

22 June 2018

# Geopacific Resources Ltd (GPR) BUY Share Price: \$0.035

## On the way to 5Moz at Woodlark

## Target Price: A\$0.08

The Woodlark Gold Project has significant exploration potential, with GPR stating an impressive exploration target of 5Moz. The current resource of 1.57Moz and 1.1Moz reserve is entirely contained within three coherent open pits which have been the focus of GPR drilling and studies until now. With \$10m in the bank, exploration is now looking outside these deposits, with particular focus on areas close to the proposed processing plant which have either historical exploration or identified by recent geological targeting. Significant potential exists beneath the thin coronus cover sequence. We are strong believers in the exploration potential at Woodlark, with success to continue improving the current Woodlark mine schedule as new discoveries are made. Maintain BUY with \$0.08/sh PT.

### Exploration target of 53.3Mt at 2g/t to 105Mt at 1g/t

- Broad parameters set for the 5Moz exploration target due to the processing optionality to treat both high- and low-grade ores using the upgrade plant
- Abundant targets generated by historical exploration and recent surface programs undertaken by GPR
- Known orebodies located within areas the volcanic host-rock outcrops, with little exploration beneath the thin cover sequence over much of the island
- Since becoming involved in Woodlark in mid-2016, all of GPR's drilling has been focused on infill at Kulumadau and Busai for reserve generation, followed by studies to support the recent PFS

### Abundant targets in close proximity to plant site

- Kulumadau, Busai & Woodlark King remain open along strike and at depth
- Numerous, well-defined targets close to the existing orebodies and the proposed processing plant location
- Focus on areas of historic drilling, anomalous geochemistry and structurally favourable targets
- Great Northern a high priority target, given its 500m from Kulumadau (Figure 1 & 2) with historic drilling of:
  - 20m at 4.4g/t
  - 18m at 4.4g/t
  - 26m at 2.06g/t
- Other targets include: Kavakarum (42m at 2.4g/t), Watou (16m at 3.4g/t) & Munasi (25m at 2.1g/t)

### Price target A\$0.08/sh (unchanged)

- Our price target is based on 1xP/NPV<sub>10</sub> which assumes 100kozpa at A\$1,050/oz AISC over 12 yrs

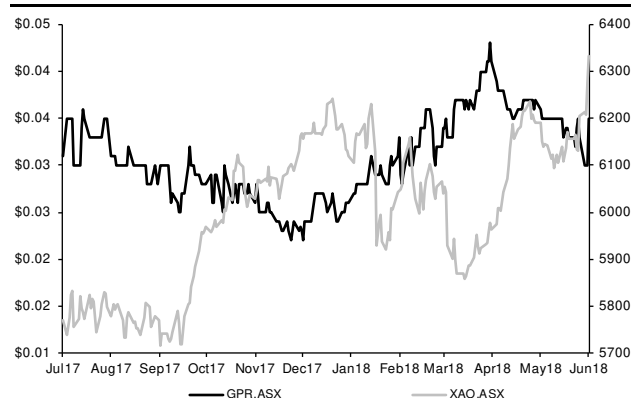
### Company Data

Shares – ordinary (M)	2081.9
Market capitalisation (\$M)	72.9
12 month low/high (\$)	0.02/ 0.04
Average monthly turnover (\$M)	0.3
GICS Industry	Metals & Mining

### Financial Summary (fully diluted/normalised)

Year end December	2017F	2018F	2019F	2020F	2021F
Revenue (\$M)	0.0	0.0	0.0	114.3	157.0
Costs (\$M)	3.0	3.0	3.0	48.6	79.8
EBITDA (\$M)	-3.0	-3.0	-3.0	65.8	77.2
NPAT (\$M)	-2.8	-2.8	-2.8	38.4	39.1
EPS (cps)	-0.2	-0.1	-0.1	1.2	1.2
EPS growth (%)	-704.2	-8.8	37.6	>100%	1.8
PER (x)	na	na	na	2.5	2.5
Op. Cashflow (\$M)	-2.8	-2.8	-2.8	61.6	73.4
FCFPS (cps)	-0.2	-0.1	-0.1	1.9	2.3
PFCFPS (x)	na	na	na	1.6	1.3
Enterprise Value (\$M)	44	50	127	146	87
EV / EBITDA (x)	-14.8	-16.7	-42.2	2.2	1.1
Payout ratio (%)	0.0	0.0	0.0	0.0	0.0
Dividends (cps)	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 \$10m at A\$0.036/share on 30 April 2018, for which a fee was received.

