BELL POTTER

16 April 2019

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Westgold Resources (WGX)

3Q FY19 production delivers lower costs and net mine cash generation

Recommendation
Buy (unchanged)
Price
$1.36
Target (12 months)
$1.95 (previously $1.75)

GICS Sector

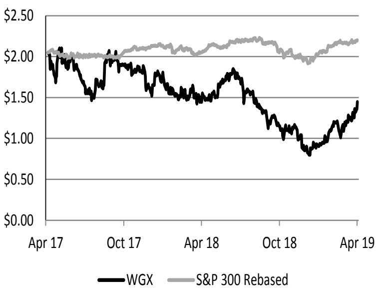
Materials

Expected Return	
Capital growth	43%
Dividend yield	0%
Total expected return	43%
Company Data & Ratios	
Enterprise value	$514m
Market cap	$529m
Issued capital	389.1m
Free float	58%
Avg. daily val. (52wk)	$1.2m
12 month price range	$0.80 - $1.85

Price Performance

	(1m)	(3m)	(12m)
Price (A$)	1.17	0.89	1.51
Absolute (%)	24.0	63.3	-4.3
Rel market (%)	22.1	54.5	-11.8

Absolute Price



SOURCE: IRESS

Higher grade underground mines starting to deliver strongly

Equity gold production was up 12% quarter-on-quarter (qoq) at 67.2koz at a 19% lower average C1 cash costs of A$1,105/oz and 15% lower all in sustaining cost (AISC) of A$1,1269/oz. Gold sales were 7% up at 63.8koz at a 4% higher average realised price of A$1,795/oz. The stronger gold output came despite flat output by the largest producing unit, the Meekatharra Gold Operations (MGO), which was affected by lower grades from ore source scheduling while production at Cue Gold Operations (CGO) and Fortnum Gold Operations (FGO) lifted by 37% and 24% respectively as higher grade underground stoping yielded richer ore. The gold operations generated 80% higher EBITDA qoq, estimated at $32.3m (BPe $30.5m) and more importantly mine operating cash flow was $25.5m and net mine cash flow was $4m after 6% lower total capex of $29.5m. Cash and bullion at 31 March 2019 was 14% higher qoq at $50.2m.

Corporate adjustments set to bring cash and tidiness

WGX has agreed to divest/merge its Higginsville Gold Operations (HGO) in a logical tie-up with the bonanza grade Beta Hunt mining operations of Canadian miner, RNC Minerals (RNX), for A$50m of which half is to be in RNX shares. WGX has also agreed to sell its Mt Marion and Buldania lithium production royalties to Silverstream SEZC for $15m. Both transactions are due to settle in the June 2019 quarter.

Investment thesis – Buy, TP $1.95/sh (previously $1.75/sh)

WGX's gold production in 3Q FY19 met our expectations and shows that the improving performance over the course of 2019 is underway as the company continues to bring on stream more of its higher grade underground ore from its key Murchison mines with Big Bell on track to reach full production by year end. In updating and rolling forward our forecasts and valuations to incorporate the latest production, gold price and US$/A$ forecasts, we have increased our FY20 and FY21 earnings by 8% and 22% respectively. Our target price, which is based on our 12-month forward NPV-based valuation, is raised by 11% to $1.95/share.

Our Buy recommendation is retained.

Earnings Forecast

Year end June	2018a	2019e	2020e	2021e
Sales (A$m)	377	471	585	679
EBITDA (A$m)	72	76	192	238
NPAT (reported) (A$m)	(1)	(26)	60	88
NPAT (adjusted) (A$m)	(1)	(26)	60	88
EPS (adjusted) (¢ps)	(0)	(7)	15	23
EPS growth (%)	-106%	na	na	47%
PER (x)	(451.9)	(20.4)	8.8	6.0
FCF Yield (%)	-16%	-14%	2%	17%
EV/EBITDA (x)	6.7	7.0	2.7	1.8
Dividend (¢ps)	-	-	-	2
Yield (%)	0.0%	0.0%	0.0%	1.5%
Franking (%)	0%	0%	0%	0%
ROE (%)	0%	-6%	13%	16%

