

<b>Ticker:</b> GPR AU	<b>1Q21 Cash:</b> A\$143m	<b>Project:</b> Woodlark
<b>Market cap:</b> A\$156m	<b>Price:</b> A\$0.31/sh	<b>Country:</b> Papua New Guinea
RECOMMENDATION (unc): BUY	PRICE TARGET (unc): A\$1.30/sh	RISK RATING: HIGH

Today's news is positive and a key catalyst in our view. Geopacific closed the US\$100m project financing (US\$85m PF, US\$15m stream) as modelled and announced last year. The company is now fully funded to develop the Woodlark Gold Project that will see >116koz pa production from 1.7g/t feed in the first two years. Key here is that the 'runway to production' already started back in 1Q21, with orders already placed for SAG and ball mills, long-lead power items procured, construction activities now underway and guidance for first pour in 4Q22 reiterated. Stepping back, Geopacific is among the few fully financed development projects globally coming online next year with visibility on >100koz pa. With a new CEO in place, low market capitalisation, and robust economics, we retain our high conviction on the name. **We maintain our BUY rating, and our 1Q22 1xNAV<sub>5%-1850</sub> PT of A\$1.30/sh.** Stepping back, this is a name on 0.2xNAV, that is fully funded to production in ~18M. Y1-2 grades of 1.7g/t underpinning >A\$180m EBITDA putting the stock on SCPE FCF yields of >70% at today's price. The win here – early years scheduling of higher grade ore. Whilst these financial metrics may appear absurd, we would suggest that the management team and asset are anything but, underpinning our positive view.

## US\$100m project financing secured for Woodlark construction; 4Q22 first gold reiterated

Geopacific closed the previously announced US\$100m project financing with Sprott Private Resource Lending II for the development of Woodlark in PNG, including the US\$15m Callable Gold Stream deposit available immediately. With A\$143m as of March 31<sup>st</sup>, 2021, Woodlark is fully funded, and early work activities are underway, including the order of long lead time items and CIL tank earthworks. The company has reiterated guidance for first gold in 4Q22. Exploration (A\$3m budgeted) is planned to begin in 2H21 aimed at expanding the Kulumadau and Busai pits.

## Why we like Geopacific Resources

- Vanilla CIL project with good logistics on PNG island
- CEO Tim Richards prior GM of neighbouring mine Simberi
- Exploration upside between pits and regionally once RAP complete / site cleared
- Shovel ready pending final funding
- Materially undervalued to spot NAV

