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## WOLF PETROLEUM LIMITED

ACN 116 249 060

## NOTICE OF GENERAL MEETING

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TIME: 3.00pm (WST)

DATE: 19 October 2016

PLACE: BDO Perth Offices, 38 Station St, Subiaco WA 6008

The Independent Expert has determined that the proposed Voting Acquisition is fair and reasonable to the non-associated Shareholders of the Company.

*The Directors believe the proposed change of activities is in the best interests of Shareholders and recommend that Shareholders vote in favour of all Resolutions set out in this Notice of Meeting.*

*This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.*

*Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on +618 9200 4468.*

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## IMPORTANT INFORMATION

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### Time and place of Meeting

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Notice is given that the Meeting will be held at 3.00pm (WST) on 19 October 2016 at BDO Perth Offices, 38 Station St, Subiaco WA 6008.

### Your vote is important

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The business of the Meeting affects your shareholding and your vote is important. The Board reserves the right not to implement any resolution although it may be passed by Shareholders.

### Voting eligibility

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The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 5.00pm (WST) on 17 October 2016.

### Voting in person

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To vote in person, attend the Meeting at the time, date and place set out above.

### Voting by proxy

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To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has a right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member’s votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Shareholders and their proxies should be aware that changes to the Corporations Act made in 2011 mean that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Further details on these changes are set out below.

#### ***Proxy vote if appointment specifies way to vote***

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, **if it does**:

- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (ie as directed); and
- if the proxy has 2 or more appointments that specify different ways to vote on the resolution, the proxy must not vote on a show of hands; and
- if the proxy is the Chair of the meeting at which the resolution is voted on, the proxy must vote on a poll, and must vote that way (ie as directed); and
- if the proxy is not the Chair, the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (ie as directed).

#### ***Transfer of non-chair proxy to Chair in certain circumstances***

Section 250BC of the Corporations Act provides that, if:

- an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members; and
- the appointed proxy is not the chair of the meeting; and
- at the meeting, a poll is duly demanded on the resolution; and
- either of the following applies:
  - the proxy is not recorded as attending the meeting; or
  - the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

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## BUSINESS OF THE MEETING

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### 1. RESOLUTION 1 – RATIFICATION OF PRIOR ISSUE OF SHARES: PHASE 1 SHARES

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 4,000,000 Shares on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Accordingly, the Company will disregard any votes cast on this Resolution by China SAM.

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### 2. RESOLUTION 2 – RATIFICATION OF PRIOR ISSUE OF SHARES: PHASE 2 SHARES

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 72,450,000 Shares on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Accordingly, the Company will disregard any votes cast on this Resolution by China SAM.

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### 3. RESOLUTION 3 – APPROVAL FOR CHINA SAM TO INCREASE RELEVANT INTERESTS

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purposes of section 611 (Item 7) of the Corporations Act and for all other purposes, approval is given for:*

- (a) the Company to issue 243,316,000 Shares;*
- (b) the Company to issue up to 242,907,013 Options; and*
- (c) the acquisition of a relevant interest in the issued voting shares of the Company by China SAM (or its nominee) otherwise prohibited by section 606(1) of the Corporations Act by virtue of the issue of the Shares and the potential issue of Shares on exercise of Options,*

*on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:** No votes may be cast in favour of this Resolution by:

- (a) a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities if the resolution is passed and any associates of those persons; or
- (b) the persons from whom the Acquisition is to be made and their associates.

Accordingly, the Company will disregard any votes cast on this Resolution by China SAM.

**Expert’s Report:** Shareholders should carefully consider the Independent Expert’s Report prepared for the purpose of the Shareholder approval required under section 611 (Item 7) of the Corporations Act. The Independent Expert’s Report comments on the fairness and reasonableness of the transactions the subject of this Resolution to the non-associated Shareholders in the Company. The Independent Expert has determined that the transactions the subject of Resolution 3 are fair and reasonable to the non-associated Shareholders.

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#### 4. RESOLUTION 4 – ELECTION OF XUE DONGPING

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purpose of clause 58.2 of the Constitution, ASX Listing Rule 14.4 and for all other purposes, Xue Dongping, a Director who was appointed casually on 17 August 2016, retires, and being eligible, is elected as a Director.”*

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#### 5. RESOLUTION 5 – ELECTION OF XIANG QIAN HUANG

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purpose of clause 58.2 of the Constitution, ASX Listing Rule 14.4 and for all other purposes, Xiang Qian Huang, a Director who was appointed casually on 17 August 2016, retires, and being eligible, is elected as a Director.”*

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#### 6. RESOLUTION 6 – ELECTION OF JACK JAMES

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That for the purpose of clause 58.2 of the Constitution, ASX Listing Rule 14.4 and for all other purposes, Jack James, a Director who was appointed casually on 17 August 2016, retires, and being eligible, is elected as a Director.”*

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**7. RESOLUTION 7 – ELECTION OF GUO SI YING**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, subject to and conditional upon the passing of Resolution 3, for the purpose of clause 57.3 of the Constitution and for all other purposes, Guo Si Ying, being eligible and having consented to act, is appointed as a Director with effect from the date of issue of the Phase 3 Shares.”*

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**Dated: 15 September 2016**

**By order of the Board**

**Jack James**

**Director and Company Secretary**

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## EXPLANATORY STATEMENT

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This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions.

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### 1. OVERVIEW OF PROPOSED TRANSACTION WITH CHINA SAM

#### 1.1 Background

Wolf Petroleum Limited (**WOF** or the **Company**) is a public company listed on the official list of ASX (ASX code: WOF) with its principal focus being the exploration of oil and gas in Mongolia. The Company was incorporated in October 2005 and was admitted to the official list of the ASX on 7 March 2006.

On 9 June 2016, the Company entered into a subscription implementation agreement with the China SAM Enterprise Group Co., Ltd (**China SAM Agreement**), pursuant to which China SAM agreed to subscribe for three tranches of Securities to obtain an interest of up to 51% in the Company (**Proposed Transaction**).

China SAM was founded in 1985 and is headquartered in Beijing. After thirty years' operation, China SAM has evolved into a comprehensive enterprise with principal businesses covering energy, transportation, hightech, asset management, investment and international trade. China SAM has seven subsidiaries and the business scope covers mainland China, Hong Kong, Australia, Mongolia and other regions and countries. One of China SAM's subsidiaries is SAM Energy Group Co. Ltd which is involved in oil and natural gas exploration both in China and overseas. China SAM's shareholders are SAM Huanbao Technology Co Ltd., and Shanghai Weibo Investment Co Ltd.

#### 1.2 Key Terms of the Proposed Transaction

A summary of the key terms of the Proposed Transaction is set out below:

- (a) **Subscription:** China SAM agreed to subscribe for three tranches of securities in the Company, as follows:
  - (i) 4,000,000 Shares at an issue price of \$0.01 per Share to raise \$40,000 (**Phase 1 Shares**);
  - (ii) 72,450,000 Shares at an issue price of \$0.01 per Share to raise \$724,500 (**Phase 2 Shares**); and
  - (iii) 243,316,000 Shares at an issue price of \$0.01 per Share to raise \$2,433,160 (**Phase 3 Shares**) and up to 242,907,013 Options (**SAM Options**), subject to shareholder approval.
- (b) (**Phase 1 Subscription**): China SAM agreed to subscribe for the Phase 1 Shares upon the satisfactory completion of financial and corporate due diligence on the Company. The Phase 1 Shares were issued under the Company's 15% placement capacity on 20 June 2016. The ratification of the issue of the Phase 1 Shares is the subject of Resolution 1.
- (c) (**Phase 2 Subscription**): China SAM agreed to subscribe for the Phase 2 Shares upon:
  - (i) the completion of asset due diligence on the Company; and

- (ii) two China SAM nominee directors being approved by the Board.

The Phase 2 Shares were issued under the Company's 15% placement capacity between 21 July 2016 and 26 July 2016. The ratification of the issue of the Phase 2 Shares is the subject of Resolution 2.

Upon the issue of the Phase 2 Shares, China SAM had the right to appoint two nominees to the Board and appointed Ms Xue Dongping and Mr Xiang Qian Huang, whose re-elections are the subject of Resolutions 4 and 5.

- (d) **(Phase 3 Subscription):** China Sam agreed to subscribe for the Phase 3 Shares subject to a number of conditions precedent including, but not limited to:
  - (i) WOF repaying all outstanding facilities including the facility entered into with Celtic Capital on or about 11 April 2016 (**Celtic Facility**); and
  - (ii) WOF obtaining Shareholder approval for the issue of Phase 3 Shares and SAM Options.

The Celtic Facility has been repaid. The approval for the issue of the Phase 3 Shares and the SAM Options, and the consequent acquisition of a voting power in the Company of 51% is the subject of Resolution 3.

The Agreement provides that from the date of the issue of the Phase 3 Shares, China SAM has the right to appoint one additional director to the Board, and intends to appoint Ms Guo Si Ying, whose appointment is the subject of Resolution 7.

- (e) **SAM Options:** The SAM Options will be issued to China SAM or its nominee for no cash consideration concurrently with the issue of the Phase 3 Shares on the terms set out in Schedule 1 of this Notice. The SAM Options will only be exercisable in the event that an Option already on issue is exercised.

### 1.3 Changes to the Board

As set out above, China SAM has the right to nominate three directors to the Board, being Ms Xue Dongping, Mr Xiang Qian Huang and Ms Guo Si Ying (**Nominee Directors**).

Two existing members of the Board, Jargalsaikhan Dambadarjaa and Brian McMaster intend to resign from their existing roles.

In accordance with the terms of the Agreement, China SAM appointed Ms Xue Dongping as an executive director and Mr Xiang Qian Huang as a non-executive director with effect from 17 August 2016.

At that time Mr Jack James was also appointed as a non-executive director and joint company secretary with Kelly Moore, and Brian McMaster, an existing member of the Board, resigned. Jack James was not appointed as a Nominee Director, but as an additional Director.

From the date of issue of the Phase 3 Shares and the SAM Options, China SAM is also appointing Ms Guo Si Ying as a non-executive director and Ms Xue Dongping is to be appointed chairperson of the Board.



Upon completion of the Proposed Transaction, the Board will total six directors, being:

- (a) Ms Xue Dongping, chairperson and executive director;
- (b) Bataa Tumur-Orchir, managing director;
- (c) Matthew Wood, non-executive director;
- (d) Mr Xiang Qian Huang, non-executive director;
- (e) Ms Guo Si Ying, non-executive director; and
- (f) Jack James, non-executive director and company secretary.

A summary of the background and experience of the Nominee Directors, Ms Xue Dongping, Mr Xiang Qian Huang and Ms Guo Si Ying, is set out below.

Ms **Xue Dongping** has had an extensive career in real estate development and corporate governance and is currently the chairperson of SAM Investment Group Co. Ltd. Ms Dongping has previously acted as the general manager and vice president of Hengfeng Real Estate Development Co. Ltd and as executive director of Hunan HengfengWanJun Group Co. Ltd.

Mr **Xiang Qian Huang** is a qualified accountant having a career spanning nearly 20 years within the financial services sector and is a member of CPA Australia, MFAA and is a registered SMSF Auditor. Mr Huang is director at Professional Accountancy Aust Pty Limited and Johnson & Co Aust Pty Ltd where he oversees accounting, taxation, SMSF accounting and SMSF audit and mortgage broking. Mr Huang is a non-executive director of HB Ferny Pty Ltd, an entity wholly owned by Singapore Listed Company, Hobee Land, where he offers advice in relation to property projects within the Australian market and provides the Group's accounting department with guidance in the regulatory space.

Ms **Guo Si Ying** has obtained a masters degree in Management Finance and Accounting and a bachelors degree in Accounting and Finance from UK universities and currently works in sales and project implementation with CCC Financial Leasing Co., Ltd.

A summary of the background and experience of Mr Jack James, who was appointed as an additional Director on 17 August 2016, is set out below.

Mr **Jack James** is a qualified chartered accountant with over 20 years of experience in tier 1 professional services firms and is a founding partner of Palisade Business Consulting. Jack has advisory, accounting and consulting expertise having worked across Australia and Asia (Indonesia and South Korea) and across a variety of industries including mining, agribusiness and manufacturing. Jack is a non-executive director and company secretary of ASX-listed Haranga Resources Limited (HAR) and Premiere Eastern Energy Limited (PEZ). Jack has a Bachelor of Business, Graduate Diploma in Accounting and is a Chartered Accountant.

#### 1.4 Pro forma balance sheet

An unaudited pro forma balance sheet of the Company following completion of the Proposed Transaction contemplated by this Notice of Meeting is set out in Schedule 2.

## 1.5 Pro forma capital structure

The capital structure of the Company following completion of the Proposed Transaction is set out below:

	SHARES	OPTIONS
Securities currently on issue	383,675,811 <sup>1</sup>	242,907,013 <sup>2</sup>
Phase 3 Shares and SAM Options	243,316,000	242,907,013
<b>TOTAL<sup>3</sup></b>	<b>626,991,811</b>	<b>485,814,026</b>

### Notes

1. The number of Shares currently on issue includes the Phase 1 Shares and the Phase 2 Shares.
2. Comprising 232,907,013 listed Options exercisable at \$0.05 on or before 31 July 2018 and 10,000,000 unlisted Options exercisable at \$0.25 on or before 31 December 2016.
3. This assumes that no Options are exercised.

This is a statement of current intentions as at the date of this Notice. Intervening events may impact the proposed capital structure.

## 1.6 Shareholders

(a) The top 10 Shareholders at the date of the Notice are set out below:

NO.	SHAREHOLDER	%
1.	China SAM Enterprise Group Co., Ltd	19.93%
2.	Next Level LLC	11.40%
3.	Bring On Retirement Ltd	4.51%
4.	Whistling King Equity Limited	3.98%
5.	Celtic Capital Pty Ltd <The Celtic Capital A/C>	3.26%
6.	Brave Warrior Holdings Ltd	3.26%
7.	Nefco Nominees Pty Ltd	2.61%
8.	Mr Timothy James Flavel <The Flavel Investments A/C>	2.61%
9.	Mr Bataa Tumur-Ochir	2.22%
10.	Gemstar Investments Limited	1.56%

(b) The top 10 Shareholders following completion of the Proposed Transaction are set out below:

NO.	SHAREHOLDER	%
1.	China SAM Enterprise Group Co., Ltd	51.00%
2.	Next Level LLC	6.98%
3.	Bring On Retirement Ltd	2.76%
4.	Whistling King Equity Limited	2.44%

5.	Celtic Capital Pty Ltd <The Celtic Capital A/C>	2.00%
6.	Brave Warrior Holdings Ltd	2.00%
7.	Nefco Nominees Pty Ltd	1.60%
8.	Mr Timothy James Flavel <The Flavel Investments A/C>	1.60%
9.	Mr Bataa Tumur-Ochir	1.36%
10.	Gemstar Investments Limited	0.96%

### 1.7 Advantages of the Proposed Transaction

The Directors are of the view that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on the proposed Resolutions:

- (a) the Proposed Transaction represents a significant opportunity for the Company to introduce a substantial investor with the experience and capital to support the Company's growth;
- (b) the subscription price of \$2,433,160 for the Phase 3 Shares will enable the Company to repay many of its debts;
- (c) China SAM is experienced in oil, natural gas and exploration;
- (d) China SAM will assist the Company to develop the Chinese market for its oil products;
- (e) China SAM has confirmed its intentions not to significantly change the Company's business as detailed in Section 4.4(h) so the Board can focus on its growth strategy;
- (f) the new Board will provide additional experience to guide the growth of the Company and the development of its assets;
- (g) the Proposed Transaction provides the Company with the opportunity to increase the value of the Company; and
- (h) the Company may be able to raise further funds at higher prices by way of share equity as a result of the Proposed Transaction.

### 1.8 Disadvantages of the Proposed Transaction

The Directors are of the view that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's decision on how to vote on the proposed Resolutions:

- (a) the Proposed Transaction will result in the issue of Securities to China SAM, which will have a dilutionary effect on the holdings of Shareholders; and
- (b) the Proposed Transaction and resultant dilutionary effect on the holdings of Shareholders may potentially make the Company a less attractive investment for potential future investors.

## 1.9 Plans for the Company if the Resolutions are not passed

If the Resolutions are not passed and the Proposed Transaction is not completed, the Company will continue to develop its existing activities and look for additional sources of capital in order to continue to take the Company forward.

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## 2. RESOLUTION 1 – RATIFICATION OF PRIOR ISSUE OF SHARES: PHASE 1 SHARES

### 2.1 General

On 20 June 2016, the Company issued 4,000,000 Shares to China SAM under the Phase 1 Subscription pursuant to the Agreement, as summarised in Section 1.2(a) above.

Resolution 1 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of the Phase 1 Shares (**Phase 1 Share Ratification**).

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

ASX Listing Rule 7.4 sets out an exception to ASX Listing Rule 7.1. It provides that where a company in general meeting ratifies the previous issue of securities made pursuant to ASX Listing Rule 7.1 (and provided that the previous issue did not breach ASX Listing Rule 7.1) those securities will be deemed to have been made with shareholder approval for the purpose of ASX Listing Rule 7.1.

By ratifying this issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

### 2.2 Technical information required by ASX Listing Rule 7.4

Pursuant to and in accordance with ASX Listing Rule 7.4, the following information is provided in relation to the Phase 1 Share Ratification:

- (a) 4,000,000 Shares were issued;
- (b) the issue price was \$0.01 per Share;
- (c) the Shares issued were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (d) the Shares were issued to China SAM, who is not a related party of the Company; and
- (e) the Company used the funds raised from the issue of the Phase 1 Shares for the Company's incidental costs associated with China SAM undertaking due diligence on the Company and for general working capital.

### 2.3 Directors' Recommendation

The Directors of the Company unanimously recommend the Proposed Transaction and that Shareholders vote in favour of Resolution 1.

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### 3. RESOLUTION 2 – RATIFICATION OF PRIOR ISSUE OF SHARES: PHASE 2 SHARES

#### 3.1 General

Between the dates of 21 July 2016 and 26 July 2016, the Company issued 72,450,000 Shares to China SAM under the Phase 2 Subscription pursuant to the Agreement, as summarised in Section 1.2(a) above.

Resolution 2 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of the Phase 2 Shares (**Phase 2 Share Ratification**).

A summary of ASX Listing Rules 7.1 and 7.4 is set out above at Section 2.1.

By ratifying this issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

#### 3.2 Technical information required by ASX Listing Rule 7.4

Pursuant to and in accordance with ASX Listing Rule 7.4, the following information is provided in relation to the Phase 2 Share Ratification:

- (a) 72,450,000 Shares were issued;
- (b) the issue price was \$0.01 per Share;
- (c) the Shares issued were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (d) the Shares were issued to China SAM, who is not a related party of the Company; and
- (e) the Company used the funds raised from the issue of Phase 2 Shares for the payment of outstanding facilities, including the Celtic Facility, and general working capital.

#### 3.3 Directors' Recommendation

The Directors of the Company unanimously recommend the Proposed Transaction and that Shareholders vote in favour of Resolution 2.

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### 4. RESOLUTION 3 – APPROVAL FOR CHINA SAM TO INCREASE RELEVANT INTERESTS

#### 4.1 General

Resolution 3 seeks Shareholder approval:

- (a) to allow the Company to issue China SAM (or its nominee) the Phase 3 Shares;
- (b) to allow the Company to issue China SAM (or its nominee) the SAM Options on the terms outlined in Schedule 1; and
- (c) for the purpose of Item 7 of Section 611 of the Corporations Act to permit China SAM's (or its nominee's) voting power in the Company to increase

from 19.93% to up to 51.00% by virtue of the issue of the Phase 3 Shares and the potential issue of Shares upon exercise of the SAM Options (**Voting Acquisition**).

Pursuant to ASX Listing Rule 7.2 (Exception 16), Listing Rule 7.1 does not apply to an issue of securities approved for the purpose of Item 7 of Section 611 of the Corporations Act. Accordingly, if Shareholders approve the issue of securities pursuant to Resolution 3, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 and the additional 10% annual capacity set out in ASX Listing Rule 7.1A without the requirement to obtain prior Shareholder approval.

## 4.2 Item 7 of Section 611 of the Corporations Act

### (a) Section 606 of the Corporations Act – statutory prohibition

Pursuant to Section 606(1) of the Corporations Act, a person must not acquire a relevant interest in issued voting shares in an unlisted company with more than 50 members if the person acquiring the interest does so through a transaction in relation to securities entered into by or on behalf of the person and because of the transaction, that person's or someone else's voting power in the company increases:

- (i) from 20% or below to more than 20%; or
- (ii) from a starting point that is above 20% and below 90%,

(Prohibition).

### (b) Voting power

The voting power of a person in a body corporate is determined in accordance with Section 610 of the Corporations Act. The calculation of a person's voting power in a company involves determining the voting shares in the company in which the person and the person's associates have a relevant interest.

### (c) China SAM's entitlements in the Company

Prior to the issue of the Phase 1 and Phase 2 Shares as detailed in Resolutions 1 and 2 and Section 1.2 of the Explanatory Statement, China SAM did not hold any Shares or Options in the Company.

As at the date of this Notice, prior to the issue of the Phase 3 Shares, China SAM's shareholding and resulting voting power in the Company is as follows:

Shares	Options	Voting Power
76,450,000	Nil.	19.93%

Following the issue of the Phase 3 Shares and the SAM Options to China

SAM, China SAM's shareholding and resulting voting power in the Company will be as follows:

Shares	Options	Voting Power
319,766,000	242,907,013	51.00%

(d) **Associates**

For the purposes of determining voting power under the Corporations Act, a person (**second person**) is an "associate" of the other person (**first person**) if:

- (i) (pursuant to Section 12(2) of the Corporations Act) the first person is a body corporate and the second person is:
  - (A) a body corporate the first person controls;
  - (B) a body corporate that controls the first person; or
  - (C) a body corporate that is controlled by an entity that controls the person;
- (ii) the second person has entered or proposes to enter into a relevant agreement with the first person for the purpose of controlling or influencing the composition of the company's board or the conduct of the company's affairs; or
- (iii) the second person is a person with whom the first person is acting or proposes to act, in concert in relation to the company's affairs.

Associates are, therefore, determined as a matter of fact. For example where a person controls or influences the Board or the conduct of a company's business affairs, or acts in concert with a person in relation to the entity's business affairs.

A relevant agreement includes an agreement, arrangement or understanding, whether written or oral, formal or informal and whether or not having legal or equitable force.

(e) **Relevant interests**

Section 608(1) of the Corporations Act provides that a person has a relevant interest in securities if they:

- (i) are the holder of the securities;
- (ii) have the power to exercise, or control the exercise of, a right to vote attached to the securities; or
- (iii) have power to dispose of, or control the exercise of a power to dispose of, the securities.

It does not matter how remote the relevant interest is or how it arises. If two or more people can jointly exercise one of these powers, each of them is taken to have that power.

In addition, Section 608(3) of the Corporations Act provides that a person has a relevant interest in securities that any of the following has:

- (i) a body corporate in which the person's voting power is above 20%;
  - (ii) a body corporate that the person controls.
- (f) **Associates of China SAM**

No associates of China SAM currently have or will have a relevant interest in the Company.

#### **4.3 Reason Section 611 approval is required**

Item 7 of Section 611 of the Corporations Act provides an exception to the Prohibition, whereby a person may acquire a relevant interest in a company's voting shares with shareholder approval.

China SAM currently has a relevant interest in 76,450,000 Shares in the Company, as detailed in Resolutions 1 and 2 and the Explanatory Statement. Upon issue of the Phase 3 Shares, China SAM will have a relevant interest in 319,766,000 Shares and 242,907,013 Options, representing a voting power of 51.00%.

Accordingly, Resolution 3 seeks Shareholder approval for the purpose of Item 7 of Section 611 and all other purposes in order to permit China SAM's voting power in the Company to increase to up to 51.00% as a result of the issue of up to 243,316,000 Phase 3 Shares and 242,907,013 Options.

#### **4.4 Specific Information required by Item 7 of Section 611 of the Corporations Act and ASIC Regulatory Guide 74**

The following information is required to be provided to Shareholders under the Corporations Act and ASIC Regulatory Guide 74 in respect of obtaining approval under Item 7 of Section 611 of the Corporations Act. Shareholders are also referred to the Independent Expert's Report prepared by Stantons International enclosed with this Notice.

(a) **Identity of the Acquirer and its Associate**

It is proposed that China SAM will be issued 243,316,000 Phase 3 Shares upon finalisation of the Proposed Transaction as set out in Section 1.2 of the Explanatory Statement.

China SAM was founded in 1985 and is headquartered in Beijing. After thirty years' operation, China SAM has evolved into a comprehensive enterprise with principal businesses covering energy, transportation, high tech, asset management, investment and international trade. China SAM has seven subsidiaries and the business scope covers mainland China, Hong Kong, Australia, Mongolia and other regions and countries.

One of China SAM's subsidiaries, SAM Energy Group Co. Ltd, is involved in the exploration of oil and is involved in gas exploration in Mongolia. China SAM's shareholders are SAM Huanbao Technology Co Ltd., and Shanghai Weibo Investment Co Ltd.



It is China SAM's intention to become a substantial investor of the Company, and to harness its experience and capital to support the Company's future growth.

Shareholders should refer to <http://www.samgroup.cn/> for further details about China SAM. As set out in Section 4.2(f) above, no associates of China SAM currently have or will have a relevant interest in the Company.

(b) **Relevant Interest and Voting Power**

(i) **Relevant Interest**

The relevant interests of China SAM in voting shares in the capital of the Company are set out in the table below:

Party	Capacity	Relevant Interest as at the date of this Notice of Meeting	Relevant Interest after the issue of the Phase 3 Shares	Relevant Interest after the issue of the Phase 3 Shares and upon the exercise of SAM Options
China SAM	Acquirer	76,450,000	319,766,000	562,673,013

(ii) **Voting Power**

The voting power of China SAM is set out in the table below:

Party	Voting Power as at the date of this Notice of Meeting	Voting Power after issue of Phase 3 Shares	Voting Power after issue of Phase 3 Shares and upon the exercise of the SAM Options
China SAM	19.93%	51.00%	50.56%

Further details on the voting power of China SAM are set out in the Independent Expert's Report prepared by Stantons International and in Section 4.2 of this Explanatory Statement.

(iii) **Summary of Increases**

From the tables in Sections 4.4(b)(i) and (ii) above, it can be seen that the maximum relevant interest that China SAM will hold after issue of the Phase 3 Shares and exercise of the SAM Options is 562,673,013 Shares and the maximum voting power that China SAM will hold is 51.00%. This represents a maximum increase in the voting power of China SAM of up to 31.07%.

(iv) **Assumptions**

Note that the following assumptions have been made in calculating the above:

- (A) the Company has 383,675,811 Shares on issue as at the date of this Notice of Meeting;

- (B) the Company has 242,907,013 Options on issue as at the date of this Notice of Meeting; and
- (C) no Options are issued or are exercised.

(c) **Reasons for the proposed issue of securities**

The issue of the Phase 3 Shares and the SAM Options are taking place pursuant to the Proposed Transaction between the Company and China SAM as set out in the Explanatory Statement, to allow China SAM to become a substantial shareholder of the Company and provide the experience and capital to support the Company's future growth.

(d) **Material terms of proposed issue of securities**

As set out in the Sections 1.2 the Company is proposing to issue:

- (i) 243,316,000 Phase 3 Shares; and
- (ii) 242,907,013 Options.

The material terms of the Proposed Transaction are set out in Section 1.2.

(e) **Date of proposed issue of securities**

The Phase 3 Shares and the SAM Options will be issued upon completion of the Proposed Transaction which is currently anticipated to occur on 10 October 2016.

(f) **Identity, associations and qualifications of proposed directors**

In accordance with the terms of the Agreement, China SAM has the right to appoint two nominee directors with effect from the date of issue of the Phase 2 Shares and one nominee director with effect from the date of issue of the Phase 3 Shares and SAM Options.

Details of the Nominee Directors are set out in Section 1.2(c).

(g) **Interests of Directors**

- (i) None of Directors have a material personal interest in the outcome of Resolution 3.
- (ii) The Nominee Directors do not hold Shares and none of the Nominee Directors have a material personal interest in the outcome of Resolution 3.
- (iii) Neither the Directors nor the Nominee Directors are aware of any other information other than as set out in this Notice of Meeting that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolution 3.

(h) **Intentions of China SAM**

Other than as disclosed elsewhere in this Explanatory Statement, China SAM:

- (i) has no present intention of making any significant changes to the business of the Company;
- (ii) has no present intention to inject further capital into the Company, however as WOF is an early stage exploration company with capital intensive operations it may require additional cash to continue its operations. If so, China SAM may consider changing its intention in relation to the injection of further capital in the Company;
- (iii) has no present intention of making changes regarding the future employment of the present employees of the Company;
- (iv) does not intend to redeploy any fixed assets of the Company;
- (v) has no intention to change the Company's existing policies in relation to financial matters or dividends;
- (vi) does not intend to transfer any property between the Company and China SAM; and
- (vii) intends to appoint the Nominee Directors to the Board.

These intentions are based on information concerning the Company, its business and the business environment which is known to China SAM at the date of this document.

These present intentions may change as new information becomes available, as circumstances change or in the light of all material information, facts and circumstances necessary to assess the operational, commercial, taxation and financial implications of those decisions at the relevant time. Accordingly, the statements set out above are statements of current intentions only.

(i) **Capital Structure**

The capital structure upon completion of the Proposed Transaction is set out in Section 1.5 of this Explanatory Statement.

#### **4.5 Advantages of the Issue – Resolution 3**

The Directors are of the view that the non-exhaustive list of advantages detailed in sections 9.1 to 9.8 of the attached Independent Expert's Report and Section 1.7 of this Notice may be relevant to a Shareholder's decision on how to vote on proposed Resolution 3.

Stantons International has concluded that the issue of the Phase 3 Shares and the SAM Options are fair and reasonable to the non-associated shareholders.

#### **4.6 Disadvantages of the Issue – Resolution 3**

The Directors are of the view that the non-exhaustive list of disadvantages detailed in sections 9.9 to 9.11 of the attached Independent Expert's Report and

Section 1.8 of this Notice may be relevant to a Shareholder's decision on how to vote on proposed Resolution 3.

#### **4.7 Independent Expert's Report**

The Independent Expert's Report prepared by Stantons International (a copy of which is attached as Annexure A to this Explanatory Statement) assesses whether the transactions contemplated by Resolution 3 are fair and reasonable to the non-associated Shareholders of the Company.

The Independent Expert's Report concludes that the transactions the subject of Resolution 3 are fair and reasonable to the non-associated Shareholders.

Shareholders are urged to carefully read the Independent Expert's Report to understand the scope of the report, the methodology of the valuation, the sources of information and assumptions made and the advantages and disadvantages of the Proposed Transaction.