SOURCE: BELL POTTER SECURITIES ESTIMATES

Production up, costs down, cash flow up

Equity gold production was up 12% quarter-on-quarter (qoq) at 67.2koz at a 19% lower average C1 cash cost and a 15% lower AISC of A$1,269. Gold sales were 7% up at 63.8koz at a 4% higher average realised price of A$1,795/oz. The higher gold output came despite flat output by the largest producing unit, MGO, which was affected by lower grades from ore source scheduling while production at CGO and FGO lifted by 37% and 24% respectively as higher grade underground stoping yielded richer ore. Gold output at the Higginsville Gold Operations (HGO) was down 19% from crushing circuit feeder issues.

Table 1 – WGX 3Q FY19 production summary

		Mar-18 Actual	Jun-18 Actual	Sep-18 Actual	Dec-18 Actual	Mar-19 Actual	Mar-19 BP est.	Variance % qoq	Variance % BP est.
Murchison Gold Operation (MGO) (CMGP up to March 2018)									
Ore milled	kt	401	405	367	308	**312**	350	1%	-11%
Gold grade	g/t	2.14	2.52	2.60	2.75	**2.73**	2.90	-1%	-6%
Recovery	%	83%	81%	83%	86%	**85%**	86%	-1%	-1%
Gold produced	koz	22.8	26.5	25.3	23.4	**23.3**	28.1	0%	-17%
C1 cash costs	A$/oz	1,554	1,360	1,188	1,288	**1,346**	1,013	5%	33%
All in sustaining costs	A$/oz	1,809	1,563	1,389	1,461	**1,483**	1,309	2%	13%
Cue Gold Operation (CGO) (from April 2018)									
Ore milled (exc 3rd party ore)	kt		204	289	289	**290**	310	0%	-7%
Gold grade	g/t		1.71	1.60	1.75	**2.31**	1.78	32%	30%
Recovery	%		79%	85%	90%	**94%**	89%	4%	5%
Gold produced	koz		8.9	12.6	14.7	**20.1**	15.8	37%	27%
C1 cash costs	A$/oz		1,445	1,661	1,695	**1,076**	1,554	-37%	-31%
All in sustaining costs	A$/oz		1,623	1,730	1,766	**1,250**	1,683	-29%	-26%
Fortnum Gold Project (FGP)									
Ore milled	kt	222	237	210	212	**214**	239	1%	-10%
Gold grade	g/t	1.81	1.89	2.07	2.10	**2.57**	2.15	22%	19%
Recovery	%	94%	93%	96%	96%	**96%**	94%	1%	2%
Gold produced	koz	12.2	13.4	13.4	13.7	**17.0**	15.5	24%	9%
C1 cash costs	A$/oz	1,159	1,453	1,312	1,100	**781**	1,236	-29%	-37%
All in sustaining costs	A$/oz	1,268	1,623	1,444	1,244	**937**	1,376	-25%	-32%
Higginsville Gold Operations (HGO)									
Ore milled (exc 3rd party ore)	kt	293	274	246	175	**147**	175	-16%	-16%
Gold grade	g/t	1.54	1.69	1.51	1.79	**1.83**	1.75	2%	4%
Recovery	%	85%	85%	82%	82%	**78%**	82%	-5%	-5%
Gold produced	koz	12.3	12.6	9.8	8.3	**6.7**	8.0	-19%	-17%
C1 cash costs	A$/oz	2,105	1,363	1,773	1,426	**1,174**	1,500	-18%	-22%
All in sustaining costs	A$/oz	2,279	1,479	1,896	1,570	**1,424**	1,659	-9%	-14%
South Kalgoorlie Operations (SKO)									
Ore milled (100% owned ore)	kt	178						na	na
Gold grade	g/t	1.93						na	na
Recovery	%	91%						na	na
Gold produced	koz	10.1						na	na
C1 cash costs	A$/oz	1,126						na	na
All in sustaining costs	A$/oz	1,299						na	na
Equity Totals									
Ore Milled	kt	1,094	1,120	1,111	984	**963**	1,074	-2%	-10%
Gold Grade	g/t	1.88	2.04	2.00	2.15	**2.43**	2.22	13%	9%
Gold produced	koz	57.4	61.5	61.0	60.1	**67.2**	67.4	12%	0%
Gold sales	koz	59.0	61.6	57.0	59.8	**63.8**	69.8	7%	-9%
Average realised gold price received	A$/oz	1,669	1,671	1,708	1,726	**1,795**	1,774	4%	1%
C1 cash costs	A$/oz	1,513	1,393	1,406	1,364	**1,105**	1,249	-19%	-12%
All in sustaining costs	A$/oz	1,705	1,568	1,553	1,501	**1,269**	1,454	-15%	-13%
Group Financials									
Total gold hedging - All positions (including pre-pay)	koz	247.5	203.8	71.9	172.6	**168.8**	138.8	-2%	22%
- Average gold price	A$/oz	1,716	1,717	1,719	1,758	**1,777**	1,758	1%	1%
- Marked-to-market value at quarter end	A$m	(2.3)	5.2	4.8	(10.4)	**(7.5)**	(3.2)	-28%	133%
Group EBITDA	A$m	75.3	19.8	11.9	18.0	**32.3**	30.5	80%	6%
Capital expenditure	A$m	(46.4)	(36.3)	(30.2)	(31.4)	**(29.5)**	(31.0)	-6%	-5%
Cash and equivalents	A$m	66.6	73.4	45.2	44.1	**50.2**	30.5	14%	65%
Debt[1]	A$m	(27.8)	(30.6)	(30.6)	(35.5)	**(35.5)**	(35.5)	0%	0%
Net cash/(debt)	A$m	55.8	42.8	14.6	8.6	**14.7**	(5.0)	71%	na

