

29 July 2016

Quarterly Activities Report

For the Three Months Ended 30 June 2016

Specialty metals producer, Wolf Minerals Limited (ASX: WLF, AIM: WLFE) (**Wolf** or the **Company**) provides the following update on progress at its recently developed 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 2016 (the **Quarter**).

Highlights

- ✓ Good progress at mine and Mining Waste Facility - liner for the next stage completed on schedule.
- ✓ Over 1.6m tonnes of ore mined in FY2016.
- ✓ Successful completion of ten hole diamond drilling program to gather additional data on mineralisation and particle size distribution within the ore body.
- ✓ Processing plant testing highlighted a number of areas for improvement over the coming quarters as the Company works towards commercial production.
- ✓ Installation of external steel columns around the processing plant completed to reduce the generation of low frequency noise.
- ✓ Subscription request issued for the balance of £9 million of the £25 million standby subscription facility provided by Resource Capital Fund VI L.P.

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

"During the Quarter, good spring weather ensured mining at Drakelands progressed on schedule. While challenges in the processing plant were encountered, areas of improvement have been identified and the Company anticipates increases in concentrate production over the coming quarters. Given the ongoing challenges with the processing plant and continued softness of the tungsten price, the Company is exploring ways of strengthening its financial position ahead of declaring commercial production. Whilst the Company had significant cash holdings of A\$35 million at the end of the quarter, these ongoing challenges have led to us being in default of a minimum forward cash flow forecast requirement, and we are in dialogue with our Lenders as to the way forward. Supply of tungsten concentrate globally is constrained and the Company remains confident that Wolf, with its large production capacity and location in a first world country, is well positioned in the market."

Drakelands Operations

Overview

There were no lost time injuries during the Quarter with Drakelands having reached 125 days lost time injury free at the end of the Quarter.

Weather in recent months has been favourable, enabling good progress to be made in the mine and the Mining Waste Facility (**MWF**).

The trial of 24 hour operations seven days a week at the processing plant is continuing and will now run through to September 2016. Wolf is continuing to work with Devon County Council and the local Parish Councils with the aim of achieving permanent seven day operational working. This 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. The Company is also working with Devon County Council to extend the Planning Permission expiry date beyond 2021, to one that can accommodate the treatment of all the ore reserves.

The total cash expenditure for the Quarter was A\$30.8 million, including A\$6.5 million on development, A\$15.1 million on production and A\$8.4 million on debt service and repayment, with revenue of A\$2.9 million. As stated in the quarterly cash flow report (Appendix 5B), also released today, the Company had A\$35.0m cash at the end of the quarter and a cash outflow of A\$24.5m is estimated in the coming quarter.

Mining Activities

The favourable weather enabled good progress to be made in the mine and the MWF. A total of 726,374 bank cubic metres of material was 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 mining is currently in this softer part of the ore body which looks and feels like soft clay. Reconciliation of the grade of ore (%WO₃) extracted to date has been 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 will be the average over the mine life, and for which the processing plant was primarily designed, which has had a consequential effect on recoveries in the processing plant. Drilling has confirmed that as mining gets deeper the weathering will reduce such that hard granite rock becomes the principal ore feed to the processing plant.

Since mining commenced, the pit surface has dropped by approximately 15 metres. Blasting operations at the mine commenced earlier in 2016 as the rock in the mine became more competent.

With the aim of tailoring the ore feed for the processing plant closer to the design feed characteristics, a ten hole diamond drilling program in the open pit was completed during the Quarter to gather additional data on mineralisation and particle size distribution within the ore body. Ore samples are being analysed by both geological and metallurgical personnel and the results will be used to refine the mining and processing plans.

Early results from this analysis indicate that ore mining will gradually transition from the softer part of the ore body into the harder areas and that the particle size of the ore mined will become increasingly coarse over the next 12 months. This coarser particle size will be closer to that for which the processing plant was primarily designed, and as such should have a consequential improvement on recoveries.

Waste mining activities concentrated on waste stripping to provide suitable building material for the MWF. The liner for the next stage of the MWF was completed on schedule in June 2016. The future development plan for 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 is in progress and is on track for completion in early 2017, at a total cost of £7.5 million.

Processing Plant

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

As Wolf has been operating the processing plant over recent quarters it has gained a better understanding of the maintenance effort required to keep the plant working and during the Quarter planning and manning in the maintenance area was enhanced.

The Company continues to concentrate on increasing overall run times and building throughput tonnages. Performance has been impacted by core equipment manufacturing faults, leading to unplanned downtime and in June, the processing plant had an extended maintenance shutdown to undertake replacement of wear parts in the many transfer points in the plant. The overall down time incurred impacted production of tungsten concentrate during the Quarter. The processing plant treated 412,510 tonnes of ore during the Quarter and produced 20,312 metric tonne units (**mtu**) of tungsten concentrate.

A number of modifications to the tin circuit were implemented during the Quarter. The modifications had a positive impact on tin concentrate production, with the first shipment of tin concentrate despatched from Drakelands in June 2016.

In June 2016, the processing plant was tested by Wolf and GRES, focusing on equipment and operating parameters. The test highlighted a number of areas where further improvement is required. Consequently, 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 plant improvements. Production improvements are expected during implementation of the program over the coming quarters, however completion of all elements of the program is required before the full impact on processing plant performance can be ascertained.

