# WPG Resources Ltd

## Acquires 100% of Challenger Gold Mine

WPG.ASX BUY

Monday 25 July 2016

- After completing the purchase in March 2016 of a 50% operating interest in the Challenger Gold Mine in South Australia and re-starting production in May 2016, WPG has announced it will buy out their JV partner and increase their interest to 100% for a total consideration of $9m.
- WPG's production at Challenger, plus the processing of its 100% owned Tarcoola reserves through the Challenger mill, will see the Company entering the producing gold ranks at a rate of 65kozpa to 75kozpa at average AISC's of approximately $1200/oz Au.
- Challenger Gold Mine production (100%) is planned to be at a rate of 50kozpa (80kozpa in 15FY) as WPG seek to focus on grade over tonnes.
- A substantial portion of the previous management team has been re-hired as well as underground mining contractor PYBAR who are well known for narrow vein mining.

## Challenger mine inventory

- The recent resource estimate for the Challenger mine of 823kt at 10.3 g/t Au for 272koz Au (100%), reinstates a portion of the Challenger Deeps M2 lode which was excluded from the resource by the previous owner in their 2015 update.
- Based on measured and indicated resources we include a 4 year mine inventory for Challenger. The recent release of Challenger reserves totalling 78.3koz is in line with our assumption of reserves to cover 18 months of production.
- The introduction of smaller underground mining equipment by the Company will aim to increase the underground head grade (stope & development ore) from ~5.0 g/t to a sustainable 6.0 g/t Au. We have not factored an increase into our model.

## Financials

- Our forecast EBITDA in 2017FY of $26.1m and in 2018FY of $39.5m realises a cash build up to +$64m by June 2018.
- We estimate NPAT of $23.0m in 2017FY and $24.7m in 2018FY providing for an eps of 3.0cps and 3.2cps respectively.

## Recommendation

- We recommend a BUY based on our fully diluted NAV of $0.14 per share, which incorporates production for 4 years based on the current Challenger M+I resource and Tarcoola reserves.
- We see WPG trading on a PE multiple of 2.8 times 2017FY and 2.6 times 2018FY, providing considerable upside for the share price as key production and earnings milestones are met.

| | | |
|---|---|---|
| Price (22/7/16 close) | | $0.085 |
| Valuation | | $0.14 |
| Valuation method | | DCF |
| (DCF at 10% dr) | | |
| GICS sector | | Metals & Mining |
| Market capitalisation* | $m | 66 |
| Shares on Issue* | m | 774 |
| Enterprise value | $m | 62 |
| Previous rating | | BUY |

* fully diluted for options, perf. rights, placement & rights issue

| Year Ended June 30 | | 15a | 16e | 17e | 18e |
|---|---|---|---|---|---|
| Production | koz | 0 | 2 | 65 | 75 |
| Cash Costs - AISC | $/oz | 0 | na | 1,266 | 1,183 |
| Sales revenue | $m | 0 | 3 | 113 | 133 |
| EBITDA | $m | -3 | -3 | 26 | 39 |
| EBITDA margin | % | na | na | 23 | 30 |
| Reported NPAT | $m | -3 | -3 | 23 | 25 |
| Adjusted NPAT | $m | -3 | -3 | 23 | 25 |
| EPS adj | c | -1.2 | -0.8 | 3.0 | 3.2 |
| EPS adj growth | % | | | na | 7 |
| DPS | c | 0.0 | 0.0 | 0.0 | 0.0 |
| Franking | % | 0 | 0 | 0 | 0 |
| PER | x | na | na | 2.8 | 2.6 |
| Dividend yield | % | na | na | na | na |
| EV/EBITDA | x | -1.7 | -12.0 | 1.3 | 0.0 |
| ROA | % | na | na | 113 | 203 |
| ROE | % | na | na | 44 | 32 |
| Debt / Debt + equity | % | na | na | na | na |

WPG v's ASX Small Resources


Source: IRESS

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# Investment Case

Following WPG's successful sale of its SA iron ore project for $320 million in 2011, WPG has now acquired a suite of advanced gold projects in the Gawler Craton, South Australia:

**WPG have activated a South Australian gold production strategy**

- Challenger Gold Mine - acquired a 50% interest in March 2016 and is to acquire a full 100% interest by early August 2016 for a cash consideration of A$9.0m to buy out JV partner Diversified Minerals Pty Ltd; and
- Tarcoola and Tunkillia – acquired a 100% interest in May 2014.

The Company continues to retain its Penryhn Coal leases, 40km south of Coober Pedy, which has a resource of 352mt of sub-bituminous coal.

## WPG production scenario

With the acquisition of a 100% interest in the Challenger mine, infrastructure and surrounding leases, WPG has monetized its Tarcoola project at a lower capital cost than originally anticipated. We see the production scenario as follows:

**The Challenger mill will be fully utilised from underground ore and Tarcoola open cut ore**

- Challenger CIL plant capacity – 650ktpa,
- Challenger underground ROM ore – 360ktpa at 5.0 g/t Au,
- Tarcoola opencut ROM ore – 250ktpa at 2.6 g/t Au, processed through the Challenger mill,
- Total plant utilization – 610ktpa at 3.6 g/t Au, the additional 40ktpa to reach full plant capacity could be from either Challenger underground or Tarcoola depending on availability; and
- Gold recoveries of 95% for both Challenger and Tarcoola ore.

