**(5.8)**	**(4.0)**	**(17.9)**	**150.3**	**128.2**	**115.2**
Dep. & Amort.	$M	0.2	0.0	0.0	15.8	16.5	16.9
EBIT	**$M**	**(6.0)**	**(4.0)**	**(17.9)**	**134.5**	**111.7**	**98.4**
Net Interest	$M	1.3	(0.8)	1.3	11.8	9.3	6.1
Pre-Tax Profit	**$M**	**(7.3)**	**(3.2)**	**(19.3)**	**122.7**	**102.5**	**92.3**
Tax	$M	0.0	0.0	0.0	36.8	30.7	27.7
Minorities	$M	0.0	0.0	0.0	0.0	0.0	0.0
Net Profit	**$M**	**(7.3)**	**(3.2)**	**(19.3)**	**85.9**	**71.7**	**64.6**
Abnormal	$M	0.0	0.0	0.0	0.0	0.0	0.0
Reported Profit	**$M**	**(7.3)**	**(3.2)**	**(19.3)**	**85.9**	**71.7**	**64.6**
Dividends Paid	$M	0.0	0.0	0.0	0.0	0.0	0.0
Adjustments	$M	0.0	0.0	0.0	0.0	0.0	0.0
Retained Earnings	**$M**	**(31.6)**	**(34.8)**	**(54.0)**	**31.8**	**103.6**	**168.2**
CASH FLOW		**2019A**	**2020F**	**2021F**	**2022F**	**2023F**	**2024F**
Revenue	$M	0.0	0.0	0.0	227.0	216.5	206.0
Costs	$M	(4.3)	(4.0)	(17.9)	(76.7)	(88.3)	(90.8)
Net Interest	$M	(1.3)	0.8	(1.3)	(11.8)	(9.3)	(6.1)
Tax Paid	$M	0.0	0.0	0.0	0.0	(36.8)	(30.7)
Gross Cash Flow	**$M**	**(5.6)**	**(3.2)**	**(19.3)**	**138.5**	**82.1**	**78.4**
Net Capex	$M	(3.0)	(61.1)	(100.0)	(13.7)	(0.3)	(1.7)
Exploration	$M	(1.5)	(2.0)	(2.0)	(3.0)	(5.0)	(5.0)
Dividends	$M	0.0	0.0	0.0	0.0	0.0	0.0
Other	$M	0.0	0.0	0.0	0.0	0.0	0.0
Free Cashflow	**$M**	**(10.1)**	**(66.3)**	**(121.3)**	**121.7**	**76.9**	**71.7**
Equity Issues	$M	44.4	40.0	0.0	0.0	0.0	0.0
Net Borrowings	$M	0.0	20.0	100.0	0.0	(20.0)	(100.0)
Net Investments	$M	0.0	0.0	0.0	0.0	0.0	0.0
Surplus Cash Flow	**$M**	**34.3**	**(6.3)**	**(21.3)**	**121.7**	**56.9**	**(28.3)**
BALANCE SHEET		2019A	2020F	2021F	2022F	2023F	2024F
Cash	$M	37.5	31.2	9.9	131.7	188.5	160.3
Other Current	$M	2.1	2.1	2.1	2.1	2.1	2.1
Total Current	**$M**	**39.6**	**33.2**	**12.0**	**133.7**	**190.6**	**162.3**
Fixed Assets	$M	32.7	93.8	193.8	191.8	175.6	160.4
Exploration	$M	8.3	10.3	12.3	15.3	20.3	25.3
Intangibles	$M	0.0	0.0	0.0	0.0	0.0	0.0
Other	$M	0.0	0.0	0.0	0.0	0.0	0.0
Total NC Assets	**$M**	**41.0**	**104.1**	**206.1**	**207.0**	**195.8**	**185.7**
TOTAL ASSETS	**$M**	**80.5**	**137.3**	**218.0**	**340.7**	**386.4**	**348.0**
Total Debt	$M	0.0	20.0	120.0	120.0	100.0	0.0
Current Liab	$M	7.1	7.1	7.1	43.9	37.9	34.8
Non Current Liab	$M	2.9	2.9	2.9	2.9	2.9	2.9
TOTAL LIAB	**$M**	**10.0**	**30.0**	**130.0**	**166.8**	**140.8**	**37.7**
NET ASSETS	**$M**	**70.5**	**107.3**	**88.0**	**173.9**	**245.7**	**310.3**
SH/HLDRS FUNDS	**$M**	**70.5**	**107.3**	**88.0**	**173.9**	**245.7**	**310.3**
RATIO ANALYSIS		**2019A**	**2020F**	**2021F**	**2022F**	**2023F**	**2024F**
EPS	¢	(4.2)	(1.3)	(11.0)	33.7	28.2	25.4
PER	x	na	na	na	1.5	1.8	2.0
EPS Growth	%	(157.1)	(70.0)	(773)	405.9	(16.5)	(9.9)
EBITDA per share	¢	-3.3	-1.6	-10.3	59.0	50.4	45.3
EBITDA Multiple	x	na	na	na	0.8	1.0	1.1
EV/EBITDA	x	na	na	na	0.8	0.3	-0.3
CFPS	¢	(3.2)	(1.3)	(11.0)	54.4	32.3	30.8
PCFR	x	na	na	na	0.9	1.5	1.6
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	125.0	na	na	na
Interest Cover	x	na	5.1	na	11.4	12.1	16.2
EBITDA Margin	%	na	na	na	66.2	59.2	55.9
EBIT Margin	%	na	na	na	59.2	51.6	47.7
Return On Assets	%	(7.5)	(2.9)	(8.2)	39.5	28.9	28.3
Return On Equity	%	(10.4)	(3.0)	(21.9)	49.4	29.2	20.8
Eff Tax rate	%	30	30	30	30	30	30

