



18 July 2018

## Quarterly Activities Report For the Three Months Ended 30 June 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 30 June 2018 (the **Quarter**).

### Highlights

- ✓ Operating performance regaining strength following the extreme cold weather in March, with record throughput in June. Tungsten and tin production up 41% and 67% respectively over the last 12 months.
- ✓ Pre-processing trial successful in upgrading ore feed to over 1% WO<sub>3</sub>, with operating plan being accelerated.
- ✓ Tungsten price up 6% during the Quarter and currently at its highest level since 2014 at US\$347 per mtu.
- ✓ Discussions nearing completion with financial stakeholders on next tranche of funding required by the end of July to satisfy the Company's short-term working capital requirements.

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

*"The June quarter operating performance regained momentum following the extreme cold weather in March, with several improving trends gathering strength and culminating in record monthly throughput in June. The additional volumes have provided a more stable operating environment which has driven tungsten recovery and product quality improvements.*

*In addition, the successful ore pre-processing trial results have encouraged the Company to accelerate an operating plan to enhance tungsten recovery and improve operating cashflows in the current strong tungsten market conditions, with the tungsten price reaching its highest level since 2014.*

*Following these positive results, the Company is nearing agreement to obtain the funding required to support its short-term cash flows and continue its transformation in 2018."*

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## Overview

There were no lost time injuries during the Quarter (compared to two in the previous quarter) and no Category A environmental incidents (compared to none in the previous quarter).

The net cash used in operating activities for the Quarter was A\$2.5 million, including A\$0.8 million on development, A\$10.4 million on production and A\$0.3 million on finance costs, with revenue of A\$12.7 million. As stated in the quarterly cash flow report (Appendix 5B), also released today, the Company had A\$19.8 million (£11 million) total cash at the end of the Quarter, of which A\$17.0 million (£9.5 million) was restricted for use on the noise and vibration management plan (**NVMP**), on a forecast gross cash outflow of A\$39.5 million, including A\$7 million (£3.9 million) of NVMP costs, for the upcoming quarter. Further details on funding arrangements is provided below.

## Mining Activities

During the Quarter, mining activities centred upon the increasing ore feed volumes required for the processing plant and the embankment construction of the Mining Waste Facility (**MWF**). In addition, further studies commenced on the optimisation of waste activities to reduce operating costs.

A total of 1,125,471 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 is progressing into harder granite ore feed, with a +10% improvement in the coarser fraction volumes reporting to the dense media separation (**DMS**) circuit in the processing plant during the Quarter. The ore body drilling programme commenced in April remains on schedule to deliver additional opportunities to develop further value from the pit envelope, with results expected in the September quarter.

The pre-processing trial continued during the Quarter, with success on the lower quality ore feeds confirming an upgrade in the tungsten head grade to over 1% WO<sub>3</sub>. The initial results of the metallurgical testwork on this material indicates the upgraded ore feed from pre-processing could provide a significant improvement in tungsten recoveries, with further testwork required to confirm the expected processing and cash flow benefits. The encouraging trial performance has accelerated the development of an operating plan for pre-processing to commence as soon as possible, whilst the trial continues into mineralised waste in July.

## Processing Plant

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

Key Production Results		June Qtr 2018	Mar Qtr 2018	Dec Qtr 2017	Sep Qtr 2017
Throughput tonnes		554,605	521,812	485,788	474,170
Change	Quarterly	+6% <sup>(1)</sup>	+7% <sup>(1)</sup> -20% <sup>(2)</sup>	+2% <sup>(1)</sup> +3% <sup>(2)</sup>	-3% <sup>(1)</sup> +29% <sup>(2)</sup>
	YTD	+6% <sup>(1)</sup> +23% <sup>(2)</sup>			
Production tungsten mtu		42,314	34,602	43,498	35,601
Change	Quarterly	+22%	-20%	+22%	+15%
	YTD	+41%			

Key Production Results		June Qtr 2018	Mar Qtr 2018	Dec Qtr 2017	Sep Qtr 2017
Production tin tonnes		70	81	124	49
Change	Quarterly	-14%	-35%	+253%	+19%
	YTD	+67%			

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

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 regained strength following the extreme cold weather in March, with throughput, production and sales all recording improvements. The full year results included throughput exceeding 2 million tonnes for the first time following a production record of 222,541 tonnes for the month of June. The increased volumes also provided a record in kiln throughput of 2,274 tonnes for the Quarter, including a monthly record of 790 tonnes in May.