The production of tungsten concentrate has been adversely affected by the very fine nature of the ore and the underperformance of the processing plant. As a result Wolf has not met its contracted supply commitments to major customers (**Product Shortfall**). In these circumstances, the contract term is automatically extended until the Product Shortfall is supplied and a price reduction is activated. Wolf is currently in discussions with its major customers in relation to the Product Shortfall.

Sustainability

During the Quarter, Wolf completed the installation of external steel columns around the processing plant to reduce the generation of low frequency noise (**LFN**) that has been a concern to some local residents. Initial results demonstrate a much reduced level of LFN emanating from the processing plant and a reduction in the quantity of noise in the surrounding areas. Further work to reduce noise from the processing plant and minimise the impact on the community is ongoing.

Wolf is now undertaking regular blasting in the Drakelands open pit. Ground vibrations from blasting are being measured with results below prescribed levels. Wolf has received feedback from local residents expressing concerns about blasting and a series of public information sessions have been held locally. Wolf is working with an independent expert in the field of blasting, along with County, District and Parish Councils to establish best practice blast design aimed at minimising impacts felt by local residents.

The Company assisted a local village community by undertaking major groundworks required to build a new church hall during the Quarter.

In 2015 Wolf achieved ISO 14001 certification for its Environmental Management System and following an audit in April 2016 the certification was retained. Certification of the Environmental Management System at Drakelands provides confidence that the Company has procedures and practices in place to manage the environment to international standards.

Public tours of Drakelands are regularly offered to local community members keen to understand more about the operation. Over 200 people attended the most recent tours in June 2016.

£25M Standby Subscription Facility with RCF

The weak tungsten price and underperformance of the processing plant contributed to the Company's decision to strengthen its balance sheet through a £25 million standby subscription facility (the **Facility**), with Resource Capital Fund VI L.P. (**RCF VI**) that was approved at a general meeting of shareholders held in April 2016.

The terms of the Facility provide that RCF VI, an associate of current major shareholder Resource Capital Fund V L.P., would subscribe for ordinary shares in the Company up to a maximum amount of £25 million (approximately A\$43 million) at 9.19p (approximately A\$0.16) per share.

The Company made an initial subscription request for £16 million under the Facility in late April 2016. Having considered the challenges encountered during the processing plant ramp up and the continued softness in the tungsten price, a further subscription request was made late in the Quarter for the remaining £9 million available under the Facility. Subscribing for the balance of the Facility enables the Company to direct maximum efforts to improving the performance of the processing plant and optimisation of ore feed as it works towards commercial production.

£75M Senior Debt Finance

The senior debt finance facilities, comprising a £70 million term loan facility and a £5 million bond facility, have been provided by a consortium of global mining financiers including UniCredit Bank AG, London Branch, ING Bank N.V. and Caterpillar Financial Services (UK) Limited (**Lenders**).

The second repayment (£2,751,000 (A\$4,768,313)) of the £75 million senior debt finance facilities was made in April 2016 and the third repayment of the same amount was made on 29 July 2016, after the end of the Quarter.

Under the terms of the senior debt finance facilities, the Company provides its Lenders forward cash flow forecasts on a rolling monthly basis. The forecasts are required to provide a minimum forward cash balance of £5 million, otherwise the Company risks being in default. The funds received under the Facility from RCF VI have been supporting these cash flow forecasts as the Company works towards commercial production, however continued low production and current tungsten pricing remain significant challenges to meeting the required cash flows. Whilst the Company has significant cash holdings, it is in default of the minimum forward cash flow forecast requirement and is in dialogue with its Lenders in relation to the forecast cash flows and the Company's financial position.

Mining Tenements

As at 30 June 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 September 2016 quarter, Wolf will continue to progress the operations at Drakelands, with a focus on optimising the mining plan based on results of the recent diamond drilling program and implementation of a work program at the processing plant to improve performance. Details of proposed activities include:

- Continuing the trial of seven days a week, 24 hour operations of the processing plant.
- Continuing to build throughput tonnages in the processing plant.
- Continuing to build the MWF.
- Continuing to build the Lee Moor Road replacement.
- Increasing deliveries of tungsten concentrate to customers.

Tungsten Market Trends

Prices for tungsten concentrates tend 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.

After reaching a high of US\$225/mtu (FOB Europe), the average APT Price published by Metal Bulletin for the Quarter was US\$210/mtu (FOB Europe), a 22% increase from the average price for the March quarter. However subsequent to the end of the Quarter, the APT price changed direction again and is currently in the range of US\$180 – 190/mtu.

Demand for tungsten concentrate during the Quarter was similar to the March quarter with sound interest in Japan and Europe as a result of steady output from the automotive sector and aerospace sectors while 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.

Investor Relations

The Company has continued to promote itself in Australia and the UK with a number of roadshows and targeted investor presentations being undertaken.

The Company's latest Investor Presentation and corporate video which contains footage of recent activities can be seen at the Company's website at www.wolfminerals.com.au.

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About Wolf Minerals

Wolf Minerals is a dual listed (ASX: WLF, AIM: WLFE) specialty metals producer. With global demand for tungsten rising and future global production expected to be constrained, Wolf Minerals has recently completed the development of a large tungsten resource at its Drakelands Mine, located at Hemerdon, in southwest England.



Mining underway at Drakelands.



Construction of the Lee Moor Road replacement in progress.



Public tour of Drakelands.