

30 April 2018

## Quarterly Activities Report

### For the Three Months Ended 31 March 2018

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 March 2018 (the **Quarter**).

#### Highlights

- ✓ Interim Managing Director, Richard Lucas appointed as Managing Director.
- ✓ Operating performance building on improvements prior to extreme weather in March. Tungsten production up 40% over the last 12 months to 31 March 2018.
- ✓ Pre-processing trial and ore body drilling program commenced to support further development opportunities.
- ✓ Tungsten price continues to strengthen, up 13 % during the Quarter and currently US\$325 per mtu.
- ✓ Financing arrangements in place to support Wolf in achieving long term self-sustaining cash flows.
- ✓ Settlement agreement on Hemerdon Project EPC contract reached with GR Engineering in April 2018.

Commenting on the Company's recent performance, Wolf's Managing Director, Richard Lucas said:

*"A very encouraging start to 2018, with the improvements to the gravity fines circuit and the return to 7 days a week operations providing an increase in throughput before mother nature intervened in March with snow and freezing temperatures across the UK. This new challenge delayed production whilst safety, access, and equipment protection were prioritised and supply chains re-established.*

*Subsequently, with the ore feed continuing to get harder, optimisation activities have resumed to focus on tungsten recovery, concentrate quality and waste minimisation to improve operating cash flows.*

*The tungsten price has continued to build upon the strong 2017 performance, rising further to US\$325 per mtu in Europe and China followed by balanced market conditions in March.*

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*The successful restructure of the Company's financing arrangements during the Quarter has provided additional flexibility to address our operational requirements as well as capacity to investigate value adding initiatives for Wolf's long-term growth."*

## Overview

There were two lost time injuries during the Quarter (compared to three in the previous quarter) and no Category A environmental incidents (compared to one in the previous quarter).

The net cash used in operating activities for the Quarter was A\$7.0 million, including A\$2.5 million on development, A\$13.6 million on production and A\$0.7 million on finance costs, with revenue of A\$13.2 million. As stated in the quarterly cash flow report (Appendix 5B), also released today, the Company had A\$4.4 million cash at the end of the Quarter, with further funding of A\$9.0 million available to support revenue, on a forecast gross cash outflow of A\$28 million for the coming quarter. Please refer below for further details on funding arrangements.

## Mining Activities

During the Quarter, mining activities remained focused on ore feed blending for the processing plant and the construction of Stage 3.1 of the Mining Waste Facility (**MWF**).

A total of 506,584 bank cubic metres of material was moved during the Quarter, with the ore grade averaging 0.20% WO<sub>3</sub> and 0.04% Sn. The mine has progressed to a depth of 50 metres and is expected to complete the transition to consistently harder granite ore feed in the second half of 2018. Subsequent to Quarter end, the Company has commenced a further ore body drilling programme to provide the next stage of grade control data and also an opportunity to enhance the resources classification for the deposit. The programme includes four holes 500 metres deep angled below the final pit design, to expand the understanding of the opportunity to access further ore at depth and also to determine the extent of mineralisation intersected in the surrounding killas within the current pit envelope.

Also, during the Quarter, the Company commenced the pre-processing trial on a range of ore feed qualities and mineralised wastes to identify potential improvements in processing efficiency and project cash flows. The initial results on the lower quality ore feeds have successfully replicated the laboratory testwork. The trial is continuing throughout the June 2018 Quarter, with potential to be expanded across additional material flows generated from the processing plant.

## Processing Plant

The key production results for the last four quarters are shown in the following table:

Key Production Results		Mar Qtr 2018	Dec Qtr 2017	Sep Qtr 2017	Jun Qtr 2017
Throughput tonnes		521,812	485,788	474,170	490,297
Change	Quarterly	Note 1 +7% Note 2 -20%	Note 1 +2% Note 2 +3%	Note 1 -3% Note 2 +29%	+7%
	YTD	Note 1 +4% Note 2 +26%			

Key Production Results		Mar Qtr 2018	Dec Qtr 2017	Sep Qtr 2017	Jun Qtr 2017
Production tungsten mtu		34,602	43,498	35,601	30,996
Change	Quarterly	-20%	+22%	+15%	+15%
	YTD	+40%			
Production tin tonnes		81	124	49	41
Change	Quarterly	-35%	+253%	+19%	0%
	YTD	+66%			

YTD: Comparison to the same period in the prior year (July – March).

