

## **Woulfe Mining Corporation**



*Woulfe expects to clear feasibility late this year and make a production decision in 2012 on reopening the former producing Sangdong tungsten mine in South Korea.*

### **Executive Summary**

For the full report please visit:  
<http://www.ObjectiveCapital.co.uk/woulfe.pdf>

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## Key Points

15 Apr 2011  
Price: C\$0.24

*Wolfe Mining offers excellent exposure to tungsten, molybdenum and gold through two advanced projects in South Korea. The Sangdong tungsten-molybdenum project, a former producer that retains a substantial resource, is most advanced. Woulfe expects to clear feasibility late this year and make a production decision in 2012. In keeping with its strategy to acquire and develop advanced projects, the company is concurrently exploring the Muguk gold property, another former producer.*

- **Woulfe is reopening the Sangdong tungsten mine**

Woulfe Mining took control of Korea's Sangdong tungsten and Muguk gold-silver properties in December 2009 and released a scoping study in March 2010 that envisaged reopening the Sangdong tungsten mine. Prior to closure in 1992, Sangdong was one of the world's largest tungsten producers, with a reported historical "remnant reserve" of 17 Mt averaging 0.5 % tungsten oxide (WO<sub>3</sub>).

- **Sangdong hosts a considerable resource**

The scoping study delineates an inferred resource of 103.2 Mt of ore, averaging 0.35% WO<sub>3</sub> and 0.04% molybdenum sulphate (MoS<sub>2</sub>). The study envisaged a full mine recovery programme, including total dewatering of the historic underground workings. Woulfe is presently working on a revised mining plan and is evaluating the previously unmined Sangdong Hangingwall zone which it now plans to mine first.

- **Woulfe has lined up a key strategic partner to advance Sangdong**

Pursuant to a heads of agreement, Korea Zinc invested C\$10m into Woulfe at C\$0.30. Korea Zinc has also tentatively agreed to inject C\$38m into a Woulfe subsidiary, in exchange for a 51% interest in the subsidiary, which holds title to the Sangdong project. This injection of capital will likely now depend on the outcome of a 5,000m drilling programme currently near completion at Sangdong. Concurrently, Korea Zinc has tentatively agreed to invest C\$1.8m into a second Woulfe subsidiary in exchange for a 51% interest in the Muguk gold project. In both cases, subsequent to feasibility, Korea Zinc has tentatively agreed to arrange debt financing sufficient to achieve production.

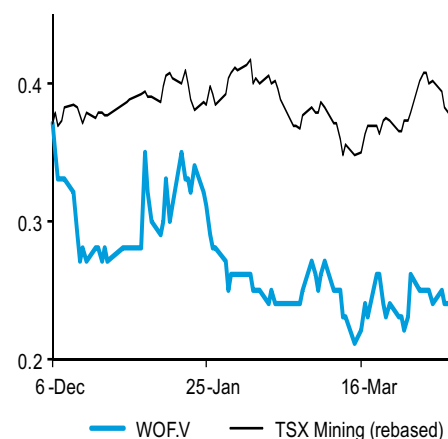
- **Woulfe is fast-tracking Sangdong toward early production**

A full feasibility study is in progress, targeted for completion in late 2011. The current plan is based on the potential contained within the hangingwall infrastructure pillar which traverses the upper portion of the mine. A 5,000-metre drill programme is currently under way in this region, designed to delineate the mineable reserve within this pillar. Mining is formally expected to commence in March 2013, based on the expectation of a satisfactory feasibility study.

- **The Muguk gold project is also being advanced**

Woulfe intends to complete further work on the Muguk gold property this year, including further drilling to upgrade the historic resource. The company has already drilled deep into the old mine to reconfirm historical gold grades. Woulfe also has other properties and projects with a lower priority that remain active.

### Price chart (C\$)



### Value of equity\*

|                        |                |
|------------------------|----------------|
| Expected Value         | C\$123.4m      |
| <b>Value per share</b> | <b>C\$0.46</b> |
| Optimistic Scenario    | C\$309.6m      |
| <b>Value per share</b> | <b>C\$1.20</b> |

\* shown before closing of Korea Zinc deal

### Company details

#### Quote

|                          |  |
|--------------------------|--|
| Shares                   |  |
| - TSX Venture            | WOF.V  |
| - Frankfurt              | OZ4.F  |
| - Pinksheets             | WFEMF.PK   |
| Hi-Lo last 12-mos. (C\$) | 0.07 - 0.55  |
| Shares issued (m)        | 265.1  |
| Fully diluted (m)        | 336.9  |
| Market Cap'n (C\$m)      | 63.6   |
| Website:                 | <a href="http://www.woulfemining.com">www.woulfemining.com</a> |

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## Overview

Woulfe Mining is a Canadian-based junior resource company listed on the TSX Venture Exchange in Canada. Until early 2010, the company was known as Oriental Minerals Ltd prior to a management change and reorganisation. Under current management, the company's focus is on the development of resource projects with existing identified mineralisation that can be fast-tracked to production.