SOURCE: WESTGOLD RESOURCES LTD AND BELL POTTER SECURITIES LTD ESTIMATES NOTE 1. BASED ON LATEST BALANCE SHEET TOTAL

The other main features of WGX's 3Q FY19 production report were:

- Group gold operations generated 80% higher EBITDA qoq estimated at $32.3m (BPe $30.5m) and the company's contract mining division, ACM, continued to perform steadily and generated an operational EBITDA;
- Total capital expenditure was estimated to have been 6% lower qoq at $29.5m with completion of most major development at the operations and the major rebuild of ACM, with the main development activity now being to bring Big Bell up to full production;
- The company had cash and bullion at 31 March 2019 of $50.2m, up 14% qoq. This gave WGX an estimated 71% higher net cash position of $14.7m;
- The company took advantage of the firm gold prices to upgrade its gold hedging (which includes the existing pre-pay position) and at 31 March 2019 it had a total of 168.8kozs at an average price of A$1,777/oz, which had an estimated marked-to-market net value of about minus $7.5m at 31 March 2019 and about minus $4m currently;
- MGO's gold production was flat qoq at 23.3koz at a 2% higher average AISC of A$1,483/oz as underground mining continued at Paddy's Flat and South Emu, providing the bulk of the ore. Although Paddy's Flat produced the scheduled tonnage, source scheduling meant some lower grade stopes delivered lower ore grades while the first stoping at the Triton mine delivered grades within expectations. Open pit mining resumed late in the quarter following depletion of the large stock of open pit ore. Installation of the new permanent secondary crusher to more efficiently treat 100% hard ores was delayed by quality issues on supplied equipment and is now expected to be completed in June 2019. Mine exploration continued to deliver strong results such as 1.45m at 237.05g/t gold and 4.62m at 37.77g/t gold in the Vivian's lodes;
- CGO's gold production was aided by a 32% lift in average grade and was up 37% qoq to 20.1koz at 37% and 29% lower average C1 and AISC of A$1,076/oz and A$1,250/oz respectively as ore came from the new Day Dawn open pits and the stoping of higher grade ore from the Comet underground mine kicked in. Initial stopping from the newly defined and additional southern ore position at the Big Bell underground mine began late in the quarter while good progress was made towards the re-establishment of the sub-level cave part of the mine with twin decline development due to commence in April 2019. Big Bell remains on track to ramp up to full output progressively over the remainder of 2019;
- FGO achieved its seventh consecutive quarterly increase in gold production. Gold production rose 24% qoq to 17.0koz at very impressively lower unit costs. Average C1 costs were down 29% qoq to A$781/oz and average AISC were 25% lower at A$937/oz. The operation continued to transition towards underground mining as the dominant ore source. Open pit production has been temporarily halted after production in the latest quarter considerably exceeded requirements, achieving a total stock of 1.5Mt averaging about 1g/t to be used for blending over the next three years. The first ore from the high grade Starlight underground mine was stoped in the quarter, having an immediate impact on overall grades from the operation, with the average milled grade rising 22% to 2.57g/t. Extensional exploration drilling into the high grade Starlight system returned excellent results such as 3m at 104.72g/t gold at Nightfall and 12.94m at 10.7g/t at Trev's but most importantly, the parallel Starlight lodes were intersected such as 1m at 14.69g/t gold and 20m at 9.34g/t gold. The company is also formulating an exploration strategy for the assessment of the exciting Starlight massive sulphide discovery;
- HGO produced 6.7koz of gold, 19% less than in the previous quarter at 18% lower average C1 costs of A$1,174/oz and 9% lower average AISC of A$1,424/oz. Gold output in the latest quarter was adversely affected by primary feeder issues in the crusher circuit that required a new unit to be fitted. Preparations for the