RESOURCES INVENTORY		2019A	2020F	2021F	2022F	2023F	2024F
Mining Inventory							
Tonnes	Mt	30.3	30.3	30	28	26	23
Grade	g/t	1.11	1.11	1.11	1.06	1.02	0.96
Contained Gold	koz	1,081	1,081	1,081	960	840	722
Resources							
Tonnes	Mt	47	47	47	45	42	40
Grade	g/t	1.0	1.0	1.0	1.04	1.04	1.04
Contained Gold	koz	1,572	1,572	1,572	1,450	1,330	1,212

PRODUCTION (100%)		2019A	2020F	2021F	2022F	2023F	2024F
Ore mined	Mt	0.00	0.00	0.45	2.99	3.81	3.93
Ore Milled	Mt	0.00	0.00	0.0	2.2	2.4	2.4
Grade	g/t	0.0	0.0	0.0	1.7	1.6	1.5
Recovery	%	0%	0%	0%	90%	87%	90%
Gold Produced	koz	0	0	0	110	105	107

REVENUE		2019A	2020F	2021F	2022F	2023F	2024F
Woodlark	$M	0.0	0.0	0.0	227.0	216.5	206.0
Other	$M	0.0	0.0	0.0	0.0	0.0	0.0
Total	$M	0.0	0.0	0.0	227.0	216.5	206.0

COSTS		2019A	2020F	2021F	2022F	2023F	2024F
Cash costs	A$/oz	0	0	0	608	751	760
All in sustaining costs	A$/oz	0	0	0	734	848	866
Cash costs	US$/oz	0	0	0	426	525	532
All in sustaining costs	US$/oz	0	0	0	514	593	606
Cash costs	$M	0.0	0.0	13.9	71.7	83.3	85.8
Other/corporate	$M	4.3	4.0	4.0	5.0	5.0	5.0
Total	$M	4.3	4.0	17.9	76.7	88.3	90.8

CAPEX		2019A	2020F	2021F	2022F	2023F	2024F
Woodlark	$M	3.0	61.1	100.0	13.7	0.3	1.7
Other	$M	0.0	0.0	0.0	0.0	0.0	0.0
Total	$M	3.0	61.1	100.0	13.7	0.3	1.7

DEPRECIATION		2019A	2020F	2021F	2022F	2023F	2024F
Woodlark	$M	0.2	0.0	0.0	15.8	16.5	16.9
Total	$M	0.2	0.0	0.0	15.8	16.5	16.9