The material upgrade on crusher segments has been a significant driver of the increased volumes in the Quarter, leading to greater availability and an opportunity to raise the throughput rate as harder granite ore feed becomes more consistent. The initial trial of the new crusher segments was successful and has improved self-sustainability and operating costs, with the segments now able to be refurbished on site.

Following the improved performance in the crushing circuit, the subsequent operating stability in the DMS and fines recovery circuits has provided an increase in the tungsten recovery rate at the pre-concentrate stage, improving +5% compared to the previous quarter, resulting in +22% increases in both pre-concentrate and final mtu production.

There have been significant gains made over the last 12 months, with the tungsten recovery rate at the pre-concentrate stage improving +12% for the Quarter, and +33% increases in both pre-concentrate and final mtu production compared to the June 2017 quarter.

In addition to the tungsten recovery rate increases, the final concentrate quality improved by +4% WO<sub>3</sub> grade in the Quarter, providing a higher net realised value on a rising tungsten price.

The Company's transformation activities in the September quarter targeting forecast production improvements include:

#### Availability

- Developing further expertise on quick change management systems for critical high wear assets, through dedicated resources;
- Additional stockpile capacity to decouple the crushing circuit from the DMS circuit;

#### Throughput

- Increasing the capacity of the DMS circuit;

#### Recovery

- Further upgrades and modifications to the crushing circuit and scrubber to improve metal split to the DMS circuit;
- Implementing new technologies to assist operators and automate process controls;

- Optimising the DMS circuit for sizing and scavenging activities;
- Commencing feed of upgraded ore from pre-processing activities; and

#### *Product quality*

- Additional technology to enhance magnetic separation efficiency.

#### **Sustainability**

The site recorded no lost time injuries during the Quarter (compared to two in the previous quarter), with the Company reaching 96 injury free days at Quarter end.

The Company has appointed a new Health & Safety Manager in June, with a detailed review of the management system and safety performance in progress as part of continuous improvement initiatives across the site. Preparations are also underway for the site to accommodate the NVMP installation works in conjunction with an operating facility, to ensure additional health and safety controls are implemented to support the site activities during this time.

There were no Category A environmental incidents during the Quarter (compared to none in the previous quarter). The Company was also successfully recertified and achieved ISO accreditation for its environmental management systems under the new standard, ISO 14001:2015.

Implementation of the NVMP agreed with the Environment Agency (**EA**) progressed during the Quarter, with the completion of preliminary engineering and other enabling works ahead of finalising the installation schedule. Subsequent to Quarter end, the construction contractor commenced on site on 9 July 2018, with site activities in progress to prepare for installation over the next three quarters.

During the Quarter, 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 agreed to contribute a settlement sum to Wolf to fully fund the expected cost of the NVMP at no further cost to the Company. Wolf has received the settlement sum, and returned to GRES all security it held under or in connection with the Contract, including the £7.5 million Performance Bond.

#### **Funding Arrangements**

In April 2018, the Company received the second tranche of £5 million from the additional £10 million secured subordinated loan under the existing bridge loan facility (**Bridge Facility**) from Resource Capital Fund VI L.P. (**RCF VI**), bringing the total subordinated loans amount to £65 million. The Bridge Facility can be increased by a further £5 million at the discretion of RCF VI.

The Company's cash position at the end of the Quarter was A\$19.8 million (£11 million), of which A\$17.0 million (£9.5 million) was restricted for use on the NVMP. There is the potential that the A\$17.0 million (£9.5 million) may be excess to NVMP requirements, however access to this cash for working capital purposes would require the consent of the senior lenders.

Wolf is in discussions with its financial stakeholders regarding further funding of A\$7.1 million (£4 million) and other opportunities to support short term cash flows as the Company progresses its transformation activities in the September quarter. The Company is aiming to conclude the first stage of these discussions and reach agreement shortly, in order that the first tranche of further funding (circa £2 million) is received by the end of July, which is necessary to ensure that the

Company has sufficient working capital to meet its short-term requirements to continue as a going concern.