commencement of mining of the Baloo deposit in the Polar Bear Gold Project advanced with the letting of contracts for that and mining expected to start in the June 2019 quarter. The company agreed to divest/merge HGO in a logical tie-up with the bonanza grade Beta Hunt mining operations of Canadian miner, RNC Minerals (RNX), for A$50m of which half is to be in RNX shares;

- WGX has also agreed to sell its Mt Marion and Buldania lithium production royalties to Silverstream SEZC for a total of $15m ($13m for Mt Marion and $2m for Buldania), which is expected to settle in the June quarter of 2019, both of which are subject to pre-emptive rights.

Earnings and valuation changes

We have updated our forecasts and valuations for the 3Q FY19 production report (Table 2) and have rolled our model forward. We are now forecasting that the FY19 result will be a 29% larger loss of around $26m. We have increased our FY20 and FY21 earnings estimates by 8% and 22% respectively.

The valuations for WGX have been increased, the 12-month forward valuation by 11% to $1.95 per share. We have increased our target price, which is based on our 12-month forward NPV-related valuation, by 11% to $1.95 per share.

Our Buy recommendation is retained.

Table 2 – Summary of revised earnings estimates, valuations and price target for WGX

	Previous			New			Change		
Year ending 30 June	2019e	2020e	2021e	**2019e**	**2020e**	**2021e**	2019e	2020e	2021e
Prices & currency									
Gold (Spot, US$/oz)	1,272	1,400	1,420	**1,273**	**1,400**	**1,420**	0%	0%	0%
US$/A$	0.73	0.75	0.75	**0.72**	**0.75**	**0.75**	-1%	0%	0%
Gold (Spot, A$/oz)	1,744	1,867	1,893	**1,757**	**1,867**	**1,893**	1%	0%	0%
Equity production & costs									
Gold production (koz)	267	340	378	**260**	**307**	**343**	-3%	-10%	-9%
Gold all in sustaining cost ($A/oz)	1,468	1,349	1,369	**1,402**	**1,213**	**1,220**	-4%	-10%	-11%
Earnings									
Revenue ($m)	509	673	769	**471**	**585**	**679**	-7%	-13%	-12%
EBITDA ($m)	85	187	220	**76**	**192**	**238**	-11%	3%	8%
EBIT ($m)	(26)	64	88	**(33)**	**70**	**107**	29%	8%	22%
NPAT (adjusted) ($m)	(20)	56	72	**(26)**	**60**	**88**	29%	8%	22%
EPS (adjusted) (cps)	(5)	14	19	**(7)**	**15**	**23**	30%	8%	22%
PER (x)	(23)	8.3	6.4	**(20)**	**8.8**	**6.0**	-11%	7%	-6%
EPS Growth (%)	na	na	30%	**na**	**na**	**47%**	na	na	17%
DPS (reported) (cps)	0	0	2	**0**	**0**	**2**	na	na	0%
Yield	0.0%	0.0%	1.7%	**0.0%**	**0.0%**	**1.5%**	na	na	-13%
Net debt/equity	na	na	na	**1%**	**na**	**na**	na	na	na
Valuation ($/sh)	1.75	1.73	1.73	**1.95**	**1.95**	**1.95**	11%	13%	13%
Price Target ($/sh)	1.75			**1.95**			11%		