#### **4.8 Technical information for the benefit of Shareholders**

The following further information is provided in relation to the proposed issue of the Phase 3 Shares and SAM Options:

- (a) the maximum number of Phase 3 Shares to be issued is 243,316,000;
- (b) the maximum number of Options to be issued is 242,907,013;
- (c) the Phase 3 Shares and the SAM Options will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that the issue of the Phase 3 Shares and the SAM Options will occur on the same date;
- (d) the issue price will be \$0.01 per Share. The SAM Options will be issued for nil cash consideration in accordance with the terms of the Agreement;
- (e) the Phase 3 Shares and the SAM Options will be issued to China SAM, who is not a related party of the Company;
- (f) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (g) the SAM Options will be issued on the terms and conditions set out in Schedule 1;
- (h) the Company intends to use the funds raised from the issue of the Phase 3 Shares towards the payment of amounts owing to Garrison Capital Pty Ltd, Gemstar Investments Limited, Hartness Consulting Pty Ltd, Matthew Wood, Bataa Tumor-Orchir, Vega Funds Pty Ltd and Lkhagvadorj Tumor, and general working capital; and
- (i) no funds will be raised from the issue of the SAM Options as the Options are being issued for nil cash consideration in accordance with the terms of the Agreement.

#### 4.9 Directors' Recommendation

The Directors of the Company unanimously recommend the Proposed Transaction and that Shareholders vote in favour of Resolution 3.

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#### 5. RESOLUTION 4, 5 AND 6 – RE-ELECTION OF DIRECTORS

Clause 58.1 of the Constitution allows the Directors to appoint at any time a person to be a Director either to fill a casual vacancy or as an addition to the existing Directors, but only where the total number of Directors does not at any time exceed the maximum number specified by the Constitution.

Pursuant to clause 58.2 of the Constitution and ASX Listing Rule 14.4, any Director so appointed holds office only until the next following general meeting and is then eligible for election by Shareholders but shall not be taken into account in determining the Directors who are to retire by rotation (if any) at that meeting.

Pursuant to the Agreement, from the date of issue of the Phase 2 Shares, China SAM had the right to appoint two directors to the Board and, as such, appointed Xue Dongping and Xiang Qian Huang on 17 August 2016.

At that time Mr Jack James was also appointed as a non-executive Director and joint company secretary of the Company. Jack James was not appointed as a nominee of China SAM.

Xue Dongping, Xiang Qian Huang and Jack James, having been appointed on 17 August 2016, will retire in accordance with clause 58.2 of the Constitution and ASX Listing Rule 14.4 and being eligible, seek election from Shareholders.

The Directors (other than Xue Dongping in respect of Resolution 4, Xiang Qian Huang in respect of Resolution 5 and Jack James in respect of Resolution 6) unanimously recommend that Shareholders vote in favour of Resolutions 4, 5 and 6.

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#### 6. RESOLUTION 7 – APPOINTMENT OF DIRECTOR

In accordance with clause 57.3 of the Company's Constitution, the Company may appoint a person as a director by resolution passed at a general meeting.

Pursuant to the Agreement, from the date of issue of the Phase 3 Shares and the SAM Options, China SAM has the right to appoint a final nominee director.

Resolution 7 seeks Shareholders approval for the purpose of clause 57.3 of the Constitution for the appointment of Guo Si Ying as a director of the Company.

Resolution 7 is conditional upon the passing of Resolution 3. A biography for Guo Si Ying is set out in Section 1.3 of this Explanatory Statement.

The Directors of the Company unanimously recommend that Shareholders vote in favour of Resolution 7.

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## GLOSSARY

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**\$** means Australian dollars.

**Agreement** means the subscription implementation agreement between the Company and China SAM entered into 9 June 2016.

**ASIC** means the Australian Securities & Investments Commission.

**ASX** means ASX Limited (ACN 008 624 691) or the financial market operated by ASX Limited, as the context requires.

**ASX Listing Rules** means the Listing Rules of ASX.

**Board** means the board of directors of the Company.

**Chair** means the chair of the Meeting.

**China SAM** means China Sam Enterprise Group Co., Ltd.

**Company** or **WOF** means Wolf Petroleum Limited (ACN 116 249 060).

**Constitution** means the Company's constitution.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Directors** means the current directors of the Company.

**Explanatory Statement** means the explanatory statement accompanying the Notice.

**General Meeting** or **Meeting** means the meeting convened by the Notice.

**Independent Expert** means Stantons International.

**Independent Expert's Report** means the Independent Experts report prepared by Stantons International which is attached to this Notice as Annexure A.

**Nominee Directors** means Ms Dongping Xue, Mr Xiang Qian Huang and Ms Guo Si Ying, whose appointments are the subject of Resolutions 4, 5 and 7.

**Notice** or **Notice of Meeting** means this notice of meeting including the Explanatory Statement and the Proxy Form.

**Option** means an option to acquire a Share.

**Option Holder** means a holder of an Option.

**Phase 1 Shares** means the issue of 4,000,000 Shares to China SAM on 20 June 2016, as set out in Section 1.2 of this Notice.

**Phase 1 Share Ratification** has the meaning set out in Section 2.1 of this Notice.

**Phase 2 Shares** means the issue of 72,450,000 Shares to China SAM on 21 July 2016 and 26 July 2016, as set out in Section 1.2 of this Notice.

**Phase 2 Share Ratification** has the meaning set out in Section 3.1 of this Notice.

**Phase 3 Shares** means 243,316,000 Shares to be issued to China SAM as set out in Section 1.2 of this Notice.

**Proposed Transaction** has the meaning set out in Section 1.1 of the Notice.

**Proxy Form** means the proxy form accompanying the Notice.

**Resolutions** means the resolutions set out in the Notice, or any one of them, as the context requires.

**SAM Options** means 242,907,013 Options to be issued to China SAM as set out in Section 1.2 of this Notice, on the terms set out in Schedule 1.

**Securities** means Shares and Options.

**Share** means a fully paid ordinary share in the capital of the Company.

**Shareholder** means a registered holder of a Share.

**Voting Acquisition** has the meaning given in Section 4.1.

**WOF** or the **Company** means Wolf Petroleum Limited (ACN 116 249 060).

**WST** means Western Standard Time as observed in Perth, Western Australia.

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## SCHEDULE 1 – TERMS AND CONDITIONS OF SAM OPTIONS

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The terms of the SAM Options are set out as follows:

- (a) SAM Options will be issued to SAM or its nominee for no consideration (**Option Holder**) and WOF must give the Option Holder a certificate or holding statement stating:
  - (i) the number of SAM Options issued to the Option Holder;
  - (ii) the Exercise Price of the SAM Options; and
  - (iii) the date of issue of the SAM Options.
- (b) The SAM Options expire at 5.00 pm Australian Eastern Standard Time on 5 August 2018 (**Expiry Date**). Subject to paragraph(g), the Option Holder may exercise SAM Options at any time up to the Expiry Date. Any option not exercised, automatically expires on the Expiry Date.
- (c) A SAM Option will entitle the Option Holder to subscribe for one fully paid ordinary share in the capital of WOF (**Share**) upon delivery of an exercise notice under paragraph (d) - (e) and payment of the exercise price of \$0.00001 (**Exercise Price**).
- (d) SAM Options may only be exercised by the delivery to the registered office of WOF or the share registry of a notice in writing stating the intention of the Option Holder to:
  - (i) exercise all or a specified number of options; and
  - (ii) pay the Exercise Price in full for the exercise of each such option.
- (e) The exercise notice must be accompanied by the certificate or holding statement for the SAM Options being exercised and a cheque made payable to WOF for the Exercise Price for the SAM Options being exercised.
- (f) The SAM Options will be deemed to have been exercised on the date the exercise notice is received by WOF or the share registry.
- (g) It is a pre-condition to the exercise of a SAM Option that a WOF listed option currently on issue has been exercised and a Share issued.

**Example:** If an Option Holder exercises 100 WOF Options and WOF issues 100 shares, a SAM Option Holder will be permitted to exercise a corresponding number of SAM Options.
- (h) WOF will issue the Shares to which an Option Holder is entitled following exercise of the SAM Options and despatch the relevant share certificate or other appropriate acknowledgment as soon as reasonably practicable thereafter, unless the issue of Shares would give rise to a contravention of the Corporations Act.
- (i) The exercise of only some SAM Options will not affect the rights of the Option Holder to the balance of the SAM Options held by it.



- (j) If the Option Holder exercises less than the total number of SAM Options registered in the Option Holder's name:
  - (i) the Option Holder must surrender its option certificate, if one has been issued by WOF; and
  - (ii) WOF must cancel the certificate and issue the Option Holder a new certificate or holding statement stating the remaining number of SAM Options held by the Option Holder and stating the information set out in paragraph (a) above.
- (k) SAM Options will not confer an entitlement to receive dividends declared and paid by WOF, nor an entitlement to vote at general meetings of WOF unless the Option Holder has exercised its options before the record date for determining these entitlements and participates as a result of holding Shares.
- (l) All Shares issued on exercise of a SAM Option will:
  - (i) rank equally in all respects (including, without limitation, rights relating to dividends) with other issued Shares;
  - (ii) be issued credited as fully paid;
  - (iii) be duly authorised and issued by all necessary corporate action; and
  - (iv) be issued free from all liens, charges and encumbrances whether known about or not including statutory and other pre-emption rights and any transfer restrictions.
- (m) The SAM Options may be transferred at any time in accordance with the Corporations Act.
- (n) The Option Holder does not have the right to participate in bonus issues or new issues of securities offered to WOF Shareholders until Shares are issued to the Option Holder pursuant to the exercise of the relevant SAM Options.
- (o) In the event of a reorganisation (including, without limitation, consolidation, sub-division, reduction or return) of the capital of WOF, the rights of the Option Holder (including, without limitation, the number of SAM Options to which the Option Holder is entitled to and the Exercise Price) will be changed (as appropriate) in accordance with relevant statutory requirements.
- (p) WOF is entitled to treat the registered holder of a SAM Option as the absolute holder of that SAM Option and is not bound to recognise any equitable or other claim to, or interest in, that SAM Option on the part of any person other than the registered holder, except as ordered by a court of competent jurisdiction or as required by statute.
- (q) If WOF is obliged to make a payment in respect of withholding tax in relation to the SAM Options, WOF must:
  - (i) promptly pay any amount deducted to the appropriate Governmental Authority;
  - (ii) if requested by the Option Holder, within 30 days after that request, give to the Option Holder a copy of the relevant documentation evidencing the payment; and

- (iii) issue the Option Holder the net number of SAM Options after making the payment.

## SCHEDULE 2 – PRO FORMA BALANCE SHEET

	Note	31 July 2016 Unaudited	Capital Raising net of Fundraising Costs	Related Party Payables Write Down	31 July 2016 Prof-forma
<b>CURRENT ASSETS</b>					
Cash	1	652,751	2,396,502	-	3,049,253
Receivables		132,744	-	-	132,744
Other current assets		914			914
<b>Total Current Assets</b>		<b>786,409</b>	<b>2,396,502</b>	<b>-</b>	<b>3,182,911</b>
<b>NON-CURRENT ASSETS</b>					
Plant & equipment		107,333	-	-	107,333
Mining & exploration		10,755,190	-	-	10,755,190
<b>Total Non-current Assets</b>		<b>10,862,523</b>	<b>-</b>	<b>-</b>	<b>10,862,523</b>
<b>TOTAL ASSETS</b>		<b>11,648,932</b>	<b>2,396,502</b>	<b>-</b>	<b>14,045,434</b>
<b>CURRENT LIABILITIES</b>					
Creditors	2	2,739,013	-	(328,840)	2,410,173
<b>Total Current Liabilities</b>		<b>2,739,013</b>	<b>-</b>	<b>(328,840)</b>	<b>2,410,173</b>
<b>TOTAL LIABILITIES</b>		<b>2,739,013</b>	<b>-</b>	<b>(328,840)</b>	<b>2,410,173</b>
<b>NET ASSETS / (LIABILITIES)</b>		<b>8,909,919</b>	<b>-</b>	<b>(328,840)</b>	<b>11,635,261</b>
<b>SHAREHOLDERS' EQUITY</b>					
Share Capital	1	23,111,489	2,396,502	-	25,507,991
Reserves		2,175,816	-	-	2,175,816
Retained Loss		(16,377,386)	-	(328,840)	(16,048,546)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>8,909,919</b>	<b>2,396,502</b>	<b>(328,840)</b>	<b>11,635,261</b>

### Notes:

**1** – On completion of the Phase 3 Subscription the Cash balance and the Share Capital balance will increase by **\$2,433,160** less the following estimated fundraising costs:

ASIC fees	\$2,350
ASX fees	\$9,308
Legal fees	\$20,000
Printing and distribution	\$5,000
<b>Total</b>	<b>\$36,658</b>

**2** – Pursuant to the Proposed Transaction with China SAM, specified related party creditors of the Company have agreed to write down their claims by 20%. The write down is subject to approval of the Phase 3 Subscription.

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**ANNEXURE A – INDEPENDENT EXPERT’S REPORT**

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1 September 2016

The Directors  
Wolf Petroleum Limited  
22 Lindsay Street  
PERTH WA 6000

## Summary of Opinion

**In our opinion, taking into account the factors noted above and in section 9 of this report, the proposals noted in Resolution 3 to allow the issue to CHINA SAM (refer below) Placement 3 Shares and Placement Options (and allow the exercise of such options), are not fair but reasonable to the non-associated shareholders of Wolf Petroleum Limited at the date of this report (refer paragraph 2.2 below).**

Dear Sirs,

**RE: WOLF PETROLEUM LIMITED (ACN 116 249 060) (“WOLF” OR “THE COMPANY”) - MEETING OF SHAREHOLDERS TO CONSIDER A RESOLUTION (RESOLUTION 3) UNDER SECTION 611 OF THE CORPORATIONS ACT 2001 (“TCA”) RELATING TO THE PROPOSAL TO ALLOW THE ISSUE OF 243,316,000 SHARES (“TRANCHE 3 PLACEMENT SHARES”) TO CHINA SAM ENTERPRISE GROUP CO. LTD (“CHINA SAM”) THAT ALLOWS CHINA SAM TO OBTAIN UP TO AN APPROXIMATE 51% SHAREHOLDING INTEREST IN WOLF AND ALLOWS CHINA SAM TO BE ISSUED 242,907,013 SHARE OPTIONS IN WOLF AND ALLOW SUCH SHARE OPTIONS TO BE EXERCISED BY CHINA SAM AS NOTED BELOW.**

## 1. INTRODUCTION

1.1 We have been requested by the Directors of Wolf to prepare an Independent Expert’s Report to determine the fairness and reasonableness of the transactions as referred to in Resolution 3 as detailed in the Notice of Meeting to Wolf shareholders (“the Notice”) and the Explanatory Statement attached to the Notice (“ES”) to be issued to shareholders in September 2016 for a shareholders meeting to be held in October 2016.

1.2 On 14 June 2016, the Company announced a proposed capital raising of \$3,197,660 from China Sam Enterprise Group Co., Ltd (“CHINA SAM”) to assist in funding of the Mongolian oil and gas Project as referred to below.

- The issue of a 4,000,000 shares to CHINA SAM at 1 cent each to raise \$40,000 (“Tranche 1 Placement”) (since received and Tranche 1 Shares issued);
- The issue of a 72,450,000 shares to CHINA SAM at 1 cent each to raise \$724,500 (“Tranche 2 Placement”) (since received and Tranche 2 Shares issued); and
- The issue of a 243,316,000 shares to CHINA SAM at 1.0 cent each to raise \$2,433,160 (Tranche 3 Placement) along with 242,907,013 share options (“Placement Options”) exercisable at 0.01 cents each, on or before 5 August 2018.

In addition, CHINA SAM will have the right to appoint two Board Members to the Wolf Board on completion of the Tranche 2 Placement and a further director on completion of the Tranche 3 Placement. Two existing Board members will resign their existing roles.

- 1.3 After the Tranche 1 Placement, CHINA SAM's shareholding interest increased from nil% to approximately 1.29% and after the Tranche 2 Placement CHINA SAM's shareholding increased to approximately 19.93%. CHINA SAM will have an approximate 51.00% shareholding interest in Wolf on issue of the Tranche 3 Placement and approximately 37.19% if the existing listed 232,907,103 -5 cent options expiring 31 July 2018 are exercised ("WOF Options") and approximately 36.76% if the existing unlisted 10,000,000 share options in Wolf exercisable at 25 cents each on or before 31 December 2016 are also exercised (assumes no Placement Options are exercised).

It is a pre-condition to the exercise of the Placement Options (described in the ES as the CHINA SAM Options) that a WOF Option currently on issue has been exercised and a share issued. As an example, if a WOF Option Holder exercises 100 WOF Options and Wolf issues 100 shares, CHINA SAM will be permitted to exercise a corresponding number of CHINA SAM Options. Thus all WOF Options must be exercised for all of the Placement Options to be exercised.

In the event that certain conditions are not met, a reimbursement fee of \$32,000 is payable to CHINA SAM.

- 1.4 Further details on the Subscription Agreement (including all conditions precedent) and on CHINA SAM are included in the ES attached to the Notice.
- 1.5 The interests of CHINA SAM will have an approximate 51% shareholding interest in Wolf on completion of the issue of the Tranche 3 Placement Shares (assuming no other share issues in addition to the Tranche 1 and Tranche 2 Placement Shares). As noted above, CHINA SAM's shareholding in Wolf increases in stages from nil% prior to signing the Subscription Agreement to approximately 1.29% (completion of the issue of the Tranche 1 Placement Shares) and then approximately 19.93% (completion of issue of the Tranche 2 Placement Shares) (now achieved); and approximately 51% on completion of the Tranche 3 Placement Shares- the Tranche 3 Placement Shares are the subject of Resolution 3 and the subject of our report). CHINA SAM's shareholding interest in Wolf would approximate 51.02% if all of the existing WOF Options (232,907,103 options) are exercised.

Further details are outlined in the ES attached to the Notice.

- 1.6 Under Paragraph 606 of the Corporations Act 2001 ("TCA"), a person must not acquire a relevant interest in issued voting shares in a company if because of the transaction, that persons' or someone else's voting power in the company increases:
- (a) from 20% or below to more than 20%; or
  - (b) from a starting point that is above 20% and below 90%.

Under Section 611 (Item 7) of TCA, Section 606 does not apply in relation to any acquisition of shares in a company by resolution passed at a general meeting at which no votes were cast in favour of the resolution by the acquirer or the disposer or their respective associates. An independent expert is required to report on the fairness and reasonableness of the transactions noted pursuant to a Section 611 (Item 7) meeting.

- 1.7 Under ASIC Regulatory Guide 111 "Contents of Expert Reports" an Independent Expert's Report is required to report on the fairness and reasonableness of allowing the issue to CHINA SAM of 243,316,000 Tranche 3 Placement Shares along with the issue to CHINA SAM of the 242,907,013 Placement Options (and allowing such options to be exercised by CHINA SAM) that would take CHINA SAM's shareholding in Wolf to approximately 51% (from approximately 19.93% as noted above) and then 51.02% if CHINA SAM exercised the Placement Options pursuant to Resolution 3 (all WOF Options also need to be exercised).

- 1.8 The Wolf directors have requested Stantons International Securities Pty Ltd to prepare an Independent Expert's Report to determine whether the potential issue of the Tranche 3 Placement Shares (and Placement Options and exercise thereof) as noted in Resolution 3 are fair and reasonable to the shareholders of Wolf not associated with CHINA SAM.

Technically, we are not required to report on the fairness and reasonableness of the issue of the 4,000,000 Tranche 1 Placement Shares and 72,450,000 Tranche 2 Placement Shares as the shareholding of CHINA SAM would not exceed 20% (in fact the Tranche 1 and 2 Placement Shares have been issued and shareholders are being requested to ratify the issue of such shares) but we have considered these in arriving at our conclusion on the fairness and reasonableness of the proposal as outlined in Resolution 3 (issue of the Tranche 3 Placement Shares and Placement Options). As noted above, CHINA SAM may control approximately 51% of the expanded issued capital of Wolf. The issue of all of the Placement Shares (Tranches 1 to 3) and the Placement Options are known as the Proposed Transactions.

- 1.9 Apart from this introduction, the report considers the following:

- Summary of opinion
- Implications of the proposals
- Corporate history and nature of business of Wolf
- Future direction of Wolf
- Basis of valuation of Wolf shares
- Fairness of the Proposed Transactions
- Conclusion as to fairness
- Reasonableness of the Proposed Transactions
- Conclusion as to reasonableness
- Shareholder decisions
- Sources of information
- Appendices A and B and our Financial Services Guide

## **2. SUMMARY OF OPINION**

- 2.1 In determining the fairness and reasonableness of the Proposed Transactions and in particular the fairness and reasonableness of the issue of the Tranche 3 Placement Shares and the Placement Options (and allowing such options to be exercised) pursuant to Resolution 3, we have had regard for the definitions set out by the Australian Securities and Investments Commission ("ASIC") in its Regulatory Guide 111.

Regulatory Guide 111 states that an opinion as to whether an offer is fair and/or reasonable shall entail a comparison between the offer price and the value that may be attributed to the securities under offer (fairness) and an examination to determine whether there is justification for the offer price on objective grounds after reference to that value (reasonableness).

The concept of "fairness" is taken to be the value of the offer price, or the consideration, being equal to or greater than the value of the securities in the above mentioned offer. Furthermore, this comparison should be made assuming 100% ownership of the "target" and irrespective of whether the consideration is scrip or cash.

An offer is "reasonable" if it is fair. An offer may also be reasonable, despite not being "fair" where there are sufficient grounds for security holders to accept the offer in the absence of any higher bid before the close of the offer.

- 2.2 Regulatory Guide 111 also states that in all cases, where an acquisition of shares by way of an allotment is to be approved by shareholders pursuant to Section 611 (Item 7) of TCA, a report by an independent expert stating whether or not the proposals pursuant to Resolution 3 are fair and reasonable, having regard to the interests of shareholders other than the proposed allottees

(in this case, CHINA SAM, and whether a premium for potential control is being paid by the allottees (in this case, CHINA SAM), will be required.

Regulatory Guide 111 also provides that such an allotment should involve a comparison of the advantages and disadvantages likely to accrue to non-associated shareholders if the transaction proceeds compared with if it does not. Although in this case the Proposed Transactions with CHINA SAM do not relate to a full takeover offer, we have considered the general principals noted above to determine our opinions on fairness and reasonableness of the potential issue to CHINA SAM of the Tranche 3 Placement Shares and the Placement Options (and exercise thereof) to take CHINA SAM's shareholding interest in Wolf to approximately 51% (or approximately 51.02% if all WOF Options and Placement Options are exercised).

- 2.3 Accordingly, our report relating to Resolution 3 is concerned firstly with the fairness and reasonableness of the proposals under Resolution 3 from the point of view of the existing non associated shareholders of Wolf (not associated with CHINA SAM), and secondly whether the price payable for the potential to obtain a significant shareholding interest by CHINA SAM if CHINA SAM subscribed for the Tranche 3 Placement Shares (and the Placement Options and such options were exercised) includes a premium for control.

**2.4 In our opinion:**

**The proposals as outlined in Resolution 3 to allow the issue of up to 243,316,000 Tranche 3 Placement Shares and 242,907,013 Placement Options to CHINA SAM (and allow the exercise of such options by CHINA SAM) are, based on valuing a share in Wolf on the asset backing methodology, considered to be not fair but reasonable to the non-associated shareholders of Wolf at the date of this report.**

The opinion expressed above must be read in conjunction with the more detailed analysis and comments made in this report, including the valuation report on the Petroleum Assets of the Wolf Group as prepared by Gomez geosciences LLC ("Gomez") (refer below).

**3. IMPLICATIONS OF THE PROPOSALS WITH CHINA SAM**

- 3.1 As at 1 September 2016, there were 383,675,811 fully paid ordinary shares on issue in Wolf of which CHINA SAM owns 76,450,000 shares being the Tranche 1 and 2 Placement Shares issued in June and July 2016. The significant fully paid shareholders as at 1 August 2016 are disclosed in the Australian Share Register as:

<b>Name of Shareholder</b>	<b>No. of Shares</b>	<b>% Interest</b>
China Sam Enterprise Group Co Pty Ltd	76,450,000	19.93
Next Level LLC	43,750,000	11.40
Bring on Retirement Ltd	17,300,000	4.51
Whistling Kite Equity Limited	15,281,742	3.98
Celtic Capital Pty Ltd	12,515,683	3.26
	<u>165,297,425</u>	<u>43.08</u>

- 3.2 The top twenty fully paid shareholders as at 1 August 2016 owned approximately 65.06% of the current issued capital.

- 3.3 The following share options are on issue as at 1 September 2016:

- 232,907,013 listed share options exercisable at 5 cents each, on or before 31 July 2018 (the WOF Options); and
- 10,000,000 unlisted share options exercisable at 25 cents each, on or before 31 December 2016.



- 3.4 In the event that all of the Proposed Transactions are consummated and the Placement Shares are issued, the potential issued capital and shareholdings of CHINA SAM could be as outlined below:

	<u>Shares on issue</u>	<u>CHINA SAM %</u>
Shares on issue 1 June 2016	307,225,811	nil
Issue of Tranche 1 Placement Shares to CHINA SAM in June 2016	<u>4,000,000</u>	
Sub total	311,225,811	1.29
Issue of Tranche 2 Placement Shares to CHINA SAM in July 2016	<u>72,450,000</u>	
<b>Shares on issue 1 September 2016</b>	<b>383,675,811</b>	19.93
Issue of Tranche 3 Placement Shares to CHINA SAM (the subject of Resolution 3)	<u>243,316,000</u>	
<b>Shares on issue before issue of any other shares and exercise of share options</b>	626,991,811	51.00
Exercise of share options		
Exercise of Placement Options by CHINA SAM	242,907,013	
Exercise of the existing 5 cent share options	<u>232,907,013</u>	
<b>Shares on issue before issue of any other shares</b>	<b><u>1,102,805,837</u></b>	<b><u>51.02</u></b>

- 3.5 As noted above, further shares may be issued on exercise of share options. We have excluded from the above table the existing 10,000,000 share options exercisable at 25 cents each before 31 December 2016 as they are materially out of the money. The percentages noted above (except where stated) and in this report ignore any further potential issue of shares in Wolf.

The Company, if all Proposed Transactions are consummated, will receive the following cash:

Issue of Tranche 1 Placement Shares	40,000 (received in June 2016)
Issue of Tranche 2 Placement shares	<u>724,500</u> (received July 2016)
<b>Monies received before the issue of the Tranche 3 Placement Shares</b>	<b>764,500</b>
Issue of the Tranche 3 Placement Shares	2,433,160
<b>Total potential funds raised from CHINA SAM before exercise of the Placement Options and WOF Options</b>	<b>\$3,197,600</b>
Exercise of the Placement Options	<u>2,429</u>
<b>Total potential funds raised from CHINA SAM if all of the Placement Options are exercised</b>	<b><u>\$3,200,029</u></b>

However, for CHINA SAM to exercise all of the Placement Options all WOF Options must have been exercised and if all WOF Options were exercised, the Company would receive \$11,645,350 from the WOF Option Holders. If no WOF Options were exercised, no Placement options could be exercised.

- 3.6 In determining whether the issue of the Tranche 3 Placement Shares and the issue of the Placement Options (and exercise thereof) pursuant to Resolution 3 are fair and reasonable to the non associated shareholders (not associated with CHINA SAM), we have compared the fair value of an ordinary share in Wolf prior to the issue of the Placement Shares and Placement Options to CHINA SAM with the fair value of a Wolf share post the completion of all Placement Shares and Placement Options to CHINA SAM.

We also compare:

- (a) the fair assessed value of a Wolf share pre-Proposed Transactions on a control basis; versus
- (b) the fair assessed value of a Wolf share post-Proposed Transactions on a minority basis, taking into account the additional cash raised and the associated dilution resulting from the issue of Placement Shares under the Proposed Transactions (and on a fully diluted basis that assumes the exercise of all WOF Options and all Placement Options).

3.7 In relation to the Board of Directors, the current directors are Matthew Wood, Bataa Tumur-Ochir, Brian McMaster and Jargalsaikhan Dambadajaaa. Messrs McMaster and Jargalsaikhan Dambadajaaa will resign from their existing roles on completion of the issue of the Tranche 3 Placement Shares. CHINA SAM will have the right to appoint three Board Members to the Wolf Board, two at completion of issue of the Tranche 2 Placement Shares and the other upon the completion of all Tranche 3 Placement Shares as noted above and as such the composition of the Board of Wolf may change in the near future as CHINA SAM's nominees will have three out of six Board Members and thus also control the Board.

The Directors nominated by CHINA SAM so far are Ms Xue Donping and Mr Johnson Xiang Qian Huang. In addition, Mr Jack James will become a director of the Company. Mr James will also be appointed joint company secretary of Wolf.

#### **4. FUTURE DIRECTION OF WOLF**

4.1 Wolf is an ASX listed oil and gas exploration and evaluation company having achieved an ASX listing on 8 March 2006, initially as a mineral exploration company but in 2012 entered into oils and gas exploration activities. Its current petroleum interests in Mongolia are as follows:

- The Sukhbaatar Block (“SB Block”) (100%) of approximately 23,000 sq km in Mongolia that may be farmed out in the future and has 8 drill ready targets. 450sq km of 2D seismic data has been acquired;
- The Baruun Urt Block (“BU Block”) (100%) of approximately 10,000 km in Mongolia and has 22 lead targets identified. 330sq km of 2D seismic data has been acquired;
- The Jinst Block (100%) of 41,000 sq km in Mongolia. 12 basis have been identifies for exploration potential and 2D seismic programme is planned.

Shareholders should also read announcements made to the ASX by the Company in 2015 and in 2016 to the date of this report and any announcements post the date of this report to the date of the meeting of shareholders to consider the resolutions as outlined in the Notice.

Further information on the Petroleum Assets of the Wolf Group are outlined in the Valuation Report of Gomez as noted below and attached as Appendix B to this report.

4.2 We have been advised by the directors of Wolf that:

- There are no proposals currently contemplated either whereby Wolf will dispose any properties or assets to the interests of CHINA SAM or where Wolf will acquire any property or assets from the interests of CHINA SAM (other than issuing Placement Shares and Placement Options to CHINA SAM);
- The composition of the Board is expected to change in the short term as noted above;

- The Company may raise further capital in 2017 and thereafter as the needs arise and subject to market conditions (over and above the proceeds from the \$3,197,600 Placement (in tranches) to CHINA SAM;
- No dividend policy has been set; and
- The Company will endeavour to evaluate and commercialise its current petroleum interests in Mongolia.

## **5. BASIS OF TECHNICAL VALUATION OF WOLF SHARES**

### **5.1 Shares**

5.1.1 In considering the proposals as outlined in Resolution 3 we have sought to determine if the considerations payable by CHINA SAM to subscribe for 243,316,000 Tranche 3 Placement Shares at 1 cent each (and be offered 242,907,013 Placement Options at no additional cost) are fair and reasonable to the existing non-associated shareholders of Wolf (not associated with the interests of CHINA SAM). All Tranche 1 and 2 Placement Shares have been issued by the end of July 2016.