EBITDA		2019A	2020F	2021F	2022F	2023F	2024F
Woodlark	$M	-4.3	-4.0	-17.9	150.3	128.2	115.2
Other (incl. writedowns)	$M	0.0	0.0	0.0	0.0	0.0	0.0
Total	$M	-4.3	-4.0	-17.9	150.3	128.2	115.2

HEDGING		2019A	2020F	2021F	2022F	2023F	2024F
Gold hedged	oz	0	0	0	0	0	0
Hedged price	US$/oz	0	0	0	0	0	0
Hedged price	A$/oz	0	0	0	0	0	0
Sales hedged	%	0%	0%	0%	0%	0%	0%
Avg. deliverable price	US$/oz	1392	1565	1500	1450	1450	1350
Avg. deliverable price	A$/oz	2,003	2,401	2,222	2,071	2,071	1,929

ASSUMPTIONS		2019A	2020F	2021F	2022F	2023F	2024F
Exchange Rate	A$/US$	0.70	0.65	0.68	0.70	0.70	0.70
Gold Price	US$/oz	1392	1565	1500	1450	1450	1350
Gold Price	A$/oz	2003	2401	2222	2071	2071	1929
Silver price	US$oz	16.19	14.70	14.70	14.70	14.70	14.70
90 day Bank Bills	%	2.09	2.09	2.09	2.09	2.09	2.09
10 Yr Bond rate	%	2.78	2.78	2.78	2.78	2.78	2.78
Interest Rate Charged	%	8.00	8.00	10.00	10.00	10.00	10.00

VALUATION (fully diluted) at 10% discount rate	A$M	A$/sh
Woodlark Gold Project (100%)	497	1.95
Exploration (incl Woodlark regional)	20	0.08
Corporate / Other	-22	-0.09
Net Cash (Debt)	11	0.04
Total	**506**	**2.00**

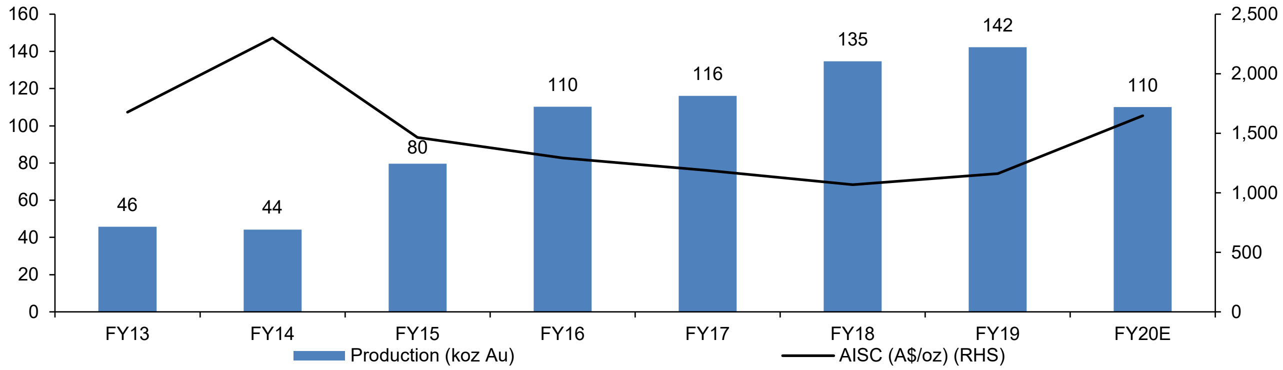
Source: Petra Capital

The Simberi journey is a good guide for Woodlark

The Simberi gold operation is located on Simberi Island, in the province of New Ireland – the easternmost province of Papua New Guinea (PNG) and 900km from Port Moresby. Simberi was brought into production by Allied Gold in 2008, with St Barbara (SBM) acquiring Allied Gold in 2012, which included the Gold Ridge operation in Solomon Islands. Operational and social challenges saw SBM divest Gold Ridge in 2015 for a nominal amount, with Simberi being retained. Despite the poor operational performance during the FY13-15 period, Simberi has become an important contributor to group gold production and cash flow, especially over the last 5 years. In FY19 (before SBM's Atlantic acquisition), Simberi accounted for A$98m (35%) of group operational cash flow and 39% of group gold production. Since JQ'14 (when Simberi's financial performance was reported separately from Gold Ridge), we calculate the operation has contributed some A$326m cash to SBM's balance sheet.