SOURCE: BELL POTTER SECURITIES ESTIMATES

12-month forward valuation reduced by 11% to $1.95/share

Our valuation of WGX (Table 3) is based on a sum-of-the-parts DCF valuation for each of the current gold operations using a discount rate of 10%. The Rover Gold Project, which is not in production, has been risk weighted to reflect its development uncertainty.

Key modelled assumptions, as follows:

- Gold AISCs are forecast to be in the range of about A$1,200 – A$1,400/oz for the next three years (FY19 to FY21) as the company continues to ramp-up the Murchison operations and expand production to a rate of around 350kozpa with the addition of output from the major Big Bell mine that is expected to reach targeted rate by the end of 2019 and to progressively replace other production at CGO;
- Sustaining capex of around $50mpa;
- Annual exploration spend of around $15m;
- The Rover Project is at the feasibility stage. Subject to a positive feasibility study outcome, which is likely to include establishment of decline access to enable more

detailed underground drilling and sampling, the project is likely to be developed in the next few years. Initial operation is likely to be a modest scale underground polymetallic mine and conventional processing plant targeting production of about 50koz of gold equivalent in the form of gold bullion and a copper-bismuth-gold concentrate, but processing may be possible on a tolling basis with another potential operator in the district. Recent exploration has also encountered significant zinc-lead-silver mineralisation at the Explorer 108 and Clarity Prospects. WGX has indicated that the Rover Project is not regarded as a core asset and may be divested;

- The company's Warumi Project in the Northern Territory is grass roots one where surface gossans have been identified containing significant copper, zinc and silver. The Project is not regarded as a core asset and may be divested;
- WGX holds various lithium royalties and Exploration Rights, principally being lithium royalties at Mt Marion near Kalgoorlie and Buldania near Norseman in WA ($2/t of ore mined and 1.5% of gross sales) and Exploration Rights for its Location 51 area near Kalgoorlie. These are not regarded as core assets and the Marion royalties are in the process of being divested; and
- The company owns 100% of contract miner, ACM, which owns and operates a major underground mining, raise boring and underground diamond drilling fleet and operates all of WGX's underground mines. After investing $25.5m in FY18 to reinvigorate the business, ACM is now operating profitably but the company does not regarded it as a long term core asset and it may be divested at an appropriate time.

Table 3 – Summary of WGX valuations

	Now		+12 months		+24 months	
DCF sum-of-parts valuation	**A$m**	**$/sh[1,2]**	**A$m**	**$/sh[1,2]**	**A$m**	**$/sh[1,2]**
Meekatharra Gold Operations (MGO)	377	0.97	407	1.05	365	0.94
Cue Gold Operations (CGO)	168	0.43	236	0.61	264	0.68
Fortnum Gold Operations (FGO)	93	0.24	67	0.17	66	0.17
Higginsville Gold Operations (HGO)	45	0.12	45	0.12	45	0.12
Exploration and other mineral/mining assets	45	0.12	45	0.12	45	0.12
Total mineral assets	**728**	**1.87**	**800**	**2.06**	**785**	**2.02**
Corporate	(40)	(0.10)	(36)	(0.09)	(32)	(0.08)
Total enterprise value	**688**	**1.77**	**764**	**1.96**	**752**	**1.93**
Net cash / (debt)[3]	15	0.04	(5)	(0.01)	6	0.02
Equity Value	**703**	**1.81**	**760**	**1.95**	**759**	**1.95**

SOURCE: BELL POTTER SECURITIES ESTIMATES

NOTES: 1. MAY NOT ADD DUE TO ROUNDING AND DILUTION;
2. BASED ON DILUTION OF389.1M SHARES;
3. EXCLUDES ANY CASH FROM EXERCISE OF OPTIONS AS NONE ARE DILUTIVE AT THE VALUATIONS ABOVE.

