
STRZELECKI METALS LIMITED**ACN 116 249 060****NOTICE OF ANNUAL GENERAL MEETING**

TIME: 9.30am

DATE: 22 October 2012

PLACE: Level 16
211 Victoria Square
Adelaide South Australia

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.

The Independent Expert has concluded that the transactions the subject of Resolutions 11 and 12 of the Annual General Meeting are fair and reasonable to non-associated Shareholders. All Shareholders should refer to the Independent Expert's Report enclosed with this Notice of General Meeting.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact Mr Brian McMaster, Director on (+61 8) 9200 4428.

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TIME AND PLACE OF MEETING AND HOW TO VOTE

VENUE

The Annual General Meeting of the Shareholders to which this Notice of Meeting relates will be held at 9.30am on 22 October 2012 at:

Level 16
211 Victoria Square
Adelaide South Australia

YOUR VOTE IS IMPORTANT

The business of the Annual General Meeting affects your shareholding and your vote is important.

VOTING ELIGIBILITY

The Directors have determined pursuant to Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Annual General Meeting are those who are registered Shareholders at 9.30am on 20 October 2012.

VOTING IN PERSON

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

VOTING BY PROXY

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, members are advised that:

- each member has a right to appoint a proxy;
- the proxy need not be a member of the Company; and

- a member 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.

New sections 250BB and 250BC of the Corporations Act came into effect on 1 August 2011 and apply to voting by proxy on or after that date. Shareholders and their proxies should be aware of these changes to the Corporations Act, as they will apply to this Annual General Meeting. Broadly, the changes 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 (i.e. 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 (i.e. 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 (i.e. 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;
 - 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.

NOTICE OF ANNUAL GENERAL MEETING

The Explanatory Statement provides additional information on matters to be considered at the Annual General Meeting. The Explanatory Statement and the Proxy Form are part of this Notice of Meeting.

AGENDA

ORDINARY BUSINESS

Financial Statements and Reports

To receive and consider the annual financial report of the Company for the financial year ended 30 June 2012 together with the declaration of the directors, the directors' report, the remuneration report and the auditor's report.

1. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **non-binding resolution**:

“That, for the purpose of Section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report, as contained in the Company's annual financial report for the financial year ended 30 June 2012.”

Note: the vote on this Resolution is advisory only and does not bind the Directors or the Company.

Voting Prohibition Statement: A vote on this Resolution must not be cast (in any capacity) by or on behalf of any of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person (the Voter) described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (a) the Voter is appointed as a proxy by writing that specifies the way the proxy is to vote on the Resolution; or
- (b) the Voter is the Chair and the appointment of the Chair as proxy:
 - (i) does not specify the way the proxy is to vote on this Resolution; and
 - (ii) expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company, or if the Company is part of a consolidated entity, for the entity.

2. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – BRIAN MCMASTER

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 and for all other purposes, Brian McMaster, a Director who was appointed on 24 April 2012, retires, and being eligible, is re-elected as a Director.”

3. RESOLUTION 3 – RE-ELECTION OF DIRECTOR – MATTHEW WOOD

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 and for all other purposes, Matthew Wood, a Director who was appointed on 24 April 2012, retires, and being eligible, is re-elected as a Director.”

4. RESOLUTION 4 – RE-ELECTION OF DIRECTOR – PETER HUNT

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 59.1 of the Constitution and for all other purposes, Peter Hunt, a Director, retires by rotation, and being eligible, is re-elected as a Director.”

5. RESOLUTION 5 – REMOVAL OF AUDITOR

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 329 of the Corporations Act and for all other purposes, approval is given for the removal of Grant Thornton South Australian Partnership as the current auditor of the Company effective from the date of the Meeting.”

6. RESOLUTION 6 – APPOINTMENT OF AUDITOR

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

“That, subject to the passing of Resolution 5, for the purposes of Section 327 of the Corporations Act and for all other purposes, approval is given for the appointment of BDO Australia Limited (ACN 050 110 275) as auditor of the Company effective from the date of the Meeting.”

7. RESOLUTION 7 – RATIFICATION OF PRIOR ISSUE – SHARES

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

“That, for the purpose of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the allotment and issue of 54,000,000 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 a person who participated in the issue 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.

8. RESOLUTION 8 – APPROVAL OF 10% PLACEMENT CAPACITY– SHARES

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

“That, for the purpose of Listing Rule 7.1A and for all other purposes, approval is given for the issue of Equity Securities totalling up to 10% of the issued capital, calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and 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 issue of Equity Securities under this Resolution 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 will 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.

9. RESOLUTION 9 – APPROVAL FOR CHANGE IN NATURE AND SCALE OF ACTIVITIES

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

“That, subject to the passing of all of the Transaction Resolutions, for the purpose of Listing Rule 11.1.2 and for all other purposes, approval is given for the Company to make a significant change in the nature and scale of its activities as described in the Explanatory Statement accompanying this Notice.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if this Resolution is passed, and any of their associates. 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.

10. RESOLUTION 10 – CONSOLIDATION OF CAPITAL

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

“That, subject to the passing of all of the Transaction Resolutions and pursuant to Section 254H of the Corporations Act and for all other purposes, the issued capital of the Company be consolidated on the basis that every 10 shares and 10 options be consolidated into one 1 share and 1 option and where this consolidation results in a fraction of a share being held by a shareholder, the Directors be authorised to round that fraction up to the nearest whole share or option, with the consolidation to occur on a date to be announced to the ASX.”

11. RESOLUTION 11 – THE ACQUISITION OF WOLF SHARES FROM MATTHEW WOOD AND ASSOCIATES

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

“That, subject to the passing of all of the Transaction Resolutions, for the purpose of ASX Listing Rule 10.1 and for all other purposes, approval is given for the Company to:

- (a) *acquire all of the fully paid ordinary shares in the capital of Wolf Petroleum Limited held by Matthew Wood and his Associates, pursuant to a takeover offer by the Company to acquire all of the issued shares in Wolf Petroleum Limited;*
- (b) *allot and issue, on a post Consolidation basis, 9,750,000 STZ Shares to Matthew Wood,*

on the terms and conditions set out in the Explanatory Statement accompanying this Notice.

Short Explanation: Approval is required under ASX Listing Rule 10.1 in order for the Company to acquire a substantial asset from Matthew Wood (and his Associates), a related party of the Company. The Independent Expert has concluded that the transactions the subject of this Resolution is fair and reasonable to non-associated Shareholders. All Shareholders should refer to the Independent Expert's Report enclosed with this Notice of General Meeting.

Voting Exclusion: The Company will disregard any votes cast on this Resolution by a person who is a party to the transaction, and any of their associates. 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.

12. RESOLUTION 12 – THE ACQUISITION OF WOLF SHARES FROM BRIAN MCMASTER AND ASSOCIATES

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

“That, subject to the passing of all of the Transaction Resolutions, for the purpose of ASX Listing Rule 10.1 and for all other purposes, approval is given for the Company to:

- (a) *acquire all of the fully paid ordinary shares in the capital of Wolf Petroleum Limited held by Brian McMaster and his Associates, pursuant to a takeover offer by the Company to acquire all of the issued shares in Wolf Petroleum Limited;*
- (b) *allot and issue, on a post Consolidation basis, 1,250,000 STZ Shares to Brian McMaster,*

on the terms and conditions set out in the Explanatory Statement accompanying this Notice.

Short Explanation: Approval is required under ASX Listing Rule 10.1 in order for the Company to acquire a substantial asset from Brian McMaster (and his Associates), a related party of the Company. The Independent Expert has concluded that the transactions the subject of this Resolution is fair and reasonable to non-associated

Shareholders. All Shareholders should refer to the Independent Expert's Report enclosed with this Notice of General Meeting.

Voting Exclusion: The Company will disregard any votes cast on this Resolution by a person who is a party to the transaction, and any of their associates. 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.

13. RESOLUTION 13 – CHANGE OF COMPANY NAME

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

*“That, subject to the passing of all of the Transaction Resolutions, for the purpose of Section 157(1)(a) and for all other purposes, approval is given for the name of the Company to be changed to **Wolf Petroleum Limited**.”*

14. RESOLUTION 14 – PLACEMENT OF SHARES

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

“That, subject to the passing of all of the Transaction Resolutions, for the purpose of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Directors to allot and issue up to 25,000,000 Shares on a post Consolidation basis 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.

15. RESOLUTION 15 – PARTICIPATION IN PLACEMENT – SHARES TO RELATED PARTY - GARRISON CAPITAL PTY LTD

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

“That, for the purpose of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Directors to allot and issue up to 5,000,000 Shares to a related party of the Company, Garrison Capital Pty Ltd (ACN 132 795 941) (or its nominees), on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Garrison Capital Pty Ltd or its nominees 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.

16. RESOLUTION 16 – PLACEMENT – OPTIONS TO RELATED PARTY - GARRISON CAPITAL PTY LTD

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

“That, subject to the passing of all of the Transaction Resolutions, for the purpose of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Directors to allot and issue up to 5,000,000 Options to a related party of the Company, Garrison Capital Pty Ltd (ACN 132 795 941) (or its nominees), on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Garrison Capital Pty Ltd or its nominees 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.

Voting Prohibition Statement: A vote on this Resolution must not be cast (in any capacity) by or on behalf of any of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person (the **Voter**) described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (c) the Voter is appointed as a proxy by writing that specifies the way the proxy is to vote on the Resolution; or
- (d) the Voter is the Chair and the appointment of the Chair as proxy:
 - (i) does not specify the way the proxy is to vote on this Resolution; and
 - (ii) expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company, or if the Company is part of a consolidated entity, for the entity.

DATED: 21 SEPTEMBER 2012

BY ORDER OF THE BOARD

**BRIAN MCMASTER
DIRECTOR**

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of the Shareholders in connection with the business to be conducted at the Annual General Meeting to be held at 9.30am on 22 October 2012 at:

Level 16
211 Victoria Square
Adelaide South Australia

The purpose of this Explanatory Statement is to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions in the Notice of Meeting.

Each of the Resolutions, apart from Resolutions 6, 8 and 13, are ordinary resolutions requiring them to be passed by a simple majority of votes cast by Shareholders entitled to vote on the Resolution. Resolutions 6, 8 and 13 are special resolutions requiring it to be passed by at least 75% of the votes cast by Shareholders entitled to vote on the Resolutions. Further information regarding each of these Resolutions is set out below.

Shareholders should carefully consider the contents of the Explanatory Statement including the Independent Expert's Report for the purposes of the shareholder approval as required under Listing Rule 10.1 (Resolutions 11 and 12) which comments on the fairness and reasonableness of the acquisition of a substantial asset from Matthew Wood and Brian McMaster (and their Associates), related parties of the Company.

FINANCIAL STATEMENTS AND REPORTS

In accordance with the Constitution, the business of the Meeting will include the receipt and consideration of the annual financial report of the Company for the financial year ended 30 June 2012, together with the declaration of the directors, the directors' report, the remuneration report and the auditor's report.

The Company will not provide a hard copy of the Company's annual financial report to Shareholders unless specifically requested to do so. The Company's annual financial report is available on its website at www.strzeleckimetals.com.

1. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

1.1 General

The Corporations Act requires that at a listed company's annual general meeting, a resolution that the remuneration report be adopted must be put to the shareholders. However, such a resolution is advisory only and does not bind the Directors or the Company.

The remuneration report sets out the Company's remuneration arrangements for the Directors and senior management of the Company. The Remuneration Report is part of the Directors' report contained in the annual financial report of the Company for the financial year ending 30 June 2012.

A reasonable opportunity will be provided for discussion of the remuneration report at the Annual General Meeting.

1.2 Voting consequences

Under changes to the Corporations Act that came into effect on 1 July 2011, if at least 25% of the votes cast on a remuneration report resolution are voted against adoption of the remuneration report in two consecutive annual general meetings, the Company will be required to put to Shareholders a resolution proposing the calling of a general meeting to consider the appointment of directors of the Company (**Spill Resolution**) at the second annual general meeting.

If more than 50% of shareholders vote in favour of the Spill Resolution, the company must convene the general meeting (**Spill Meeting**) within 90 days of the second annual general meeting.

All of the directors of the company who were in office when the directors' report (as included in the company's annual financial report for the financial year ended immediately before the second annual general meeting) was approved, other than the managing director of the company, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting. Following the Spill Meeting those persons whose election or re-election as Directors is approved will be the Directors of the Company.

At the Company's previous annual general meeting, the votes cast against the remuneration report at that general meeting were less than 25%. Accordingly, the Spill Resolution is not relevant for this Annual General Meeting.

1.3 Proxy Restrictions

Shareholders appointing a proxy for Resolution 1 should note the following:

If you appoint a member of the Key Management Personnel as your proxy

If you elect to appoint a member of Key Management Personnel whose remuneration details are included in the Remuneration Report, or a Closely Related Party of that member, **you must direct the proxy how they are to vote**. Undirected proxies granted to these persons will not be included in any vote on Resolution 1.

If you appoint the Chair as your proxy

If you elect to appoint the Chair as your proxy, you **do not** need to direct the Chair how you wish them to exercise your vote on Resolution 1, however if you do not direct the Chair how to vote, **you must tick the acknowledgement on the proxy form to acknowledge that the Chair may exercise their discretion in exercising your proxy even though Resolution 1 is connected directly or indirectly with the remuneration of Key Management Personnel**.

If you appoint any other person as your proxy

You **do not** need to direct your proxy how to vote, and you **do not** need to tick any further acknowledgement on the proxy form.

2. RESOLUTION 2 AND 3 – RE-ELECTION OF DIRECTORS – BRIAN MCMASTER AND MATTHEW WOOD

Clause 58.2 of the Constitution allows the Directors to appoint at any time a person to be a Director 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.

Any Director so appointed holds office only until the next following annual general meeting and is then eligible for re-election.

Brian McMaster and Matthew Wood will retire in accordance with clause 58.2 of the Constitution and being eligible, each seeks re-election.

3. RESOLUTION 4 – RE-ELECTION OF DIRECTOR – PETER HUNT

Clause 59.1 of the Constitution requires that at the Company's annual general meeting in every year, one-third of the Directors for the time being, or, if their number is not a multiple of 3, then the number nearest one-third (rounded to the nearest whole number), shall retire from office.

The Directors to retire at an annual general meeting are those who have been longest in office since their last election, but, as between persons who became Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by drawing lots.

A Director who retires by rotation under clause 59.1 of the Constitution is eligible for re-election.

The Company currently has 4 Directors and accordingly 1 must retire.

Peter Hunt, the Director longest in office since his last election, retires by rotation and seeks re-election.

4. RESOLUTIONS 5 AND 6 – REMOVAL AND APPOINTMENT OF AUDITOR

Under Section 329 of the Corporations Act, an auditor of a company may be removed from office by resolution at a general meeting of which 2 months' notice of intention to move the resolution has been given.

It should be noted that under this Section, if a company calls a meeting after the notice of intention has been given, the meeting may pass the resolution even though the meeting is held less than 2 months after the notice of intention is given.

Resolution 5 is an ordinary resolution seeking the removal of Grant Thornton South Australian Partnership as the auditor of the Company. An auditor may be removed in a general meeting provided that the notice of intention to remove the auditor has been received from a member of the company.

In accordance with Section 329(2) of the Corporations Act, the Company has sent a copy of the notice to Grant Thornton South Australian Partnership and the ASIC.

Under Section 327D of the Corporations Act, the Company in a general meeting may appoint an auditor to replace an auditor removed under Section 329 of the Corporations Act.

Resolution 6 is a special resolution seeking the appointment of BDO Australia Limited (ACN 050 110 275) (**BDO**) as the new auditor of the Company. As required by the Corporations Act, a nomination for BDO to be appointed as the auditor of the Company has been received from a member. A copy of the nomination of BDO as auditors is set out at Annexure C.

BDO has given its written consent to act as the Company's auditor in accordance with Section 328A(1) of the Corporations Act subject to shareholder approval of this resolution.

If Resolutions 5 and 6 are passed, the appointment of BDO as the Company's auditor will take effect at the close of this Meeting. Resolution 6 is subject to the passing of Resolution 5.

5. RESOLUTION 7 – RATIFICATION OF PRIOR ISSUE – SHARES

5.1 General

On 24 April 2012, the Company issued 54,000,000 Shares at an issue price of \$0.015 per Share to raise \$810,000.

This Resolution 7 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of those Shares (**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.

5.2 Technical information required by ASX Listing Rule 7.4

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to the Ratification:

- (i) 54,000,000 Shares were allotted;
- (ii) the issue price was \$0.015 per Share;
- (iii) 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;
- (iv) the Shares were allotted and issued to parties introduced by Garrison Capital Pty Ltd. None of these subscribers were related parties of the Company; and
- (v) the funds raised from this issue were used for expenses associated with the issue, identification and evaluation of acquisition opportunities and general working capital.

6. RESOLUTION 8 – APPROVAL OF 10% PLACEMENT CAPACITY - SHARES

6.1 General

ASX Listing Rule 7.1A provides that an Eligible Entity may seek Shareholder approval at its annual general meeting to allow it to issue Equity Securities up to 10% of its issued capital over a period up to 12 months after the annual general meeting (**10% Placement Capacity**).

The Company is an Eligible Entity.

If Shareholders approve Resolution 8, the number of Equity Securities the Company may issue under the 10% Placement Capacity will be determined in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 (as set out in Section 6.2 below).

The effect of Resolution 8 will be to allow the Directors to issue Equity Securities up to 10% of the Company's fully paid ordinary securities on issue under the 10% Placement Capacity during the period up to 12 months after the Meeting, without subsequent Shareholder approval and without using the Company's 15% annual placement capacity under Listing Rule 7.1.

Resolution 8 is a special resolution. Accordingly, at least 75% of votes cast by Shareholders present and eligible to vote at the Meeting must be in favour of Resolution 8 for it to be passed.

6.2 ASX Listing Rule 7.1A

ASX Listing Rule 7.1A came into effect on 1 August 2012 and enables an Eligible Entity to seek shareholder approval at its annual general meeting to issue Equity Securities in addition to those under the Eligible Entity's 15% annual placement capacity.

An Eligible Entity is one that, as at the date of the relevant annual general meeting:

- (a) is not included in the S&P/ASX 300 Index; and
- (b) has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of \$300,000,000.

The Company is an Eligible Entity as it is not included in the S&P/ASX 300 Index and has a current market capitalisation of \$6,210,000.

Any Equity Securities issued must be in the same class as an existing class of quoted Equity Securities. The Company currently has two classes of Equity Securities on issue, being the Shares (ASX Code: STZ) and unlisted Options.

The exact number of Equity Securities that the Company may issue under an approval under Listing Rule 7.1A will be calculated according to the following formula:

$$(A \times D) - E$$

Where:

- A** is the number of Shares on issue 12 months before the date of issue or agreement:
- (A) plus the number of Shares issued in the previous 12 months under an exception in ASX Listing Rule 7.2;
 - (B) plus the number of partly paid shares that became fully paid in the previous 12 months;
 - (C) plus the number of Shares issued in the previous 12 months with approval of holders of Shares under Listing Rules 7.1 and 7.4; and
 - (D) less the number of Shares cancelled in the previous 12 months.
- D** is 10%.
- E** is the number of Equity Securities issued or agreed to be issued under ASX Listing Rule 7.1A.2 in the 12 months before the date of issue or agreement to issue that are not issued with the approval of holders of Ordinary Securities under ASX Listing Rule 7.1 or 7.4.

6.3 Technical information required by ASX Listing Rule 7.1A

Pursuant to and in accordance with ASX Listing Rule 7.3A, the information below is provided in relation to Resolution 8:

(a) **Minimum Price**

The minimum price at which the Equity Securities may be issued is 75% of the volume weighted average price of Equity Securities in that class, calculated over the 15 ASX trading days on which trades in that class were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within 5 ASX trading days of the date in Section 6.3(a)(i), the date on which the Equity Securities are issued.

(b) **Date of Issue**

The Equity Securities may be issued under the 10% Placement Capacity commencing on the date of the Meeting and expiring on the first to occur of the following:

- (i) 12 months after the date of this Meeting; and
- (ii) the date of approval by Shareholders of any transaction under ASX Listing Rules 11.1.2 (a significant change to the nature or scale of the Company's activities) or 11.2 (disposal of the Company's main undertaking).

or such longer period if allowed by ASX (**10% Placement Capacity Period**).

(c) **Risk of voting dilution**

Any issue of Equity Securities under the 10% Placement Capacity will dilute the interests of Shareholders who do not receive any Shares under the issue.

If Resolution 8 is approved by Shareholders and the Company issues the maximum number of Equity Securities available under the 10% Placement Capacity, the economic and voting dilution of existing Shares would be as shown in the table below.

The table below shows the dilution of existing Shareholders calculated in accordance with the formula outlined in ASX Listing Rule 7.1A(2), on the basis of the current market price of Shares and the current number of Equity Securities on issue as at the date of this Notice.

The table also shows the voting dilution impact where the number of Shares on issue (variable A in the formula) changes and the economic dilution where there are changes in the issue price of Shares issued under the 10% Placement Capacity. **The table below is based on post-consolidation figures.**

Number of Shares on Issue	Dilution			
	Issue Price (per Share)	\$0.075 50% decrease in Issue Price	\$0.15 Issue Price	\$0.30 100% increase in Issue Price
4,140,000 (Current)	Shares issued	4,140,000	4,140,000	4,140,000
	Funds raised	\$310,500	\$621,000	\$1,242,000
6,210,000 (50% increase)	Shares issued	6,210,000	6,210,000	6,210,000
	Funds raised	\$465,750	\$931,500	\$1,863,000
8,280,000 (100% increase)	Shares issued	8,280,000	8,280,000	8,280,000
	Funds raised	\$621,000	\$1,242,000	\$2,484,000

*The number of Shares on issue (variable A in the formula) could increase as a result of the issue of Shares that do not require Shareholder approval (such as under a pro-rata rights issue or scrip issued under a takeover offer) or that are issued with Shareholder approval under Listing Rule 7.1.

The table above uses the following assumptions:

1. The current shares on issue are the Shares on issue as at 20 September 2012.
2. The issue price set out above is the closing price of the Shares on the ASX on 20 September 2012.
3. The Company issues the maximum possible number of Equity Securities under the 10% Placement Capacity.
4. The Company has not issued any Equity Securities in the 12 months prior to the Meeting that were not issued under an exception in ASX Listing Rule 7.2 or with approval under ASX Listing Rule 7.1.

5. The calculations above do not show the dilution that any one particular Shareholder will be subject to. All Shareholders should consider the dilution caused to their own shareholding depending on their specific circumstances.
6. This table does not set out any dilution pursuant to approvals under ASX Listing Rule 7.1.

Shareholders should note that there is a risk that:

- (i) the market price for the Company's Shares may be significantly lower on the issue date than on the date of the Meeting; and
- (ii) the Shares may be issued at a price that is at a discount to the market price for those Shares on the date of issue.

(d) **Purpose of Issue under 10% Placement Capacity**

The Company may issue Equity Securities under the 10% Placement Capacity for the following purposes:

- (i) as cash consideration in which case the Company intends to use funds raised for the continued exploration and development of the Blocks. Funds may also be used to examine and acquire complimentary petroleum assets in Mongolia; or
- (ii) as non-cash consideration for the acquisition of new petroleum assets, in such circumstances the Company will provide a valuation of the non-cash consideration as required by listing Rule 7.1A.3.

(e) **Allocation under the 10% Placement Capacity**

The allottees of the Equity Securities to be issued under the 10% Placement Capacity have not yet been determined. However, the allottees of Equity Securities could consist of current Shareholders or new investors (or both), none of whom will be related parties of the Company.

The Company will determine the allottees at the time of the issue under the 10% Placement Capacity, having regard to the following factors:

- (i) the purpose of the issue;
- (ii) alternative methods for raising funds available to the Company at that time, including, but not limited to, an entitlement issue or other offer where existing Shareholders may participate;
- (iii) the effect of the issue of the Equity Securities on the control of the Company;
- (iv) the circumstances of the Company, including, but not limited to, the financial position and solvency of the Company;
- (v) prevailing market conditions; and
- (vi) advice from corporate, financial and broking advisers (if applicable).

(f) **Previous Approval under ASX Listing Rule 7.1A**

The Company has not previously obtained approval under ASX Listing Rule 7.1A.

6.4 Voting Exclusion

A voting exclusion statement is included in this Notice. As at the date of this Notice, the Company has not invited any existing Shareholder to participate in an issue of Equity Securities under ASX Listing Rule 7.1A. Therefore, no existing Shareholders will be excluded from voting on Resolution 8.

7. RESOLUTION 9 – APPROVAL FOR CHANGE IN NATURE AND SCALE OF ACTIVITIES

7.1 General

Resolution 9 seeks approval from Shareholders for a change in the nature and scale of the activities of the Company.

Pursuant to the Takeover Offer, the Company intends to acquire 100% of the issued capital of Wolf Petroleum Limited (**Wolf**). Through its 100% owned subsidiaries, Wolf has interests in 3 petroleum blocks in Mongolia, known as “Jinst”, “Baruun Urt” and “Sukhbaatar” (together the **Blocks**). Further details on the Blocks are contained in Section 7.3 below.

ASX Listing Rule 11.1 provides that where an entity proposes to make a significant change, either directly or indirectly, to the nature or scale of its activities, it must provide full details to ASX as soon as practicable. ASX Listing Rule 11.1.2 provides that, if ASX requires, the entity must get the approval of Shareholders and must comply with any requirements of ASX in relation to the Notice of Meeting.

ASX has indicated to the Company that, given the significant change in the nature and scale of the activities of the Company upon completion of the Takeover Offer, it requires the Company to obtain the approval of its Shareholders. In addition, and in accordance with ASX Listing Rule 11.1.3, the ASX has indicated to the Company that it must re-comply with Chapters 1 and 2 of the Listing Rules.

As a consequence, the Takeover Offer requires approval pursuant to ASX Listing Rule 11.1.2. Further information in relation to ASX Listing Rule 11.1 is set out in Section 7.12 of this Notice.

7.2 The Takeover Offer

As announced to the market on 16 July 2012, the Company has entered into a Heads of Agreement to acquire 100% of the share capital of Wolf.

The Takeover Offer will be effected by an off-market takeover bid for all of the ordinary shares in Wolf and the terms of the Takeover Offer are that Wolf Shareholders will receive, on a post Consolidation basis, 2.5 STZ shares for every 1 Wolf share held.

Under the ASX Listing Rules, one of the prerequisites to compliance with Chapters 1 and 2 of the re-quotations of STZ shares by ASX (in the event that the Takeover Offer is successful) is that STZ must implement a consolidation of its capital. STZ shareholder approval is therefore being sought to consolidate the Company's capital on the basis of 1 STZ share and 1 STZ option for every 10 existing STZ shares and STZ options (respectively). The Consolidation will take effect on the date on which STZ announces to the ASX that the Takeover Offer is free from defeating conditions (with the record date being 5 business days later).

The Company's proposed Consolidation is the subject of Resolution 10 of the Notice.

The Company expects that all STZ shares issued under the Takeover Offer will be issued simultaneously with the implementation of the Consolidation, or after the Consolidation has been completed.

In addition, STZ will be required to obtain the approval of its shareholders to the Resolutions contained in this Notice, being approval for:

- (a) the acquisition of shares in Wolf held by related parties (Resolution 11 and 12); and
- (b) a placement of up to 25 million shares, to raise up to \$5 million (Resolution 14).

Additionally, the Company is seeking shareholder approval to change its name to Wolf Petroleum Limited, which in the Company's opinion will be better suited to the Company's new direction (Resolution 13). Should the Takeover Offer be successful, the Company will seek to assess divestment strategies for its current assets in order to focus on the Wolf Projects.

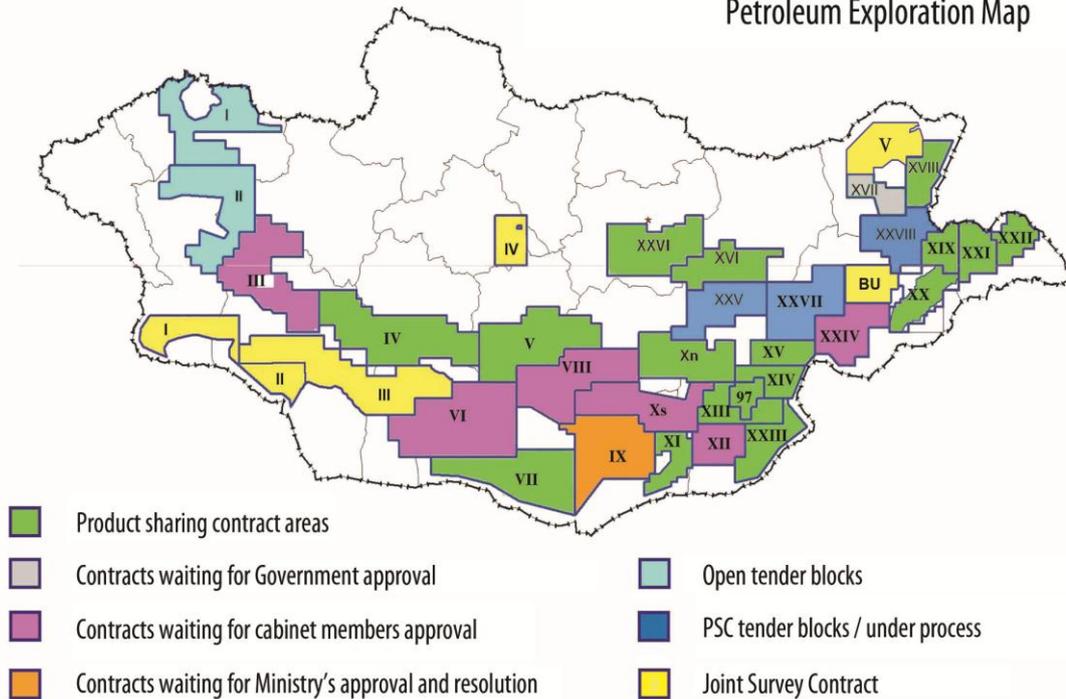
7.3 Wolf Petroleum Limited

Wolf is an Australian unlisted public company having a focus on oil and gas exploration and development in Mongolia. In summary,

- (a) Wolf is one of the largest and most active petroleum explorers in Mongolia and is currently conducting successful work programmes across the three Blocks;
- (b) Wolf has an aggressive onshore presence, with a low cost exploration base with the possibility for a large upside;
- (c) Wolf has a giant exploration package assembled across three blocks (72,791 km²), with additional blocks being assessed;
- (d) Wolf is located in a strong and growing market domestically in Mongolia and in China;
- (e) Wolf has interests in blocks that are proximal to multi-billion barrel oil fields located within Mongolia and within China to the south;
- (f) Wolf has near term development potential subject to successful exploration; and
- (g) Wolf has an experienced Board of Directors. The Board of Directors and senior management team have an enviable track record operating in Mongolia.