Based on the recent resource released by WPG at Challenger, we assume an initial 4 year mine life (the reserves of 80koz are sufficient for 18 months of production). When combined with the Tarcoola reserves (900kt at 2.6 g/t Au) and the 122kt at 1.3 g/t Au in surface low grade stockpiles at Challenger, we see the Challenger mill at capacity for the full 4 years (see below).

On this basis production to WPG will be ~70kozpa Au at our projected AISC of $1200/oz.

**Figure 1: Challenger + Tarcoola throughput, 4 year mine plan**

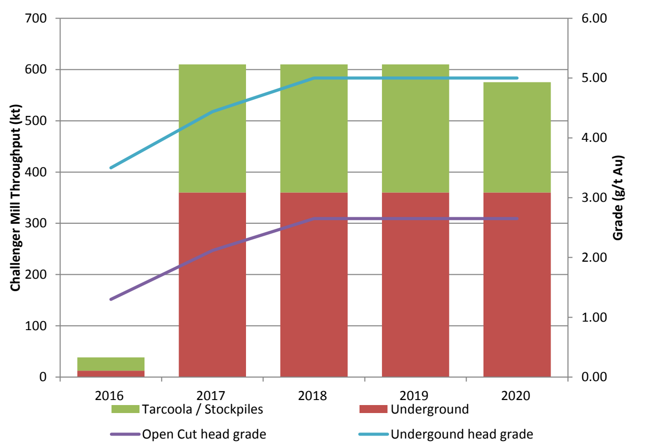
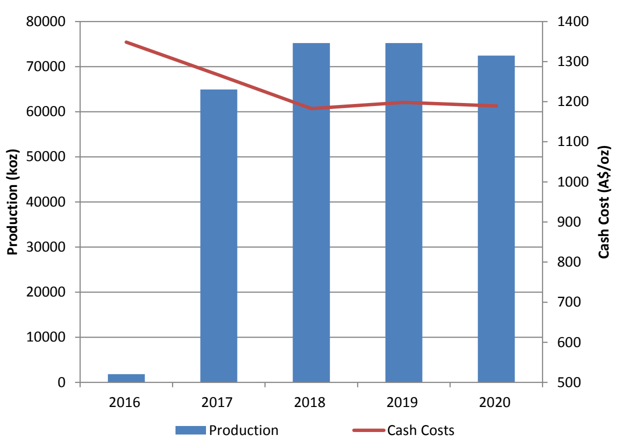



**Figure 2: WPG net production and AISC's**




Source: Veritas, Company reports

## Financials

**There has been no drain on underground mining knowledge from the previous owner Kingsgate to WPG**

Maintaining the status quo of the prior site management and underground production team at Challenger, along with the underground narrow vein mine contracting specialist PYBAR, is a solid foundation for WPG to meet its production targets.

Our forecast EBITDA of $26.1m in 2017FY and $39.5m in 2018FY from low capital requirements at both Challenger and Tarcoola for first startup, we see as a solid endorsement of the continuation of the mining experience at Challenger.

WPG is currently carrying approximately $20m in tax losses. We forecast 2017FY NPAT of $23.0m and $24.7m in 2018FY with the cessation of tax losses.

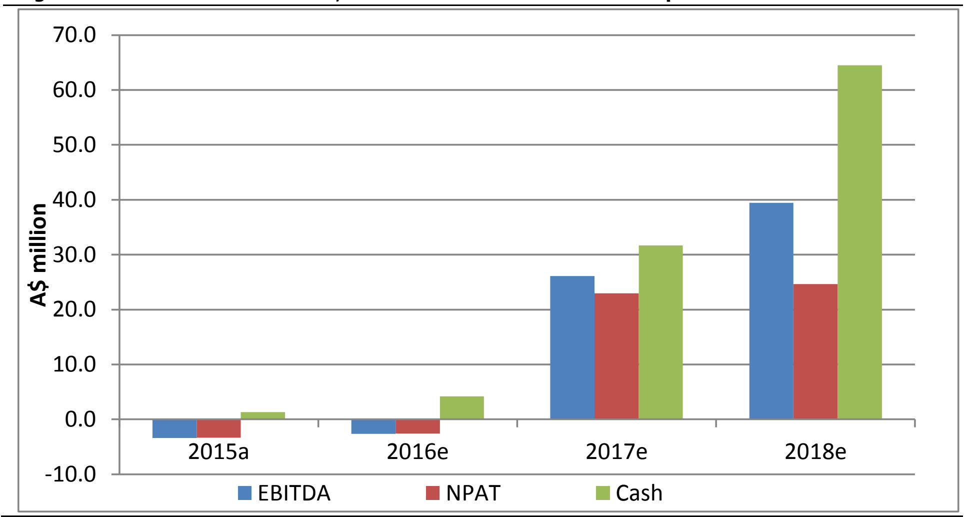
A cash buildup of +$64m to June 2018 will allow for further brownfields/greenfields exploration at Challenger, Tarcoola, Tunkillia and other potential project acquisition opportunities.

