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Westgold Resources (WGX)

Steady production, lower AISC in 1Q FY21

Recommendation
Buy (unchanged)
Price
$2.71
Target (12 months)
$3.15 (previously $2.90)

GICS Sector

Materials

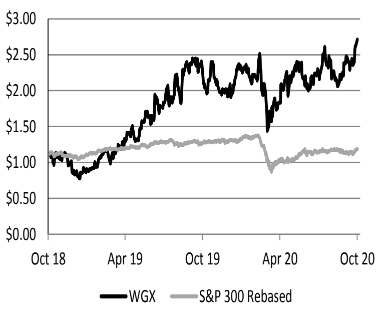
Expected Return	
Capital growth	**16%**
Dividend yield	**1%**
Total expected return	**17%**

Company Data & Ratios	
Enterprise value	**$1,032m**
Market cap	**$1,139m**
Issued capital	**420.2m**
Free float	**24%**
Avg. daily val. (52wk)	**$5.8m**
12 month price range	**$1.21 - $2.74**

Price Performance

	(1m)	(3m)	(12m)
Price (A$)	2.22	2.23	2.34
Absolute (%)	22.1	21.5	15.8
Rel market (%)	19.9	19.2	22.6

Absolute Price



SOURCE: IRESS

1Q FY21 within guidance, continuing better cash generation

Gold production by WGX in 1Q FY21 met guidance but was slightly below expectations, being up only 2% quarter-on-quarter (qoq) at 60.8koz but the average All In Sustaining Cost (AISC) was impressively down 11% qoq to A$1,459/oz. Gold sales of 60.0koz were down 9% qoq at a 6% higher average realised gold price of A$2,422/oz. Even with 1% higher total capex of $50.8m, cash generation continued at a meaningful level. Mine operating cash flow was 3% below the previous quarter's record at $58.6m and net mine cash flow of $21.7m was down 17% on the record in the prior quarter. Total cash and bullion at 30 September 2020 was up slightly to $145m. WGX only had finance leases, estimated to have been around the recent level of about $38m, giving it estimated net cash of about $107m.

Big Bell continues to build towards targeted output rate

Big Bell is steadily building its ore output rate from sub-level cave mining and based on production in September it was at a run-rate of about 0.6Mtpa or 60% on the way to the targeted rate of ~1Mtpa by the end of 2020. Big Bell's production continues to increase as more draw points are opened. Further positive exploration results have been received from across the company's operations, which will be reported in a later specific announcement with due context.

Investment thesis – Buy $3.15/sh (previously $2.90/sh)

WGX's latest quarterly gold production was slightly below expectations but the improvement in operating costs saw the average AISC come in below A$1,500/oz so with the higher average realised gold price of A$2,422/oz, the company generated continued strong levels of mine operating and net mine cash flow. WGX is on track to meet its FY21 guidance for gold production of 270 – 300koz at an average AISC of A$1,460 – 1,560/oz, which is expected to generate strong cash flows. We have updated our forecasts for the 1Q21 production report and to incorporate revised (higher) gold price and US$/A$ forecasts. This sees our FY21 earnings per share (EPS) forecast lifted by 15% but our FY22 and FY23 EPS forecasts are essentially unchanged. Our target price, which is based on our 12-month forward NPV-based valuation, is raised by 9% to $3.15/share. Our Buy recommendation is retained.

Earnings Forecast

Year end June	2020a	2021e	2022e	2023e
Sales (A$m)	497	685	831	835
EBITDA (A$m)	176	304	408	394
NPAT (reported) (A$m)	35	120	162	147
NPAT (adjusted) (A$m)	35	120	162	147
EPS (adjusted) (¢ps)	8.7	28.5	38.4	35.1
EPS growth (%)	134%	230%	35%	-9%
PER (x)	32.9	9.5	7.0	7.7
FCF Yield (%)	-2%	3%	15%	18%
EV/EBITDA (x)	5.9	3.4	2.5	2.6
Dividend (¢ps)	-	2.0	3.0	3.0
Yield (%)	0.0%	0.7%	1.1%	1.1%
Franking (%)	0%	100%	100%	100%
ROE (%)	7%	19%	20%	16%

