



30 January 2017

Quarterly Activities Report

For the Three Months Ended 31 December 2016

Specialty metals producer, Wolf Minerals Limited (ASX: WLF, AIM: WLFE) (**Wolf** or the **Company**) provides the following update on progress at its Drakelands open pit mine (**Drakelands**) at the Company's Hemerdon tungsten and tin project in Devon, southwest England, for the three month period to 31 December 2016 (the **Quarter**).

Highlights

- ✓ Planning permission for Drakelands mine extended from 2021 to 2036.
- ✓ Processing plant now permitted to permanently operate 24/7.
- ✓ Successful restructure of Senior Debt. Scheduled repayments of principal deferred to January 2018 and tenor of the Senior Debt extended until June 2023.
- ✓ Bridge loan for £20 million established with Resource Capital Fund VI L.P.
- ✓ Processing plant improvements to enhance throughput and recovery on track for completion in the March quarter.
- ✓ Lee Moor Road replacement well advanced for completion in early 2017 to support the Mining Waste Facility construction.

Commenting on the Company's recent performance, Wolf's Managing Director, Russell Clark said:

"During the Quarter, progress in the mine and at the Mining Waste Facility at Drakelands has continued on track with reductions made to the waste truck fleet size to conserve cash and reduce movements during winter. A small trial batch of coarse ore was fed into the processing plant with initial positive effects.

The challenges in the processing plant are now better understood and an improvement plan is in progress with further equipment changes and modifications scheduled for the upcoming quarter.

The approval of the extended Planning Permission and the 24/7 working by Devon County Council in November is a significant step forward, allowing us to potentially produce more concentrates at lower cost, and providing the time necessary to fully mine the reserve that has been identified.

The global supply of tungsten concentrate is constrained, and during the Quarter there were indications that the historic methodology of determining tungsten concentrate prices relative to the APT price may not be fully representative of the current market."

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Overview

There was one lost time injury during the Quarter when a processing plant operator missed a day of work following a fall.

The rainfall during the English autumn and early winter has been relatively light, resulting in minimal disruptions to progress in the mine and at the Mining Waste Facility (**MWF**).

Wolf's application to Devon County Council (**DCC**) to extend the Planning Permission expiry date from 2021 to 2036 and to conduct permanent seven day operational working was approved during the Quarter and immediately implemented.

The net cash used in operating activities for the Quarter was A\$24.6 million, including A\$4.2 million on development, A\$20.7 million on production and A\$5.0 million on finance costs, with revenue of A\$5.4 million. As stated in the quarterly cash flow report (Appendix 5B), also released today, the Company had A\$3.8 million cash at the end of the quarter and A\$10.2 million in available loan facilities to support revenue, on a forecast cash outflow of A\$19.5 million in the coming quarter.

Mining Activities

The moderate weather enabled good progress to be made in the mine and at the MWF with a total of 467,468 bank cubic metres of material moved during the Quarter.

The ore body at Drakelands is located in a large granite dyke that outcrops to surface. The granite is weathered at the surface and current mining activity is in this softer part of the ore body. Reconciliation of the grade of ore (%WO₃) extracted to date continues to be positive when compared to the grade expected from the ore reserve. However, as mining to date has predominantly been near surface, the ore mined has had a much finer particle size than what will be the average particle size extracted over the life of the mine, the size for which the processing plant was primarily designed, therefore adversely affecting current recoveries in the processing plant.

Drilling has confirmed that as mining gets deeper, the weathering will reduce such that the hard granite rock becomes the principal ore feed to the processing plant. A gradual transition from the soft ore currently being experienced to the harder granite is expected and should result in improvement in recoveries and processing plant throughput. A small trial batch of coarse ore was fed into the processing plant during the Quarter with improvement in throughput and recovery noted.

The good progress made in the MWF through the summer months provided sufficient capacity through to the English spring to enable half of the waste trucking fleet to be stood down at the end of the September 2016 quarter. During this Quarter further reductions in the fleet were made over weekends and public holidays. This has facilitated more efficient and cost effective operations.

The future development of the MWF requires Wolf to construct a new public road to replace a five kilometre section of Lee Moor Road. Construction of the new road remains on track for completion in early 2017, at a total cost of £7.5 million (*see photo at end of announcement*).

Processing Plant

Wolf gained full operational control of the Drakelands processing plant from GR Engineering Services (**GRES**) in the September 2015 quarter. Since assuming operational control, Wolf has worked collaboratively with GRES to close out outstanding items and improve the processing plant's performance.

As previously advised, Wolf and GRES have formulated a work program involving equipment changes and design modifications aimed at achieving continuous operation at capacity, enhancement of recoveries and general processing plant improvements. Completion of the program in the first half of 2017 is on schedule with a number of pieces of new equipment to be installed in the processing plant in January and February 2017.

During the Quarter the processing plant treated 462,727 tonnes of ore and produced 24,390 metric tonne units (mtu) of tungsten concentrate. Production late in the Quarter was significantly affected by the poor availability of the refinery circuit in the processing plant due to difficulties with the kiln and its surrounding equipment. Intermediary material was stock-piled during this period and will be used to supplement production over the coming months. Additional operational and maintenance personnel have now been appointed to improve the performance of this circuit.

Key appointments during the quarter included the Processing Manager and Maintenance Superintendent, replacing employees who left the Company earlier in the year.