5.1.2 The proposals would be fair to the existing non associated shareholders if the value of the consideration being offered by CHINA SAM is greater than or equal to the value of the potential shares being issued as consideration to subscribe for the Tranche 3 Placement Shares (and Placement Options). Accordingly, we have sought to determine a theoretical value that could reasonably be placed on a Wolf share and share option for the purposes of this report.

5.1.3 The valuation methodologies we have considered in determining the current technical value of a Wolf share are:

- Capitalised maintainable earnings/discounted cash flow;
- Takeover bid - the price which an alternative acquirer might be willing to offer;
- Adjusted net asset backing and windup value; and
- The market value price of Wolf shares and Wolf 5 cent share options.

### **5.2 Capitalised Maintainable Earnings / Discounted Cash Flows**

5.2.1 Wolf currently does not have a reliable cash flow or profit history from a business undertaking and therefore this methodology is not appropriate at this point of time to value all of the Company on Capitalised Maintainable Earnings or Discounted Cash Flows.

Currently, Wolf does not have sufficient funds and thus any perceived technical values of the Mongolian Petroleum Assets is theoretical as without funds they will not be developed further. Further details of the Wolf's Petroleum Assets are included in the Valuation Report of August 2016 ("Gomez Valuation Report") prepared by Gomez which is attached as Appendix B to this report.

### **5.3 Takeover Bid**

We have been advised by the directors of Wolf that there are no previous bids for the Company. The directors do not believe that there would be any person with an interest in taking over the Company by way of a formal takeover bid at the current time. To our knowledge, there are no current bids in the market place and the directors of Wolf and ourselves have formed the view that there is unlikely to be any takeover bids made for Wolf in the immediate future. We have no reason to consider that the Wolf directors' views are not currently accurate.

It is noted that potentially CHINA SAM may end up having a voting interest in Wolf of approximately 51% and thus Wolf will become a partly owned subsidiary of CHINA SAM.

#### 5.4 Net Asset Backing and Wind-Up Value

5.4.1 As there is no intention to wind up the Company, we have not considered wind up values for the purposes of this report. We set out below the unaudited consolidated Statements of Financial Position of Wolf as at 30 June 2016.

- Balance Sheet “A”- Summary of the unaudited consolidated statement of financial position as at 30 June 2016 (before the issue of any Placement Shares to CHINA SAM) (the \$40,000 proceeds from the Tranche 1 Placement removed);
- Pro-forma Balance Sheet “B”- Summary of the unaudited adjusted consolidated statement of financial position as at 30 June 2016 adjusted for the substitution of the book values of the capitalised exploration expenditure (Petroleum Assets) of \$11,174,000 with the preferred value of the Petroleum Assets as ascribed by Gomez of approximately \$193,444,000 and as detailed below in paragraph 5.4.3.

	<b>Unaudited 30 June 2016 “A” \$000’s</b>	<b>Pro-forma Adjusted 30 June 2016 “B” \$000’s</b>
<b>Current assets</b>		
Cash and cash equivalents	6	6
Receivables	153	153
Other current assets	1	1
	160	160
<b>Non-current assets</b>		
Plant and equipment	116	116
Capitalised exploration expenditure	11,174	193,444
	11,290	193,560
Total assets	11,450	193,720
<b>Current liabilities</b>		
Trade and other payables	2,790	2,790
	2,790	2,790
Total Liabilities	2,790	2,790
<b>Net Assets</b>	<b>8,660</b>	<b>190,930</b>
Number of shares on issue	307,225,811	307,225,811
<b>Net asset value per share (cents)</b>	<b>2.81</b>	<b>62.14</b>

The above financial information excludes the issue of the Tranche 1 and 2 Placement Shares to CHINA SAM. Even though we are reporting on the issue of the Tranche 3 Placement Shares, we have acknowledged that the total capital raising from CHINA SAM is to be \$3,197,600. It is noted that the book value of capitalised exploration expenditure is \$11.174 million whilst the independent preferred valuation of the Petroleum Assets of Wolf as prepared by Gomez as noted below are approximately \$193.444 million.

5.4.2 In determining the net tangible asset value on a going concern basis it is necessary to adjust the book values of the Petroleum Assets to reflect the technical (market) fair value of those Petroleum Assets. We, in conjunction with Wolf instructed Gomez to undertake a valuation of the Petroleum Assets of the Wolf Group. In August 2016 Gomez prepared a Valuation Report in relation to the Petroleum Assets. Gomez has valued the Petroleum Assets on preferred, low and high values. We have used and relied on the Gomez Valuation Report and have satisfied ourselves that:

- Gomez is a suitably qualified consulting firm and has relevant experience in assessing the merits of Petroleum projects and preparing oil and gas asset valuations (also the principal author of the report is suitably qualified and experienced);
- Gomez is independent from Wolf and CHINA SAM;
- Gomez has to the best of our knowledge employed sound and recognised methodologies in the preparation of the valuation reports on the Wolf Group's Petroleum Assets.

5.4.3. Gomez has ascribed a range of market values for the Petroleum Assets as follows:

	<b>Low US\$MIL</b>	<b>Preferred US\$MIL</b>	<b>High US\$MIL</b>
SB Block	58,560,000	64,615,000	73,170,000
BU Block	20,542,500	22,425,000	27,842,500
Jinst Block	52,810,000	60,450,000	68,090,000
<b><u>Rounded</u></b>	<b><u>131,912,500</u></b>	<b><u>147,490,000</u></b>	<b><u>169,102,500</u></b>

Equivalent in Australian dollars using a US/AUS exchange rate as at 22 August 2016 of AUS\$1=US\$0.76244.

<b>Rounded AUS\$</b>	<b><u>\$173,013,000</u></b>	<b><u>\$193,444,000</u></b>	<b><u>\$221,791,000</u></b>
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5.4.4 Using the fair values in Australian Dollars of the Petroleum Assets as ascribed in the Gomez Valuation Report and based on the assumptions/values provided to us of the other assets and liabilities of Wolf as at 30 June 2016 as per Balance Sheet A above (as adjusted), the net fair value of the Wolf Group is expected to lie in the range as follows:

	<b>Paragraph</b>	<b>Low \$000's</b>	<b>Preferred \$000's</b>	<b>High \$000's</b>
Petroleum Assets	5.4.3	173,013	193,444	221,791
Remaining non-current assets		116	116	116
Current assets		160	160	160
Total liabilities		<u>(2,790)</u>	<u>(2,790)</u>	<u>(2,790)</u>
Total Net Assets at fair values (range)		<u>170,499</u>	<u>190,930</u>	<u>219,277</u>
Number of shares on issue		307,225,811	307,225,811	307,225,811
<b>Net asset per share (cents)</b>		<b>55.49</b>	<b>62.14</b>	<b>71.37</b>

5.4.5 Based on the preferred values, the adjusted net book values at 30 June 2016 ("Balance Sheet B") equates to a value per share (307,225,811 shares) of approximately 62.14 cents (ignoring the value, if any, of non-booked tax benefits). See comments below on ASX share prices.

The book value approximates 2.81 cents based on costs of capitalised costs and ignores costs to spend in the future as noted in the Gomez Valuation Report (in US dollars).

- 5.4.6 If we took into account the issue of the Tranche 1 and 2 Placements (\$764,500) to CHINA SAM, the net assets at fair values would approximate between approximately \$171,264,000 and \$220,042,000 with a preferred fair value of \$191,695,000 (ignores losses post 30 June 2016). There would be 383,675,811 shares on issue.

The adjusted net asset backing per share (383,675,811 shares after the issue of the 76,450,000 Tranche 1 and 2 Placement Shares to raise a gross \$764,500 but before the issue of all of the Tranche 3 Placement Shares would lie in the range of approximately 44.63 cents to 57.35 cents with a preferred fair value of approximately 49.96 cents.

On a book value basis only, the value per share would approximate 2.45 cents.

## 5.5 Market Price of Wolf Shares

- 5.5.1 The volumes of trades in Wolf are extremely low and most trading days the volume is nil. Between 1 October 2015 and 8 March 2016 only 8,369,400 shares were traded (Company suspended from trading from 14 March 2016 to 13 June 2016) and the share price during that period was mainly below 1 cent with most trades between 0.4 cents and 0.7 cents. The last sale price before suspension was 0.7 cents.

- 5.5.3 It is difficult to arrive at a fair value for a Wolf share, particularly in light of the minimal trading volumes. Due to the minimal volumes, varying share prices and the Company's cash position that may be affecting the share price, we have considered that the listed share price methodology is not the most appropriate methodology to use in this instance. However, it has been used as a secondary methodology in assessing the fairness and reasonableness of the proposals as outlined in Resolution 3.

- 5.5.4 The capital markets over recent years have been in turmoil and the ability to raise capital has been restricted. Even arranging share placements has been difficult and where they have occurred they have been undertaken in the main at significant discounts to market values and technical values. As at 30 June 2016, the unadjusted current cash/receivable position of the Company was approximately \$0.159 million and liabilities totalled approximately \$2.790 million (before allowing for estimated losses post 30 June 2016. Further funds are required for 2016/17 and thereafter (most, if not all of which will come from completion of the Placements of Shares to CHINA SAM in relation to funding for the 2016/17 year).

- 5.5.5 It is noted that subsequent to the announcement on 14 June 2016 on the Proposed Transactions with CHINA SAM, the shares have traded on ASX at between 1.0 cents and 2.9 cents with most trades between 1.2 cents and 1.5 cents (to 18 August 2016). The last sale on 18 August 2016 was 1.1 cents. To 18 August 2016, 14,799,359 shares were traded in Wolf on the ASX of which 12,783,300 were traded between 14 June 2016 and 30 June 2016.

## 6. PREFERRED VALUATION METHOD FOR VALUING A WOLF SHARE

- 6.1 In assessing the fair value of Wolf and a Wolf share pre the Proposed Transactions with CHINA SAM, we have selected the net assets on a going concern methodology as the preferred methodology as:

- Wolf does not generate revenues or profits and per the audited accounts has incurred significant losses in the financial years ended 30 June 2013, 2014 2015 and 2016. Therefore, the capitalisation of future maintainable earnings is not appropriate;



- Wolf has no income from petroleum activities, thus the discounted cash flow methodology has not been used; and
- Although the shares of Wolf are listed, as there is only minimal trading volumes on ASX and the share prices in recent times may be affected by the lack of significant cash resources it is arguably inappropriate to use market share prices to value the Company and the shares in the Company for the purposes of this report. We note share prices as a secondary methodology and have considered share prices in assessing reasonableness of the proposals with CHINA SAM (particularly as it relates to the issue of the Tranche 3 Placement Shares to raise a gross \$2,433,160).

6.2 As stated at paragraph 5.4.5 we have assessed the value of Wolf prior to the Proposed Transactions with CHINA SAM (but not taking into account the issue or proposed issue of any Placement Shares as noted above) on a net asset basis on a going concern basis as follows:

	<b>Low</b>	<b>Preferred</b>	<b>High</b>
<b>Net asset per share (cents)</b>	<b><u>55.49</u></b>	<b><u>62.14</u></b>	<b><u>71.37</u></b>

6.3 As stated at paragraph 5.4.6 we have assessed the value of Wolf prior to the Proposed Transactions with CHINA SAM (but taking into account the issue or proposed issue of all of the Tranche 1 and 2 Placement Shares as noted above) on a net asset basis on a going concern basis as follows:

	<b>Low</b>	<b>Preferred</b>	<b>High</b>
<b>Net asset per share (cents)</b>	<b><u>44.63</u></b>	<b><u>49.96</u></b>	<b><u>57.35</u></b>

6.4 In accordance with Regulatory Guide 111, we have relied upon Gomez to assess the preferred value of the Petroleum Assets and have incorporated them in the table above in determining the net asset value on a technical basis. We note that, the technical net asset value may not necessarily reflect fair values in the current economic circumstances of the Company and the general state of the junior petroleum exploration company market.

If funds can be raised and the Petroleum Assets can be commercialised to a more advanced stage then arguably the fair value of a Wolf share may be in excess of the current technical fair value (and in excess of the market values as noted on ASX).

Notwithstanding the prospectivity of the Petroleum Assets in which Wolf has an interest in, without cash the Company cannot complete exploration and evaluation and in a worst case scenario may be forced to shelve the Petroleum Assets (less likely now that the likelihood that \$3,197,660 will be raised from the issue of Placement Shares to CHINA SAM). The net book asset backing per share is 2.81 cents at 30 June 2016 (refer adjusted Balance Sheet "A") based on the book values compared with the Placements that will or have been issued at 1 cent each for the Tranche 1 and 2 Placement Shares (now issued) and all of the proposed Tranche 3 Placement Shares.

6.5 As noted above the estimated net asset price per share after adjusting for the valuation of the Petroleum Assets (and the net book value of a share at 2.81 cents) is more than the last ASX share price of 0.7 cents on 8 March 2016 (the last date of share trading on ASX before the announcement of the Proposed Transactions with CHINA SAM on 14 June 2016).

6.6 We note that the future ultimate value of a Wolf share will depend upon, inter alia:

- the ability to continue to raise capital and/or loan funds to assist in commercialising the Petroleum Assets in Mongolia;
- the future prospects of its Petroleum Assets in Mongolia;
- the state of the oil and gas markets (and prices) in Australia and overseas;
- the state of Australian stock exchange and overseas stock markets;
- the strength of the Board and management and/or who makes up the Board and management;
- foreign exchange rates;
- general economic conditions;
- the liquidity of shares in Wolf; and
- possible joint ventures, acquisitions and divestments entered into by Wolf.

## **7. PREMIUM FOR CONTROL**

- 7.1 Premium for control for the purposes of this report, has been defined as the difference between the price per share, which a buyer would be prepared to pay to obtain or improve a controlling interest in the Company and the price per share which the same person would be required to pay per share, which does not carry with it control or the ability to improve control of the Company.
- 7.2 Under TCA, control may be deemed to occur when a shareholder or group of associated shareholders control more than 20% of the issued capital. In this case, CHINA SAM's voting shareholding in Wolf could increase from nil% as at 1 June 2016 (now approximately 19.93% after the issue of the Tranche 1 and 2 Placement Shares) to approximately 51% after the issue of all of the Tranche 3 Placement Shares and could go to approximately 51.02% if all of the Placement Options were exercised by CHINA SAM and all WOF Options were also exercised. Accordingly, we have addressed whether a premium for control will be paid by CHINA SAM on the issue of the Tranches 3 Placement Shares and Placement Options (and exercise thereof).
- 7.3 It is generally accepted that premium for control may vary from nil to 40% or more depending on many different factors including the nature of the business, the financial position of a company and shareholding percentages. To improve the information on the Petroleum Assets and make them more commercial will require substantial equity raisings after 2016/17 and thereafter and there would be an expectation that the shareholding interest of CHINA SAM could fall if this occurred. In this case we would expect the premium for control to be paid by CHINA SAM to be approximately 25%.
- 7.4 Our preferred methodology is to value Wolf and a Wolf share on a technical net asset basis which assumes a 100% interest in the Company. Therefore no adjustment is considered necessary to the technical asset value determined under paragraph 5.4.4 as this already represents the fair value of the Company or a share in the Company on a pre Proposed Transactions control basis.
- 7.5 We set out below the comparison of the low, preferred and high values of a Wolf share compared to the issue price for all of the Placement Shares to CHINA SAM.



	<b>Para.</b>	<b>Low (cents)</b>	<b>Preferred (cents)</b>	<b>High (cents)</b>
Estimated fair value of a Wolf Share	6.2	55.49	62.14	71.37
Issue price of all of the Placement Shares to CHINA SAM		<u>1.0</u>	<u>1.0</u>	<u>1.0</u>
Excess/(shortfall) between Issue Price and fair value		<u>(54.49)</u>	<u>(61.14)</u>	<u>(70.37)</u>

7.6 On a pre Proposed Transactions control basis the technical value (not market value based on ASX share trades) of a Wolf share ranges from approximately 55.49 cents to 71.37 cents with a preferred value of approximately 62.14 cents per share. The net book value per share that is based on actual costs spent on the Petroleum Assets by Wolf approximates 2.81 cents.

7.7 We set out below the comparison of the low, preferred and high values of a Wolf share assuming the prior issue of the Tranche 1 and 2 Placement Shares to CHINA SAM compared to the issue price of the Tranche 3 Placement Shares.

	<b>Para.</b>	<b>Low (cents)</b>	<b>Preferred (cents)</b>	<b>High (cents)</b>
Estimated fair value of a Wolf Share (after issue of the Tranche 1 and 2 Placement Shares)	6.3	44.63	49.96	57.35
Issue price of the Tranche 3 Placement Shares		<u>1.0</u>	<u>1.0</u>	<u>1.0</u>
Excess/(shortfall) between Issue Price and fair value		<u>(43.63)</u>	<u>(48.96)</u>	<u>(56.35)</u>

7.8 On a pre Proposed Transactions control basis the technical value (not market value based on ASX share trades) but taking into account the issue of the Tranche 1 and 2 Placement Shares ranges from approximately 44.63 cents to 57.35 cents with a preferred value of approximately 49.96 cents per share. As noted above, the book value approximates 2.81 cents per Wolf share.

The issue price of all Tranche 3 Placement Shares to CHINA SAM is to be 1 cent per share. Based on the preferred values of a Wolf share as noted above, CHINA SAM would be receiving a discount to fair value of a Wolf share (no premium for control issue comes into play until the issue of the Tranche 3 Placement Shares are issued).

7.9 We note that CHINA SAM does not have Board control of Wolf before the Proposed Transactions but may have up to three nominees to be Directors of Wolf as noted above (two nominees were appointed after the issue of the Tranche 2 Placement Shares and one nominee after the issue of all of the Tranche 3 Placement Shares and Placement Options).

7.10 It is noted that the exercise price of the Placement Options of 0.01 cents and that the exercise price is substantially less than the last sale price of a Wolf share trading on ASX as at 8 March 2016 of 0.7 cents. The shares in Wolf trading still on relatively low volumes have traded on ASX post the announcement at between 1 cent and 2.9 cents with most shares trading in the 1.2 cents to 1.5 cents range. However, it is noted that for all Placement Options to be exercised, all of the WOF Options, exercisable at 5 cents each must be exercised and the Company would raise a total of \$11,647,779 (\$2,429 from exercise of all Placement Options by CHINA SAM and \$11,645,350 from the WOF Option Holders). This averages out at approximately 2.3975 cents per option (combined WOF Options and Placement Options-485,814,026 in total)

**8. FAIRNESS OF THE PROPOSALS WITH CHINA SAM**

8.1 In arriving at our conclusion on fairness, we considered whether the transaction is “fair” by comparing:

- (a) the fair market value of a Wolf share pre-transaction on a control basis (taking into account the proposed issue of the Tranche 1 and 2 Placement Shares but before the issue of the Tranche 3 Placement Shares; versus
- (b) the fair market value of a Wolf share post-transaction on a minority basis, taking into account the additional cash raised from the issue of new shares from the issue of the Tranche 3 Shares to CHINA SAM (and on a fully diluted basis that assumes the exercise of all WOF Options and all Placement Options) - (refer dilution factors below).

8.2 The low, preferred and high values of a Wolf share **pre the issue of all Tranche 3 Placement Shares on a control basis** as noted in paragraph 5.4.5 are:

	<b>Para.</b>	<b>Low (cents)</b>	<b>Preferred (cents)</b>	<b>High (cents)</b>
Estimated fair value of a Wolf share	6.3	<b>44.63</b>	<b>49.96</b>	<b>57.35</b>

We set out below the range of estimated technical net asset values of Wolf based on Pro-forma Balance Sheet B as detailed in paragraph 5.4.1 and after adjusting for the following transactions:

- issue of all of the Tranche 3 Placement Shares at 1 cent each to raise a gross \$2,433,160; and
- the incurring of costs to produce the Notice and ES estimated at \$75,000.

Net fair value (preferred) as noted in paragraph 5.4.4 above	190,930,000
Costs of the Notice	(75,000)
Issue of all of the Tranche 3 Placement Shares at 1 cent each	<u>2,433,160</u>
Assessed fair value after issue of all Placement Shares	<u>193,288,160</u>
Number of shares on issue of all Placement Shares	626,991,811
Net value per share (cents)	30.82
Minority interest discount	20%
<b>Minority value per share (cents)</b>	<b>24.66</b>

8.3 The preferred fair value of a Wolf share has been estimated at 49.96 cents on a pre issue of Tranche 3 Placement Shares control basis (but assumes the issue of the Tranche 1 and 2 Placement Shares). If Tranche 3 Shares are issued at 1 cent each to raise a gross \$2,433,160 as noted above, the difference would be 25.3 cents per share.

If we had used book values, the difference would be 1.81 cents as the book value per share approximates 2.81 cents. The minority value per share would approximate 1.50 cents.

As the preferred fair technical (not share market) value of a Wolf share is greater than the proposed issue price of the Tranche 3 Shares at 1 cent each, on this basis, the potential issue of the Tranche 3 Placement Shares is considered to be not fair to the non associated shareholders (not associated with the interests of CHINA SAM).

- 8.4 If we took into account the exercise of the Placement Options and WOF Options (all WOF Options must have been exercised for all Placement Options to be exercised) and assumed the receipt of approximately \$11,647,779 and ignored post 30 June 2016 losses, the preferred fair value of a Wolf share would approximate 18.58 cents (1,102,805,837 shares would be on issue) and on a minority basis the value of a share would approximate 14.86 cents (as compared with the Pre Transactions preferred fair value of approximately 2.81 cents).

It is probable (most likely) that no existing WOF Option Holder would exercise WOF Options until the price of a Wolf share trading on ASX is in excess of 5 cents for some period of time before 31 July 2018. A rise in the share price would probably occur if commercial success of the Petroleum Assets was achieved and thus the value of the Petroleum Assets (or one or more of them) would be well in excess of the valuation ascribed by Gomez as noted above.

We have ignored the existing 10,000,000 share options exercisable at 25 cents each as they are materially out of the money and are highly likely never to be exercised before 31 December 2016.

If we had used book values, the minority interest per share post the exercise of all of the Placement Options and WOF Options would approximate 1.70 cents.

- 8.5 The issue price of the Tranche 3 Placement Shares of 1 cent is greater the last traded price of a Wolf share of around 0.7 cent as at 8 March 2016 (last sale price before the announcement of the Proposed Transactions with CHINA SAM). A 25% premium for control would make such share prices equate to 0.875 cents and on this basis the potential issue of the Tranche 3 Placement Shares would be also considered to be fair to the non associated shareholders. It is noted that the last sale price of a Wolf share trading on ASX on 1 August 2016 was 1.5 and on 18 August 2016 the share price was 1.1 cents and thus a 25% premium would equate to a share price of 1.875 cents or 1.2625 cents compared with the issue price of 1 cent for the Tranche 3 Placement Shares, thus making the issue of all of the Tranche 3 Placement Shares not fair.

However, it is our view that using the asset backing methodology is the most appropriate methodology to use in valuing a Wolf share and therefore as noted above, the potential issue of the Tranche 3 Placement Shares at 1 cent each is considered not fair to the non associated Wolf shareholders. This (not fair opinion) would also apply to the issue of the Tranche 1 and 2 Placement Shares at 1 cent each.

- 8.6 In order to reflect the minority interest value we have applied a minority interest discount to the technical net asset value. The minority interest discount has been calculated as the inverse of the premium for control of 25% as discussed in paragraph 7.3.
- 8.7 Using the preferred net asset fair values, the estimated fair value of a Wolf share pre the issue of the Tranche 3 Placement Shares to CHINA SAM on a control basis (but taking into account the issue of Tranche 1 and 2 Placement Shares at 1 cents each) is greater than the estimated fair value of a Wolf share post the proposals (after the issue of all Tranche 3 Placement Shares and Placement Options) on a minority basis and on the preferred methodology basis, the issue of Tranche 3 Placement Shares to CHINA SAM at 1 cent each would not be fair.
- 8.8 Using the preferred net asset fair values, the estimated fair value of a Wolf share pre the Proposed Transactions with CHINA SAM on a control basis (but not taking into account the issue of the Tranche 1 and 2 Placement Shares at 1 cents each) is greater than the estimated fair value of a Wolf share post the proposals (after the issue of all Placement Shares) on a minority basis and on the preferred methodology basis, the issue of a total of 329,766,000 Placement Shares to CHINA SAM at an issue price of 1 cent each would not be fair.

- 8.9 Using the preferred net asset fair values, the estimated fair value of a Wolf share pre the Proposed Transactions with CHINA SAM on a control basis (but not taking into account the issue of the Tranche 1 and 2 Placement Shares at 1 cents each) is greater than the estimated fair value of a Wolf share post the proposals (after the issue of all Placement Shares and on a fully diluted basis taking into account the exercise of the Placement Options and WOF Options) on a minority basis and on the preferred methodology basis, the issue of a total of 329,766,000 Placement Shares to CHINA SAM at an issue price of 1 cent each and allowing CHINA SAM to exercise the Placement Options would not be fair.

Arguably, using a dilution value may not be appropriate in this case (as all of the Placement Options cannot be exercised unless all WOF Options are exercised that will only occur on a share price rise of a Wolf share traded on ASX equal to or above 5 cents). As noted above, a rise will probably only occur if commercial success on one or more of the Petroleum Assets. All shareholders would benefit from a rise in the share price.

#### **8.10 Fairness Conclusion:**

**In our opinion, taking into account the factors noted above and in section 8 of this report, the proposals with CHINA SAM as noted in Resolution 3 to allow the issue of Tranche 3 Placement Shares and Placement options (and allowing such options to be exercised) in Wolf are, not fair to the non-associated shareholders of Wolf at the date of this report.**

### **9. REASONABLENESS OF THE PROPOSALS WITH CHINA SAM**

We set out below, some of the advantages, disadvantages and other factors pertaining to the proposed issue of Tranche 3 Placement Shares and Placement Options to CHINA SAM and allowing such options to be exercised (and generally the Proposed Transactions with CHINA SAM) (and in particular the proposals pursuant to Resolution 3).

#### **Advantages**

- 9.1 If shareholders do not approve Resolutions 1 to 3 (and the Tranche 3 Placement Shares are not issued), then there is the strong possibility that the Company cannot continue in its present form and the Company may in the worst case scenario be forced to divest itself of some or all of the Petroleum Assets. Wolf urgently requires funds to allow the Company to continue its exploration and evaluation activities on its Petroleum Assets in Mongolia and to fund corporate overheads. Furthermore, the Company owes monies to Celtic Capital (“Celtic”) that is overdue and we have been informed that the debt due to Celtic will be repaid out of the proceeds from the Placements. At the time of negotiations with CHINA SAM, the Company was near bankruptcy and was responsible for overdue payments to the Mongolian Government under the Profit Share Agreement and there was a risk of termination of the contact. Obtaining funds from the Tranche 1 and 2 Placements from CHINA SAM has avoided this scenario and allowed the Celtic debt to be settled.

It is noted that the receipt of \$3,197,660 from CHINA SAM will relieve some financial pressure. If the approval to issue the Tranche 3 Placement Shares is not and the Company fails to raise the \$2,433,160 from the issue of the Tranche 3 Placement Shares (shareholder approval as noted in Resolution 3 but will not be issued until after shareholders approve the proposals under Resolutions 1 to 3), the Company may not get the necessary funding to continue operating, to meet its commitments and to seek further financial support.

It may need to temporarily cease spending funds on the Petroleum Assets, dispose of its assets at distressed levels or in a worst case scenario, fall into some form of Administration if shareholders do not approve the Proposed Transactions with the CHINA SAM (and in particular the proposal under Resolution 3). Obtaining access to a reasonable amount of

cash funds in the current environment is difficult and thus the Company and its shareholders should benefit. This (raising of an initial \$764,500 (now raised) and then a further \$2,433,160 following shareholder approval) should alleviate cash flow concerns in the immediate future, and position the Company to fund its operations. In the current market it is still difficult for exploration companies such as Wolf to raise equity.

9.2 CHINA SAM is placing faith in Wolf and its Petroleum Assets and as noted above, the Placement issues should assist the Wolf Group in continuing in business. Wolf's oil blocks located in Mongolia are quite close to the Chinese/Mongolian border. Therefore, the best strategy would be for Wolf to sell products to China rather than other countries. China SAM has resources to assist Wolf to develop in the Chinese market. To achieve this objective, CHINA SAM is willing to fund the company further if necessary. Having CHINA SAM as a significant shareholder may be an incentive to it to financially support Wolf in future capital raisings although there is no assurance that this will occur. After the issue of all of the Tranche 1, 2 and 3 Placement Shares, CHINA SAM's shareholding interest would be significant and it would be determined to ensure its investments in Wolf is successful. Control of Wolf does not occur until the issue of the Tranche 3 Placement Shares and CHINA SAM's shareholding interest could lie in the range of approximately 19.93% and 51% (depends on whether all Tranche 3 Placement Shares are issued).

9.3 In addition, if commercial success on the Petroleum Assets is achieved, CHINA SAM may wish to exercise the Placement Options and if this occurred, the Company would receive additional cash funds of only around \$2,129. However, it is noted that not all Placement Options can be exercised until all WOF Options are exercised at 5 cents each to raise up to a gross \$11,645,350. This combined capital raising (\$11,647,479) would be an immense benefit to Wolf. If no WOF Options are exercised, then no Placement Options can be exercised.

In both cases (exercise of Placement Option and the WOF Options), there is no cash commission to pay. It is noted that the average exercise price approximates 2.3975 cents.

9.4 As noted, the ability of small exploration companies to raise funds in the current market environment is extremely difficult and often large discounts (to share prices) need to be offered to investors to subscribe for shares in such companies. Discounts can vary but it is common to see discounts fall between 20% and 50% (but can be outside such range). It is noted that at the time of negotiating with CHINA SAM, the last listed share price of a Wolf share was 0.7 cents compared with the Placements issue price of 1 cent and exercise price of the Placement Options of 5 cents.

9.5 The Placement issues in total raise a gross \$3,197,160 (\$764,500 of such funds has been raised before the end of July 2016) will strengthen the balance sheet of the Company and may facilitate future capital raisings. The proceeds of the Tranche 3 Placement Shares are received following shareholder approval that is expected to occur before the end of September 2016 or in early October 2016.

9.6 The cash capital raising costs for the raising of \$3,197,600 is estimated at \$75,000 (estimated cost of the Notice and shareholders meeting) that represents a cash capital raising fee of approximately 2.34%. The capital raising cost is at a reasonable rate when compared to similar capital raisings where the rates can be approximately 5% to 7% of the capital raising.

9.7 CHINA SAM will represent a cornerstone shareholder in Wolf as CHINA SAM would after all shares issued under the Placement issues would have a shareholding interest around 51%. In fact, it would become a legal subsidiary of CHINA SAM under A-IFRS but Wolf will remain an ASX listed company and minority shareholders will still have the opportunity to trade their shares on the ASX.