## Catalysts

- 2H21: Exploration
- 3Q24: Commissioning
- 4Q24: Commercial production

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Ticker: GPR AU		Price / mkt cap: A\$0.305/sh, A\$156m					Project PNAV today:		0.24x	Asset: Woodlark Is.						
Author: Brock Salier		Rec / 1xNAV PT: BUY, A\$1.3/sh					1xNAV <sub>1Q21</sub> FF FD:		C\$1.50/sh	Country: Papua New Guinea						
Commodity price		CY20E	CY21E	CY22E	CY23E	CY24E	Resource / Reserve		AuEq (koz)		AuEq (g/t)					
Gold price		1,813	1,847	1,850	1,850	1,850	Resource		1567koz		1.04g/t					
SOTP project valuation*							Reserve		1041koz		1.12g/t					
		A\$/m	O/ship	NAVx	A\$/sh		Funding: uses		Funding: sources							
Ungeared proj @ 2Q21		616	100%	1.00x	1.19		DFS capex		A\$255m	Options pre first Au	A\$0m					
Central G&A		(121.3)	100%	1.00x	(0.23)		SCPe contingency		A\$0m	Debt	A\$115m					
Cash @ 1Q21		143.1	100%	1.00x	0.28		SCPe G&A + fin. cost to first Au		A\$14m	Callable gold stream	A\$20m					
Cash from options		2.5	100%	1.00x	0.00		SCPe wkg cap (over A\$8m 1st fill)		A\$15m	Pro-forma cash	A\$143m					
Exploration 250koz @ US\$50/oz		19.0	100%	1.00x	0.04		Total uses		A\$284m	Total proceeds	A\$279m					
Asset NAV5% US\$1850/oz		659				1.27	Exploration / buffer: -A\$5m									
*Shares diluted for options but not mine build     Market P/NAV5% 3Q20     0.20x																
Asset value: 1xNPV project @ build start (A\$m, ungeared)*																
Project NPV (A\$m)*		\$1606oz	\$1750oz	\$1850oz	\$1950oz	\$2150oz	Share data									
8.0% discount		301	400	469	538	675	Basic shares (m)		512.8	FD with build equity raise	519.0					
6.5% discount		334	440	513	586	731	FD with options (m)		519.0							
5.0% discount		371	484	562	640	795	Ratio analysis		CY20E	CY21E	CY22E					
Ungeared project IRR:		33%	40%	45%	50%	60%	Average shares out (m)		145.8	476.1	512.8					
1xNAV5% (A\$/sh)		\$1606oz	\$1750oz	\$1850oz	\$1950oz	\$2150oz	EPS (A\$/sh)		-	-	0.08					
8.0% discount		0.91	1.10	1.23	1.37	1.63	CFPS (A\$/sh)		-	-	-					
6.5% discount		0.97	1.18	1.32	1.46	1.74	EV (A\$m)		9.8	137.2	209.6					
5.0% discount		1.04	1.26	1.41	1.56	1.86	FCF yield (%)		-	-	-					
*Project NPV, excl finance costs and central SGA, discounted to build start																
Group valuation over time^		2Q21	2Q22	2Q23	2Q24	2Q25	Income statement		CY20E	CY21E	CY22E					
Woodlark NPV (A\$m)		616	862	834	672	570	Net revenue (A\$m)		-	-	128.4					
G&A and finance costs (A\$m)		(121.3)	(119.8)	(97.7)	(69.0)	(39.1)	COGS (A\$m)		-	-	44.7					
Net cash prior qtr (A\$m)		259.9	(92.0)	(14.2)	141.2	236.9	Gross profit (A\$m)		-	-	83.8					
Cash from options (A\$m)		2.5	2.5	2.5	2.5	2.5	D&A, attrib (A\$m)		-	-	16.0					
Exploration 250koz @ US\$50/oz		19.0	19.0	19.0	19.0	19.0	Admin (A\$m)		5.1	8.6	8.6					
NAV FF FD (A\$m)		776	672	744	766	790	Expensed exploration (A\$m)		0.2	0.0	-					
Shares in issue (m)		519.0	519.0	519.0	519.0	519.0	Finance cost (A\$m)		(0.1)	(0.2)	17.9					
1xNAV5%/sh FF FD (A\$/sh)		1.50	1.29	1.43	1.48	1.52	Taxes (A\$m)		-	-	1.0					
P/NAV		0.20x	0.24x	0.21x	0.21x	0.20x	Net income (A\$m)		(5.2)	(8.5)	40.4					
Geared company NAV diluted for mine build, net G&A and finance costs							Cash flow, attrib.		CY20E	CY21E	CY22E					
2Q22 1xNAV FF FD (A\$/sh)^		\$1606oz	\$1750oz	\$1850oz	\$1950oz	\$2150oz	EBIT (A\$m)		(5.3)	(8.7)	59.3					
8.0% discount		447	539	602	664	790	Add back D&A (A\$m)		-	-	16.0					
6.5% discount		474	571	638	704	837	Less tax + net interest (A\$m)		(0.1)	(0.2)	18.9					
5.0% discount		503	607	678	749	892	Net change in wkg cap (A\$m)		-	1.2	(24.9)					
Geared project IRR:		26%	32%	36%	39%	46%	Add back other non-cash (A\$m)		0.3	1.1	1.0					
2Q22 1xNAV FF FD (A\$/sh)^		\$1606oz	\$1750oz	\$1850oz	\$1950oz	\$2150oz	Cash flow ops (A\$m)		(4.8)	(6.1)	32.4					
8.0% discount		0.86	1.04	1.16	1.28	1.52	PP&E - build + sust. (A\$m)		(15.8)	(162.6)	(93.5)					
6.5% discount		0.91	1.10	1.23	1.36	1.61	Cash flow inv. (A\$m)		(15.8)	(162.6)	(93.5)					
5.0% discount		0.97	1.17	1.31	1.44	1.72	Share issue (A\$m)		17.4	116.8	-					
^Project NPV incl grp SG&A & fin. cost, +net cash; *diluted for mine build equity																
Production		CY22	CY23	CY24	CY25	CY26	Cash flow fin. (A\$m)		17.4	142.1	109.9					
Gold production (000oz)		51	119	108	90	100	Net change in cash (A\$m)		(3.3)	(26.7)	48.8					
C1 cost (US\$/oz)		597	576	675	769	712	EBITDA (A\$m)		(8.5)	75.3	193.7					
AISC cost (US\$/oz)		668	644	745	1,065	785	Balance sheet		CY20E	CY21E	CY22E					
AISC = C1 + sustaining capex																
Production (koz)     AISC (US\$/oz)																
Total assets (A\$m)												94.7	229.6	386.9	508.5	556.5
Debt (A\$m)												-	-	115.4	112.0	77.4
Accounts payable (A\$m)												9.7	9.9	10.5	10.5	10.4
Others (A\$m)												2.0	2.0	2.0	2.0	2.0
Total liabilities (A\$m)												11.7	12.0	127.9	124.6	89.8
Sh'hlds equity + wrmts (A\$m)												166.7	284.6	285.6	285.8	285.8
Retained earn'gs + rsvs (A\$m)												(83.7)	(66.9)	(26.5)	98.1	180.9
Liabilities + equity (A\$m)												94.7	229.6	386.9	508.5	556.5

Source: SCP estimates

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TENDER:	0
NOT RATED:	0
TOTAL	42

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