Wolf Minerals – QuickView

Edison investment research

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Event	Management present
Site visit	Jeff Harrison (UK operations manager)

Investment summary: Pre-development works

We attended a site tour of Wolf Minerals' world-class Hemerdon tungsten project in Devon, England, on 16 December 2011. Media reports of the UK's increase in mine project development have been well documented, with the notable examples of both Wolf Minerals and Sirius Minerals (AIM:SXX, potash in North Yorkshire). However, Wolf still appears low on the investor's radar, perhaps due to Hemerdon being a tungsten project, therefore concerned with a relatively unknown (but strongly demanded) commodity. During our site visit, we were impressed by Wolf's efforts to develop Hemerdon, with planning permission in place, link road development almost underway and 50% of the £110m capital requirement all but secured (via senior debt facilities). Wolf now faces the crucial challenge of raising the remaining money to develop Hemerdon on the equity markets (expected early 2012), and potentially through subordinated debt secured with its eventual tungsten off-take partner(s).

DFS underpins Hemerdon as strategically important project

Hemerdon's global resource stands at 70.92Mt of measured and indicated resource at 0.15% tungsten and 0.02% tin, with a further 147.62Mt inferred at 0.14% tungsten and 0.02% tin. A DFS published in May 2011 detailed an ungeared post-tax NPV_8 of £74m, equating to £0.87 per Wolf share (excl. corporate costs).

Pursuing off-takes for Hemerdon production

A 65% WO_3 concentrate will be sold from Hemerdon with Wolf's second-largest shareholder Traxys (8.29% stake) acting as principal marketing agent and also off-taker for the 40% tin concentrate produced. Traxys is a well-known commercial and financial services company in the mining sector, and its holding in Wolf suggests a significant interest in Hemerdon's eventual development. Wolf is also discussing with potential off-take partners the provision of subordinated debt as part of any future agreement to reduce the equity raising required to develop Hemerdon.

Chinese dominance in supply presents opportunity

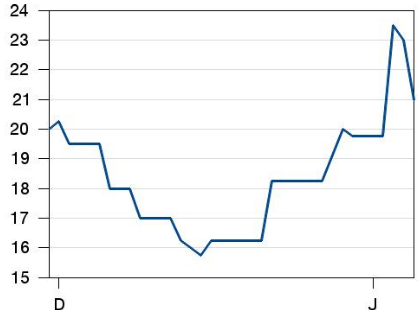
Around 60% of the world's known tungsten reserves are in China, which also controls c 85% of global supply. This is an increasing concern for western companies wishing to secure specialist metals from reputable sources. Hemerdon's location in the UK would present a tungsten deposit capable of delivering stable, clear supply to western companies. A metric tonne of ammonia paratungstate currently trades at US$437.5/mtu (a metric tonne unit equals 10kg WO_3).

Historic financials

Year End	Revenue (A$m)	PBT (A$m)	EPS (c)	DPS (c)	P/E (x)	Yield (%)
06/10	0.0	(1.3)	(4.6)	N/A	N/A	N/A
06/11	0.0	(1.8)	(1.4)	N/A	N/A	N/A

Price	21p
Market Cap	£18m

Share price graph



Share details

Code	WLFE
Listing	AIM/ASX
Sector	Metals and Mining
Shares in issue	84.6m

Business

Wolf Minerals is concerned with the development of the world-class Hemerdon tungsten project, in Devon in the south-west of England. Wolf is currently completing necessary pre-development works, including negotiating purchase prices for property and land near the proposed mine (due for development post-funding in 2012/13).

Bull

- Tungsten outlook strong.
- UK location of project – secure tenure, favourable tax/royalty environment.
- Chinese-dominated tungsten production provides opportunity.

Bear

- Challenging markets to raise equity.
- 2012 macro outlook uncertain.

Analyst

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