**WPG is trading on low PE's**

Our forecasts provide for PE multiples of 2.8 times 2017FY and 2.6 times 2018FY at current prices.

**Our 2017FY forecasts are:**
**EBITDA - $26.1m**
**NPAT - $23.0m**
**Year-end cash - +$30.0m**

**Figure 3: Veritas forecast EBITDA, NPAT and cumulative cash build up**




**Source: Veritas, Company reports**

**Our NAV is $0.14 per share**

We recommend a BUY based on our NAV of $0.14 per share on a fully diluted basis for the 31 December 2016 $0.04 options.

# WPG Resources Limited

**Share Price: $ 0.085** **Valuation $ 0.14**

**Profit and Loss (A$m)**

| Year ending June | 2015a | 2016e | 2017e | 2018e |
|---|---|---|---|---|
| Sales | 0.1 | 3.1 | 113.3 | 133.4 |
| Other Revenue | 0.0 | 0.0 | 0.0 | 0.0 |
| Op. costs | 0.0 | 2.4 | 79.0 | 84.9 |
| Royalty | 0.0 | 0.1 | 3.2 | 4.1 |
| Exploration Writeoff | 0.0 | 0.0 | 0.0 | 0.0 |
| Corporate & Other | 3.6 | 3.3 | 5.0 | 5.0 |
| **EBITDA** | **-3.4** | **-2.6** | **26.1** | **39.5** |
| Dep/Amtz | 0.0 | 0.0 | 3.3 | 5.1 |
| **EBIT** | **-3.4** | **-2.6** | **22.8** | **34.4** |
| Net Interest | 0.1 | 0.1 | 0.2 | 0.8 |
| **Pre-Tax Profit** | **-3.3** | **-2.6** | **23.0** | **35.2** |
| Tax Provision | 0.0 | 0.0 | 0.0 | 10.5 |
| **Net Profit/(Loss)** | **-3.3** | **-2.6** | **23.0** | **24.7** |
| Abnormals | 0.0 | 0.0 | 0.0 | 0.0 |
| Reported Net Profit | -3.3 | -2.6 | 23.0 | 24.7 |

**Balance Sheet (A$m)**

| Year ending June | 2015a | 2016e | 2017e | 2018e |
|---|---|---|---|---|
| Cash | 1.3 | 4.2 | 31.7 | 64.5 |
| Receivables | 0.1 | 2.6 | 5.6 | 5.6 |
| Fixed assets | 7.4 | 8.2 | 20.9 | 18.5 |
| Other assets | 1.1 | 0.3 | 0.3 | 0.3 |
| **Total Assets** | **10.0** | **15.2** | **58.4** | **88.9** |
| Creditors | 0.6 | 3.0 | 6.0 | 6.0 |
| Borrowings | 0.0 | 0.0 | 0.0 | 0.0 |
| Other liabilities | 0.4 | 0.4 | 0.4 | 6.3 |
| **Total Liabilities** | **1.1** | **3.4** | **6.4** | **12.3** |
| **Net Assets** | **8.9** | **11.8** | **52.0** | **76.6** |
| Share capital | 25.6 | 31.1 | 48.3 | 48.3 |
| Retained earnings | -16.7 | -19.3 | 3.6 | 28.3 |
| **Shareholders Funds** | **8.9** | **11.8** | **52.0** | **76.6** |

**Cashflow (A$m)**

| Year ending June | 2015a | 2016e | 2017e | 2018e |
|---|---|---|---|---|
| Sales Revenue | 0.0 | 3.1 | 113.3 | 133.4 |
| Less Outflows | 0.0 | -2.4 | -79.0 | -84.9 |
| Prod. costs in exc. sales | -2.4 | -2.6 | -8.2 | -9.1 |
| Net interest | 0.1 | 0.1 | 0.2 | 0.8 |
| Income tax paid/Other | 0.1 | 0.0 | 0.0 | -4.7 |
| **Operational Cash Flow** | **-2.1** | **-1.8** | **26.3** | **35.6** |
| Exploration | -1.9 | -1.5 | -2.0 | -2.0 |
| Capex | 0.0 | 0.0 | -5.0 | -0.8 |
| Asset (Purchases)/Sales | 0.0 | 0.8 | -9.0 | 0.0 |
| **C/Flow from Investing** | **-1.9** | **-0.7** | **-16.0** | **-2.8** |
| Dividends paid | -0.1 | 0.0 | 0.0 | 0.0 |
| Debt (Repay)/Borrowings | 0.0 | 0.0 | 0.0 | 0.0 |
| Equity Raised | 0.0 | 5.5 | 17.2 | 0.0 |
| Other | 0.0 | -0.1 | 0.0 | 0.0 |
| **C/Flow from Financing** | **-0.1** | **5.4** | **17.2** | **0.0** |
| Cash at Beginning | 0.0 | 1.3 | 4.2 | 31.7 |
| Net Increase/(Decrease) | -4.1 | 2.8 | 27.5 | 32.8 |
| **Cash at end** | **1.3** | **4.2** | **31.7** | **64.5** |

| Directors & Management | | Major Shareholders |
|---|---|---|
| Chairman | Bob Duffin | Bob Duffin |
| Managing Director | Martin Jacobsen | Jalinsons Pty Ltd |
| Exec. Director | Gary Jones | Diversified Minerals P/L |
| Non-Ex. Director | Len Dean | |
| Non-Ex. Director | See Yong Lim | |
| Non-Ex. Director | Dennis Mutton | |