Sustainability

Wolf's application to DCC to extend the Planning Permission expiry date from 2021 to 2036 and to implement permanent seven day operational working was approved during the Quarter. This approval has the potential to increase production and reduce unit costs, in addition to generating additional employment opportunities and helping to ensure the longevity of the operation.

During the Quarter Wolf continued to focus on ways to reduce the generation of low frequency noise (**LFN**) that has been a concern to some nearby residents. The Company has installed additional bracing on the roof of the processing plant, as the building appears to be a source of LFN. Analysis is also continuing with the supplier of the shaking screens used in the processing plant to establish whether a solution can be identified at the source of the LFN generation.

Wolf is undertaking regular blasting in the Drakelands open pit with ground vibrations from blasting being measured below prescribed levels. Wolf continues to receive feedback from local residents expressing concerns about blasting and is working to establish best practice blast design aimed at minimising impacts felt by local residents. A trial of electronic detonators continued during the Quarter to assess their effect on blast vibration and operational efficiencies.

Senior Debt Restructure and £20m Bridge Facility with Resource Capital Fund VI L.P.

During the Quarter the Company executed agreements with its existing senior lenders (**Senior Lenders**) for a standstill and restructure of the outstanding senior debt (**Debt Restructure**), and with Resource Capital Fund VI L.P. (**RCF VI**) to provide a £20 million 12 month secured bridge loan facility (the **Bridge Facility**).

The terms of the Bridge Facility provide that RCF VI, a major shareholder and an associate of Wolf's other major shareholders, Resource Capital Fund V L.P. and RCF V Annex Fund, will provide £20 million, with the potential for this to be increased to £30 million (increase available at the sole discretion of RCF VI) for a maximum of 12 months from the first drawdown. At the end of the quarter a total of £14 million of the Bridge Facility had been utilised.

The Company currently has £64 million outstanding under its debt facilities with the Senior Lenders (**Senior Debt**). The terms of the Debt Restructure provide that all Senior Debt principal repayments are deferred until January 2018 and, following DCC's decision to extend Drakelands' planning permission beyond 2021 the tenor of the Senior Debt is extended until June 2023.

Mining Tenements

As at 31 December 2016, the Company has an interest in the following projects:

Tenement	Location	Interest	Status	Grant Date
Hemerdon	United Kingdom	100%	Leased	10/02/2014

All tenements are held by Wolf Minerals (UK) Limited, a wholly owned subsidiary of the Company. No farm-in or farm-out agreements are applicable. No mining or exploration tenements were acquired or disposed of during the quarter.

Planned Upcoming Activities

In the January 2017 quarter, Wolf will continue to progress the operations at Drakelands, with a focus on implementation of the work program in the processing plant to improve performance.

Details of proposed activities include:

- Continuing to build throughput and production tonnages in the processing plant.
- Continuing to build the MWF.
- Completion of the Lee Moor Road replacement.

Tungsten Market Trends

The demand for tungsten concentrate during the Quarter was similar to the September 2016 quarter with firm interest in Japan and Europe as a result of steady output from the automotive sector and aerospace sectors. Demand from other regions remained low as a result of soft conditions in the mining, oil and fracking industries and the economic slowdown in China.

Current market conditions have resulted in some supply being withdrawn from the market and are also increasing the difficulties for new projects to get the necessary debt or equity funding to commence construction.

Prices for tungsten concentrates have historically tended to follow the same trend as prices for ammonium paratungstate (APT), which is the key intermediary product in the tungsten supply chain. APT prices for spot market transactions are published by several data providers including Metal Bulletin and Metal Pages with prices established through surveys of buyers, sellers and other industry participants. The average APT Price published by Metal Bulletin for the Quarter was US\$194/mtu (FOB Europe).

During the Quarter, a European tungsten concentrate producer announced that it had entered into several one year fixed price off-take agreements with a net price to be received of US\$210/mtu, equating to an effective APT price of US\$269/mtu (assuming an industry average discount factor). At the time of the announcement the average spot market price APT was approximately US\$200/mtu.

The announcement of these agreements is consistent with Wolf's view that the historic methodology of determining tungsten concentrate prices relative to the APT price is not fully representative of the current market.

Corporate

The Annual General Meeting was held on 29 November 2016, with all resolutions put to the meeting being passed unanimously on a show of hands.

The Company issued 1,696,928 ordinary shares during the Quarter, 859,283 of which were to the Company's Non-Executive Directors under the Wolf Minerals Limited Directors' Share Plan (approved by shareholders at the Company's Annual General Meeting on 29 November 2016) for the September and December quarters. Under the Plan, non-executive Directors receive a portion of their fees in shares, allowing the Company to preserve its cash reserves.

The Company issued 3,477,368 performance rights during the Quarter to the Managing Director and other senior executives. The performance rights were issued in accordance with the Wolf Minerals Limited Performance Rights Plan, as approved by shareholders on 29 November 2016 and vesting is subject to a number of conditions as specified in the Plan.

Investor Relations

The Company has continued to promote itself in Australia and the UK with focused roadshows and targeted investor presentations being undertaken. The Company's latest Investor Presentation and corporate video which contains current footage of the operations can be seen at the Company's website at www.wolfminerals.com.

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About Wolf Minerals

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

Aerial view of the Drakelands Mine pit



Aerial view of the new public road to replace Lee Moor Road



Aerial view of the processing plant