Currently, Woulfe is putting most of its resources into advancing the Sangdong tungsten project in Korea to production. The company is concurrently exploring the Muguk gold deposit, also in Korea, with a longer-term goal of achieving production. Woulfe also has several other projects on its books, including uranium, lead-zinc and tungsten projects in Korea.

### **Achieving production at Sangdong is Woulfe's immediate focus**

Woulfe is focused on reopening the Sangdong mine, once one of the world's larger sources of tungsten products until it closed in the early 1990s. The company commenced its acquisition of Sangdong in 2006 and now holds a 100% interest in the project. If the deal with Korea Zinc completes, Woulfe will remain with 49% of the Sangdong project. Woulfe formally took control of Sangdong 15 months ago and within months had completed a scoping study investigating the reopening of the mine.

### **Sangdong scoping study reveals robust economic potential**

Woulfe's Sangdong scoping study, completed in March 2010 by Wardrop, was based on the NI 43-101-compliant inferred resource contained within the footwall at Sangdong. This resource, 57.4 Mt averaging 0.37% WO<sub>3</sub> and 0.04% MoS<sub>2</sub>, represents just 55% of the available inferred resource. The scoping study did not consider the 45.8Mt of inferred resource contained within the hangingwall, which averages 0.32% WO<sub>3</sub> and 0.05% MoS<sub>2</sub>, because of issues regarding the existing mine infrastructure.

The scoping study, based on mining 36 Mt of the footwall ore, achieved an internal rate of return of 26.4% and a capital cost payback of 3.4 years. Wardrop envisaged a 2.5Mt per year processing plant at Sangdong and a mine life of 15 years. Based on an assumed price of US\$250 per tonne per metric tonne unit (MTU) of ammonium paratungstate (APT), the financial analysis indicated a net present value of C\$367m, based on a 10% discount.

### **A full bankable feasibility study is now under way**

Based on the scoping study outcome, Woulfe has elected to skip the pre-feasibility stage and is proceeding to full feasibility. The bankable feasibility study will be based on an underground mining rate of 1.2 Mt per year, which will be increased in stages to 2.4 Mt per year. The lower mining rate will allow Woulfe to fast-track development, achieving production as early in March 2013.

### **Woulfe has agreed to take on Korea Zinc as a strategic partner**

In November, Woulfe Mining signed a heads of agreement with Korea Zinc that would have the two companies jointly develop Sangdong. In January, pursuant to the agreement, Korea Zinc purchased 30 million Woulfe shares at C\$0.30, then a premium to market, giving Korea Zinc one seat on Woulfe's board of directors. Also pursuant to the agreement, Korea Zinc agreed to inject C\$38m directly into a 100%-owned Woulfe subsidiary, Sangdong Mining Corp, in exchange for a 51% interest in the subsidiary, which holds title to the Sangdong project. This part of the agreement has not closed yet and it now appears to us that Korea Zinc are awaiting the results of the 5,000m drilling programme at Sangdong before it proceeds with this funding. Further, upon successful conclusion of feasibility, Korea Zinc had tentatively agreed to arrange debt financing, an estimated C\$75m, to achieve production at Sangdong. Under the terms of the heads of agreement, which remains subject to due diligence and formal completion, Woulfe would remain manager of the project through to mine commissioning.

### **Meanwhile, Woulfe is concurrently advancing the Muguk gold project**

Woulfe is evaluating the Muguk gold deposit, which was once Korea's largest gold mine until the operation closed in the 1990s. Also pursuant to the heads of agreement with Korea Zinc, Korea Zinc will contribute C\$1.8m to Muguk Gold, Woulfe's 100-percent-owned subsidiary, in exchange for a 51% interest in the subsidiary. Woulfe drilled at Muguk during autumn 2010 to define a mineral resource to NI 43-101 standards. Initial assays have been promising from the No. 7 vein, including a 0.37-metre interval that averaged 16.7 grams of gold and 16 grams of silver per tonne.

# Valuation

## Our valuation approach

We have valued Woulfe Mining based on assessing the economic potential of the company's primary focus, the Sangdong tungsten project in Korea. In so doing we have accounted for: the likelihood that a sufficiently large economic reserve will ultimately be proven; the likelihood that feasibility will be established after considering metallurgical, social and permit issues etc; and the likely economics if actual mining were to occur, considering parameters such as tax, operating costs, revenues etc.