**Market Measures**

| Year ending June | 2015a | 2016e | 2017e | 2018e |
|---|---|---|---|---|
| EPS adj. (¢) | -1.2 | -0.8 | 3.0 | 3.2 |
| EPS Growth (%) | | na | na | 7 |
| **PER (x)** | **na** | **na** | **2.8** | **2.6** |
| CFPS | -1.9 | -1.3 | 3.2 | 4.4 |
| CF Multiple (x) | na | na | 2.6 | 1.9 |
| DPS (¢) | 0.0 | 0.0 | 0.0 | 0.0 |
| Div. Yield (%) | na | na | na | na |
| EV | 5.7 | 31.8 | 32.9 | 0.1 |

**Profitability Ratios**

| Year ending June | 2015a | 2016e | 2017e | 2018e |
|---|---|---|---|---|
| Return on Equity (%) | na | na | 44.2 | 32.2 |
| Return on Assets (%) | na | na | 113.1 | 203.4 |
| NPAT / Sales (%) | na | na | 20.3 | 18.5 |
| Debt / (Debt + Equity) (%) | na | na | na | na |
| EBITDA / Sales (%) | na | na | 23.0 | 29.6 |

| Valuation | dr @ 10% | | dr @ 5% | |
|---|---|---|---|---|
| | A$m | A$ps | A$m | A$ps |
| Challenger/Tarcoola | 94.9 | 0.12 | 105.6 | 0.14 |
| Exploration | 10.0 | 0.01 | 10.0 | 0.01 |
| Options | 3.5 | 0.00 | 3.5 | 0.00 |
| Forward sales | 0.0 | 0.00 | 0.0 | 0.00 |
| Cash/Liquids | 7.6 | 0.01 | 7.6 | 0.01 |
| Total Borrowings | 0.0 | 0.00 | 0.0 | 0.00 |
| Corporate/Other | -7.1 | -0.01 | -7.6 | -0.01 |
| **TOTAL** | **108.9** | **0.14** | **119.1** | **0.15** |

**Production**

| Year ending June | | 2015a | 2016e | 2017e | 2018e |
|---|---|---|---|---|---|
| Challenger/Tarcoola | (koz) | 0 | 2 | 65 | 75 |
| Other | (koz) | 0 | 0 | 0 | 0 |
| Other | (koz) | 0 | 0 | 0 | 0 |
| **Attrib. Production (koz)** | | **0** | **2** | **65** | **75** |
| **Cash Costs - AISC (A$/oz)** | | **0** | **na** | **1266** | **1183** |
| **Total Costs (A$/oz)** | | **0** | **na** | **1317** | **1250** |

**Price Assumptions**

| Year ending June | 2015a | 2016e | 2017e | 2018e |
|---|---|---|---|---|
| Exchange Rate (A$/US$) | 0.84 | 0.72 | 0.71 | 0.71 |
| Gold ($US/oz) | 1224 | 1156 | 1238 | 1250 |
| Gold ($A/oz) | 1468 | 1602 | 1743 | 1774 |

**Attributable reserves & resources (@ June 16)**

| | Company | | Veritas mine plan | |
|---|---|---|---|---|
| | mt | g/t | mt | g/t |
| Challenger mine | 0.6 | 4.7 | 1.4 | 4.9 |
| Tarcoola | 0.9 | 2.6 | 0.9 | 2.6 |
| Tunkillia | 12.3 | 1.4 | 0.0 | 0.0 |
| Total - WPG | 13.8 | 1.6 | 2.3 | 4.0 |
| Attributable Ounces (koz) | | 695 | | 290 |
| Total Reserves + Resources | 0.7Moz @ 1.6g/t Au | | | |

**Sensitivities - eps % change**

| | 2015a | 2016e | 2017e | 2018e |
|---|---|---|---|---|
| Gold Price +/- 10% | 0.0% | -8.7% | 34.5% | 38.5% |
| Exchange Rate +/- 10% | 0.0% | 7.9% | -45.1% | -22.3% |
| Cash Costs +/- 10% | 0.0% | 6.7% | -34.3% | -13.7% |

