

## PAKISTAN OIL & GAS

# MARKET VISTA

REP-019

## Reko Diq feasibility update: Long-term value emerges for OGDC & PPL

- **Barrick Gold Corporation**, the 50% operating partner in the Reko Diq Mining project, recently provided an update on the highly anticipated revised feasibility study in its latest press release for the project.
- The updated feasibility study for Reko Diq estimates a 37-year mine life, with total capital investment estimated at US\$8.83bn (Phase-1 requiring US\$6.0bn).
- Factoring in OGDC/PPL's pre-divested 8.33% stakes, we estimate the mining project to contribute Pkr51/81 per sh to respective valuations before adjusting for the minority stake discount.

**Barrick Gold updates on latest feasibility study:** BG Corporation, the 50% operating partner in the Reko Diq Mining project, recently provided an update on the highly anticipated revised feasibility study in its latest press release for the world's largest undeveloped copper-gold deposit. Notably, the company plans to release a detailed technical report by late Mar'25, though initial disclosures highlight key positives, including the project's upgrade to a Tier-one asset (mine life exceeding 10 years) with an estimated production span of 37 years. Additionally, with the project transitioning from exploration to development, proven and probable gross reserves now stand at 3.0/2.9bn tons of copper/gold, respectively.

**Updated feasibility has lot to cheer for:** The updated feasibility study for Reko Diq estimates a 37-year mine life, with total capital investment estimated at US\$8.83bn (Phase-1 requiring US\$6.0bn), with expectations of securing up to US\$3.0bn in project financing. With financing in place, we anticipate equity contributions of US\$250mn over four tranches during Phase-1 from the each of the three consortium partners in Pakistan Minerals Pvt. Ltd (PMPL)—OGDC, PPL, and GHPL (individual stakes: 8.33%). Additionally, the document entails that construction is to begin in 1QCY25, with first production targeted by end-CY28. Phase-1 will process 45mn tons/p.a., producing 240k/10.2 tons of copper/gold annually, while Phase-2 (starting CY34) will scale up the annual output to 460k/17.8 tons of copper/gold, respectively. Estimated probable mineral reserves stand at 15mn tons/26mn oz of copper/gold as per updated feasibility.

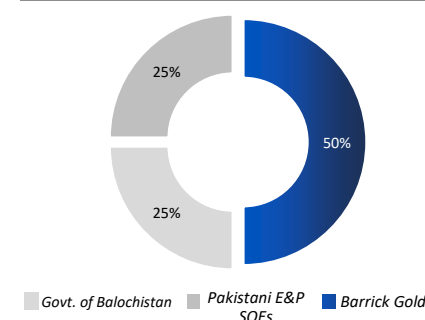
**OGDC/PPL positioned as key beneficiaries:** With listed SOEs anticipated to invest US\$55-60mn each annually ahead of Phase-1, we estimate the project's NPV at US\$9.0bn, assuming a 16% cost of capital. This is based on BG's historical cost of production metrics and our assumed long-term copper and gold prices of US\$8,500/ton and US\$2,500/t-oz, respectively. Furthermore, we have incorporated BG's projected third-stage production expansion from CY43 onward, where output is expected to double from Phase-2 levels. Consequently, we estimate the project to generate a sustainable IRR of 25% for minority partners over CY29-65. Factoring in OGDC/PPL's pre-divested 8.33% stakes, we estimate the mining project to contribute Pkr51/81 per sh to respective valuations before adjusting for the minority stake discount.

Notably, the per-share impact for OGDC/PPL stands 2.4% higher than our base case outlined in our 'Annual Strategy Report 2025,' reflecting updated production assumptions provided by Barrick Gold Corp.

**Reko Diq background:** The Reko Diq Mine is a mining operation in the planning stages, situated near Reko Diq town within the Chagai District of Balochistan. Part of the Tethyan Magmatic belt, a formation that spans from South Asia up till Eastern Europe, it is home to the world's most significant reserves of copper and gold. OGDC, PPL and GHPL collectively hold 25% (8.33% each) in the mining project.

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OGDC, PPL and GHPL collectively own 25% in Reko Diq Mining Project



Source: Barrick Gold & AKD Research

**\*A Tier One Gold Asset** is an asset with a reserve potential to deliver a minimum 10-year life, annual production of at least 500,000 oz of gold and total cash costs per ounce over the mine life that are in the lower half of the industry cost curve.

**A Tier One Copper Asset** is an asset with a reserve potential of greater than 5mn tons of contained copper and C1 cash costs per pound in the lower half of the industry cost curve.

