

2022 Annual General Meeting – Chairman’s Address

It is significant that Geopacific Resources Limited (ASX:GPR) has re-commenced ASX trading this morning and I thank you for your patience whilst trading was voluntarily suspended.

I stated in my letter to shareholders in the 2021 Annual Report that:

“To put it bluntly, Geopacific Resources significantly underperformed in 2021. And while the suspension of major development works at the Woodlark Gold Project (the Project) in early 2022 was extremely disappointing for shareholders, I believe that further disappointment would have ensued if the board had simply decided to plough-on”.

I’d like to start today by re-capping on the background to that decision and then turning to recent developments.

On 3 February 2022, Geopacific announced that it had suspended the remaining major work packages at Woodlark.

The decision to suspend development works followed the identification of significant capital cost increases across the Project.

The capital cost increases, which were assessed in conjunction with independent third-party consultants, were driven by a combination of factors, including:

- general cost escalation for materials and labour across the mining sector;
- the need to redesign plant area ground improvement works, wharf infrastructure and other civil engineering works, to deal with previously unidentified complexities;
- process plant design revisions;
- project management and contractor performance issues, including the increase in costs from associated schedule extensions; and
- cost increases, resourcing constraints and schedule delays which reflect COVID restrictions and associated supply chain disruptions in PNG and elsewhere.

Because of these matters, Geopacific was no longer in compliance with the terms of its finance facilities and therefore did not have the requisite funding in place to proceed with the Project.

The board therefore formed the view that the Project development could not currently progress and took the relevant commercial steps to implement an expedited orderly wind-down of development activities, whilst also seeking to maintain optionality for future development.

This included a reprioritisation of exploration drilling, targeting resource growth and new discoveries across the Woodlark mining lease.

Major contractual arrangements relating to the Project development have since largely been successfully closed out. These include financial exposures associated with the out-sourced mining contract and arrangements for infrastructure procurement such as the permanent camp and the power generation facility.

In addition, Geopacific has worked closely with the EPC contractor, GR Engineering Services, to implement close out of the majority of financial exposures of the associated work packages and procurement which had been committed prior to the suspension.

As announced on 1 April 2022, the Company also terminated the secured debt and gold stream facilities with Sprott Private Resource Lending, releasing \$7.6 million of previously restricted cash reserves to Geopacific. As a result of terminating the Facilities, Sprott's first ranking security over the Project assets was released, together with all other financial obligations to Sprott.

Regrettably the Project suspension necessitated widespread redundancies across the workforce. The Board thanks the affected former employees for their contribution to the Company including whilst working through respective notice periods.

Financially, as detailed in today's ASX announcements, Geopacific held \$28m of cash at 30 April 2022 and no debt.

In addition to its existing cash reserves, we have noted that the Company has the potential to realise value from various long lead equipment items procured prior to Project suspension, including:

- a SAG and a Ball mill, with associated motors and other equipment;
- a jaw crusher;
- steel for six CIL tanks;
- materials for construction of a 308-person permanent camp a 200-person temporary camp.

These items which have a materials acquisition cost of \$17m, could provide additional material cash funding if required.

Any potential sale of such items will be evaluated in the light of the commerciality of the terms offered and an updated assessment of the requirements of the design for future development of the Project.

Any potential future sale of such items and the amounts to be realised is therefore inherently uncertain.

The Company continues to engage positively with PNG stakeholders and has secured an amendment to the Woodlark Mining Lease to extend the Project construction deadline condition by one year to 5 July 2024.

All other conditions of the Mining Lease remain in good standing.

The relatively quick turnaround in securing the Mining Lease extension highlights the strong levels of stakeholder support that Geopacific continues to receive at a local and regulatory level in PNG, reflecting the Company's ongoing commitment to Woodlark Island.

Despite the set-back from suspension of the development of Woodlark, it is important to recognise the underlying value and opportunity at the project.

Woodlark is a near surface gold project with currently 1.6Moz Au of Mineral Resources and 1.0Moz Au of Ore Reserves. It has prospective mineralised zones adjacent to all pits and the Project remains fully permitted with all exploration and mining licences in good standing.

As previously announced, a drilling program commenced in late 2021 and continues at the Project, which aims to deliver an increase in the Mineral Resource and Ore Reserve.

The drilling campaign is focused on further defining and substantiating the upside that resides both within the existing pit shells and across the broader mining and exploration leases on Woodlark Island.

Importantly, the campaign includes drilling areas adjacent to the proposed Kulumadai pit which were previously inaccessible due to the proximity of the local community. Ongoing relocation of the community will progressively free-up new drilling access.

Results from drilling to date support the view that there is upside potential within and adjacent to the existing pit shells. This is discussed in further detail in this morning's ASX announcements.

The original Project development plan was based on Ore Reserves calculated on a gold price of A\$1,650 per ounce, approximately 37% below the current gold price.

The improved gold price environment, coupled with new information from the ongoing drill campaign is expected to create new Project opportunities. This also is discussed in further detail in this morning's ASX announcements.

Also, as announced this morning, strategic investors have recognised the opportunity at Woodlark and following receipt of a number of unsolicited approaches from credible third-parties, the Board has initiated a Strategic Review process to assess the merits of a corporate or asset-level transaction as an alternative to advancing the Project on a standalone basis.

The Company has appointed Azure Capital and Lisle Group as financial advisers and Corrs Chambers Westgarth as its legal adviser, to assist with the Strategic Review, which will be conducted in parallel with the various operational and Project value development initiatives outlined above.

As always, there are no assurances that the Strategic Review will result in a transaction.

This release was authorised by Andrew Bantock.

For further information, please visit www.geopacific.com.au or contact Mr Andrew Bantock, Chairman.

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