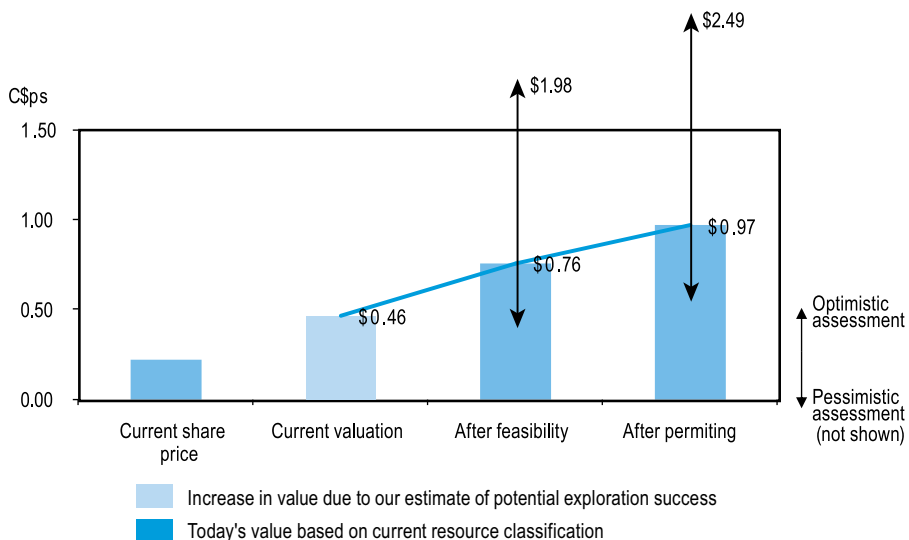
One of the key issues that any mining analysis must consider is the problem posed by the dependence of our assessment on commodity prices. This issue takes two forms – what will be the price environment when mining eventually occurs; and the operating dynamics in response to changing mining prices.

From a valuation perspective, the aspect of operational dynamics that is of interest is the ability to “mothball” operations during periods when the commodity price is below the marginal cost of extraction. This creates what is frequently referred to as “optionality” – something that traditional net present value (NPV) fails to capture. Intuitively this can most easily be understood by thinking of NPV as assuming that positive and negative deviations from our base-case have a similar likelihood of occurring and hence balance each other – however, in mining, the downside is capped at the cost of “mothballing” the site.

We capture these aspects by valuing each year's production as an option assuming that prices revert to mean over the long run – that is, the mine will only operate if the commodity price is above the extraction cost. In essence, rather than valuing that year's production as we would in an NPV model as the discounted value of the cash flow estimated using the base case for the commodity price we value the probability that the price is above the extraction cost.

In valuing the economic potential of resource projects, we assume that while commodity prices are volatile they return to an inflation-adjusted, long-run mean. For example, ammonium paratungstate has historically traded at approximately US\$210 per metric tonne unit (MTU) in current dollars since the 1950s, with deviations from mean normally correcting over 12.0 years with a volatility of 35 percent.

## What Woulfe Mining could be worth - now and in the future



Source: Objective Capital

## Fair value summary\* (C\$m)

| Scenario                       | Base        | Pessimistic | Optimistic  |
|--------------------------------|-------------|-------------|-------------|
| Property portfolio             |             |             |             |
| - Sangdong                     | 146.6       | 90.2        | 372.0       |
| - Muguk & others               | 5.0         | 5.0         | 5.0         |
| Total                          | 151.6       | 95.2        | 377.0       |
| Less: overhead                 | 22.6        | 22.6        | 22.6        |
| Expected value of portfolio    | 129.0       | 72.6        | 354.4       |
| Add: other investments         | 0.0         | 0.0         | 0.0         |
| Add: starting cash + new funds | 13.0        | 13.0        | 13.0        |
| Total current value for firm   | 141.9       | 85.6        | 367.3       |
| Less: bank & other debt        | 0.0         | 0.0         | 0.0         |
| Total value to equity claims   | 141.9       | 85.6        | 367.3       |
| Less: warrants and options     | 18.5        | 9.7         | 57.7        |
| Ordinary equity holders        | 123.4       | 75.9        | 309.6       |
| Value per share (C\$)          | <b>0.46</b> | <b>0.29</b> | <b>1.20</b> |

\*Valuation is shown prior to closing of remaining parts of the Korea Zinc deal.