Since reporting Simberi separately from Gold Ridge, Simberi has averaged 98kozpa gold output over the last 8 years at AISC of A$1,362/oz (Figure 1).

Figure 1: Simberi's gold output and AISC since being reported separately by SBM

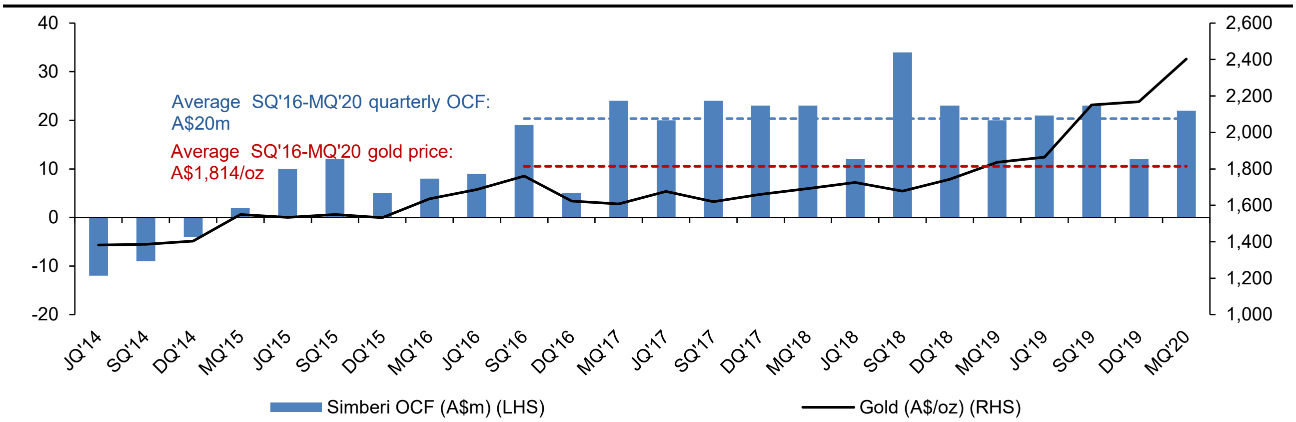


Source: Company, Iress, compiled by Petra Capital

We highlight actual operating cash flow reported for Simberi since June 2014, with specific reference to cash generation of A$20m per quarter once operations were stabilised from mid-2016, and at a time of relatively subdued A$ gold prices (Figure 2). We note the modest cash generation over the last 3-4 quarters as the A$ gold price has been rising, with this attributed to lower grades and recovery impacting gold output and leading to higher AISC. This is driven by the near-depletion of oxide ore resulting in the need to mine and process an increased amount of transitional ore which has lower recoveries (Figure 2 & Figure 3).

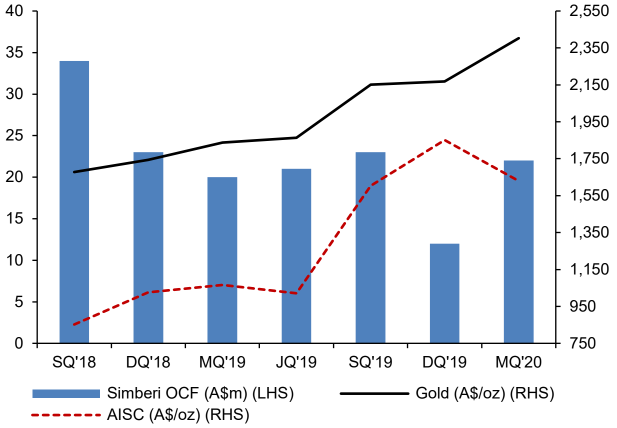
The current mine plan anticipates Simberi continuing to process oxide (and variable amounts of transitional ore) into FY22E; a decision to proceed with the sulphide project is expected in MarQ 2021.