SOURCE: BELL POTTER SECURITIES ESTIMATES

1Q21 output continues to generate strong cash flow

Gold production by WGX in 1Q FY21 was slightly below expectations, being up only 2% qoq at 60.8koz but the average AISC was impressively down 11% qoq to A$1,459/oz. Gold sales of 60.0koz were down 9% qoq at a 6% higher average realised gold price of A$2,422/oz (Table 1). While total capex remained high at $50.8m, cash generation continued at a meaningful level. Mine operating cash flow was 3% below the record level of the prior quarter at $58.6m and net mine cash flow was 17% lower qoq at $21.7m.

Table 1 – WGX 4Q FY20 production summary

		Sep-19 Actual	Dec-19 Actual	Mar-20 Actual	Jun-20 Actual	Sep-20 Actual	Sep-20 BP est.	Variance % qoq	Variance % BP est.
Meekatharra Gold Operations (MGO)									
Ore milled	kt	377	342	390	401	**402**	405	0%	-1%
Gold grade	g/t	2.55	2.81	2.57	2.56	**2.45**	2.90	-4%	-15%
Recovery	%	84%	82%	81%	81%	**82%**	81%	2%	1%
Gold produced	koz	26.0	25.4	26.1	26.6	**26.0**	30.7	-2%	-15%
C1 cash costs	A$/oz	1,037	1,165	1,208	1,250	**1,335**	1,245	7%	7%
All in sustaining costs	A$/oz	1,360	1,498	1,500	1,588	**1,652**	1,561	4%	6%
Cue Gold Operations (CGO)									
Ore milled	kt	313	321	315	323	**313**	330	-3%	-5%
Gold grade	g/t	1.92	1.89	1.80	1.96	**2.15**	2.30	9%	-7%
Recovery	%	92%	91%	90%	90%	**90%**	91%	0%	-1%
Gold produced	koz	17.8	17.8	16.4	18.3	**19.4**	22.2	6%	-13%
C1 cash costs	A$/oz	1,397	1,479	1,345	1,477	**1,112**	1,350	-25%	-18%
All in sustaining costs	A$/oz	1,528	1,627	1,501	1,825	**1,285**	1,485	-30%	-13%
Fortnum Gold Operations (FGO)									
Ore milled	kt	224	213	210	218	**205**	200	-6%	3%
Gold grade	g/t	2.02	2.96	1.97	2.21	**2.41**	2.27	9%	6%
Recovery	%	94%	96%	96%	96%	**96%**	94%	0%	3%
Gold produced	koz	13.8	19.5	12.7	14.9	**15.4**	13.7	3%	12%
C1 cash costs	A$/oz	1,139	808	1,321	1,171	**1,089**	1,157	-7%	-6%
All in sustaining costs	A$/oz	1,354	939	1,609	1,498	**1,351**	1,445	-10%	-6%
Equity Totals									
Ore Milled	kt	914	876	914	941	**921**	935	-2%	-1%
Gold Grade	g/t	2.21	2.51	2.17	2.27	**2.34**	2.55	3%	-8%
Gold produced	koz	57.5	62.7	55.2	59.8	**60.8**	66.6	2%	-9%
Gold sales	koz	53.7	62.0	53.3	66.2	**60.0**	65.8	-9%	-9%
Average realised gold price received	A$/oz	1,959	1,972	2,087	2,294	**2,422**	2,381	6%	2%
C1 cash costs	A$/oz	1,173	1,143	1,275	1,300	**1,202**	1,262	-8%	-5%
All in sustaining costs	A$/oz	1,410	1,361	1,525	1,638	**1,459**	1,511	-11%	-3%
Group Financials									
Total gold hedging - All positions (including pre-pay)	koz	213.8	237.5	233.8	200.0	**186.0**	186.0	-7%	0%
- Average gold price	A$/oz	1,866	1,999	2,050	2,062	**2,083**	2,083	1%	0%
- Marked-to-market value at quarter end	A$m	(67.2)	(38.9)	(121.2)	(103.2)	**(101.9)**	(101.9)	-1%	0%
Group mine operating cash flow	A$m	25.3	39.7	27.9	60.2	**58.6**	61.3	-3%	-4%
Capital expenditure	A$m	(41.3)	(43.3)	(45.6)	(50.2)	**(50.8)**	(45.4)	1%	12%
Cash and equivalents	A$m	70.8	48.0	40.0	137.6	**144.7**	135.9	5%	6%
Debt and non-gas pipeline finance leases[2]	A$m	(39.4)	(42.1)	(37.8)	(37.8)	**(37.8)**	(37.8)	0%	0%
Net cash/(interest bearing liabilities[2])	A$m	31.4	5.9	2.2	99.7	**106.9**	98.1	7%	9%