## Expected fair value of Woulfe Mining

| Scenario  | Risked mineable resources (m tonnes) | Sangdong property value (US\$m) | WOF Valuation (C\$m) | Value per share (C\$) |
|---|--------------------------------------|---------------------------------|----------------------|-----------------------|
| <b>Base case outlook</b>                                  | <b>20.6</b>                          | <b>150.2</b>                    | <b>123.4</b>         | <b>0.46</b>           |
| <b>Value for scenarios of further exploration success</b> |                                      |                                 |                      |                       |
| Full proved up  | 46.4                                 | 428.3                           | 367.0                | 1.38                  |
| Optimistic outlook  | 41.3                                 | 372.0                           | 319.0                | 1.20                  |
| Pessimistic outlook                                       | 15.5                                 | 90.2                            | 78.1                 | 0.29                  |
| <b>Value with no further exploration success</b>          |                                      |                                 |                      |                       |
| Current resource estimate                                 | 18.1                                 | 118.4                           | 102.3                | 0.38                  |

### Notes:

- 'fully proven up' scenario assumes that current mineable resource estimates are upgraded to 'Proven' status
- for detailed assumptions see details on property

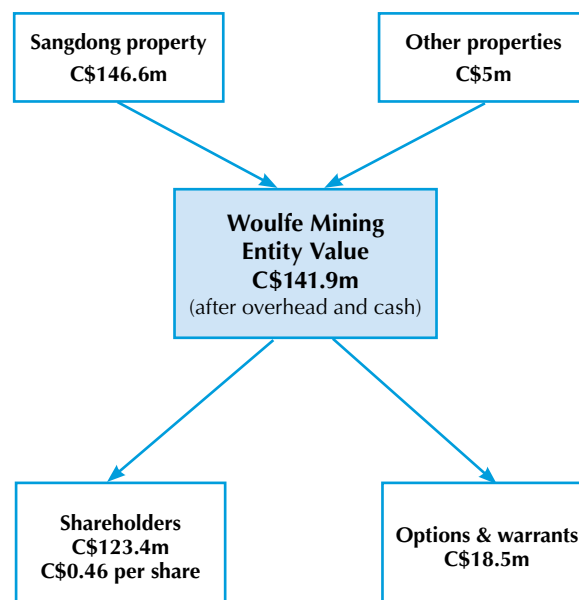
## Sensitivity to market assumption on...

|   |      |             |             |      |      |
|---|------|-------------|-------------|------|------|
| Long run real tungsten price (US\$/MTU)           | -50  | -25         | <b>0</b>    | +25  | +50  |
| Value (C\$/share)                                 | 0.11 | 0.30        | <b>0.46</b> | 0.58 | 0.66 |
| Change in value (%)                               | -76% | -34%        |             | +24% | +42% |
| Time for tungsten price to revert to mean (years) | 10   | 11          | <b>12</b>   | 13   | 14   |
| Value (C\$/share)                                 | 0.39 | 0.43        | <b>0.46</b> | 0.50 | 0.54 |
| Change in value (%)                               | -17% | -8%         |             | +8%  | +16% |
| Volatility of tungsten price (%)                  | 30%  | <b>35%</b>  | 40%         | 45%  | 50%  |
| Value (C\$/share)                                 | 0.40 | <b>0.46</b> | 0.55        | 0.64 | 0.77 |
| Change in value (%)                               | -14% |             | +17%        | +39% | +65% |
| Interest rate (%)                                 | 3.6% | 3.7%        | <b>3.8%</b> | 3.9% | 4.0% |
| Value (C\$/share)                                 | 0.48 | 0.47        | <b>0.46</b> | 0.45 | 0.45 |
| Change in value (%)                               | +4%  | +2%         |             | -2%  | -4%  |

## Sensitivity to operating assumption on ...

|                                  |             |             |             |      |      |
|----------------------------------|-------------|-------------|-------------|------|------|
| Recovery rate (%)                | 66%         | 68%         | <b>+70%</b> | +72% | +74% |
| Value (C\$/share)                | 0.37        | 0.42        | <b>0.46</b> | 0.51 | 0.54 |
| Change in value (%)              | -20%        | -10%        |             | +9%  | +17% |
| Operating Costs (US\$ per tonne) | 0.86        | <b>0.91</b> | 0.95        | 1.00 | 1.04 |
| Value (C\$/share)                | 0.50        | <b>0.46</b> | 0.42        | 0.37 | 0.31 |
| Change in value (%)              | +7%         |             | -10%        | -21% | -34% |
| Increase in Capital Cost (%)     | <b>+0%</b>  | +10%        | +20%        | +30% | +40% |
| Value (C\$/share)                | <b>0.46</b> | 0.44        | 0.42        | 0.40 | 0.38 |
| Change in value (%)              |             | -4%         | -9%         | -13% | -18% |

