



# ASX and Media Release

## Renewed focus on cash generation and understanding Challenger's exploration potential and updated production guidance for FY 2018

### Highlights

- Strong emphasis now being placed on cash generation to reduce debt and creditor balance over the next nine months;
- In parallel, underground drilling to continue at Challenger Deeps to better understand its potential ahead of mine development;
- Discussions are advancing with potential third party funders to refinance debt and pursue new opportunities in Challenger Deeps;
- Tarcoola production increasing, and new targets identified in the Deliverance area;
- Updated and increased resource estimate for WGCJV properties (WPG ~25%) and encouraging drilling results from the Marmota MoU project; and
- Annual production forecast revised to ~56,000oz to 30 June 2018.

### Challenger Mine Optimisation

WPG, Byrnescut and Byrnescut's mining consulting arm Mining Plus have been working to optimise mining operations at Challenger along with implementing some minor improvements at Tarcoola and in the milling operation at the Challenger processing hub. This work commenced late in 2017 and has progressed well over the last six months.

At Challenger, mining activities are currently being undertaken on the 115m RL level, below the 215 shear, and in other areas above the shear. Development on the next 95m RL level is now moving from waste to ore development and production will start shortly.

A new strategy is being developed that focusses on mining operations on the 115m RL and 95m RL levels along with remnant opportunities elsewhere in the shallower parts of the mine.

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This new plan would minimise near term capital expenditure requirements to improve cash generation in order to reduce WPG's debt and creditor balance. WPG has yet to finalise and fully commit to this plan, which if implemented as intended, would retain the critical infrastructure at Challenger and allow re-entry into the deeper parts of the mine in the future. The plan will not sterilise Challenger Deeps and will allow future mining in this area once the full potential of this zone is better understood. If implemented, the plan would have no material impact on gold production until 2019.

### **Challenger Resource Definition Drilling**

Following an extensive review of operating procedures by WPG and Mining Plus a revised methodology for resource definition drilling has been adopted which is focussed on a change in drilling patterns and intensity to provide greater predictability and confidence in resource grades going forward. This strategy, combined with a renewed emphasis in controlling unplanned dilution is anticipated to continue to positively impact on mining grades which have improved over the last two months.

The Jumbuck decline has been advanced towards the 65m RL level and a drill cuddy has been developed at the end of the decline to allow drilling on the 65m RL, 45m RL and 25 RL levels targeting the M1, M2 and M3 lodes.

This drilling has commenced with a ~3,500 metre program targeting the 65m RL level and will be finalised in late July. If these drill results justify further development of the decline then drilling will be continued to target the 45m RL and 25m RL levels from the same drill platform.

### **Renewed Exploration Focus**

#### *Challenger*

The long term potential of the Challenger mine involves not just exploitation of Challenger Deeps, which has been the focus of development and drilling activities over much of the last six months, but also the delineation of other opportunities both underground and on surface.

Delivery of this potential requires an increase in drilling activities in areas above the 215 shear, including in the M3/SEZ structures which to date have provided encouraging results. An area of renewed focus will also be the Challenger South South West structure on which an exploration drive was developed by the previous owner of the mine. Fan drilling has shown the structure continues down plunge parallel to known lodes. This area has the potential to be a new mining area in its own right.

#### *Tarcoola*

At Tarcoola, once the Perseverance open-pit is mined out later this year, resource development drilling will be directed to testing the high grade depth extents of the mineralisation that has potential to be developed as a future open pit or underground mining operation.

In particular, WPG sees good potential in the Deliverance target zone below and along strike from the existing pit.

Further surface opportunities on the Tarcoola mineral lease remain untested and will also form part of the Tarcoola mine life extension project.

### *Tunkillia*

As set out in WPG's ASX announcement of 4 February 2015 Tunkillia hosts a JORC compliant mineral resource of in excess of 550,000 ounces of gold and has outstanding exploration opportunity with little work performed to-date on either known calcrete anomalies or on the highly prospective Yalbrinda shear zone that has yet to be drilled.

WPG undertook a scout drilling program in 2016 on three known calcrete anomalies close to the 223 Deposit. Of these two areas identified highly anomalous mineralisation that requires follow up drilling.

### *Other Projects*

An updated resource estimate for the West Gawler Craton joint venture properties (WPG ~25%) was announced to the ASX by the JV's manager, Tyranna Resources, on 30 May 2018. The updated resource estimate contains 319,000 ounces of gold.

On 4 June 2018 Marmota Limited released encouraging drilling results to the ASX from its Aurora Tank project. WPG and Marmota have executed a Memorandum of Understanding on ways of cooperating in the development of Aurora Tank.

WPG confirms that it is not aware of any new information or data that materially affects the Tunkillia and West Gawler Craton joint venture mineral resource estimates and exploration results set out above and that all material assumptions and technical parameters underpinning the estimates and exploration results continue to apply and have not material changed.

WPG is in an enviable position in that it owns a very significant infrastructure package that allows it to monetise gold discoveries without the burden of independent investment in new processing facilities, thus reducing the hurdles of size and grade in making decisions to recommence mining from current orebodies or start new development.

## **Refinancing Discussions**

The ongoing development of Challenger Deeps, pending successful drilling results on the 65m RL level, will require new capital investment. New capital investment is also required if the exploration programs outlined above are to be further progressed. WPG is actively engaged in refinancing and re-capitalisation discussions with potential funders to deliver these outcomes. Discussions with potential funding parties are incomplete and may not be successful.

## **Gold Production and Guidance**

Although the month started well, gold production for May was approximately 5,200 ounces compared to a forecast of 6,500 ounces.

May's production was lower than forecast due to a number of unplanned events including the loss of a mineralised pod in a high grade stope when a rockfall temporarily buried a remote bogging unit, and some issues in the mill caused by wet and sticky high grade Tarcoola ore at the end of the month. This resulted in over 30 hours of unplanned mill downtime. Despite this disappointing end to the month, May ended with very high grade ore being mined from both Challenger and Tarcoola and processed which has delivered a strong start to June's production.

Rescheduling of pit operations at Tarcoola will impact June's production forecast which is now 8,500 ounces for an expected annual production of ~56,000 ounces.

## Further Information

*For further information please contact WPG's CEO Wayne Rossiter on (02) 9251 1044.*

## Forward-Looking Statements

This document may include forward-looking statements. Forward-looking statements include but are not limited to statements concerning WPG's planned activities, including but not limited to mining and exploration programs, and other statements that are not historical facts. When used in this document, the words such as "could", "plan", "estimate", "expect", "intend", "may", "potential", "should" and similar expressions are forward-looking statements. In addition, summaries of Exploration Results and estimates of Mineral Resources and Ore Reserves could also be forward looking statements. Although WPG believes that its expectations reflected in these forward-looking statements are reasonable, such statements involve risks and uncertainties and no assurance can be given that actual results will be consistent with these forward-looking statements.