Brett McKay

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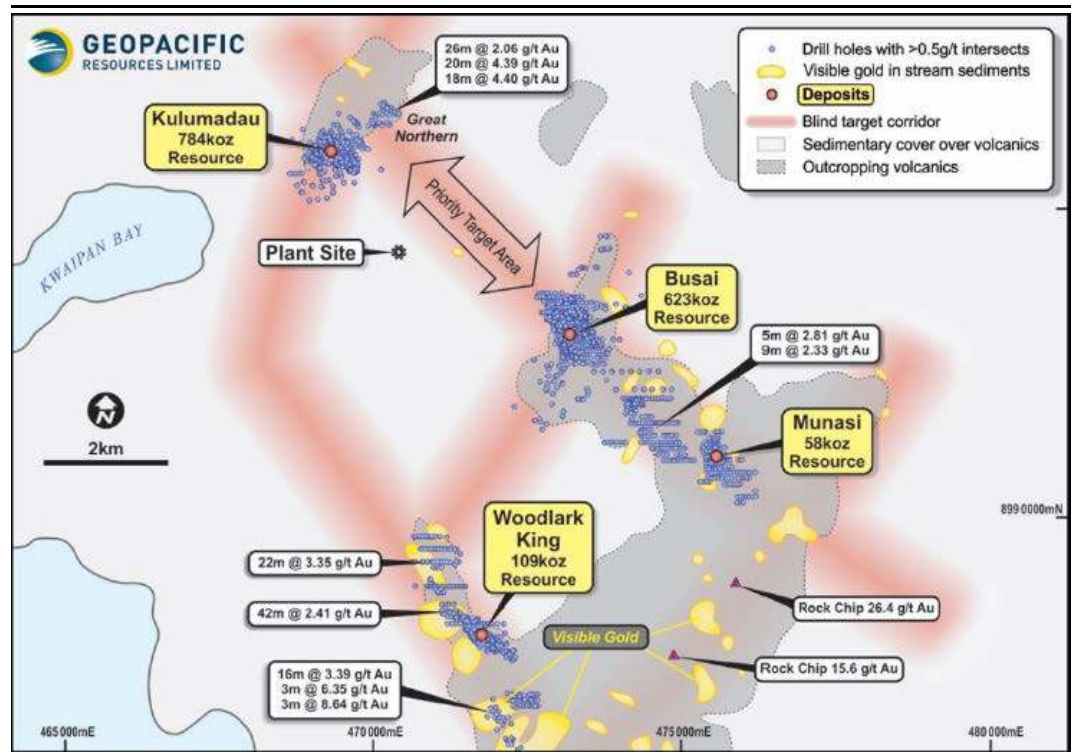