The map below illustrates the petroleum exploration currently underway in Mongolia.

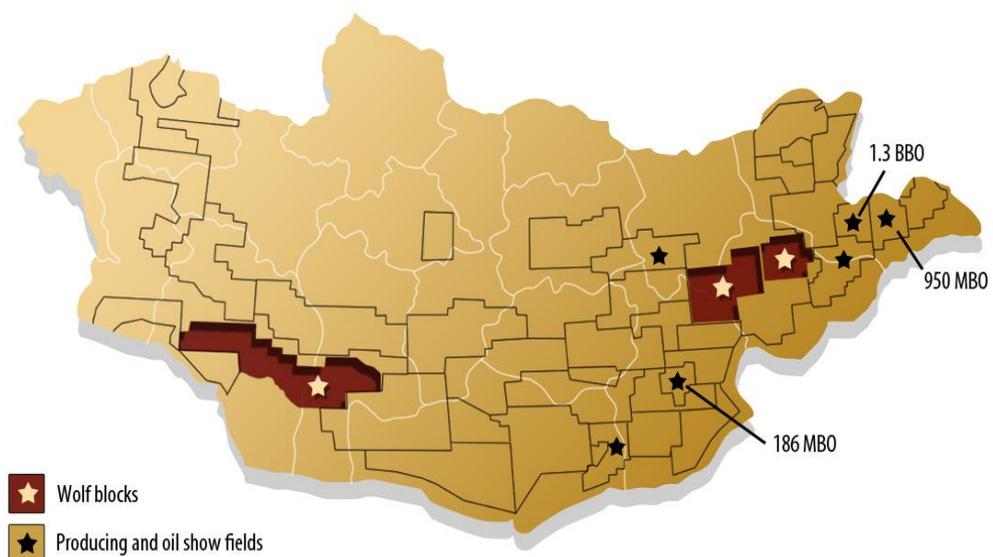
Petroleum Exploration Map



Wolf's main objective is to increase its value and build a strong local presence in the growing Mongolian oil industry. Wolf seeks value growth through acquisition, aggressive exploration and development of its assets.

In order to achieve these strategies, Wolf seeks to acquire new assets and develop new business opportunities whilst working closely with Mongolian authorities. It has an exploration strategy based on gathering the most experienced local team and partnering them with local and international consultants.

The location of Wolf's Blocks is shown in the map below.



Notwithstanding the above, Shareholders should note the risks associated with the change in nature of the Company's activities to an oil and gas exploration and development company, as summarised in Section 7.7 of this Notice.

Baruun Urt Block – Mongolia

The Baruun Urt Block's total size is 8,744 km² and is located proximal to Petro Matad's (AIM) recent oil discovery and Petro China's exploration and development blocks. This region already has successfully operating oil fields.

The Baruun Urt sub basin is an extremely attractive field for further studies and exploration, with oil shales, bitumen occurrences and brown coal distributed across the basin. The dimensions of the basin held by Wolf are approximately 100km x 20km.

The Baruun Urt Block is governed by a Petroleum Survey Contract (formerly a "Joint Survey Contract") entered into between Wolf's wholly owned subsidiary, MME LLC and the Petroleum Authority of Mongolia (**PAM**) initially on 11 October 2010 and renewed on 17 August 2012. The Petroleum Survey Contract relates to the petroleum survey to be conducted on the territory of Khalzan, Asgat and Sukhbaatar soums of Sukhbaatar province (**Contracted Area**), previously known as the Baruun-Urt Area.

The "petroleum survey" means geological and geophysical surveys to be jointly conducted by the parties to the Petroleum Survey Contract for the purpose of determining the potential for petroleum within the Contracted area.

The key terms of the Petroleum Survey Contract of MME LLC are:

- (a) during the term of the Petroleum Survey Contract, the PAM is obligated not to declare the Contracted Area open for bid for exploration works and the PAM shall support MME LLC in carrying out its activities related to the petroleum survey by notifying the local authorities regarding the Contracted Area, organizing meetings and providing assistance to obtain the necessary approvals;
- (b) it is for a term of 3 years from 15 August 2012 until 15 August 2015, with a renewal of 3 years currently being processed by PAM;
- (c) MME LLC may make a request to PAM to enter into the Production Sharing Contract for the Contracted Area within one year after the expiry of the term of the Petroleum Survey Contract or the completion of the survey in accordance with the relevant procedure. However, if the PAM declares the areas open for bid for after the expiry of the term of the Petroleum Survey Contract, MME LLC will have to make a request to the PAM just like other companies. As the Petroleum Law of Mongolia currently stands, holders of Petroleum Survey Contracts do not receive priority rights;
- (d) income from sales of the data of the survey will be split between the parties of the contract; and
- (e) MME LLC is obligated not to transfer the rights and obligations of the Petroleum Survey Contract and the costs incurred for the survey will not be reimbursed.

According to the reference letter from the PAM dated 21 August, 2012, MME LLC has duly performed its obligations such as conducting survey works to a high quality standard and submitting the necessary reports when due. As confirmed by the PAM, MME LLC has performed its contract obligations in compliance with

the laws and regulations of Mongolia and has not been in default or in dispute with respect to the Petroleum Survey Contract.

Jinst Block – Mongolia

The Jinst Block is currently the largest exploration block in Mongolia. On the eastern side of the block, two significant sub basins covering an area of 1,600km² and 1,500km² have been identified, with an estimated depth of over 2,400 metres.

The Petroleum Survey Contract was entered into between Wolf's wholly owned subsidiary, Land Oil LLC and the PAM initially on 10 February 2011 and renewed on 17 August 2012.

The Petroleum Survey Contract (formerly the "Joint Survey Contract") relates to the petroleum survey to be conducted on the territory of Bugat, Tugrug, Tseel, Altai, Tsoigt and Erdene soums of Gobi-Altai province of Mongolia (**Contracted Area**), previously known as the Jinst Area. The "petroleum survey" means geological and geophysical surveys to be jointly conducted by the parties to the Petroleum Survey Contract for purpose of determining the perspectives of the petroleum on the Contracted Area.

The key terms of the Petroleum Survey Contract of Land Oil LLC are:

- (a) during the term of the Petroleum Survey Contract, the PAM is obligated not to declare the Contracted Area open for bid for exploration works. The PAM shall support Land Oil LLC in carrying out activities related to the survey, by notifying the local authorities regarding the Contracted Area, organizing meetings and providing assistance to obtain the necessary approvals;
- (b) it is for a term of 3 years, from 17 August 2012 to 17 August 2015;
- (c) Land Oil LLC has the right to enter into a contract with subcontractors for the purpose of performing the contractual obligation;
- (d) Land Oil LLC may make a request to PAM to enter into the Production Sharing Contract for the Contracted Area within one year after the expiry of the term of contract or the completion of the survey in accordance with the relevant procedure. However, if the PAM declares the areas open for bid after the expiry of the term of the Petroleum Survey Contract, Land Oil LLC will have to make a request to the PAM just like other companies. As the Petroleum Law of Mongolia currently stands, holders of Petroleum Survey Contracts do not receive priority rights;
- (e) income from sales of the data of the survey will be split between the parties of the contract; and
- (f) Land Oil LLC is obligated not to transfer the rights and obligations of the Petroleum Survey Contract and the costs incurred for the survey will not be reimbursed.

According to the reference letter from the PAM dated 21 August 2012, Land Oil LLC has duly performed its obligations such as conducting survey works to a high quality standard and submitting the necessary reports when due. As confirmed by the PAM, Land Oil LLC has performed its contract obligations in compliance

with the laws and regulations of Mongolia and has not been in default or in dispute with respect to the Petroleum Survey Contract.

Sukhbaatar Block – Mongolia

Sukhbaatar Block is approximately 23,047km² in size, with approximately 60% or 12,000 km² of the area covered in outcrops that are cretaceous in age with high potential source reservoir rocks at depth.

Wolf has passed through the selection process to obtain the Production Sharing Contract for the Sukhbaatar XXVII area and a draft Production Sharing Contract was signed between PAM and Wolf on 15 June 2012.

The material terms of the Sukhbaatar Production Sharing Contract are that:

- (a) the exploration works are for a term of 5 years commencing from the effective date of the Production Sharing Contract. This can be extended for two successive additional periods of two years. If the company requests the extension of the term, the Government of Mongolia may extend the term by 5 years depending on the performance of the obligations and the need for continuing the exploration works on the contracted area;
- (b) the development period in respect of each commercial discovery shall take effect on the date of approval from an authorized organization and continue for a period of up to 20 years. This period can be extended for two successive additional periods of five years;
- (c) Wolf shall have the exclusive right to conduct petroleum operations on the Sukhbaatar XXVII area upon obtaining a special permit in accordance with the Law on Petroleum and the Law on Licensing;
- (d) Wolf shall place a specified amount in an escrow account for securing the obligations of the Production Sharing Contract for the first contract year. The terms of this escrow account have not been determined at this stage;
- (e) Wolf shall pay a royalty on total production of crude oil – this can be paid in cash or by an equivalent amount of crude;
- (f) Wolf shall pay a specified amount to PAM within 60 days from the date the Production Sharing Contract has been approved by the Government of Mongolia, or if production has commenced, Wolf shall pay another amount to PAM, within 30 days from the date production commenced;
- (g) Wolf shall make certain payments to the Government of Mongolia as determined in the Production Sharing Contract depending on the daily average production of crude oil. These include training fees, earnest money for land, administrative service fees, payments for a supporting representative office of PAM and local areas development; and
- (h) should Wolf have less than a specified interest under the Sukhbaatar Production Sharing Contract, it may transfer its rights and obligations to other parties, so long as it notifies the Government of Mongolia.

As at the date of this document, the draft Production Sharing Contract is being reviewed by the relevant Ministries and National Security Committee of Mongolia.

7.4 Mongolia Law Summary

The Law on Petroleum

The Law on Petroleum was adopted on 18 January 1991 and its purpose is to govern the exploration, protection, production, development, transportation, preservation and sale of petroleum in the subsoil of Mongolia.

According to the Law on Petroleum, the petroleum in the subsoil of Mongolia is the property of the State and a special permit is required in order to conduct any operations relating to the exploration, protection, production, development, transportation, preservation and sale of petroleum in the subsoil of Mongolia.

As the regulation of the current Law on Petroleum is vague and does not specifically govern Petroleum Survey Contracts, in practice all matters regarding the joint survey contracts are regulated by the terms and conditions of the respective contracts.

The Regulations for Implementing the Law on Petroleum

The Regulations for Implementing the Law on Petroleum were adopted on 5 July 1991. Their purpose is to establish uniform regulations for petroleum operations in accordance with the provisions and concepts of the Law on Petroleum.

Relevantly, this includes the application, negotiation and approval of Production Sharing Contracts. The approval process for a Production Sharing Contract is as follows:

- (a) PAM announces the period to submit applications for Production Sharing Contracts, such period being not less than 60 days;
- (b) following the closing date, PAM evaluates the applications and notifies qualified applicants within 45 days;
- (c) PAM and the selected company negotiate and draft the Production Sharing Contracts and then the relevant Ministries of Mongolia review and give comments;
- (d) these comments and recommendations are then submitted for approval by the Government of Mongolia;
- (e) the Government of Mongolia requests the review and approval of the National Security Committee regarding draft contract; and
- (f) within 30 days of receipt of approval, PAM executes the relevant Production Sharing Contracts.

The Law on Petroleum Products

The Law on Petroleum Products was enacted on 1 July 2005. Its purpose is to govern the import, production, sale, transportation and preservation of petroleum products as well as the safety of petroleum operations. It applies to the citizens and legal entities conducting operations that are related to the

import, production, sale, transportation and preservation of petroleum products within the territory of Mongolia.

State Policy regarding the Petroleum Sector until the year 2017

On 23 December 2011, the State Great Hural of Mongolia (**Mongolian Parliament**) adopted the State Policy regarding the Petroleum Sector until the year 2017. According to this Policy, the Government is instructed to take measures, to develop and improve the legal frameworks of the petroleum sector including a renewal of the Law on Petroleum and other relevant regulations, increase the exploration and production of petroleum, construct petroleum refineries and support the production of petroleum products.

A draft amendment to the Law of Petroleum was developed in 2011 (**Draft Law on Petroleum**). Under the Draft Law on Petroleum, a party to a survey contract has the right to be selected for the product sharing contract within 90 days after completion of the survey. It is uncertain when and if the Draft Law on Petroleum will be adopted.

The Law on Special Permits for Business Activities

The Law on Special Permits for Business Activities (**Licensing Law**) was adopted on 1 February 2001. The Licensing Law regulates the granting, suspending and revoking of special permits for certain business activities that may have an impact on the public interest, human health, the environment and national safety or that may require certain conditions and qualifications. This requires a legal entity conducting petroleum operations to obtain a special permit.

The Foreign Investment Law

The Foreign Investment Law of Mongolia has been effective from 1 July 1993. It requires that where twenty-five percent (25%) or more of the paid-in-capital of a Mongolian company is contributed from foreign sources, that company is deemed to be a Business Entity with Foreign Investment (**BEFI**) and the company must register with the Foreign Investment Agency (**FIA**) and obtain a document certifying the company's status as a BEFI. Foreign Investment Law defines the BEFI concept and provides for the duties and powers of the FIA. In August 2008, this was amended to increase the minimum paid-in capital requirement for BEFIs from the equivalent of US\$10,000 to the equivalent of US\$100,000.

Law of Mongolia on the Regulation of Foreign Investment in Business Entities Operating in Sectors of Strategic Importance

On 17 May 2012 the Mongolian Parliament enacted the Law of Mongolia on the Regulation of Foreign Investment in Business Entities Operating in Sectors of Strategic Importance (**Strategic Foreign Investment Law**). The Strategic Foreign Investment Law expressly states that it shall enter into force immediately, rather than 10 days from the date of the Mongolian Parliament's approval as would be customary.

According to the Strategic Foreign Investment Law, the Sectors of Strategic Importance are "strategically important for meeting the basic needs of the population, maintaining the independence and normal functioning of the economy, generating national revenue and ensuring national security". The Strategic Foreign Investment Law requires, under certain circumstances, government approval for investment in three strategic sectors:

- (a) minerals (which includes petroleum);

- (b) banking and finance; and
- (c) media and telecommunications — with a Mongolian company operating in these three sectors termed a Business Entity of Strategic Importance (**BESI**).

The circumstances that trigger the Strategic Foreign Investment Law include:

- (a) the acquisition of or the right to acquire 33% or more of the shares in a BESI by a foreign investor;
- (b) where, as a result of a proposed acquisition of an interest in a BESI, regardless of the percentage of equity interest, a foreign investor has the right to:
 - (i) solely appoint the executive management or a majority of the board;
 - (ii) veto decisions of the executive management or board of directors; or
 - (iii) determine or implement management decisions and/or operations; and
 - (iv) where, as a result of a proposed acquisition involving a foreign investor, regardless of the percentage of equity interest, the transaction:
 - (A) may potentially give rise to a monopoly (to either the seller or buyer) over mineral products on international or domestic commodity markets;
 - (B) may directly or indirectly influence the market or the price of mineral products exported from Mongolia; or
 - (C) may result in a potential reduction in the shareholding interest of a foreign investor.

While it is clear that the approvals of the Government of Mongolia apply to indirect offshore transactions, the strategic sectors are not clearly defined and the regulations implementing the approval process have not yet been implemented by the Government of Mongolia and therefore the extent of the application of the law is unclear. However, the Strategic Foreign Investment Law does provide that a foreign investor that wishes to enter into a transaction to which the law applies must first make a request for approval to the Foreign Investment Agency of Mongolia, a department under the umbrella of the Ministry of Foreign Affairs and Trade (**FIA**). Applications to FIA must be made by the BESI that is the subject of the investment. FIA will consider the following:

- (a) Mongolian national security interests;
- (b) the ability of the applicant to comply with Mongolian legislation and standard business practice;
- (c) any anti-competitive or monopolistic consequences;
- (d) any significant impact on the national budget or state policy; and

- (e) any adverse impact on the strategic sector in which the investment is made.

The FIA must submit its recommendation to the Government of Mongolia on whether to grant approval within 45 days of receipt and, in turn, the Government of Mongolia has 45 days to make a final decision on whether to approve the transaction. Within five days of the Government of Mongolia's decision, the FIA must inform the applicant of the outcome. In addition, if the acquisition by a foreign investor of an interest in a BEI is more than 49% of the BEI's shares and the value of the acquisition exceeds 100 billion Mongolian togrogs (approximately US\$75 million), the transaction requires approval of the Mongolian Parliament.

Transactions concluded in violation of the requirements of the Strategic Foreign Investment Law are void, and the relevant authority regulating the offending BEI may terminate its operations or revoke any licenses it holds.

7.5 Management Experience

It is proposed that directors from Wolf will be appointed to the Board and executive of STZ following the successful completion of the Takeover Offer. The current Wolf directors bring with them significant experience in the oil and gas sectors. Wolf's existing Board and Executive have extensive experience in the establishment and development of oil and gas companies both in Australia and the United States of America.

The Wolf nominees have not yet been identified and their identity will depend on the circumstances at the relevant time.

It is also proposed that Messrs Wood and McMaster will remain on the board of STZ and the other STZ directors, being Messrs Santich and Hunt, will retire from office following the successful completion of the Takeover Offer.

It is also intended that the Board of Directors be expanded to further increase the depth, knowledge and experience of the Board of STZ.

Mr Brian McMaster – Executive Chairman

Mr McMaster is a Chartered Accountant and has almost 20 years experience in the area of corporate reconstruction, and turnaround/performance improvement. Mr McMaster's experience includes numerous reorganizations and turnaround's including, being instrumental in the recapitalisation and listing of 12 Australian listed companies. Mr McMaster's experience includes significant working periods in the United States, South America, Asia and India.

Mr McMaster is currently a director of Copper Range Limited, Lindian Resources Limited and Range River Gold Limited. Mr McMaster is also a director in venture capital and advisory firm Garrison Capital Pty Ltd. Mr McMaster has not held any other listed directorships in the past three years.

Mr Matthew Wood - Executive Director

Mr Wood has over 19 years experience in the resource sector with both major and junior resource companies and has extensive experience in the technical and economic evaluation of resource projects throughout the world.

Mr Wood's expertise is in project identification, negotiation, acquisition and corporate development. Mr Wood holds an honours degree in geology from the

University of New South Wales in Australia and a graduate certificate in mineral economics from the Western Australian School of Mines.

Mr Wood is currently a director of ASX listed Voyager Resources Limited, Copper Range Limited, Lindian Resource Limited, Haranga Resources Limited and Avanco Resources Limited. Mr Wood is a founding director in venture capital and advisory firm Garrison Capital Pty Ltd.

7.6 Intentions of the Company

(a) Overview

Subject to the below, it is the present intention of STZ, on the basis of the information concerning Wolf which is known to it and the existing circumstances affecting the business of Wolf, that:

- (i) the business of Wolf will otherwise be continued in substantially the same manner as it is presently being conducted;
- (ii) no other major changes will be made to the business of Wolf;
- (iii) there will not be any other redeployment of the fixed assets of Wolf; and
- (iv) the present employees of Wolf will otherwise continue to be employed by Wolf.

The current intentions of the Company may change in light of material facts and circumstances at the relevant time.

(b) Intentions Upon Acquisition of 90% or More of Wolf

If as a result of the Takeover Offer, the Company becomes entitled to compulsorily acquire outstanding Wolf Shares in accordance with Part 6A.1 of the Corporations Act, it intends to proceed with the compulsory acquisition of those shares.

The Company then intends to undertake the steps outlined in Section 7.6(a) above.

(c) Intentions Upon Gaining Control but Less Than 90% of Wolf

If, following the close of the Takeover Offer, Wolf becomes a controlled entity, but not a wholly owned subsidiary of STZ, STZ presently intends, subject to the following, and to the extent possible, and appropriate, to implement the objectives and goals mentioned in Section 7.6(a).

The extent to which STZ will be able to implement these intentions will be subject to:

- (i) the law and the ASX Listing Rules, in particular in relation to related party transactions and conflicts of interests;
- (ii) the legal obligation of the directors of Wolf to act for proper purposes and in the best interests of Wolf shareholders as a whole.

Having regard to this, and in particular the possible requirements of minority shareholder approval, it is possible that STZ may not be able to implement some of these intentions.

(d) **Intentions if STZ does not Acquire Effective Control of Wolf**

STZ reserves its right to declare the Takeover Offer free from the 90% minimum acceptance Condition (or any other Condition) to the Takeover Offer. However, STZ has not decided at this stage whether it will free the Takeover Offer from the 90% minimum acceptance Condition (or any other Condition).

If the waiver occurs, the Company intends, subject to the Corporations Act and the ASX Listing Rules, to implement the process outlined in Section 7.6(a) above.

7.7 Risk Factors

Shareholders should be aware there are risks associated with the change in nature of the Company's activities to an oil and gas exploration and development company. Based on the information available, a non-exhaustive list of risk factors that the Company will be subject to should the Takeover Offer be successful:

(a) **Additional Requirements for Capital**

In addition to the capital raising of up to \$5 million pursuant to Resolution 14, STZ will be required to raise additional funds in the event exploration costs exceed STZ's estimates and to effectively implement its business and operations plans in the future, to take advantage of opportunities for acquisitions, joint ventures or other business opportunities, and to meet any unanticipated liabilities or expenses which STZ may incur.

STZ may seek to raise further funds through equity or debt financing, joint ventures, production sharing arrangements or other means. Failure to obtain sufficient financing for STZ's activities and future projects may result in delay and indefinite postponement of exploration or development on the Wolf Projects, or even loss of a property interest. There can be no assurance that additional finance will be available when needed or, if available, the terms of the financing might not be favourable to STZ and might involve substantial dilution to Shareholders.

Loan agreements and other financing rearrangements such as debt facilities, convertible note issues and finance leases (and any related guarantee and security) that may be entered into by STZ may contain covenants, undertakings and other provisions which, if breached, may entitle lenders to accelerate repayment of loans and there is no assurance that STZ would be able to repay such loans in the event of an acceleration. Enforcement of any security granted by STZ or default under a finance lease could also result in the loss of assets.

(b) **Exploration Risks**

By its nature, the business of oil and gas exploration contains elements of significant risk with no guarantee of success. Ultimate and continuous exploration success is dependent on many factors such as:

- (i) access to adequate capital;

- (ii) the design and construction of efficient exploration programs and expenditure budgets;
- (iii) securing and maintaining title to interests;
- (iv) obtaining consents and approvals necessary for the conduct of oil and gas exploration; and
- (v) access to competent exploration and operational management and prudent financial administration, including the availability and reliability of appropriately skilled and experienced employees, contractors and consultants.

Industry exploration risks include fire, explosions, unanticipated reservoir problems which may affect field production performance, industrial disputes, unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment, mechanical failure or breakdown, blow outs, pipe failures and environmental hazards such as accidental spills or leakage of liquids, gas leaks, ruptures, discharges of toxic gases or geological uncertainty (such as lack of sufficient sub-surface data from correlative well logs and/or formation core analyses. The occurrence of any of these risks could result in legal proceedings against the Company and substantial losses to the Company due to injury or loss of life, damage to or destruction of property, natural resources or equipment, pollution or other environmental damage, cleanup responsibilities, regulatory investigation, and penalties or suspension of operations. Damage occurring to third parties as a result of such risks may give rise to claims against the Company.

Drilling activities carry risk as such activities may be curtailed, delayed or cancelled as a result of weather conditions, mechanical difficulties, shortages or delays in the delivery of drill rigs or other equipment. In addition, drilling and operations include reservoir risk such as the presence of shale laminations in the otherwise homogeneous sandstone porosity.

There is no assurance that any exploration on current or future interests will result in the discovery of an economic deposit of oil or gas. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically developed.

(c) **Oil and gas price fluctuations**

The demand for, and price of, oil and natural gas is highly dependent on a variety of factors, including international supply and demand, the level of consumer product demand, weather conditions, the price and availability of alternative fuels, actions taken by governments and international cartels, and global economic and political developments.

International oil and gas prices have fluctuated widely in recent years and may continue to fluctuate significantly in the future. Fluctuations in oil and gas prices and, in particular, a material decline in the price of oil or gas may have a material adverse effect on the Company's business, financial condition and results of operations.

(d) **Trading Price of STZ Shares**

STZ's operating results, economic and financial prospects and other factors will affect the trading price of the STZ Shares. In addition, the price of STZ Shares is subject to varied and often unpredictable influences on the market for equities, including, but not limited to general economic conditions including the Australian dollar and United States dollar performance on world markets, inflation rates, foreign exchange rates and interest rates, variations in the general market for listed stocks in general or Australian mining stocks in particular, changes to government policy, legislation or regulation, industrial disputes, general operational and business risks and hedging or arbitrage trading activity that may develop involving the STZ Shares.

In particular, the share prices for many companies have been and may in the future be highly volatile, which in many cases may reflect a diverse range of non-company specific influences such as global hostilities and tensions relating to certain unstable regions of the world, acts of terrorism and the general state of the global economy. No assurances can be made that STZ's market performance will not be adversely affected by any such market fluctuations or factors.

(e) **Title Risk**

STZ cannot give any assurance that title to the STZ or Wolf Projects will not be challenged or impugned for various reasons, including that they may be subject to prior unregistered agreements or transfers or title may be affected by undetected defects.

(f) **Reliance on Key Management**

The responsibility of overseeing the day-to-day operations and the strategic management of STZ depends substantially on its senior management and its key personnel. There can be no assurance given that there will be no detrimental impact on STZ if one or more of these employees cease their employment.

(g) **Legal risks associated with operating in Mongolia**

Mongolian operations are subject to the jurisdiction of Mongolia's courts, except where parties to a contract have chosen an arbitration (local and international such as Hong Kong, Singapore or London Arbitration). The legal system operating in Mongolia is developing which may result in risks such as:

- (i) political difficulties in obtaining effective legal redress in the courts whether in respect of a breach of law or regulation, or in an ownership dispute;
- (ii) a high degree of discretion on the part of governmental agencies;
- (iii) a lack of political or administrative guidance on implementing applicable rules and regulations including, in particular, as regards local taxation and property rights; or
- (iv) inconsistencies or conflicts between and within various laws, regulations, decrees, orders and resolutions.

The commitment to local business people, government officials and agencies and the judicial system to abide by legal requirements and negotiated agreements may be more uncertain, creating particular concerns with respect to licenses and agreements for business. These may be susceptible to revision or cancellation and legal redress may be uncertain or delayed. There can be no assurance that the Blocks and other legal arrangements will not be adversely affected by the actions of the government authorities or others and the effective enforcement of such arrangements cannot be assured.

In the case where there is a dispute about the actions of the State in Mongolia with regard to the Blocks, it is unlikely that a claim could be raised in Australian courts for reasons of comity or the doctrine of sovereign immunity.

The introduction of new legislation or amendments to existing legislation by governments, developments in existing law, or the respective interpretation of the legal requirements in any of the legal jurisdictions which govern operations or contractual obligations in Mongolia, could impact adversely on the assets, operations and, ultimately, the financial performance of the Company and its shares. In addition there is a commercial risk that legal action may be taken against the Company in relation to commercial matters.

(h) **Uncertainties regarding necessary approvals**

As stated above, neither MME LLC nor Land Oil LLC have any priority in relation to applying to the PAM for a Production Sharing Contract.

The Draft Law on Petroleum contains a clause that the Petroleum Survey Contracts provide priority rights to companies that have conducted surveys when applying for Production Sharing Contracts. Therefore, should the Draft Law on Petroleum be passed before August 2015 (being the expiration date of the Jinst and Baruun Urt contracts), this risk will reduce as both MME LLC and Land Oil LLC will have priority when applying for Production Sharing Contracts for the Baruun Urt and Jinst Blocks respectively.

(i) **Competition Risk**

The industry in which STZ will be involved is subject to domestic and global competition. Although STZ will undertake all reasonable due diligence in its business decisions and operations, STZ will have no influence or control over the activities or actions of its competitors, which activities or actions may, positively or negatively, affect the operating and financial performance of STZ's projects and business.

(j) **Force Majeure**

Both STZ, Wolf and their respective projects, now or in the future may be adversely affected by risks outside the control of STZ and Wolf including labour unrest, civil disorder, war, subversive activities or sabotage, extreme weather conditions, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions.

(k) **Litigation Risks**

STZ and Wolf are exposed to possible litigation risks including native title claims, tenure disputes, environmental claims, occupational health and safety claims and employee claims. Further, STZ and Wolf may be involved in disputes with other parties in the future which may result in litigation. Any such claim or dispute if proven, may impact adversely on STZ's and Wolf's operations, financial performance and financial position. STZ is not currently engaged in any litigation.

7.8 Effect of the Takeover Offer

A pro forma balance sheet of the Company showing the effect of the transactions contemplated by this Notice is set out in Annexure A to this Explanatory Statement.

The effect of the Takeover Offer on the Company's capital structure is shown in the table contained in Section 8.2 of this Explanatory Statement.

7.9 What if the Takeover Offer does not succeed?

If the conditions of the Takeover Offer are not satisfied or waived before the end of the Takeover Offer period, including if the Transaction Resolutions are not passed, the Takeover Offer will not proceed, and STZ will apply to the ASX to have its suspension lifted and quotation of its securities reinstated as soon as possible.

If the Takeover Offer does not proceed, STZ will continue in its current form, including the development of its current projects in Poland and West Mulgrave. A brief summary of the Company's current projects is contained in Section 7.10 of this Notice. For further details of the Company's current projects, please refer to the Company's 2012 Annual Report.

7.10 The Company's current projects

SKKGM, Myszkow and Kupferschiefer - Poland

The Company has a 40% share in the Polish company Slasko-Krakowska Kompania Gornictwa Metali Sp. z.o.o. (**SKKGM**) which holds mineral concession 5/2006/p over the Myszkow project in southern Poland and mineral concessions 48/2010/p and 6/2011/p in the Kupferschiefer basin in south west Poland. SKKGM is the subject of an earn-in by Electrum Strategic Metals Eastern Europe SA, which now holds 60% and can earn up to 75% of SKKGM subject to fulfilling its earn in commitments.

Myszkow

The Myszkow project is strategically located approximately 30km north east of Katowice in Poland. The Myszkow concession covers an area of 211km².

Kupferschiefer

The Company also holds two concessions (48/2010/p and 6/2011/p) in the Kupferschiefer basin in the Boleslawiec-Osiecznica-Nowiny area on the western border of Poland, north west of Wroclaw where there are several copper deposits with the potential for further developments. The total area of the two Kupferschiefer concessions is around 417 square kilometres, all of which is prospective for copper exploration.