Having a cornerstone investor (shareholder) such as CHINA SAM has advantages but it may also limit the opportunity for other parties to bid for all or part of the shares in Wolf in the future. However, a takeover bid for the Company cannot be completely ruled out.

- 9.8 The issue price (1 cent) of the Tranche 3 Placement Shares is at a significant premium to the share price of an Wolf shares trading on ASX over the 3 months to 8 March 2016, the last share price of a Wolf share traded on ASX before the announcement of the Proposed Transactions with CHINA SAM on 14 June 2016 (albeit at extremely low volumes).

#### **Disadvantages**

- 9.9 The number of shares on issue rises as at 1 June 2016 from 307,225,811 shares to 383,675,811 after the issue of the Tranche 1 and 2 Placement Shares (this has already occurred) and 626,991,811 after the issue of all of the Tranche 3 Placement Shares. This could represent an up to approximate 104.08% increase in the shares of the Company as compared to the current shares on issue and represents a significant shareholding of an additional up to 51% in the Company being issued to CHINA SAM. Potentially this may make the Company a less attractive investment for potential future investors. Effective control will be granted to CHINA SAM over Wolf, however it is noted that Wolf will still be listed on ASX.

Furthermore, the number of shares on issue may increase to 1,102,805,837 if all Placement Options are exercised and the existing WOF Options are exercised (CHINA SAM's shareholding would decrease to approximately 51.02%). However, if all Placement Options and existing WOF Options were exercised, the Company would receive \$11,647,779 in new funds.

- 9.10 Wolf shareholders could effectively dilute their interest in a company that has the potential to develop its Petroleum Assets, which have been independently valued by Gomez at US\$147,490,000 (preferred value) but noting that such value assumes an estimated US\$141,610,000 will need to be spent on the Petroleum Assets.
- 9.11 There is always the possibility that the value of the shares in Wolf may be in excess of the exercise price of 0.01 cents per Placement Option particularly if commercial success on one or more of the Petroleum Assets is achieved. The Wolf closing share price as at 18 August 2016 (as traded on ASX), being 1.1 cents per share exceeds the exercise price of the Placement Options. However, it is noted that not all Placement Options can be exercised until all WOF Options are exercised at 5 cents each to raise up to a gross \$11,645,350. It is noted that the average exercise price approximates 2.3975 cents.

#### **Other Factors**

- 9.12 CHINA SAM is taking a risk in obtaining a substantial shareholding in Wolf by the issue of all of the Placement Shares. Wolf's future share price may be substantially determined by the exploitation and/or commercial success (or otherwise) of the Petroleum Assets owned by the Wolf Group. As noted, there is a huge incentive for CHINA SAM to make Wolf a successful company and have the share price rise considerably. All other shareholders would benefit from a rise in the share price.
- 9.13 Having potential cornerstone investor (a 51% controlling interest) such as CHINA SAM has advantages but it may also limit the opportunity for other parties to bid for all or part of the shares in Wolf in the future.
- 9.14 It would be expected that the proposed new board members (refer paragraph 3.7 above) will bring further technical and business experience to the Board of Wolf.

## **10. CONCLUSION ON THE REASONABLENESS OF THE PROPOSED TRANSACTIONS WITH CHINA SAM**

10.1 In our opinion:

**After taking into account the advantages, disadvantages and other factors, the proposed issue of the Tranche 3 Placement Shares to CHINA SAM along with the issue of the Placement Options to CHINA SAM (and allowing such options to be exercised) as noted in Resolution 3, are reasonable to the non-associated shareholders (not associated with the CHINA SAM) of Wolf at the date of this report.**

## **11. SHAREHOLDER DECISION**

11.1 Stantons International Securities Pty Ltd has been engaged to prepare an independent expert's report setting out whether, inter-alia in its opinion the issue of the Tranche 3 Placement Shares and Placement options to CHINA SAM (and allowing the Placement Options to be exercised by CHINA SAM) is fair and reasonable and state reasons for that opinion. Stantons International Securities Pty Ltd has not been engaged to provide a recommendation to shareholders in relation to the proposals under Resolution 3 (and any other Resolution as outlined in the Notice (but we have been requested to determine whether the proposals pursuant to Resolution 3 are fair and/or reasonable to those shareholders not associated with CHINA SAM). The responsibility for such a voting recommendation lies with the directors of Wolf.

11.2 In any event, the decision whether to accept or reject Resolution 3 (and all other Resolutions) is a matter for individual shareholders based on each shareholder's views as to value, their expectations about future market conditions and their particular circumstances, including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. If in any doubt as to the action they should take in relation to the proposal under Resolution 3 (and all other Resolutions), shareholders should consult their own professional adviser.

11.3 Similarly, it is a matter for individual shareholders as to whether to buy, hold or sell shares in Wolf. This is an investment decision upon which Stantons International Securities Pty Ltd does not offer an opinion and is independent on whether to accept the proposal under Resolution 3 (and all other Resolutions). Shareholders should consult their own professional adviser in this regard.

## **12. SOURCES OF INFORMATION**

12.1 In making our assessment as to whether the proposals pursuant to Resolution 3 are fair and reasonable, we have reviewed relevant published available information and other unpublished information of the Company that is relevant to the current circumstances. In addition, we have held discussions with the management of Wolf about the present and future operations of the Wolf Group. Statements and opinions contained in this report are given in good faith, but in the preparation of this report, we have relied in part on information provided by the directors and management of Wolf.

12.2 Information we have received, includes but is not limited to:

- Drafts of the Notice of General Meeting of Shareholders and ES of Wolf of August 2016;
- Discussions with management of Wolf;
- Shareholding details of Wolf as at 1 August 2016;
- Share issue prices relating to Wolf shares in 2015 and to 31 August 2016 as traded on ASX;

- Annual report of Wolf for the year ended 30 June 2014 and 2015 and the unaudited financial statements of the Wolf Group for the year ended 30 June 2016;
- Announcements by Wolf to its shareholders from 1 January 2015 to 31 August 2016;
- The cash flow forecasts for the Wolf Group for 2016/17;
- The Independent Valuation of the Petroleum Assets in which the Wolf Group has an interest by Gomez of August 2016; and
- The Subscription Implementation Agreement with CHINA SAM of 9 June 2016.

12.3 Our report includes Appendix A and our Financial Services Guide. The Gomez Valuation Report is attached as Appendix B to this report.

Yours faithfully

**STANTONS INTERNATIONAL SECURITIES PTY LTD**  
**(Trading as Stantons International Securities)**

A handwritten signature in dark ink, appearing to read 'John Van Dieren', followed by a long horizontal flourish.

**John Van Dieren - FCA**  
**Director**



**AUTHOR INDEPENDENCE AND INDEMNITY**

This annexure forms part of and should be read in conjunction with the report of Stantons International Securities Pty Ltd trading as Stantons International Securities dated 1 September 2016, relating to the proposals as referred to in Resolution 3 in the Notice.

At the date of this report, Stantons International Securities Pty Ltd does not have any interest in the outcome of the proposal. There are no relationships with Wolf or CHINA SAM other than acting as an independent expert for the purposes of this report. There are no existing relationships between Stantons International Securities Pty Ltd and the parties participating in the transactions detailed in this report which would affect our ability to provide an independent opinion. The fee (excluding disbursements) to be received for the preparation of this report is based on the time spent at normal professional rates plus out of pocket expenses and is estimated not to exceed \$20,000. The fee is payable regardless of the outcome. With the exception of that fee, neither Stantons International Securities nor John Van Dieren or Martin Michalik have received, nor will or may they receive any pecuniary or other benefits, whether directly or indirectly for or in connection with the making of this report.

Stantons International Securities does not hold any securities in Wolf or CHINA SAM. There are no pecuniary or other assets of Stantons International Securities that could be reasonably argued as affecting its ability to give an unbiased and independent opinion in relation to the proposal. Stantons International Securities Pty Ltd, Mr John Van Dieren and Martin Michalik have consented to the inclusion of this report in the form and context in which it is included as an annexure to the Notice.

**QUALIFICATIONS**

We advise Stantons International Securities Pty Ltd is the holder of an Australian Financial Services Licence (No 448697) under the Corporations Act 2001 relating to advice and reporting on mergers, takeovers and acquisitions involving securities. A number of the directors of Stantons International Audit and Consulting Pty Ltd who owns 100% of the shares in Stantons International Securities Pty Ltd are the directors and authorised representatives of Stantons International Securities Pty Ltd. Stantons International Securities Pty Ltd and Stantons International Audit and Consulting Pty Ltd (trading as Stantons International) have extensive experience in providing advice pertaining to mergers, acquisitions and strategic for both listed and unlisted companies and businesses.

John Van Dieren (FCA) and Martin Michalik (ACA), the persons responsible for the preparation of this report, have extensive experience in the preparation of valuations for companies and in advising corporations on takeovers generally and in particular on the valuation and financial aspects thereof, including the fairness and reasonableness of the consideration offered.

The professionals employed in the research, analysis and evaluation leading to the formulation of opinions contained in this report, have qualifications and experience appropriate to the task they have performed.

**DECLARATION**

This report has been prepared at the request of the Directors of Wolf in order to assist the shareholders of Wolf to assess the merits of the proposals (Resolution 3 only) to which this report relates. This report has been prepared for the benefit of Wolf and those persons only who are entitled to receive a copy for the purposes of Section 611 of the Corporations Act 2001 and does not provide a general expression of Stantons International Securities Pty Ltd's opinion as to the longer term values of Wolf and its subsidiaries and assets. Stantons International Securities Pty Ltd does not imply, and it should not be construed, that it has carried out any form of audit on the accounting or other records of Wolf or its subsidiaries, businesses, other assets and liabilities. Neither the whole,

nor any part of this report, nor any reference thereto may be included in or with or attached to any document, circular, resolution, letter or statement, without the prior written consent of Stantons International Securities to the form and context in which it appears.

### **DUE CARE AND DILEGENCE**

This report has been prepared by Stantons International Securities with due care and diligence. The report is to assist shareholders in determining the fairness and reasonableness of the proposal set out in Resolution 3 to the Notice and each individual shareholder may make up their own opinion as to whether to vote for or against Resolution 3 (and all other Resolutions).

### **DECLARATION AND INDEMNITY**

Recognising that Stantons International Securities may rely on information provided by Wolf and its officers (save whether it would not be reasonable to rely on the information having regard to Stantons International Securities Pty Ltd's experience and qualifications), Wolf has agreed:

- (a) to make no claim by it or its officers against Stantons International Securities Pty Ltd (and Stantons International Audit and Consulting) to recover any loss or damage which Wolf may suffer as a result of reasonable reliance by Stantons International Securities Pty Ltd on the information provided by Wolf; and
- (b) to indemnify Stantons International Securities Pty Ltd (and its parent entity) against any claim arising (wholly or in part) from Wolf or any of its officers providing Stantons International Securities Pty Ltd any false or misleading information or in the failure of Wolf or its officers in providing material information, except where the claim has arisen as a result of wilful misconduct or negligence by Stantons International Securities Pty Ltd.

A draft of this report was presented to Wolf directors for a review of factual information contained in the report. Comments received relating to factual matters were taken into account, however the valuation methodologies and conclusions did not alter.

**FINANCIAL SERVICES GUIDE  
FOR STANTONS INTERNATIONAL SECURITIES PTY LTD  
(Trading as Stantons International Securities)  
Dated 1 September 2016**

1. Stantons International Securities Pty Ltd (Trading as Stantons International Securities) ABN 42 128 908 289 and Financial Services Licence 448697 (“SIS” or “we” or “us” or “ours” as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

2. **Financial Services Guide**

In the above circumstances we are required to issue to you, as a retail client a Financial Services Guide (“FSG”). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- who we are and how we can be contacted;
- the services we are authorised to provide under our Australian Financial Services Licence, Licence No: 448697;
- remuneration that we and/or our staff and any associated receive in connection with the general financial product advice;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

3. **Financial services we are licensed to provide**

We hold an Australian Financial Services Licence which authorises us to provide financial product advice in relation to:

- Securities (such as shares, options and notes)

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

4. **General Financial Product Advice**

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

5. **Benefits that we may receive**

We charge fees for providing reports. These fees will be agreed with, and paid by, the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis.

Except for the fees referred to above, neither SIS, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

6. **Remuneration or other benefits received by our employees**

SIS has no employees and Stantons International Audit and Consulting Pty Ltd charges a fee to SIS. All Stantons International Audit and Consulting Pty Ltd employees receive a salary. Stantons International Audit and Consulting Pty Ltd employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

7. **Referrals**

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

8. **Associations and relationships**

SIS is ultimately a wholly subsidiary of Stantons International Audit and Consulting Pty Ltd a professional advisory and accounting practice. Stantons International Audit and Consulting Pty Ltd trades as Stantons International that provides audit, corporate services, internal audit, probity, management consulting, accounting and IT audits.

From time to time, SIS and Stantons International Audit and Consulting Pty Ltd and/or their related entities may provide professional services, including audit, accounting and financial advisory services, to financial product issuers in the ordinary course of its business.

9. **Complaints resolution**

9.1 Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to:

The Complaints Officer  
Stantons International Securities  
Level 2  
1 Walker Avenue  
WEST PERTH WA 6005

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaints within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

## **9.2 Referral to External Dispute Resolution Scheme**

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service Limited (“FOSL”). FOSL is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOSL are available at the FOSL website [www.fos.org.au](http://www.fos.org.au) or by contacting them directly via the details set out below.

Financial Ombudsman Service Limited  
PO Box 3  
MELBOURNE VIC 8007

Toll Free: 1300 78 08 08  
Facsimile: (03) 9613 6399

## **10. Contact details**

You may contact us using the details set out above.

Telephone 08 9481 3188  
Fax 08 9321 1204  
Email [jvdieren@stantons.com.au](mailto:jvdieren@stantons.com.au)

**APPENDIX B**

**VALUATION REPORT ON THE PETROLEUM ASSETS OF THE WOLF PETROLEUM  
GROUP BY GOMEZ GEOSCIENCE LLC OF AUGUST 2016**

August 22, 2016



Gomez  
Geoscience  
LLC

John Van Dieren  
Stantons International Securities  
PO Box 6872  
West Perth WA 6872  
Australia

Dear Mr. Van Dieren:

The Directors of Wolf Petroleum Ltd (“Wolf”) have appointed Stantons International Securities (“Stantons”) as an independent expert to prepare an Independent Expert’s Report (“IER”) in relation to the Company’s proposed transaction (“the Proposed Transaction”) with China SAM Enterprise Group Co, LTD (“CHINA SAM”).

The preparation of an IER is suggested under the provisions of the Australian Securities Exchange Listing Rules or the Corporations Act. Shareholder approval of the Tranche 3 Placement Shares (and Placement Options and exercise thereof) as noted in Resolution 3 are fair and reasonable to the shareholders of Wolf not associated with SAM. The IER will be included in the notice of the shareholder meeting and will evaluate the petroleum assets of Wolf.

A major component of the IER will be a comparison of the fair value of what is being acquired with the fair value of the consideration being paid. In order to determine the fair value of what is being acquired in the Proposed Transaction, it will be necessary to consider the fair value of the Mongolian-based petroleum exploration assets of Wolf which are comprised of the following projects:

- the exploration acreage located in the Sukhbaatar Block;
- the exploration acreage located in the Baruun Urt Block;
- the exploration acreage located in the Jinst Block

Stantons has subsequently contacted Gomez Geoscience LLC (“GGL”) to conduct an independent valuation of the above referenced petroleum exploration assets of Wolf. This GGL report is to be included as an appendix to Stantons independent expert’s report.

Sincerely,

A handwritten signature in cursive script that reads "Debra K Gomez".

Debra K Gomez  
Managing Partner



Gomez  
Geoscience  
LLC

# **Independent Expert Report Baruun Urt, Sukhbaatar and Jinst Blocks Mongolia**

Prepared for  
**Wolf Petroleum LTD**  
August 2016

**Gomez Geoscience LLC**



# INDEPENDENT EXPERT REPORT BARUUN URT, SUKHBAATAR AND JINST BLOCKS MONGOLIA

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# INDEPENDENT EXPERT REPORT BARUUN URT, SUKHBAATAR AND JINST BLOCKS MONGOLIA

## Executive Summary

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Wolf has entered into a proposed transaction with CHINA SAM. The IER is being prepared to determine if the Tranche 3 Placement Shares (and Placement Options and exercise thereof) as noted in Resolution 3 are fair and reasonable to the shareholders of Wolf not associated with SAM.

GGL has prepared an IER for the Wolf Petroleum assets in Mongolia, which consist of three blocks, Sukhbaatar (PSC) and joint survey exploration block contracts on Jinst and Baruun Urt. Exploration activities have been conducted on all 3 blocks. Leads as defined by PRMS guidelines have been proposed on Sukhbaatar and Baruun Urt and prospective resources have been estimated on these two blocks.

The appraised value method was used in the valuation of Wolf's Mongolian petroleum exploration assets. This method is based on the premise that the real value of an exploration property lies in its potential for the existence and discovery of an economic mineral deposit. As such, the appraised value method assumes that the amount of exploration expenditure justified on a property is related to its value.

A Valuation Based on GGL analyses, estimates the value of Wolf Petroleum's Mongolian-based petroleum exploration assets as:

<b>Block</b>	<b>Low</b>	<b>Most Likely</b>	<b>High</b>
Sukhbaatar	\$58,560,000	\$64,615,000	\$73,170,000
Baruun Urt	\$20,542,500	\$22,425,000	\$27,842,500
Jinst	\$52,810,000	\$60,450,000	\$68,090,000
Total	\$131,912,500	\$147,490,000	\$169,102,500

(Above values are in US dollars.)



## Introduction

The Directors of Wolf Petroleum Ltd (“Wolf”) have appointed Stantons International Securities (“Stantons”) as independent expert to prepare an Independent Expert’s Report (“IER”) in relation to the Company’s proposed transaction (“the Proposed Transaction”) with China SAM Enterprise Group Co, LTD (“CHINA SAM”).

The preparation of an IER is suggested under the provisions of the Australian Securities Exchange Listing Rules or the Corporations Act. The IER is being prepared to determine if the Tranche 3 Placement Shares (and Placement Options and exercise thereof) as noted in Resolution 3 are fair and reasonable to the shareholders of Wolf not associated with SAM. The IER will be included in the notice of the shareholder meeting and will evaluate the petroleum assets of Wolf.

Guidance for the IER is the Australian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets (“VALMIN Code” 2015 Edition) which became mandatory 1 July 2016. This VALMIN Code 2015 Edition excludes petroleum from the mandatory provisions but specifically states that Public Reports concerning petroleum exploration, resources or reserves must be prepared in accordance with Petroleum Resources Management System (PRMS). The VALMIN Code 2015 Edition does however provide guidance that can be applied to petroleum valuation reports.

The Mongolian-based petroleum exploration assets of Wolf are comprised of the following projects (Figure 1):

- the exploration acreage located in the Sukhbaatar Block (XXVII);
- the exploration acreage located in the Baruun Urt Block;
- the exploration acreage located in the Jinst Block (III)

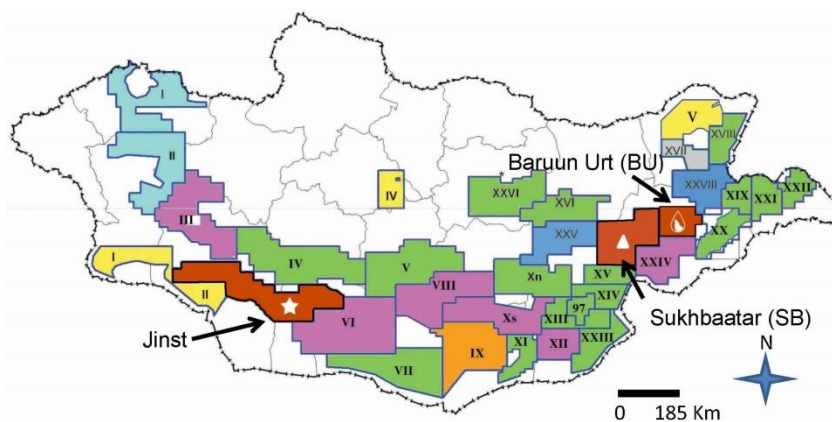


Figure 1. Petroleum blocks in Mongolia.

Stantons has been engaged to conduct an independent valuation of the above referenced petroleum exploration assets of Wolf. GGL is the specialist in geology per the VALMIN Code 2015 Edition definition of a practitioner. This GGL report is intended to be included as an appendix to Stantons independent expert’s report.

The credential for the GGL representative who prepared this report is presented below:

## **Certificate**

### **Debra K. Gomez, M. Sc., P. G.**

I, Debra K. Gomez, Managing Partner and Senior Geologist of Gomez Geoscience LLC, 27343 Parsons Road, Conifer, Colorado 80433, declare the following:

1. I hold the following degrees:
  - a. B. Sc., Geology, 1976, University of Southern California
  - b. M. Sc., Geology, 1979, Northern Arizona University
  
2. I am a registered professional geologist:
  - a. Licensed Professional Geologist, Wyoming PG-448
  - b. Licensed Professional Geologist, Louisiana PG-784
  - c. Certified Professional Geologist AIPG 8135
  - d. Certified Petroleum Geologist AAPG 4553
  
3. I am a member of the following professional organization:
  - a. American Association of Petroleum Geologists
  - b. American Institute of Professional Geologists
  
4. My contribution to the technical specialist's report pertaining to the Mongolian-based petroleum exploration assets of Wolf Petroleum Ltd is based on my geologic knowledge and the data provided to me by Wolf Petroleum, from public sources, and from the non-confidential files of Gomez Geoscience LLC. I did not undertake a field inspection of the properties.
  
6. I have no interest, direct or indirect, nor do I expect to receive any interest, direct or indirect, in the properties described in the above-named report or in the securities of Wolf Petroleum.



Debra K. Gomez, M Sc., P. G.  
Senior Geologist



# Mongolian Petroleum Summary

Mongolia is relatively new in petroleum production. Exploration activities have increased dramatically of the last several years with interest from companies all over the globe.

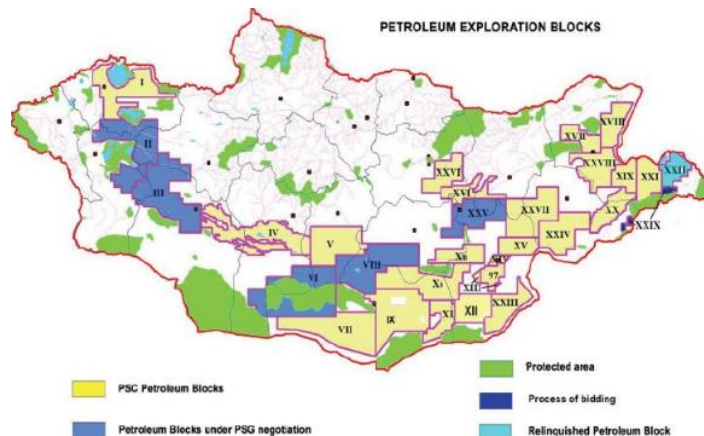
## *Petroleum History of Mongolia*

Oil was discovered in Mongolia in 1940 by Russian and Mongolian geologists. Between 1947 and 1963 two additional oil fields were discovered by Russians in the central southeastern portion of the country. Following the collapse of the Soviet Union in 1989 a wave of democratic reforms swept through the country. The Petroleum Law of Mongolia was adopted on January 18, 1991 to regulate the operations involved in exploration, protection, processing, transportation, storage and marketing of petroleum originating in Mongolia. The regulating authority is the Petroleum Authority of Mongolia (PAM).

In 1993, the first Production Sharing Agreement was signed with an American company, SOCO. In 1997 the discovery well for Toson Uul field, Block XIX, was drilled by SOCO. The American Company farmed out its interest in this block to Petro China in 1998.

Mongolia has 31 petroleum exploration blocks with PSCs on 24 blocks (Figure 2).

Figure 2 Mongolia Petroleum Exploration Blocks with PSCs or in negotiation (PAM, 2015)

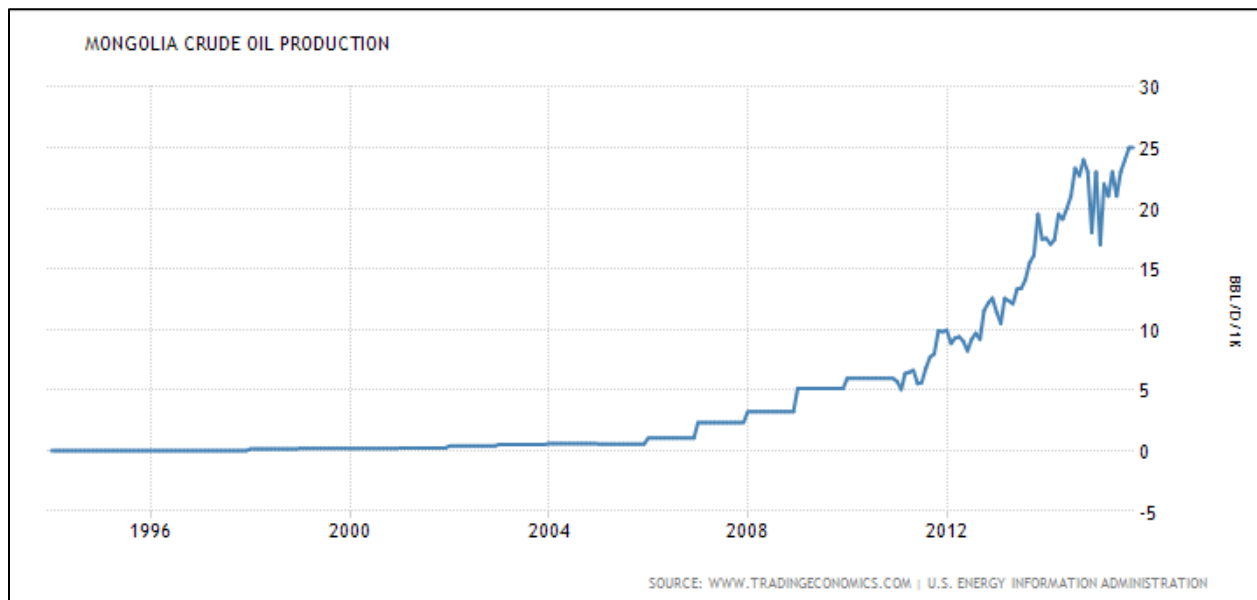


PAM reports that exploration activities from 1993 to 2014 include a total of 33,157 km of 2D seismic and 6,273 km<sup>2</sup> of 3D seismic. Regional gravity surveys at scale of 1:200,000 cover approximately 47% of the exploration block area. Magnetic surveys cover 29% of the exploration area (17,920 km<sup>2</sup>). PAM reports that 1,355 wells were drilled from 1993 to 2014. Of these wells 567 were put on production.

Currently 3 petroleum blocks are producing, Toson Uul-XIX, Tamsag-XXI and PSC-97 block. In 2010, Mongolia officially became an oil producing country by registering reserves for the three blocks with proven reserves of 332.4 million tons (combined) or 45.37 million barrels (BP, 2016). A total of 26.78 million barrels of oil have been produced between 1998 and 2014 (PAM, 2015). Crude oil production in Mongolia averaged 3.82 BBL/D from 1994 until 2015, reaching a high of 25,000 BBL/D in September and October 2015 (trading economics.com). Its crude production has been steadily increasing (Figure 3) from zero in 1998 to 25,000 BBL/D in 2015.



Figure 3 Mongolia Crude Oil Production



Breakdown by block of the proven reserves reported by PAM is summarized below:

- Toson Uul –XIX -179.08 million tons (24.43 million barrels)
- Tamsag – XXI – 127.509 million tons (17.39 million barrels)
- PSC-97 – 26.05 million tons (3.55 million barrels)

The majority of the crude oil is exported, due to a lack of a refinery capacity in country.

### ***Petroleum Geology of Mongolia***

Currently Mongolia petroleum potential is focused on numerous mapped and unmapped non marine basins (Figure 4). The basins are assumed to be Cretaceous in age, approximately 65 to 145 million years ago. Many new basins are being recognized due to improved mapping and exploration activities. Established petroleum production is from the Tamsag and the East Gobi basins. Mongolian geologists refer this basin as Tamsag, however the Chinese add a “t”-Tamtstag, and for consistency this report will use the Mongolian spelling for the basins and lithologic formations.

Wolf’s exploration activities have resulted in the discovery of two new basins, the Sukhbaatar basin on the Baruun Urt Block and the Toson Tolgoi on the Sukhbaatar Block. Both new basins will be discussed in detail on the individual block geology.

Current petroleum production in Mongolia is from two Cretaceous aged formations, the Tsagaantsav Formation and the overlying Zuunbayan Formation. A generalized stratigraphic section is presented in Figure 5. The stratigraphy of western Mongolia is not well understood as no petroleum wells have been drilled to date to confirm the subsurface stratigraphy.

These two formations are present in sub-basins or fault grabens associated with larger basin area depressions that are poorly defined in the literature (Figure 4). Depositional environments include fluvial and lacustrine sediments mixed in with tuffaceous and other volcanic rock types.



Figure 4 Mapped Mongolian Basins (Yonghong & Buyanaa, 2014)

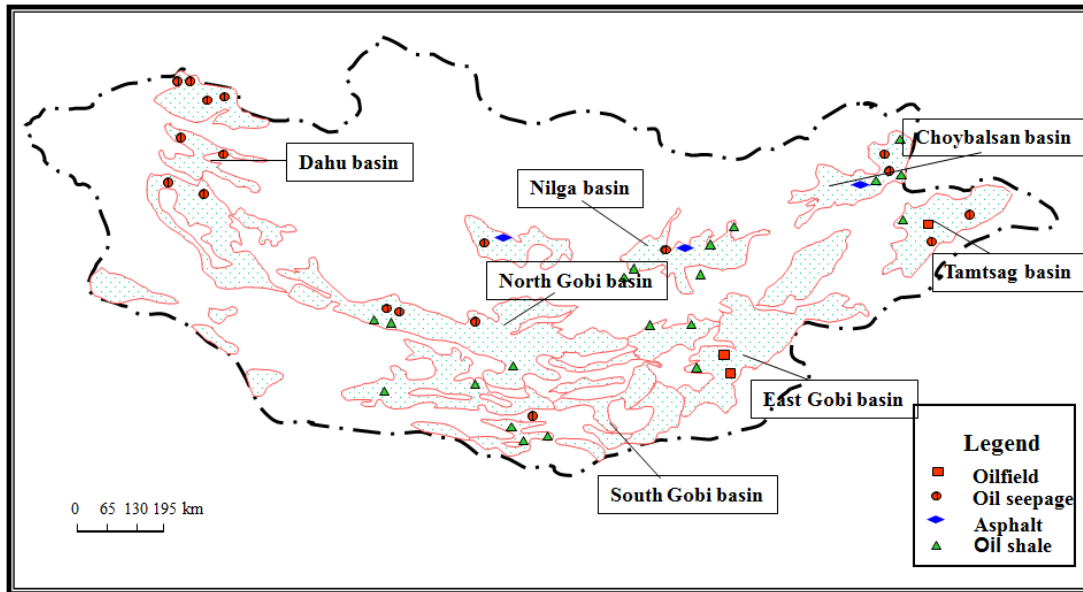
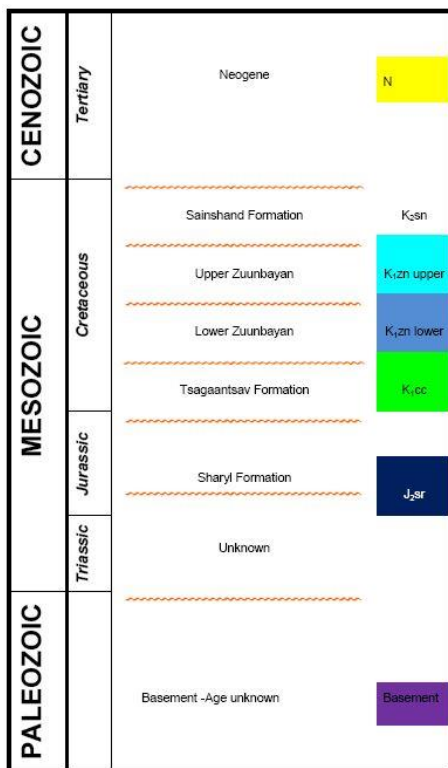


Figure 5 Generalized Stratigraphic Section



The Tsagaantsav Formation was deposited in the initial rifting phase of the basins which began with volcanic eruptions followed by flooding. Clastic deposition of this formation varies from alluvial fan sediment, mudstone/shale grading upwards into fan delta sediments.