Source: Company reports & Veritas Securities estimates

## Company Overview

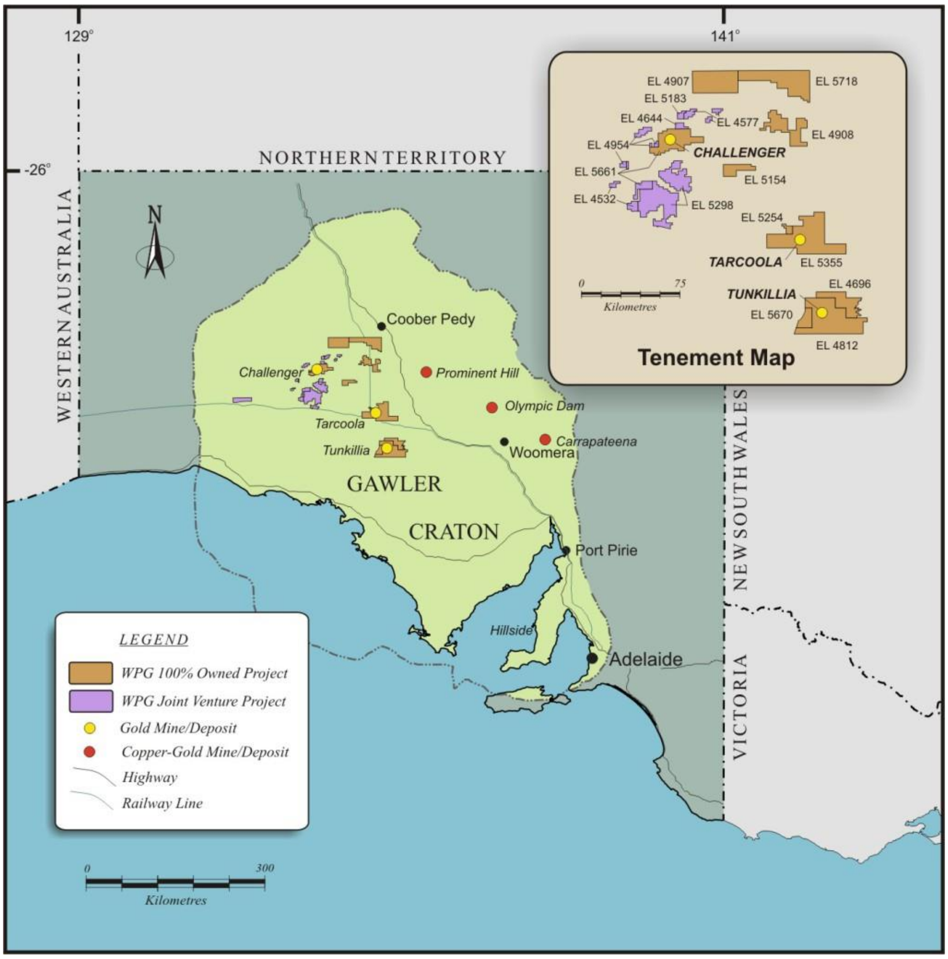
**WPG are on track to be an ~70kozpa Au producer**

The Challenger Gold Mine is located 730km northwest of Adelaide, 150km southwest of Coober Pedy and 130km northwest of WPG's Tarcoola gold project.

Mining at the Challenger mine has recommenced with the first gold pour on 31 May 2016. In the coming months mining will also commence at Tarcoola which will see WPG enter the gold producer ranks for the first time, with production of circa 70kozpa. The Challenger deposit has been in production since 2002 and has significant potential to continue mining beyond the current resources.

**The Company continues its focus on South Australia**

**Figure 5: Location Plan of WPG projects in South Australia**




Source: Company reports

## Challenger production plan

The Company is focused on delivering a production rate which matches the deposit. The plan is for Challenger production to be approximately 50kozpa, down from 80kozpa in 2015FY (Kingsgate's last full year of production). On this basis the mine will be operating at a viable rate whereby grade can be maximized.

**The same production team provides significant benefits**

Since the acquisition WPG has re-hired the bulk of the personnel employed prior to closure, therefore reaping the experience of the same production team.

The ore sources for mill feed are as follows:

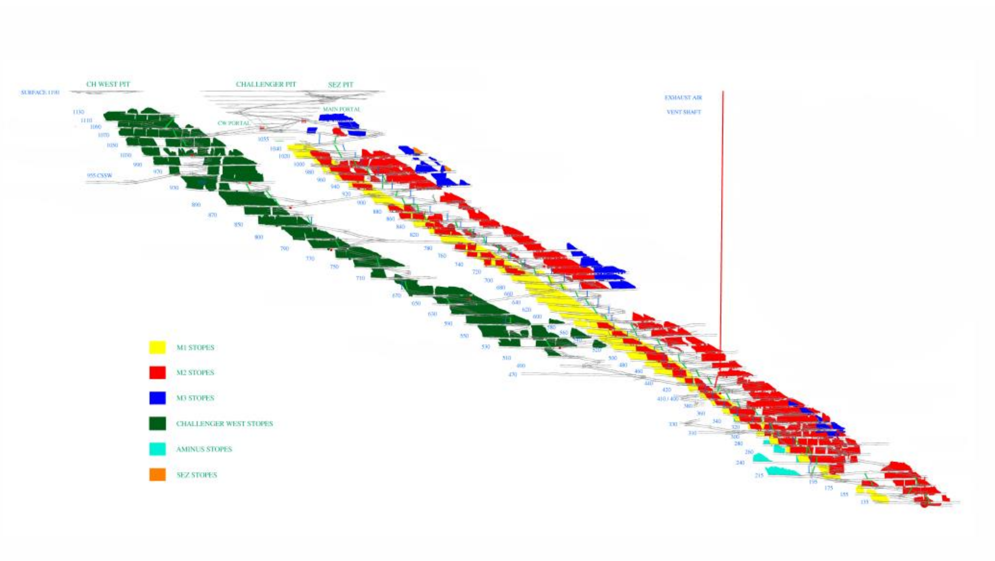
**The focus is on improving and maintaining head grade**