West Musgrave JV – Western Australia

The West Musgrave joint venture between the Company and Tortuga Advisors Ltd covers over 600 square kilometres of the West Musgrave Province on Ngaanyatjarra traditional land in Western Australia, with another 300 square kilometres under application. Pursuant to the Joint Venture Agreement, Tortuga (manager of the Joint Venture) can earn up to an 80% interest in the tenements (15% already earned) by expenditure on exploration over the central Australian tenements within five years commencing 29 January 2010.

The West Musgrave joint venture area is located in the western sequence of the Musgrave Proterozoic volcanics and sediments. This area has had no previous systematic exploration. Recent exploration activity in adjacent areas has shown that the sequence is prospective for strata-bound base metal mineralisation, vein style copper mineralisation in the Warburton area, and epithermal style gold in the Handpump area, as well as the ultramafic – hosted nickel-copper mineralisation at Nebo-Babel to the east.

The Company's tenements E69/2174 to 2181 have all been reduced by 50% and the new tenement licences have now been issued. The Company has also made applications to be granted tenements numbered E69/2997 to 2999 in Western Australia. These are located over the brecciated rhyolites and marls of the Pussycat Group which, in the light of recent observations, the Company believes to be prospective for strata-bound base metal deposits.

7.11 Continuous disclosure obligations

The Company is a “disclosing entity” (as defined in section 111AC of the Corporations Act) and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company's securities.

Copies of all documents lodged with the ASIC in relation to the Company can be inspected at the registered office of the Company during normal office hours.

Details of documents lodged by the Company with ASX since the date of lodgement of the Company's 2012 Annual Financial Report and before the issue of this Notice are set out in the table below.

Date	Description of Announcement
21/09/2012	Target's Statement issued by Wolf Petroleum Limited
13/09/2012	STZ's Bidder's Statement – Share Offer Wolf Petroleum
03/09/2012	2012 Annual Report

ASX maintains files containing publicly available information for all listed companies. The Company's file is available for inspection at ASX during normal office hours.

The announcements are also available through the Company's website **www.strzeleckimetals.com**.

7.12 ASX Listing Rule 11.1

Listing Rule 11.1 provides, in summary, that a listed company which proposes to make a significant change to the nature or scale of its activities must provide full details to ASX as soon as practicable and comply with the following:

- (a) the Company must provide to ASX information regarding change and its effect on future potential earnings, and any information that ASX asks for;
- (b) if ASX requires, as is the case here, the Company must obtain the approval of its ordinary security holders and comply with the requirements of the ASX in relation to the change;
- (c) if ASX requires, as is the case for STZ, the Company must meet the requirements in Chapters 1 and 2 of the Listing Rules as if the Company were applying for admission to the official list of ASX, and ASX may suspend quotation of the Shares until the company has satisfied the requirements of Listing Rule 11.1.

ASX has informed STZ that shareholder approval and compliance with Chapters 1 and 2 is required. STZ will be suspended from the day before the Annual General Meeting until all of the requirements of Chapter 11 are met (this is expected to be late October/early November 2012, but may change, particularly if the Takeover Offer period is extended).

Following the acquisition of Wolf, the Company will be significantly different in nature and larger than the Company is at present. As a result of the acquisition, the Company's expenditure profile, the geographic spread of its assets and activities and the size and structure of its Share capital base will all change considerably. Details of these changes are set out below in Section 8.2.

It is the intention of the incoming Board and management that the Company will be focusing on the oil and gas interests that Wolf has in the Blocks.

As stated above, ASX has advised that the Company will need to re-comply with Chapters 1 and 2 of the Listing Rules (being those provisions that would otherwise apply to a company applying for admission to the official ASX) following Shareholder approval for the Takeover Offer.

Amongst other things, the provisions of Chapters 1 and 2 of the Listing Rules require the Company to undertake or comply with the following:

- (a) subject to any exemptions granted by the ASX, any new Share issues must be made at a minimum of \$0.20 in order to raise additional working capital and any options must have an exercise price of no less than \$0.20;
- (b) obtain the requisite shareholder spread;
- (c) prepare a prospectus, which will be prepared in accordance with the provisions of the Corporations Act;
- (d) have an appropriate structure and operations; and
- (e) satisfy either of the tests set down in the Listing Rules in relation to the Company's profitability or the Company's asset value.

As part of the Listing Rule requirements, STZ will undertake a consolidation of its capital. Under Resolution 10, STZ proposes to consolidate its capital on a 1 for 10 basis (i.e. every 10 STZ Shares and 10 STZ Options at a time will be consolidated into 1 STZ Share and 1 STZ Option (respectively), with entitlements to STZ Shares following consolidation rounded up to the nearest whole STZ Share, and the number and exercise price of existing and STZ Options will be adjusted in accordance with the ASX Listing Rules).

7.13 Escrow

The escrow arrangements imposed in relation to the STZ Shares issued to Wolf shareholders under the Takeover Offer, including the number of shares subject to escrow at the time of the re-listing of the merged entity, is subject to a determination by ASX.

7.14 Conditionality of Transaction Resolutions and Directors' Recommendation

As at the date of this Notice, the following STZ Directors have an interest in Wolf securities:

- (a) Mr Brian McMaster has an interest in 500,000 Wolf Shares; and
- (b) Mr Matthew Wood has an interest in 3,900,000 Wolf Shares.

Mr Wood, STZ's Executive Director, is also the Executive Chairman of Wolf, therefore being a common director.

The STZ directors also have security interests in the Company (on a post Consolidation basis) as contained in the table below:

Director	Shares	Options
Matthew Wood	1,535,910	Nil
Brian McMaster	1,000,000	Nil
John Santich	2,481,194	275,000 options exercisable at \$0.33 cents on or before 28 November 2015
Peter Hunt	27,385	275,000 options exercisable at \$0.33 cents on or before 28 November 2015

The Independent Directors of STZ are Brian McMaster, John Santich and Peter Hunt.

The Independent Directors have resolved to make the Takeover Offer and have excluded Matthew Wood from all discussions in relation to formulating, considering and proceeding with the Takeover Offer.

The Independent Directors recommend that Shareholders vote in favour of the Transaction Resolutions.

The Transaction Resolutions are conditional on each other. Should the Transaction Resolutions not be approved, the Company will not proceed with the Takeover Offer. The Company would then immediately inform the ASX that the Takeover Offer will not proceed and ask the ASX to remove the suspension order and allow the Company to resume trading on the ASX in its current form.

8. RESOLUTION 10 – CONSOLIDATION OF CAPITAL

8.1 Background

The Directors are seeking Shareholder approval to consolidate the number of shares and Options on issue on a 1:10 basis. The Consolidation of the capital structure of the Company is required to ensure it is appropriate to satisfy the requirements of Chapters 1 and 2 of the ASX Listing Rules.

Section 254H of the Corporations Act provides that a company may, by a resolution passed in a general meeting of shareholders, convert all or any of its shares into a larger or smaller number of shares.

If Resolution 10 is passed, the number of Shares and Options on issue will be reduced in accordance with the table below. Further, the exercise price of the Options will be increased by a multiple of 10.

As from the effective date of this Resolution (being the date advised to the ASX), all holding statements for Shares and Options will cease to have any effect, except as evidence of entitlement to a certain number of post-Consolidation Shares and Options. After the Consolidation becomes effective, the Company will arrange for new holding statements to be issued to Shareholders and Optionholders.

8.2 Effect of the Takeover Offer and the Consolidation on the capital structure of STZ

The effect the Takeover Offer and the Transaction Resolutions contained within the Notice will have on the capital structure of the Company is as follows:

Shares	Number
Current (assuming no options are exercised or other shares issued)	414,000,000
<i>Post 1:10 Consolidation¹</i>	<i>41,400,000</i>
Issue to Wolf Shareholders (Post Consolidation ²)	206,937,508
Placement	25,000,000
TOTAL	273,337,508
Options	
Unlisted Options exercisable at \$0.10 expiring 17 February 2013	2,250,000
Unlisted Options exercisable at \$0.033 expiring 28 November 2015	10,000,000
<i>Sub-Total</i>	<i>12,250,000</i>
<i>Post 1:10 Consolidation</i>	
Unlisted Options exercisable at \$1.00 expiring 17 February 2013	225,000

Unlisted Options exercisable at \$0.33 expiring 28 November 2015	1,000,000
Options to be granted to Garrison Capital Pty Ltd pursuant to Resolution 15	5,000,000
TOTAL	6,225,000

Notes:

1. These numbers are approximations and will be subject to rounding of holdings.
2. Wolf currently has 82,775,003 fully paid ordinary shares on issue.

8.3 Fractional entitlements and taxation

Not all Shareholders and Optionholders will hold that number of shares and Options which can be evenly divided by 10. Where a fractional entitlement occurs, the Directors will round that fraction up to the nearest whole share or option.

It is not considered that any taxation consequences will exist for Shareholders or Optionholders arising from the Consolidation. However, Shareholders and Optionholders are advised to seek their own tax advice on the effect of the Consolidation. Neither the Company, nor the Directors (or the Company's advisers) accept any responsibility for the individual taxation consequences arising from the Consolidation.

8.4 Timetable for the Consolidation

The anticipated timetable for the Consolidation of the securities of STZ will be as follows:

Event	Date
Despatch Notice of Meeting	21 September 2012
General Meeting to approve Consolidation	22 October 2012
Ex Date	24 October 2012
Record Date	30 October 2012
Despatch Date	6 November 2012

9. RESOLUTION 11 – THE ACQUISITION OF WOLF SHARES FROM MATTHEW WOOD AND BRIAN MCMASTER (AND ASSOCIATES)

9.1 General

As outlined in Section 7.2 of this Explanatory Statement, the Company has announced that it intends to make the Takeover Offer to the shareholders of Wolf. Should the Takeover Offer be successful, the Company will acquire the entire issued capital of Wolf.

Resolutions 11 and 12 seek shareholder approval, for the purpose of Listing Rule 10.1 for the Company to:

- (a) acquire all of the fully paid ordinary shares in the capital of Wolf Petroleum Limited held by Matthew Wood and Brian McMaster and

their Associates, pursuant to a takeover offer by the Company to acquire all of the issued shares in Wolf Petroleum Limited; and

- (b) allot and issue, on a post Consolidation basis, 9,750,000 STZ Shares to Matthew Wood and 1,250,000 STZ Shares to Brian McMaster,

on the terms and conditions set out in this Explanatory Statement.

9.2 Chapter 2E of the Corporations Act

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in Sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in Sections 210 to 216 of the Corporations Act.

Both Matthew Wood and Brian McMaster are related parties of the Company by virtue of being Directors. The issue of the Consideration Shares to Matthew Wood and Brian McMaster will result in a direct financial benefit being given to them, as they and/or their controlled entities, are shareholders in Wolf.

It is the view of the Directors (other than Matthew Wood and Brian McMaster) that the exception in Section 210 of the Corporations Act applies in the current circumstances. Accordingly, Shareholder approval is not sought for the issue of the Consideration Shares to Matthew Wood or Brian McMaster for the purpose of Chapter 2E of the Corporations Act.

9.3 Listing Rule 10.1

ASX Listing Rule 10.1 provides that an entity (or any of its subsidiaries) must not acquire a "substantial asset" from, or dispose of a substantial asset to, a related party without obtaining approval of the Company's shareholders.

An asset is substantial if its value or the value of the consideration for it is, or in ASX's opinion is, 5% or more of the equity interests of the company as set out in the latest accounts given to ASX under the ASX Listing Rules. For the purposes of ASX Listing Rule 10.1.1, Mr Wood and Mr McMaster are related parties by virtue of being Directors. Therefore, shareholder approval for the purpose of ASX Listing Rule 10.1 is being sought for the issue of the Shares to Mr Wood and Mr McMaster because, in addition to Mr Wood and Mr McMaster being related parties of the Company, the value of the Shares being issued to each of Mr Wood and Mr McMaster in exchange for their Wolf shares, is of a value that is greater than 5% of the equity interests of the Company, based on STZ's latest financial accounts given to ASX.

ASX Listing Rule 10.1 provides that shareholder approval sought for the purpose of ASX Listing Rule 10.1 must include a report on the proposed acquisition from an independent expert.

9.4 Independent Expert's Report

As noted above, as the Takeover Offer involves the acquisition of a substantial asset from Matthew Wood and Brian McMaster (and their Associates), who are related parties of the Company, an Independent Expert's Report must be obtained. The Independent Expert's Report contained in Annexure B sets out a detailed examination of the transaction to enable Shareholders to assess its merits. The Independent Expert's Report concludes that the transactions/acquisitions with each of Mr Wood and Mr McMaster are fair and reasonable to the Shareholders of the Company.

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

10. RESOLUTION 13 – CHANGE OF COMPANY NAME

Section 157(1)(a) of the Corporations Act provides that a company may change its name if the company passes a special resolution adopting a new name.

This Resolution seeks the approval of Shareholders for the Company to change its name to Wolf Petroleum Limited.

Subject to the passing of all of the Transaction Resolutions, if this Resolution is passed the change of name will take effect when ASIC alters the details of the Company's registration.

The Company will lodge a copy of the special resolution with ASIC following the Takeover Offer being successful, in order to effect the change.

The Board proposes this change of name on the basis that it more accurately reflects the proposed future operations of the Company.

11. RESOLUTION 14 – PLACEMENT OF SHARES

11.1 General

Resolution 14 seeks Shareholder approval for the allotment and issue of up to 25 million Shares pursuant to a prospectus (**Prospectus**) to be issued for the purposes of compliance with Chapters 1 and 2 of the ASX Listing Rules and to raise up to \$5,000,000 (**Capital Raising**).

The effect of Resolution 14 will be to allow the Directors to issue the Shares pursuant to the Capital Raising during the period of 3 months after the Annual General Meeting (or a longer period, if allowed by ASX), without using the Company's annual 15% placement capacity.

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.

11.2 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the Placement:

- (a) the maximum number of Shares to be issued is 25 million;

- (b) the Shares will be issued, after the Consolidation, at \$0.20 each;
- (c) the Shares 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 allotment will occur on the same date;
- (d) the Directors will issue the Shares to subscribers pursuant to the Prospectus who will not be related parties of the Company;
- (e) 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; and
- (f) the Company intends to use the funds raised from the Capital Raising for the costs of re-complying with Chapters 1 and 2 of the ASX Listing Rules, general working capital and for the further exploration and development of the Blocks, as follows:

Item	Funds
Sukhbaatar Block, including: <ul style="list-style-type: none"> - PSC related payments - Minimum work obligations - Additional work plan - PAM related cost 	\$1,731,143
Jinst Block, including: <ul style="list-style-type: none"> - 2D seismic - Shot-hole sediment collection 	\$2,136,750
Baruun Urt Block, including follow up seismic	\$200,000
Offer Costs	\$530,000
General Working Capital	\$402,107
TOTAL	\$5,000,000

Full and further details on the use of funds will be included in the Prospectus.

12. RESOLUTION 15 – PARTICIPATION IN PLACEMENT – SHARES TO GARRISON CAPITAL PTY LTD

12.1 General

Pursuant to Resolution 14 the Company is seeking Shareholder approval for the allotment and issue of up to 25,000,000 Shares at an issue price of \$0.20 per Share to raise up to \$5,000,000 (**Capital Raising**).

Garrison Capital Pty Ltd (**Garrison**) wishes to participate in the Capital Raising.

Resolution 15 seeks Shareholder approval for the in the allotment and issue of up to 5,000,000 Shares to Garrison (or its nominee) arising from the participation by Garrison in the Capital Raising (**Participation**).

12.2 Chapter 2E of the Corporations Act

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in Sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in Sections 210 to 216 of the Corporations Act.

The issue of Shares to Garrison constitutes giving a financial benefit and Garrison is a related party of the Company by virtue of being controlled by the following Directors of the Company, Messrs Matthew Wood and Brian McMaster, who control Garrison by virtue of being directors and substantial shareholders of Garrison.

It is the view of the Directors (other than Matthew Wood and Brian McMaster) that the exception in Section 210 of the Corporations Act applies in the current circumstances because the Shares will be issued to Garrison on the same terms as Shares issued to non-related party participants in the Capital Raising and as such the giving of the financial benefit is on arm's length terms. Accordingly, Shareholder approval for the purposes of Chapter 2E is not being sought for the issue of Shares to Garrison.

However, ASX Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies. It is the view of the Directors that the exceptions set out in ASX Listing Rule 10.12 do not apply in the current circumstances.

12.3 Shareholder Approval (Listing Rule 10.11)

Pursuant to and in accordance with the requirements of ASX Listing Rule 10.13, the following information is provided in relation to the proposed issue of Shares to Garrison:

- (a) the related party is Garrison who is a related party of the Company by virtue of being controlled by the following Directors of the Company, Messrs Matthew Wood and Brian McMaster, who control Garrison by virtue of being directors and substantial shareholders of Garrison;
- (b) the maximum number of Shares (being the nature of the financial benefit being provided) to be issued to Garrison (or its nominees) is 5,000,000 Shares;
- (c) the Shares will be granted to Garrison (or its nominee) no later than 1 month after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated the Shares will be issued on one date;

- (d) the issue price will be \$0.20 per Share, being the same as all other Shares issued under the Capital Raising; and
 - (i) 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; and
 - (ii) the funds raised will be used for the same purposes as all other funds raised under the Capital Raising as set out in Section 11.2(f) of this Explanatory Statement.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Shares to Garrison as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of Shares to Garrison will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

13. RESOLUTION 16 – PLACEMENT – OPTIONS TO GARRISON CAPITAL PTY LTD

13.1 General

The Company has agreed, subject to obtaining Shareholder approval, to allot and issue a total of 5,000,000 Options (**Related Party Options**) to Garrison Capital Pty Ltd (or its nominees), a related party of the Company on the terms and conditions set out below.

The proposed grant of the Related Party Options to Garrison (or its nominees) is for part consideration for corporate advisory services being provided to the Company by Garrison in relation to the Takeover Offer.

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in Sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in Sections 210 to 216 of the Corporations Act.

The grant of the Related Party Options constitutes giving a financial benefit and Garrison Capital is a related party of the Company by virtue of being controlled by the following Directors of the Company, Messrs Matthew Wood and Brian McMaster, who control Garrison Capital by virtue of being directors and substantial shareholders of Garrison Capital.

It is the view of the Directors (other than Matthew Wood and Brian McMaster) that the exception in Section 210 of the Corporations Act applies in the current circumstances. Accordingly, Shareholder approval for the purposes of Chapter 2E is not being sought for the grant of Related Party Options to Garrison.

However, ASX Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX

Listing Rule 10.12 applies. It is the view of the Directors that the exceptions set out in ASX Listing Rule 10.12 do not apply in the current circumstances.

13.2 Shareholder Approval (Listing Rule 10.11)

Pursuant to and in accordance with the requirements of ASX Listing Rule 10.13, the following information is provided in relation to the proposed grant of the Related Party Options:

- (a) the related party is Garrison Capital who is a related party of the Company by virtue of being controlled by the following Directors of the Company, Messrs Matthew Wood and Brian McMaster, who control Garrison Capital by virtue of being directors and substantial shareholders of Garrison Capital;
- (b) the maximum number of Related Party Options (being the nature of the financial benefit being provided) to be granted to Garrison (or its nominees) is 5,000,000 Options;
- (c) the Related Party Options will be granted to Garrison (or its nominee) no later than 1 month after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated the Related Party Options will be issued on one date;
- (d) the Related Party Options will be granted for nil cash consideration, accordingly no funds will be raised; and
- (e) the terms and conditions of the Related Party Options are set out in Schedule 1.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Related Party Options to Garrison as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of Related Party Options to Garrison will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

14. ENQUIRIES

Shareholders are requested to contact Mr Brian McMaster on (+ 61 8) 9200 4428 if they have any queries in respect of the matters set out in these documents.

GLOSSARY

\$ means Australian dollars.

10% Placement Capacity has the meaning given in Section 6.1 of this Notice.

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

Associates has the meaning given to that term in the Corporations Act.

ASX means ASX Limited.

ASX Listing Rules means the Listing Rules of ASX.

Bidder Statement means the Bidder Statement prepared by the Company pursuant to the Takeover Offer and released on the ASX on 13 September 2012.

Blocks has the meaning given in Section 7.3 of this Notice.

Board means the current board of directors of the Company.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

Closely Related Party of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- (e) a company the member controls; or
- (f) a person prescribed by the *Corporations Regulations 2001* (Cth).

Company means Strzelecki Metals Limited (ACN 116 249 060).

Consideration Shares means the shares issued to Wolf as consideration under the Takeover Offer.

Consolidation means the consolidation of the issued securities of the Company on a 1 for 10 basis (rounded up to the nearest whole number that will be required to re-comply with Chapters 1 and 2 of the ASX Listing Rules).

Constitution means the Company's constitution.

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

Directors means the current directors of the Company.

Draft Law on Petroleum has the meaning as given in Section 7.4

Eligible Entity means an entity that, at the date of the relevant general meeting:

- (a) is not included in the A&P/ASX 300 Index; and
- (b) has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of \$300,000,000.

Equity Securities includes a Share, a right to a Share or Option, an Option, a convertible security and any security that ASX decides to classify as an Equity Security.

Explanatory Statement means the explanatory statement accompanying the Notice of Meeting.

Independent Expert means Ernst & Young Transaction Services Limited.

Independent Expert's Report means the report undertaken by the Independent Expert advising Shareholders as to the fairness and reasonableness of the Takeover Offer.

Key Management Personnel has the same meaning as in the accounting standards and broadly includes those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company.

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

Ordinary Securities has the meaning set out in the ASX Listing Rules.

Option means an option to acquire a share in the capital of the Company.

Optionholder means a holder of an Option.

Prospectus means the prospectus to be issued pursuant to Resolution 14.

Proxy Form means the proxy form accompanying the Notice.

Relevant Interest has the meaning given to that term in the Corporations Act.

Remuneration Report means the remuneration report set out in the Director's report section of the Company's annual financial report for the year ended 30 June 2012.

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

Shareholder means a holder of a share in the Company.

Strategic Foreign Investment Law has the meaning as given in Section 7.4.

Takeover Offer means the offer by the Company to acquire all of the shares in Wolf pursuant to the Bidder's Statement.

Transaction Resolutions means Resolutions 9 to 12 and 14.

Variable A means "A" as set out in the calculation in Section 6.1 of this Notice.

Voting Power has the meaning given to that term in the Corporations Act.

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

SCHEDULE 1 – TERMS & CONDITIONS OF RELATED PARTY OPTIONS

(a) Entitlement

Each Related Party Option entitles the holder to subscribe for one Share upon exercise of the Related Party Option.

(b) Exercise Price

Subject to paragraph (j), the amount payable upon exercise of each Related Party Option will be \$0.25 (**Exercise Price**)

(c) Expiry Date

Each Related Party Option will expire at 5.00pm (WST) on 31 December 2016 (**Expiry Date**). A Related Party Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) Exercise Period

The Related Party Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

(e) Notice of Exercise

The Related Party Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Related Party Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Related Party Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

(f) Exercise Date

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Related Party Option being exercised in cleared funds (**Exercise Date**).

(g) Timing of issue of Shares on exercise

Within 15 Business Days after the later of the following:

- (i) the Exercise Date; and
- (ii) when excluded information in respect to the Company (as defined in section 708A(7) of the Corporations Act) (if any) ceases to be excluded information,

but in any case no later than 20 Business Days after the Exercise Date, the Company will:

- (iii) allot and issue the number of Shares required under these terms and conditions in respect of the number of Related Party Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
- (iv) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a

notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and

- (v) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Related Party Options.

If a notice delivered under (g)(iv) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

(h) Shares issued on exercise

Shares issued on exercise of the Related Party Options rank equally with the then issued shares of the Company.

(i) Quotation of Shares issued on exercise

If admitted to the official list of ASX at the time, application will be made by the Company to ASX for quotation of the Shares issued upon the exercise of the Related Party Options.

(j) Reconstruction of capital

If at any time the issued capital of the Company is reconstructed, all rights of a Related Party Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

(k) Participation in new issues

There are no participation rights or entitlements inherent in the Related Party Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Related Party Options without exercising the Related Party Options.

(l) Change in exercise price

A Related Party Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Related Party Option can be exercised.

(m) Unquoted

The Company will not apply for quotation of the Related Party Options on ASX.

(n) Transferability

The Related Party Options are non-transferable.

ANNEXURE A – PRO FORMA BALANCE SHEET

	STZ	WOLF	Pro forma Adjustments	Notes	STZ Consolidated Pro forma
CURRENT ASSETS					
Cash	4,790,716	440,993	4,468,379	(a)	9,700,088
Receivables	18,057	176,684	-		194,741
Other current assets	-	2,339,424	-		2,339,424
Total Current Assets	4,808,773	2,957,102	4,468,379		12,234,254
NON-CURRENT ASSETS					
Plant & equipment	-	177,236	-		177,236
Investment	669,027	-	-		669,027
Exploration properties	613,612	4,436,853	31,641,986	(b)	36,692,451
Total Non-current Assets	1,282,639	4,614,089	31,641,986		37,538,713
TOTAL ASSETS	6,091,412	7,571,191	36,110,365		49,772,967
CURRENT LIABILITIES					
Creditors and borrowings	90,339	145,568	-		235,907
Total Current Liabilities	90,339	145,568	-		235,907
TOTAL LIABILITIES	90,339	145,568	-		235,907
NET ASSETS	6,001,073	7,425,623	36,110,365		49,537,060
EQUITY					
Share Capital	37,461,067	9,745,516	36,110,365		83,316,948
Reserves	2,666,413	(55,608)	-		2,610,805
Retained Loss	(34,126,407)	(2,264,286)	-		(36,390,693)
TOTAL EQUITY	6,001,073	7,425,623	36,110,365		49,537,060

The pro forma consolidated statement of financial position incorporates the following pro forma assumptions in relation to STZ's proposed acquisition of Wolf:

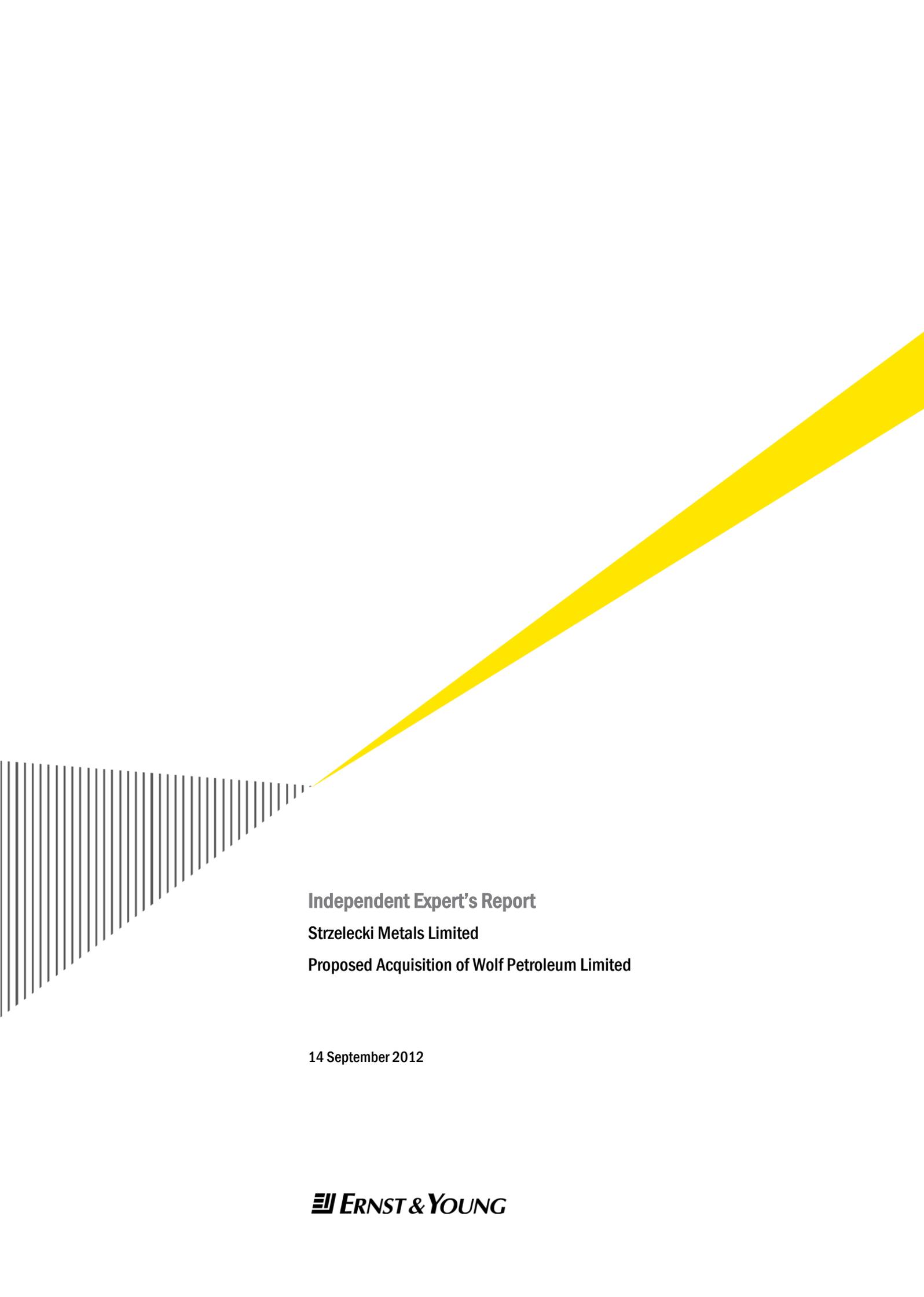
(a) The pro forma adjustment reflects:

- (i) The issue of 25 million STZ shares at \$0.20 per share for the purposes of compliance with Chapters 1 and 2 of the ASX Listing Rules to raise up to \$5,000,000.

- (ii) The pro forma adjustment provides for the expensing of STZ costs of the transaction and fund raising totalling approximately \$0.53 million. These costs have not been tax affected.
- (b) The pro forma adjustment reflects:
 - (i) The preliminary assessment of the acquisition of Wolf gives rise to exploration and evaluation assets of \$41.4 million. The assessment is subject to change once the values of all assets and liabilities to be acquired have been finalised.
 - (ii) The pro forma adjustment eliminates the historical equity balance of \$9.7 million of Wolf.

ANNEXURE B – INDEPENDENT EXPERT'S REPORT

The Independent Expert's Report prepared by Ernst & Young Transaction Services Limited is enclosed with this Notice. The Independent Expert has concluded that the transactions the subject of Resolutions 11 and 12 of the Annual General Meeting are fair and reasonable to non-associated Shareholders. All Shareholders should refer to the Independent Expert's Report enclosed with this Notice of General Meeting.