The Zuunbayan Formation deposition occurred during peak depression in the basin. The depositional was dominated by near shore submarine fan and fan deltas near the base grading to delta and fan delta sediments near the top of the Zuunbayan time (Yonghong & Buyanaa, 2014).

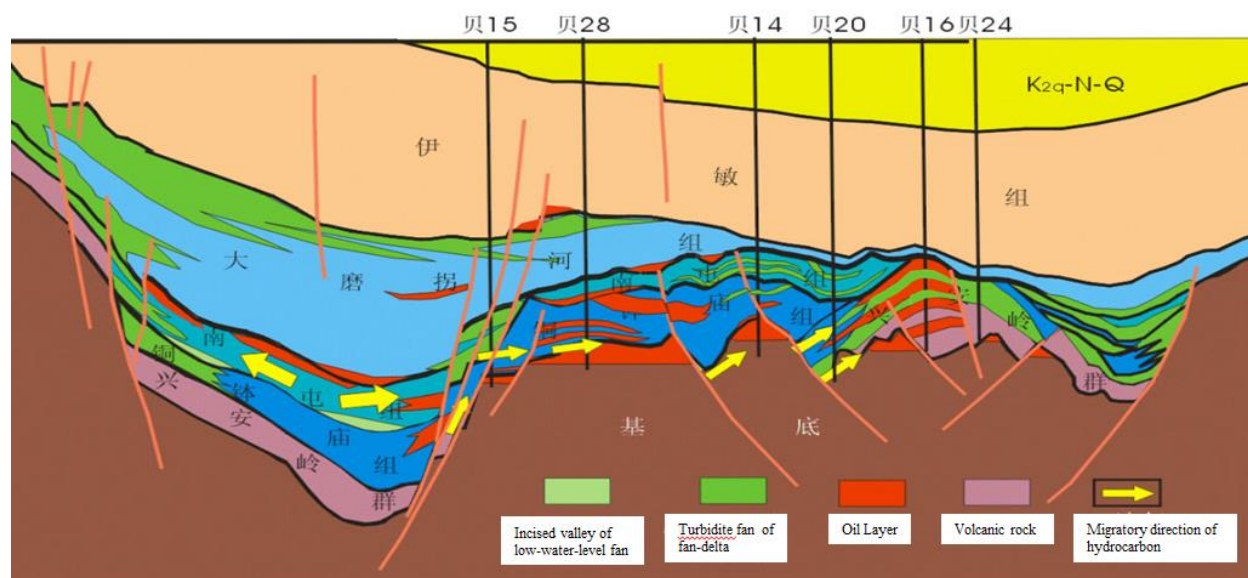
Studies of the sedimentary facies producing in the Tamsag basin (Wang, 2009) indicate that the most favorable reservoirs are:

- Delta facies – river mouth bar and delta front sands
- Fan delta
- Alluvial fan
- Shallow lake sediments

## Source Rocks

Petroleum source rocks for the established production in central and eastern Mongolia have been identified as the shales of the Zuunbayan and Tsagaantsav Formations from numerous sources. Figure 5 portrays the documented migration pathways (yellow arrows) from an example field in the Tamsag/Hailar basin.

Figure 6 Hydrocarbon migration pathways (Yonghong and Buyanaa, 2014)



Zuunbayan Formation geochemistry indicates that the temperature gradient is 45°C/km. The oil has an average API of 28° and is waxy. Modeling indicates that generated oil for the Tsagaan Els Field (Figure 6) migrated up dip from the source kitchens and accumulated into traps (Prost, 2004).

Recent source rock investigations conducted on Block XX and Block XIX indicate that the shales Upper Tsagaantsav Formation are the proven source rocks for the Toson Uul Oil Field. Thermal gradients are high, exceeding 35 °C/km. Thermal burial modeling in the East Gobi Basin indicates that the Tsagaantsav Formation source rocks are in the oil window at depths between 2,200-2,600 meters (Prost, 2004). An uplift of up to 500 meters during the Cretaceous

suggests that the source rocks are now at or close to the maximum burial. Modeling indicates that peak oil generation occurred between 98 and 85 million years ago.

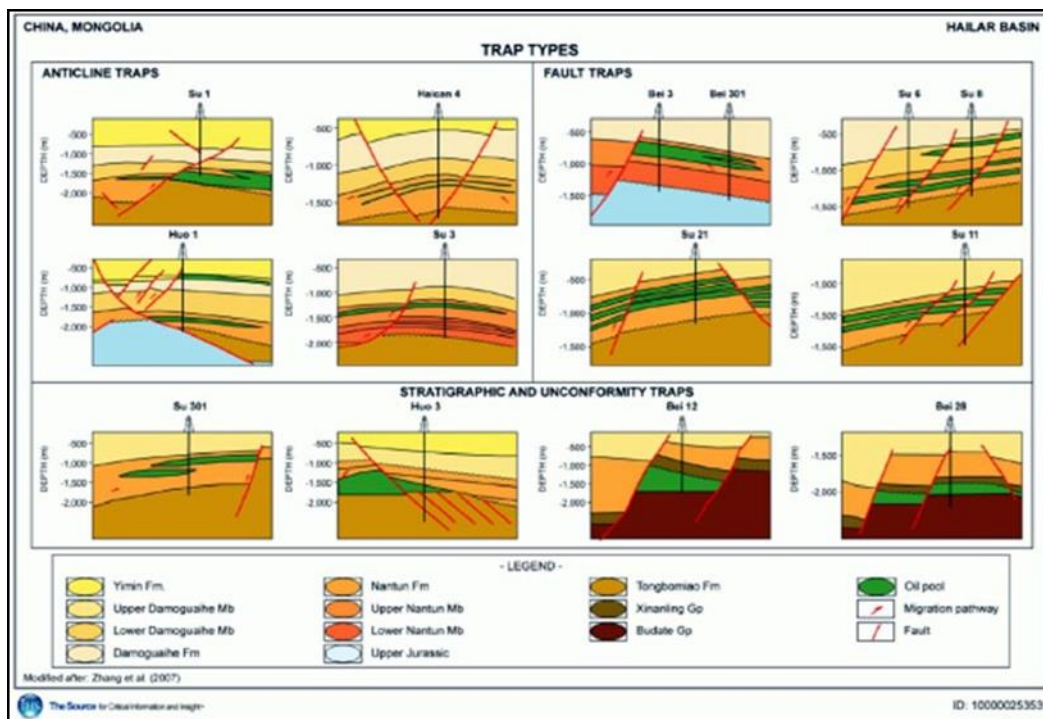
The Zuunbayan and Tsagaantsav formations have been identified on the Baruun Urt and Sukhbaatar blocks operated by Wolf Petroleum.

Western Mongolia source rocks are postulated to be Permian, Jurassic and Cretaceous in age. A stratigraphic core hole penetrated source and reservoir rocks with hydrocarbon shows on Block V which is north and east of the Jinst block.

## Petroleum Traps

Petroleum traps for Mongolia are structural, stratigraphic, unconformity and a combination of all three. Reservoirs are mostly sands however some fractured igneous rocks have produced oil. Examples of the petroleum traps are presented in Figure 7.

Figure 7 Petroleum traps (IHS, 2012)



Basins are formed by intracratonic rifting which developed on Pre-Jurassic tectonic fabrics. At least 5 tectonic episodes have been recorded which include:

- Pre-Jurassic crustal shortening by lateral faulting
- Middle Jurassic to Early Cretaceous rifting, which includes extension
- Late to Early Cretaceous shortening and inversion on preexisting faults, resulting in left lateral and reverse offsets.
- Renewed sedimentation and right lateral displacement after a Middle Cretaceous unconformity
- Post Cretaceous east west shortening.



Mongolia has very complex and varied structural geologic history. The different tectonic fabrics vary across Mongolia. Generally extensional structures are more common in eastern and central Mongolia. Compressional structures are more frequent in western Mongolia.

## **Other Operators**

Currently there are 24 blocks with signed PSCs exploration activities in various stages. Companies and blocks are summarized in Table 1.

**Table 1 Summary of Mongolian Operators and Activities on PSC blocks (PAM,2016)**

<b>Company Name</b>	<b>Jurisdiction of Contract</b>	<b>Block</b>	<b>Status</b>
PetroChina Daching Tamsag-Mongolia	Peoples Republic of China	Toson Uul – XIX	Producing
		Tamsag-XXI	Producing
Dong Sheng Petroleum Mongolia LLC	Peoples Republic of China	PSC 1997	Producing
Petro Matad LLC	Mongolia	Matad – XX	Gravity, magnetic and 2D seismic surveys; 11 exploration wells; testing on 5 wells
Kapcorp	Mongolia	Bogd-IV	Gravity, magnetic and 2D seismic surveys; 1 core hole
		Ongi-V	Gravity, magnetic and 2D seismic surveys; 1 core hole
China Golden Sea LLC	Peoples Republic of China	Tariach-XV	Gravity, magnetic, 2D & 3D seismic surveys; 21 exploration wells
Gobi Energy Partners LLC	Switzerland	Tsagaan Els-XIII	Gravity, 2D seismic, passive seismic surveys; 2 exploration wells
		Zuunbayan-XIV	
Shaman Resources LLC	Canada	Nyalga-XVI	2D Seismic survey; 2 exploration wells
Zong Heng Youtian LTD	Peoples Republic of China	Galba-XI	2D & 3D seismic surveys; 14 exploration wells
Shunxhai Energy Co., LTD	Mongolia	Sulinkheer-XXIII	Gravity & 2D seismic surveys
Empire Gas Mongolia Co. LTD	Mongolia	Borzon-VI	Gravity & 2D seismic surveys; 1 exploration wells
North Petroleum International Co. LTD	Peoples Republic of China	Khuhnuur-XVIII	Gravity, magnetic & 2D seismic surveys; 5 exploration wells; testing on 3 wells
		Khongor-VIII	No information available



Company Name	Jurisdiction of Contract	Block	Status
Satellite Geological Survey Co. LLC	Peoples Republic of China	Tokhom (north)-X	Gravity, magnetic & 2D seismic surveys; 2 exploration wells
		Tsaidam-XXVI	Gravity, magnetic & 2D seismic surveys; 1 exploration well
Magnai Trade Co. LTD	Mongolia	Bayantumen-XVII	Gravity, magnetic and 2D seismic surveys
Mongolian Gold Co. LTD	Mongolia	Tokhom (south)-X	Magnetic & 2D seismic surveys
APEXPRO LLC	British Virgin Islands	Dariganga-XXIV	Gravity & 2D seismic surveys
South Mongolian Petroleum	Mongolia	Nomgon-IX	No information
Mongolia Gladwill Uvs Petroleum LLC	Hong Kong	Uvs-I	2 exploration wells are drilling
Hong Kong Welpec Industrial Co. LTD	Hong Kong	Kherlentokhoi-XVII	No information
Renova Ilch LLC	Peoples Republic of China	Khar-Us-II	No information

Any public information available concerning the expenditure and investment amounts for the operators listed in Table 1 will be used in the valuation for the Wolf blocks. Many of the newer PSCs have very little available information in the public domain.





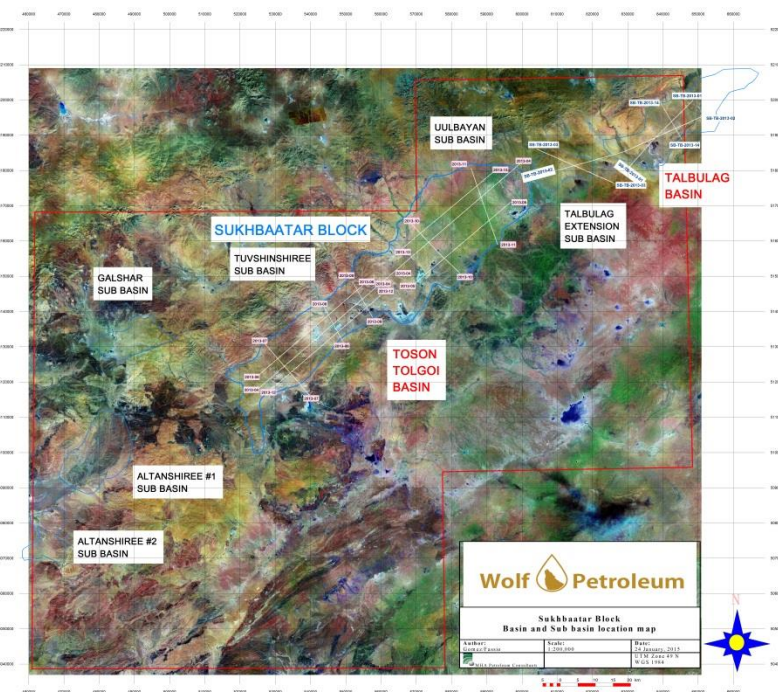
# Geologic Summary of Wolf's Mongolian Exploration Assets

Wolf is focused on oil and gas exploration, development and production in Mongolia and currently holds joint survey exploration block contracts on Jinst and Baruun Urt. Wolf has been awarded a third block, Sukhbaatar, with a production sharing contract (PSC) and is the largest holder of oil exploration acreage in Mongolia.

## Sukhbaatar Block -XXVII

A new basin has been identified on this block based on gravity and magnetic surveys. PAM has named this new Basin Toson Tolgoi and its location is shown on Figure 8. Several sub basins were also identified and their outlines are shown in Figure 8.

Figure 8 Basin and sub basin location map (Landsat mosaic)



## Gravity and Magnetic Survey

Wolf Petroleum conducted a gravity and magnetic survey on this block in January of 2013. The contractor performing the surveys was Khet. Interpretation of these surveys resulted in the identification of several potential basins and sub basins. A remote sensing study was conducted including surface structural mapping, alteration mineral modeling, gravity/magnetic data processing, high-heat flow basement mapping and hydrocarbon exploration targeting. This study included reprocessing the gravity and magnetic data. The reprocessed data was interpreted, contoured and the location of the basins and sub basins were identified using gravity lows, magnetic data, digital elevation model (DEM) data, and satellite imagery.



### Remote Sensing Study (Perry, 2014)

Two basins Talbulag and Toson Tolgoi have been identified on this block from the remote sensing study incorporating the gravity and magnetic surveys. Within these two basins several sub basins have been identified (Uulbayan, Tuvshinshiree, Galshar, Altanshiree #1 and Altanshiree #2). Wolf Petroleum conducted the 2013 seismic program on the three largest basin and sub basin areas on the eastern portion of the block. The basin and sub basin outlines are shown in blue in Figure 8, along with the 2013 seismic program. The Sukhbaatar block outline is shown in red in Figure 8.

### Geochemical Survey (Seneshen, 2014)

During field activities for the 2013 seismic program soil samples were collected from a depth of 15 meters for each of the shot holes. A hydrocarbon geochemical survey was carried out using 639 shot hole sediments and 84 surface soil samples for volatile and liquid hydrocarbon analysis. The shot hole sediments were collected at 720 meter intervals along the 2013 seismic program. Oil and wet gas microseeps are evident over and in the margins of the Toson Tolgoi basin, which indicates the existence of migrated hydrocarbons, thus identifying a petroleum system in the vicinity of the basin.

### Seismic Survey-2D and Interpretation

In the summer of 2013 approximately 450 line kilometers of 2D seismic was conducted on the Sukhbaatar Block (SB-XXVII). A total of 14 separate linear lines of seismic were completed in this program. Interpretation of the data began in November of 2013 and completed in March of 2014. The interpretation of this 2013 program is summarized in a report submitted to PAM (Gomez, 2015).

Seismic horizons were determined using a sonic log from the Sotamo 20-1 well (approximately 110 km east), which was drilled by SOCO in 1998 on land that was formally part of Block XX (Figure 1). This information was obtained from Public Records. Each of the seismic horizons was mapped in time and then depth converted, using the velocity function from the Sotamo 20-1 well. There is lack of deeper subsurface penetrations thus these depth maps are a best estimate which will be revised as subsurface data is acquired. The depth scale for the maps is in true vertical depth below sea level (TVDSS) with a -1500m in red to a +1000m in blue. All maps are scaled the same such that blue areas are shallower, green is moderate depth and red colors are the deepest portions of the basin or sub basin. A stratigraphic key is posted on the right hand portion of the seismic section which identifies the horizons. The key abbreviations are defined in the stratigraphic section presented in Figure 5.

### **Uulbayan Sub Basin**

The Uulbayan (UU) sub basin is located in the eastern portion of the Toson Tolgoi basin as shown in Figure 8. Seismic lines in this sub basin are 2013-04, 2013-05, 2013-10, 2013-11 and 2013-13. A geologic map with the sub basin outline and seismic line locations are presented in Figure 9, shot point numbers are indicated in black. The UU basin outline as defined by gravity and magnetics is indicated by the blue line.

Three structural leads have been identified based on seismic interpretation in the UU sub basin, UU1, UU2, and UU3. Leads are defined using PRMS guidelines as a project associated with a







these areas which positively impact oil generation for migration into the surrounding structural and stratigraphic traps often referred to as the “source kitchen”. In most cases the deeper the sediment is buried the higher the temperature and pressure which aides in oil generation. The geochemical survey documented oil and wet gas microseeps are evident over and in the margins of the Toson Tolgoi basin, further bolstering the source kitchen hypothesis.

Three leads have been identified in the UU sub basin, which have been summarized in Table 2. Primary targets for these proposed locations are the Tsagaantsav and LZ (Lower Zuunbayan). A secondary target is the Upper Zuunbayan. Stratigraphic potential is present in the UU sub basin, however additional seismic and sub-surface information will be required to better identify leads. Area volumes for the prospective resources were determined by using the structural interpretation based on seismic horizon interpretation to determine the maximum, minimum and most likely areas.

**Table 2 Summary of leads/proposed well locations in the Uulbayan sub basin**

Lead	Location	Depth meter	Trap Style	Formation
UU1	SP 6700 Line 2013-04 SP 1680 Line 2013-11	2200	Structural high within horst block and roll over into fault	Tsagaantsav & Lower Zuunbayan
UU2	SP 5200 Line 2013-04	2000	Roll over into fault	Tsagaantsav & Lower Zuunbayan
UU3	SP 2220 Line 2013-05	2000	Roll over into fault	Tsagaantsav & Lower Zuunbayan

The bounding sub basin faults are shown in black on the northeastern portion of Line 2013-04 (Figure 11). Normal faults are in red and do not penetrated every horizon. A paleovalley or structural low is present from SP 4800-5100. The Tsagaantsav is very thick in this portion of the UU sub basin, however the relief on the surface of the Sharyl is low compared with that of the TV sub basin. The Lower Zuunbayan varies in thickness and thins over the high in the Tsagaantsav at SP 5200, indicating the high was present during Lower Zuunbayan deposition. Numerous structural traps such as horst blocks, roll over into faults are evident on this line. Proposed locations for the structural leads identified as UU1, and UU2 are shown on this line near SPs 5200 and 6700. These leads are structural traps with UU2 on upthrown fault block and UU1 a rollover into a fault.

On line 2013-05 (Figure 12) the Tsagaantsav is thick throughout this entire line. A proposed location UU3 is located near SP 2200. The structure for this lead area is roll over within a horst fault block (up thrown) with faulted grabens on either side to the west and east. The Tsagaantsav looks very chaotic which might indicate a fluvial depositional environment (Bohacs, 2012) and the undulation on the top of the Lower Zuunbayan surface confirms an unconformable surface in this area. Numerous reflectors in the Lower Zuunbayan appear to come and go indicating the potential for stratigraphic traps. The Lower Zuunbayan thick areas coincide with lows in the surface of the Tsagaantsav. Basement faulting is prominent and may indicate why the Tsagaantsav is thicker in this area of the sub basin.



Figure 11 Northeastern portion of seismic Line 2013-04 (SP4700-7551) (SW-NE trending line)

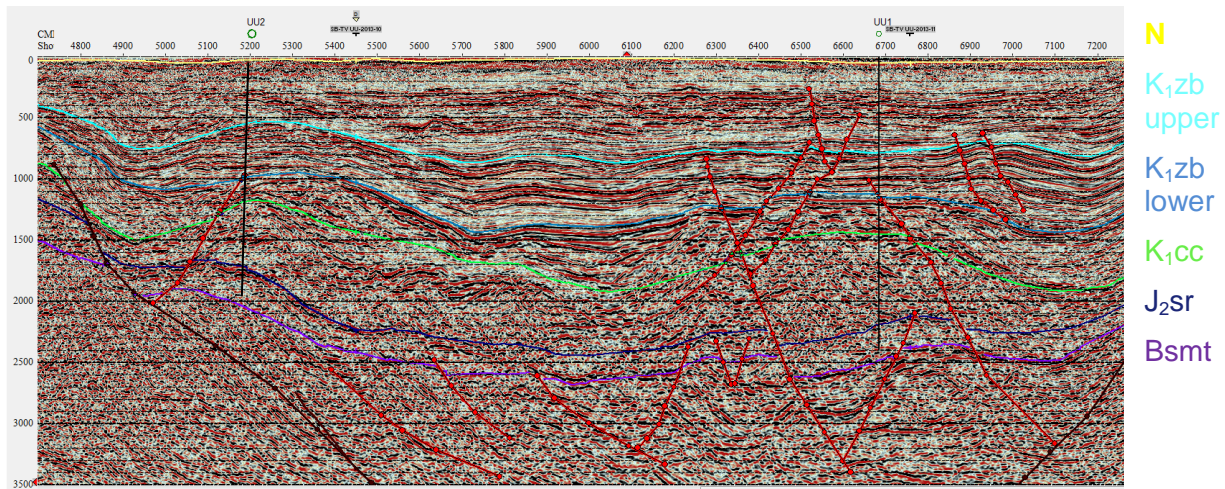
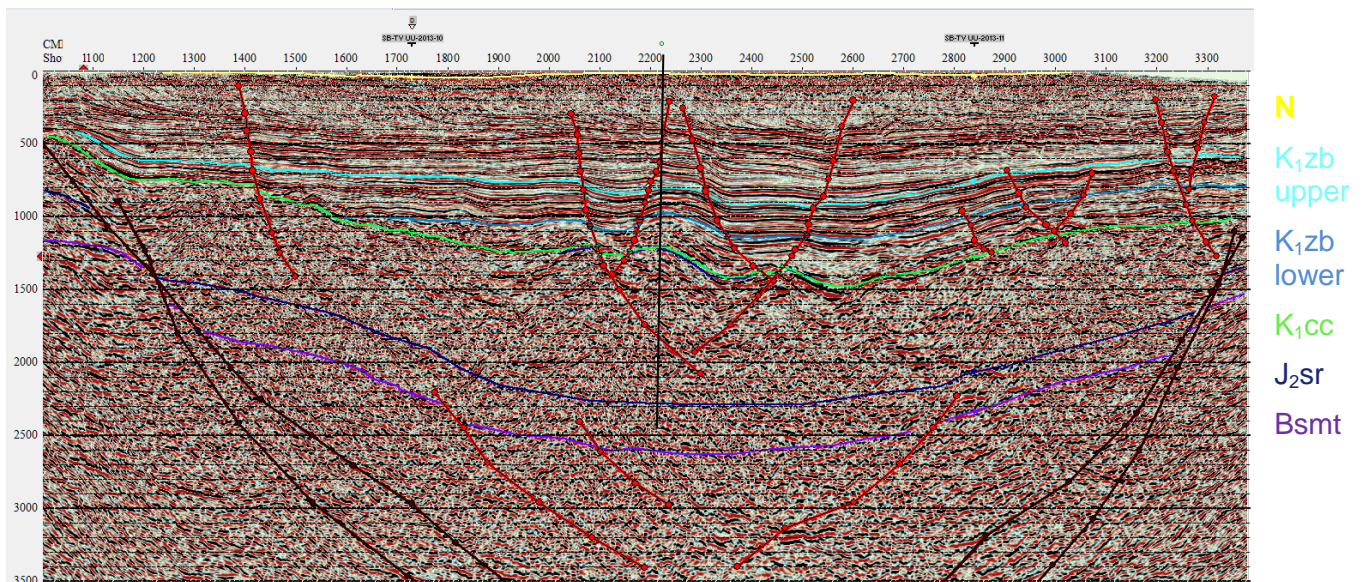


Figure 12 Seismic line 2013-05 (SW-NE trending line)



### Tuvshinshiree Sub basin

The Tuvshinshiree (TV) sub basin is located in western portion of the Toson Tolgoi basin as shown in Figure 8. Seismic lines in this sub basin are 2013-04, 2013-06, 2013-07, 2013-08, 2013-09 and 2013-12. A geologic map with the sub basin outline and seismic line locations are shown in Figure 13. Shot point numbers are indicated along with the TV sub basin outline as defined by gravity, magnetics and remote sensing is indicated by the black line.



Figure 13 Seismic line locations for the TV sub basin on the geologic map

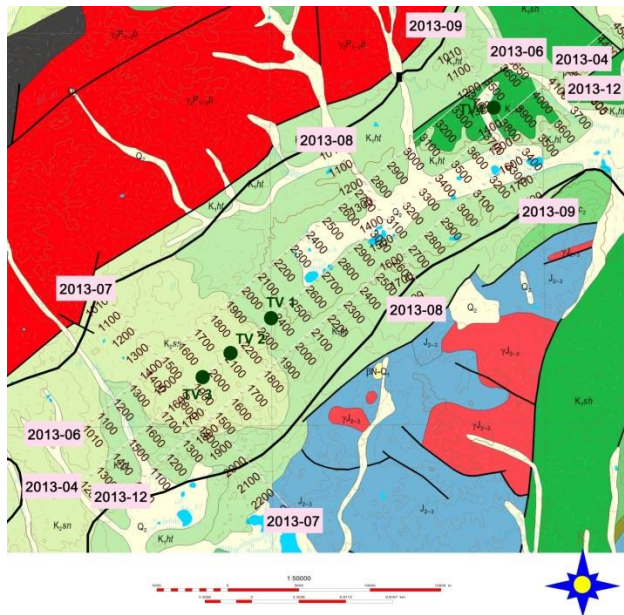
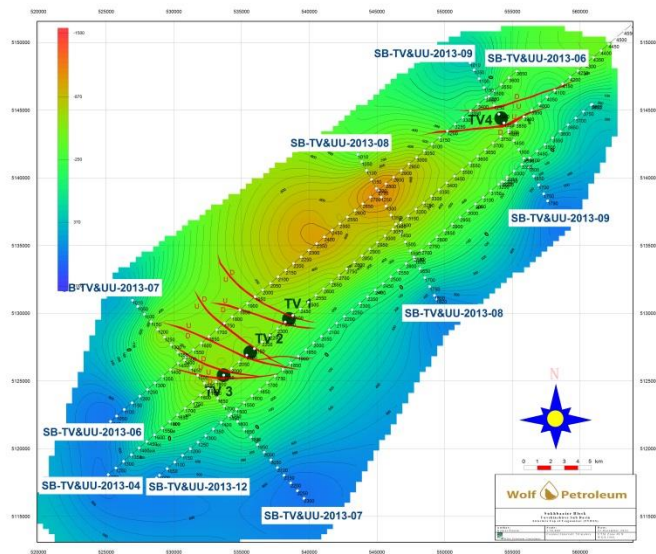


Figure 14 Structure top of Tsagaantsav (Cl=50 m)



The deeper portions of the sub basin, in orange indicate a possible source area for petroleum generation; the source rocks associated with the Tsagaantsav and Lower Zuunbayan are buried deeper in these areas which positively impact oil generation for migration into the surrounding structural and stratigraphic traps. These structurally low areas are often referred to as the “source kitchens”. In most cases the deeper the sediment is buried the higher the temperature and pressure which aids in oil generation. The geochemical survey documented oil and wet

gas microseeps are evident over and in the margins of the Toson Tolgoi basin, indicating a petroleum source is in the vicinity.

Proposed well locations for TV1, TV2, TV3, and TV4 are shown on both figures.

Four leads have been identified in the TV sub basin, which have been summarized in Table 3. Primary targets for these proposed locations are the Tsagaantsav and LZ (Lower Zuunbayan). A secondary target is the Upper Zuunbayan. These leads are structural, with closure demonstrated in several directions (three to four way closure). Stratigraphic potential is present in the TV sub basin, however additional seismic and sub-surface information will be required to better identify leads. Area volumes for the prospective resources were determined by using the structural interpretation based on seismic horizon interpretation to determine the maximum, minimum and most likely areas.