## Components of Woulfe Mining's entity value



## Sangdong valuation (US\$m)

| Scenarios for exploration success        | Base           | Optimistic | Pessimistic |
|--|----------------|------------|-------------|
| <b>Net value of production</b>           | <b>1,031.5</b> | 1,031.5    | 1,031.5     |
| Expected mining success*                 | <b>40%</b>     | 80%        | 30%         |
| <b>Expected net value of production</b>  | <b>412.6</b>   | 825.2      | 309.4       |
| Add: tax shield on depreciation charge   | <b>47.2</b>    | 47.2       | 47.2        |
| Less: development & operational capex    | <b>179.3</b>   | 179.3      | 179.3       |
| <b>Value of mining operations</b>        | <b>280.5</b>   | 693.1      | 177.4       |
| Probability of putting into production** | <b>56%</b>     | 56%        | 56%         |
| <b>Expected value of deposit</b>         | <b>157.1</b>   | 388.2      | 99.3        |
| Less:                                    |                |            |             |
| - expect pre-development costs***        | <b>6.9</b>     | 6.9        | 6.9         |
| - further exploration costs****          | -              | -          | -           |
| Expected value of project                | <b>150.2</b>   | 381.3      | 92.5        |
| effective risk haircut                   | <b>83%</b>     | 57%        | 89%         |
| Ownership*****                           | <b>100%</b>    | 100%       | 100%        |
| Woulfe Mining's share                    | <b>150.2</b>   | 381.3      | 92.5        |

\* mining success incorporates our assumptions on ultimate exploration success and the portion of resource expected to be mined

\*\* probability of successfully completing pre-feasibility, full feasibility and required permitting and actual construction in realistic timeframe

\*\*\* shown as expected value of being incurred after allowing for likelihood of reaching each development stage

\*\*\*\* present value

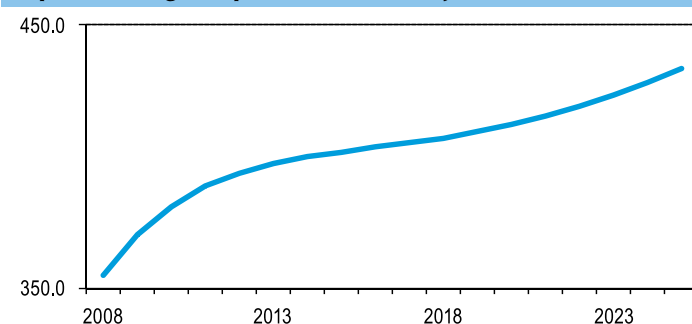
\*\*\*\*\* shown prior to closing of remaining parts of the Korea Zinc deal

## Commodity assumptions

Tungsten prices are assumed to be mean reverting based on

|   |                |
|---|----------------|
| Historic average real level at current prices | 210.0 US\$/MTU |
| Avg time to revert to mean                    | 12.0 years     |
| Volatility                                    | 35%            |
| Inflationary price growth                     | 2.5%           |

## Expected tungsten price (inflation-adjusted) (US\$/MTU)



## Our key assumptions

We have modelled Woulfe's Sangdong project based on the following key assumptions:

- The property contains a currently delineated inferred resource totalling 103.2Mt, averaging 0.34% WO<sub>3</sub> and 0.04% MoS<sub>2</sub>. Our analysis assumes that further exploration will convert this combined amount to a mineable resource of some 41.3 Mt or, after allowing for the confidence level of each resource category, 20.6 Mt on a risk adjusted basis.
- Assuming continued project development, we have modelled that mining will commence in March 2013 with a milling capacity of 3,500t per day. We assume this rate will increase in stages over the following 10 years to 7,000t per day. We further assume capital expenditures will begin in late 2011, with an initial capital cost of approximately US\$150m over the following 15 months.
- We assume initial operating costs of US\$50 per tonne, escalating at a nominal rate of inflation thereafter, but with scale reductions as production rates increase. The company estimates it will face a tax rate of 20%.
- Woulfe's Sangdong project is advanced but appropriate feasibility studies have not yet been undertaken. We have assumed typical success probabilities of 70% and 80% at the feasibility and permitting stages respectively.

## Our results

After allowing for likely economics, exploration potential and development risk our analysis suggests an expected value of C\$146.5m for the Sangdong tungsten project. We ascribe current nominal book values of C\$4m for the Muguk gold project and C\$1m for the company's less advanced projects.