Independent Expert's Report
Strzelecki Metals Limited
Proposed Acquisition of Wolf Petroleum Limited

14 September 2012

PART 1 – INDEPENDENT EXPERT’S REPORT

The Independent Directors
Strzelecki Metals Limited
Level 1, 33 Richardson Street
WEST PERTH WA 6005

Dear Sirs

Proposed Acquisition of Wolf Petroleum Limited

On 16 July 2012, Strzelecki Metals Limited (“STZ” or the “Company”) announced that it had entered into a Heads of Agreement (the “HoA”) to acquire 100% of the issued shares in Wolf Petroleum Limited (“Wolf”), an unlisted oil and gas exploration company with interests in Mongolia (the “Proposed Acquisition”). Under the Proposed Acquisition, STZ is to offer Wolf shareholders 25 shares for each Wolf share held. Pursuant to the HoA, the Proposed Acquisition is to be effected by STZ making a takeover offer (the “Takeover Offer”) under Chapter 6 of the Corporations Act (the “Act”) for all of the outstanding shares in Wolf.

The Bidder’s Statement prepared by STZ detailing the terms of the Takeover Offer was lodged with Wolf on 12 September 2012. In the absence of a higher bid, the Directors of Wolf have recommended that Wolf shareholders accept the Takeover Offer. Unless otherwise extended, the Takeover Offer closes on 29 October 2012.

If successful, on completion of the Proposed Acquisition, ignoring any entities that have shareholdings in both STZ and Wolf, existing STZ shareholders’ collective interest in the Company will reduce from 100% to approximately 16.7%, with existing Wolf shareholders having a collective interest in STZ of approximately 83.3%. The acquisition of Wolf will change the nature and scope of the Company’s principal activities from mineral exploration to oil and gas exploration. Reflecting this, if the Proposed Acquisition occurs as anticipated it is intended that STZ’s name will be changed to ‘Wolf Petroleum Limited’.

Under Australian Securities Exchange (“ASX”) Listing Rule 10.1, a listed entity is prohibited from acquiring a substantial asset from an entity that is in a position of significant influence without the prior approval of its shareholders. An asset is considered “substantial” for the purpose of ASX Listing Rule 10.1 if its value, or the value of the consideration being paid, is 5% or more of the listed entity’s equity as set out in the latest accounts lodged with the ASX. Reference to an entity that is in a position of “significant influence” specifically includes any related party to the listed company. A “related party” under ASX Listing Rule 10.1 includes a director of the listed entity.

Matthew Wood, an Executive Director of STZ, is the Executive Chairman and a shareholder of Wolf, and Brian McMaster, the Executive Chairman of STZ is a shareholder of Wolf. Based on the terms of the Proposed Acquisition, the purchase of Mr Wood’s and Mr McMaster’s shares in Wolf by STZ is considered to be “substantial” under ASX Listing Rule 10.1. Given Mr Wood and Mr McMaster are considered to be in a position of “significant influence” by virtue of them being directors of the Company, ASX Listing Rule is deemed to apply to the purchase of Mr Wood’s and Mr McMaster’s shares in Wolf under the Proposed Acquisition.

Under ASX Listing Rule 10.10.2, a notice of meeting containing a resolution to be put to shareholders for the purposes of ASX Listing Rule 10.1, must be accompanied by an independent expert’s report stating, in that person’s opinion, whether or not the proposed transaction is fair and reasonable to the shareholders not associated with the Proposed Acquisition.

Consistent with this requirement, Ernst & Young Transaction Advisory Services Limited (“Ernst & Young Transaction Advisory Services”) has been appointed by the Independent Directors of STZ to prepare an independent expert’s report, the purpose of which is to provide an opinion as to whether or not the purchase of Mr Wood’s and Mr McMaster’s shares in Wolf under the Proposed Acquisition is fair and reasonable to the shareholders of STZ who are not associated with Mr Wood and Mr McMaster (the “Non-Associated Shareholders”). Reference to Mr Wood and Mr McMaster includes any entities associated with either of them. The “Independent Directors” are the Directors of STZ other than Mr Wood and Mr McMaster, being Mr Peter Hunt and Dr John Santich.

The Non-Associated Shareholders are to vote on, amongst other matters, the purchase of Mr Wood’s and Mr McMaster’s shares in Wolf under the Proposed Acquisition at the Company’s Annual General Meeting to be held on or about 22 October 2012 (the “Meeting”). Our independent expert’s report is to be included with the Notice of Annual General Meeting and Explanatory Statement being sent to STZ shareholders in relation to the Meeting.

The ASX Listing Rules do not define the term “fair and reasonable” and provides no guidance on what should be considered when assessing whether or not a particular transaction is fair and reasonable for the purposes of ASX Listing Rule 10.1. The Australian Securities and Investment Commission (“ASIC”) has issued Regulatory Guide 111: *Content of expert reports* (“RG 111”) which provides some direction as to what matters an independent expert should consider and how the term “fair and reasonable” should be interpreted in a range of circumstances.

In the circumstances of a related party transaction (which by definition includes ASX Listing Rule 10.1 transactions), RG 111 provides that the determination of “fair and reasonable” should be undertaken by separately assessing whether the transaction is “fair” and whether it is “reasonable”. A related party transaction involving the acquisition of an asset is “fair” if the value of the asset being acquired is greater than or equal to the consideration being paid to the related party. A related party transaction is “reasonable” if it is “fair” or despite being “not fair”, there are sufficient reasons for shareholders to vote for the proposal.

A key matter requiring consideration under RG 111 is whether or not there is a change of control as a consequence of the transaction being opined on. Based on the number of shares held in the Company by Mr Wood, as a result of the Proposed Acquisition, ignoring the issue of any further shares, his interest in STZ will increase from 3.7% to 4.5%. Mr McMaster has a 2.4% interest in STZ, as a result of the Proposed Acquisition his interest in STZ would decrease to 0.9%. Accordingly, Mr Wood’s and Mr McMaster’s ability to control STZ will not change as a consequence of the Proposed Acquisition.

On the wider matter of whether the Proposed Acquisition will result in any entity being in a position to control STZ, while existing Wolf shareholders, ignoring any that may have an existing shareholding in STZ, like Mr Wood and Mr McMaster, will have a collective interest in STZ of 83.3%, the largest shareholder in the Company will have a shareholding of 17.6%.

In considering the guidance in RG 111, in assessing whether or not the purchase of Mr Wood’s and Mr McMaster’s shares in Wolf under the Proposed Acquisition is fair to the Non-Associated Shareholders, we have compared the fair value of the Wolf shares being acquired from Mr Wood and Mr McMaster with the fair value of the consideration being paid by STZ to Mr Wood and Mr McMaster. If the fair value of the shares in Wolf held by Mr Wood and Mr McMaster is greater than or at least equal to the fair value of the consideration being paid by STZ then the purchase of Mr Wood’s and Mr McMaster’s shares in Wolf would be considered “fair”. Consistent with RG 111, if “fair”, the purchase of Mr Wood’s and Mr McMaster’s shares in Wolf would also be “reasonable”.

Summary of Opinion

In Section 10.1 we set out our valuation conclusion. This indicates that the fair value of the Wolf shares being acquired from Mr Wood and Mr McMaster is greater than the fair value of the consideration being offered to Mr Wood and Mr McMaster by STZ under the terms of the Proposed Acquisition.

In Section 10.2 we set out some other qualitative factors which should be taken into consideration, including the alternatives available to STZ shareholders.

Taking into consideration the matters detailed in this independent expert's report, in the opinion of Ernst & Young Transaction Advisory Services, the purchase of Mr Wood's and Mr McMaster's shares in Wolf under the Proposed Acquisition is fair and reasonable to the Non-Associated Shareholders of STZ.

Other Matters

This independent expert's report has been prepared specifically for the Non-Associated Shareholders of STZ. Neither Ernst & Young Transaction Advisory Services, Ernst & Young nor any employee thereof undertakes responsibility to any person, other than the Non-Associated Shareholders, in respect of this report, including any errors or omissions howsoever caused.

This independent expert's report constitutes general financial product advice only and has been prepared without taking into consideration the individual circumstances of the Non-Associated Shareholders. The decision as to whether to approve or not approve the purchase of Mr Wood's and Mr McMaster's shares in Wolf under the Proposed Acquisition is a matter for individual STZ shareholders. STZ shareholders should have regard to the Notice of Meeting and Explanatory Statement prepared by the Directors and management of STZ in relation to the Proposed Acquisition. Shareholders who are in doubt as to the action they should take in relation to Proposed Acquisition should consult their own professional adviser.

Ernst & Young Transaction Advisory Services has prepared a Financial Services Guide in accordance with the Act. The Financial Services Guide is included as Part 2 of this report.

Our opinion is made as at the date of this independent expert's report and reflects circumstances and conditions as at that date. This letter should be read in conjunction with the full report, including the Financial Services Guide.

Yours faithfully
Ernst & Young Transaction Advisory Services Limited



Ken Pendergast
Director and Representative



Brenda Moore
Representative

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1. Details of the Proposed Acquisition

1.1 Overview

On 16 July 2012, Strzelecki Metals Limited (“STZ” or the “Company”) announced that it had entered into a Heads of Agreement (the “HoA”) to acquire 100% of the issued shares in Wolf Petroleum Limited (“Wolf”), an unlisted oil and gas exploration company with interests in Mongolia (the “Proposed Acquisition”). Pursuant to the HoA, the Proposed Acquisition is to be effected by STZ making a takeover offer (the “Takeover Offer”) under Chapter 6 of the Corporations Act (the “Act”) for all of the outstanding shares in Wolf. The Takeover Offer was subject to satisfactory completion of due diligence by STZ, which has been completed.

Under the Proposed Acquisition, STZ is to offer Wolf shareholders 25 STZ shares for each Wolf share held.

The Bidder’s Statement detailing the terms of the Takeover Offer was lodged with Wolf on 12 September 2012. In the absence of a higher bid, the Directors of Wolf have recommended Wolf shareholders accept the Takeover Offer. Unless otherwise extended, the Takeover Offer closes on 29 October 2012.

For its entire history STZ’s principal activities have involved mineral exploration and evaluation in a number of projects based in Australia and in Poland. The acquisition of Wolf will change the focus of the Company from mineral exploration to oil and gas exploration. Wolf has secured exploration rights over three blocks in Mongolia covering a total land area of approximately 75,000 km². The Baruun Urt Block and the Sukhbaatar Block are adjacent to each other within the mid-eastern region of Mongolia, while the Jinst Block is located in the south-western region of Mongolia.

STZ acknowledged in the HoA that if the Proposed Acquisition is completed it will seek to dispose of its existing mineral assets in an orderly and reasonable manner.

Australian Securities Exchange (“ASX”) Listing Rule 10.1 prohibits a listed entity from acquiring a substantial asset from an entity that is in a position of significant influence without the prior approval of its shareholders. Matthew Wood, an Executive Director of STZ, is the Executive Chairman and a shareholder of Wolf and Brian McMaster, the Executive Chairman of STZ, is a shareholder of Wolf. Based on the terms of the Proposed Acquisition, Mr Wood’s and Mr McMaster’s shares in Wolf are considered to be “substantial” and given that as directors of STZ they are considered to be in a position of “significant influence”, ASX Listing Rule 10.1 is deemed to apply to the purchase of their Wolf shares under the Proposed Acquisition.

STZ shareholders are to vote on the purchase of Mr Wood’s and Mr McMaster’s shares in Wolf under the Proposed Acquisition at the Company’s Annual General Meeting to be held on or about 22 October 2012 (the “Meeting”). Amongst other matters, at the Meeting shareholders are also to consider resolutions seeking approval for:

- ▶ changing the Company’s name to “Wolf Petroleum Limited”;
- ▶ changing the nature and scale of the Company’s activities;
- ▶ a consolidation of the share capital of STZ on a 1 for 10 basis (the “Share Consolidation”); and
- ▶ the issue of shares to raise up to an amount of \$5.0 million (the “Capital Raising”).

Without having regard to any shareholders who hold shares in both STZ and Wolf, if successful, on completion of the Proposed Acquisition, the existing Wolf shareholders will have a collective 83.3% interest in the expanded issued shares of STZ. Existing STZ shareholders will have a collective 16.7% interest.

The expanded issued share capital of STZ, assuming the Proposed Acquisition proceeds, is summarised as follows:

STZ - Capital structure	Shares
STZ:	
- Shares currently on issue	414,000,000
Wolf:	
- Shares currently on issue	82,775,003
STZ shares to be issued to Wolf shareholders:	
- On 25 for 1 basis	2,069,375,075
STZ after the Proposed Acquisition:	
- Shares currently on issue held by existing STZ shareholders	414,000,000
- Shares held by existing Wolf shareholders	2,069,375,075
STZ share on issue after the Proposed Acquisition	2,483,375,075
%Shares held by	
- Existing STZ shareholders	16.7%
- Existing Wolf shareholders	83.3%
	100.0%
STZ shares on issue after the 1:10 Share Consolidation	248,337,508

Source: STZ management, EY Analysis

In addition to the shares on issue, STZ has the following unlisted options on issue:

STZ - Options on issue	
Options	
Exercisable at \$0.10 expiring 17 February 2013	2,250,000
Exercisable at \$0.033 expiring 28 November 2015	10,000,000
Post 1:10 Share Consolidation	
Exercisable at \$1.00 expiring 17 February 2013	225,000
Exercisable at \$0.33 expiring 28 November 2015	1,000,000

Source: STZ management, EY Analysis

Under the HoA, upon completion of the Proposed Acquisition, STZ is required to invite Wolf nominees to the join the Board. Mr Wood and Mr McMaster are to be retained on the Board.

Reference to STZ share numbers in this report are on a pre-Share Consolidation basis unless otherwise stated.

1.2 Conditions precedent

Completion of the Proposed Acquisition is subject to a number of conditions (which can be variously waived by one or other, or both together, of STZ and Wolf), including:

- ▶ STZ obtaining at least 90% of the issued share capital of Wolf under the Takeover Offer;
- ▶ Wolf must not enter into any share buy-back arrangement or issues shares;
- ▶ Wolf must not dispose of, or agree to dispose of a substantial part of its business;
- ▶ No action by any government agency adversely affecting the Proposed Acquisition;
- ▶ All necessary government approvals are obtained;
- ▶ There are no material failings in filings;
- ▶ No force majeure events;
- ▶ No material adverse change to Wolf;
- ▶ Mining interests are renewed as necessary;
- ▶ No litigation which may reasonably result in a judgement of \$5 million is commenced or threatened to commence; and
- ▶ The A&P/ASX 200 index does not fall below 3500 at any time on any trading day.

Full details of the conditions precedent are detailed in the Bidder's Statement, which is available on STZ's website.

2. Scope of the Report

2.1 Purpose of the Report

Under ASX Listing Rule 10.10.2, a notice of meeting containing a resolution to be put to shareholders for the purposes of ASX Listing Rule 10.1, must be accompanied by an independent expert's report stating, in that person's opinion, whether or not the proposed transaction is fair and reasonable to the shareholders not associated with the transaction.

Consistent with this requirement, Ernst & Young Transaction Advisory Services Limited ("Ernst & Young Transaction Advisory Services") has been appointed by the Independent Directors of STZ to prepare an independent expert's report, the purpose of which is to provide an opinion as to whether or not the purchase of Mr Wood's and Mr McMaster's shares in Wolf under the Proposed Acquisition is fair and reasonable to the shareholders of STZ who are not associated with Mr Wood or Mr McMaster (the "Non-Associated Shareholders"). Reference to Mr Wood and Mr McMaster includes any entities associated with them. The "Independent Directors" are the Directors of STZ other than Mr Wood and Mr McMaster, being Peter Hunt and Dr John Santich.

Our independent expert's report is to be included with the Notice of Meeting and Explanatory Statement being sent to the shareholders in relation to the Meeting.

2.2 Basis of Evaluation

The ASX Listing Rules do not define the term "fair and reasonable" and provides no guidance on what should be considered when assessing whether or not a particular transaction is fair and reasonable for the purposes of ASX Listing Rule 10.1. The Australian Securities and Investment Commission ("ASIC") has issued Regulatory Guide 111: *Content of expert reports* ("RG 111") which provides some direction as to what matters an independent expert should consider and how the term "fair and reasonable" should be interpreted in a range of circumstances.

In the circumstances of a related party transaction (which by definition includes ASX Listing Rule 10.1 transactions), RG 111 provides that the determination of "fair and reasonable" should be undertaken by separately assessing whether the transaction is "fair" and whether it is "reasonable". A related party transaction involving the acquisition of an asset is "fair" if the value of the asset being acquired is greater than or equal to the consideration being paid to the related party. A related party transaction is "reasonable" if it is "fair" or despite being "not fair", there are sufficient reasons for shareholders to vote for the proposal.

In considering the guidance in RG 111, in assessing whether or not the purchase of Mr Wood's and Mr McMaster's shares in Wolf under the Proposed Acquisition is fair to the Non-Associated Shareholders, we have compared the fair value of Wolf with the fair value of the consideration being paid by STZ. If the fair value of Wolf is greater than or at least equal to the fair value of the consideration being paid by STZ then the purchase of Mr Wood's and Mr McMaster's shares in Wolf would be considered "fair". Consistent with RG 111, if "fair", the purchase of Mr Wood's and Mr McMaster's shares in Wolf would also be "reasonable".

"Fair value" in this context is considered to be *"the amount at which an asset could be exchanged between a knowledgeable and willing but not anxious seller and a knowledgeable and willing but not anxious buyer both acting at arm's length"*.

In assessing the purchase of Mr Wood's and Mr McMaster's shares in Wolf under the Proposed Acquisition, we have considered a range of other factors including:

- ▶ the overall terms of the Proposed Acquisition;
- ▶ the impact of the Proposed Acquisition on the underlying operations of STZ;
- ▶ the proforma value of STZ after the Proposed Acquisition;
- ▶ whether or not STZ shareholders are better off, or at least no worse off because of the Proposed Acquisition;
- ▶ the alternatives to the Proposed Acquisition; and

- ▶ other qualitative factors which we believe represent either advantages or disadvantages to the Non-Associated Shareholders.

In considering the fair value of Wolf we have relied on the independent report prepared by MHA Petroleum Consultants, Inc. ("MHA"), oil and gas industry specialists, in which the fair value of Wolf's Mongolian oil and gas exploration assets have been assessed. A copy of MHA's report (the "MHA Report") is attached in full at Appendix D.

In placing reliance on the MHA Report we have satisfied ourselves as to MHA's independence, competence and expertise. We are also satisfied that the assumptions, methodologies and source data used by MHA is reasonable and appropriate and that the report contains sufficient information to support the conclusions drawn. MHA has previously provided independent consulting services to Wolf in regards to the company's Mongolian exploration assets. MHA has confirmed that these services were of a nature that does not impinge on their ability to provide an independent assessment of the value of Wolf's exploration assets.

In determining the fair value of a STZ share and a Wolf share we had access to the management of STZ and management information in relation to both STZ and Wolf. Our fair value assessment of a STZ share and a Wolf share is summarised in Section 7 and Section 8 respectively. Our assessment of the proforma value of STZ after the Proposed Acquisition is summarised in Section 9. Our valuation conclusion and consideration of other significant factors is contained in Section 10.

Our assessment is based on the economic, political, social, market and other conditions prevailing at the date of this report.

All amounts in this report are expressed in Australian dollars unless otherwise stated.

A glossary detailing the abbreviations we have used in this report is contained in Appendix C.

2.3 Shareholders' Decisions

This independent expert's report has been prepared specifically for the Non-Associated Shareholders of STZ. As such, Ernst & Young Transaction Advisory Services, Ernst & Young and any member or employee thereof, takes no responsibility to any entity other than STZ shareholders, in respect of this report, including any errors or omissions howsoever caused.

This report constitutes general financial product advice only and has been prepared without taking into consideration the individual circumstances of the Non-Associated Shareholders. The decision to approve or not approve the purchase of Mr Wood's and Mr McMaster's shares in Wolf under the Proposed Acquisition is a matter for individual shareholders. Shareholders should consider the advice in the context of their own circumstances, preferences and risk profiles. Shareholders should have regard to the Notice of Annual General Meeting and Explanatory Statement prepared by the Independent Directors and management of the Company. STZ shareholders who are in doubt as to the action they should take in relation to the Proposed Acquisition, including the purchase of Mr Wood's and Mr McMaster's shares, should consult their own professional adviser.

Ernst & Young Transaction Advisory Services has prepared a Financial Services Guide in accordance with the Act. The Financial Services Guide is included as Part 2 of this report.

2.4 Limitations and Reliance on Information

We have considered a number of sources in preparing this independent expert's report and arriving at our opinion. These sources of information are detailed in Appendix B.

This report is based upon financial and other information provided by STZ, Wolf and other parties. We have considered and relied upon this information. The information provided to us has been evaluated through analysis, enquiry and review for the purposes of forming an opinion as to whether the purchase of Mr Wood's and Mr McMaster's shares in Wolf under the Proposed Acquisition is fair and reasonable to the Non-Associated Shareholders. However, we do not warrant that our enquiries have identified all of the matters that an audit, or an extensive examination or due diligence might disclose.

Preparation of this report does not imply that we have, in any way, audited the accounts or records of STZ. It is understood that the accounting information that was provided was prepared in accordance with generally accepted accounting principles including Australian equivalents to International Financial Reporting Standards as applicable.

In forming our opinion we have also assumed that:

- ▶ Matters such as title, compliance with laws and regulations and contracts in place are in good standing and will remain so and that there are no material legal proceedings, other than as publicly disclosed.
- ▶ The information set out in the Notice of Annual General Meeting and Explanatory Statement to be sent by STZ to shareholders is complete, accurate and fairly presented in all material respects.
- ▶ The publicly available information relied upon by Ernst & Young Transaction Advisory Services in its analysis was accurate and not misleading.

To the extent that there are legal issues relating to assets, properties, or business interests or issues relating to compliance with applicable laws, regulations and policies, we assume no responsibility and offer no legal opinion or interpretation on any issue.

The statements and opinions given in this independent expert's report are given in good faith and in the belief that such statements and opinions are not false or misleading.

Ernst & Young Transaction Advisory Services provided draft copies of this report to the Independent Directors and management of STZ for their comments as to factual accuracy, as opposed to opinions, which are the responsibility of Ernst & Young Transaction Advisory Services alone. Amendments made to this report as a result of this review have not changed the methodology or conclusions reached by Ernst & Young Transaction Advisory Services.

3. Overview of STZ

3.1 Company background

STZ listed on the ASX as “Primary Resources Limited” in March 2006 as an Australian focused mineral exploration company with interests including:

- ▶ Warburton and Egerton tenements located in central Western Australia prospective for gold, copper, diamonds, nickel and uranium;
- ▶ Yandeyarra tenements located in central west Western Australia prospective for gold;
- ▶ Steere River tenements located in the Great Southern region of Western Australia prospective for gold, copper, lead, zinc, and uranium;
- ▶ Beete tenements located in the Goldfields region of Western Australia prospective for gold and nickel;
- ▶ Nackara tenements located in eastern South Australia prospective for gold, copper, diamonds and uranium; and
- ▶ Paragon tenements located in north western New South Wales prospective for copper and silver.

The Company listed via an initial public offer (“IPO”) under which the Company issued approximately 15.738 million shares raising funds of approximately \$3.148 million.

In April 2007, STZ entered into an agreement with Marathon Resources Limited (“Marathon”) under which Marathon could earn up to a 70% interest in the Warburton tenements by spending \$3.25 million within a five year period. The agreement gave Marathon a pre-emptive right over the Egerton tenements. Marathon also agreed to a placement of 2.3 million shares in STZ at 20 cents each.

In December 2007, STZ announced the acquisition of Śląsko Krakowska Kompania Górnictwa Metali Sp. z o.o. (“SKKGM”), a company incorporated in Poland that holds a mineral concession over the Myszków-Żarki mineral system, which includes the Myszków molybdenum-copper-tungsten deposit (the “Myszków Project”). The acquisition was to provide STZ with access to exploration assets that, at the time, were considered to be closer to development than the Company’s Australian projects.

The acquisition of SKKGM was completed in June 2008 for a consideration of approximately \$23.322 million, which was satisfied through the issue of approximately 49.338 million shares at 42.8 cents each and approximately 46.72 million options, exercisable at 27.5 cents each on or before 17 August 2010. At acquisition, SKKGM’s exploration assets were valued at approximately \$22.693 million.

The number of shares issued as consideration for SKKGM represented 50% of the expanded issued share capital. In completing the acquisition, to help fund exploration and evaluation activity in Poland the Company raised \$7.5 million through the issue of 37.5 million shares. To reflect the wider exploration focus, in November 2008 STZ changed its name to “Strzelecki Metals Limited”.

In the preceding period after the acquisition of SKKGM, STZ undertook the work required to define an Inferred Resource within the Myszków Project of approximately 726 million tonnes averaging 0.12% molybdenum, at a cut-off grade of 0.085%. A concept study was commissioned to confirm the viability of establishing an underground mine at Myszków.

Unfortunately with the ongoing negative impact of the global financial crisis (“GFC”) on world equity markets and falling commodity prices, including molybdenum, STZ realised that the size and scope of the Myszków Project was beyond the resources of the Company.

In September 2009, Marathon withdrew from the farm-in arrangement that was in place with respect to the Warburton tenements and transferred back to STZ the 15% interest that it had earned at no cost. On the withdrawal from Warburton by Marathon, STZ combined the Warburton tenements with the Egerton tenements under the West Musgrave Project.

In January 2010, STZ signed an agreement with private company, Tortuga Advisors Limited (“Tortuga”), under which Tortuga could earn up to an 80% interest in the West Musgrave Project by spending \$4 million within five years. The agreement provides that Tortuga would earn its interest in the project with three expenditure tranches of \$750,000, \$1.5 million and \$1.75 million corresponding to an earned cumulative interest of 15%, 51% and 80%. The agreement also stated that if STZ’s interest decreases to 20%, STZ could elect to convert its share to a 14% free carried interest through to the development and mining of a deposit within the tenements.

Across the financial year ended 30 June 2010, STZ sought to reduce expenditure by relinquishing or selling all of its Australian exploration assets (except for the West Musgrave Project and the Steere River tenements). At the same time the Company actively pursued the identification of a joint venture partner to support the development of the Myszków Project. In recognising lower molybdenum prices and project uncertainty, in 2010 STZ impaired its exploration assets by \$18.885 million, with the value of its exploration assets being reduced to \$9.602 million as at 30 June 2010.

In November 2010, STZ announced that it had entered into a memorandum of understanding (the “MOU”) with a United States based private investment fund, Electrum Strategic Metals III LLC (“Electrum”), for Electrum to acquire up to a 75% interest in SKKGM. Under the MOU, Electrum was required to make an initial payment of \$US3.5 million for a 55% interest. Further exploration expenditure of US\$1 million (mandatory) would earn Electrum a further 5% interest, a further US\$2 million thereafter for another 5% and a further US\$3 million thereafter for another 10% interest (i.e. the 75% interest costing a total of US\$9.5 million). The additional expenditure commitments are required to be incurred by the first, second and third anniversaries of the arrangement with STZ regarding SKKGM. The arrangement included two additional concessions that were granted to SKKGM in January 2011 over the Kupferschiefer Copper Project in the Kupferschiefer Basin in Poland. The partial sale of SKKGM was completed in March 2011.

While dealing with the sale of the initial 55% interest in SKKGM, the Company evaluated a number of mineral project investment opportunities. None of these opportunities were progressed.

In April 2011, the Company announced the placement of 54,000,000 shares at 1.5 cents each to raise \$810,000. At the same time a Board restructure was announced with Stephen Evans and Simon O’Loughlin stepping down and Brian McMaster and Matthew Wood being appointed.

Over the year ended 30 June 2012, no exploration or expenditure was incurred by the Company, with STZ’s exploration assets being further impaired from a balance of \$2.18 million at 30 June 2011 to approximately \$614,000 at 30 June 2012. By that date, STZ’s interest in SKKGM had been reduced to 40% with Electrum’s interest increasing to 60%.

3.2 Financial performance and position

3.2.1 Profit and loss statement

The table below summarises STZ's financial performance for the years ended 30 June 2010 ("FY10"), 30 June 2011 ("FY11") and 30 June 2012 ("FY12"). The amounts have been extracted from STZ's audited financial statements.

STZ - Profit and loss statement	FY10	FY11	FY12
\$000's			
Revenue	33	110	250
Expenses			
Impairment of Exploration assets	(744)	(1,397)	(1,566)
Employee benefits expense	(422)	(408)	(392)
Depreciation expense	(90)	(27)	(8)
Borrowing costs	(63)	(11)	-
Loss on sale of tenement	(124)	-	-
Share of losses of SKKGM (equity accounted)	-	(102)	(401)
Shared based payments expense	-	-	(139)
Other expenses	(1,601)	(760)	(451)
	(3,044)	(2,704)	(2,957)
Loss before income tax	(3,011)	(2,594)	(2,708)
Income tax (expense)/benefit	350	(48)	-
Loss from continuing operations	(2,661)	(2,643)	(2,708)
Loss for the year from discontinued operations	(18,065)	(2,659)	-
Total loss for the year	(20,726)	(5,302)	(2,708)
Foreign exchange translation	146	(176)	-
Total comprehensive loss for the year	(20,580)	(5,478)	(2,708)

Source: STZ Annual Reports

Since the partial sale of STZ's interest in SKKGM in March 2011, the Company's investment in SKKGM has been accounted for using the equity method. Accordingly, the 'Share of losses of SKKGM' represents STZ's share of that company's losses over FY11 and FY12.

The loss recorded from discontinued operations reflects the sale of the partial interest in SKKGM. The majority of the \$18.065 million recorded in FY10 was represented by the impairment of the Myszków Project.

The trading performance reflects STZ's position as a mineral exploration company across a period where it has looked to reduce its expenditure commitments and activities by entering into joint venture arrangements with third parties.

In presenting financial information to 30 June 2012, we have received representation from STZ management that the financial position of the Company has not materially changed since that date.

3.2.2 Financial position

A summary of the net asset position of STZ as at 30 June 2010 ("Jun10"), 30 June 2011 ("Jun 11) and 30 June 2012 ("Jun12") is summarised in the table below. The amounts have been extracted from STZ's audited financial statements.

STZ - Balance sheet	Jun10	Jun11	Jun12
\$000's			
Current assets			
Cash and cash equivalents	601	4,556	4,791
Trade and other receivables	442	16	18
Other current assets	24	62	-
	1,067	4,635	4,809
Non-current assets			
Investment in associate - SKKGM	-	1,070	669
Plant and equipment	672	8	-
Exploration assets	9,602	2,180	614
	10,274	3,258	1,283
Total assets	11,341	7,893	6,091
Current liabilities			
Trade and other payables	183	84	90
Short term borrowings	510	-	-
Short term provisions	25	-	-
	718	84	90
Non-current liabilities			
Long term borrowings	23	-	-
	23	-	-
Total liabilities	741	84	90
Net Assets	10,599	7,808	6,001

Source: STZ Annual Reports

The cash balance increased at Jun11 with the sale of a 55% interest in SKKGM to Electrum for an initial amount of US\$3.5 million. STZ's investment in associate at Jun12 reflects the Company's 40% interest in SKKGM (45% at Jun11).