Figure 2: Simberi's quarterly OCFs versus the A$ gold price: JQ'14-MQ'20



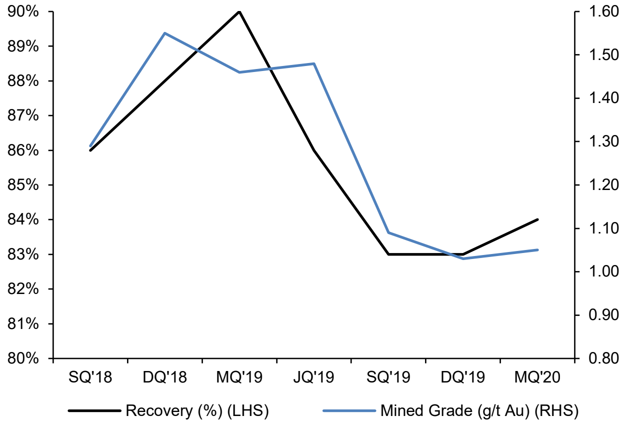
Source: Company, Iress, compiled by Petra Capital

Figure 3: OCF, AISC and gold price (SQ'18-MQ'20)



Source: Company, Petra Capital

Figure 4: Recovery and mined grade (SQ'18-MQ'20)



Source: Company, Petra Capital

Comparison to GPR's Woodlark Gold Project

GPR's Woodlark Gold Project (WGP) is located on Woodlark Island, within the Milne Bay Province and some 600km east of Port Moresby (Figure 5). GPR announced an earn-in joint venture with Kula Gold (KGD) in mid-2016, with 100% ownership of the asset secured in early 2019 after various corporate initiatives. Over US$150m had been spent on exploration, studies, permitting and site infrastructure by KGD over a 10 year period prior to GPR's involvement. Leveraging off this work, GPR focused on defining a 1Moz Reserve which would underpin a low strip ratio (low-risk) operation targeting 100kozpa for 10 years, with scope to grow. After completion of a significant amount of drilling and study work, GPR delivered a robust Definitive Feasibility Study (DFS) in late 2018. This outlined a 1.04Moz Reserve underpinning 104kozpa gold output at AISC of A$866/oz over the first 5 years of an initial 13 year mine life (96kozpa over 9 years; 74kozpa over 13 years including 4 years of stockpile processing). A simple 2.4Mtpa CIL processing plant is proposed, with an averaged processed grade of 1.52g/t over the first 5 years. Importantly, a very low life-of-mine strip ratio of 3.9:1 was defined, with the favourable orebody geometry allowing this to be around 3:1 for the first 5 years. Further, the project is assisted by soft ore, simple metallurgy and favourable logistics owing to its island location with minimal topography and deep water port facilitating low-cost seaborne transport.

Exploration upside is very significant at Woodlark, with numerous opportunities to extend mine life with minimal effort. These include the extension of known deposits at Kulumadau and Busai which are only constrained by drilling within very shallow open pits (50-100m max depth), as well as multiple known near-mine and regional targets which require following up. Exploration success is highly likely to add material upside to annual production rates and mine life, in our view. We see potential for Woodlark to host 3-5Moz gold.

Figure 5: Gold deposits / mining operations in the New Guinea mobile belt

Source: Company Reports

Simberi actual production compared to Woodlark forecasts

As noted above, we see many similarities between Simberi and Woodlark. As such, we compare actual production and cost profile from Simberi to our forecasts for Woodlark over a 10 year period (Figure 6 – Figure 10). The early years at Simberi were impacted by lower grades, low recovery and less processing capacity. GPR is aware of the initial challenges experienced at Simberi and is putting various measures in place to ensure that similar issues around plant performance, logistics, working capital, critical spares etc are not experienced at Woodlark. We see these are important learnings for GPR and will ensure Woodlark is established as a new, low risk open pit gold project.

