

30 July 2018

## Senior Debt Deferral and Additional £4 Million Funding

Specialty metals producer, Wolf Minerals Limited (ASX: WLF, AIM: WLFE) (**Wolf** or the **Company**) provides the following update on the Company's financing arrangements to support its short term working capital requirements during the ongoing operational ramp up at its Drakelands open pit mine (**Drakelands**) at the Company's Hemerdon tungsten and tin project in Devon, southwest England, whilst a strategic review of its funding arrangements is completed.

### Highlights

- ✓ £2 million to be available immediately under the Existing Bridge Facility.
- ✓ Subject to documentation:
  - Existing Bridge Facility increased from £65 million to £69 million.
  - Standstill agreed with Senior Lenders regarding outstanding fees and matters of default, and deferral of Senior Debt principal and interest repayments totalling approximately £2.1 million, until 28 October 2018.
  - Access to up to £1.7 million from the Rectification Account.
- ✓ Financing arrangements expected to be sufficient to support Wolf's short-term working capital requirements until 28 October 2018, during which time the Company will undertake a strategic review of its funding arrangements.

Following the further improvements in the operating performance at Drakelands over the June 2018 quarter, Wolf has worked with its key stakeholders to develop financing arrangements that can support the Company's short-term working capital requirements whilst a detailed strategic review of its funding arrangements is completed prior to 28 October 2018. As a result, Wolf has executed a commitment letter to enter into binding agreements with:

- its existing senior lenders (**Senior Lenders**) for:
  - a deferral of principal, interest and other amounts totalling approximately £2.1 million due at the end of July 2018, up to 28 October 2018 (**Senior Debt Deferral**); and
  - access to up to £1.7 million of the £9.5 million cash balance currently restricted for use on the noise and vibration management plan (**Rectification Account**); and

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- Resource Capital Fund VI L.P. (**RCF VI**) to provide an additional £4 million, secured priority loan (**Priority Bridge Loan**) under an amended bridge loan facility (**Bridge Facility**), with the potential for the Priority Bridge Loan to be increased to £5 million at the discretion of RCF VI and subject to the consent of the Senior Lenders. An initial £2 million to be available immediately under the Existing Bridge Facility which will be superseded by the Priority Bridge Loan.

The Senior Debt Deferral, withdrawals from the Rectification Account and the Priority Bridge Loan when established (together, the **New Money**) are to be repaid *pari passu* with existing Senior Debt liabilities from operational cash flows or in priority to existing Senior Debt liabilities in limited circumstances.

Implementation of the above requires changes to the existing Bridge Facility and documents relating to the Company's debt facilities with the Senior Lenders (**Senior Debt**). The Company currently anticipates that the relevant full form documentation will be finalised and entered into during August 2018.

Commenting on the financing arrangements, Wolf's Managing Director, Richard Lucas said:

*"As we drive further operating improvements towards self-sustaining cash flows and convert value-adding opportunities, such as ore pre-processing, these financing arrangements provide additional flexibility to prepare for our future as a significant contributor in the tungsten market.*

*The support we receive from each of our key project stakeholders is fundamental to the long-term success of Wolf and we recognise their shared vision of a secure, long term source of tungsten in the UK."*

### **Bridge Facility**

The Company currently has £65 million in outstanding subordinated loans under the Bridge Facility, comprising the original subordinated loan in the aggregate amount of £45 million from 21 October 2017 (**First Subordinated Loan**) and the second subordinated loan in the aggregate amount of £20 million announced on 27 October 2017 and 28 February 2018 (**Second Subordinated Loan**) (together, **Subordinated Loans**).

### *Terms of the Priority Bridge Loan*

The Priority Bridge Loan is being provided in two tranches as follows:

- an initial tranche of £2 million (**Initial Tranche**) available immediately. The Initial Tranche is being advanced until the Priority Bridge Loan is established pursuant to an existing uncommitted tranche that remains available subject to RCF VI's discretion under the existing Bridge Facility. The Initial Tranche will temporarily increase the Second Subordinated Loan to a total of £22 million, but on the understanding that in the subsequent amendments to the Senior Debt and Bridge Facility documents, the Initial Tranche will be superseded by the Priority Bridge Loan and treated as New Money and not a Subordinated Loan. The interest rate of the Initial Tranche will reduce at this point to equal the interest rate payable on the Senior Debt (LIBOR + 4.25%); and
- a subsequent tranche of £2 million to be made available in two utilisations of £1 million, in each case as New Money pursuant to the subsequent amendments to the Bridge Facility,

including that it will be fully secured with an interest rate equal to the interest rate payable on the Senior Debt (LIBOR + 4.25%) as a result of the increased seniority of this tranche.