After allowing for corporate overhead and outstanding warrants, our assessment of Woulfe's ordinary equity results in a base case current valuation of C\$123.4m, or C\$0.46 per share, with an optimistic current valuation of C\$1.20 per share, assuming higher probabilities of development success. Our analysis suggests that Woulfe's current value is based largely on the potential for further resource delineation and mine development at Sangdong. Should there be no further, or limited success, then the current level of risked resources may not be sufficient to justify extraction. Alternately, if all available potential resources in the company's Sangdong project were ultimately proven, they could yield up to C\$2.86 per share.

Our base-case and optimistic outlooks, assuming success at all stages through permitting, result in valuations of C\$0.97 and C\$2.49 per share respectively. Delineation of additional resources beyond our hypothesised estimates could add significantly to these estimates.

Should the tentative agreement with Korea Zinc close, Woulfe's interest in Sandong would drop to 49%, but our confidences in the project progressing on schedule and obtaining sufficient financing increase significantly. Under these assumptions, our base-case valuation of Woulfe increases to C\$0.51 per share, with an optimistic assessment of C\$0.92 per share. Assuming success at all stages through permitting and financing, our base-case and optimistic valuations increase to C\$1.55 and C\$2.88 respectively.

Woulfe's Sangdong tungsten project in Korea offers good potential for development success as the project advances. The preliminary formal resource calculation is very promising and the company anticipates a favourable feasibility study later this year based on a further round of drilling, currently under way. As a result, much of the company's value will depend on the ability of Woulfe to delineate large quantities of ore with sufficient grade and economic potential to support a favourable production decision based on an NI 43-101 compliant bankable feasibility study.

### **Woulfe's success depends on ...**

#### ***... the company delineating a sufficient mining reserve to support mining at Sangdong***

Woulfe has a considerable inferred resource in both the hangingwall and footwall at Sangdong, but further drilling is needed to upgrade this resource to measured or indicated, and to define a formal mining reserve. We base our valuation of Woulfe on the reasonable assumption that the company will successfully delineate a significant reserve at Sangdong. Failure to achieve minimum tonnage, grade targets and an economic processing method could render the deposit uneconomic.

#### ***... the tungsten and steel markets recovering from the global recession***

The price of ammonium paratungstate experienced a number of sharp increases over the past 50 years, followed by equally sudden corrections. The price is currently recovering from the latest of these cycles. Although the potential exponential increase in demand from China offers significant upside price potential, the price of tungsten remains strongly correlated with demand for steel. As a result, the future price of ammonium paratungstate will depend heavily upon recovery from the global recession and the resumption of significant rates of growth in Asia, notably China and India.

#### ***... the company's ability to work effectively in a politically challenging area***

The Sangdong deposit benefits from its location in mining and foreign investment friendly South Korea. Nevertheless, there is some risk imposed by the proximity of politically unstable North Korea.

#### ***... the company's ability to demonstrate economic potential***

Woulfe has yet to complete a formal feasibility study at Sangdong. As a result, there remains the risk that the company will be unable to demonstrate the deposit can be mined economically, given capital and operating costs, and projected future revenues.

#### ***... the company's ability to raise further funds for exploration and development***

Woulfe is a junior exploration company with limited access to capital and will need increasing and significant amounts of cash to fund its exploration programmes. The tentative agreement with Korea Zinc and that company's recent investment in Woulfe may mitigate much of the financing risk when completed. Nevertheless, shareholders could face significant dilution if Woulfe is forced to fund its share of construction costs by selling new equity at low share prices.