In presenting financial information to Jun12, we have received representation from STZ management that the financial position of the Company has not materially changed since that date.

3.2.3 Cashflow statement

The table below summarises STZ's cash flows for FY10, FY11 and FY12.

STZ - Cashflow statement	FY10	FY11	FY12
\$000's			
Cash flows from operating activities			
Receipts from customers	42	-	-
Payments to suppliers and employees	(1,665)	(1,283)	(744)
Borrowing costs	(63)	(11)	-
Interest received	69	52	217
Receipt from R&D tax concession	-	350	-
Net cash from operating activities	(1,617)	(891)	(527)
Cash flows from investing activities			
Proceeds from sale of plant and equipment	200	-	-
Purchase of property, plant and equipment	(17)	-	-
Proceeds from disposal of subsidiary - SKKGM	-	3,543	-
Payments for exploration activities	(489)	(24)	-
Net cash from investing activities	(307)	3,519	-
Cash flows from financing activities			
Proceeds from issue of shares	1,154	2,023	810
Transaction costs on issue of shares	(42)	(162)	-
Repayment of borrowings	(93)	(533)	(49)
Net cash from financing activities	1,019	1,328	761
Net increase/(decrease) in cash held	(905)	3,956	234
Cash at beginning of period	1,505	601	4,556
Cash at end of period	601	4,556	4,791

Source: STZ Annual Reports

The \$3.543 million recorded as 'Proceeds from disposal of subsidiary' reflects the sale of the initial 55% interest in SKKGM to Electrum.

During FY11 the Company raised \$2.023 million through the issue of new shares, with a total 202,286,465 shares being issued at 1 cent each. In FY10, 21,538,445 shares were issued to raise \$1.154 million, equating to an average of 5.4 cents per share.

STZ's cash flow statement shows that the Company's operations have been funded through the issue of new shares and the sale of the 55% interest in SKKGM. Given the nature of STZ's activities this is not unexpected.

In presenting financial information to Jun12, we have received representation from STZ management that the financial position of the Company has not materially changed since that date.

3.3 Capital structure

As at 16 August 2012, STZ had the following securities on issue:

- ▶ 414,000,000 fully paid ordinary shares;
- ▶ 2,250,000 unlisted options, which are exercisable at 10 cents and expire on 17 February 2013; and
- ▶ 10,000,000 unlisted options, which are exercisable at 3.3 cents and expire on 28 November 2015.

At that date the Company had approximately 800 shareholders, with the top 10 shareholders holding 28.35% of the shares on issue, and the largest shareholder, being an associate of Dr Santich, one of the Independent Directors, having an approximate 5.99% interest. The Top 10 shareholders as at 16 August 2012 were detailed as follows:

STZ - Top 10 Shareholders	Shares held	%of Total Shares
Sheoak Runner Pty Ltd (Dr Santich - Non-Executive Director of STZ)	24,811,940	6.0%
Matthew Wood (Executive Director of STZ, Executive Chairman of Wolf)	15,359,100	3.7%
Foresight Pty Ltd	12,171,040	2.9%
Archon Resources Superannuation Pty Ltd	10,800,000	2.6%
Symington Pty Ltd	10,100,000	2.4%
Timothy Flavel (Executive Director of Wolf)	10,000,000	2.4%
Reeve Ventures Pty Ltd (B McMaster, Executive Chairman of STZ)	10,000,000	2.4%
Jason and Lisa Peterson (Mr Peterson is a Non-Executive Director of Wolf)	8,650,000	2.1%
Dorsch Consultants Pty Ltd	8,177,369	2.0%
Carmel Whiting	7,284,500	1.8%
Total owned by Top 10 shareholders	117,353,949	28.3%
Total owned by other STZ shareholders	296,646,051	71.7%
Total STZ Shares	414,000,000	100.0%

Source: STZ Management, Annual Report

As detailed in the table, Mr Wood has a 3.7% interest in the Company and Mr McMaster a 2.4% interest.

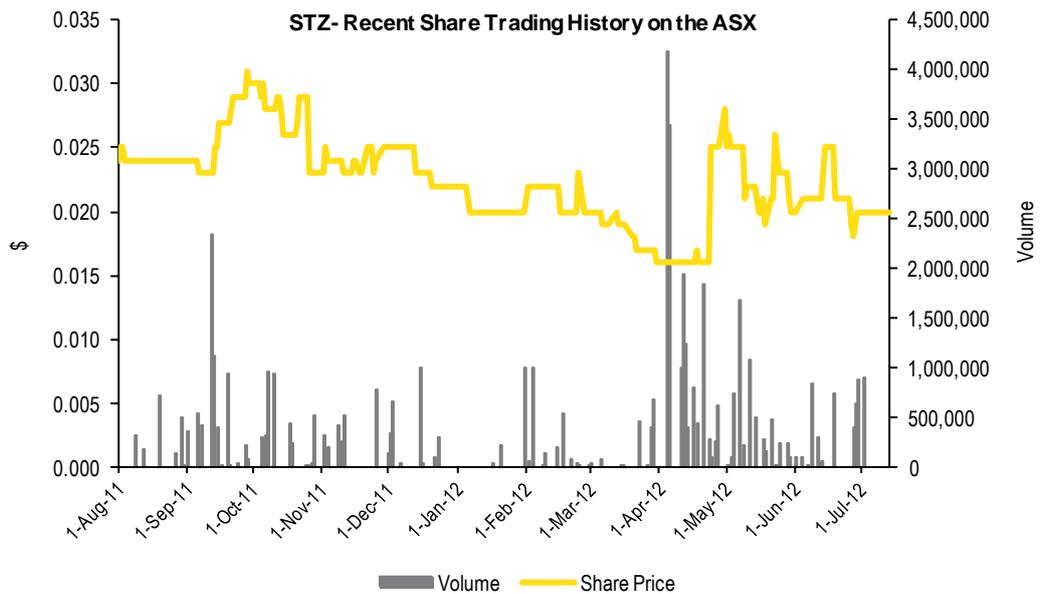
3.4 Share price performance

The following table summarises the monthly trading of the Company's shares on the ASX over the period 1 August 2011 to 13 July 2012, the date STZ went into a trading halt prior to the announcement of the Proposed Acquisition of Wolf on 16 July 2012.

STZ - Monthly Share Trading Summary					
	High	Low	Close	Volume	Liquidity
	\$	\$	\$	000's	%
Aug-11	0.025	0.023	0.024	4,662	1.3%
Sep-11	0.035	0.022	0.030	6,578	1.8%
Oct-11	0.031	0.022	0.023	4,073	1.1%
Nov-11	0.025	0.023	0.025	3,005	0.8%
Dec-11	0.023	0.022	0.022	2,002	0.6%
Jan-12	0.021	0.020	0.020	1,447	0.4%
Feb-12	0.023	0.020	0.020	2,508	0.7%
Mar-12	0.020	0.016	0.016	1,029	0.3%
Apr-12	0.028	0.016	0.028	12,141	3.4%
May-12	0.026	0.019	0.020	10,364	2.5%
Jun-12	0.025	0.018	0.020	2,998	0.7%
to 13 Jul-12	0.020	0.020	0.020	3,594	0.9%

Source: Capital IQ

Included below is a chart of STZ's share price and volume across the same period. The price is based on the daily closing price.



Source: Capital IQ

Over the period considered STZ's share price traded from a high of 3.5 cents in September 2011 to a low of 1.6 cents in March 2012 and April 2012. The movements in price have been off low volumes, with the number of shares traded each month generally between 1% and 2% of the shares on issue. The low liquidity of STZ's shares is reflected in the small number of trades conducted each month. The liquidity over April and May 2012 corresponds with the Board restructure with Mr Wood and Mr McMaster becoming executive directors and the placement of 54,000,000 shares at 1.5 cents each.

The material announcements made by STZ between August 2011 and July 2012 are summarised below:

- ▶ 28 September 2011 – STZ announced that it had signed a heads of agreement to acquire 100% of the issued capital of Posit Coal Pty Ltd (“Posit”), which owns a 72% interest in the Kara Keche Centralny coal deposit in the Democratic Republic of Kyrgyzstan.
- ▶ 25 October 2011 – STZ withdrew from its heads of agreement with Posit as due diligence findings identified that it was not in the Company’s best of interests to proceed with the acquisition.
- ▶ 24 April 2012 – STZ announced the private placement of 54,000,000 shares at 1.5 cents each and a restructure of its Board of Directors. Mr McMaster was appointed as Executive Chairman and Mr Wood as Executive Director. The previous chairman, Peter Hunt, remained as a Non-Executive Director, as did Dr Santich. Mr Evans and Mr O’Loughlin resigned. The placement was made to nominees of Garrison Capital Pty Ltd, a company associated with Mr McMaster and Mr Wood.
- ▶ 7 May 2012 – STZ gave notice that it had issued 54,000,000 fully paid ordinary shares at an issue price of 1.5 cents to raise a total of \$810,000 (before expenses) by way of a placement to institutional and sophisticated investors.

The last price at which STZ shares traded on 13 July 2012, being the last trading day before the announcement of the Proposed Acquisition, was 2.0 cents.

4. Overview of Wolf

4.1 Company background

Wolf is an Australian non-listed public company that was incorporated in October 2010 with its principal activity being the exploration and evaluation of prospective oil and gas projects in Mongolia. Through its wholly owned Mongolian subsidiaries, Wolf has become one of the largest holders of oil and gas exploration acreage in Mongolia, with rights over three blocks extending to a total land area of over 75,000 km². Wolf has been successful in bringing together a team of Mongolian based geology and geophysical specialists and has a strategy to increase value through modern evaluation of historical data and aggressive exploration where warranted.

Wolf's main projects are the Baruun Urt Block, Jinst Block, and the recently acquired Sukhbaatar Block. A short description of each is as follows:

Baruun Urt Block - The Baruun Urt Block is located in eastern Mongolia in a region with proven petroleum systems. In 2011, Wolf completed magnetic and gravity surveys within Baruun Urt, resulting in the identification of a number of gravity lows which represent sediment thicks or graben sub-basins. Approximately 330 km of 2D seismic lines were shot on five of the six identified sub-basins. From this work numerous structural and stratigraphic traps were indicated in structures similar to the structures found in producing basins in blocks close to Baruun Urt. Source rocks have been identified on Baruun Urt that are known to host petroleum reservoirs in central and eastern Mongolia. Based on the prospectivity of the work completed to date, Wolf extended the land area under the Baruun Urt Block. The total area of the Baruun Urt Block is 10,287 km².

Jinst Block - The Jinst Block is located in south-western Mongolia and covers a land area of 41,190 km². Over 2011, magnetic and gravity surveys together with geological mapping was completed within Jinst, with over 10 sub-basins being identified. Two of the larger sub-basins were identified as Cretaceous in age. Cretaceous rock is the source and reservoir rock for all current production in Mongolia. A seismic program was conducted on these basins and a second program of 655 km has been planned.

Sukhbaatar Block - The Sukhbaatar Block is located in eastern Mongolia adjacent to the Baruun Urt Block and covers a total area of 23,047 km². Over 60% of the surface geology at Sukhbaatar has been identified as Cretaceous. Preliminary view of historical reports has indicated at least one sub-basin with a thickness of 3,000 metres. Wolf is planning to complete magnetic and gravity studies, with the view of conducting 2D seismic program thereafter. Wolf has signed a production sharing agreement ("PSC") with the Petroleum Authority of Mongolia ("PAM"), which has three exploration phases divided into five years.

Further detail on the three blocks held by Wolf is contained in the MHA Report which is attached as Appendix D. Accordingly to information contained in the MHA Report, exploration expenditure incurred within the Baruun Urt, Jinst and Sukhbaatar Blocks totals approximately US\$5.2 million.

The Directors of Wolf are as follows:

Wolf - Directors

Matthew Wood - Executive Chairman
 George Tumur - Managing Director
 Bataa Tumur-Ochir - Executive Director
 Tim Flavel - Executive Director
 Jason Peterson - Non-Executive Director
 Jargalsaikhan Dambadarjaa - Non-Executive Director

Source: Wolf Management

Mr Wood, Mr Tumur and Mr Flavel were key members of the management team that established Hunnu Coal Limited ("Hunnu"), a Mongolian based coal exploration and development company that listed on the ASX in February 2010 at a value of approximately \$30 million. Hunnu was subsequently acquired via a takeover by Banpu PLC in November 2011 for a total cash consideration of approximately \$480 million.

Since incorporation Wolf has raised \$10.315 million of capital to fund its acquisition, exploration and evaluation activities in Mongolia. The company's cash balance as at 30 June 2012 totalled approximately \$441,000.

Wolf's head office is in Perth and it has established an office in Ulaanbaatar, the capital city of Mongolia.

Further details on Wolf are contained in the Notice of Meeting and Explanatory Statement.

4.2 Financial statements

4.2.1 Profit and loss statement

The table below summarises Wolf's trading performance for the period from incorporation on 12 October 2010 to 31 December 2011 and for the six months to 30 June 2012. The 31 December 2011 amounts were summarised from Wolf's audited financials and the Jun12 amounts from the company's management accounts.

Wolf - Profit and loss statement \$000's	12 Oct 10 to 31 Dec 11	6 mths to 30 Jun 12
Revenue	96	22
Expenses		
Corporate advisory fee	(25)	(30)
Employee benefits expense	(112)	(113)
Foreign exchange (loss) / gain	(40)	5
Professional and consulting fees	(207)	(1,021)
Rental expenses	(106)	(172)
Service administration fee	(50)	(68)
Travel expenses	(159)	(97)
Other expenses	(77)	(110)
	(776)	(1,606)
Loss before income tax	(680)	(1,584)
Income tax (expense)/benefit	-	-
Total loss for the period	(680)	(1,584)
Foreign exchange translation	(138)	-
Total comprehensive loss for the period	(818)	(1,584)

Source: Wolf Annual Report and Management Accounts

The trading performance of Wolf reflects its status as an early stage exploration company.

In presenting financial information to Jun12, we have received representation from Wolf management that, as far as they are aware, the financial position of Wolf has not materially changed since that date.

4.2.2 Balance sheet

The balance sheet of Wolf as at 31 December 2011 (“Dec11”) and 30 June 2012 is shown in the table below. The Dec11 balance sheet was sourced from the audited financials and the Jun12 balance sheet was sourced from the management accounts.

Wolf - Balance sheet	Dec11	Jun12
\$000's		
Current assets		
Cash and cash equivalents	4,469	441
Trade and other receivables	222	177
Other current assets	542	2,339
	5,232	2,957
Non-current assets		
Plant and equipment	178	177
Exploration assets	3,710	4,437
	3,888	4,614
Total assets	9,121	7,571
Current liabilities		
Trade and other payables	193	146
	193	146
Total liabilities	193	146
Net Assets	8,927	7,426

Source: Wolf Annual Report and Management Accounts

The other current assets balance at Jun12 is represented by prepayments, with the majority of the balance being represented by prepaid consultant fees.

In presenting financial information to Jun12, we have received representation from Wolf management that, as far as they are aware, the financial position of Wolf has not materially changed since that date.

4.2.3 Cashflow statement

The table below details Wolf's cashflow movements for the period 12 October 2010 to 31 December 2011 summarised from Wolf's audited financials and the six months to 30 June 2012 summarised from Wolf's management accounts.

Wolf - Cashflow statement \$000's	12 Oct 10 to 31 Dec 11	6 mths to 30 Jun 12
Cash flows from operating activities		
Payments to suppliers and employees	(1,338)	(3,396)
Interest received	89	22
Other receipts	7	-
Net cash from operating activities	(1,242)	(3,374)
Cash flows from investing activities		
Purchase of property, plant and equipment	(190)	-
Payments for exploration activities	(3,845)	(654)
Net cash from investing activities	(4,035)	(654)
Cash flows from financing activities		
Proceeds from issue of shares	10,315	-
Transaction costs on issue of shares	(569)	-
Net cash from financing activities	9,746	-
Net increase/(decrease) in cash held	4,469	(4,028)
Cash at beginning of period	-	4,469
Cash at end of period	4,469	441

Source: Wolf Annual Report and Management Accounts

The table shows that all of Wolf's activities since incorporation have been funded from capital raisings undertaken across 2011. The capital raisings undertaken by Wolf are summarised as follows:

Wolf - Issued Share Capital History	Shares Issued	Price \$	Amount Raised
12-Oct-10 Founder shares	3	0.00	-
01-Dec-10 Vendor shares	45,000,000	0.0001	4,500
23-Dec-11 Seed 1 shares	10,000,000	0.10	1,000,000
03-Mar-11 Seed 2 shares	7,600,000	0.25	1,900,000
16-Mar-11 Seed 2 shares	4,400,000	0.25	1,100,000
27-Oct-11 Placement	15,775,000	0.40	6,310,000
	82,775,003		10,314,500

Source: Wolf Management

In presenting financial information to Jun12, we have received representation from Wolf management that, as far as they are aware, the financial position of Wolf has not materially changed since that date.

4.3 Capital structure

As at 7 August 2012, Wolf's share capital consisted of 82,775,003 fully paid ordinary shares. At that date the company had approximately 100 shareholders with the top 10 shareholders holding 61.5% of the shares on issue, as detailed in the following table:

Wolf - Top 10 Shareholders	Shares held	%of Total Shares
Next Level LLC	17,500,000	21.1%
Nefco Nominees Pty Ltd	6,000,000	7.2%
Brave Warrior Holdings Ltd (George Tumur, Managing Director of Wolf)	5,000,001	6.0%
Taycol Nominees Pty Ltd	4,100,000	5.0%
Matthew Wood (Executive Director of STZ, Executive Chairman of Wolf)	3,900,001	4.7%
Timothy Flavel (Executive Director of Wolf)	3,900,001	4.7%
Jason and Lisa Peterson (Mr Peterson is a Non-Executive Director of Wolf)	3,900,000	4.7%
Bataa Tumur-Ochir (Executive Director of Wolf)	2,600,000	3.1%
Borigon Taij Llc	2,000,000	2.4%
Altan Tsurai Llc	2,000,000	2.4%
Total owned by Top 10 shareholders	50,900,003	61.5%
Total owned by other Wolf shareholders	31,875,000	38.5%
Total Wolf Shares	82,775,003	100.0%

Source: Wolf Management, Annual Report

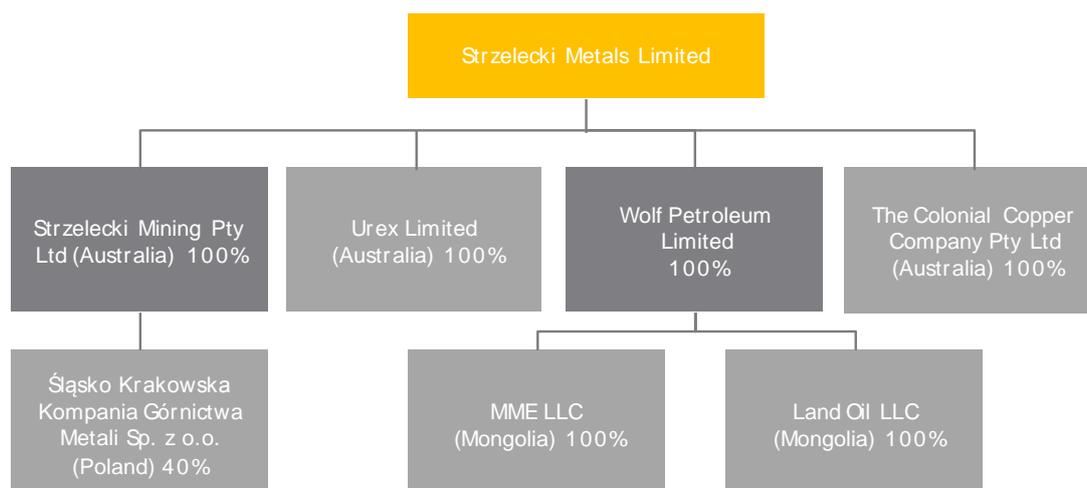
As detailed in the table, Mr Wood has a 4.7% interest in Wolf. Mr McMaster owns 500,000 shares in Wolf, which equates to 0.6% of the shares on issue.

5. Overview of STZ after the Proposed Acquisition

5.1 Introduction

Should the Proposed Acquisition proceed, STZ's principal activities will change from mineral exploration in Australia and Poland to oil and gas exploration in Mongolia. To reflect this, the Company intends to change its name to "Wolf Petroleum Limited". Given the form of the Proposed Acquisition, the purchase of Wolf by STZ represents a "backdoor" listing of Wolf.

STZ's group structure immediately after the Proposed Acquisition is presented graphically below.



5.2 Intended strategy

Following the Proposed Acquisition, STZ's strategy will be focussed on the exploration, evaluation and development of the Baruun Urt, Jinst and Sukhbaatar Blocks in Mongolia. STZ intends to dispose of its existing mineral exploration assets in an orderly fashion.

To assist with this strategy, STZ intends to undertake the Capital Raising to raise additional funds of up to \$5 million. Of the funds to be raised, approximately \$2.137 million has been allocated for exploration and evaluation work to be undertaken within the Jinst Block and \$1.731 million to the Sukhbaatar Block.

The Company also intends to implement the Share Consolidation whereby STZ shares will be consolidated on a 1 for 10 basis.

5.3 Directors and management

Following the Proposed Acquisition, it is proposed that nominees of Wolf will be appointed to the Board and executive of STZ. In this regard, it is intended that Mr McMaster and Mr Wood will remain on the Board, while Mr Hunt and Dr Santich will resign following the successful completion of the Proposed Acquisition.

The management of Wolf will effectively become the management of STZ.

5.4 Pro-forma summary of assets and liabilities

Without adjusting for the accounting or fair value requirements of the Proposed Acquisition to account, the table below reflects a proforma summary of the assets and liabilities of the combined STZ/Wolf entity based on the balance sheets of STZ and Wolf as at Jun12.

Pro-forma Balance sheet	STZ	Wolf	Combined
S000's			
Current assets			
Cash and cash equivalents	4,791	441	5,232
Trade and other receivables	18	177	195
Other current assets	-	2,339	2,339
	4,809	2,957	7,766
Non-current assets			
Investment in associate - SKKGM	669	-	669
Plant and equipment	-	177	177
Exploration assets	614	4,437	5,050
	1,283	4,614	5,897
Total assets	6,091	7,571	13,663
Current liabilities			
Trade and other payables	90	146	236
	90	146	236
Total liabilities	90	146	236
Net Assets	6,001	7,426	13,427

Source: EY analysis

The proforma does not include the impact of the proposed Capital Raising.

5.5 Capital structure

Under the Proposed Acquisition, STZ will issue Wolf shareholders with 2,069,375,075 new shares, with the number of shares the Company having on issue increasing to 2,483,375,075. If the Proposed Acquisition is implemented, existing STZ shareholders will hold 16.7% of STZ after the Proposed Acquisition, with existing Wolf shareholders holding the remaining 83.3%.

Mr Wood's shareholding will increase from 3.7% to 4.5%. Mr Wood is currently STZ's second largest shareholder. If the Proposed Acquisition is completed he will be the Company's fourth largest shareholder, ignoring the impact of the Capital Raising. Mr McMaster's 2.4% interest in STZ will decrease to a 0.9% interest after the Proposed Acquisition, making him the 15th largest shareholder.

A proforma of the top 20 shareholders of STZ after the Proposed Acquisition is presented in the table below. We note that only one existing STZ shareholder (besides Mr Wood, Mr Flavel, Mr Petersen and Mr McMaster who are shareholders in both companies) is included, being Sheoak Runner Pty Ltd ("Sheoak") which will become the Company's 14th largest shareholder. Sheoak is currently STZ's largest shareholder with a 6.0% interest.

STZ - Top 20 Shareholders after the Proposed Acquisition	Shares held 000's	%of Total Shares
Next Level LLC	437,500	17.6%
Nefco Nominees Pty Ltd	150,000	6.0%
Brave Warrior Holdings Ltd (George Tumur, Managing Director of Wolf)	125,000	5.0%
Matthew Wood (Executive Director of STZ, Executive Chairman of Wolf)	112,859	4.5%
Timothy Flavel (Executive Director of Wolf)	107,500	4.3%
Jason and Lisa Peterson (Mr Peterson is a Non-Executive Director of Wolf)	106,150	4.3%
Taycol Nominees Pty Ltd	102,500	4.1%
Bataa Tumur-Ochir (Executive Director of Wolf)	65,000	2.6%
Borigon Taij Llc	50,000	2.0%
Altan Tsurai Llc	50,000	2.0%
JP Morgan Nominees Australia Ltd	46,250	1.9%
Khurelbaatar Urtnasan	35,000	1.4%
Verve Resources Llc	25,000	1.0%
Sheoak Runner Pty Ltd (Dr Santich - Non-Executive Director of STZ)	24,812	1.0%
Reeve Ventures Pty Ltd (B McMaster, Executive Chairman of STZ)	22,500	0.9%
Brijohn Nominees Pty Ltd, Nelsonio, A/C	21,250	0.9%
Ziziphus Pty Ltd	20,625	0.8%
Joseph Burke	16,875	0.7%
Interstate Investments Pty Ltd	16,250	0.7%
Surfboard Pty Ltd, ARW Super Fund No 1 A/C	16,125	0.6%
Total owned by Top 20 shareholders	1,551,196	62.5%
Total owned by other STZ shareholders	932,179	37.5%
Total STZ shares after the Proposed Acquisition	2,483,375	100.0%

Source: EY Analysis

The Capital Raising is intended to raise \$5 million through the issue of 37,500,000 shares on a post-Share Consolidation basis. On a pre-Share Consolidation basis this equates to 375,000,000 shares. If these shares are issued and none of the Top 20 shareholders participate, then the percentage interests are diluted by 13.1%. Mr Wood's shareholding would be reduced to 3.9% and Mr McMaster's shareholding to 0.8%.

6. Valuation methodology and approach

6.1 Definition of fair value

In forming our opinion as to whether or not the purchase of Mr Wood's and Mr McMaster's shares in Wolf under the Proposed Acquisition is fair and reasonable to the Non-Associated Shareholders we have determined the fair value of the Wolf shares being acquired and the fair value of the STZ shares being issued as consideration. To do this we have had to assess the fair value of both STZ and the fair value of Wolf. Business valuers typically define fair value as:

"the price at which an asset could be exchanged between a knowledgeable and willing but not anxious seller and a knowledgeable and willing but not anxious buyer both acting at arm's length".

As described in Section 2.2, as a result of the Proposed Acquisition, Mr Wood's shareholding in STZ will increase from 3.7% to 4.5% and Mr McMaster's shareholding will decrease from 2.4% to 0.9%. Accordingly, Mr Wood's and Mr McMaster's ability to control STZ will not change as a consequence of the Proposed Acquisition. On this basis, we have assessed the comparative fair values of the Wolf shares being acquired and the STZ shares being issued on a portfolio or minority interest basis, without any premium for control.

6.2 Valuation methodology and approach

RG 111 provides guidance on the valuation methods that an independent expert should consider when valuing a company for the purposes of, amongst others, a related party transaction. These methods include the:

- ▶ Discounted cash flow method and the estimated realisable value of any surplus assets;
- ▶ Application of earnings multiples (appropriate to the business or industry in which the entity operates) to the estimated future maintainable earnings or cash flows of the entity, added to the estimated realisable value of any surplus assets;
- ▶ Amount that would be available for distribution to security holders on an orderly realisation of assets;
- ▶ Quoted price for listed securities, when there is a liquid and active market and allowing for the fact that the quoted price may not reflect their value, should 100% of the securities be available for sale;
- ▶ Recent genuine offers, if any, received by the target for any business units or assets as a basis for valuation of those business units or assets; and
- ▶ Amount that any alternative acquirer might be willing to offer if all the securities in the target were available for purchase.

Each methodology is appropriate in certain circumstances. The decision as to which methodology to apply generally depends on the nature of the asset being valued, the methodology most commonly adopted in valuing such an asset and the availability of appropriate information.

The discounted cash flow methodology involves calculating the net present value of cash flows that are expected to be derived from future activities. The forecast cash flows are discounted by a discount rate that reflects the time value of money and the risk inherent in the cash flows. This methodology is particularly appropriate in valuing projects, businesses and companies that are in a start up phase and are expecting considerable volatility and/or growth in earnings during the growth phase, as well as businesses with a finite life (such as oil and gas fields). The utilisation of this methodology generally requires that the asset be sufficiently advanced to enable management to provide long term cash flows with some degree of robustness.

The capitalisation of earnings methodology involves capitalising the earnings of a project, a business, or a company at an appropriate multiple, which reflects the risks underlying the earnings together with growth prospects. This methodology is theoretically most appropriate where a company or business is expected to generate a relatively stable level of earnings but in practice, is also frequently used in a range of other circumstances.

The net asset backing methodology involves consideration of the net realisable value of the assets of a business or company on a going concern basis, assuming an orderly realisation of those assets. This value includes a discount to allow for the time value of money and for reasonable costs of undertaking the realisation. It is not a valuation on the basis of a forced sale, where assets may be sold at values materially different to their fair value. This methodology is appropriate where a project, a business or company is not making an adequate return on its assets

or where there are surplus non-operational assets. This method is also appropriate for companies that are holding assets that are not sufficiently advanced to enable the preparation of long term cash flow forecasts.

Market based assessments relate to the valuation of companies, the shares of which are traded on a stock exchange. While the relevant share price would, prima facie, constitute the market value of the shares, such market prices usually reflect the prices paid for small parcels of shares and as such do not include a control premium relevant to a significant parcel of shares.

6.3 Valuation methodology applied

Given the nature of STZ's operations as a minerals exploration company, we have assessed the value of the Company on a net asset backing basis after considering the underlying value of its assets and liabilities on a going concern basis.

STZ's principal exploration assets are its 40% interest in SKKGM, the holder of the Myszków Project in Poland, and an 85% interest in the West Musgrave Project, both of which are effectively being farmed-out to third parties in Electrum and Tortuga. Accordingly, management of the exploration, evaluation and development of these assets, together with funding requirements across the period of the farm-out arrangements, are no longer the responsibility of STZ. On this basis in assessing the fair value of the Company's exploration assets we have considered, amongst other matters, the terms of the farm-out arrangements.

We have also considered the trading prices of STZ's shares on the ASX.

Given the nature of Wolf's operations as a oil and gas exploration company, we have assessed the value of the company on a net asset backing basis after considering the underlying value of its assets and liabilities on a going concern basis.

