

WPG Resources Ltd

Positive Tarcoola dfs, Challenger to 100%

- WPG has completed the full acquisition of the Challenger mine and updated the Tarcoola feasibility study to include processing through the Challenger plant.
- WPG's production at Challenger, plus the processing of its 100% owned Tarcoola reserves through the Challenger mill, will see the production at a rate of 65kozpa to 75kozpa.
- The Tarcoola production is planned at a rate of 20kozpa over the life of the current 3.5 year reserves.
- The 100% owned Challenger Gold Mine production is planned to be at a rate of 50kozpa (80kozpa in 15FY) as WPG seek to focus on grade over tonnes.

Tarcoola feasibility

- The key metrics of the feasibility are a capital cost of \$4m (VSL \$5m), AISC's of \$916/oz (VSL \$1,100/oz), mining over 2 years, ore haulage 165km to Challenger and treatment over 3.5 years plus an increase in recoveries to 95% (from 81% for the original heap leach option). This has provided robust production of ~20kozpa of recovered gold over the current life of mine and an NPV of \$39.6m for the dfs.
- Ore reserves of 710kt at 3.1g/t Au for 71koz are a positive grade improvement from the previous reserves for the heap leach due to an increase in the cut-off grade.

Financials

- Our financial forecasts are unchanged as we await the first quarter of full production at Challenger and start-up of Tarcoola in DQ16.
- We forecast EBITDA in 2017FY of \$26.1m and in 2018FY of \$39.5m which 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 and Veritas comment

- We are highly encouraged by the improved Tarcoola feasibility which will see WPG produce over 65koz in 17FY. We continue to 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.

WPG.ASX

BUY

Friday 2 September 2016

Price \$0.084
 Valuation \$0.14
 Valuation method DCF
 (DCF at 10% dr)

GICS sector Metals & Mining
 Market capitalisation* \$m 65
 Shares on Issue* m 774
 Enterprise value \$m 61
 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	1.2	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

Piers Reynolds
 +61 (0) 3 8601 1196
 preynolds@veritassecurities.com.au

WPG Resources Limited

Share Price: \$ 0.084

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

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	

Major Shareholders

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	32.1	-0.7

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

Sales

Robert Scappatura +61 2 8252 3240
 Andrew McCauley +61 2 82523260
 Patrick Ford +61 2 8252 3211
 Clay Melbourn +61 2 8252 3220
 Bryce Reynolds +61 2 8252 3215

Research

Resources
 Piers Reynolds +61 3 8601 1196
 Industrials
 Brent Mitchell +61 3 8605 4830
 Levi Hawker +61 3 8676 0689

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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Veritas Securities Limited
 A.B.N. 94 117 124 535
 AFSL No. 297 043
 GPO Box 4877, Sydney, NSW, 2001
 www.veritassecurities.com.au

Sydney
 Level 4, 175 Macquarie Street
 Sydney, NSW, 2000
 Tel: (02) 8252 3200
 Fax: (02) 8252 3299

Melbourne
 Level 8, 350 Collins Street
 Melbourne, VIC, 3000
 Tel: (03) 8601 1196
 Fax: (03) 8601 1180