# Financials

| Profit and Loss             |              |              |              |              |               |              |              |
|-----------------------------|--------------|--------------|--------------|--------------|---------------|--------------|--------------|
| Year ending June (C\$m)     | 2009A        | 2010E        | 2011E        | 2012E        | 2013E         | 2014E        | 2015E        |
| <b>Revenues</b>             | —            | —            | —            | —            | <b>20.1</b>   | <b>101.0</b> | <b>121.6</b> |
| COGS                        | —            | —            | —            | —            | (15.2)        | (55.9)       | (67.6)       |
| Gross profits               | —            | —            | —            | —            | 4.9           | 45.2         | 54.1         |
| Administrative Costs        | (2.1)        | (3.0)        | (2.5)        | (2.5)        | (2.5)         | (2.5)        | (2.5)        |
| <b>EBITDTA</b>              | <b>(2.1)</b> | <b>(3.0)</b> | <b>(2.5)</b> | <b>(2.5)</b> | <b>2.4</b>    | <b>42.7</b>  | <b>51.6</b>  |
| Depreciation & amortisation | (0.0)        | 1.9          | —            | —            | (17.0)        | (19.9)       | (20.9)       |
| EBIT                        | (2.4)        | (1.1)        | (3.9)        | (2.5)        | (14.5)        | 22.8         | 30.7         |
| Interest                    | (0.1)        | —            | 0.3          | (1.0)        | (2.9)         | (2.4)        | (0.1)        |
| EBT                         | (2.5)        | (1.1)        | (3.6)        | (3.5)        | (17.4)        | 20.4         | 30.7         |
| Tax paid                    | 0.7          | 0.2          | 0.6          | 0.7          | —             | —            | —            |
| <b>Earnings</b>             | <b>(1.8)</b> | <b>(0.9)</b> | <b>(3.0)</b> | <b>(2.8)</b> | <b>(17.4)</b> | <b>20.4</b>  | <b>30.7</b>  |
| Dividends                   | —            | —            | —            | —            | —             | —            | —            |
| <b>Retained earnings</b>    | <b>(1.8)</b> | <b>(0.9)</b> | <b>(3.0)</b> | <b>(2.8)</b> | <b>(17.4)</b> | <b>20.4</b>  | <b>30.7</b>  |

| Cashflow                                      |              |              |              |              |               |               |               |
|---|--------------|--------------|--------------|--------------|---------------|---------------|---------------|
| Year ending June (C\$m)                       | 2009A        | 2010E        | 2011E        | 2012E        | 2013E         | 2014E         | 2015E         |
| EBIT  | (2.4)        | (1.1)        | (3.9)        | (2.5)        | (14.5)        | 22.8          | 30.7          |
| Depreciation                                  | —            | —            | —            | —            | 17.0          | 19.9          | 20.9          |
| Stock-based Comp, Writedowns,<br>Tax Recovery | 0.8          | (0.8)        | —            | —            | —             | —             | —             |
| (Increase) decrease in receivables            | 0.3          | (0.1)        | 0.2          | —            | (3.0)         | (12.1)        | (3.1)         |
| (Increase) decrease in inventory              | 0.4          | (0.1)        | (0.0)        | —            | (2.3)         | (6.1)         | (1.8)         |
| Increase (decrease) in payables               | 1.1          | (1.2)        | (0.3)        | —            | 1.2           | 3.3           | 0.9           |
| <b>Net cash from Ops</b>                      | <b>0.2</b>   | <b>(3.3)</b> | <b>(4.0)</b> | <b>(2.5)</b> | <b>(1.7)</b>  | <b>27.7</b>   | <b>47.7</b>   |
| Tax paid                                      | —            | —            | 0.6          | 0.7          | —             | —             | —             |
| Dividends                                     | —            | —            | —            | —            | —             | —             | —             |
| Net interest recieved (paid)                  | (0.1)        | —            | 0.3          | (1.0)        | (2.9)         | (2.4)         | (0.1)         |
| New equity                                    | 0.1          | 10.2         | 10.0         | 30.0         | —             | —             | —             |
| New (deposits) borrowings                     | 1.5          | —            | —            | 50.0         | —             | (20.0)        | (30.0)        |
| Capital expenditure                           | (2.3)        | (2.3)        | —            | (52.5)       | (27.5)        | (2.0)         | (2.5)         |
| <b>Net cash from financing</b>                | <b>(0.7)</b> | <b>7.9</b>   | <b>10.9</b>  | <b>27.1</b>  | <b>(30.4)</b> | <b>(24.4)</b> | <b>(32.5)</b> |
| <b>Net increase (decrease) in cash</b>        | <b>(0.6)</b> | <b>4.6</b>   | <b>6.9</b>   | <b>24.6</b>  | <b>(32.0)</b> | <b>3.3</b>    | <b>15.1</b>   |