SOURCE: WESTGOLD RESOURCES LTD AND BELL POTTER SECURITIES LTD ESTIMATES NOTES: 1. DISTORTED BY GOLD-IN-CIRCUIT; 2. FINANCE LEASES BASED ON LATEST BALANCE SHEET DATA

The main features of WGX's 1Q FY21 production report were:

- **Gold output at WGX's largest operation, Meekatharra Gold Operations (MGO), was down 2% qoq at 26.0koz** at a 13% higher average AISC of A$1,652/oz from 4% lower average head grade and steady ore processing rate;
- **CGO gold production was up 6% at 19.4koz** from a 9% lift in average head grade that offset the 3% decline in ore processed and helped deliver a 30% lower average AISC of A$1,285/oz, aided by higher grade open pit ore mined while Big Bell continues to ramp up. The extraction of ore from the sub-level cave stoping at the Big Bell underground mine continued to ramp up and was at an estimated run-rate of about 0.6Mtpa by the end of the quarter, on the way to the targeted rate of ~1Mtpa by the end of 2020;

- **Gold output at the Fortnum Gold Operations (FGO) was up 3% to 15.4koz**, achieved at a 10% lower average AISC of A$1,351/oz. The latest output benefited from a further 9% improvement in average head grade with mining based on the Starlight lode system;
- **WGX's gold operations generated a slightly lower but still strong level of operating cash flow of $58.6m**. Despite continued high capex in the latest quarter, net mine cash flow was 17% lower qoq at $26.2m;
- **Total capital expenditure was estimated to have been 1% higher qoq at $50.8m,** which included continued high capex at Big Bell and higher exploration expenditure of $4.6m;
- **Minterra, the company's wholly owned contract mining division, (formerly known as Australian Contract Mining), performed steadily** in the latest quarter, focusing on servicing WGX's internal operations;
- **The company lifted its cash and bullion balance to $145m at 30 September 2020**. WGX remains debt free and only had finance leases (related to mining equipment) estimated at about $37.8m (being assumed to be the same level at 30 June 2020 in the absence of further data), giving the company effective estimated net cash of $106.9m at the end of the quarter;
- **WGX's gold hedging was further restructured and currently totals 186koz at an average price of A$2,083/oz**, which equates to about 8% of Ore Reserves and is planned to be gradually reduced by deliveries of about 10koz per month. The estimated marked-to-market net value of WGX's hedge position was about negative $102m at 30 September 2020 and is about negative $110m currently;
- **The company reported further positive gold exploration results across its operations** which will be the subject of a later specific announcement with due context; and
- **Guidance for FY21 confirmed.** WGX's 1Q FY21 production was at the bottom end of gold output guidance but well below the average AISC guidance. The company has confirmed its production guidance of 270 – 300koz of gold at an average C1 cost of A$1,200 – 1,300/oz and an average AISC of A$1,460 – 1,560/oz for FY21.

Earnings and valuation changes

We have updated our forecasts and valuations for the 1Q21 production result and incorporated revised (higher) gold price and US$/A$ forecasts (Table 2). As a result of this, we have increased our FY21 EPS forecast by 15% while our FY22 and FY23 EPS forecasts are essentially unchanged.