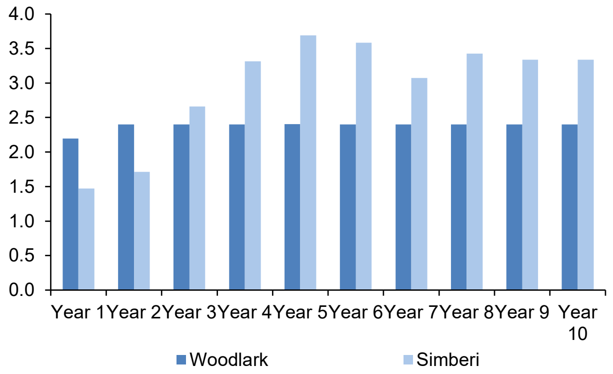
Over this 10 year period, despite ore milled at Woodlark being 20% lower, total gold output at Woodlark is only 6% below Simberi at 919koz (versus 978koz at Simberi). This is driven by the higher grades at Woodlark (1.3g/t versus 1.2g/t at Simberi) and a higher forecast recovery rate due to the more favourable metallurgical characteristics at Woodlark (89% versus 84% at Simberi).

Figure 6: Simberi vs Woodlark: gold production over a 10 year period

Ore milled (Mt)	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 1-10	%Δ
Woodlark	2.2	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	23.8	*-20%*
Simberi	1.5	1.7	2.7	3.3	3.7	3.6	3.1	3.4	3.3	3.3	29.6	
Grade (g/t Au)												
Woodlark	1.7	1.6	1.5	1.5	1.3	1.1	1.2	1.3	1.1	1.2	1.3	*10%*
Simberi	1.1	1.0	1.1	1.3	1.2	1.4	1.7	1.2	1.1	1.1	1.2	
Recovery (%)												
Woodlark	90%	87%	90%	91%	88%	91%	89%	86%	88%	88%	89%	*6%*
Simberi	88%	80%	84%	82%	82%	85%	87%	84%	84%	84%	84%	
Produced gold (koz Au)												
Woodlark	110	105	107	105	91	80	81	88	71	81	919	-6%
Simberi	46	44	80	110	116	135	142	110	98	98	978	

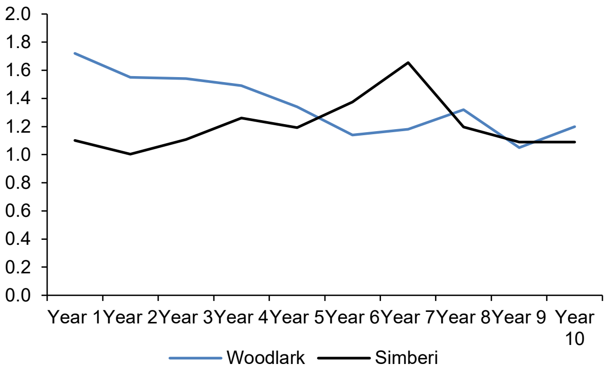
Source: SBM reports, Petra Capital forecasts. Note: Year 1-10 for Simberi is FY13A-FY22F. We forecast FY21F and FY22F production based on average 2Q&3Q FY20 production. Year 1-10 for Woodlark is FY22F-FY31F.

Figure 7: Simberi vs Woodlark: ore milled (Mt)



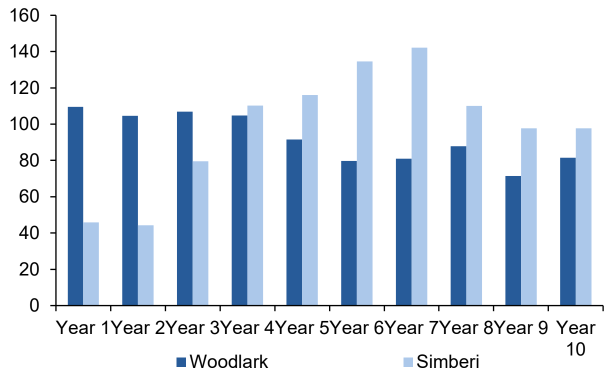
Source: SBM, Petra Capital forecasts

Figure 8: Simberi vs Woodlark: grade (g/t Au)