**Table 3 Summary of leads/proposed well locations in the TV sub basin**

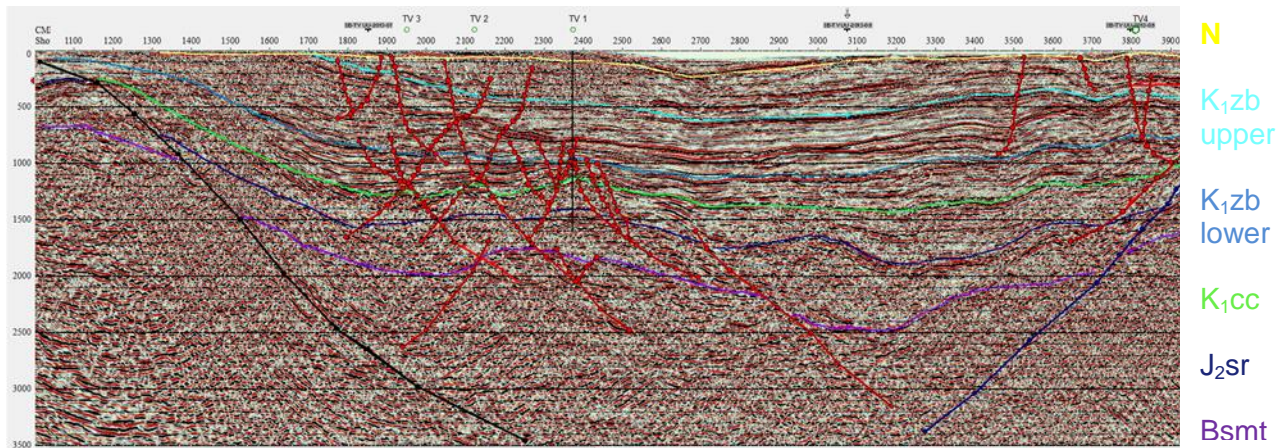
Lead	Location	Depth meters	Trap Style	Formation
<b>TV1</b>	SP 2400 Line 2013-04	2000	Structural high horst block	Tsagaantsav & LZ
<b>TV2</b>	SP 2120 Line 2013-04	2000	Structural high horst block	Tsagaantsav & LZ
<b>TV3</b>	SP 1950 Line 2013-04	2000	Structural high horst block	Tsagaantsav & LZ
<b>TV4</b>	SP 1340 Line 2013-09	2000	Structural high horst block	Tsagaantsav & LZ

The southwestern portion of Line 2013-04 traverses the TV sub basin from SP 1000-4100 and is presented in Figure 15. The bounding basin faults are shown in black on the left hand side of the line between SP 1000 to 2100. Normal faults are shown in red and do not penetrated every horizon. The high between TV and UU is evident near SP 4000. The Neogene is pervasive throughout the near surface in yellow. The geologic map (Figure 6) indicates that the Upper and Lower Zuunbayan (K1sh and K1ht) should be present at the surface which directly contradicts the seismic data. Thus the geologic map was not used extensively in the near surface interpretation of the seismic data.

Faulting between SP 1700 to 2400 (2013-04) indicates fault traps in horst blocks (up thrown blocks) in both the Lower Zuunbayan and the Tsagaantsav. A thick wedge of sediment is present in the Tsagaantsav between SP 3000 through 3800, the wedge onlaps onto a high in the Sharyl at SP 3000. Formations thin over the high between the TV and UU sub basins, thus the high must have been present during deposition. Proposed locations for the structural leads identified as TV1, TV2 and TV3 are shown on this line between SPs 1900-2400. These leads are structural traps on upthrown fault blocks.

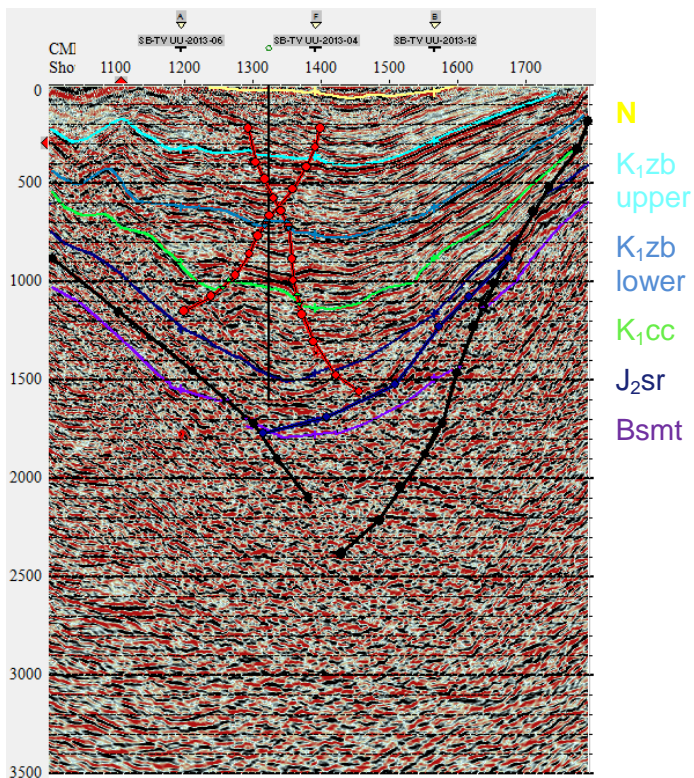


Figure 15 Southwestern portion of line 2013-04 (SP 1000-4100) (SW-NE trending line)



Line 2013-09 (Figure 16) is located on the north edge of the TV sub basin. A structural high at SP1300 is present in the Tsagaantsav and Lower Zuunbayan horizon levels. There is a general thickening in the sediment near the center of the sub basin between SPs 1300-1400. Proposed location TV-4 is shown on this line near SPs 1300. This lead is an upthrown fault block.

Figure 16 Seismic line 2013-09 (NW-SE trending line)

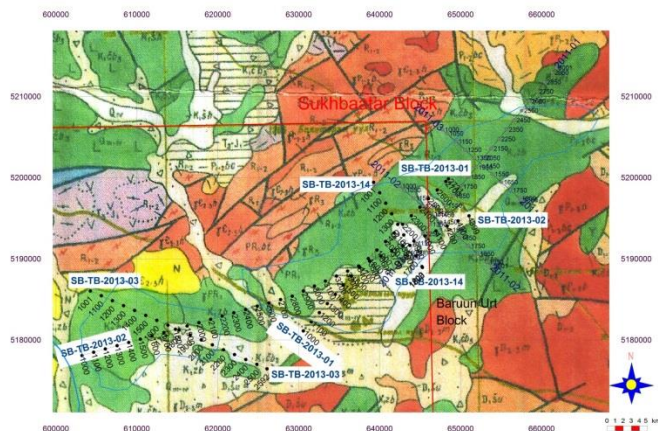




## Talbulag Basin

The Talbulag (TB) basin is located in eastern portion of the Sukhbaatar block as shown in Figure 8. Seismic lines in this sub basin are 2013-01, 2013-02, 2013-03, and 2013-14. A seismic program conducted in 2011, on the Baruun Urt block which is adjacent to the east. The interpretation included three of the 2011 lines as shown in dark blue on Figure 33. The TB basin outline as defined by gravity and magnetics is indicated by the light blue polygon. To the west of the main Talbulag basin is a small sub basin identified as Talbulag Extension (TB\_ext). The northeastern edge of the UU basin is shown by the blue line in the lower left hand corner of Figure 17. The TB basin is present on both the Sukhbaatar and Baruun Urt blocks.

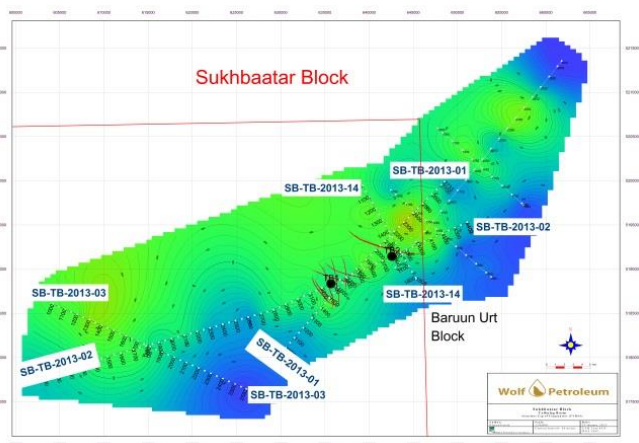
Figure 17 Seismic line locations for the TB sub basin on the geologic map



Two seismic lines were shot across TB\_ext, lines 2013-03 and 2013-02. Stratigraphic traps are the best opportunity for petroleum production in TB\_ext, very little faulting has been identified.

Presented below is the structural surface for the deepest potential reservoir horizon, the Tsagaantsav (Figure 18). Faulting is indicated in red on the map and is normal in offset. The structure on the top of the Tsagaantsav indicates a deeper area in green on the north side of the basin. The proposed location of wells TB-1 and TB-2 are shown on the structure map.

Figure 18 Structure Top Tsagaantsav (CI=50 m)



Two leads have been identified in the TB basin, which have been summarized in Table 4.

**Table 4 Summary of leads/proposed well locations in the Talbulag basin**

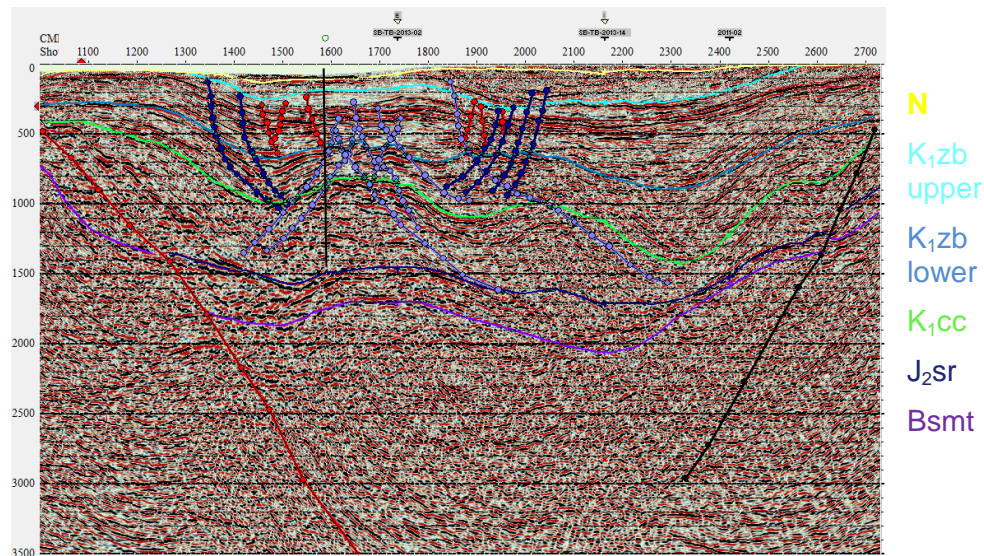
Lead	Location	Depth meter	Trap Style	Formation
<b>TB1</b>	SP 1600 Line 2013-01	2200	Structural high within horst block	Tsagaantsav & LZ
	SP 3400 Line 2013-02			
<b>TB2</b>	SP 3900 Line 2013-02	2000	Roll over into fault	Tsagaantsav & LZ

Primary targets for these proposed locations are the Tsagaantsav and LZ (Lower Zuunbayan). A secondary target is the Upper Zuunbayan. Stratigraphic potential is present in the TB\_ext sub basin and the Talbulag basin, however additional seismic and sub-surface information will be required to better identify leads.

No area volumes for prospective resources were determined on the Sukhbaatar Block portion of the TB basin due to the position of the seismic lines. The lines were too close together to adequately define the structure. Only a small portion of the structure was present on the seismic line and additional definition is needed to further refine the area.

In Figure 19, line 2013-01 shows the faulting complexity in this basin. The projected location of proposed well TB1 is shown on a faulted high block near SP 1600. There is a structural low, possibly a paleovalley located on the Tsagaantsav level at SPs 2200-2400; both the Upper and Lower Zuunbayan are thick in this area. The Tsagaantsav thickens to the west of this area.

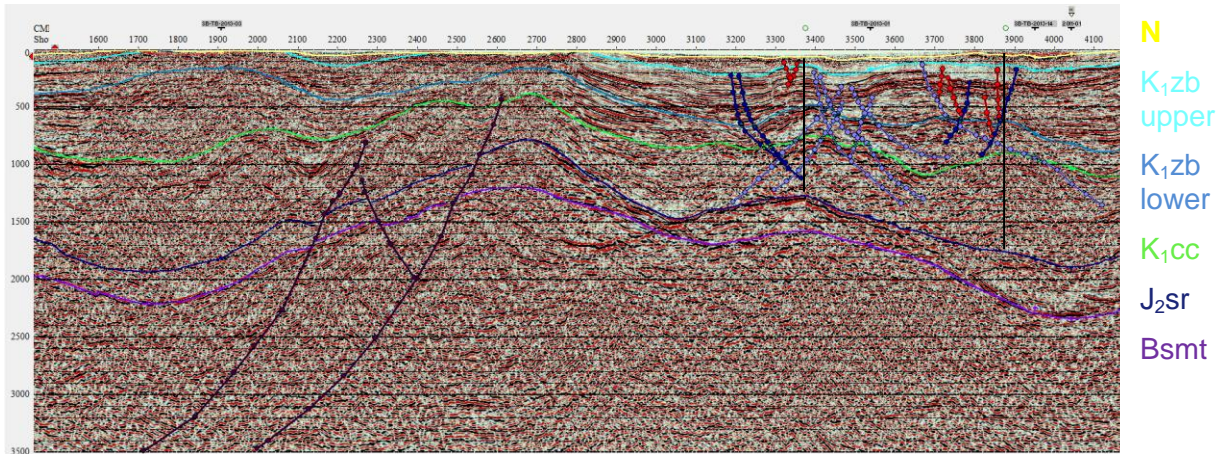
**Figure 19 Seismic line 2013-01 (SW-NE trending line)**





The Talbulag basin is present in Figure 20 from SPs 2700 through 4300. The structural complexity is evident with the faulting between SPs 3100 through 3800. The Tsagaantsav interval is thicker on both the eastern and western sides of this basin, which corresponds with lows in the Sharyl and basement horizons. These most likely represent paleovalleys. Proposed well TB1 is located on a faulted high block (SP 3400). Proposed well TB2 is located on a roll over into a fault block near SP 3300.

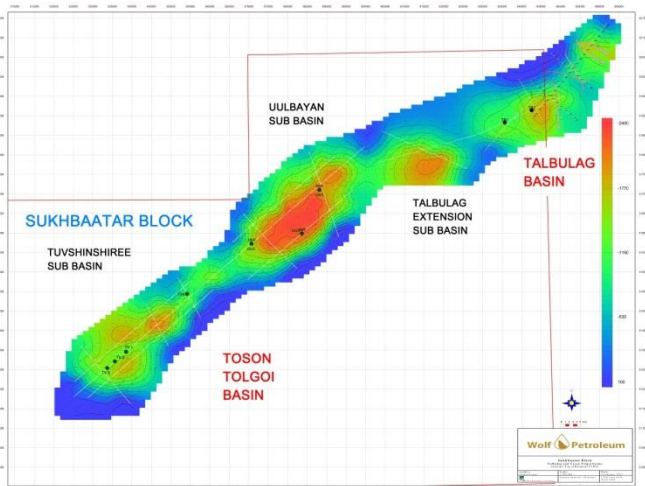
Figure 20 Seismic Line 2013-02 (SW-NE trending line)



### Basement UU, TV and TB

The basement seismic horizon was mapped in time and then depth converted, using the velocity function previously discussed. These depth maps are estimated. The depth scale for the maps is TVDSS with a -2400 m in red to a +1000m in blue. A basement structure map for both the Toson Tolgoi and the Talbulag basins is presented in Figure 21. The orange and red

Figure 21 Basement TVDSS structure map (CI = 50m)



colors represent the deepest portions of the basin or sub basin at the beginning of rifting or basin formation. The UU sub basin was the most prominent low feature prior to deposition of the Sharyl formation. The UU sub basin is developed in a large low area in the basement



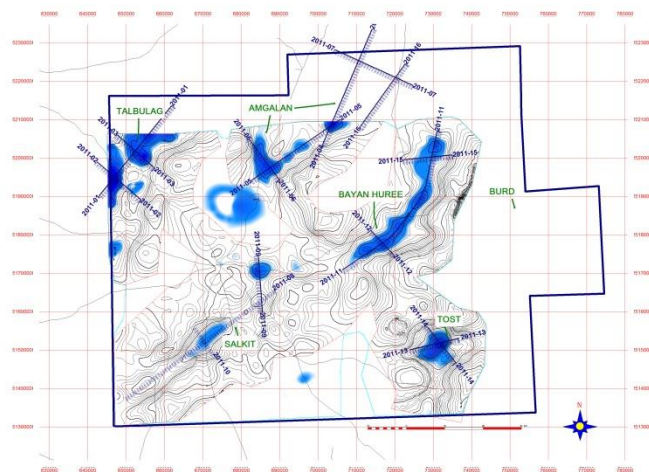
surface, but is a fairly flat surface. In contrast, the basement surface in TV, TB\_ext and TB has more surface relief as indicated by the numerous smaller orange areas.

The basement structure indicates that the TB basin was most likely in connection with the Toson Tolgoi Basin (UU and TV sub basins). This would be key for petroleum migration up dip into the TB basin.

## **Baruun Urt Block**

The Baruun Urt Block (BU) is located in eastern Mongolia. Gravity, magnetic and seismic surveys have been completed on this block by AMO (2011). The BU block area has been interpreted by AMO as a new basin called Sukhbaatar. The total area of the Baruun block is 10,287 km<sup>2</sup>.

**Figure 22 Location of BU sub basins**



Six gravity lows have been identified on the BU block which represent sediment thicks or sub basins. The sub basins are listed below:

- Tost
- Talbulag
- Salkit
- Bayan Huree
- Amgalan
- Burd

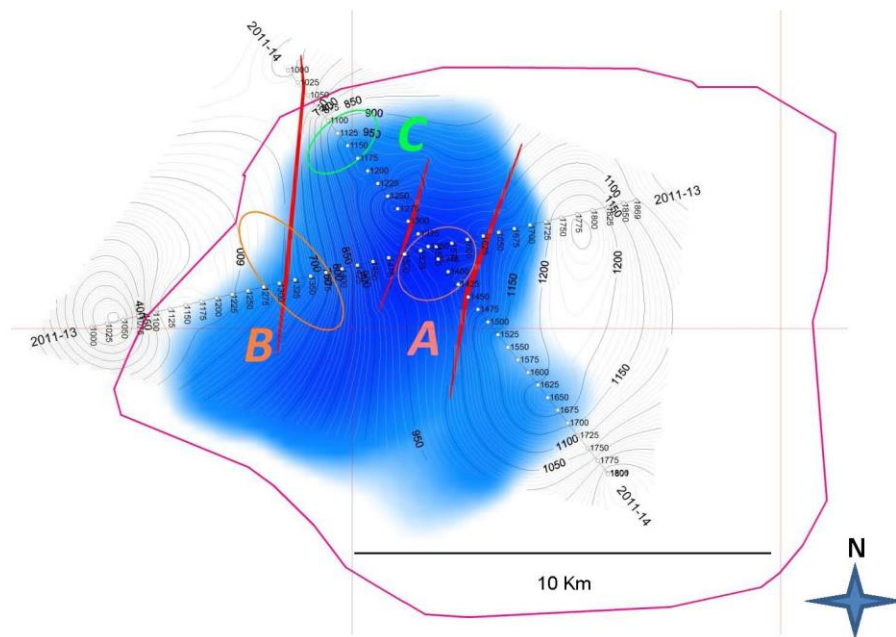
These sub basins were defined by gravity and magnetic surveys which were conducted on BU in the late spring and summer of 2011. The gravity and magnetic survey grids were incomplete and plans to connect the data gaps are pending.

In August and September 2011 sixteen lines of regional 2D seismic was shot over the gravity thicks previously identified. Processing and interpretation of the newly acquired 2D data began at the end of 2011. There are no well penetrations on this block.

Due to the regional nature and limited coverage of the seismic only two sub basins could have leads identified with sufficient detail to be able to determine areas for calculation of prospective resources. These leads are in the sub basins Tost and Talbulag.

The Tost Graben is located in the southeast portion of BU as shown on Figure 22. Tost is the deepest of the BU grabens that was confirmed by seismic with an estimated thickness greater than 2100 meters. Tost has two seismic lines 2011-13 and 2011-14 as shown in Figure 23. Faults are shown in red and the seismic reflectors are identified by the color code to the right of the line, definitions of the seismic horizons were presented in Figure 5.

**Figure 23 Location of Tost Sub basin seismic lines on gravity thicks in blue, structure map is in time (milliseconds).**



Structural potential traps include Horst blocks and high side of normal faults in both the Zuunbayan and Tsagaantsav formations. An example seismic line (2011-13) is shown in Figure 24 and the line location is identified in Figure 23. Roll over into a fault is shown between shot points 1275 and 1350 on Figure 24. In addition, an up thrown fault block is shown between shot points 1510 and 1620 (Figure 24).

Figures 25 and 26 present a structure map (TV DSS) and seismic line (2011-01) for the Talbulag Basin (TB) located on both Baruun Urt and Sukhbaatar blocks. The structure map a depth map on the top of the Tsagaantsav, blue areas indicated deeper portions of the basin. Line 2011-01 is labeled on this map and shown in Figure 26. Two upthrown horst blocks near shot points 1700-1800 and 2100-2200 are the main leads on the BU portion of this basin. Figure 25 presents the approximate location of Leads D, E, F, G, H and I. These leads will be further addressed in the Prospective Resources section for the BU block.

The seismic indicates that this portion of TB is shallower than the other sub basins (UU and TV) on the Sukhbaatar Block however faulting is present and the sub basin appears to be in connection with the other sub basins for migration of hydrocarbons.

Figure 24 Seismic line 2011-13, Southwest-Northeast trending line in Tost sub basin.

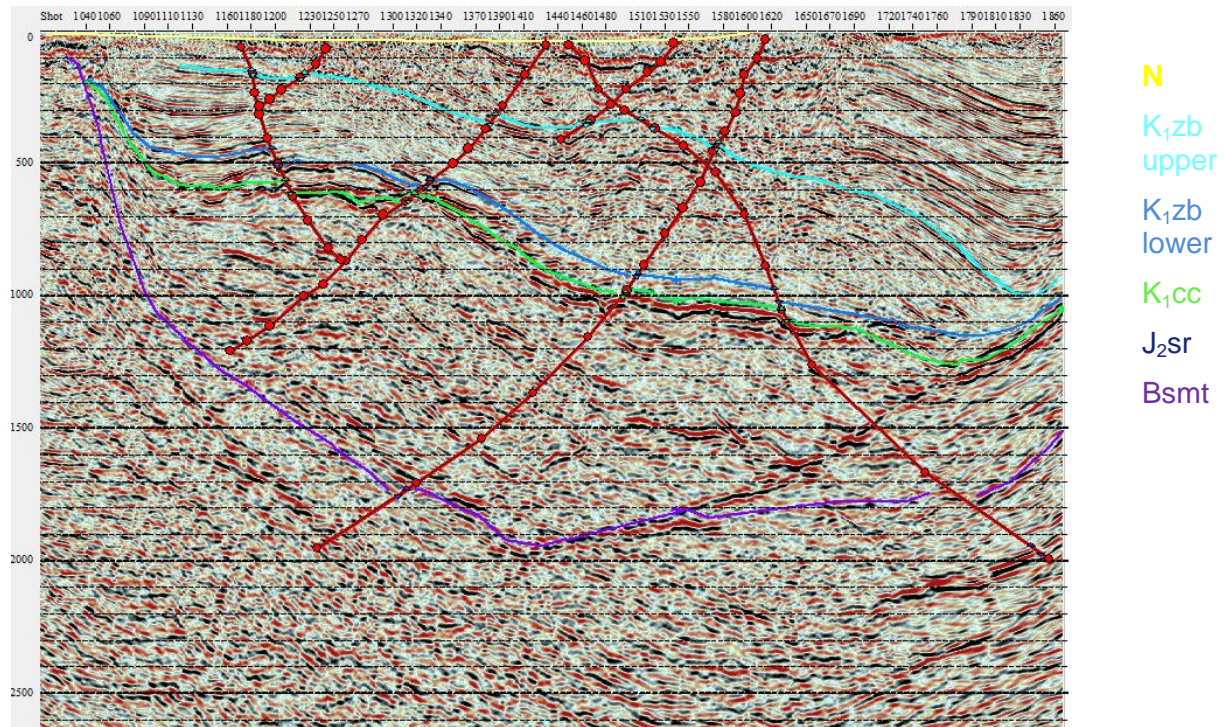


Figure 25 Structure Map on the top of Tsagaantsav TVDSS

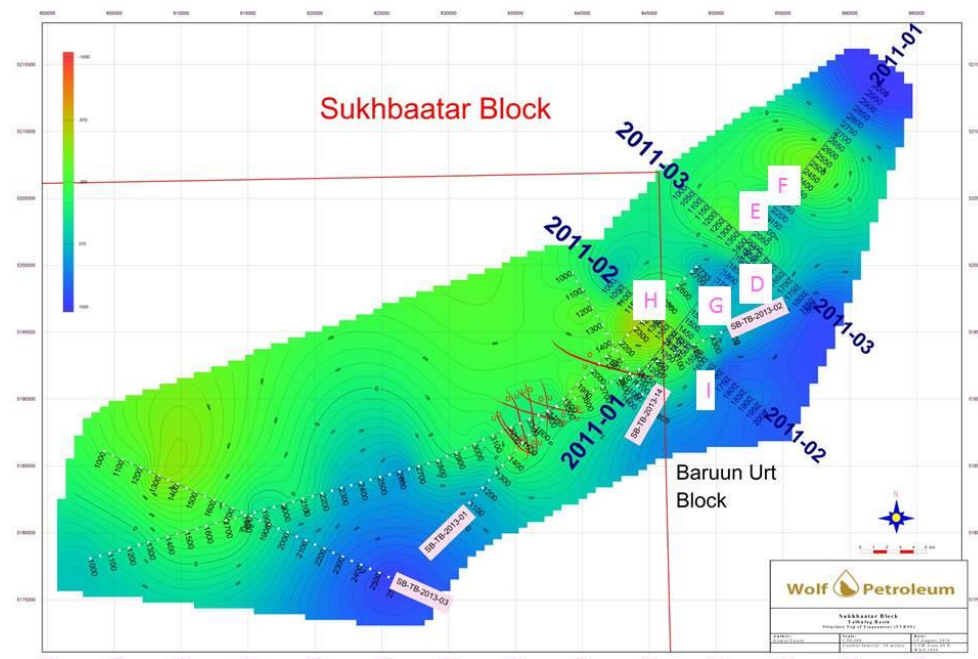
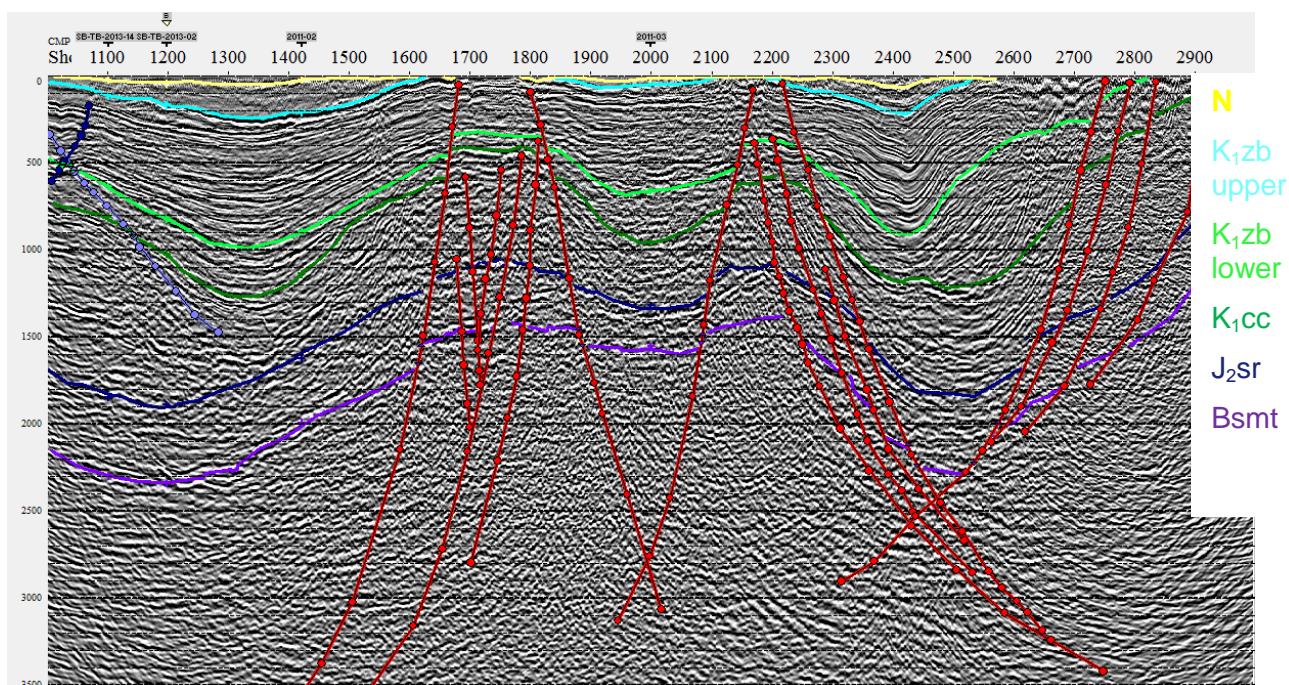




Figure 26 Seismic Line 2011-01 SW-NE trending line



The regional nature of the BU seismic allowed for identification of gross structures, but detail definition will require a tighter seismic grid. In addition, the northern area of BU has not been fully defined by gravity, magnetic and seismic data.

## ***Jinst Block***

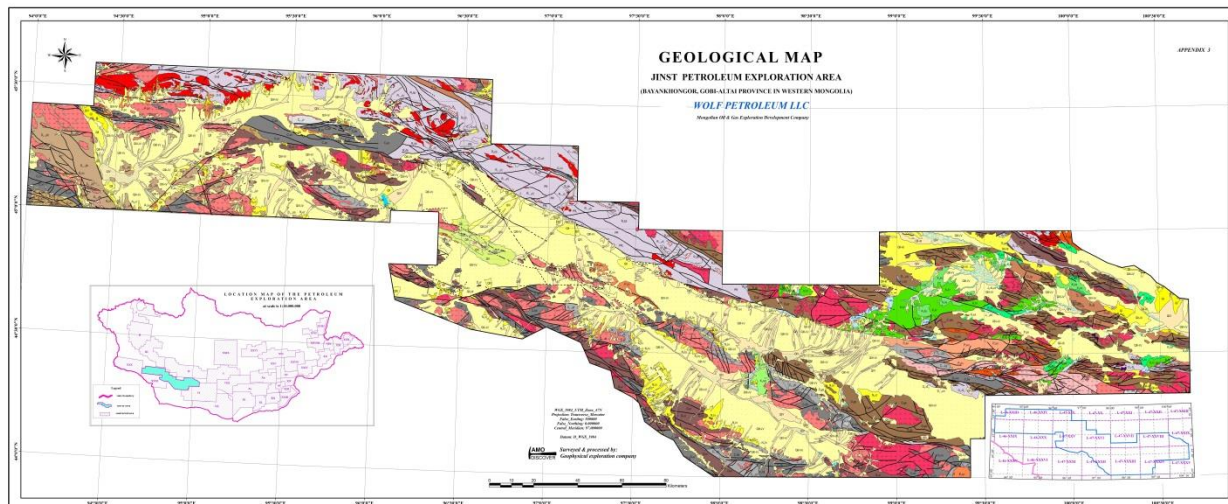
Jinst is the largest petroleum exploration block in Mongolia with total area of 41,790 km<sup>2</sup>. Gravity and magnetic surveys and geologic mapping have been completed on the Jinst Block at a scale of 1:500,000. Field activities were conducted by AMO Discover LLC (AMO) in the fall of 2011.