Westgold Resources Limited (WGX)

Company description

The company was formed in December 2016 by the demerger of the gold business from Metals X Limited. WGX is a significant and growing gold producer with four operations in Western Australia and a development project in Northern Territory. Current gold production is running at an annual rate of around 250koz at an average AISC of around A$1,500/oz. WGX's gold production is expected to increase to more than 350koz over the next few years at a lower average AISC of around A$1,360/oz and possibly even lower. The company also has significant exploration activities, mainly involving a near mine focus.

WGX's principal assets are all 100% owned. They comprise the Murchison Gold Operations (MGO), the Cue Gold Operations (CGO) and the Fortnum Gold Operation (FGO) north of Meekatharra, which are in the Murchison district of WA; and the Higginsville Gold Operation (HGO) near Norseman. The Murchison operations commenced production in late 2015 and while they are still undergoing ramp-up, they have become the company's main gold operations with multiple open pit mines that are being progressively phased out as further underground mines are brought on stream and become the dominant ore sources. MGO has a processing capacity of 1.6 -1.8Mtpa; and CGO has a processing capacity of about 1.2 – 1.4Mtpa. AT CGO the principal mine being refurbished is Big Bell, which has recently begun to deliver the first stope ore and is planned to build to full production rate by the end of 2019. FGO is continuing to ramp up gold production as the Starlight underground mine now becomes the dominant ore source and the operation transitions from processing low grade ore stockpiles to mostly underground mines supplemented by open pits. HGO is now mainly based on the Mt Henry deposit, which is being mined by open pit and supplemented by several smaller satellite open pits. The Rover Project near Tenant Creek in the Northern Territory contains a high grade gold-copper-bismuth Resource in the Rover 1 Prospect (with similar mineralisation at the Explorer 142 Prospect) that is expected to be further evaluated by exploration decline prior to a potential development and it also contains significant zinc-lead-silver mineralisation nearby. The company also owns 100% of mining contractor, ACM, which has been extensively re-capitalised and is now operating profitably.

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$1.95/sh (previously $1.75/sh)

WGX's gold production in 3Q FY19 met our expectations and shows that the improving performance over the course of 2019 is underway as the company continues to bring on stream more of its higher grade underground ore from its key Murchison mines with Big Bell on track to reach full production by year end. In updating and rolling forward our forecasts and valuations to incorporate the latest production, gold price and US$/A$ forecasts, we have increased our FY20 and FY21 earnings by 8% and 22% respectively. Our target price, which is based on our 12-month forward NPV-based valuation, is raised by 11% to $1.95/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.
- **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 16 April 2019

Recommendation	Buy
Price	$1.36
Target (12 months)	$1.95

Table 3 - Financial summary

PROFIT AND LOSS

Year ending 30 Jun	Unit	2017a	2018a	2019e	2020e	2021e
Revenue	$m	308	377	471	585	679
Operating expenses	$m	(227)	(304)	(395)	(393)	(441)
EBITDA	$m	**81**	**72**	**76**	**192**	**238**
Depreciation and amortisation	$m	(57)	(86)	(109)	(122)	(131)
EBIT	**$m**	**24**	**(13)**	**(33)**	**70**	**107**
Net interest	$m	0	(1)	(2)	(2)	(2)
PBT	$m	**25**	**(14)**	**(36)**	**68**	**106**
Tax (expense)/benefit	$m	(9)	13	9	(8)	(17)
Impairments/write-offs/other	$m	-	-	-	-	-
Reported NPAT	$m	**16**	**(1)**	**(26)**	**60**	**88**
Abnormal items	$m	-	-	-	-	-
Normalised NPAT	$m	**16**	**(1)**	**(26)**	**60**	**88**