In considering the value of Wolf's Mongolian oil and gas exploration assets we have relied on the fair value assessment undertaken by the independent oil and gas specialist, MHA. The method applied by MHA and the valuation results are summarised in Section 8. The MHA Report is attached in full as Appendix D to this report.

In Section 9 we have also given consideration to the proforma value of STZ after the Proposed Acquisition.

7. Valuation of STZ

7.1 Approach

For the purpose of assessing the value of the STZ shares to be issued to Mr Wood and Mr McMaster as consideration for their shares in Wolf, we valued the Company on a net asset backing basis after considering the underlying value of its assets and liabilities on a going concern basis. We have also considered the recent trading prices of STZ shares on the ASX.

7.2 Net asset valuation

7.2.1 Interest in SKKGM

STZ acquired SKKGM, a Poland based exploration company, in June 2008 for a consideration of approximately \$23.322 million. SKKGM's key exploration asset was the Myszków Project, which includes the Myszków molybdenum-copper-tungsten deposit. At acquisition, SKKGM's exploration assets were valued at approximately \$22.693 million.

While STZ undertook the work required to define an Inferred Resource within the Myszków Project of approximately 726 million tonnes averaging 0.12% molybdenum, with the ongoing negative impact of the GFC on world equity markets and commodity prices, the Company realised that the size and scope of the Myszków Project was beyond the resources of STZ. In regards to molybdenum prices, the average price had reduced from a level of approximately US\$31/lb in 2007 to an average price of approximately US\$11/lb for 2009, recovering to an average of approximately US\$16/lb for 2010.

In recognising lower molybdenum prices and project uncertainty, in FY10 STZ impaired its exploration assets by \$18.885 million, of which \$18.841 million related to the write-down of the Myszków Project. The book value of STZ's exploration assets at Jun12 was restated to \$9.602 million.

In November 2010, STZ announced that it had entered into the MOU for Electrum to acquire up to a 75% interest in SKKGM. Under the MOU, STZ sold an initial 55% interest in SKKGM for US\$3.5 million, with Electrum having the ability to increase its shareholding in SKKGM by funding future exploration. In this regard, if Electrum incurs exploration expenditure of US\$1 million (mandatory) it would earn a further 5% interest in SKKGM, a further US\$2 million thereafter for another 5% and a further US\$3 million thereafter for another 10% interest (i.e. the 75% interest costing a total of US\$9.5 million). The additional expenditure commitments are required to be incurred by the first, second and third anniversaries of the arrangement with STZ regarding SKKGM.

In January 2011, SKKGM secured two additional concessions over the Kupferschiefer Copper Project in the Kupferschiefer Basin in Poland. Although this occurred during the period over which the sale of the 55% interest in SKKGM to Electrum was being finalised, no adjustment to the terms was made to account for SKKGM securing these additional concessions.

The sale of the 55% interest in SKKGM was completed in March 2011. By 30 June 2012, Electrum had spent the mandatory US\$1 million and had increased its interest in SKKGM to 60%, with STZ's interest reducing from 45% to 40%. As at that date, we understand from information provided by the Company, Electrum has spent US\$1.9 million on exploration within the Myszków Project. Molybdenum prices averaged approximately US\$16/lb for 2011 and approximately US\$14/lb across the eight months to 31 August 2012.

STZ recorded a loss on the sale of the 55% interest in SKKGM of \$2.019 million, with the Company's remaining interest being brought to account at a value of \$2.771 million. This amount has been reduced on an equity accounting basis through further impairment charges and the share of SKKGM's losses across the period from March 2011. At Jun12, the book value of STZ's 40% interest in SKKGM was approximately \$669,000.

With STZ having no involvement in the ongoing operation of SKKGM and its interest expected to reduce further under the farm-out arrangement with Electrum, the Company's ability to realise any value for its 40% interest in excess of the value implied under the agreement with Electrum is uncertain. On this basis we have assessed the fair value of STZ's 40% interest in SKKGM based on the terms of the agreement with Electrum.

Electrum has incurred US\$4.5 million to obtain a 60% interest in SKKGM, comprised of the initial payment of US\$3.5 million and the additional exploration expenditure of US\$1 million to earn a further 5% interest. This values STZ's 40% interest in SKKGM at US\$3.0 million. Based on an exchange rate of AS\$1.00:US\$1.03, this equates to a value of \$2.913 million.

Based on the above analysis, we have valued STZ's investment in SKKGM in the range of between \$669,000 and \$2.913 million.

7.2.2 West Musgrave

The book value of STZ's interest in the West Musgrave Project at Jun12 was approximately \$614,000.

In January 2010, STZ signed an agreement with Tortuga, under which Tortuga could earn up to an 80% interest in the West Musgrave Project by spending \$4.0 million within five years. The agreement provided that Tortuga would earn its interest across expenditure tranches of \$750,000, \$1.5 million and \$1.75 million corresponding to an earned cumulative interest of 15%, 51% and 80%. By 30 June 2011, Tortuga had earned a 15% interest in the West Musgrave Project. The agreement also stated that if STZ's interest decreases to 20%, STZ could elect to convert its share to a 14% free carried interest through to the development and mining of a deposit within the tenements.

Not inconsistent with its investment in SKKGM, with STZ having no involvement in the ongoing operation of the West Musgrave Project while the farm-out arrangement with Tortuga continues, the Company's ability to realise any value for its interest in excess of the value implied under the agreement with Tortuga is uncertain. On this basis we have assessed the fair value of STZ's 85% interest in the West Musgrave Project based on the terms of the agreement with Tortuga.

Based on Tortuga spending \$750,000 for a 15% interest, the implied fair value of STZ's 85% interest is \$4.25 million. It is of note that under the terms of the farm-out arrangement with Tortuga using this approach the value of STZ's interest diminishes, in that if Tortuga spends a cumulative amount of \$2.25 million to earn a 51% interest, the value of STZ's interest reduces to \$2.162 million and if a cumulative amount of \$4 million is spent to earn an 80% interest, the value of STZ's remaining 20% interest is reduced to \$1.0 million. The weighted average value based on the respective expenditure tranches is \$2.045 million.

Based on the analysis above, we have valued STZ's 85% interest in the West Mulgrave Project in the range of \$614,000 to \$2.045 million.

7.2.3 Valuation

The table below details our assessment of the value of STZ on a net asset backing basis after considering the underlying value of its assets and liabilities on a going concern basis. Other than the value of the Company's interest in SKKGM and in the West Musgrave Project, all other amounts are based on book values as at Jun12.

In determining the value of a STZ share on a minority interest basis we have applied a minority interest discount to our assessed value of STZ on a whole of company basis. A minority interest discount is the inverse of a control premium.

Empirical studies have shown that control premiums are typically in the range of 20% to 40%. Given the nature of STZ's underlying assets, being mostly cash and interests in exploration assets that are under farm-out arrangements, we believe a more appropriate control premium would be in the range of between 0% and 20%. A control premium of 10%, being the midpoint of that range implies a minority interest discount of 9.1%.

STZ - Valuation Summary	Low	High
\$000's		
Other Assets and Liabilities		
Cash and cash equivalents	4,791	4,791
GST receivables	18	18
Trade and other payables	(70)	(70)
	<u>4,738</u>	<u>4,738</u>
Mineral Assets		
Investment in associate - SKKGM (40%)	669	2,913
Exploration assets - West Musgrave Project (85%)	614	2,045
	<u>1,283</u>	<u>4,958</u>
Total Net Asset Value	<u>6,021</u>	<u>9,696</u>
Shares on issue (000's)	414,000	414,000
Value per share (cents)	1.5	2.3
Minority interest discount	9.1%	9.1%
Value per share on minority interest basis (cents)	<u>1.4</u>	<u>2.1</u>

Source: EY Analysis

Accordingly, based on the above we have assessed the fair value of a STZ share on a minority interest basis to be in the range of 1.4 cents to 2.1 cents.

7.3 Valuation cross check

We have compared our assessed valuation range of a STZ share on a minority interest basis with recent market trading, as shown in the table below. In conducting our analysis we have looked at the trading prices before and after 16 July 2012, being the announcement date. The analysis is detailed in the following table:

STZ - Share price history	Price cents
Closing Price on 13 July 2012 (last trading day prior to announcement)	2.0
VWAP on 13 July 2012 (last trading day prior to announcement)	2.0
30 day VWAP prior to announcement date	2.0
60 day VWAP prior to announcement date	2.3
90 day VWAP prior to announcement date	2.2
VWAP since announcement date	1.9

Source: Capital IQ, EY Analysis

We note that the liquidity of STZ's shares on the ASX has generally been low with less than 1% of the issued shares being traded monthly. Having regard to this, our assessed valuation range for a STZ share of 1.4 cents to 2.1 cents appears reasonable.

7.4 Valuation conclusion

Based on our analysis we have valued a share in STZ on a minority interest basis to be in the range of 1.4 cents to 2.1 cents.

8. Valuation of Wolf

8.1 Approach

For the purpose of assessing the value of the Wolf shares to be purchased from Mr Wood and Mr McMaster under the Proposed Acquisition we valued Wolf on a net asset backing basis after considering the underlying value of its assets and liabilities on a going concern basis.

In considering the value of Wolf's Mongolian oil and gas exploration assets we have relied on the fair value assessment undertaken by the independent oil and gas specialist, MHA. The MHA Report is attached in full as Appendix D to this report. The MHA Report contains the fair value assessment of the following exploration assets:

- ▶ the Baruun Urt Block;
- ▶ the Jinst Block; and
- ▶ the Sukhbaatar Block.

In addition to relying on the values assessed by MHA for Wolf's exploration assets, we have also considered the fair value of other assets and liabilities.

8.2 Summary of MHA valuations

MHA have valued the three exploration projects utilising the appraised value method, an explanation of which is detailed in Section II of the MHA Report. An excerpt from the MHA Report summarising the approach applied is included below:

"The method utilised by MHA to determine the fair market value (i.e. fair value) for the Mongolian-based assets of Wolf was as follows:

- ▶ *An appraised value for each of the three blocks was determined by estimating the sum of meaningful past exploration expenditures plus warranted future costs for each block. MHA determined a range (low, most likely, high) of appraised values for each of the three blocks.*
- ▶ *A detailed analysis was conducted on each of the three blocks to evaluate the positives or advantages of each block, as well as the negatives or disadvantages of each block. These positives or negatives were generally technical or commercial aspects associated with the blocks. Following this detailed analysis, MHA then estimated a subjective market factor which would be a multiplier on the previously determined appraised value. A value less than 1.0 would reflect a discount to the appraised value, while a value greater than 1.0 would apply a premium to the appraised value.*

- ▶ *The fair market value was calculated by the following equation:*

$$\text{Market Value} = (\text{Appraised Value}) * (\text{Market Factor}) - \text{Future Costs}$$

MHA determined a range (low, most likely, high) of market values for each of the three blocks."

The table below summarises the valuation range assessed by MHA for each exploration asset:

MHA's Valuation of Wolf's Exploration Assets US000's	Low	High	Most Likely
Exploration assets:			
Baruun Urt	6,913	14,428	8,888
Jinst	12,195	30,509	20,283
Suhkbaatar	18,245	43,186	24,823
	37,353	88,123	53,993

Source: the MHA Report

Accordingly, MHA has valued the Mongolian exploration assets of Wolf in the range of between US\$37.353 million and US\$88.123 million, with a most likely value of US\$53,993 million.

8.3 Valuation

The table below details our assessment of the value of Wolf on a net asset backing basis after considering the underlying value of its assets and liabilities on a going concern basis. Other than the value of the company's exploration assets, all other amounts are based on book values as at Jun12.

Wolf - Valuation summary \$000's	Low	High	Most Likely
Exploration assets (US\$000's):			
Baruun Urt	6,913	14,428	8,888
Jinat	12,195	30,509	20,283
Suhkbaatar	18,245	43,186	24,823
	37,353	88,123	53,993
Exchange Rate (US\$:A\$)	1.03	1.03	1.03
Value of Exploration assets (A\$000's)	36,265	85,556	52,420
Other Assets and Liabilities			
Cash and cash equivalents	441	441	441
Trade and other receivables	177	177	177
Other current assets	2,339	2,339	2,339
Trade and other payables	(146)	(146)	(146)
	2,812	2,812	2,812
Total Net Asset Value	39,076	88,367	55,232
Shares on issue (000's)	82,775	82,775	82,775
Value per share (cents)	47.2	106.8	66.7
Minority interest discount	23.1%	23.1%	23.1%
Value per share on a minority interest basis (cents)	36.3	82.1	51.3

Source: EY Analysis

In determining the value of a Wolf share on a minority interest basis we have applied a minority interest discount to our assessed value of Wolf on a whole of company basis. A minority interest discount is the inverse of a control premium.

Empirical studies have shown that control premiums are typically in the range of 20% to 40%. Given the nature of Wolf's underlying assets and recognising that the company is not listed, we had applied a control premium of 30%, which implies a minority interest discount of 23.1%.

Accordingly, based on the above we have assessed the fair value of a Wolf share on a minority interest basis to be in the range of 36.3 cents to 82.1 cents, with a most likely value based on MHA's assessment of the company's exploration assets of 51.3 cents.

8.4 Valuation cross check

With Wolf not being listed it is difficult to determine an appropriate cross check to our assessed values. However, it is of note that the last capital raising undertaken by Wolf was in October 2011 where the company issued 15.775 million shares at 40 cents each to raise an amount of \$6.31 million. The 40 cents issue price is not inconsistent with the lower end of our valuation range.

8.5 Valuation conclusion

Based on the above analysis we conclude that the value of a Wolf share on a minority interest basis is in the range of 36.3 cents to 82.1 cents, with a most likely value of 51.3 cents.

9. Proforma Value after the Proposed Acquisition

Included in the table below is a proforma valuation of STZ after the Proposed Acquisition of Wolf together with the proforma value of a STZ share on a minority interest basis. The proforma has been determined by adding the assessed values for STZ, in its current form, and the assessed value of Wolf. No adjustment has been made for any synergies or cost savings, if any, that may be derived from STZ's acquisition of Wolf.

The most likely values determined for STZ represents the midpoint between the low and high, whereas the most likely for Wolf is based on MHA's assessed values for the company's exploration assets.

The minority interest discount of 23.1% is based on the inverse of a control premium of 30%.

STZ - Proforma Valuation after the Proposed Acquisition \$000's	Low	High	Most Likely
Company Valuations:			
STZ	6,021	9,696	7,859
Wolf	39,076	88,367	55,232
	45,098	98,064	63,090
Shares on issue (000's)	2,483,375	2,483,375	2,483,375
Value per share (cents)	1.8	3.9	2.5
Minority interest discount	23.1%	23.1%	23.1%
Proforma value per share on minority interest basis (cents)	1.4	3.0	1.9
STZ value assessed per share on minority interest (cents)	1.4	2.1	1.8
Proforma increase in value	0.0%	42.9%	8.6%

Source: EY Analysis

On this basis, the proforma value of a STZ shares post the Proposed Acquisition, on a minority interest basis, is in the range of 1.4 cents to 3.0 cents, with a most likely value of 1.9 cents. This compares to the values assessed for STZ in its current form of between 1.4 cents and 2.1 cents. At the midpoint of this value and taking the 'most likely' value assessed for Wolf, the proforma values compares to a 'current' value of STZ of 1.8 cents.

10. Evaluation of the Proposed Acquisition

In forming our opinion as to whether or not the purchase of Mr Wood's and Mr McMaster's shares in Wolf under the Proposed Acquisition is fair and reasonable to the Non-Associated Shareholders of STZ, we have considered:

- ▶ Whether the value of Mr Wood's and Mr McMaster's shareholding in Wolf is greater than or less than the value of the consideration being offered by STZ. We have also considered whether the value of a STZ share after the Proposed Acquisition is higher or lower than the value of a STZ share prior to the Proposed Acquisition. Our assessment of share values is on a minority interest basis.
- ▶ Other qualitative factors which we believe represent either advantages or disadvantages to the Non-Associated Shareholders
- ▶ The alternatives available to STZ shareholders

10.1 Valuation conclusion

In determining whether or not the purchase of Mr Wood's and Mr McMaster's shares in Wolf under the Proposed Acquisition is fair and reasonable to the Non-Associated Shareholders, we have compared the value of Mr Wood's and Mr McMaster's shareholding in Wolf (i.e. what is being acquired) with the value of the consideration being offered to Mr Wood and Mr McMaster (i.e. what is being paid).

The following tables summarise our valuation conclusions with respect to both Mr Wood's and Mr McMaster's shares:

Valuation Conclusion based on Assessed Value of STZ \$000's	Low	High	Most Likely
Value of Mr Wood's shareholding in Wolf:			
Value per share - Wolf (cents)	36.3	82.1	51.3
Shares held (000's)	3,900	3,900	3,900
Value of what is being acquired (\$000's)	1,416	3,202	2,001
Value of consideration to Mr Wood:			
Value per share - STZ (cents)	1.4	2.1	1.8
Shares to be issued (000's)	97,500	97,500	97,500
Value of what is being acquired (\$000's)	1,365	2,048	1,706
Premium to consideration being paid (\$000's)	51	1,154	294
Premium (%)	3.7%	56.4%	17.3%
Value of Mr McMaster's shareholding in Wolf:			
Value per share - Wolf (cents)	36.3	82.1	51.3
Shares held (000's)	500	500	500
Value of what is being acquired (\$000's)	182	411	257
Value of consideration to Mr McMaster:			
Value per share - STZ (cents)	1.4	2.1	1.8
Shares to be issued (000's)	12,500	12,500	12,500
Value of what is being acquired (\$000's)	175	263	219
Premium to consideration being paid (\$000's)	7	148	38
Premium (%)	3.7%	56.4%	17.3%

Source: EY Analysis

As outlined in the above table, we conclude that the values of Mr Wood's and Mr McMaster's shareholdings in Wolf are greater than the value of the consideration being offered by STZ. As such, STZ is receiving a premium in the range of 3.7% to 56.4%, with a premium of 17.3% at the most likely value. Consequently, Ernst & Young Transaction

Advisory Services considers the purchase of Mr Wood's and Mr McMaster's shares in Wolf under the Proposed Acquisition to be fair to the Non-Associated Shareholders.

We note that over the past 12 months STZ's share price has traded from a high of 3.5 cents in September 2011 to a low of 1.5 cents in September 2012. These movements in price have been off low volumes, with the number of shares traded each month generally less than 1% of the shares on issue and listed.

As an alternative to the above assessment we have also considered the proforma value of a STZ share after the Proposed Acquisition of Wolf and valued the consideration being offered to Mr Wood and Mr McMaster based on these proforma values. The analysis is as follows:

Valuation Conclusion based on Proforma Value of STZ \$000's	Low	High	Most Likely
Value of Mr Wood's shareholding in Wolf:			
Value per share - Wolf (cents)	36.3	82.1	51.3
Shares held ('000)	3,900	3,900	3,900
Value of what is being acquired	1,416	3,202	2,001
Proforma value of consideration to Mr Wood:			
Proforma value per share post the Proposed Acquisition (cents)	1.4	3.0	1.9
Shares to be issued (000's)	97,500	97,500	97,500
Proforma value of consideration being paid (\$000's)	1,365	2,925	1,853
Premium to consideration being paid (\$000's)	51	277	148
Premium (%)	3.7%	9.5%	8.0%
Value of Mr McMaster's shareholding in Wolf:			
Value per share - Wolf (cents)	36.3	82.1	51.3
Shares held ('000)	500	500	500
Value of what is being acquired	182	411	257
Proforma value of consideration to Mr McMaster:			
Proforma value per share post the Proposed Acquisition (cents)	1.4	3.0	1.9
Shares to be issued (000's)	12,500	12,500	12,500
Proforma value of consideration being paid (\$000's)	175	375	238
Premium to consideration being paid (\$000's)	7	36	19
Premium (%)	3.7%	9.5%	8.0%

With reference to the lower premiums, given the comparative values of Wolf and STZ, it would be expected that in combining them on a proforma basis, the proforma value of a STZ share after the Proposed Acquisition would increase and therefore the premium of what is being acquired to the consideration being offered would decrease. Accordingly, this analysis does not impact our opinion. The analysis detailed in Section 9, shows that on a proforma basis the value of an STZ share after the Proposed Acquisition is greater than the value of a STZ share in the Company's current form. This is to the benefit to STZ shareholders.

10.2 Commercial and qualitative factors

In accordance with RG 111 an offer is reasonable if it is fair. On this basis, in our opinion, the purchase of Mr Wood's and Mr McMaster's shares in Wolf under the Proposed Acquisition is reasonable. To test this, we have also considered the potential advantages and disadvantages to the Non-Associated Shareholders and considered whether the advantages outweigh the disadvantages only in the context of the Proposed Acquisition, which included the purchase of Mr Wood's and Mr McMaster's shares in Wolf.

Ernst & Young Transaction Advisory Services has assessed that the advantages and disadvantages of rejecting the Proposed Acquisition are the inverse of accepting the Proposed Acquisition.

In considering the commercial and qualitative factors relating to the Proposed Acquisition, Ernst & Young Transaction Advisory Services considered factors relating to the Proposed Acquisition. These factors are summarised below. We note that individual shareholders may interpret these factors differently depending on their individual circumstances.

10.2.1 Independent Directors view

We note that the Independent Directors have unanimously recommended the Proposed Acquisition, including the purchase of Mr Wood's and Mr McMaster's shares in Wolf to the Non-Associated Shareholders in the absence of a superior proposal. The support of the Independent Directors should provide additional comfort to the Non-Associated Shareholders.

10.2.2 Effective ownership of STZ

Under the Proposed Acquisition, STZ will issue Wolf shareholders with 2,069,375,075 new shares. If the Proposed Acquisition is implemented, existing STZ shareholders, not taking into account those shareholders who also hold shares in Wolf, will hold approximately 16.7% of STZ after the Proposed Acquisition, with ex- Wolf shareholders holding the remaining 83.3%.

10.2.3 Liquidity in STZ's Shares

Once implemented, STZ after the Proposed Acquisition will have a broader shareholder base than either STZ prior to the Proposed Acquisition or Wolf. This may result in improved liquidity.

Given the expanded shareholder base of STZ after the Proposed Acquisition and the increase in market capitalisation associated with the merger of both companies' operations, it would be expected that the liquidity of STZ shares would increase.

10.3 Alternatives

10.3.1 Alternative transaction

We are not aware of any alternative transactions that may be forthcoming.

10.3.2 If the Proposed Acquisition does not proceed

In the event the Proposed Acquisition does not proceed STZ would continue to operate as an independently listed mineral exploration company. It would be expected that STZ would continue to seek other opportunities. We note that STZ had a market capitalisation prior to the Proposed Acquisition being announced of approximately \$8 million.

10.4 Other considerations

This independent expert's report only provides general information. It does not take into account a shareholder's individual situation, objectives and needs. It is not intended to replace professional advice obtained by shareholders. Shareholders should consider whether this report is appropriate for their individual circumstances, having regard to their own situation, objectives and needs before relying on or taking action based on this report. Shareholders who have any concerns should seek their own professional advice.

10.5 Conclusion

Ernst & Young Transaction Advisory Services considers the purchase of Mr Wood's and Mr McMaster's shares in Wolf by STZ under the Proposed Acquisition to be fair and reasonable to the Non-Associated Shareholders.

Having regard to the nature of the Proposed Acquisition, including the purchase of Mr Wood's and Mr McMaster's shares, it is the opinion of Ernst & Young Transaction Advisory Services that, on balance, Non-Associated Shareholders as a whole are likely to be better off if the Proposed Acquisition proceeds.

The alternative for the Non-Associated Shareholders is to vote against the Proposed Acquisition, in the hope of either realising greater value through maintaining the standalone business of STZ or a superior transaction emerging.

Appendix A Statement of qualifications and declarations

Ernst & Young Transaction Advisory Services, which is wholly owned by Ernst & Young, holds an Australian Financial Services Licence under the Act and its representatives are qualified to provide this report. The directors of Ernst & Young Transaction Advisory Services responsible for this report have not provided financial advice to STZ.

Prior to accepting this engagement Ernst & Young Transaction Advisory Services considered its independence with respect to STZ with reference to ASIC Regulatory Guide 112, *Independence of experts*.

This report has been prepared specifically for the Non-Associated Shareholders of STZ in relation to the purchase of Mr Wood's and Mr McMaster's shares in Wolf under the Proposed Acquisition. Neither Ernst & Young Transaction Advisory Services, Ernst & Young and any employee thereof undertakes responsibility to any person, other than the Non-Associated Shareholders, in respect of this report, including any errors or omissions howsoever caused.

The statements and opinions given in this report are given in good faith and the belief that such statements and opinions are not false or misleading. In the preparation of this report Ernst & Young Transaction Advisory Services has relied upon and considered information believed after due inquiry to be reliable and accurate. Ernst & Young Transaction Advisory Services has no reason to believe that any information supplied to it was false or that any material information has been withheld from it. Ernst & Young Transaction Advisory Services has evaluated the information provided to it by STZ, its advisors, as well as other parties, through inquiry, analysis and review, and nothing has come to its attention to indicate the information provided was materially mis-stated or would not afford reasonable grounds upon which to base its report. Ernst & Young Transaction Advisory Services does not imply and it should not be construed that it has audited or in any way verified any of the information provided to it, or that its inquiries could have verified any matter which a more extensive examination might disclose.

The information relied upon in the preparation of this report is set out in Appendix B to this report.

STZ has provided an indemnity to Ernst & Young Transaction Advisory Services for any claims arising out of any mis-statement or omission in any material or information provided to it in the preparation of this report.

Ernst & Young Transaction Advisory Services provided draft copies of this report to the directors and management of STZ for their comments as to factual accuracy, as opposed to opinions, which are the responsibility of Ernst & Young Transaction Advisory Services alone. Changes made to this report as a result of this review by the directors and management have not changed the methodology or conclusions reached by Ernst & Young Transaction Advisory Services.

Ernst & Young Transaction Advisory Services will receive a professional fee based on time spent in the preparation of this report, estimated at approximately \$40,000 (exclusive of GST). Ernst & Young Transaction Advisory Services will not be entitled to any other pecuniary or other benefit whether direct or indirect, in connection with the making of this report.

Mr Ken Pendergast, a director and representatives of Ernst & Young Transaction Advisory Services and a partner of Ernst & Young and Ms Brenda Moore, a representatives of Ernst & Young Transaction Advisory Services and an executive director of Ernst & Young, have assumed overall responsibility for this report. Both have the necessary experience and professional qualifications appropriate to the advice being offered. Other Ernst & Young Transaction Advisory Services staff have been consulted in the preparation of this report where appropriate.

It is not intended that the report should be used for any other purpose other than to be included in the Notice of Meeting and Explanatory Statement to be sent to STZ shareholders with respect to the Proposed Acquisition and the purchase of Mr Wood's and Mr McMaster's shares in Wolf. In particular, it is not intended that this report should be used for any other purpose other than as an expression of its opinion as to whether or not the purchase of Mr Wood's and Mr McMaster's shares in Wolf under the Proposed Acquisition is fair and reasonable to the Non-Associated Shareholders.

Ernst & Young Transaction Advisory Services consents to the issue of this report in the form and context in which it is included in the Notice of Meeting and Explanatory Statement.

Appendix B Sources of information

In preparing this report, we have had regard to the following sources of information:

- ▶ the Heads of Agreement between STZ and Wolf in respect to the Proposed Acquisition;
- ▶ the Bidder's Statement issued by STZ in relation to the Takeover Offer;
- ▶ Annual reports for STZ for the years ending 30 June 2010, 2011 and 2012;
- ▶ Financial statements for Wolf for the period from 12 October 2010 to 31 December 2011 as well as the half year to 30 June 2012;
- ▶ STZ shareholder information at various dates, as provided by the Company's share registry;
- ▶ Shareholder information provided by Wolf;
- ▶ Information provided by Wolf in regards to its Mongolian exploration assets;
- ▶ the MHA Report in which the exploration assets of Wolf have been valued;
- ▶ ASIC Regulatory Guides 110, 111 and 112;
- ▶ Bloomberg;
- ▶ Capital IQ;
- ▶ DatAnalysis, [Online], Available from: <http://www.aspectfinancial.com.au>;
- ▶ Notice of Meeting and Explanatory Statement being prepared by STZ for the Meeting;
- ▶ Various public disclosure documents lodged by STZ with the ASX;
- ▶ Discussions with STZ and Wolf management; and
- ▶ Other publicly available information.

Appendix C Glossary

Abbreviation	Full Title / Description
\$	Australian dollars
\$000's	Australian dollar thousands
Act	Corporations Act
ASIC	Australian Securities and Investment Commission
ASX	Australian Securities Exchange
Capital Raising	Proposed issue of shares in STZ to raise up to an amount of \$5.0 million
DecXX	Financial position at 31 December 20XX
Electrum	Electrum Strategic Metals III LLC
Ernst & Young Transaction Advisory	Ernst & Young Transaction Advisory Services Limited
FSG	Financial Services Guide
FYXX	Financial year ending 30 June 20XX
GFC	Global financial crisis
HoA	Heads of Agreement between STZ and Wolf
Hunnu	Hunnu Coal Limited
IPO	Initial public offer
JunXX	Financial position at 30 June 20XX
km	Kilometers
Marathon	Marathon Resources Limited
Meeting	The Annual General Meeting to be held on or about 22 October 2012 where the Non-Associated Shareholders will vote on the Proposed Acquisition
MHA	MHA Petroleum Consultants, Inc.
MHA Report	Report prepared by MHA
MOU	Memorandum of Understanding between STZ and Electrum
Myszków Project	SKKGM's Myszków molybdenum-copper-tungsten deposit
Non-Associated Shareholders	The shareholders of STZ who are not associated with Mr Wood and Mr McMaster
PAM	Petroleum Authority of Mongolia
Posit	Posit Coal Pty Ltd
Proposed Acquisition	Proposed acquisition by STZ to acquire 100% of the issued shares in Wolf
PSC	Production sharing agreement
Report	Independent Experts Report
RG 111	Regulatory Guide 111: Content of expert reports
Share Consolidation	Proposed consolidation of the share capital of STZ on a 1 for 10 basis
Sheoak	Sheoak Runner Pty Ltd
SKKGM	Śląsko Krakowska Kompania Górnictwa Metali Sp. z o.o.
STZ or the Company	Strzelecki Metals Limited
Takeover Offer	The issue of 25 shares by STZ for Wolf share held
Tortuga	Tortuga Advisors Limited
US\$	United States dollars
Wolf	Wolf Petroleum Limited

Appendix D

The MHA Report

31 August, 2012

Mr. Ken Pendergast
Director and Representative
Ernst & Young Transaction Advisory Services Ltd
11 Mounts Bay Road
Perth WA 6000
Australia



Dear Mr. Pendergast:

The independent Directors of Strzelecki Metals Limited (“Strzelecki”) have appointed Ernst & Young Transaction Advisory Services Limited (“Ernst & Young”) as independent expert to prepare an Independent Expert’s Report (“IER”) in relation to the Company’s proposed acquisition (“the Proposed Transaction”) of Wolf Petroleum Ltd (“Wolf”).