## Analysis

Geopacific Resources (GPR)													
21-Jun-18						Share Price	(\$)	0.03					
Year End 31 Dec						Iss. Shares (current)	(M)	2081.9					
A\$						Iss. Shares (diluted)	(M)	3201.9					
PROFIT & LOSS						Unlisted Options	(M)	0.0					
	2016A	2017F	2018F	2019F	2020F	Mkt Cap.	(\$M)	62.5					
Sales Revenue	\$M	0.0	0.0	0.0	0.0	<b>RESOURCES INVENTORY</b>							
Other Income	\$M	0.1	0.0	0.0	0.0	<b>Mining Inventory</b>							
Operating Costs	\$M	1.9	3.0	3.0	3.0	Tonnes	Mt	0.0	24.5	24.5	24.5	22.9	
Exploration	\$M	0.0	0.0	0.0	0.0	Grade	g/t	0.0	1.4	1.4	1.42	1.41	
Other	\$M	0.0	0.0	0.0	0.0	Contained Gold	oz	0	0	1,118,524	1,118,524	1,038,122	
<b>EBITDA</b>	<b>\$M</b>	<b>(1.9)</b>	<b>(3.0)</b>	<b>(3.0)</b>	<b>(3.0)</b>	<b>65.8</b>	<b>Resources</b>						
Dep. & Amort.	\$M	0.1	0.0	0.0	0.0	6.8	Tonnes	Mt	0.0	47	47	47	45
<b>EBIT</b>	<b>\$M</b>	<b>(1.9)</b>	<b>(3.0)</b>	<b>(3.0)</b>	<b>(3.0)</b>	<b>59.0</b>	Grade	g/t	0.0	1.0	1.0	1.0	1.0
Net Interest	\$M	0.0	(0.2)	(0.2)	(0.2)	4.2	Contained Gold	oz	0	0	1,571,528	1,571,528	1,491,121
<b>Pre-Tax Profit</b>	<b>\$M</b>	<b>(1.9)</b>	<b>(2.8)</b>	<b>(2.8)</b>	<b>(2.8)</b>	<b>54.8</b>	<b>PRODUCTION (100%)</b>						
Tax	\$M	(2.2)	0.0	0.0	0.0	16.4	Ore Milled	Mt	0.00	0.00	0.00	0.0	1.6
Minorities	\$M	0.0	0.0	0.0	0.0	0.0	Grade	g/t	0.0	0.0	0.0	0.0	1.6
<b>Net Profit</b>	<b>\$M</b>	<b>0.3</b>	<b>(2.8)</b>	<b>(2.8)</b>	<b>(2.8)</b>	<b>38.4</b>	Recovery	%	0%	0%	0%	0%	92%
Abnormal	\$M	0.0	0.0	0.0	0.0	0.0	Gold Produced	oz	0	0	0	0	73,970
<b>Reported Profit</b>	<b>\$M</b>	<b>0.3</b>	<b>(2.8)</b>	<b>(2.8)</b>	<b>(2.8)</b>	<b>38.4</b>	<b>REVENUE (attributable)</b>						
Dividends Paid	\$M	0.0	0.0	0.0	0.0	0.0	Woodlark	\$M	0.0	0.0	0.0	0.0	114.3
Adjustments	\$M	0.0	0.0	0.0	0.0	0.0	Other	\$M	0.0	0.0	0.0	0.0	0.0
<b>Retained Earnings</b>	<b>\$M</b>	<b>(13.7)</b>	<b>(16.5)</b>	<b>(19.3)</b>	<b>(22.1)</b>	<b>16.3</b>	Total	\$M	0.0	0.0	0.0	0.0	114.3
<b>CASH FLOW</b>						<b>COSTS (attributable)</b>							
Revenue	\$M	0.0	0.0	0.0	0.0	114.3	Cash costs	A\$/oz	0	0	0	0	627
Costs	\$M	(3.6)	(3.0)	(3.0)	(3.0)	(48.6)	All in sustaining costs	A\$/oz	0	0	0	0	726
Net Interest	\$M	0.1	0.2	0.2	0.2	(4.2)	Cash costs	US\$/oz	0	0	0	0	470
Tax Paid	\$M	0.0	0.0	0.0	0.0	0.0	All in sustaining costs	US\$/oz	0	0	0	0	545
<b>Gross Cash Flow</b>	<b>\$M</b>	<b>(3.5)</b>	<b>(2.8)</b>	<b>(2.8)</b>	<b>(2.8)</b>	<b>61.6</b>	Cash costs	\$M	0.0	0.0	0.0	0.0	45.6
Net Capex	\$M	(0.0)	0.0	0.0	(92.8)	(75.7)	Other/corporate	\$M	2.0	3.0	3.0	3.0	3.0
Exploration	\$M	(12.1)	(9.5)	(7.0)	(5.0)	(5.0)	Total	\$M	2.0	3.0	3.0	3.0	48.6
Dividends	\$M	0.0	0.0	0.0	0.0	0.0	<b>CAPEX (attributable)</b>						
Other	\$M	0.0	0.0	0.0	0.0	0.0	Woodlark	\$M	0.0	0.0	0.0	92.8	75.7
<b>Free Cashflow</b>	<b>\$M</b>	<b>(15.7)</b>	<b>(12.2)</b>	<b>(9.8)</b>	<b>(100.5)</b>	<b>(19.1)</b>	Other	\$M	0.0	0.0	0.0	0.0	0.0