| Balance sheet              |              |             |             |             |             |             |             |
|----------------------------|--------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Year ending June (C\$m)    | 2009A        | 2010E       | 2011E       | 2012E       | 2013E       | 2014E       | 2015E       |
| Fixed assets at NAV        | 22.9         | 27.5        | 27.5        | 80.0        | 90.5        | 72.6        | 54.2        |
| Cash                       | 0.0          | 4.7         | 11.6        | 36.3        | 4.2         | 7.5         | 22.7        |
| Receivables                | 0.0          | 0.1         | (0.1)       | (0.1)       | 2.9         | 15.0        | 18.1        |
| Inventory                  | 0.0          | 0.2         | 0.2         | 0.2         | 2.5         | 8.6         | 10.3        |
| <i>Less Payables</i>       | (3.3)        | (2.3)       | (2.1)       | (2.1)       | (3.3)       | (6.5)       | (7.5)       |
| <b>Net current assets</b>  | <b>(3.3)</b> | <b>2.6</b>  | <b>9.7</b>  | <b>34.3</b> | <b>6.3</b>  | <b>24.6</b> | <b>43.7</b> |
| Less loans                 | (2.1)        | —           | —           | (50.0)      | (50.0)      | (30.0)      | —           |
| <b>Capital employed</b>    | <b>17.6</b>  | <b>30.1</b> | <b>37.1</b> | <b>64.3</b> | <b>46.9</b> | <b>67.2</b> | <b>97.9</b> |
| <i>Represented by</i>      |              |             |             |             |             |             |             |
| Shares in issue            | 29.1         | 39.3        | 49.3        | 79.3        | 79.3        | 79.3        | 79.3        |
| Add retained profit        |              |             |             |             |             |             |             |
| Prior periods              | (9.8)        | (8.3)       | (9.2)       | (12.1)      | (15.0)      | (32.4)      | (12.0)      |
| This period                | (1.8)        | (0.9)       | (3.0)       | (2.8)       | (17.4)      | 20.4        | 30.7        |
| <b>Shareholders' funds</b> | <b>17.5</b>  | <b>30.1</b> | <b>37.2</b> | <b>64.3</b> | <b>46.9</b> | <b>67.3</b> | <b>97.9</b> |

Source: Objective Capital

The management team of Woulfe consists of internationally experienced senior geological, mining and administrative professionals and Korean professionals with long management experience in the two companies which operated the Sangdong and Muguk mines. This is an ideal management mix for Woulfe, bringing together new technology and modern best practice whilst at the same time drawing on the experience and knowledge of the past senior management drawn from the two target mines.

### **Brian Wesson**

#### ***CEO/ President***

An engineer with 30 years' experience, he has an MBA and is a Fellow of the Australian Institute of Mining and Metallurgy and a Fellow of the Australian Institute of Company Directors. He has extensive experience in the operation, design and construction of mines and process plants. His company, Westech bought the Vatukoula Mine in Fiji after mine closure and Westech refinanced and refurbished the operation, putting it back into production. On listing, Vatukoula Gold took over.

### **Amelia Wesson**

#### ***Director/ VP Admin and Corporate***

A principal of Westech, a consulting company which was instrumental in working with government and staff to restructure the Vatukoula Mine from 2,200 staff to 700 and inducting and retraining the staff. Amelia previously worked in companies servicing the large mines in South Africa giving her an excellent understanding of personnel and administration.

### **Bill Kable**

#### ***VP Technical***

An economic geologist with over 30 years' experience in the minerals, oil and gas and broking industries. His specialisation is valuation and due diligence studies for public reports, corporate mergers, acquisitions and company floats. He has wide experience of projects throughout Australasia, Africa and South America

### **Dr Kun Joo Moon**

#### ***Senior Adviser***

Dr Moon holds a Ph.D in Geology from the University of Tasmania on the Sangdong Tungsten Project and had an extensive career history with Korean Tungsten.

**Mr Kwan Yi Jeong**

***Technical Adviser***

Mr Jung was General Manager of Muguk Gold and Yeonwha Base Metals when it closed. He is a highly respected mining engineer in Korea and adviser to large companies.

**Mark Gelmon**

***CFO***

A Chartered Accountant and a member of the Institute of Chartered Accountants of British Columbia. He has served as an auditor, Director, Chief Financial Officer, corporate controller and accountant for several public and private companies.

**Ms Marion McGrath**

***Corporate Secretary***

Ms McGrath has been actively engaged in the securities industry for over 25 years. She has served as a director and officer of numerous public companies in a corporate administrative capacity and is the owner of iO Corporate Services Limited, a company which provides corporate and accounting services to various publicly-traded Canadian companies. Prior to organizing iO Corporate, Ms McGrath was a senior paralegal with a Vancouver-based securities law firm.

We are pleased to bring you this report on **Woulfe Mining Corporation**.



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As always, I welcome your comments and feedback on our research!

Gabriel Didham, CFA  
Objective Capital

#### **Will Purcell**

Will has been involved in the resource sector for 30 years in a variety of roles. Since the late 1990s, he has been active in assessed mineral resource investment projects. Will has a B. Math degree from the University of Waterloo in Ontario.

#### **Richard Thompson**

Richard Thompson is a graduate mining engineer (Camborne) and has worked for over 40 years in the mining industry. His expertise covers mining techniques, the application of mining equipment, mine project evaluation, mining investment promotion and project management.

#### **About our relationship with Woulfe Mining**

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