The preparation of the IER is required under Australian Securities Exchange (“ASX”) Listing Rule 10.1, which prohibits a listed company from acquiring a substantial asset from an entity that is in a position of significant influence without the prior approval of its shareholders. Under ASX Listing Rule 10.10.2, a notice of meeting containing a resolution to be put to shareholders for the purposes of ASX Listing Rule 10.1, must be accompanied by an independent expert’s report stating, in that person’s opinion, whether or not the proposed transaction is fair and reasonable to the shareholders not associated with the transaction. Consistent with these requirements of the purpose of the IER is to provide an opinion as to whether or not the purchase of Matthew Wood’s and Brian McMaster’s shares in Wolf under the Proposed Transaction is fair and reasonable to the shareholders of Strzelecki. Mr. Wood and Mr. McMaster are executive directors of Strzelecki.

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

Ernst & Young has subsequently engaged MHA Petroleum Consultants LLC (“MHA”) to conduct an independent valuation of the above referenced petroleum exploration assets of Wolf. This MHA report is to be included as an appendix to Ernst & Young’s independent expert’s report.

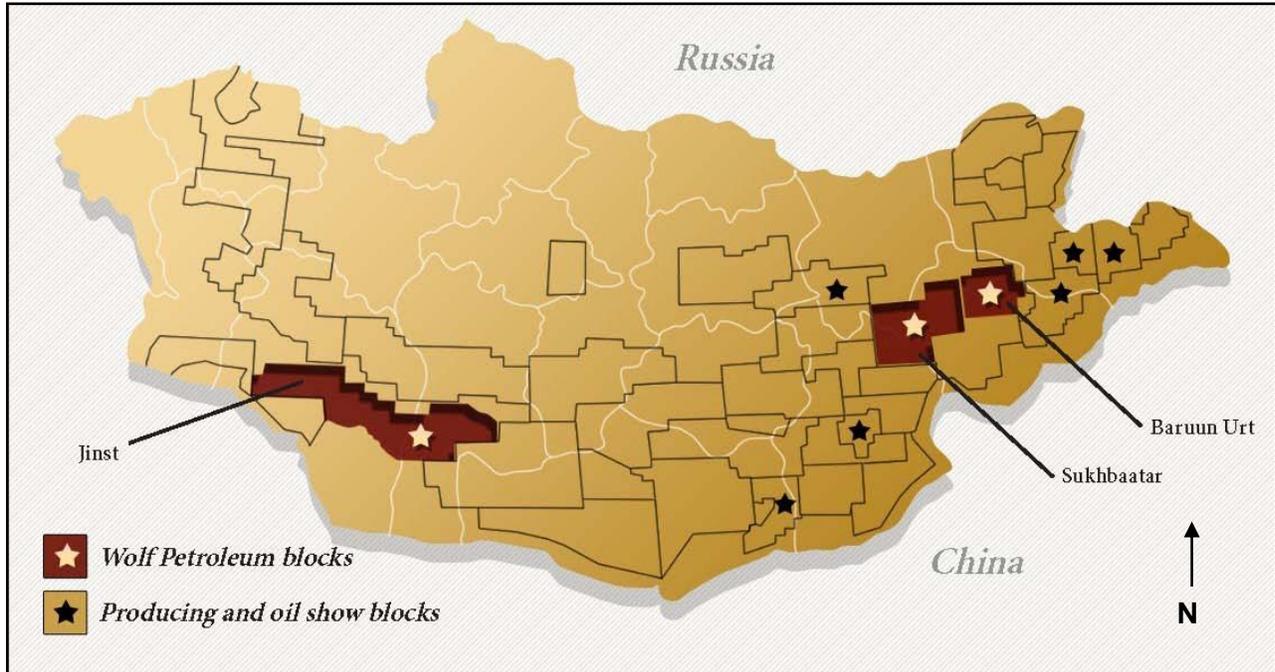
I. Geological Summary of Wolf’s Mongolian Exploration Assets

General Information

Wolf Petroleum Limited is focused on oil and gas exploration, development and production in Mongolia. Wolf Petroleum (Wolf) 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. The blocks are presented in Figure 1.

Figure 1: Petroleum blocks of Mongolia



The individual block areas are:

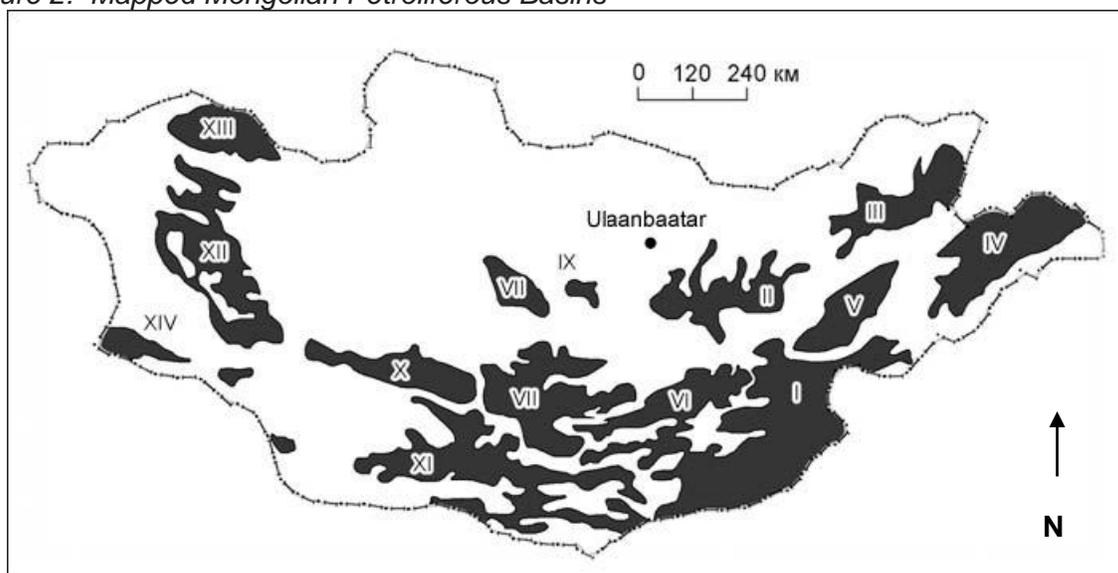
- Baruun Urt – 10,287 km²
- Jinst – 41,790 km²
- Sukhbaatar – 23,047 km²

Petroleum Geology

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).

Currently Mongolia petroleum potential is focused on numerous mapped and unmapped non-marine basins (Figure 2). 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.

Figure 2: Mapped Mongolian Petroliferous Basins



Petroleum production has been established on two blocks (Figure 1). Established petroleum production is from the Tamtsag (Hailar Basin) and the East Gobi Basin. The Hailar basin and Tamtsag basin are the synonymous; the Hailar terminology is used in China. Testing of wells with oil shows are being conducted on 3 other blocks in the Nilga basin, Tamsag and South Gobi basin. Oil shows have been reported throughout Mongolia from previous investigations conducted by the Russians. (IHS, 2011)

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 3. This section indicates rock type seals and depositional environments.

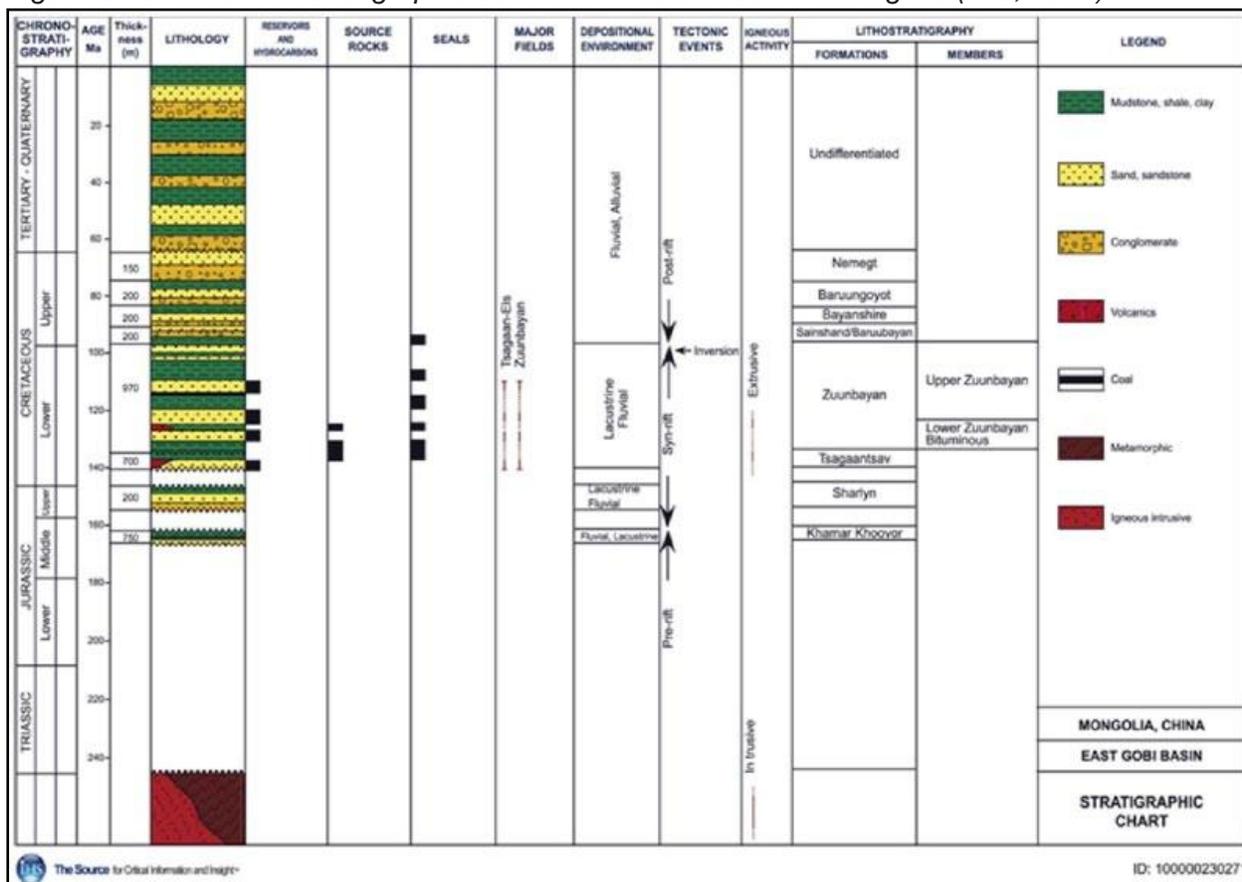
These two formations are present in sub-basins or fault grabens associated with larger basin area depressions that are poorly defined in the literature. Depositional environments include fluvial and lacustrine sediments mixed in with tuffaceous and other volcanic rock types.

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 common in western Mongolia.

Figure 3: Generalized Stratigraphic section for Eastern/Central Mongolia (IHS, 2012).



Source Rock

Petroleum source rocks for the east Gobi basin have been identified as the shales of the Zuunbayan and Tsagaantsav Formations. Figure 4 and 5 graphically portray the burial history and depth vs thermal maturity (modified from Prost, 2004).

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 4) migrated updip from the source kitchens and accumulated into traps (Prost, 2004).

Recent source rock investigation conducted on Block XX and Block XIX indicate that the shales Upper Tsagaantsav Formation are the proven source rocks for the Tolson Uul Oil Field. Thermal gradients are high, exceeding 35 °C/km. Thermal burial modeling indicates that the Tsagaantsav Formation source rocks are in the oil window at depths between 2,200-2,600 meters. 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.

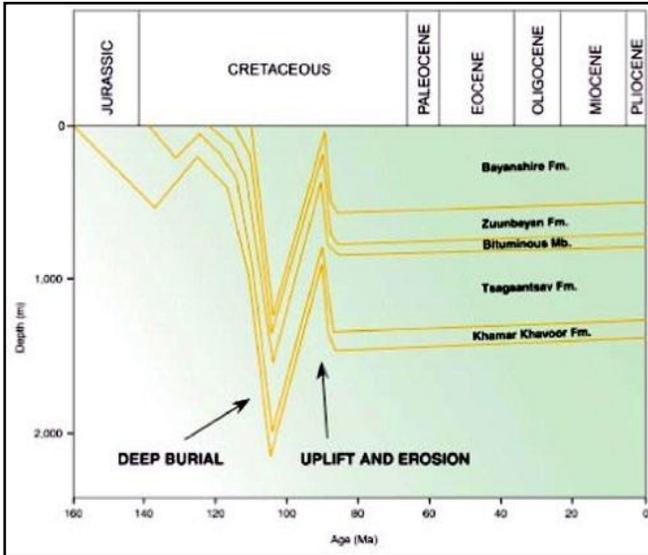
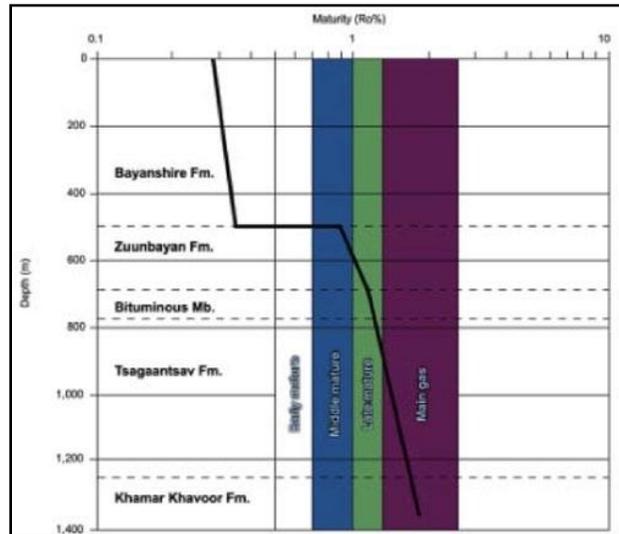


Figure 4: Burial History Chart from the East Gobi Basin (modified from Probst, 2004)

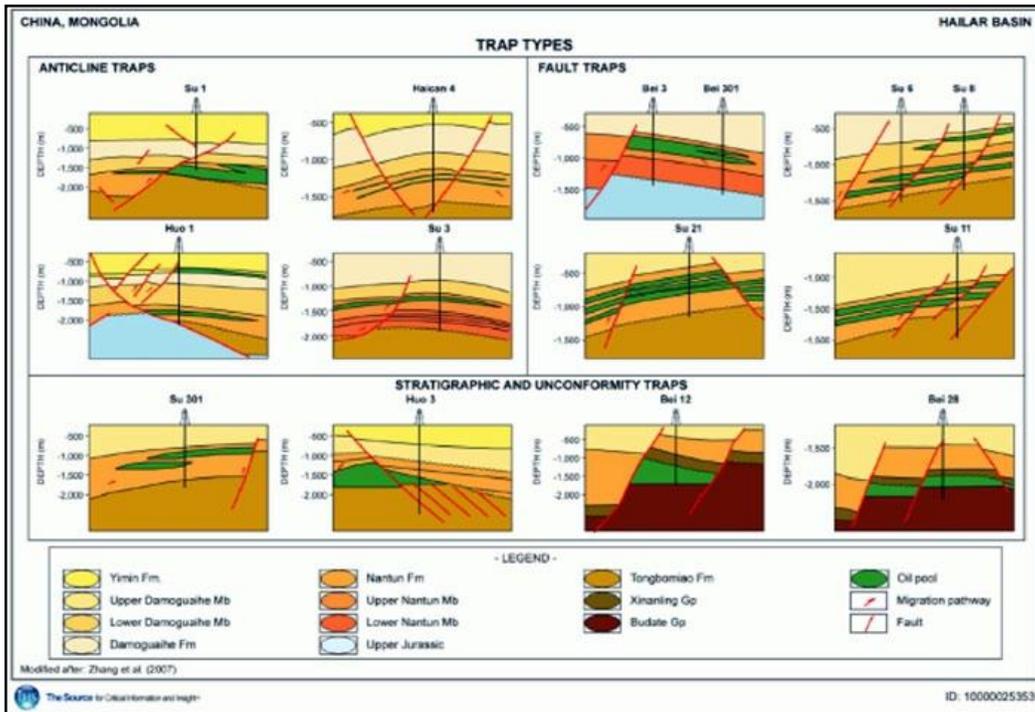
Figure 5: Depth vs Maturity Graph from the Gobi basin (modified from Probst, 2004)



Petroleum Traps

Petroleum traps for Mongolia are anticipated to be both structural and stratigraphic. Sandstone reservoirs are fluvial sandstones. Typical structural traps that are present in the nearby Tamtsag/ Hailar are presented in Figure 6 Structural traps in the Tamtsag/Hailar basin.

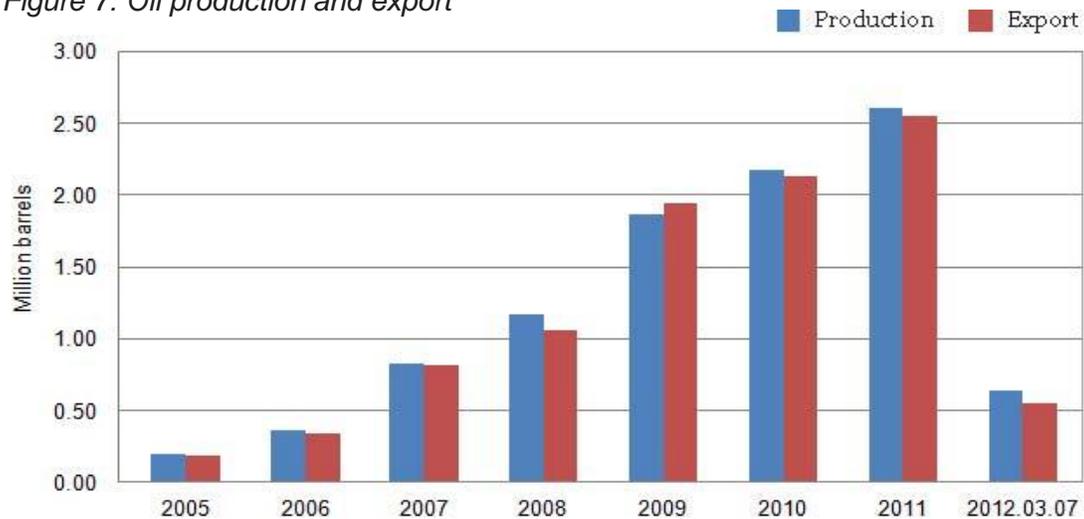
Figure 6: Petroleum traps



Other Operators

With the recent stability of the Mongolian government numerous international and local companies are beginning operations in Mongolia. Currently only two Chinese companies are producing and exporting oil from three oil fields in Mongolia.

Figure 7: Oil production and export



(Petro China) Daqing Tamsag Mongolia Ltd / China

The company operates on block Toson Uul XIX, Tamsag XXI, Buir XXII in Eastern Mongolia. As of 2012 the company has drilled 543 wells on Toson Uul XIX, drilled 170 wells on Tamsag XXI, and conducted 10.3 thousand line km of 2D seismic works and 4.9 thousand sq. km. of 3D seismic works.

Toson Uul XIX Block

In 1998, the company started to produce and test the wells at Toson Uul XIX. From 1998-2011, it produced 7.34 million barrels of oil and exported 7.15 million barrels to China. Today, Toson Uul XIX block has 140-150 producing wells, and average daily production is 8,500 barrels. In 2012, company is planning to produce and export 2,162,468 barrels of oil from Toson Uul XIX block, and by March 7, 2012 it had produced 524,968.62 barrels of oil.

Proven and measured reserve estimation of the Tolson Uul XIX property was performed by Petrochina Daqing Tamsag LLC in 2008, and an independent estimate was conducted by the U.S. based DeGolyer and MacNaughton (D&M) company.

In February 2010, the proven and measured reserve estimate for the property was approved and registered with the National Registry of Mineral Reserves by Order No. 41 of the Ministry of Mineral Resources and Energy. The property was estimated to contain 119.02 million tons of proven reserves.

In 2011, PAM performed an updated reserve estimate for the Toson Uul XIX property, and the proven petroleum reserves increased to 179.08 million tons (approximately 1.3 billion barrels).

Tamsag XXI Block

In 2011, the company produced 92,283.06 barrels of oil at Tamsag XXI block and exported 83,256.08 barrels to China. In 2012, company is planning to produce and export 557,596.60 barrels of oil, by March 7, 2012 they had produced 16,996.50 barrels of oil.

The property is estimated to contain 127 million tons of crude oil reserves (approximately 949.96 million barrels).

Dongsheng

From 1994-2011, the company conducted 5,138.8 line km of 2D and 339.6 sq. km. of 3D seismic works. It also drilled 102 wells. Today, the company produces oil from 87 wells with an average of 1,500 barrels per day.

From 1998-2011, the company produced 2.58 million barrels of oil and exported 2.52 million barrels to China. In 2012, the company is planning to produce and export 402,727 barrels of oil from its block 97. By February 26, 2012, the

company had produced 78,970.8 barrels and exported 68,371.73 barrels of oil to China.

The ministry of mineral Resources and energy has approved and registered the proven reserve for block 97 as 186.3 million barrels of oil.

Sunwing (Ivanhoe)

Sunwing (Ivanhoe Energy) operates Block XVI approximately 100 km southeast of Ulaanbaatar. Completed 924 km of 2D seismic completed through 2010. Block was partially explored by Russians with hydrocarbon presence confirmed. Drilled two wells in 2011, well #1 N-16-1E-A abandoned. Well #2 N-16-1E-B found fluorescents, oil shows and is to be tested and completed in Spring 2012 (Ivanhoe Energy February 2012 corporate presentation).

Manas Petroleum

Manas Petroleum operates blocks XIII and XIV. Manas Petroleum has listed 113.21 MMBO (15.85 tons) for Block XIV with probable reserves of 64.38 MMBO (8.95 tons) in a recent Diversified Exploration Package Summary.

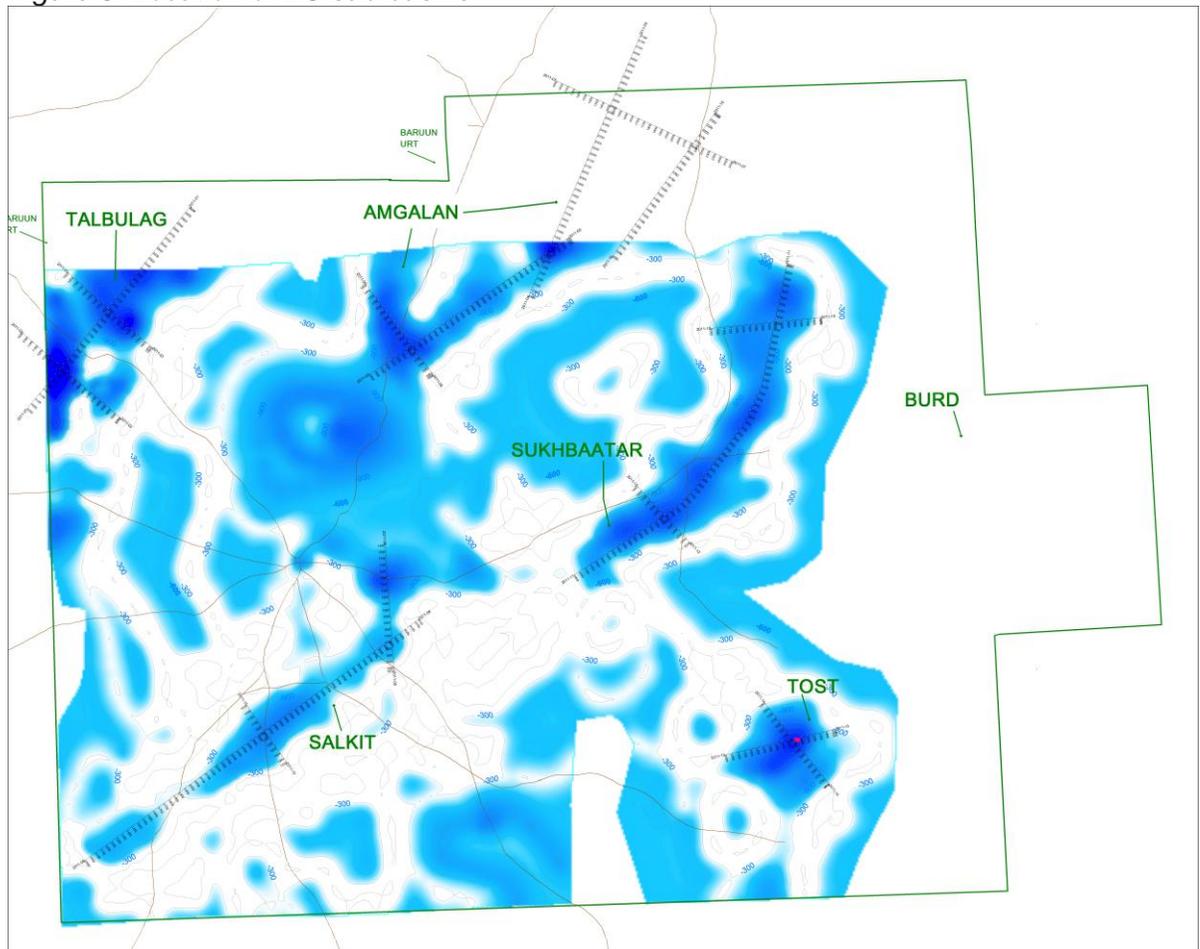
PetroMatad

PetroMatad operates three blocks in Mongolia, blocks XX, V and IV. Blocks V and IV are near the Jinst Wolf block are in the exploration phase with two stratigraphic holes drilled and being analyzed. Original mean unrisked prospective resources were calculated at 745 MMBO with a mean risked prospective resources of 85 MMBO (PetroMatad, 2008), for Block XX.

Project Baruun Urt

The Baruun Urt Block (BU) is located in eastern Mongolia. Gravity, magnetic and seismic surveys have been recently completed on this block (AMO,2011). After review of the gravity and magnetic report it appeared that the Talbulag and Amgalan sub-basins appear to be extending off the original block areas (Figure 8). Wolf Petroleum acquired additional land and the block outline was extended. During the field season 2013, gravity and magnetic data will be extended to complete the coverage for this block. Figure 8 identifies the Baruun Urt block graben areas. The BU block area has been interpreted by AMO (2011, personal communication) as a new basin called Sukhbaatar. The new total area of the Baruun block is 10,287 km².

Figure 8: Location of BU sub basins

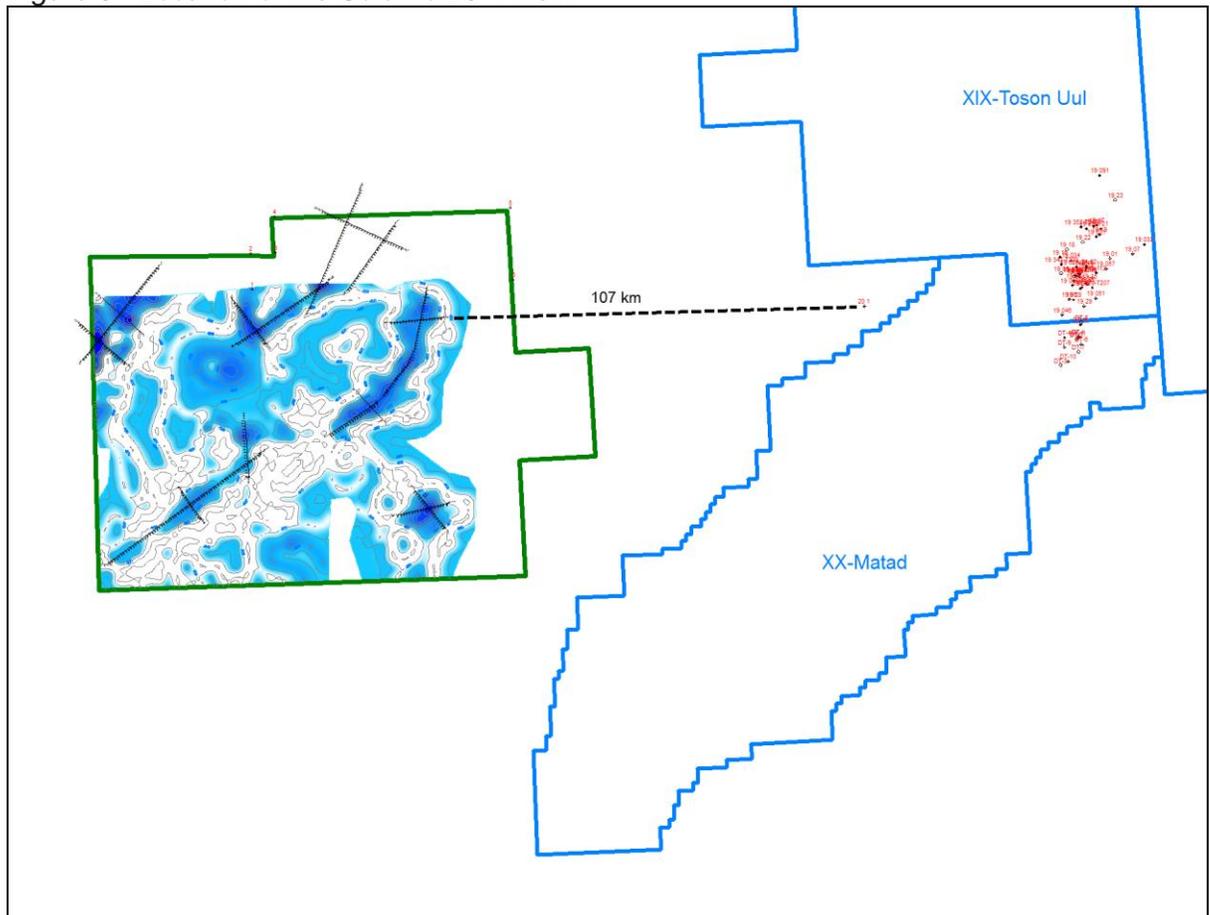


Six gravity lows have been identified on the BU block which represent sediment thicks or graben sub-basins. The grabens are listed below:

- Tost
- Talbulag
- Salkit
- Sukhbaatar graben
- Amgalan
- Burd

These grabens were defined by gravity and magnetic surveys which were conducted on BU in the 11 late spring and summer of 2011. In August and September 2011 sixteen lines of region 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. The closest well is the Sotamo 20-1 well which is approximately 107 km east of the closest Wolf seismic line as shown on Figure 9. The Sotamo 20-1 well was a dry hole with no petroleum shows. It was drilled in 1998 by Soco Mongolia Ltd. Total depth was 2502 meters below the ground surface.