Equity Issues	\$M	14.6	10.5	10.0	60.0	0.0	Total	\$M	0.0	0.0	0.0	92.8	75.7
Net Borrowings	\$M	0.0	0.0	0.0	60.0	0.0	<b>DEPRECIATION (attributable)</b>						
Net Investments	\$M	0.0	0.0	0.0	0.0	0.0	Woodlark	\$M	0.0	0.0	0.0	0.0	6.8
<b>Surplus Cash Flow</b>	<b>\$M</b>	<b>(1.1)</b>	<b>(1.7)</b>	<b>0.2</b>	<b>19.5</b>	<b>(19.1)</b>	Other	\$M	0.0	0.0	0.0	0.0	0.0
<b>BALANCE SHEET</b>						<b>EBITDA (attributable)</b>							
Cash	\$M	11.5	9.8	10.0	29.4	10.3	Woodlark	\$M	-2.0	-3.0	-3.0	-3.0	65.8
Other Current	\$M	2.3	4.2	4.2	4.2	4.2	Other (incl. writedowns)	\$M	0.0	0.0	0.0	0.0	0.0
<b>Total Current</b>	<b>\$M</b>	<b>13.7</b>	<b>13.9</b>	<b>14.1</b>	<b>33.6</b>	<b>14.5</b>	Total	\$M	-2.0	-3.0	-3.0	-3.0	65.8
Fixed Assets	\$M	0.1	0.1	0.1	92.9	161.7	<b>HEDGING (attributable)</b>						
Exploration	\$M	33.2	42.7	49.7	54.7	59.7	Gold hedged	oz	0	0	0	0	0
Intangibles	\$M	0.0	0.0	0.0	0.0	0.0	Hedged price	US\$/oz	0	0	0	0	0
Other	\$M	13.7	13.7	13.7	13.7	13.7	Hedged price	A\$/oz	0	0	0	0	0
<b>Total NC Assets</b>	<b>\$M</b>	<b>47.0</b>	<b>56.4</b>	<b>63.4</b>	<b>161.2</b>	<b>235.1</b>	Sales hedged	%	0%	0%	0%	0%	0%
<b>TOTAL ASSETS</b>	<b>\$M</b>	<b>60.7</b>	<b>70.3</b>	<b>77.5</b>	<b>194.8</b>	<b>249.5</b>	Ave. deliverable price	US\$/oz	1247	1258	1310	1275	1250
Total Debt	\$M	0.0	0.0	0.0	60.0	60.0	Ave. deliverable price	A\$/oz	1,677	1,641	1,701	1,700	1,667
Current Liab	\$M	0.6	0.6	0.6	0.6	17.0	<b>ASSUMPTIONS</b>						
Non Current Liab	\$M	2.2	0.0	0.0	0.0	0.0	Exchange Rate	A\$/US\$	0.74	0.77	0.77	0.75	0.75
<b>TOTAL LIAB</b>	<b>\$M</b>	<b>2.8</b>	<b>0.6</b>	<b>0.6</b>	<b>60.6</b>	<b>77.0</b>	Gold Price	US\$/oz	1247	1258	1310	1275	1250
<b>NET ASSETS</b>	<b>\$M</b>	<b>57.9</b>	<b>69.7</b>	<b>77.0</b>	<b>134.2</b>	<b>172.5</b>	Gold Price	A\$/oz	1677	1641	1701	1700	1667
SH/HLDRS FUNDS	\$M	62.0	69.7	77.0	134.2	172.5	Silver price	US\$/oz	17.09	17.05	20.00	20.00	20.00
<b>RATIO ANALYSIS</b>						<b>VALUATION (fully diluted) at 10% discount rate</b>							
EPS	¢	0.0	(0.2)	(0.1)	(0.1)	1.2	Woodlark (92.75%)					190	0.06
PER	x	118.3	na	na	na	2.5	Exploration (incl Kou Sa & Fiji)					55	0.02
EPS Growth	%	>100	(704.2)	(8.8)	37.6	(1,473.6)	Corporate / Other					-13	-0.00
EBITDA per share	¢	-0.2	-0.2	-0.1	-0.1	2.1	Net Cash (Debt)					10	0.00
EBITDA Multiple	x	-18.5	-18.0	-20.0	-32.0	1.5	<b>Total</b>					<b>243</b>	<b>0.08</b>
EV/EBITDA	x	-12.4	-14.8	-16.7	-42.2	2.2							
CFPS	¢	(0.3)	(0.2)	(0.1)	(0.1)	1.9							
PCFR	x	na	na	na	na	1.6							
DPS	¢	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							
Payout Ratio	%	0%	0%	0%	0%	0%							
Gearing D/E	%	na	na	na	22.8	28.8							
Interest Cover	x	0.0	12.5	14.7	14.4	14.1							
EBITDA Margin	%	na	na	na	na	57.5							
EBIT Margin	%	na	na	na	na	51.6							
Return On Assets	%	(3.2)	(4.3)	(3.9)	(1.5)	23.6							
Return On Equity	%	0.5	(4.0)	(3.6)	(2.1)	22.2							
Eff Tax rate	%	30	30	30	30	30							