Our 12-month forward valuation is raised by 9% to $3.13 per share. We have also raised our target price, (which is based on our 12-month forward NPV-related valuation), by 9% to $3.15 per share. We have retained our Buy recommendation.

Table 2 - Changes to gold and US$/A$ forecasts

	FY21e	FY22e	FY23e	Long Term
Currency $US/$A				
New	0.70	0.71	0.73	0.74
Previous	0.68	0.71	0.73	0.74
Change	3%	0%	0%	0%
Gold price (US$/oz)				
New	1,905	1,763	1,728	1,750
Previous	1,750	1,650	1,653	1,650
Change	9%	7%	5%	6%
Gold price (A$/oz)				
New	2,707	2,482	2,367	2,365
Previous	2,574	2,324	2,264	2,230
Change	5%	7%	5%	6%

SOURCE: BELL POTTER SECURITIES ESTIMATES

Table 3 – Summary of revised earnings estimates, valuations and price target for WGX

	Previous			New			Change		
Year ending 30 June	2021e	2022e	2023e	**2021e**	**2022e**	**2023e**	2021e	2022e	2023e
Prices & currency									
Gold (Spot, US$/oz)	1,750	1,650	1,653	**1,905**	**1,763**	**1,728**	9%	7%	5%
US$/A$	0.68	0.71	0.73	**0.70**	**0.71**	**0.73**	3%	0%	0%
Gold (Spot, A$/oz)	2,574	2,324	2,264	**2,707**	**2,482**	**2,367**	5%	7%	5%
Equity production & costs									
Gold production (koz)	286	348	356	**272**	**348**	**358**	-5%	0%	1%
Ave realised gold price (A$/oz)	2,355	2,287	2,230	**2,514**	**2,394**	**2,365**	7%	5%	6%
Gold all in sustaining cost ($A/oz)	1,466	1,275	1,300	**1,508**	**1,310**	**1,323**	3%	3%	2%
Earnings									
Revenue ($m)	673	794	804	**685**	**831**	**835**	2%	5%	4%
EBITDA ($m)	282	381	371	**304**	**408**	**394**	8%	7%	6%
EBIT ($m)	143	229	213	**164**	**231**	**210**	15%	1%	-1%
NPAT (adjusted) ($m)	104	161	149	**120**	**162**	**147**	15%	1%	-1%
EPS (adjusted) (cps)	25	38	36	**29**	**38**	**35**	15%	1%	-1%
PER (x)	8.6	5.6	6.0	**9.5**	**7.0**	**7.7**	11%	26%	29%
EPS Growth (%)	187%	54%	-7%	**230%**	**35%**	**-9%**	23%	-36%	24%
DPS (reported) (cps)	2	3	3	**2**	**3**	**3**	0%	0%	0%
Yield	0.9%	1.4%	1.4%	**0.7%**	**1.1%**	**1.1%**	-21%	-21%	-21%
Net debt/equity	140	298	473	**138**	**300**	**491**	-2%	1%	4%
Price Target ($/sh)	2.90			**3.15**			9%		

SOURCE: BELL POTTER SECURITIES ESTIMATES

12-month forward valuation lifted by 9% to $3.15/share

Our sum-of-the-parts valuation of WGX (Table 4 over page) is based on NPV valuations for each of the current gold operations using a discount rate of 12%.

Key modelled assumptions, as follows:

- The average gold AISC is forecast to decline from current levels around A$1,500/oz to potentially ~A$1,320/oz over the next two years as WGX continues the final stages of ramp-up from its underground mines at the three Murchison operations and lifts gold production to a rate of around 350kozpa in 2022 with the expected addition by then of steady output from the major Big Bell mine at its targeted rate. Big Bell is planned to progressively replace other production at CGO and was previously expected to reach the targeted output rate by the end of 2019 but was delayed by various factors including the extension to the extent of the cave zone and ground condition issues;
- Sustaining capex of around $75mpa;
- Annual exploration spending of around $20m;
- WGX holds various lithium royalties and Exploration Rights, at and around Mt Marion near Kalgoorlie and Exploration Rights for its Location 51 area near Kalgoorlie. These are not regarded as core assets but the company is retaining them for the time being after ending its efforts to complete the sale of the Mt Marion royalties; and
- The company owns 100% of contract miner, Minterra Pty Ltd (Minterra), which owns and operates a major underground mining, raise boring and underground diamond drilling fleet and operates all of WGX's underground mines. After significant investment over the past two years to reinvigorate the business, Minterra is now operating steadily but WGX does not regarded Minterra as a long term core asset and it may be divested at an appropriate time.