PROFIT AND LOSS (INTERIM)

Half year ending	Unit	Jun-17a	Dec-17a	Jun-18a	Dec-18a	Jun-19e
Revenue	$m	109	219	152	233	229
Expense	$m	(88)	(174)	(130)	(200)	(184)
EBITDA	$m	**20**	**45**	**22**	**32**	**44**
Depreciation	$m	(14)	(45)	(41)	(56)	(54)
EBIT	$m	7	0	(18)	(23)	(10)
Net interest expense	$m	1	(1)	(0)	(2)	(1)
PBT	$m	**7**	**(1)**	**(19)**	**(25)**	**(10)**
Tax (expense)/benefit	$m	(4)	(2)	15	7	2
Impairments/write-offs/other	$m	-	-	-	-	-
NPAT (reported)	$m	**3**	**(2)**	**0**	**(18)**	**(8)**
Abnormal items	$m	-	-	-	-	-
NPAT (adjusted)	$m	**3**	**(2)**	**0**	**(18)**	**(8)**

CASH FLOW

Year ending 30 Jun	Unit	2017a	2018a	2019e	2020e	2021e
OPERATING CASHFLOW						
Receipts	$m	415	409	458	582	642
Payments	$m	(340)	(392)	(431)	(402)	(449)
Tax	$m	-	(2)	(0)	-	-
Net interest	$m	0	(1)	3	(2)	(2)
Other	$m	1	1	4	2	-
Operating cash flow	$m	**76**	**15**	**33**	**180**	**191**
INVESTING CASHFLOW						
Capex and exploration	$m	(135)	(172)	(159)	(163)	(99)
Other	$m	(1)	75	50	(6)	(3)
Investing cash flow	$m	**(136)**	**(97)**	**(108)**	**(169)**	**(102)**
FINANCING CASHFLOW						
Net equity proceeds	$m	(4)	70	22	-	-
Debt proceeds/(repayments)	$m	35	(18)	(11)	-	-
Dividends	$m	-	-	-	-	-
Other	$m	96	36	21	-	-
Financing cash flow	$m	**127**	**88**	**32**	**-**	**-**
Change in cash	$m	67	6	(43)	11	89

BALANCE SHEET

Year ending 30 Jun	Unit	2017a	2018a	2019e	2020e	2021e
ASSETS						
Cash & short term investments	$m	67	73	31	42	131
Accounts receivable	$m	9	20	22	24	26
Inventory	$m	48	61	68	68	68
Mine development and PPE	$m	229	357	374	399	388
Exploration & evaluation	$m	163	147	159	169	178
Other	$m	3	9	9	9	9
Total assets	$m	**518**	**667**	**663**	**711**	**800**
LIABILITIES						
Accounts payable	$m	73	85	70	75	76
Borrowings	$m	10	31	35	35	35
Other	$m	134	146	154	138	137
Total liabilities	$m	**218**	**261**	**260**	**248**	**248**
SHAREHOLDER'S EQUITY						
Share capital	$m	174	277	299	299	299
Reserves	$m	190	195	196	196	196
Retained earnings	$m	(65)	(66)	(92)	(32)	56
Non-controlling interest	$m	-	-	-	-	-
Total equity	$m	**300**	**406**	**403**	**463**	**551**
Weighted average shares	m	305	368	389	389	389