### Mining Tenements

As at 30 June 2018, the Company has an interest in the following projects:

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

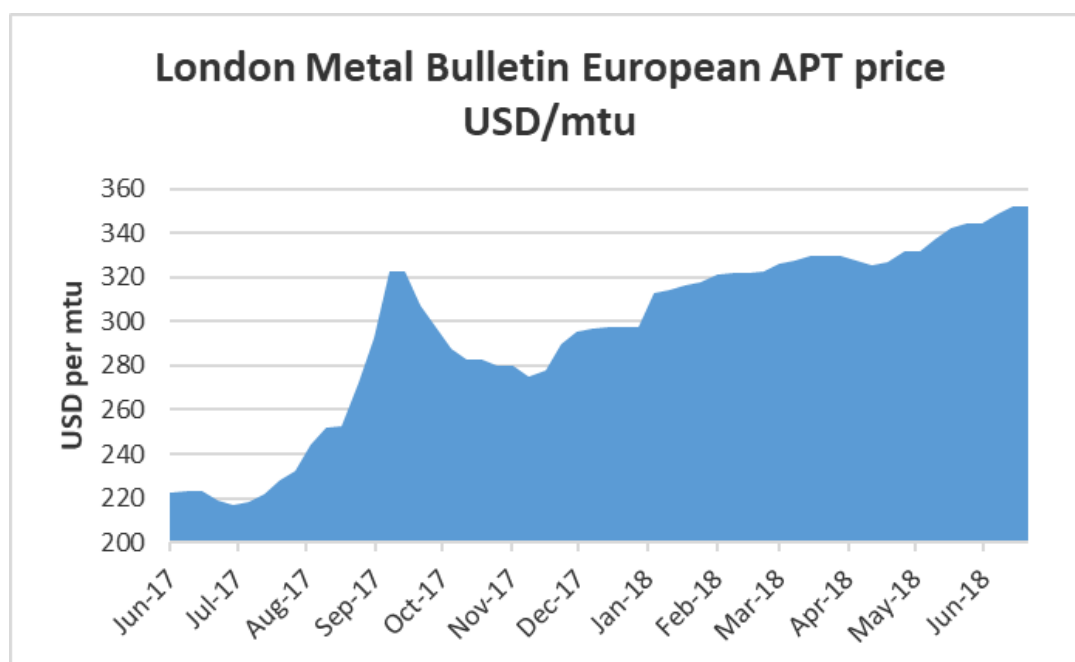
All tenements are held by Wolf Minerals (UK) Limited, a wholly owned subsidiary of the Company. No farm-in or farm-out agreements are applicable. No mining or exploration tenements were acquired or disposed of during the quarter.

### Planned Upcoming Activities

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

- Finalising the health and safety review and improvement plan.
- Implementing further production improvement initiatives in the processing plant.
- Completing the ore body drill program and ore pre-processing trial and developing the pre-processing operating plan.
- Commencing installation works for the noise and vibration management plan.
- Finalising agreement with financial stakeholders on support for short term cash flows.

### Tungsten Market Trends



The ammonium paratungstate (**APT**) price published by London Metal Bulletin (FOB Europe) continued its strong run during the Quarter, improving from US\$325 per mtu to US\$347 per mtu by the end of the Quarter. The average for the Quarter was US\$336 per mtu up from US\$318 per mtu in the June quarter – an increase of a further +6%, bringing the 6 month total to +19% and the 12 month total to +65%.

The APT price reached its highest level since 2014, driven by supply constraints in China as the largest producing region in Ganzhou reduced volumes whilst improving environmental measures following the latest round of government inspections. The demand for tungsten remains strong with European car sales and the US rig count improving in the Quarter.

## Corporate

The Company issued a total of 715,503 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.

In addition, on 3 July 2018, the Company issued 795,918 shares to a former employee upon vesting of performance rights issued in accordance with the Wolf Minerals Limited Performance Rights Plan.

The Company's current capital structure is as follows:

Number	Class
1,090,880,251	Fully Paid Ordinary Shares
261,130	Performance rights with a vesting date of 30 June 2019
290,476	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

No investor presentations were made during the Quarter. A program of investor roadshows are being planned for late 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, 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.*