Table 4 – Summary sum-of-the-parts valuations for WGX

	Now		+12 months		+24 months	
NPV sum-of-parts valuation	**A$m**	**$/sh[1,2]**	**A$m**	**$/sh[1,2]**	**A$m**	**$/sh[1,2]**
Meekatharra Gold Operations (MGO)	468	1.10	507	1.19	477	1.12
Cue Gold Operations (CGO)	405	0.95	494	1.16	512	1.21
Fortnum Gold Operations (FGO)	166	0.39	149	0.35	166	0.39
Exploration and other mineral/mining assets	70	0.16	70	0.16	70	0.16
Total mineral assets	**1,109**	**2.61**	**1,220**	**2.87**	**1,225**	**2.88**
Corporate	(40)	(0.09)	(36)	(0.09)	(32)	(0.08)
Total enterprise value	**1,069**	**2.51**	**1,184**	**2.78**	**1,193**	**2.81**
Net cash / (debt)[3]	115	0.27	146	0.34	309	0.73
Equity Value	**1,184**	**2.78**	**1,330**	**3.13**	**1,501**	**3.53**

SOURCE: BELL POTTER SECURITIES ESTIMATES

NOTES:
1. MAY NOT ADD DUE TO ROUNDING AND DILUTION;
2. BASED ON DILUTION USING 425.1M SHARES;
3. ONLY INCLUDES CASH FROM EXERCISE OF OPTIONS THAT ARE DILUTIVE AT THE RESPECTIVE VALUATIONS.

Westgold Resources Limited (WGX)

Company description

Demerged from Metals X Limited in December 2016, WGX is a significant and growing gold producer with three 100% owned operations in the Murchison district of WA. Current gold production is running at an annual rate of around 240koz at an average AISC of around A$1,500/oz. WGX's gold production is expected to increase towards 350koz over the next few years at a lower average AISC of about A$1,320/oz and possibly even lower. The company also has significant exploration activities, mainly involving a near mine focus. The company's gold operations are located in the Murchison of WA to the north of Meekatharra and comprise the Meekatharra Gold Operations (MGO), the Cue Gold Operations (CGO) and the Fortnum Gold Operation (FGO). These operations commenced production in late 2015 and are nearly fully ramped-up, having transitioned from multiple open pit mines to mainly higher grade long life underground mines now supplemented with minor open pit production. MGO's Bluebird mill has a processing capacity of 1.4 -1.6Mtpa; and CGO's Tuckabiana mill has a processing capacity of about 1.2 – 1.4Mtpa. At CGO, Big Bell is set to become WGX's flagship mine, having recently begun to deliver stope ore and it is planned to build to full production rate during 2020. FGO's Fortnum mill has a processing capacity of 0.9 -1.0Mtpa with the Starlight underground mine now the dominant ore source. WGX also owns 100% of mining contractor, Minterra, which has been extensively re-capitalised and is now operating steadily. The company's previously 100% owned Rover Project near Tennant Creek in the Northern Territory were demerged in Castile Resources (CST), which listed on the ASX in February 2020.

Valuation

Our valuation of WGX is principally based on NPV estimates for the company's operations. We have made estimates for the non-producing and exploration assets that reflect their preliminary nature and development uncertainty.