- Development ore - represents approximately 25% of mill throughput with grades variable from 1.5 g/t to +3.0 g/t Au. WPG are seeking to increase the average development ore grade to +3.0 g/t over 6 to 12 months.
- Stope ore - is approximately 75% of mill throughput. Existing developed and drilled ore totals 20koz Au.
- Surface stockpiles – low grade stockpiles at the surface total 122ktpa at 1.3 g/t Au. These stocks will be used to restart the mill prior to first stope ore and to keep the plant running at full capacity until first ore from Tarcoola is available for processing.

We anticipate that development will be targeted at around 3 months ahead of production.

**Figure 6: Challenger deposit Mined stopes**

**All ore shoots are open down plunge**




Source: Company reports

**Cash costs** – AISC including development is targeted at approximately $1200/oz. It is worthy to note that there is no current plan to capitalise any underground development at Challenger, therefore not adding to AISC.

**The largest capex item is for the tailings dam**

**Capital Costs** – total for startup is $3.5m with the largest item of $750k being for the tailings dam. The Capex will be funded through the release of $2.6m (of $2.7m) of the rehabilitation liability.

Our mine plan of 4 years is based on M+I resources

**Veritas mine plan** - Our mine plan includes 4 years of production, based on quoted measured and indicated resources, at 360ktpa at 5.0 g/t Au for circa 50kozpa at 100% of ROM ore. WPG plan to increase the combined stope and development ore head grade to 6.0 g/t Au (or better), with the use of smaller mining equipment including a single boom jumbo. We have not included an improvement in the head grade in our dcf.

## Challenger Resource

WPG has announced an updated mineral resource of 272koz for Challenger comprising largely Challenger West and the M2 lode.

**Challenger Resource – May 2016 (100%)**

| Category | Tonnes | Grade | Ounces |
|---|---|---|---|
| Measured | 147,000 | 6.98 | 33,500 |
| Indicated | 527,000 | 10.8 | 183,500 |
| Inferred | 149,000 | 11.6 | 55,000 |
| Total | 823,000 | 10.27 | 272,000 |

Source: Company reports
Note: A further 5koz is in surface stockpiles at 1.3g/t Au

Previously resources were removed, due to Kingsgate not anticipating to mine the M2 Deeps below the 215 shear and the Challenger West lode down plunge. The last three resource updates from Kingsgate are provided below. Approximately 400koz Au was excluded from the resource in 2015 from the previous year update.

~400koz was excluded from the resource in 2015

**Challenger Resource updates – Kingsgate: 2014 & 2015; WPG 2016**

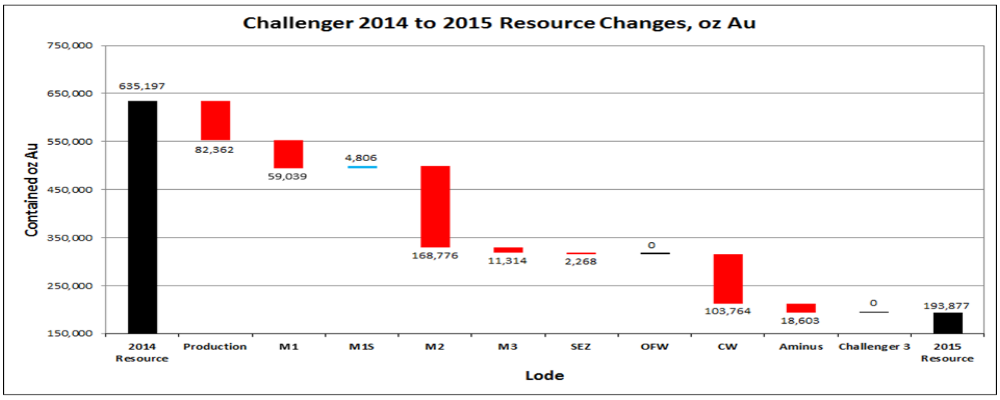
| Year | Tonnes | Grade | Ounces |
|---|---|---|---|
| 2014 | 2,540,000 | 7.8 | 640,000 |
| 2015 | 810,000 | 7.5 | 190,000 |
| 2016 | 823,000 | 10.3 | 272,000 |

Source: Company reports

The figure below identifies the specific lodes where resources were removed.