Once established, the Priority Bridge Loan does not include any conversion terms and any future convertibility would need to be agreed between the Company and RCF VI.

The Company anticipates receiving the Initial Tranche before the end of July 2018, with the subsequent £2 million to be received in August 2018 following the satisfaction of certain conditions precedent and execution of the relevant amendment documents to the Bridge Facility. As noted above, the potential further £1 million will be advanced at the discretion of RCF VI and subject to the consent of the Senior Lenders.

All terms of the existing Bridge Facility, the Subordinated Loans and any Convertible Notes remain as described in the Company's announcements of 24 October 2016, 28 June 2017, 27 October 2017 and 28 February 2018.

### **Debt Restructure**

The Company currently has £63 million of Senior Debt outstanding.

In addition to the funding and offtake standstill arrangements from the debt restructure in October 2016 that have been extended to 31 January 2019 (as announced on 28 February 2018), the Senior Lenders and RCF (together the **Lenders**) have agreed to enter into a further standstill arrangement with the Company as part of the amendments to the Bridge Facility and the Senior Debt documents.

The Company has not paid an outstanding arrangement fee that is due and owing to the Senior Lenders. Under the further standstill arrangement, the Lenders will agree to a further standstill of this and any other existing defaults and any further defaults that may arise. The standstill period will commence on execution of formal documentation and terminate on the earlier of 28 October 2018 or the occurrence of specific limited events of default.

The terms of the Senior Debt Deferral provide that the Senior Debt quarterly principal and interest repayments due on 31 July 2018 and any other amounts payable to the Senior Lenders will be deferred until 28 October 2018. The subsequent amendments to the Senior Debt will also include certain waivers of, and amendments to, the Senior Debt conditions for any non-compliance as part of the Senior Debt Deferral.

In addition, the Senior Lenders will provide access to up to £1.7 million of the £9.5 million cash balance currently held in the Rectification Account to support short-term working capital requirements, which is not expected to impact the implementation of the noise and vibration management plan agreed with the Environment Agency. Further sums may be drawn from the Rectification Account in due course with the consent of the Senior Lenders and subject to certain conditions.

A portion of the Company's Senior Debt is supported by guarantees provided by the German government's Untied Loan Guarantee Scheme (Ungebundene Finanzkreditdeckung – **U FK**), and Wolf's tungsten concentrate customers Global Tungsten & Powders Corp and Wolfram Bergbau und Hütten AG (together **Guarantors**). U FK consent is required for the entry into of the full form documentation to give effect to the amendments to the Senior Debt documents and the Bridge Facility, and the standstill referred to above. The Company currently anticipates receiving such

consent in the near future, however, if such consent was not received, the Company would be in default and would need to re-enter discussions with the Senior Lenders and UFK to remedy this.

The Company has agreed with the Senior Lenders and RCF VI to undertake a strategic review of its funding arrangements as the operational ramp up at Drakelands is completed. As a condition to the arrangements described above, the Company will appoint a financial advisor to assist with the strategic review. The strategic review is scheduled for completion prior to 28 October 2018.

### **Cash position**

As reported in the Company's recent quarterly activities report, the Company had A\$19.8 million (£11 million) total cash at 30 June 2018, of which A\$17.0 million (£9.5 million) was restricted for use on the noise and vibration management plan. As a result of the funding arrangements described above, the Company expects to have sufficient working capital for the period to 28 October 2018.

### **Related Party Transaction**

RCF VI is deemed to be a Related Party as defined in the AIM Rules as it is considered to be an associate of Resource Capital Fund V L.P. (**RCF V**) and RCF V Annex Fund (**Annex Fund**). RCF V, Annex Fund and RCF VI currently hold in aggregate 609,704,057 shares, which equates to a relevant interest of approximately 55.9%<sup>1</sup>. As a result, entering into the amended Bridge Facility is deemed to be a related party transaction under the AIM Rules.

The Company's Board of Directors (excluding Mr Chris Corbett, who is an employee of an entity which is an associate of RCF VI and RCF V) consider, having consulted with the Company's nominated adviser, that the terms of the transaction are fair and reasonable insofar as its shareholders are concerned.

**ENDS**

### **About Wolf Minerals**

*Wolf Minerals is a dual listed (ASX: WLF, AIM: WLFE) specialty metals producer. In late 2015, Wolf Minerals completed the development of a large tungsten resource at its Drakelands Mine, located at Hemerdon, in southwest England.*

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<sup>1</sup> Total fully paid outstanding ordinary shares 1,090,880,251 as per Appendix 3B dated 3 July 2018.