Investment thesis: Buy, TP $3.15/sh (previously $2.90/sh)

WGX's latest quarterly gold production was slightly below expectations but the improvement in operating costs saw the average AISC come in below A$1,500/oz so with the higher average realised gold price of A$2,422/oz, the company generated continued strong levels of mine operating and net mine cash flow. WGX is on track to meet its FY21 guidance for gold production of 270 – 300koz at an average AISC of A$1,460 – 1,560/oz, which is expected to generate strong cash flows. We have updated our forecasts for the 1Q21 production report and to incorporate revised (higher) gold price and US$/A$ forecasts. This sees our FY21 earnings per share (EPS) forecast lifted by 15% but our FY22 and FY23 EPS forecasts are essentially unchanged. Our target price, which is based on our 12-month forward NPV-based valuation, is raised by 9% to $3.15/share. Our Buy recommendation is retained.

Risks of investment

- **Commodity price and exchange rate fluctuations**. The future earnings and valuations of exploration, development and operating resources companies are subject to fluctuations in underlying commodity prices and foreign exchange rates.
- **Operating and capital cost fluctuations.** Costs for exploration, development and mining activities can fluctuate widely and cause significant differences between planned and actual operating and capital costs. Key operating costs are linked to the cost and availability of energy and labour.
- **Resource growth and mine life extensions.** Future earnings forecasts and valuations may rely upon exploration success and resource and reserve growth to extend mine lives.
- **Regulatory changes risks.** Changes to the regulation of access to infrastructure; to environmental approvals; and to taxation (among other things) can impact the earnings and valuation of resources companies.
- **Operating and development risks.** Mining companies' assets are subject to risks associated with their operation and development. Risks for each company can be heightened depending on method of operation (e.g. underground versus open pit mining). Development assets can be subject to a wide variety of approvals processes and timelines and to weather events, causing unforeseen or unexpected delays to commissioning and commercial production.
- **Funding and capital management risks.** Funding and capital management risks can include obtaining reasonable and ongoing access to debt and equity finance, maintaining covenants on debt finance, managing dividend payments, and managing debt repayments.
- **Global pandemics**: Global pandemics such as COVID-19 may have a significant impact on macroeconomic inputs such as availability and movement of equipment and personnel and on a wide range of costs.
- **Inappropriate acquisition risks.** The acquisition of other assets can divert management effort from the current focus and may lead to reduced overall returns.

Westgold Resources
as at 12 October 2020

Recommendation	Buy
Price	$2.71
Target (12 months)	$3.15

Table 4 - Financial summary

PROFIT AND LOSS

Year ending 30 Jun	Unit	2019a	2020a	2021e	2022e	2023e
Revenue	A$m	424	497	685	831	835
Operating expenses	A$m	(311)	(322)	(380)	(423)	(441)
EBITDA	A$m	**113**	**176**	**304**	**408**	**394**
Depreciation and amortisation	A$m	(100)	(132)	(140)	(177)	(184)
EBIT	A$m	**13**	**44**	**164**	**231**	**210**
Net interest	A$m	0	0	0	0	0
PBT	A$m	**13**	**44**	**165**	**231**	**211**
Tax (expense)/benefit	A$m	1	(9)	(45)	(69)	(63)
Impairments/write-offs/other	A$m	-	-	-	-	-
Reported NPAT	A$m	**14**	**35**	**120**	**162**	**147**
Abnormal items	A$m	-	-	-	-	-
Normalised NPAT	A$m	**14**	**35**	**120**	**162**	**147**

PROFIT AND LOSS (INTERIM)

Half year ending	Unit	Dec-18a	Jun-19a	Dec-19a	Jun-20a	Dec-20e
Revenue	A$m	233	186	229	263	317
Expense	A$m	(201)	(105)	(156)	(161)	(181)
EBITDA	A$m	**32**	**81**	**73**	**103**	**137**
Depreciation	A$m	(56)	(44)	(63)	(69)	(66)
EBIT	A$m	(24)	37	11	33	71
Net interest expense	A$m	(1)	2	0	0	0
PBT	A$m	**(25)**	**38**	**11**	**33**	**71**
Tax (expense)/benefit	A$m	7	(6)	(1)	(8)	(18)
Impairments/write-offs/other	A$m	-	-	-	-	-
NPAT (reported)	A$m	**(18)**	**32**	**10**	**25**	**53**
Abnormal items	A$m	-	-	4	-	-
NPAT (adjusted)	A$m	**(18)**	**32**	**14**	**25**	**53**