### Geology

Geology of the Jinst block consists of Proterozoic basement, Paleozoic (metamorphic and volcanic rocks of Cambrian, Cambrian-Ordovician, Ordovician-Silurian, Devonian, Carboniferous, and Permian age), Mesozoic (terrestrial sedimentary and volcanic rocks of Late Jurassic, Late Jurassic-Early Cretaceous, and Cretaceous age) and Cenozoic (Paleogene, Neogene and Quaternary) rocks. Based on the characteristics of distribution, special feature and hosted fossil remnants of the rocks, more than sixty formations have been classified within the area. The geologic map of the entire Jinst block is presented in Figure 28 at a scale of 1:500,000. Structural complexity is apparent on the surface geology. Cretaceous outcrops are shown in green on the map. Reservoirs on this block are anticipated to be Permian, Jurassic or Cretaceous; there have been no deep sub surface penetrations on this block. Exploration activities by other operators on blocks north of Jinst have identified major sub basins similar play types comparable to prolific fields in northeast China and northwest China ( ie. Junggar and Turpan basins (Petromatad.com)).



Figure 27 Geologic Map of the Jinst Block

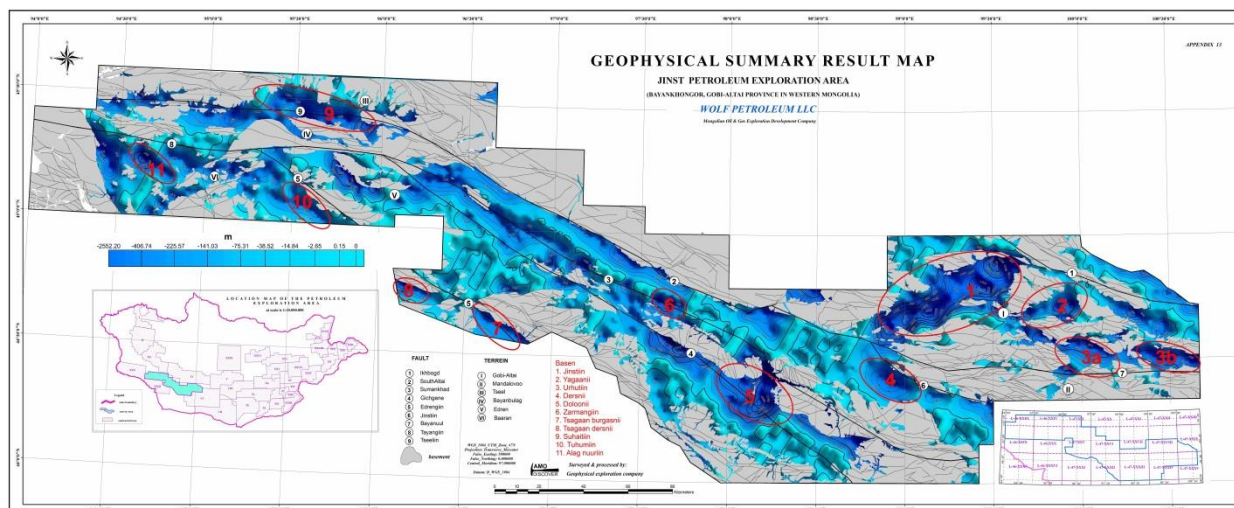


### Gravity and Magnetic Surveys

Gravity and Magnetic surveys were completed in the fall of 2011 for the Jinst Block. Magnetic surveys were completed at a scale of 1:500,000. Six terranes were identified in the magnetic survey Gobi-Altai (I), Mandalgobi (II), Tseel (III), Bayanbulag (IV), Edren (V) and Baaran (VI). These terranes were separated by northwest to southeast trending deep faults and different complex structures for each terrane. The terranes were controlled by boundary between positive and negative anomalies, vertical and horizontal changes of the magnetic anomalies, and they were under metamorphic zone related to the deep faults and tectonic activities.

The gravity survey was completed using 2,050 physical points. A total of 2071 rock sampling were collected for petrophysical measurements. Density of lower Cretaceous sedimentary rocks is relatively low and it will assist in determining the thickness of the sedimentary fill by gravity anomalies. During this investigation 12 sub basins were identified on the Jinst block as shown on Figure 28.

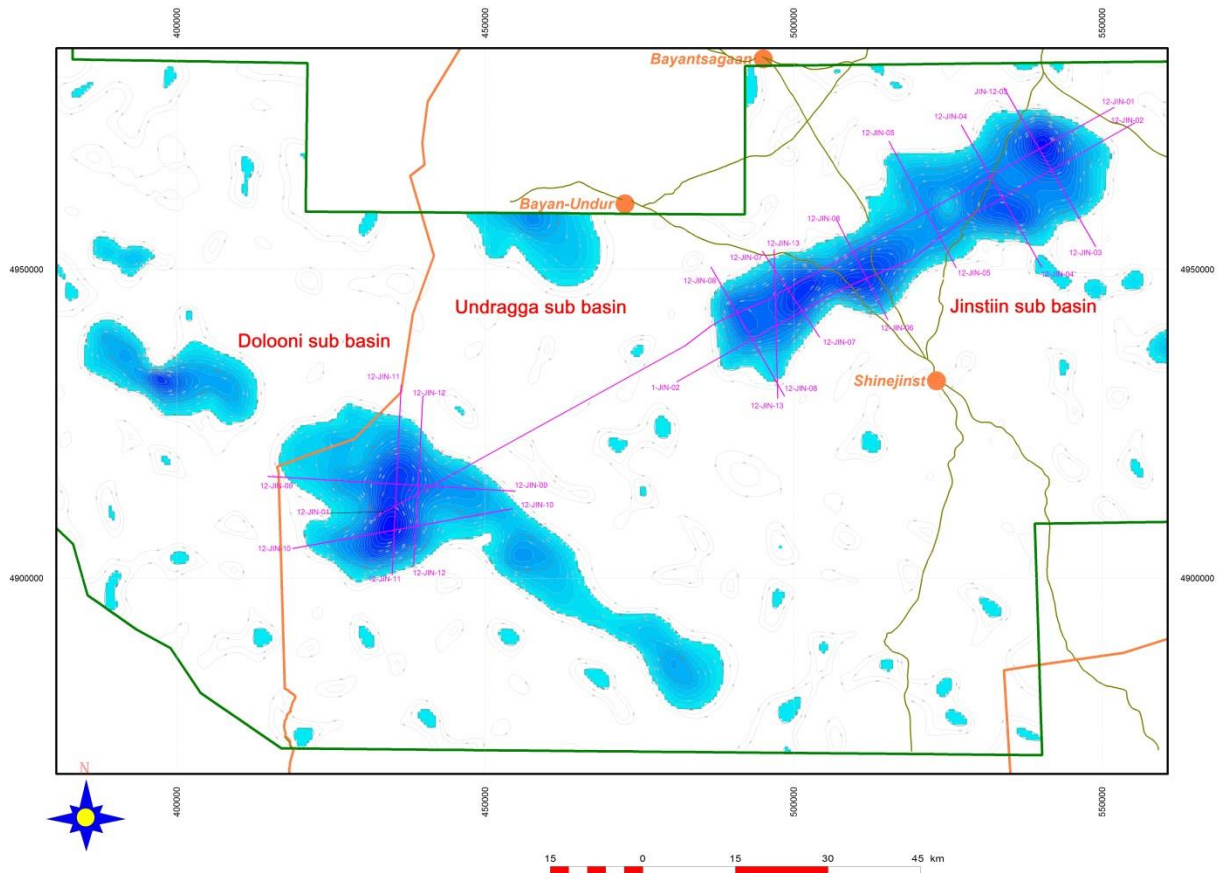
Figure 28 Geophysical result map for Jinst Block (AMO, 2011)





Two sub basins that were identified in the gravity and magnetic investigations were targeted for the first round of seismic at Jinst, the Jinstiin and Dolooni sub basins shown in Figure 29.

**Figure 29 Gravity thicks and sub basins targeted for seismic on the Jinst Block.**



Jinstiin is a depression that is elongated from the northwest to southeast approximately 75 km long and 15-20 km wide. Sediment thicknesses are estimated to be 2000 to 2500 meters. The Dolooni depression is 25 km long and 20 km wide with depths ranging from 1200 to 2100 meters.

Preliminary results from review of the satellite imagery indicate some folding and alteration in the Cretaceous aged rocks as indicated by the geologic map. This alteration may be an indication of the presence of hydrocarbons. Within the Jinst area there are widely spread Mesozoic (P-J-K) and Cenozoic (N-Q) sediments which are likely to be hydrocarbon generating sources. Meanwhile, these are the main source sequences for black and brown coals throughout Mongolia. They also, include coaly shale and other types of rocks containing organic macerals, oil shale and bituminous shale as well. Petroleum shows have been reported to the north and south of the Jinst block.

A proposed seismic program is presented in pink on Figure 29 which only targets the two largest basin areas for the initial investigation.

# Prospective Resources

Prospective resources were estimated for Sukhbaatar and Baruun Urt blocks (Gomez and Seidle, 2014). Jinst and portions of the other blocks require additional data to elevate the potential areas to leads under the PRMS definition for estimation of prospective resources.

These prospective resources, compliant with the PRMS Guidelines (November 2011), were calculated volumetrically in a series of Monte Carlo realizations driven by data provided by Wolf Petroleum and augmented with public domain information where necessary.

## Sukhbaatar Block

Prospective oil resources in the Uulbayan (UU) and Tuvshinshiree (TV) sub basins in the Sukhbaatar block located in eastern Mongolia have been estimated. Prospective oil resource distributions developed from Monte Carlo realizations for these sub basins are listed and plotted in Figures 30 and 31 (Gomez and Seidle, March 7, 2014).

Figure 30 Sukhbaatar block, Uulbayan subbasin prospective oil resources estimates

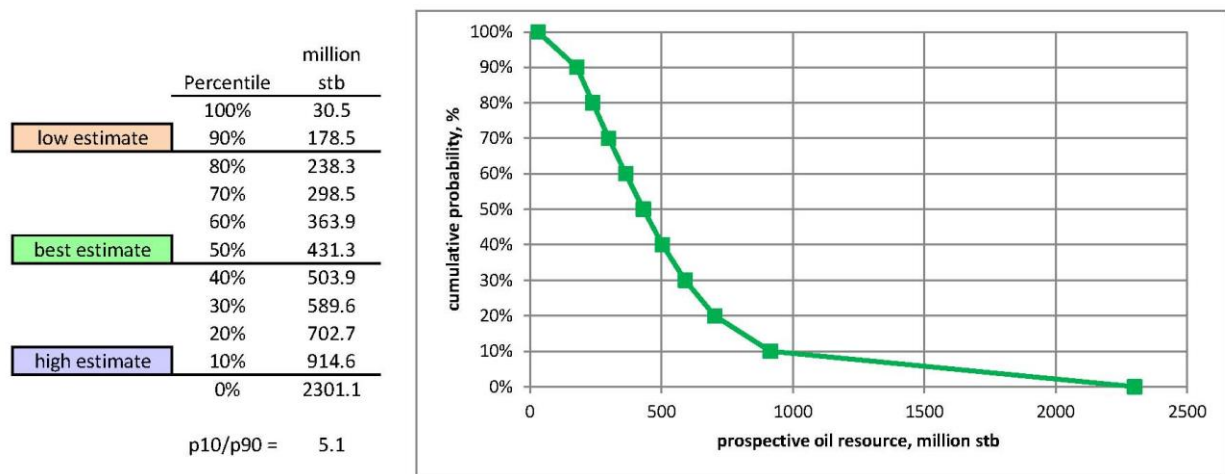
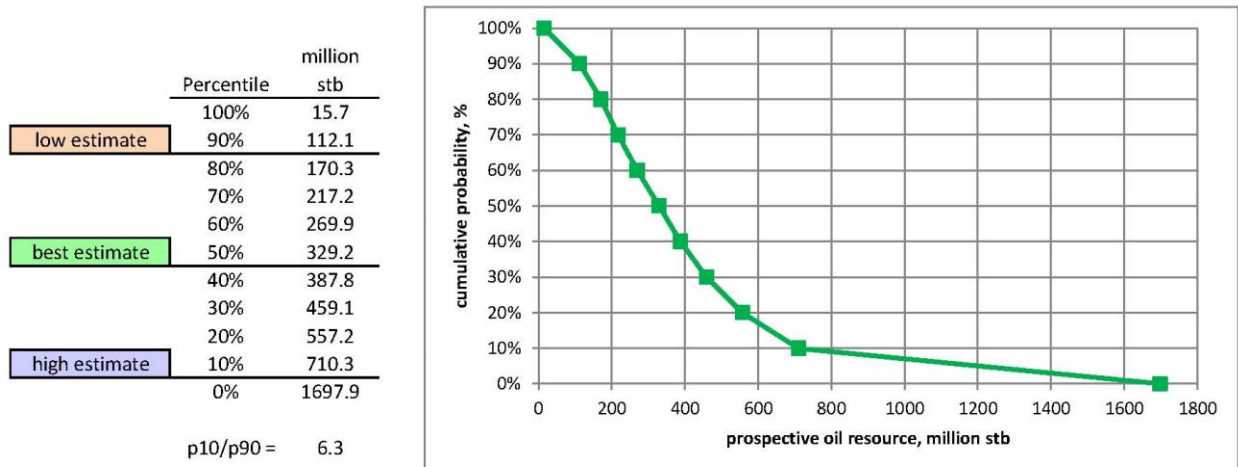


Figure 31 Sukhbaatar block, Tuvshinshiree subbasin prospective oil resources estimates



The low, best estimate, and high prospective resource estimates for UU are 179 million barrels, 431 million barrels, and 914 million barrels, respectively. The low, best estimate, and high prospective resource estimates for TV are 112 million barrels, 329 million barrels, and 710 million barrels, respectively.

The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons. The effective date of these prospective resource estimates is Feb 26, 2014. Evaluation of the Sukhbaatar block is in the preliminary stages. Prospective resources estimated here, based upon current geoscience interpretations, can reasonably be expected to grow as evaluation of this block proceeds and additional leads and target reservoirs are identified.

Gravity, magnetic and remote sensing studies on the Sukhbaatar block indicate that there are two Cretaceous aged Basins, Toson Tolgoi and Talbulag. Within these two basin areas seven sub basins have been identified. The focus of this report is only in the Toson Tolgoi basin and two of the sub basins located within it, specifically the Uulbayan subbasin and the Tuvshinshiree subbasin. Approximately 340 km of 2D seismic were shot in these two sub basins. The lines evaluated include 2013-04 through 2014-13. Ongoing evaluation of the seismic data has identified seven structural leads in these two sub basins on the Sukhbaatar block. Leads in these two sub basins were defined in sufficient detail to warrant estimation of prospective resources.

The three leads in UU and the four leads in TV, identified above and listed in Table 5, follow the PRMS Guidelines definition of a lead as a project associated with a potential accumulation that is currently poorly defined and requires more data acquisition and/or evaluation in order to be

**Table 5 Uulbayan and Tuvshinshiree area distributions**

Subbasin	Lead	Formation	Minimum acres	Most Likely acres	Maximum acres	comments/ref
Uulbayan	1	L Zuunbayan	1,323	21,803	28,630	Northern area - UU1
		Tsagaantsav	2,960	22,870	29,507	
	2	L Zuunbayan	1,265	2,383	2,756	Western area - UU2
		Tsagaantsav	2,010	4,397	5,193	
	3	L Zuunbayan	714	8,531	11,136	Central area - UU3
		Tsagaantsav	858	8,146	10,575	
Tuvshinshiree	1	L Zuunbayan	7,150	15,420	18,177	Southern basin - TV 1, 2, & 3
		Tsagaantsav	3,300	17,583	22,344	
	2	L Zuunbayan	466	5,521	7,206	Northern basin - TV 4
		Tsagaantsav	1,375	7,603	9,679	

classified as a prospect. The geology of these leads has been previously described.





Note that all leads evaluated here are structural leads. In addition to these leads, additional as yet undiscovered stratigraphic leads are likely to be identified by future geophysical work and geologic investigation.

Three formations within each lead, the Upper and Lower Zuunbayan and Tsagaantsav, may be hydrocarbon bearing. Current geoscience interpretations indicate the Upper Zuunbayan formation is gas-prone; consequently it was neglected for this study. Both the Lower Zuunbayan and Tsagaantsav formations are oil-prone and were assumed to host four target reservoirs each. Volumetric calculation of prospective resources requires area, net thickness, porosity, water saturation, formation volume factor, hydrocarbon fill factor (chance of trap being filled with hydrocarbons or risk of discovery), and recovery factor. Monte Carlo realizations of prospective resources require distributions for each of these seven parameters.

Areal distributions were assumed to be triangular. Endpoint and most likely values for each formation in each lead, listed in Table 5, were estimated from geophysical data.

As no wells have penetrated any of the three formations in the Uulbayan and Tuvshinshiree leads, the net thickness, porosity, water saturation values for the triangular distributions collected in Table 6 were drawn from public domain data.

**Table 6 Rock property distribution by formation**

Lower Zuunbayan		Distribution Parameters		
thickness, ft =	40	60	571	triangle-min/most likely/max
porosity, % =	7.5	16	30	triangle-min/most likely/max
Sw, % =	25	35	50	triangle-min/most likely/max
Tsagaanstsav		Distribution Parameters		
thickness, ft =	98	243	656	triangle-min/most likely/max
porosity, % =	9.6	12	25	triangle-min/most likely/max
Sw, % =	25	35	50	triangle-min/most likely/max

Table 7 contains distributions of the oil formation volume factor (FVF), recovery factor, and hydrocarbon risk factor used in our work.

**Table 7 Oil FVF, recovery factor and hydrocarbon risk factor distributions**

Distribution Parameters				
Oil FVF, rb/stb =	0.999	1.044	1.068	triangle-min/most likely/max
recovery, % =	3	5	9	triangle-min/most likely/max
Hydrocarbon risk factor =	0	1		uniform-endpoints

Oil formation volume factors were calculated with industry standard correlations assuming a 35° API oil with a GOR of 72 scf/stb at pressures and temperatures expected in the target reservoirs. The resulting triangular FVF distribution had minimum, most likely, and maximum values of 0.999 rb/stb, 1.044 rb/stb, and 1.068 rb/stb, respectively.

The triangular recovery factor distribution with minimum, most likely, and maximum values of 3%, 5%, and 9%, respectively, reflects values commonly applied by the industry to reservoirs with undersaturated oil expansion or weak solution gas drives.

The risk of a formation being charged with hydrocarbons, i.e., the risk of a discovery, was captured with the hydrocarbon fill factor. Based on current geoscience interpretations, the oil risk factor in both the Lower Zuunbayan and Tsagaantsav formations was assumed to be a uniform distribution ranging from 0 (no oil) to 1 (certain oil).

These seven distributions are not unique but are reasonable in light of current data for these sub basins.

Prospective oil resources for the UU and TV sub basins were generated with Monte Carlo realizations using Crystal Ball software. For each subbasin, the three step process began with calculating prospective resource distributions for each of the eight reservoirs in a given lead (four in each of the Lower Zuunbayan and Tsagaantsav formations). The second step involved using these reservoir distributions as inputs to create Monte Carlo realizations of prospective oil resources for the lead. Current geoscience understanding of this play is that if one reservoir in a formation is charged with hydrocarbons, the remaining reservoirs in the formation are likely to be similarly charged. This fairly high dependence between the reservoir distributions in a given formation was honored specifying a correlation coefficient of 0.7 in Crystal Ball. Sensitivity runs showed the prospective resource distributions are only weakly affected by the exact numerical value of the correlation coefficient. The third and final step was use of the prospective resource distributions developed for the individual leads to drive a Monte Carlo realization of the subbasin prospective resources. As occurrence of hydrocarbons in one lead is thought to be independent of hydrocarbon presence in other leads in a subbasin, a correlation coefficient of zero was assigned in these Crystal Ball simulations.

Throughout this work, the P90 value from a particular Monte Carlo distribution (90% of all realizations were equal to or greater than this value) was taken as the low estimate. The P50 median value of the distribution (half of all realizations were smaller, half were greater) was used as the best estimate of the prospective resource. The P10 value of the distribution (10% of all realizations were equal to or greater than this value) was utilized as the high estimate. The low, best estimate, and high prospective resource estimates for UU are 179 million barrels, 431 million barrels, and 914 million barrels, respectively. This estimate of prospective petroleum resources must be read in conjunction with the cautionary statement on page one that the estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development.

**Table 8 Ranked best estimates of Uulbayan prospective oil resources by lead**

Lead	million stb	Lead Prospective Resources %	Cumulative Prospective Resources %
1	264.0	64.3%	64.3%
3	98.3	24.0%	88.3%
2	48.0	11.7%	100.0%
total	410.3	100.0%	x

Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons. The ratio of high to low resource estimates of 5.1 is smaller by a factor of two or three compared to those commonly seen in early stage exploration plays. The low value seen here reflects the necessity of using the same distributions for thickness, porosity, and water saturation (Table 6) for all reservoirs within a given formation. Ranking individual lead best estimate volumes in Table 8 indicates lead 1 holds two-thirds of the prospective resources for this subbasin, lead 3 one-fourth, and lead 2 one-eighth.

The TV sub basin prospective oil resource distribution, shown in Figure 31, has low, best estimate, and high values of 112 million barrels, 329 million barrels, and 710 million barrels, respectively. This estimate of prospective petroleum resources must be read in conjunction with the cautionary statement on page one that the estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons. Similar to the Uulbayan subbasin, the Tuvshinshiree ratio of high to low prospective resources of 6.3 is smaller than that typically seen in similar exploration plays due to the necessity of using of the same distributions for thickness, porosity, and water saturation (Table 6) for all reservoirs within a given formation. Ranking individual lead best estimate volumes in Table 9 shows three-fourths of the prospective resources for this subbasin are in lead 1 and one-fourth in lead 2.

**Table 9 Ranked best estimates of Tuvshinshiree prospective oil resources by lead**

lead	million stb	Lead Prospective Resources %	Cumulative Prospective Resources %
1	238.2	72.3%	72.3%
2	91.4	27.7%	100.0%
total	329.6	100.0%	x

Although the risk of development currently appears low, it was not quantified for this study. From our perspective, the risk of development for these two sub basins now depends primarily on government policy and other above ground constraints which are outside the scope of this technical study.

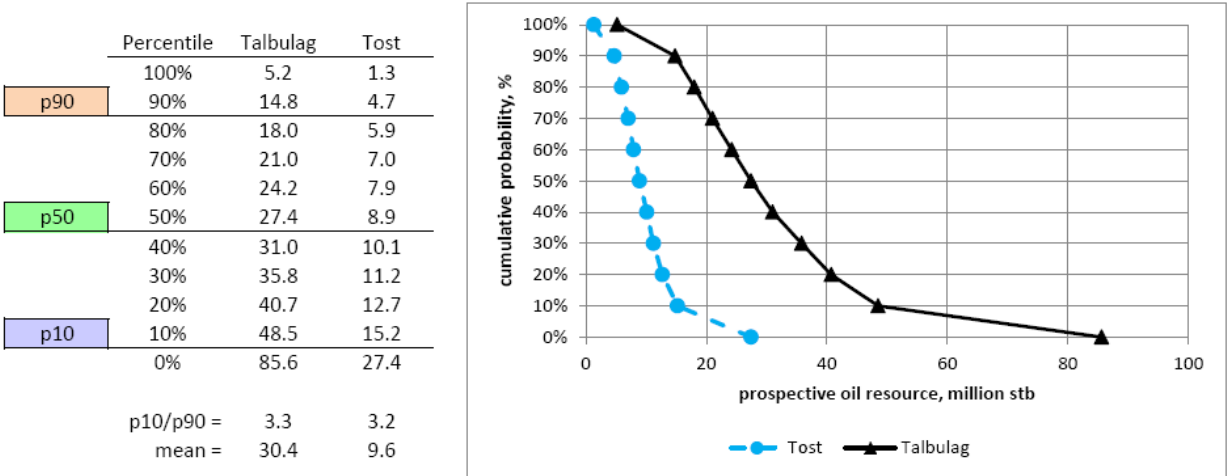
Note that no petroleum reserves or contingent resources for either the UU or TV sub basins can be assigned at this time.



# Baruun Urt Project

Prospective resources have been estimated in the Talbulag basin and Tost sub basin in the Baruun Urt block located in eastern Mongolia (Gomez and Seidle, January 17, 2014). Most likely (P50) prospective resources for Talbulag and Tost are estimated to be 27.4 million stb and 8.9 million stb, respectively. Prospective resource distributions for both sub basins are listed and plotted in Figure 32. Geoscience, engineering, and Monte Carlo details of our work are discussed below.

Figure 32 Baruun Urt Block, Talbulag basin and Tost sub basin prospective oil resources estimates



In summer 2011 seismic lines were shot across the Baruun Urt block. Ongoing evaluation of the seismic data has identified leads in several sub basins on the Baruun Urt block. Most of these leads require additional work to elevate them for evaluation as prospective resources. However, leads in two areas, Talbulag basin and Tost sub basin, were defined in sufficient detail to warrant estimation of prospective resources. Talbulag (Figure 25) and Tost (Figure 23) leads previously described are listed in Table 10, follow the PRMS Guidelines definition of a lead as a project associated with a potential accumulation that is currently poorly defined and requires more data acquisition and/or evaluation in order to be classified as a prospect.

Table 10 Summary of Talbulag and Tost prospective resources

Basin/ Sub basin	Lead	Area, sq miles	Style
Talbulag	D	1,547	Horst block/tilted fault block
	E	443	Structural & stratigraphic
	F	800	Horst block
	G	1,547	Horst block/tilted fault block
	H	663	Faulted nose
Tost	I	388	Stratigraphic
	A	1,239	Horst block
	B	528	Rollover into fault

Three formations within each lead, the Upper and Lower Zuunbayan and Tsagaantsav, may be hydrocarbon bearing. Volumetric calculation of prospective resources requires area, net thickness, porosity, water saturation, oil formation volume factor, hydrocarbon fill factor (chance of trap being filled with hydrocarbons), and recovery factor. Monte Carlo realizations of prospective resources require distributions for each of these seven parameters. Areal extent of the three formations was assumed to be that of the respective lead (Table 10). For Monte Carlo simulations, the area distribution of a formation was assumed to be triangular with endpoints at +/- 50% of the nominal area of the lead. As no wells have penetrated any of the three formations in the Talbulag and Tost leads, the net thickness, porosity, water saturation values for the triangular distributions collected in Table 11 were drawn from public domain data or assumed.

**Table 11 Rock property distributions by formation**

Upper Zuunbayan		Distribution parameters		
thickness, ft =	20	50	300	triangle-min/most likely/max
porosity, % =	11	13	15	triangle-min/most likely/max
Sw, % =	30	35	40	triangle-min/most likely/max
Lower Zuunbayan		Distribution parameters		
thickness, ft =	40	60	571	triangle-min/most likely/max
porosity, % =	11	16	26	triangle-min/most likely/max
Sw, % =	28	35	45	triangle-min/most likely/max
Tsagaantsav		Distribution parameters		
thickness, ft =	332	663	995	triangle-min/most likely/max
porosity, % =	98	243	656	triangle-min/most likely/max
Sw, % =	11	12	16	triangle-min/most likely/max

Table 12 contains distributions of the oil formation volume factor (FVF), recovery factor, and hydrocarbon risk factor. The oil FVF distribution, calculated with industry standard correlations, assumed a 28° API oil with a GOR of 100 scf/stb at a pressure of 689 psia and a temperature of 72° F. The recovery factor distribution reflects values commonly applied by the industry to reservoirs with undersaturated oil expansion or weak solution gas drives. The risk of a formation being charged with hydrocarbons was captured with the hydrocarbon fill factor. The low values seen here, 0.25 for Talbulag and 0.20 for Tost, reflect current geoscience interpretations. These seven distributions are not unique but are reasonable in light of current data for this area.

**Table 12 Oil FVF, Recovery factor and hydrocarbon risk factor distributions**

	Distribution Parameters			
Boi, rb/stb =	1.01	1.07	1.17	triangle-min/most likely/max
Recovery, % =	3	5	9	triangle-min/most likely/max
Talbulag HC Risk Factor =	0	0.5		uniform-endpoints
Tost HC Risk Factor =	0	0.4		uniform-endpoints

Oil prospective resources for the Talbulag and Tost sub basins were generated with Monte Carlo realizations using Crystal Ball software. The three step process began with calculating an oil prospective resource distribution for each of the three formations in a given lead. The second step involved using these formation distributions as inputs to create a Monte Carlo

realization of the prospective resources for the lead. Initial geoscience data indicated that if one formation was charged with hydrocarbons, the remaining two formations in the lead would likely be similarly charged. This fairly high dependence was honored specifying a relatively large correlation coefficient between the formation distributions in Crystal Ball. The third and final step was use of the prospective resource distributions for the individual leads to drive a Monte Carlo realization of the subbasin prospective resources. As occurrence of hydrocarbons in one lead is thought to be weakly correlated with hydrocarbon presence in other leads in the subbasin, a weak correlation coefficient was employed in the Crystal Ball simulations. Coincident with this work was the arrival of new geoscience interpretations that the Upper Zuunbayan formation is expected to be barren in both sub basins. The final step was repeated using only the Lower Zuunbayan and Tsagaantsav formations.

The Talbulag oil prospective resources distribution (Figure 32) exhibits a P90 volume (90% of all realizations were equal to or greater than this value) of 14.8 million stb. The most likely volume, P50 (half of all realizations were smaller, half were larger) was 27.4 million stb and the P10 volume (10% of all realizations were equal to or greater than this value) was 48.5 million stb. The ratio of P10 to P90 volumes of 3.3 is smaller by a factor of three or four compared to those commonly seen in early stage exploration plays. The low P10/P90 value here reflects the small population of formations (two) and leads (six) in this exercise. The mean of the prospective resources distribution, 30.4 million stb, is 11% larger than the median P50 value, as expected for this long tailed distribution. Ranking of the P50 volumes for individual leads in Table 13 indicates the D and G leads each account for just over one fourth of the Talbulag prospective resources. Inclusion of the next largest lead, F, implies that three-fourths of expected subbasin prospective resources are held in half of the leads.

**Table 13 P50 Prospective oil resources for Talbulag leads**

Lead	Million stb	Lead Prospective Resource %	Cumulative Prospective Resource %
D	7.0	28.6%	28.6%
G	7.0	28.6%	57.1%
F	3.8	15.5%	72.7%
H	3.0	12.2%	84.9%
E	2.0	8.2%	93.1%
I	1.7	6.9%	100.0%
total	24.5		

The Tost oil prospective resource distribution, also shown in Figure 32, has P90, P50, and P10 volumes of 4.7, 8.9, and 15.2 million stb, respectively. Similar to the Talbulag subbasin, the Tost P10/P90 ratio of 3.2 suffers from the small populations of formations (two) and leads (three). The mean of the prospective resources distribution, 9.6 million stb, is 8% larger than the median P50 value, as expected for this long tailed distribution. Ranking of the P50 volumes for individual leads in Table 14 shows that nearly half the expected prospective resources in this subbasin are held in a single lead, A.



