



31 October 2016

Quarterly Activities Report

For the Three Months Ended 30 September 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 30 September 2016 (the **Quarter**).

Highlights

- ✓ Good progress at the mine and Mining Waste Facility, mining record volumes in the Quarter
- ✓ Successful restructure of Senior Debt. Scheduled repayments of principal deferred to January 2018
- ✓ Bridge loan for £20 million established with Resource Capital Fund VI L.P.
- ✓ Improved throughput, recovery and record production in the processing plant
- ✓ Lee Moor Road replacement well advanced for completion in early 2017 to support the Mine Waste Facility

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

"During the Quarter we saw excellent progress in the mine and at the Mining Waste Facility at Drakelands in what was a relatively dry summer and as a consequence we have temporarily reduced the waste truck fleet size. This will conserve cash and reduce truck movements during the more difficult winter conditions.

The challenges in the processing plant are well understood and an improvement plan is now underway with initial positive effects on plant throughput evident during the Quarter.

Given the continuing ramp up of the processing plant and softness of the tungsten price, the Company had to strengthen its financial position. On 24 October 2016 Wolf announced agreement with its senior lenders, major shareholder Resource Capital Fund VI L.P. and major customers to restructure the terms of its Senior Debt and inject additional working capital into the company. This will enable Wolf to focus on improving the operations at the Drakelands mine to reach its true potential. It is very encouraging to see the support from key stakeholders for this important project, and we are looking forward to continuing our significant involvement in the Devon community and economy."

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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.

Weather during the English summer was favourable, enabling good progress to be made in the mine and at the Mining Waste Facility (**MWF**).

The trial of 24 hour operations seven days a week at the processing plant has been extended and will now run through to the end of November 2016.

The total cash expenditure for the Quarter was A\$28.5 million, including A\$6.1 million on development, A\$13.8 million on production and A\$8.7 million on debt service and repayment, with revenue of A\$4.0 million. As stated in the quarterly cash flow report (Appendix 5B), also released today, the Company had A\$5.2 million cash at the end of the quarter and a cash outflow of A\$25 million is estimated in the coming quarter.

Subsequent to the Quarter end, the Company announced a senior debt restructure and £20 million (~A\$32.1 million) bridge loan facility with Resource Capital Fund VI L.P. (see further details below). The Company made an initial drawdown request for A\$10.4million (£6.5 million) from the bridge facility in late October 2016.

Mining Activities

The favourable weather enabled good progress to be made in the mine and at the MWF. A total of 728,452 bank cubic metres of material was moved during the Quarter, a quarterly record for the mining operations.

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 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 to take place over the next twelve months and should result in a consequential improvement in recoveries and plant throughput.

Waste mining activities concentrated on waste stripping to provide suitable building material for the MWF. The excellent progress made through the summer months, providing sufficient capacity in the MWF through to the spring, resulted in half of the waste trucking fleet being stood down at the end of the Quarter. Winter conditions in the mine can be challenging and reduced truck movements are anticipated to enable 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 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 and has processed almost two million tonnes of ore to date. 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.

The Company continues to concentrate on increasing overall run times and building throughput tonnages. Demonstrating progress, the processing plant treated 505,414 tonnes of ore during the Quarter and produced 29,981 metric tonne units (mtu) of tungsten concentrate, both records for a quarter.

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 plant improvements. Production is expected to increase during implementation of the program over the coming quarters, however, completion of all elements of the program, expected in the first half of 2017, is required before the full effects on processing plant performance can be ascertained.

Sustainability

Wolf has submitted an application to Devon County Council (**DCC**) to extend the Planning Permission expiry date from 2021 to 2036 and to implement 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. A decision on the application is expected before the end of 2016.

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 local residents. The Company has already installed additional external steel columns around the processing plant and will also add additional bracing on the roof of the plant, as the building appears to be a continuing source of LFN. Analysis is also being undertaken with the supplier of the shaking screens used in the plant to establish whether a solution can be found 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 was carried out 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.

Subsequent to the quarter end the Company executed agreements with its existing senior lenders (**Senior Lenders**) for a standstill and restructure of the senior debt currently outstanding (**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 first drawdown.

During its term, the Bridge Facility will be fully secured and rank pari passu with the Senior Lenders on substantially the same form and terms as existing under the Senior Debt.

The Company may pre-pay the Bridge Facility in certain circumstances, and if not prepaid at the conclusion of the 12 month term the Bridge Facility will mandatorily switch to a three year subordinated convertible loan, if certain conditions precedent are satisfied, or a three year subordinated loan.

In the event the Bridge Facility switches to a convertible loan, RCF VI may convert the loan in whole or in part at any time at a conversion price based on the 20 day volume weighted average price prior to date of the Bridge Facility maturity, subject to a minimum of A\$0.13 and a maximum of A\$0.20.

As soon as reasonably practicable, the Company will seek shareholder approval at an Extraordinary General Meeting to enable the issue of ordinary shares in accordance with the convertible loan terms and approving the grant of the security under the Bridge Facility. The convertible loan is also conditional upon, amongst other things, RCF VI obtaining FIRB approval. Under the Bridge Facility the Company has also given RCF VI certain warranties and indemnities and RCF VI has certain limited rights of termination.

The Company currently has £64 million outstanding under its debt facilities with the Senior Lenders (**Senior Debt**).

The Senior Lenders and RCF VI have agreed a standstill of the Senior Debt conditions until the earlier of a decision by the Devon County Council to extend the Drakelands' planning permission's expiry date beyond 2021 (decision expected before end-2016) or 31 January 2018. The standstill provides that a limited number of events of default shall apply under the Senior Debt and Bridge Facility, along with certain waivers of, and amendments to, the Senior Debt conditions for any non-compliance and grants relief from financial and other covenants.

The terms of the Debt Restructure provide that all Senior Debt principal repayments are deferred until January 2018 and the tenor of the Senior Debt is extended until June 2023, conditional upon a decision to extend Drakelands' planning permission beyond 2021.

A portion of the Company's Senior Debt is supported by guarantees provided by the German government's Untied Loan Guarantee Scheme (Ungebundene Finanzkreditdeckung - UFK), and Wolf's tungsten concentrate customers, Wolfram Bergbau und Hütten AG and Global Tungsten & Powders Corp (together **Guarantors**). The Guarantors have consented to the Debt Restructure, and the term of the Guarantees and the term of the Company's supply agreements with Global Tungsten & Powders Corp and Wolfram Bergbau und Hütten AG have been extended to align with the revised tenor of the Senior Debt.

Mining Tenements

As at 30 September 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 December 2016 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 the trial of seven days a week, 24 hour operations of the processing plant.
- Continuing to build throughput and production tonnages in the processing plant.
- Continuing to build the MWF.
- Continuing to build the Lee Moor Road replacement.

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. The average APT Price published by Metal Bulletin for the Quarter was US\$190/mtu (FOB Europe). Demand for tungsten concentrate during the Quarter was similar to the June 2016 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

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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.