CASH FLOW

Year ending 30 Jun	Unit	2019a	2020a	2021e	2022e	2023e
OPERATING CASHFLOW						
Receipts	A$m	479	467	680	826	833
Payments	A$m	(406)	(312)	(390)	(438)	(462)
Tax	A$m	0	(0)	(6)	(66)	(63)
Net interest	A$m	2	(2)	0	0	0
Other	A$m	6	3	1	1	0
Operating cash flow	A$m	**81**	**156**	**285**	**323**	**309**
INVESTING CASHFLOW						
Capex and exploration	A$m	(138)	(177)	(247)	(153)	(106)
Other	A$m	28	54	0	0	0
Investing cash flow	A$m	**(110)**	**(122)**	**(247)**	**(153)**	**(106)**
FINANCING CASHFLOW						
Net equity proceeds	A$m	22	64	-	-	-
Debt proceeds/(repayments)	A$m	(21)	(27)	-	-	-
Dividends	A$m	-	-	-	(8)	(13)
Other	A$m	21	-	-	-	-
Financing cash flow	A$m	**22**	**37**	**-**	**(8)**	**(13)**
Free cash flow	A$m	(56)	(21)	38	171	203
Change in cash	A$m	(6)	70	38	162	190

BALANCE SHEET

Year ending 30 Jun	Unit	2019a	2020a	2021e	2022e	2023e
ASSETS						
Cash and bullion	A$m	67	138	176	338	528
Accounts receivable	A$m	7	7	11	15	16
Inventory	A$m	46	44	45	47	48
Mine development and PPE	A$m	394	460	547	524	444
Exploration & evaluation	A$m	104	79	103	128	153
Other	A$m	59	29	38	42	42
Total assets	A$m	**677**	**757**	**920**	**1,093**	**1,231**
LIABILITIES						
Accounts payable	A$m	58	70	64	72	75
Interest bearing liabilities[1]	A$m	37	38	38	38	38
Other	A$m	139	128	177	189	188
Total liabilities	A$m	**233**	**236**	**279**	**298**	**301**
SHAREHOLDER'S EQUITY						
Share capital	A$m	299	356	356	356	356
Reserves	A$m	196	196	196	196	196
Retained earnings	A$m	(52)	(30)	90	243	378
Total equity	A$m	**443**	**522**	**642**	**795**	**930**
Weighted average shares	m	383	400	420	420	420

Note: 1. Interest bearing liabilities are finance leases for equipment

FINANCIAL RATIOS

Year ending 30 Jun	Unit	2019a	2020a	2021e	2022e	2023e
VALUATION						
Normalised NPAT	$m	14	35	120	162	147
Normalised EPS	c/sh	3.7	8.7	28.5	38.4	35.1
EPS growth	%	na	134%	230%	35%	-9%
PER	x	80.6x	32.9x	9.5x	7.0x	7.7x
DPS	c/sh	-	-	2.0	3.0	3.0
Franking	%	0%	0%	100%	100%	100%
Yield	%	0.0%	0.0%	0.7%	1.1%	1.1%
FCF/share	c/sh	(15)	(5)	9	41	48
FCF yield	%	-5%	-2%	3%	15%	18%
EV/EBITDA	x	9.2x	5.9x	3.4x	2.5x	2.6x
PROFITABILITY RATIOS						
EBITDA margin	%	27%	35%	44%	49%	47%
EBIT margin	%	3%	9%	24%	28%	25%
Return on assets	%	2%	5%	13%	15%	12%
Return on equity	%	3%	7%	19%	20%	16%
LIQUIDITY & LEVERAGE						
Net debt / (cash)	$m	(30)	(100)	(138)	(300)	(491)
ND / E	%	nc	nc	nc	nc	nc
ND / (ND + E)	%	nc	nc	nc	nc	nc