Table 14 P50 Prospective Oil Resources for Talbulag Leads

Lead	Million stb	Lead Prospective Resource %	Cumulative Prospective Resource %
A	3.4	40.0%	40.0%
C	3.2	37.6%	77.6%
B	1.9	22.4%	100.0%
total	8.5		





Guidance for the Valuation of properties is provided by the VALMIN Code 2015 Edition which excludes petroleum from the mandatory provisions but specifically states that Public Reports concerning petroleum exploration, resources or reserves must be prepared in accordance with Petroleum Resources Management System (PRMS). The prospective resources previously reported were prepared using the PRMS guidelines.

The PRMS Guidance for Valuation states:

“Value of petroleum recovery projects can be assessed in several different ways, including the use of historical costs and comparative market values based on known oil and gas acquisitions and sales. However, as articulated in PRMS, the guidelines herein apply only to evaluations based on discounted cash flow (DCF) analysis.” (PRMS, 2011 page 110)

The frontier nature of the Wolf projects precludes an evaluation based on a cash flow analysis. Mongolia is relatively new petroleum producer and information on the reservoir is limited and detailed production history (on a daily or monthly basis) is currently not available for analysis. The VALMIN Code 2015 Edition does provide guidance that can be applied to petroleum valuation reports.

GGL selected to prepare this evaluation in accordance the VALMIN Code 2015 Edition, which states that most mineral assets can be classified as either (VALMIN 2015, page 38):

**Early-Stage Exploration Projects** – Tenure holdings where mineralisation may or may not have been identified, but where Mineral Resources have not been identified.

**Advanced Exploration Areas** – Tenure holdings where considerable exploration has been undertaken and specific targets identified that warrant further detailed evaluation, usually by drill testing, trenching or some other form of detailed geological sampling. A Mineral Resource estimate may or may not have been made, but sufficient work will have been undertaken on at least one prospect to provide both a good understanding of the type of mineralisation present and encouragement that further work will elevate one more of the prospects to the Mineral Resources category;

**Pre-Development Projects** – Tenure holdings where Mineral Resources have been identified and their extent estimated (possibly incompletely), but where a decision to proceed with development has not been made. Properties at the early assessment stage, properties for which a decision has been made not to proceed with development, properties on care and maintenance and properties held on retention titles are included in this category if Mineral Resources have been identified, even if no further work is being undertaken;

**Development Projects** – Tenure holdings where considerable exploration has been undertaken and specific targets identified that warrant further detailed evaluation, usually by drill testing, trenching or some other form of detailed geological sampling. A Mineral Resource estimate may or may not have been made, but sufficient work will have been undertaken on at least one prospect to provide both a good understanding of the type of





mineralisation present and encouragement that further work will elevate one or more of the prospects to the Mineral Resources category;

**Production Projects** – Tenure holdings – particularly mines, wellfields and processing plants – that have been commissioned and are in production.

It is the opinion of GGL that the Mongolian-based petroleum exploration assets of Wolf fall within the classification of Early-Stage Exploration Projects (Baruun Urt and Jinst) and Advanced Exploration Projects (Sukhbaatar) as defined above. Early-Stage Exploration and Advanced Exploration properties are those on which an economically viable petroleum accumulation has not been demonstrated to exist. The real value of such an exploration property lies in its potential for the existence and discovery of an economically viable petroleum accumulation. Generally, only a small number of exploration properties will ultimately become producing petroleum assets, however, until the exploration potential of these properties is reasonably well tested, they have value.

There are three main approaches to the valuation of mineral or petroleum properties; these are income, cost and market approaches. The income approach relies on a valuation based upon discounted cash flow from production operations, recommended in PRMS guidance. Such an approach is not considered appropriate for properties at this frontier exploration stage. The market approach, which is based upon values of comparable transactions, would be appropriate for an exploration project. However, the data for such transactions are sparse and typically confidential. As a result, GGL chose to utilize an appraised value cost approach to the valuation of Wolf's Mongolian-based petroleum exploration assets. The appraised value method is applicable to projects in the early and advanced exploration stage (VALMIN Code 2015 Edition, page 29).

The appraised value method is based on the premise that the real value of an exploration property lies in its potential for the existence and discovery of an economic mineral deposit. The appraised value method assumes that the amount of exploration expenditure justified on a property is related to its value. This cost approach is given some validity by the fact that option agreements on mineral properties are often based on expenditures required to earn an interest.

The basic tenet of the appraised value method is that an exploration property is worth the meaningful past exploration expenditures plus warranted future costs. The warranted future costs comprise a reasonable exploration budget to test the identified potential, which can be geophysical or geochemical anomalies. If exploration work downgrades the potential of a prospect, then the cost of that work should not be retained as value, or it should be reduced. Obviously, if the property is considered to have negligible exploration potential, it has little or no value.

The main advantage of the appraised value method is that exploration cost information and technical data are generally available for most exploration properties. It provides a good way of comparing the relative values of exploration properties. Proper application of the appraised value method requires that the valuator become familiar with the geological setting, the exploration targets, and the exploration history and results. GGL has significant experience evaluating the Mongolian petroleum exploration assets of Wolf and, as such, is qualified to conduct such a valuation.



The above discussion on the appraised value method is drawn from information presented in the paper, "Valuation of Mineral Exploration Properties Using the Cost Approach" (Roscoe, 2012).

## **Appraised Value of Wolf's Mongolian-Based Petroleum Exploration Assets**

The original exploration in Mongolia was done by the Russians. In the 1990s, Soco drilled several wells in eastern Mongolia and subsequently farmed their interest out to several Chinese owned companies. The initial discovery in the Tamsag basin was made by Soco. The current production in Mongolia is from Chinese companies operating blocks previously operated by other companies.

A new petroleum law designed to attract foreign investment became effective 1 July 2014. New exploration licenses will be valid for 8 years with options of extending 2 years up to 2 times. The production period of 25 years may be extended 2 times for a period of 5 years each.

Table 15 presents a summary of expenditures and investment amounts for Mongolian petroleum blocks that had exploration or production activities by other operators under the 5 year exploration plan. All monetary values in this report are in US dollars. The source for this data is a former subscription to IHS EDIN database for Mongolia and the various investor presentations for the current operators of these exploration and production petroleum blocks and includes only exploration costs. No public information for other operators listed in Table 1 was available.

**Table 15 Summary of other operator exploration costs or commitments under 5 year exploration plan**

Contract Block-Name	PSC Date	Type Of Period	Date (year)	Block size (km <sup>2</sup> )	Current Operator	Total Investment to date
PSC 1997	07/05/1997	Exploration	1997-2000	5,286	Dongsheng	625,000
Tsagaan Els- XIII	20/05/2009	Exploration	2009-14	7,060	DWM Petroleum AG	14,450,000
Zuunbayan-XIV	20/05/2009	Exploration	2012-14	4,527	DWM Petroleum AG	13,825,000
Nyalga-XVI	20/06/2007	Exploration	2007-12	12,679	Sunwing	6,500,000
Tamsag-XXI	07/08/1993	Expl/Production	1996-2001	9,576	Daqing Tamsag Mongolia	15,539,884
Buir-XXII	Relinquished	Expl/Production	1993-98	8,927	Daqing Tamsag Mongolia	20,114,000
Sulinkheer-XXIII	22/07/2009	Exploration	2009-14	18,091	Shunkhai Energy Co., LTD	46,000,000
Toson Uul-XIX	21/12/1993	Expl/Production	1993-98	9,500	Daqing Tamsag Mongolia	18,518,340
from IHS Energy EDIN 2012, public records search 2016	producing block	XIX-Toson Uul				

Pre 1 July 2014 PSCs were based on a 5 year exploration plan with commitments such as historical data search, gravity and magnetic surveys, geologic mapping, environmental assessment, remote sensing study, 2D and 3D seismic surveys and drilling exploration wells. All blocks listed in Table 15 have or had PSC agreements with PAM. Blocks highlighted in yellow have established oil production. The exploration activities for these blocks were concluded prior to implementation of the new petroleum law. The average total investment for twelve blocks where cost information is available is \$16,946,528 with exploration activities



finished prior to the new petroleum law. This average value only represents 62.5% of the exploration costs under the new petroleum law which extends the exploration activities an additional 3 years. The average cost if exploration plan was projected for the full 8 years or a 37.5% increase would be \$23,301,476. This would be the minimum exploration cost that PAM would require prior to the new petroleum law which was passed in 2014 equilibrated an 8 year exploration plan and represent outdated exploration costs.

Table 16 presents a summary of expenditures and investment amounts for Mongolian petroleum blocks that had exploration activities by other operators under the 8 year exploration plan under the new petroleum law. All monetary values in this report are in US dollars. The source for this data is PetroMatad's annual reports (2006-2015) and an article from the Voice of Mongolia dated 07/08/2015, and includes only exploration costs. PetroMatad combines the costs for Bogd-IV and Ongi-V blocks into one line item and the assumption is since the PSCs were signed together and these blocks are adjacent to each, the commitments for exploration are combined into one item. The acreage shown for the Matad Block is reduced from the original block size as part of the PSC evaluation process.

**Table 16 Summary of other operator exploration costs or commitments under 8 year exploration plan**

Contract Block-Name	PSC Date	Date (year)	Block size (km <sup>2</sup> )	Current Operator	Total Investment to date	Total 8 Year Commitment
Matad-XX	19/07/2006	2006-2015	10,340 <sup>a</sup>	PetroMatad	\$32,674,000	\$58,500,000
Bogd-IV	29/07/2009	2009-2015	28,900	PetroMatad		
Ongi-V	29/07/2009	2009-2015	21,100	PetroMatad	\$35,386,000	\$70,340,000
Khar-Uls-II	15/06/2015	2015	28,000	Renova llch LLC*		\$50,000,000
<sup>a</sup> acreage reduced				* estimated expenditure		

The average investment total for the blocks, where cost information is available, is \$59,613,333 with exploration activities ongoing after implementation of the new petroleum law. This more current average exploration cost should be more representative of exploration expenses under the new petroleum law. This average total range represents the minimum amount/obligation that PAM requires be spent on an exploration block under the new petroleum law. This average value is consistent with GGL's knowledge of Wolf's commitments on the Sukhbaatar Block which has a valid PSC.

## **Wolf Petroleum Blocks**

Presented below is a summary of the cost estimates to explore the three separate petroleum blocks under a contract arrangement with PAM. All monetary values in this report are in US dollars. Costs were derived from various sources including PAM, vendor estimates and invoices, historical costs for Wolf Petroleum and investor presentations from other operators in Mongolia. Costs are based on an 8 year program, no development costs are included. Three scenarios are provided for each block a high, low and most likely cost. The total to date cost has already been incurred by Wolf Petroleum, the future costs are estimated and the grand total cost includes both total to date and total future costs.

## Sukhbaatar Block (XXVII)

A PSC was signed with PAM on Sukhbaatar 5 January 2013. Activities completed on Sukhbaatar block to date include historic studies, a geologic map, gravity and magnetic surveys, remote sensing and geochemistry studies, 450 km of 2D seismic data acquisition and processing, detailed seismic report, prospective resources estimate and preparation of an exploration plan. Under the new petroleum law Sukhbaatar Blocks exploration activities expand from 5 years to 8 years. Three viable sub basin/basins have been identified. Table 17 presents a high low and a most likely cost scenario for the Sukhbaatar Block.

**Table 17 Sukhbaatar Cost Scenario**

<b>Sukhbaatar- LOW COST</b>	<b>Item</b>	<b>Unit</b>	<b>Completed to date</b>	<b>Estimated Cost</b>
<b>3 sub basins/basins identified</b>	23047 sq km			
Initial investment	initial application		\$10,000	
Historical review, geologic mapping & report			\$250,000	
Gravity & Magnetics	\$50/km	18,000 km	\$900,000	
geochem			\$350,000	
remote sensing			\$45,000	
Environmental Recovery Program	\$225,000/year	6 years	\$20,000	\$1,350,000
2D Seismic (dynamite)	\$3500/km	450 km	\$1,575,000	
2D Seismic (dynamite)	\$4000/km	1000 km		\$4,000,000
3D seismic (mutiple surveys)	\$9000/ sq km	1000 sq km		\$9,000,000
Strat Hole (Check shot survey, core, analysis)	\$1000/meter	2500 meters		\$2,500,000
exploratory wells- includes pipe	est 10	\$3,250,000 each		\$32,500,000
G& G includes reports for PAM	\$625,000/year	est 7 additional years	\$825,000	\$4,375,000
Well prep, logging	\$10,000/well	est 11 wells		\$110,000
well test	\$150,000/well	est 5 wells		\$750,000
		<b>Total to date</b>	<b>\$3,975,000</b>	
		<b>Total future</b>		<b>\$54,585,000</b>
		<b>Grand total</b>		<b>\$58,560,000</b>
<b>Sukhbaatar- HIGH COST</b>				
<b>3 sub basins/basins identified</b>	23047 sq km			
Initial investment	initial application		\$10,000	
Historical review, geologic mapping & report			\$250,000	
Gravity & Magnetics	\$50/km	18,000 km	\$900,000	
geochem			\$350,000	
remote sensing			\$45,000	
Environmental Recovery Program	\$325,000/year	6 years	\$20,000	\$1,950,000
2D Seismic (dynamite)	\$3500/km	450 km	\$1,575,000	
2D Seismic (dynamite)	\$5000/km	1000 km		\$5,000,000
3D seismic (mutiple surveys)	\$10000/ sq km	1000 sq km		\$10,000,000
Strat Hole (Check shot survey, core)	\$2000/meter	2500 meters		\$5,000,000
exploratory wells- includes pipe	est 10	\$4,000,000 each		\$40,000,000
G& G includes reports for PAM	\$825,000/year	est 7 additional years	\$825,000	\$5,775,000
Well prep, logging	\$20,000/well	est 11 wells		\$220,000
well test	\$250,000/well	est 5 wells		\$1,250,000
		<b>Total to date</b>	<b>\$3,975,000</b>	
		<b>Total future</b>		<b>\$69,195,000</b>
		<b>Grand total- HIGH</b>		<b>\$73,170,000</b>
<b>Sukbataar MOST LIKELY</b>				
<b>3 sub basins/basins identified</b>	23047 sq km			
Initial investment	initial application		\$10,000	
Historical review, geologic mapping & report			\$250,000	
Gravity & Magnetics	\$50/km	18,000 km	\$900,000	
geochem			\$350,000	
remote sensing			\$45,000	
Environmental Recovery Program	\$275,000/year	6 years	\$20,000	\$1,650,000
2D Seismic (dynamite)	\$3500/km	450 km	\$1,575,000	
2D Seismic (dynamite)	\$4500/km	1000 km		\$4,500,000
3D seismic (mutiple surveys)	\$9500/ sq km	1000 sq km		\$9,500,000
Strat Hole (Check shot survey, core)	\$1500/meter	2500 meters		\$3,750,000
exploratory wells- includes pipe	est 10	\$3,500,000 each		\$35,000,000
G& G includes reports for PAM	\$725,000/year	est 7 additional years	\$825,000	\$5,075,000
Well prep, logging	\$15,000/well	est 11 wells		\$165,000
well test	\$200,000/well	est 5 wells		\$1,000,000
		<b>Total to date</b>	<b>\$3,975,000</b>	
		<b>Total future</b>		<b>\$60,640,000</b>
		<b>Grand total - MOST LIKELY</b>		<b>\$64,615,000</b>



## Baruun Urt Block

Table 18 presents a high low and a most likely cost scenario for the Baruun Urt Block.

Table 18 Baruun Urt Cost Scenario

Baruun Urt - LOW COST	Item	Unit	Completed to date	Estimated Cost
3 sub basins/basins identified	10,287 sq km			
Initial investment	initial application		\$10,000	
Historical review, geologic mapping & report		3200 km	\$100,000	
Gravity & Magnetics	\$50/km	1600 km	\$160,000	\$80,000
geochem				\$100,000
remote sensing				\$45,000
Environmental Recover	\$100,000/year	6 years	\$50,000	\$600,000
2D Seismic (dynamite)	\$3500/km	335 sq km	\$1,172,500	
2D Seismic (dynamite)	\$4000/km	500 sq km		\$2,000,000
3D seismic (multiple surveys)	\$9000/ sq km	500 sq km		\$4,500,000
Strat Hole (Check shot)	\$1000/meter	1500 meters		\$1,500,000
exploratory wells- included	est 4	\$2,000,000/well		\$8,000,000
G& G includes reports for	\$425,000/year	est 7 additional years	\$425,000	\$1,700,000
Well prep, logging	\$10,000/well	est 4 wells		\$100,000
well test	\$150,000/well	est 4 wells		\$600,000
		<b>Total to date</b>	<b>\$1,917,500</b>	
		<b>Total to future</b>		<b>\$18,625,000</b>
		<b>Grand total LOW</b>		<b>\$20,542,500</b>
<b>Baruun Urt - HIGH COST</b>				
3 sub basins/basins identified	10,287 sq km			
Initial investment	initial application		\$10,000	
Historical review, geologic mapping & report		3200 km	\$100,000	
Gravity & Magnetics	\$50/km	1600 km	\$160,000	\$80,000
geochem				\$100,000
remote sensing				\$45,000
Environmental Recover	\$200,000/year	6 years	\$50,000	\$900,000
2D Seismic (dynamite)	\$3500/km	335 sq km	\$1,172,500	
2D Seismic (dynamite)	\$5000/km	500 sq km		\$2,500,000
3D seismic (multiple surveys)	\$10000/ sq km	500 sq km		\$5,000,000
Strat Hole (Check shot)	\$2000/meter	1500 meters		\$3,000,000
exploratory wells- included	est 4	\$3,000,000/well		\$12,000,000
G& G includes reports for	\$525,000/year	est 7 additional years	\$425,000	\$2,100,000
Well prep, logging	\$20,000/well	est 4 wells		\$200,000
well test	\$250,000/well	est 4 wells		\$1,000,000
		<b>Total to date</b>	<b>\$1,917,500</b>	
		<b>Total to future</b>		<b>\$25,925,000</b>
		<b>Grand total -HIGH</b>		<b>\$27,842,500</b>
<b>Baruun Urt - MOST LIKELY</b>				
3 sub basins/basins identified	10,287 sq km			
Initial investment	initial application		\$10,000	
Historical review, geologic mapping & report		3200 km	\$100,000	
Gravity & Magnetics	\$50/km	1600 km	\$160,000	\$80,000
geochem				\$100,000
remote sensing				\$45,000
Environmental Recover	\$200,000/year	6 years	\$50,000	\$900,000
2D Seismic (dynamite)	\$3500/km	335 sq km	\$1,172,500	
2D Seismic (dynamite)	\$4500/km	500 sq km		\$2,250,000
3D seismic (multiple surveys)	\$9500/ sq km	500 sq km		\$4,750,000
Strat Hole (Check shot)	\$1500/meter	1500 meters		\$2,250,000
exploratory wells- included	est 4	\$2,500,000/well		\$10,000,000
G& G includes reports for	\$475,000/year	est 7 additional years	\$425,000	\$1,900,000
Well prep, logging	\$15,000/well	est 4 wells		\$150,000
well test	\$200,000/well	est 4 wells		\$800,000
		<b>Total to date</b>	<b>\$1,917,500</b>	
		<b>Total to future</b>		<b>\$22,425,000</b>

The Baruun Urt block is currently operating under a joint survey exploration block contract with a Memorandum of Understanding (MOU) signed on July 16, 2012. Activities completed on Baruun Urt to date include historic studies, geologic mapping, gravity and magnetic study, 330 line kilometers of 2D seismic. Additional exploration activities are assumed to include gravity



and magnetics, geochemical sampling, remote sensing, additional 2D seismic lines, 3D seismic survey and drilling wells. Future PAM activities will include applying for a PSC and negotiating additional exploration activities for the Baruun Urt Block.

## Jinst Block

Table 19 presents a high low and a most likely cost scenario for the Jinst Block.

**Table 19 Jinst Cost Scenario**

Jinst- LOW COST	Item	Unit	Completed to date	Estimated Cost
4 sub basins identified	41,790 sq km			
Initial investment	initial application		\$10,000	
Historical review, geologic mapping & report		7500 sq km	\$100,000	
Gravity & Magnetics	\$50/km		\$700,000	
geochem			\$75,000	
remote sensing			\$45,000	
Environmental Recovery Program	\$225,000/year	6 years	\$50,000	\$1,350,000
2D Seismic (dynamite)	\$4000/km	1500 km		\$6,000,000
3D seismic (multiple surveys)	\$9000/ sq km	1000 sq km		\$9,000,000
Strat Hole (Check shot survey, core, and	\$1000/meter	3000 meters		\$3,000,000
exploratory wells- includes pipe	est 8	\$3,500,000 each	\$825,000	\$28,000,000
G& G includes reports for PAM	\$425,000/year	est 7 additional years		\$2,975,000
Well prep, logging	\$10,000/well	est 8 well		\$80,000
well test	\$150,000/well	est 4 well		\$600,000
		<b>Total to date</b>	<b>\$1,805,000</b>	
		<b>Total future</b>		<b>\$51,005,000</b>
		<b>Grand total</b>		<b>\$52,810,000</b>
<b>Jinst- HIGH COST</b>				
4 sub basins identified	41,790 sq km			
Initial investment	initial application		\$10,000	
Historical review, geologic mapping & report		7500 sq km	\$100,000	
Gravity & Magnetics	\$50/km		\$700,000	
geochem			\$75,000	
remote sensing			\$45,000	
Environmental Recovery Program	\$325,000/year	6 years	\$50,000	\$1,950,000
2D Seismic (dynamite)	\$5000/km	1500 km		\$7,500,000
3D seismic (multiple surveys)	\$10000/ sq km	1000 sq km		\$10,000,000
Strat Hole (Check shot survey, core, and	\$2000/meter	3000 meters		\$6,000,000
exploratory wells- includes pipe	est 8	\$4,500,000 each	\$825,000	\$36,000,000
G& G includes reports for PAM	\$525,000/year	est 7 additional years		\$3,675,000
Well prep, logging	\$20,000/well	est 8 well		\$160,000
well test	\$250,000/well	est 4 well		\$1,000,000
		<b>Total to date</b>	<b>\$1,805,000</b>	
		<b>Total future</b>		<b>\$66,285,000</b>
		<b>Grand total- HIGH</b>		<b>\$68,090,000</b>
<b>Jinst- MOST LIKELY</b>				
4 sub basins identified	41,790 sq km			
Initial investment	initial application		\$10,000	
Historical review, geologic mapping & report		7500 sq km	\$100,000	
Gravity & Magnetics	\$50/km		\$700,000	
geochem			\$75,000	
remote sensing			\$45,000	
Environmental Recovery Program	\$275,000/year	6 years	\$50,000	\$1,650,000
2D Seismic (dynamite)	\$4500/km	1500 km		\$6,750,000
3D seismic (multiple surveys)	\$9500/ sq km	1000 sq km		\$9,500,000
Strat Hole (Check shot survey, core, and	\$1500/meter	3000 meters		\$4,500,000
exploratory wells- includes pipe	est 8	\$4,000,000 each	\$825,000	\$32,000,000
G& G includes reports for PAM	\$475,000/year	est 7 additional years		\$3,325,000
Well prep, logging	\$15,000/well	est 8 well		\$120,000
well test	\$200,000/well	est 4 well		\$800,000
		<b>Total to date</b>	<b>\$1,805,000</b>	
		<b>Total future</b>		<b>\$58,645,000</b>
		<b>Grand total - MOST LIKELY</b>		<b>\$60,450,000</b>

The Jinst block is currently operating under a joint survey exploration block contract with a MOU recently signed on July 16, 2012. Activities completed on Jinst to date include historic studies, geologic mapping, gravity and magnetic study, and remote sensing on the east half of the block.





Future activities will include applying for a PSC and negotiating additional exploration activities. Additional activities are assumed to include geochemical sampling, remote sensing, 2D seismic lines, 3D seismic survey and drilling wells. This cost estimate is evaluating only the eastern side of the based on the gravity and magnetic survey. Thus reducing the area of evaluation for this large block.

Future activities will include applying for a PSC and negotiating the additional exploration activities for the Jinst block.

GGL has chosen to apply the appraised value method in the valuation of Wolf's Mongolian petroleum exploration assets. This method is based on the premise that the real value of an exploration property lies in its potential for the existence and discovery of an economic mineral deposit. As such, the appraised value method assumes that the amount of exploration expenditure justified on a property is related to its value. Thus, in our approach, the value of a given exploration property, or in this case a Block, is comprised of the meaningful past exploration expenditures plus warranted future costs.

Based on our analyses, GGL estimates the value of Wolf Petroleum's Mongolian-based petroleum exploration assets as:

<b>Block</b>	<b>Low</b>	<b>Most Likely</b>	<b>High</b>
Sukhbaatar	\$58,560,000	\$64,615,000	\$73,170,000
Baruun Urt	\$20,542,500	\$22,425,000	\$27,842,500
Jinst	\$52,810,000	\$60,450,000	\$68,090,000
<b>Total</b>	<b>\$131,912,500</b>	<b>\$147,490,000</b>	<b>\$169,102,500</b>

(Above values are in US dollars.)

GGL calculated the expenditures to date on several other Blocks within Mongolia. The average investment total for the blocks, where cost information is available, is \$59,613,333 with exploration activities ongoing after implementation of the new petroleum law. The Baruun Urt block is 45% smaller in area than Sukhbaatar. This average total range represents the minimum amount/obligation that PAM requires be spent on the exploration block. This independent check is consistent with our low-side estimates for the three blocks owned by Wolf Petroleum.

### ***Statement of Risk***

The accuracy of economic valuations is always subject to uncertainty. The magnitude of this uncertainty is generally proportional to the quantity and quality of data available for analysis. In addition, in the case of this report, the properties in question are in the exploration stage. As additional data is acquired and new information becomes available, revisions may be required which may either increase or decrease the current economic valuation. Sometimes these revisions may result not only in a significant change to the value assigned to a property, but also may impact the total company economic status.



The assessments contained in this report were based upon a technical analysis of the available data by GGL using accepted engineering and geologic principles. However, they must be accepted with the understanding that further information subsequent to the date of the estimate may justify their revision. It is GGL's opinion that the estimated valuations, as specified in this report, are reasonable and have been prepared in accordance with generally accepted petroleum engineering and evaluation principles. Notwithstanding the aforementioned opinion, GGL makes no warranties concerning the data and interpretations of such data. In no event shall GGL be liable for any special or consequential damages arising from Stanton's use of GGL's interpretation, reports, or services produced as a result of its work for Stanton's.





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APPOINTMENT OF PROXY FORM

WOLF PETROLEUM LIMITED  
ACN 116 249 060

GENERAL MEETING

I/We

of:

being a Shareholder entitled to attend and vote at the Meeting, hereby appoint:

Name:

OR:  the Chair of the Meeting as my/our proxy.

or failing the person so named or, if no person is named, the Chair, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit, at the Meeting to be held at 3.00pm (WST), on 19 October 2016 at BDO Perth Offices, 38 Station St, Subiaco WA 6008, and at any adjournment thereof.

CHAIR'S VOTING INTENTION IN RELATION TO UNDIRECTED PROXIES

The Chair intends to vote undirected proxies in favour of all Resolutions. In exceptional circumstances the Chair may change his/her voting intention on any Resolution. In the event this occurs an ASX announcement will be made immediately disclosing the reasons for the change.

Voting on business of the Meeting		FOR	AGAINST	ABSTAIN
Resolution 1	Ratification of prior issue of Shares: Phase 1 Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Ratification of prior issue of Shares: Phase 2 Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Approval for China SAM to increase relevant interest	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Election of Director – Xue Dongping	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Election of Director – Xiang Qian Huang	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Election of Director – Jack James	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7	Election of Director – Guo Si Ying	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Please note:** If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

If two proxies are being appointed, the proportion of voting rights this proxy represents is: \_\_\_\_\_ %

Signature of Shareholder(s):

Individual or Shareholder 1

Sole Director/Company Secretary

Shareholder 2

Director

Shareholder 3

Director/Company Secretary

Date: \_\_\_\_\_

Contact name: \_\_\_\_\_

Contact ph (daytime): \_\_\_\_\_

E-mail address: \_\_\_\_\_

Consent for contact by e-mail: YES  NO

## Instructions for Completing 'Appointment of Proxy' Form

1. **(Appointing a proxy):** A Shareholder entitled to attend and cast a vote at the Meeting is entitled to appoint a proxy to attend and vote on their behalf at the Meeting. If a Shareholder is entitled to cast 2 or more votes at the Meeting, the Shareholder may appoint a second proxy to attend and vote on their behalf at the Meeting. However, where both proxies attend the Meeting, voting may only be exercised on a poll. The appointment of a second proxy must be done on a separate copy of the Proxy Form. A Shareholder who appoints 2 proxies may specify the proportion or number of votes each proxy is appointed to exercise. If a Shareholder appoints 2 proxies and the appointments do not specify the proportion or number of the Shareholder's votes each proxy is appointed to exercise, each proxy may exercise one-half of the votes. Any fractions of votes resulting from the application of these principles will be disregarded. A duly appointed proxy need not be a Shareholder.
2. **(Direction to vote):** A Shareholder may direct a proxy how to vote by marking one of the boxes opposite each item of business. The direction may specify the proportion or number of votes that the proxy may exercise by writing the percentage or number of Shares next to the box marked for the relevant item of business. Where a box is not marked the proxy may vote as they choose subject to the relevant laws. Where more than one box is marked on an item the vote will be invalid on that item.
3. **(Signing instructions):**
  - **(Individual):** Where the holding is in one name, the Shareholder must sign.
  - **(Joint holding):** Where the holding is in more than one name, all of the Shareholders should sign.
  - **(Power of attorney):** If you have not already provided the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Form when you return it.
  - **(Companies):** Where the company has a sole director who is also the sole company secretary, that person must sign. Where the company (pursuant to Section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held. In addition, if a representative of a company is appointed pursuant to Section 250D of the Corporations Act to attend the Meeting, the documentation evidencing such appointment should be produced prior to admission to the Meeting. A form of a certificate evidencing the appointment may be obtained from the Company.
4. **(Attending the Meeting):** Completion of a Proxy Form will not prevent individual Shareholders from attending the Meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Form and attends the Meeting in person, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the Meeting.
5. **(Return of Proxy Form):** To vote by proxy, please complete and sign the enclosed Proxy Form and return by:
  - (a) post or deliver to 22 Lindsay Street, Perth WA 6000; or
  - (b) facsimile to the Company on facsimile number +61 8 9200 4469; or
  - (c) email to the Company at [info@wolfpetroleum.net](mailto:info@wolfpetroleum.net),

so that it is received not less than 48 hours prior to commencement of the Meeting.

**Proxy Forms received later than this time will be invalid.**