Note 1: Based on tonnage reported.

Note 2: Adjusted for 5-days a week throughput in the September and December 2017 Quarters.

The operating performance for the Quarter continued to improve prior to the extreme weather event in March, which saw temperatures quickly fall well below freezing and snow restricting road access. This generated new safety risks, limited production and disrupted supply chains across the United Kingdom.

Earlier in Quarter, upon the return to 7 days operations and the implementation of the improvements in the gravity fines circuit, capacity constraints were able to be alleviated and throughput tonnes tracked +25% higher through January and February when compared to the December quarter. Also, opportunities for further improvements were identified in the crushing circuit, with material upgrades for crusher segments to be trialled to extend run time periods in preparation for more consistent harder granite ore feed. However, the downtime during the March weather event and the subsequent restart period constrained efforts to rebuild stable ore feed until early April.

The commissioning of the improvements in the gravity fines circuit initially required time to achieve stable operating parameters in January as feed tonnes were also increasing into the circuit, before beginning to provide an increase in circuit tungsten recovery to pre-concentrate in February. This, together with the associated restricted operating windows for optimisation activities in the dense media separation circuit, limited growth in tungsten pre-concentrate recovery prior to March. Following March, tungsten pre-concentrate production in April has returned to previous levels allowing optimisation activities to resume.

In the refinery, the kiln performed well with another strong period of reliability and run time, replicating the average monthly throughput tonnes from the previous quarter across January and February. The final tungsten concentrate production during this period was consistent with the December quarter monthly average, before the downtime and subsequent restart following the March weather event impacted recoveries and production. The excess capacity in the kiln is also allowing further optimisation activities to be explored with the kiln product to improve concentrate quality.

## Sustainability

The site recorded two lost time injuries during the Quarter (compared to three in the previous quarter).

The Company's investment in safety awareness has provided a more detailed database of risk assessments and improvements to operating procedures, with consequently longer injury free periods being achieved. Further, the additional safety risks presented by the adverse weather event were addressed without injury, however opportunities were identified to be better prepared for any such event in the future.

Dedicated safety resources have been implemented to support operational teams, with further leadership and coaching ongoing to embed an injury free culture.

There were no Category A environmental incidents during the Quarter (compared to one in the previous quarter). The Company's ISO accredited environmental management systems are being updated to ensure that they meet the new standard, ISO 14001:2015, with completion targeted for September 2018. As part of this exercise, the Company is also reviewing its waste streams for continuous improvement opportunities and operating cost reductions.

Implementation of the noise and vibration management plan agreed with the Environment Agency (**EA**) began during the Quarter, with preliminary engineering and other enabling works progressing ahead of the installation which is scheduled to commence in the June 2018 Quarter.

Subsequent to Quarter end, the Company entered into a settlement agreement with GR Engineering Services Limited (**GRES**) to fully and finally settle all claims in relation to the EPC contract, without admission of liability by either party.

Under the terms of the settlement, GRES has agreed to contribute a settlement sum to Wolf to fully fund the expected cost of the noise and vibration management plan at no further cost to the Company. Upon receipt of the settlement sum, Wolf has agreed to return to GRES all security it holds under or in connection with the Contract, including the £7.5 million Performance Bond.

The settlement is not expected to provide any change in the Company's operating performance or cash flows and therefore is not disclosed in the quarterly cash flow report (Appendix 5B) also released today.