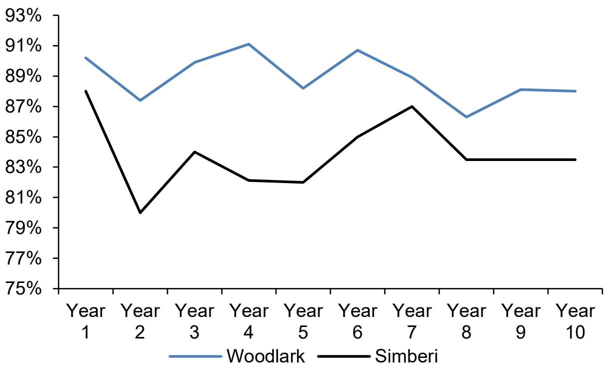
Source: SBM, Petra Capital forecasts

Figure 9: Simberi vs Woodlark: produced gold (koz)



Source: SBM, Petra Capital forecasts

Figure 10: Simberi vs Woodlark: recovery (%)



Source: SBM, Petra Capital forecasts

We forecast Woodlark's AISC at A$1,002/oz over the 10 year period, significantly lower than Simberi's A$1,437/oz. This is largely due to the AISC associated with poor operating performance in the early years at Simberi, as well as the lower grades/recoveries currently being experienced as the Simberi oxide ore is depleted and mining moves increasingly into the underlying transitional material. As a result, and predicated on a A$2,700/oz gold price, we calculate that Woodlark's cumulative operating cash flows (OCF) at A$1.56bn, or 26% higher than Simberi's at A$1.24bn (Figure 11).

Figure 11: Simberi versus Woodlark: Cash flow at A$2,700/oz over 10 years

Produced gold (koz Au)	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**	**Year 8**	**Year 9**	**Year 10**	**Year 1-10**	**%Δ**
Woodlark	110	105	107	105	91	80	81	88	71	81	919	*-6%*
Simberi	46	44	80	110	116	135	142	110	98	98	978	
AISC (A$/oz)												
Woodlark	734	848	866	995	1,129	1,320	1,302	1,103	1,012	882	1,002	*-30%*
Simberi	1,676	2,300	1,464	1,293	1,187	1,068	1,162	1,646	1,740	1,740	1,437	
AISC margin @ A$2,700/oz gold price (A$/oz)												
Woodlark	1,966	1,852	1,834	1,705	1,571	1,380	1,398	1,597	1,688	1,818	1,698	*34%*
Simberi	1,024	400	1,236	1,407	1,513	1,632	1,538	1,054	960	960	1,263	
Cash flow (production x AISC margin) (A$m)												
Woodlark	215	194	196	179	144	110	113	140	120	148	1,560	26%
Simberi	47	18	98	155	176	220	219	116	94	94	1,236	

Source: SBM, Petra Capital forecasts.

Woodlark's cost advantages over Simberi

We identify several key differences between Woodlark and Simberi that will allow Woodlark to deliver a lower AISC outcome relative to Simberi's actual cost performance since being acquired by SBM. We also believe that GPR will learn from the mistakes made at Simberi and ensure adequate measures are implemented to prevent the same mistakes being made. This is particularly relevant to logistics and supply chains, as well as first fills and critical spares. The early years of underperformance at Simberi have skewed the life-of-mine AISC higher.

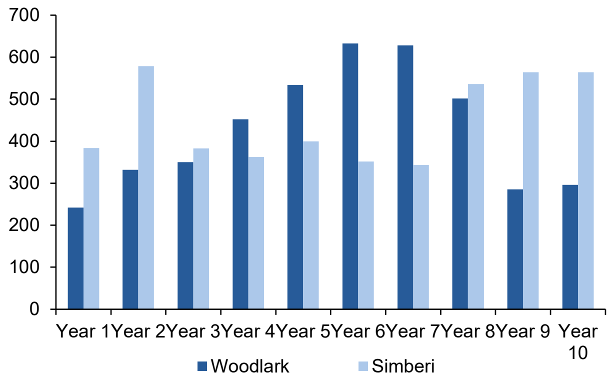
The Woodlark orebody offers a number of positive attributes. The deposit outcrops, with the broadest mineralised zones located at surface. This allows for a very low strip ratio, particularly in the early years resulting in less material movements, fewer pieces of mining equipment, as well as lower fuel and employee costs.