Source: Barrick Gold & AKD Research

### Sum of parts valuation (per share)

	Revised	Base	Change (%)
<b>Reko Diq (30% discount)</b>			
OGDC	35.6	34.8	2.4%
PPL	56.3	55.0	2.4%
<b>Target Price (Dec'25)</b>			
OGDC	358.0	355.0	0.8%
PPL	286.0	285.0	0.4%

Source: AKD Research



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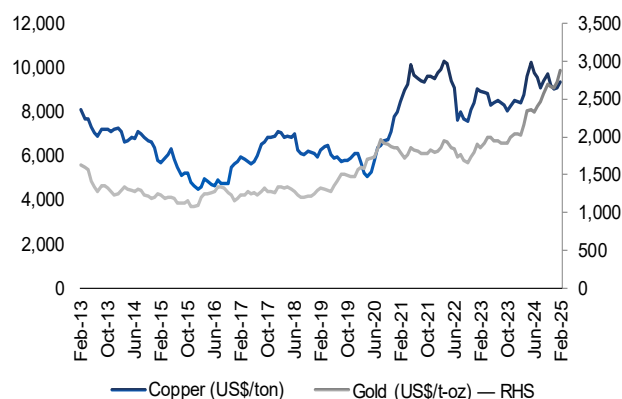
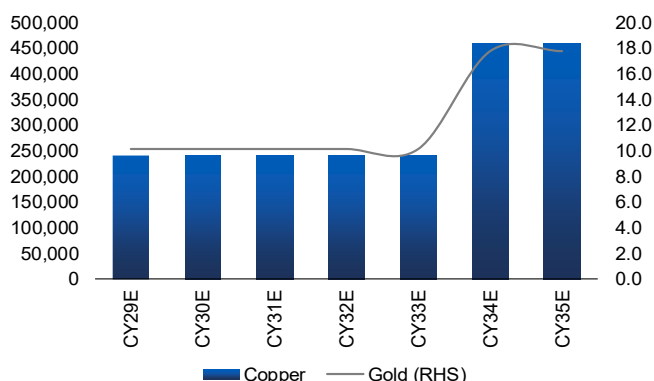
Valuation table		CY29E	CY30E	CY31E	CY32E	CY33E	CY34E	CY35E
Project Life		37 years						
Discounted NPV US\$m (100% equity basis)		9,076						
Cost of Equity		16%						
All inclusive costs as of CY23 — Copper (US\$/lb)		3.1						
All inclusive costs as of CY23 — Gold (US\$/t-oz)		1,364						
Probable Reserves as per BG								
Copper (mn tons)		15						
Gold (mn t-oz)		26						
Projections (US\$m)								
Revenue		2,783	2,779	2,779	2,779	2,779	5,204	5,204
Net Profit		800	792	789	785	781	1,437	1,430

Production snapshot	Phase-1 (CY29-33)	Phase-2 (CY34-43)	Phase-3 (CY44-65)
Previous projection (Barrick Gold CY23 10-K)			
Name plate throughput (k tons)	40,000	80,000	
Gold (troy oz)	250,000	400,000	
Copper (tons)	300,000	500,000	
Revised projections			
Name plate throughput (k tons)	45,000	90,000	250,000
Gold (troy oz)	297,000	520,000	780,000*
Copper (tons)	240,000	460,000	690,000*

\*Phase-3 copper & gold production are estimated

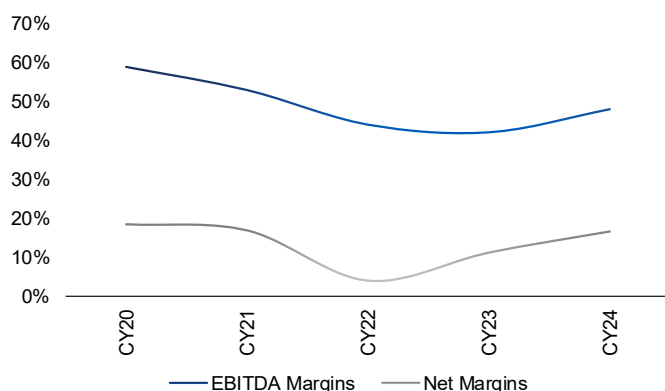
#### Production to enhance significantly post CY34 (tons)

#### ...amid recent uptrend in gold and copper price



#### Barrick Gold's EBITDA and Net Margins have recovered

#### Reko Diq is among the world's largest undeveloped copper-gold deposits



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## Valuation Methodology

To arrive at our period end target prices, AKDS uses different valuation techniques including:

- Discounted Cash Flow (DCF, DDM)
- Relative Valuation (P/E, P/B, P/S etc.)
- Equity & Asset return based methodologies (EVA, Residual Income etc.)

### New Rating Definitions

Buy	> 15% expected total return
Neutral	> 0% to < 15% expected total return
Sell	< 0% expected total return

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