## Senior Debt Restructure and Additional Funding

The progressive improvements in the operating performance at Drakelands enabled Wolf and its key project stakeholders to develop financing arrangements to support the Company in achieving long term self-sustaining cash flows. As a result, during the Quarter the Company executed binding agreements with:

- the existing senior lenders (**Senior Lenders**) for an extension to the standstill period of certain loan agreement conditions until 31 January 2019 and further restructure of the senior debt currently outstanding (**Senior Debt Restructure**);
- Resource Capital Fund VI L.P. (**RCF VI**) to provide an additional £10 million, secured subordinated loan under the existing bridge loan facility (**Bridge Facility**), with the potential for this to be increased to £15 million at the discretion of RCF VI. The additional £10 million brings the total subordinated loans amount to £65 million. The subordinated loans are accruing interest at a rate of 15% per annum, which is being capitalised. If certain

conditions precedent are satisfied (including shareholder approval), RCF VI can elect that the subordinated loans switch to subordinated convertible notes. The Company will, in due course, seek shareholder approval to enable the issue of the convertible notes and subsequent conversion into ordinary shares in accordance with the convertible note terms under the Bridge Facility. The convertible notes are also conditional upon, amongst other things, RCF VI obtaining FIRB approval: and

- the Company's existing offtakers, Global Tungsten & Powders Corp (**GTP**) and Wolfram Bergbau und Hütten AG (**WBH**), to align the Supply Agreements with the extended standstill period under the Senior Debt and Bridge Facility.

The first £5 million tranche of the additional funding from RCF VI was received in February and, subsequent to Quarter end, the final £5 million tranche has been received in April.

As noted above, the March operating performance was constrained by the adverse weather event, impacting cash flows for the Quarter. Accordingly, Wolf remains in discussions with RCF VI on releasing the additional discretionary £5 million as needed to progress the Company's transformation activities to achieve design performance at Drakelands and pursue further development opportunities for long term growth in 2018.

### **Mining Tenements**

As at 31 March 2018, the Company has an interest in the following projects:

<b>Tenement</b>	<b>Location</b>	<b>Interest</b>	<b>Status</b>	<b>Grant Date</b>
Hemerdon	United Kingdom	100%	Leased	10 February 2014

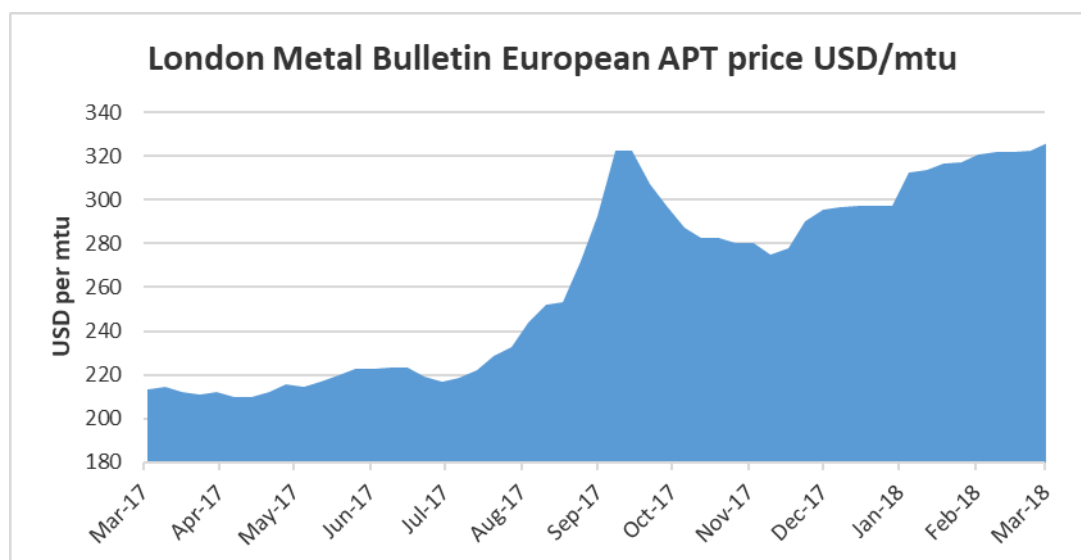
All tenements are held by Wolf Minerals (UK) Limited, a wholly owned subsidiary of the Company. No farm-in or farm-out agreements are applicable. No mining or exploration tenements were acquired or disposed of during the quarter.