Further, the ore is very soft, with a strong chance of more free-digging ore than is currently anticipated. This will limit the amount of blasting needed and result in lower costs, in our view.

Not only is Woodlark ore soft and therefore easy to mine and move through the comminution circuit, it has very favourable metallurgical characteristics which deliver +90% recovery for most of the mine life, with short residence time and low reagent consumption. Processing costs should therefore be lower at Woodlark relative to Simberi.

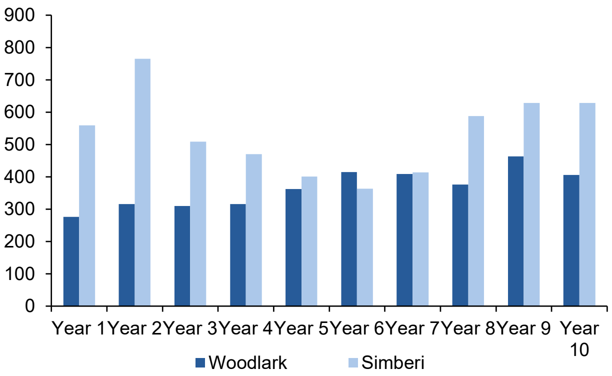
Figure 12 – Figure 15 demonstrate the actual performance of the Simberi operation relative to our forecasts for Woodlark.

Figure 12: Simberi vs Woodlark: mining costs



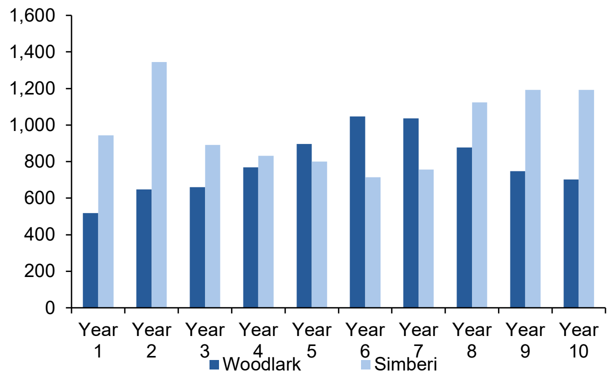
Source: SBM, Petra Capital forecasts

Figure 13: Simberi vs Woodlark: processing costs



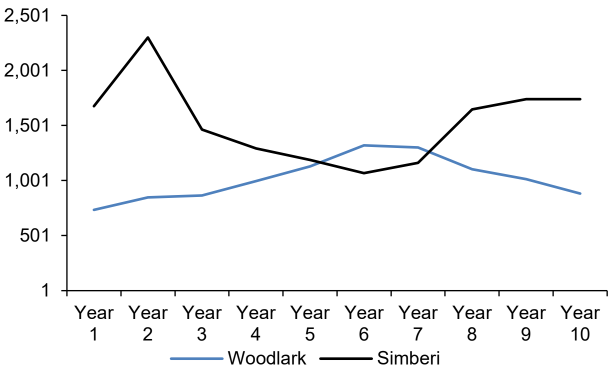
Source: SBM, Petra Capital forecasts

Figure 14: Simberi vs Woodlark: mining & proc costs



Source: SBM, Petra Capital forecasts

Figure 15: Simberi vs Woodlark: AISC costs (A$/oz Au)



Source: SBM, Petra Capital forecasts

Woodlark valuation supported by the Simberi experience

Based on our like-for-like comparison between Woodlark and Simberi, we determine what both assets could be worth in the current gold price environment at full production. Given we haven't included operating data during the Allied Gold ownership period, we calculate the valuation on a pre-tax and pre-capex basis.

Predicated on our forecast operating cash flow (gold production x AISC margin at A$2,700/oz Au price) profiles over the nominal 10 year period, we determine Woodlark's NPV_{10} at A$1,008m compared to Simberi's at A$712m. We therefore believe that Woodlark is a highly valuable asset if executed and operated successfully. Further, we see material valuation upside to be delivered as exploration translates into longer mine life and higher production rates. With potential for a 3-5Moz gold inventory, expansions to the processing plant may be warranted, in which case gold output could be materially higher.

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