Significant resources were excluded in 2015 by Kingsgate

**Figure 7: Resource changes by lode from the Kingsgate 2014 to 2015 resource update**




Source: Company reports

## Challenger Reserve

WPG has announced reserves for Challenger which are in line with our assumptions. We anticipate reserve statements going forward will be around 80koz for approximately 18 months of plant feed.

**WPG is aiming to increase the reserve head grade by reducing stope dilution**

**Challenger Reserve – June 2016 (100%)**

| Category | Tonnes | Grade | Ounces |
|---|---|---|---|
| Proved | 102,900 | 5.71 | 18,900 |
| Probable | 333,000 | 5.55 | 59,400 |
| Total | 435,900 | 5.59 | 78,300 |

Source: Company reports
Note: A further 5.1koz are in surface stockpiles at 1.3g/t Au

## Brownfields exploration

An exploration drive has now reached the Challenger South South West (CSSW) discovery and has been developed on the structure. The lode is potentially a parallel structure which could provide considerable resource/reserves. Significant drill intercepts include:

**Challenger SSW could develop into a significant additional ore shoot**

- 1.0m at 42.4 g/t Au
- 1.0m at 22.2 g/t Au
- 1.8m at 12.1 g/t Au
- 1.0m at 17.1 g/t Au
- 0.90m at 19.1 g/t Au
- 0.20m at 368.5 g/t Au
- 1.0m at 18.4 g/t Au
- 1.0m at 18.9 g/t Au
- 0.30m at 21.3 g/t Au

As indicated in Figure 8 below the CSSW shoot has the potential to develop into an additional high grade ore shoot similar to the Challenger West lode development. The fundamental feature of the Challenger shoots are their down plunge extent, as all shoots are open down plunge with the deepest drill intercept at 1,200m below surface in M1 and M2.

The CSSW position has the potential to provide a further shallow ore source for future production with the deeper ore used to supplement the ROM.

**Exploration funding:** At this stage we have included an exploration budget going forward of $2m for primarily Challenger brownfields exploration.

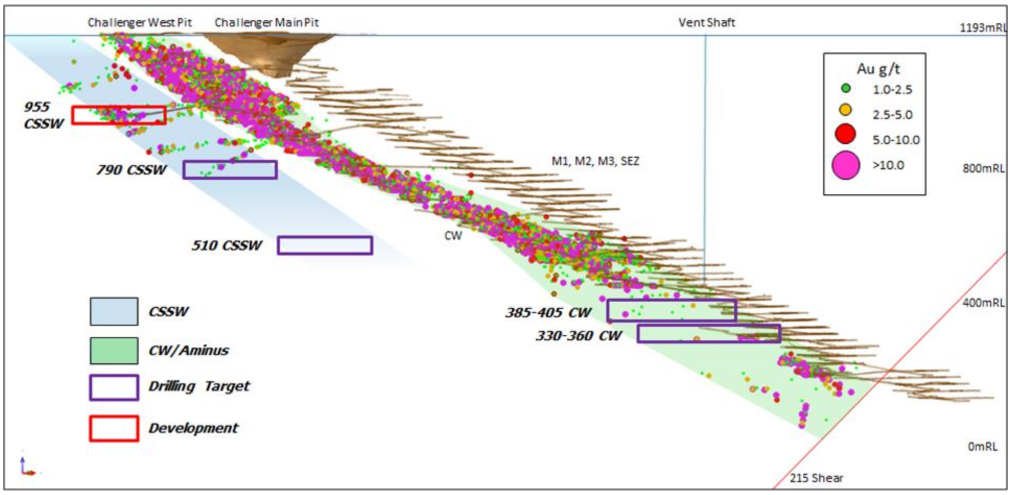
## Consideration of Challenger Acquisition from Diversified Minerals

The total consideration payable by WPG to Diversified Minerals Pty Ltd to take WPG's interest from 50% to 100% is as follows:

**The acquisition cost is $360/oz of attributable additional annual production**

- A cash payment of $9.0m.
- A tranche of 25.0m options with an A$0.11 strike price and a 2 year expiry.

**Figure 8: Challenger SSW drill targets and current development**




Source: Company reports

**Challenger SSW may be a parallel shoot**

## Challenger History

**Challenger has produced 1.1Moz Au since first production in 2002**

- Dominion Mining Limited as manager and Resolute Resources Limited (now Resolute Mining Limited) in a 50/50 JV discovered the Challenger prospect from initial broad (1.6km centres) calcrete sampling in 1993 with a peak sample of 180ppb Au.
- In 2000, Resolute sold its 50% share to Dominion enabling Dominion to complete a feasibility on a 100% basis.
- In 2002, Dominion commenced production from an open cut and then the underground commenced in 2005.
- In 2010, Kingsgate Consolidated Limited acquired Dominion in a $376m takeover.
- In April 2016, Kingsgate sold to WPG Resources and Diversified Minerals Pty Ltd for $1m. WPG Resources to become manager of the 50/50 JV.
- Total Challenger production of 1.1Moz as at EOM April 2016.
- WPG as manager announce a 272koz resource at Challenger with all shoots open at depth. The resource re-instates previous resources that were excluded in the 2015 Kingsgate update.
- WPG as manager announce an 83.4koz reserve at Challenger.
- In early August 2016 WPG increase their interest to 100% by purchasing Diversified Minerals Pty Ltd interest for $9.0m in cash.