### **Planned Upcoming Activities**

In the three months to 30 June 2018, Wolf will continue to progress the operations at Drakelands and build on its transformation. Details of proposed activities include:

- Continuing to drive improvements in safety performance, focusing on leadership and coaching.
- Returning to stable operating conditions for optimisation activities in the processing plant.
- Completing the ore body drill program and ore pre-processing trial.
- Installing the new building cladding solution for the noise and vibration management plan.
- Negotiating release of the further £5 million funding as needed with RCF VI.

## Tungsten Market Trends



The ammonium paratungstate (**APT**) price published by London Metal Bulletin (FOB Europe) continued to strengthen during the Quarter, improving from US\$293 per mtu to US\$325 per mtu by the end of the Quarter. The average for the Quarter was US\$318 per mtu up from US\$282 per mtu in the December quarter – an increase of 13%.

The APT price rose quickly at the start of the Quarter and then stabilised in the US\$320 – US\$325 per mtu range through March 2018. Following the lunar new year, the tungsten market in China remained buoyant and there continues to be positive indicators of growth in tungsten consumption in the oil, gas and mining sectors with US rig counts rising above 1,000 for the first time since April 2015 as producers continue to ramp up activity amid stable crude prices.

## Corporate

### Appointment of Managing Director

During the Quarter the Board appointed interim Managing Director, Richard Lucas, as the Company's Managing Director.

Chairman, Mr John Hopkins OAM said *"the Board is delighted with the progress of Richard and his team over the last 12 months. We have the upmost confidence in Richard's leadership and look forward to his future contribution to the growth and the advancement of the Company"*.

Mr Lucas was appointed as interim Managing Director in April 2017 as part of the leadership transition and the need for a greater onsite executive team commitment to ensure the long term successful operation of the Drakelands mine.

During the Quarter the Company closed its Perth office and moved its principal place of business to its Drakelands operation.

### Share Issues

The Company issued a total of 672,000 ordinary shares during the Quarter to the Company's Non-Executive Directors under the Wolf Minerals Limited Directors' Share Plan (as approved by shareholders at the 28 November 2017 Annual General Meeting). Under the Plan, Non-Executive

Directors receive a portion of their fees in shares, which assists the Company preserve its cash reserves.

The Company's current capital structure is as follows:

Number	Class
1,089,368,830	Fully Paid Ordinary Shares
273,350	Performance rights with a vesting date of 30 June 2018
261,130	Performance rights with a vesting date of 30 June 2019
1,086,394	Performance rights with a vesting date of 30 June 2020
929,155	Performance rights with a vesting date of 30 June 2021
2,936,379	Performance rights with a vesting date of 30 June 2022

## Investor Relations

In March 2018, the Company provided an updated presentation at the Proactive Investors One2One Mining Investor Forum in London, highlighting the improvements to date and significant growth opportunities available at Drakelands to build shareholder value. Further investor roadshows are being planned for the second half of 2018 to provide an opportunity for investors to engage with the Company on its future plans.

Information about the Company including the Company's corporate video, which contains footage of the operations, and the latest presentation is available from the Wolf website at [www.wolfminerals.com](http://www.wolfminerals.com).

## 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.*

## DISCLOSURES

*Certain disclosures in this report, including management's assessment of Wolf's plans and projects, constitute forward looking statements that are subject to numerous risks, uncertainties and other factors relating to Wolf's activities as a specialty metals exploration and producing company that may cause future results to differ materially from those expressed or implied in such forward-looking statements. Descriptions of these risks can be found in Wolf's various statutory reports. Readers are cautioned not to place undue reliance on forward-looking statements. Wolf expressly disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise.*