FINANCIAL RATIOS

Year ending 30 Jun	Unit	2017a	2018a	2019e	2020e	2021e
VALUATION						
Normalised NPAT	$m	16	(1)	(26)	60	88
Normalised EPS	c/sh	5	(0)	(7)	15	23
EPS growth	%	na	-106%	na	na	47%
PER	x	33.5x	-451.9x	-20.4x	8.8x	6.0x
DPS	c/sh	-	-	-	-	2
Franking	%	0%	0%	0%	0%	0%
Yield	%	0.0%	0.0%	0.0%	0.0%	1.5%
FCF/share	c/sh	(20)	(22)	(19)	3	23
FCF yield	%	-15%	-16%	-14%	2%	17%
EV/EBITDA	x	5.8x	6.7x	7.0x	2.7x	1.8x
PROFITABILITY RATIOS						
EBITDA margin	%	26%	19%	16%	33%	35%
EBIT margin	%	8%	-4%	-7%	12%	16%
Return on assets	%	3%	0%	-4%	8%	11%
Return on equity	%	5%	0%	-6%	13%	16%
LIQUIDITY & LEVERAGE						
Net debt / (cash)	$m	(57)	(43)	5	(6)	(95)
ND / E	%	nc	nc	1%	nc	nc
ND / (ND + E)	%	nc	nc	1%	nc	nc

ASSUMPTIONS - Prices

Year ending 30 Jun	Unit	2017a	2018a	2019e	2020e	LT real
Gold - Spot	US$/oz	1,259	1,300	1,273	1,400	1,420
- Hedging at year end (including pre-pay)	koz	125	204	135	na	na
- Average Price	A$/oz	1,653	1,717	1,776	na	na
- Average Realised Price	A$/oz	1,522	1,661	1,570	1,776	1,893
CURRENCY						
USD/AUD	US$/A$	0.75	0.78	0.72	0.75	0.75

ASSUMPTIONS - Production (equity share)

Year ending 30 Jun	Unit	2017a	2018a	2019e	2020e	2021e
Gold Division	koz					
Gold production - Meekatharra (MGO)	koz	101	112	99	135	154
- Cue (CGO)	koz		9	69	102	118
- Fortnum (FGO)	koz	2	42	60	70	71
- Higginsville (HGO)	koz	85	56	31		
- South Kalgoorlie (SKO)	koz	79	34			
- Total	**koz**	**267**	**253**	**260**	**307**	**343**
All in sustaining costs - MGO	A$/oz	1,290	1,503	1,387	1,180	1,213
- CGO	A$/oz		1,623	1,455	1,345	1,252
- FGO	A$/oz	60	1,392	1,235	1,086	1,183
- HGO	A$/oz	1,244	1,581	1,653		
- SKO	A$/oz	1,244	1,237			
- Total	**A$/oz**	**1,252**	**1,470**	**1,402**	**1,213**	**1,220**

SUBSTANTIAL & SIGNIFICANT SHAREHOLDERS

Shareholder	M Shares	Interest
Ruffer LLP	37.3	9.6%
Golden Energy and Resources Limited	36.0	9.3%
BlackRock Group	28.4	7.3%
APAC Resources Ltd	28.0	7.2%
Directors and management	32.2	8.3%
Totals	**161.8**	**41.6%**

VALUATION

Issued capital	Unit	
Ordinary shares	m	389.1
Listed options	m	61.8
Unlisted employee options	m	9.7
Total Issued Securities	**m**	**460.6**

	Current		+ 12 months		+ 24 months	
Sum of parts valuation	**$m**	**$/sh[1]**	**$m**	**$/sh[1]**	**$m**	**$/sh[1]**
Meekatharra Gold Operations	377	0.97	407	1.05	365	0.94
Cue Gold Operations	168	0.43	236	0.61	264	0.68
Fortnum Gold Operations	93	0.24	67	0.17	66	0.17
Higginsville Gold Operations	45	0.12	45	0.12	45	0.12
Other mineral,mining and investment interests	45	0.12	45	0.12	45	0.12
Total Mineral Assets	**728**	**1.87**	**800**	**2.06**	**785**	**2.02**
Corporate	(40)	(0.10)	(36)	(0.09)	(32)	(0.08)
Enterprise value	**688**	**1.77**	**764**	**1.96**	**752**	**1.93**
Net cash / (debt)[2]	15	0.04	(5)	(0.01)	6	0.02
Equity value	**703**	**1.81**	**760**	**1.95**	**759**	**1.95**

Notes. 1. Based on diluted capital of 389.1m; may not add due to rounding
2. Excludes cash from exercise of options as none are dilutive at the above valuations

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 owns 75000 shares in WGX.

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