# Tarcoola Production (100%)

After Tarcoola was acquired by WPG in 2014, a feasibility into the heap leach processing of the defined reserve has been undertaken, with recoveries around 81%.

With the acquisition of Challenger and access to a CIL plant the Tarcoola reserves, which have a free milling recovery of ~95%, are economic to process at Challenger with the recovery difference outweighing the 160km transport cost from Tarcoola to Challenger.

**Reserves** – at the Perseverance Deposit the reserves are anticipated to be 900kt at 2.6 g/t for 75koz Au. Current open cut reserves are sufficient for processing at a rate of 250ktpa for circa 20koz Au recovered.

**Capex costs are low at <$5m**

**Costs** – the final cash costs at Tarcoola are planned to be ~$1100/oz through the Challenger mill, including ore transport. While the capital costs are yet to be finalised they should not be more than $5m and could be less, depending on which of the two routes are chosen to transport the ore and the cost to upgrade the road.

**Brownfields success will continue to add incremental ore to Challenger**

**Upside** – there is potential in the Tarcoola tenure to add to the existing reserves and continue to provide incremental ore to the Challenger mill. There is high grade underground potential at the Perseverance deposit with significant drill intercepts including:

- 6.0m at 43.0 g/t Au
- 4.0m at 15.0 g/t Au

We anticipate brownfields success over the next 12 months from drilling around and under other extensive areas of historical old workings.

# Tunkillia Gold Project (100%)

**Additional resources will be favourable to a Tunkillia standalone startup**

WPG acquired the Tunkillia project in 2014 and have restated resources at the 222 Deposit to 12.32mt at 1.41 g/t Au for 0.6Moz, which is a 36% increase to the previous published resource grade. These resources, which comprise measured and indicated resources, represent 84% of the total resource and are sufficient for a 5 to 6 year mine plan.

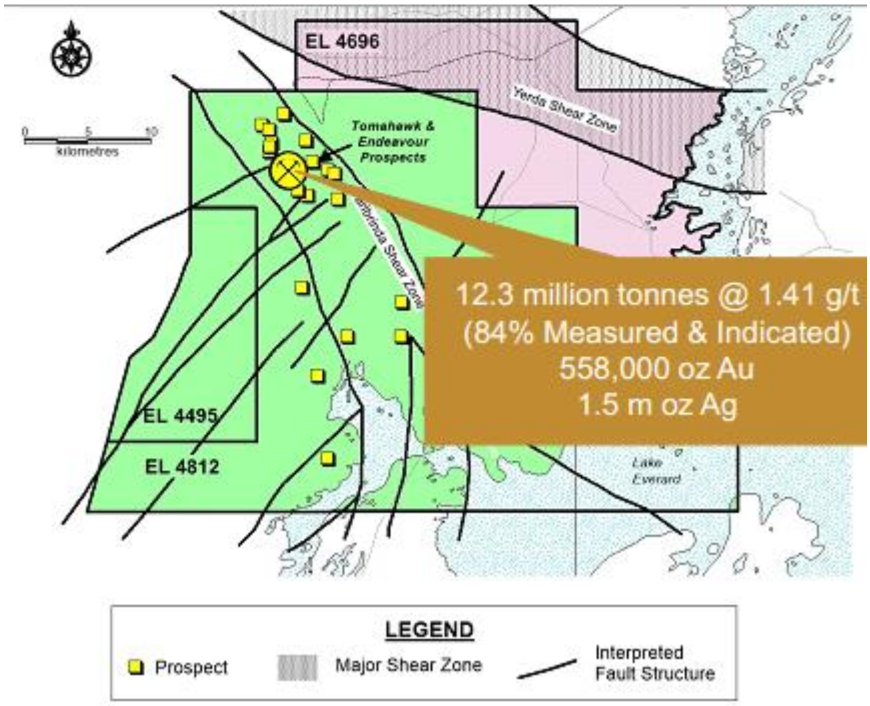
The focus for WPG is to delineate additional along strike extensions to the 222 Deposit or a satellite discovery that will build the resource base and therefore extend the potential mine plan.

A total of 14 prospects have been identified for priority exploration follow-up from a total of 33 targets generated from a major review of historical data compiled by previous explorers. Only minor follow-up work has been conducted on most targets to date with some prospects having significant bedrock gold mineralisation present.

Additional satellite ore would have a significant impact to a future development at Tunkillia.

**A new discovery would enhance a standalone development at Tunkillia**

**Figure 9: Tunkillia gold project tenement plan showing prospective targets**




Source: Company reports

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| Clay Melbourn +61 2 8252 3220 | Industrials |
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RATING

BUY – anticipated stock return is greater than 10%
SELL – anticipated stock return is less than -10%
HOLD – anticipated stock return is between -10% and +10%
SPECULATIVE – High risk with stock price likely to fluctuate by 50% or more



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