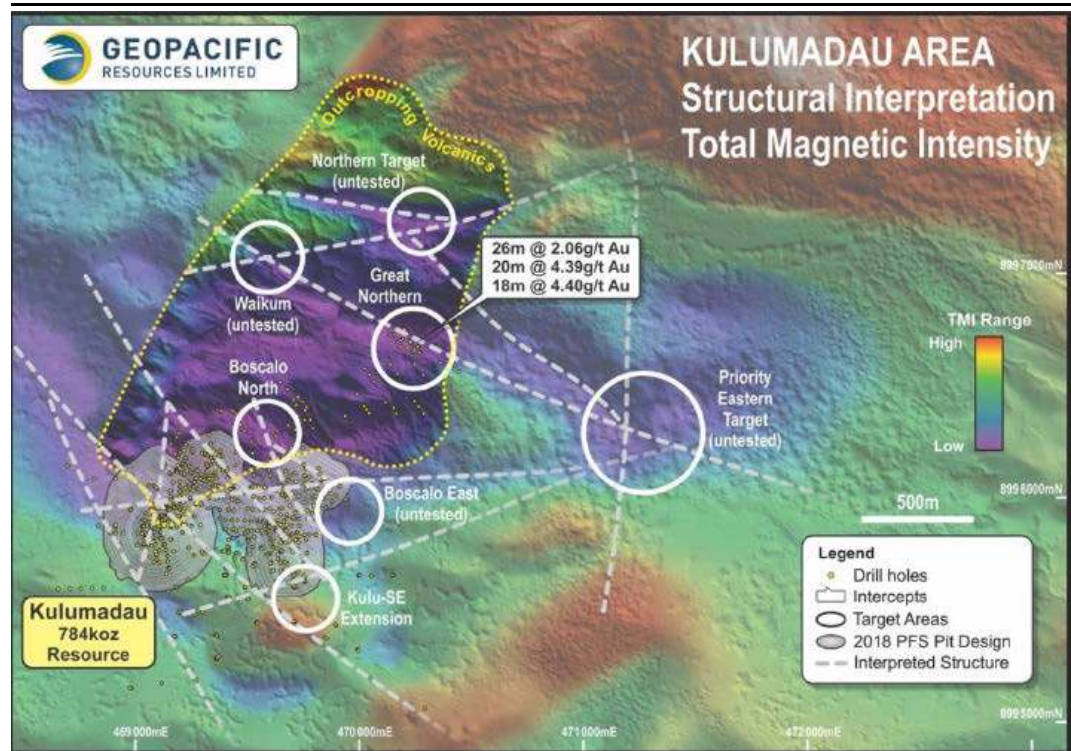
Source: Petra Capital

**Figure 1: Regional target areas in close proximity to existing resource and plant location**



Source: Company reports

**Figure 2: Great Northern targets**



Source: Company reports



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