ASSUMPTIONS - Prices

Year ending 30 Jun	Unit	2019a	2020a	2021e	2022e	LT real
Gold - Spot	US$/oz	1,267	1,570	1,905	1,763	1,750
- Hedging at year end (including pre-pay)	koz	199	200	132	54	na
- Average Price	A$/oz	1,813	2,062	2,083	2,083	na
- Average Realised Price	A$/oz	1,769	2,091	2,514	2,394	2,365
CURRENCY						
USD/AUD	US$/A$	0.72	0.67	0.70	0.71	0.74

ASSUMPTIONS - Production (equity share)

Year ending 30 Jun	Unit	2019a	2020a	2021e	2022e	2023e
Gold Division	koz					
Total ore treated	Mt	4.0	3.6	3.8	3.9	3.9
Average head grade	g/t Au	2.21	2.29	2.53	3.13	3.23
Gold production - Meekatharra (MGO)	koz	94	104	119	150	142
- Cue (CGO)	koz	68	70	88	127	135
- Fortnum (FGO)	koz	58	61	65	72	81
- Higginsville (sold June 2019)	koz	34				
- Total	**koz**	**255**	**235**	**272**	**348**	**358**
All in sustaining costs - MGO	A$/oz	1,450	1,487	1,604	1,395	1,519
- CGO	A$/oz	1,457	1,624	1,385	1,113	1,091
- FGO	A$/oz	1,222	1,310	1,498	1,483	1,367
- HGO	A$/oz	1,520				
- Total	**A$/oz**	**1,409**	**1,482**	**1,508**	**1,310**	**1,323**

SUBSTANTIAL & SIGNIFICANT SHAREHOLDERS

Shareholder	M Shares	Interest
FIL Investment Management (Australia) Ltd	39.3	9.4%
Ruffer LLP	37.3	8.9%
Directors and management	25.2	6.0%
Totals	**101.8**	**24.2%**

VALUATION

Issued capital	Unit	
Ordinary shares	m	420.2
Options exerciseable at $2.31 by 24/11/20	m	3.6
Performance options exerciseable at zero cost up to 30/06/23	m	1.3
Total Issued Securities	**m**	**425.1**

	Now		+ 12 months		+ 24 months	
Sum of parts valuation	**$m**	**$/sh[2]**	**$m**	**$/sh[2]**	**$m**	**$/sh[2]**
Meekatharra Gold Operations	468	1.10	507	1.19	477	1.12
Cue Gold Operations	405	0.95	494	1.16	512	1.21
Fortnum Gold Operations	166	0.39	149	0.35	166	0.39
Other mineral,mining and investment interests	70	0.16	70	0.16	70	0.16
Total Mineral Assets	**1,109**	**2.61**	**1,220**	**2.87**	**1,225**	**2.88**
Corporate	(40)	(0.09)	(36)	(0.09)	(32)	(0.08)
Enterprise value	**1,069**	**2.51**	**1,184**	**2.78**	**1,193**	**2.81**
Net cash / (debt)[3]	115	0.27	146	0.34	309	0.73
Equity value	**1,184**	**2.78**	**1,330**	**3.13**	**1,501**	**3.53**

Notes: 2. Based on diluted capital of 425.1m securities; may not add due to rounding
3. Only includes cash from exercise of options that are dilutive; debt relates to finance leases (see Note 1)

SOURCE: BELL POTTER SECURITIES ESTIMATES

Recommendation structure

Buy: Expect >15% total return on a 12 month view. For stocks regarded as 'Speculative' a return of >30% is expected.

Hold: Expect total return between -5% and 15% on a 12 month view

Sell: Expect <-5% total return on a 12 month view

Speculative Investments are either start-up enterprises with nil or only prospective operations or recently commenced operations with only forecast cash flows, or companies that have commenced operations or have been in operation for some time but have only forecast cash flows and/or a stressed balance sheet.

Such investments may carry an exceptionally high level of capital risk and volatility of returns.

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Peter Arden has a long position in the shares of WGX.

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