Figure 9: Location of the Sotamo 20-1 well.

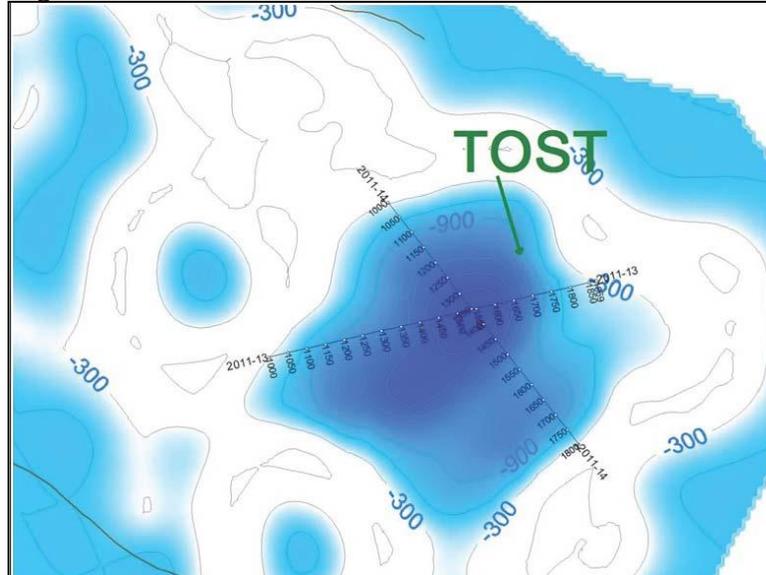


The sonic and density logs from the Sotamo 20-1 well were used to assist in identifying the various reflectors on the seismic sections. The formations and basement identified on the following seismic sections are estimates based on a well that is over 100km to the east. Therefore the selected reflectors are estimated and may not represent the actual time horizons identified. The following seismic lines are shown as time in seconds with the shot point location across the top of the lines. Shot points are 50 meters apart. No depth conversion has been done. The display on the seismic sections is in two way time in seconds.

Tost Graben

The Tost Graben is located in the southeast portion of BU as shown on Figure 10.

Figure 10: Location of Tost Graben seismic lines.



This 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 Figures 11 and 12 respectively. Additional processing is ongoing; some amplitude anomalies have possibly been identified on these lines indicating hydrocarbons. Structural potential traps include Horst blocks and high side of normal faults in both the Zuunbayan and Tsaganntsav formations.

Figure 11: Seismic Line 2011-13

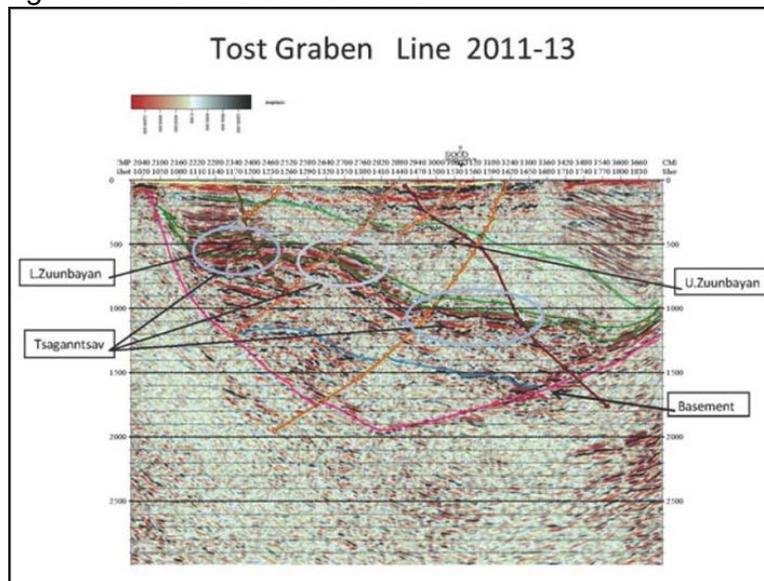
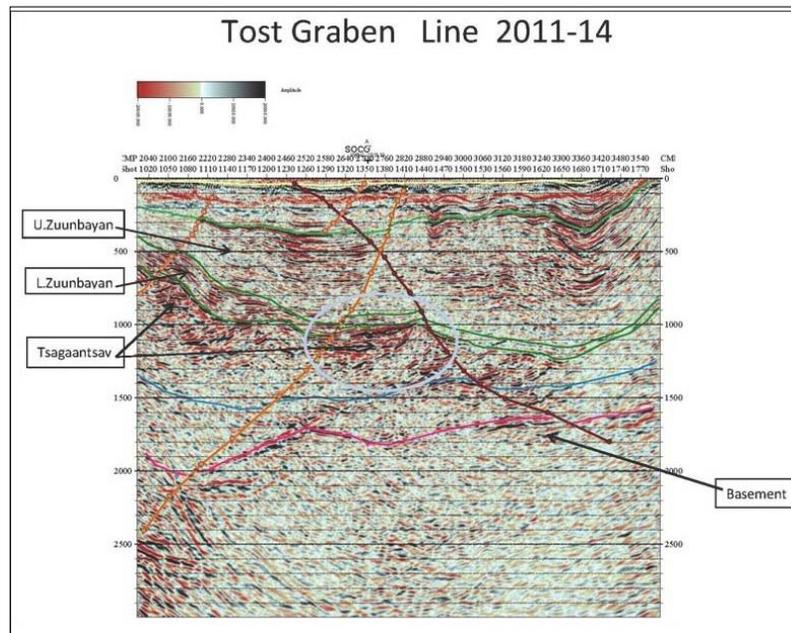


Figure 12: Seismic Line 2011-14



Talbulag Graben

Talbulag graben contains three 2D seismic lines 2011-1, 2011-2, 2011-3 and is located on the northwest edge of the BU block. The basin will be better defined to the north with the additional gravity and magnetic survey which will be conducted later, in addition to the investigations to be conducted on the adjacent Sukhbaatar block to the west. Seismic indicates the potential for both structural and stratigraphic traps.

Salkit Graben

The Salkit Graben contains lines 2011-08, 2011-09 and 2011-10. It is located in the southwest portion of BU and appears to be shallower than indicated by the gravity data. Seismic indicates mostly structural traps.

Sukhbaatar Graben

Sukhbaatar Graben is located in the east-central portion of BU (Figure 8). Lines 2011-11, 2011-12 and 2011-15 were shot in this graben. There is a large data gap on Line 2011-11 due to surface access issues. Seismic indicates mostly structural traps.

Amqalan Graben

This graben is located on the north edge of the original BU block boundary (Figure 8). Because of the lack of data on the north end the seismic lines are indicating we may be on the edge of the graben. The additional gravity and magnetic investigation previously mentioned will assist us further in this area.

The Amgalan Graben contains seismic lines 2011-04, 2011-05, 2011-06, 2011-7, and 2011-16.

Baruun Urt Conclusions

- Geophysical magnetic and gravity surveys were carried out at a scale of 1:200,000 and total magnetic anomaly map and Bouguer gravity anomaly map were created for the survey area.
- A total of 532 rock samples were collected to determine magnetic susceptibility, density and assist with geology-geophysical data processing.
- Six graben sub basin features were identified, computed depths of the grabens ranged from 1000 to 2400 meters.
- A new geologic map was created based on gravity, magnetic and satellite imagery.
- Sixteen 2D seismic lines were shot on the BU block, approximately 330 km on 5 of the identified graben sub basin structures.
- Gravity thicknesses generally agreed with seismic results, however some basins were slightly thicker or thinner than predicted.
- Seismic interpretation on BU indicated numerous structural and stratigraphic traps in graben sub basins similar to structures producing in basins to the east.
- Cretaceous reservoirs and source rocks have been identified on BU. The Tsagaantsav and Zuunbaynan are known oil source and reservoir rocks on nearby producing blocks.

Project Jinst

Jinst is the largest petroleum exploration block in Mongolia with total area of 41,790 km². 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.

General Information

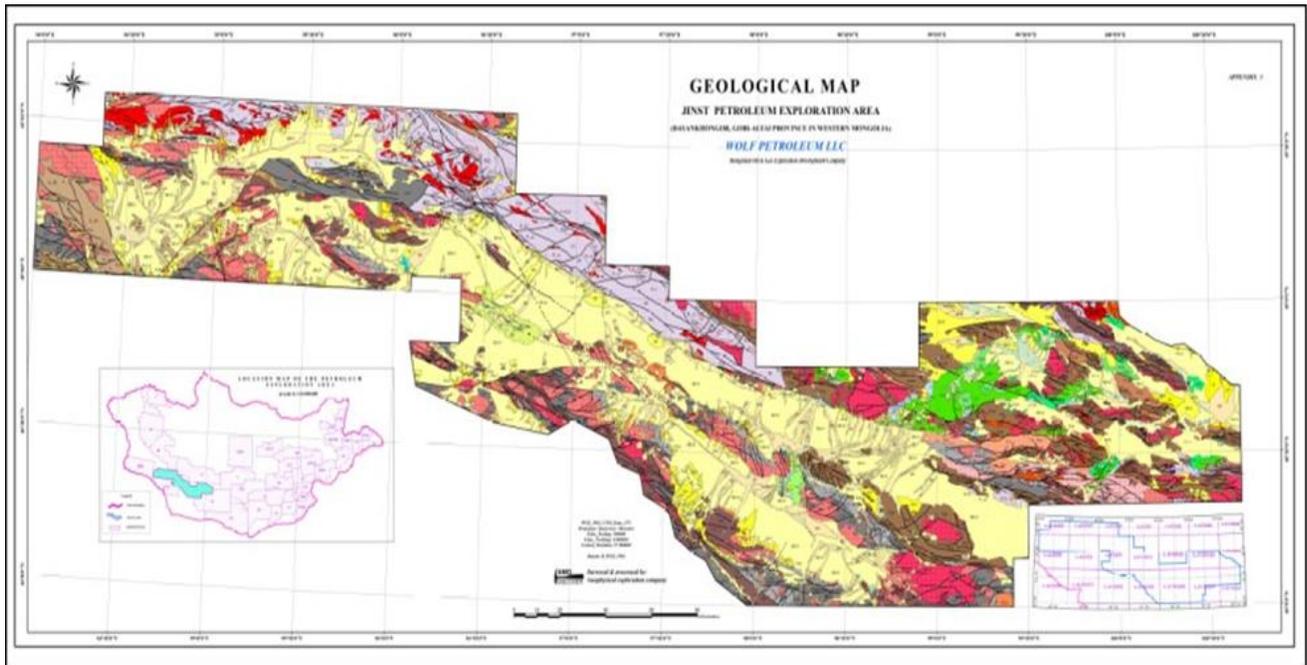
Jinst petroleum exploration area (from central point of the area) is situated approximately 1100 km west of Ulaanbaatar, 400 km west of Bayankhongor and 200 km southwest of Altai, center of Gobi-Altai province. The Jinst area, comprises in the territories of Bayan-Undur, Bayantsagaan, Shinejinst, Bayangobi and Bayanlig subprovinces of Bayankhongor province, and Erdene, Tsogt, Altai, Tseel, Tugrug and Bugat subprovinces of Gobi-Altai province.

Geographically, the area lies in northern slopes of Mongol-Altai Mountains and deserts of Trans Altai and covers Gichgene and Gobi-Altai Mountains to the north, Khuvch and Tayan Mountains to the west, Erdren and Aj Bogd Mountains to the south, Jinst Mountain and Zahu-Zarman deserts to the east. The Jinst area falls in gobi-desert area and covered mainly by Gobi brown and carbonaceous dark gray soil. Due to low precipitation, strong wind and elevated temperature, vegetation cover is relatively poor. Topography of the Jinst includes areas of high mountains with an elevation, ranging from 1500 m to 3800 m above sea level and deserts

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 13 at a scale of 1:500,000. Structural complexity is apparent on the surface geology. Cretaceous outcrops are shown in green on the map.

Figure 13: Jinst Block Geologic Map

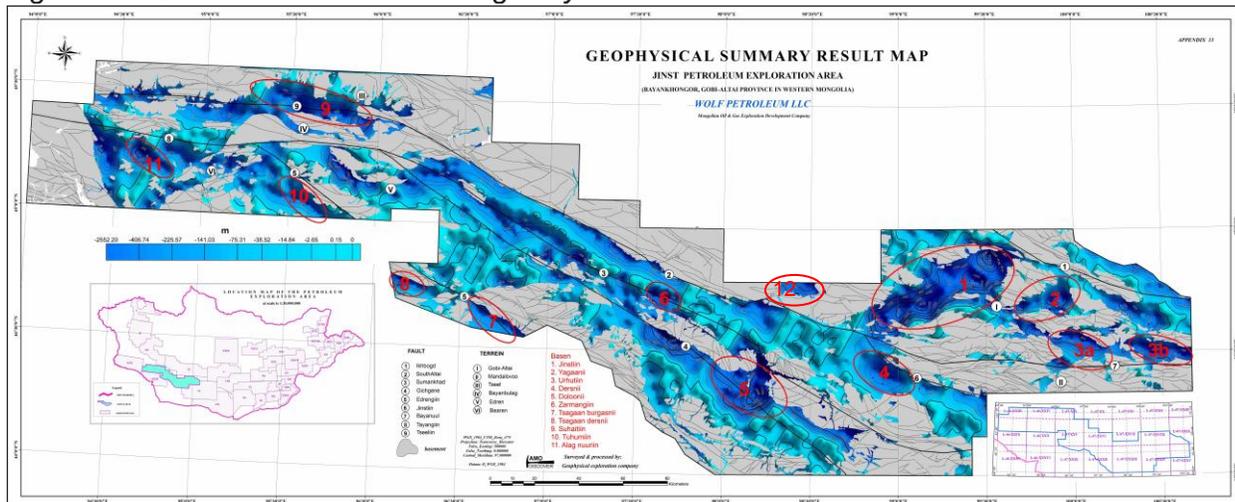


Gravity and Magnetic Surveys

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. Rock densities were measured by densitometer. All rock samples were divided into 4 groups of rocks. Density of sedimentary rocks was relatively high with an average of $2.70 \times 10^3 \text{ kg/m}^3$ and density of the rocks depends on their rate of metamorphism. Density of lower Cretaceous sedimentary rocks is relatively low and it determination thickness of the sedimentary fill by their gravity anomalies. Moreover, density change of the intrusive and effusive rocks was relatively small.

Figure 14: Sub-basins identified with gravity data



During this investigation 12 sub basins were identified on the Jinst block as shown on Figure 14. The sub-basins are listed below:

1. Jinstiin
2. Yagaanii
3. Urhutin
4. Dersnii
5. Doolonii
6. Zarmangiin
7. Tsagaan burgasnii

8. Tsagaan dersnii
9. Suhaitiin
10. Tuhumiin
11. Alagnuuriin
12. Undragga

Planned Investigations

The Cretaceous sub basins that were identified in the gravity and magnetic investigations were targeted for the first round of seismic at Jinst. The Cretaceous is a know source rock and petroleum reservoir in Central/Eastern Mongolia.

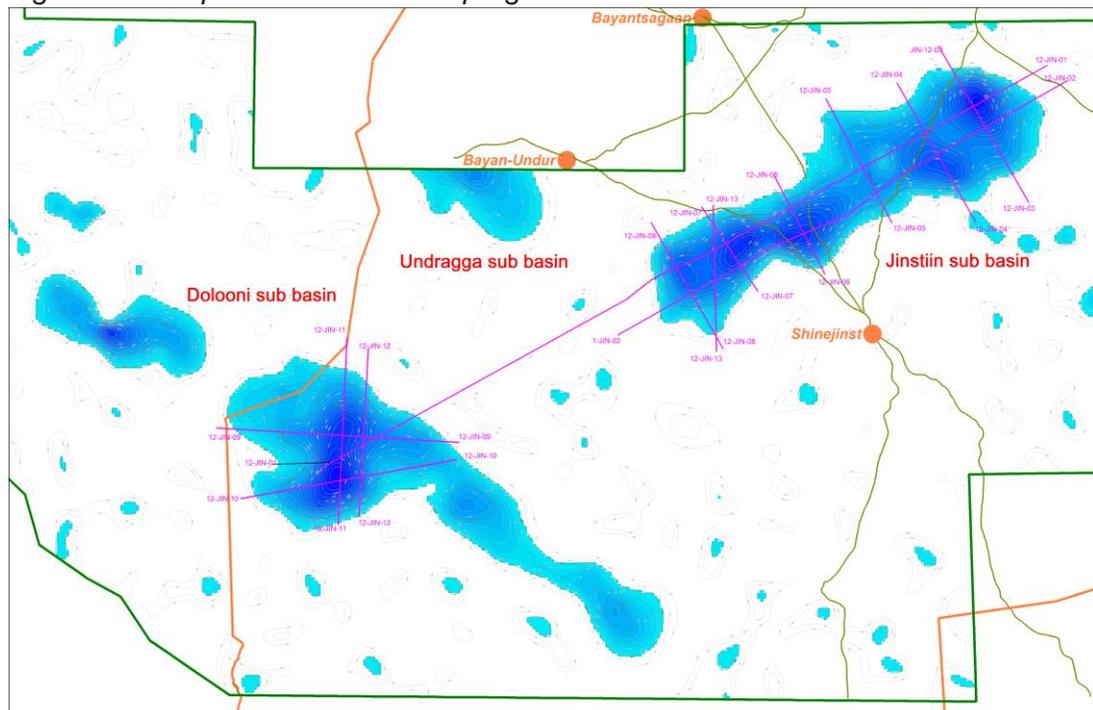
Seismic

Two of the larger sub-basins described previously were identified as Cretaceous in age, because of the geologic outcrops on the surface. A seismic program of 665 km has been planned for the two sub-basins called Jinstiin and Doloonii.

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 Doloonii depression is 25 km long and 20 km wide with depths ranging from 1200 to 2100 meters (Figure 15).

The seismic will be shot using dynamite with shot holes every 60 meters to a depth of 12 meters. These shot hole sediment samples (cuttings) will be sampled and sent to a laboratory for geochemical analysis.

Figure 15: Proposed Jinst seismic program.



Geochemical Analysis

Cuttings from the seismic shot holes sediment samples (cuttings) will be sampled for geochemical analysis. The analysis will include a C6-C36 aromatic hydrocarbons by Synchronous Scanned Fluorescence (SSF). The SSF method can detect crude oil seeps down to 1 part per million. If any crude oil macroseeps (> 5% oil in samples) are detected, the oil will be extracted and analyzed by whole oil chromatographic methods to identify biomarkers that provide information of the source rock lithology, age and thermal maturity.

One-gram splits of the sieved sediment will also be analyzed for acid-extractable C1 to C7 alkane hydrocarbons by hydrochloric acid extraction and analysis of released headspace gas by Flame Ionization-Gas Chromatography to look for wet hydrocarbon gases trapped in secondary carbonates within the samples. The sieved soil samples may be analyzed for 63 major and trace elements by nitric acid extraction to look for indirect indicators of hydrocarbon (e.g. uranium) and reservoir fluid leakage (e.g. bromide)

Fluorescence spectra from high, medium and low gravity oil standards will be compared with any crude oil seeps found in the Jinst shot-hole sediments, and the similarity index to those standards and oil seep concentrations (ppm) will be compiled and plotted as proportional symbols on topographical, geological and geophysical backgrounds for interpretation.

The fluorescence data will also be plotted as profiles along the seismic sections to classify the potential of structural anomalies. Acid extractable C1 to C7 concentrations and ratios will also be plotted in both plan and section views. The major and trace element indicators will be scanned for indicators of hydrocarbon seepage (e.g. uranium, nickel, and vanadium), oil brine leakage (e.g. bromide) and lithologic indicators (e.g. calcium-magnesium-barium association for hydrothermal dolomite).

Remote Sensing

Remote sensing uses satellite imagery to provide structural, lithologic and alteration mineral interpretation. Modeling alteration minerals may reflect hydrocarbon micro or macro seeps including high magnesium carbonates, calcite or caliche crusts, hydrothermal dolomites, iron sulfates, potential re-dox zones in iron rich sandstones, uranium mineral and other "unusual" minerals that may reflect a reducing environment, reflecting hydrocarbon presence. In addition, evaluate thermal infrared (TIR) satellite imagery that may reflect higher geothermal gradient associated with hydrocarbon accumulations at depth. Geochemical sampling will also help support and confirm alteration minerals identification.

Figure 16: Geologic map and area of Jinstiin sub basin shown in Figures 16-17 (in red).

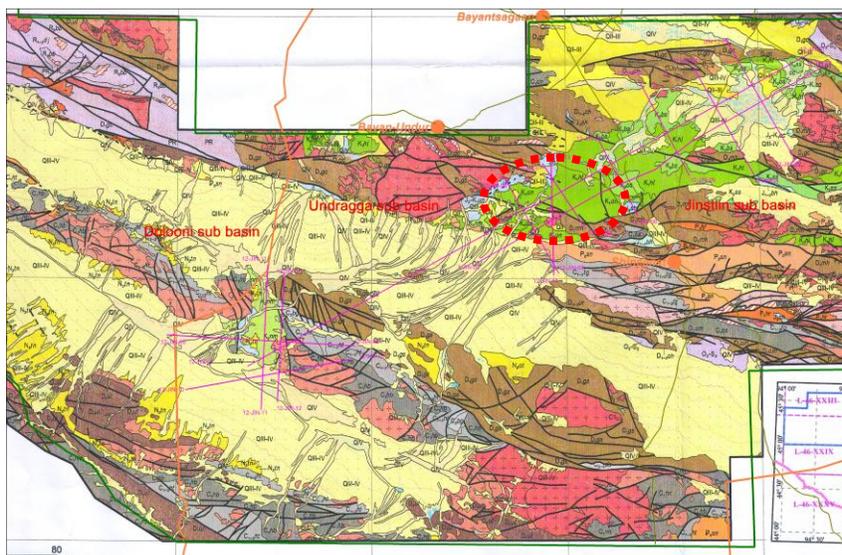
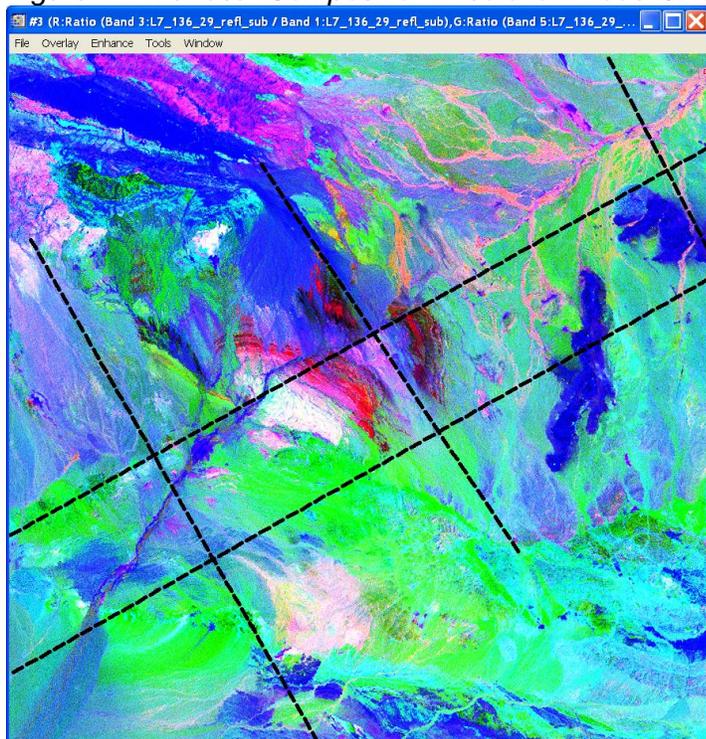
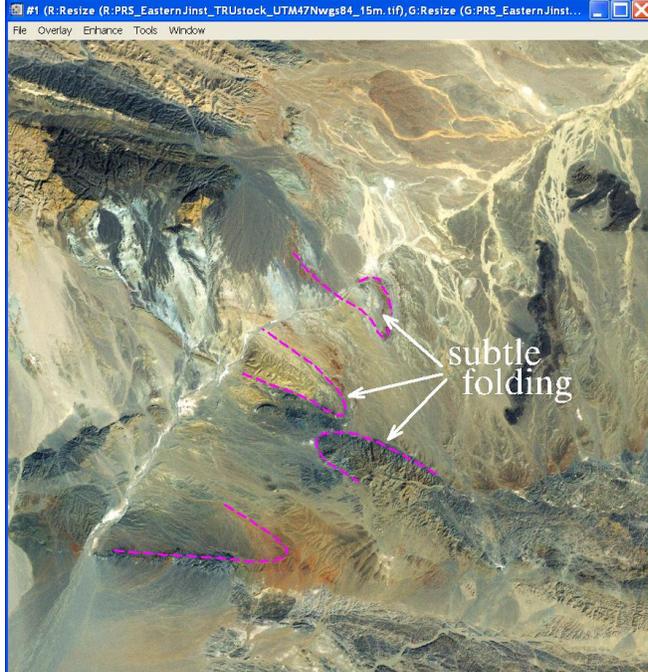


Figure 17: Landsat Composition Prediction Model Jinstiin sub basin area.



- red: FeOx minerals
- yellow: FeOx & silica
- green: high silica
- dark blue: clays
- magenta: FeOx & clays
- pastel to white: altered

Figure 18: Satellite image (Aster true-color) of the Jinstiin sub basin area.



Preliminary results from review of the satellite imagery indicates some folding and alteration in the Cretaceous aged rocks as indicated in Figures 16, 17 and 18. This alteration may be an indication of the presence of hydrocarbons.

Depending on the success of the remote sensing and geochemical analysis, these methods may be applied to the other areas of Jinst identified by the gravity and magnetic surveys.

Jinst Conclusions

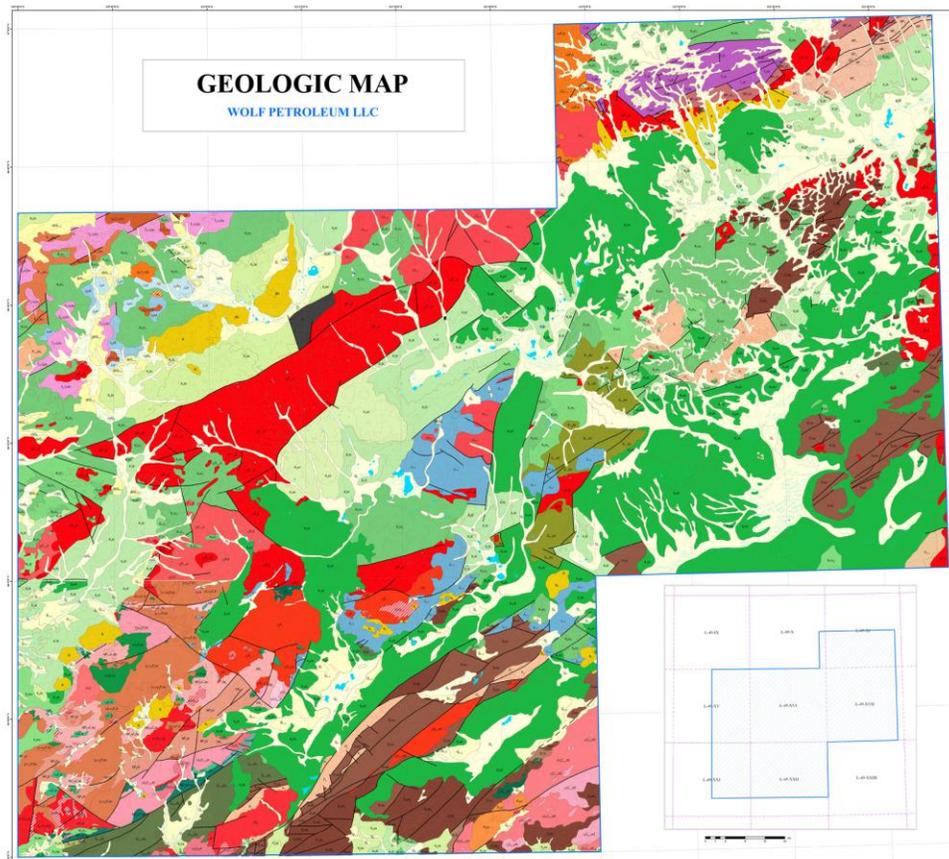
- Magnetic, gravity, and rock sampling data for a petrophysical (rocks' magnetic susceptibility and density measurements) survey of the Jinst area were analyzed, previous geological mapping at a scale of 1:1,000,000 and 1:50,000, and a magnetic airborne survey at a scale of 1: 1 000 000.
- A total of 2,071 rock samples were collected for petrophysical measurements. Rock densities were measured by densitometer, magnetic susceptibilities were measured by kappa meter, and statistics software was used to do data processing of the measurements. All rock samples were divided into 4 groups of rocks. The density of sedimentary rocks was relatively high, with an average of $2.70 \times 10^3 \text{ kg/m}^3$, and the density of the rocks depends on their rate of metamorphism. The density of Lower Cretaceous sedimentary rocks is relatively low, which allows us to determine the thickness of the sedimentary fill by means of the gravity anomalies. Moreover, the density change of the intrusive and effusive rocks was relatively small.

- Six terranes, including the Gobi-Altai (I), Mandalgobi (II), Tseel (III), Bayanbulag (IV), Edren (V) and Baaran (VI), were identified in the summarized result of the geophysical survey. These terranes were separated by northwest- to southeast-trending deep faults and characterized by different complex structures. The terranes were controlled by boundaries between positive and negative anomalies and vertical and horizontal changes of the magnetic anomalies, and they were under a metamorphic zone related to the deep faults and tectonic activities.
- For the quantitative interpretation of the gravity, twelve synclinal structures were evaluated with different sizes, shapes, and depths by their amplitude of the residual anomalies.
- Most of those negative anomalies were grabens between mountains, and their depth ranged from 400-2,400 m. The deepest was the Jinstiin depression near the end of the Gobi-Altai terrane.
- 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.
- Preliminary evaluation of the Jinst block indicates Cretaceous aged rocks and structural folding and faulting and a high potential for petroleum source rocks and reservoirs. Petroleum shows have been reported to the north and south of the Jinst block.
- Only the two largest basin areas were targeted for the initial investigation.

Project Sukhbaatar

The newest block acquired by Wolf Petroleum is currently being evaluated and a production sharing contract has been executed. The Sukhbaatar block is adjacent to Baruun Urt on the east. The total area of Sukhbaatar block is 23,047 km². An initial geologic map for Sukhbaatar based on historical data is presented in Figure 19. This block has more than 60% of the surface geology as Cretaceous which is both the source and reservoir rock for current oil production in Mongolia.

Figure 19: Geologic Map of the Sukhbaatar Block



Preliminary review of the historic reports has indicated this block has a large sub basin that is 80 km by 40 km (3,200 sq km) with a depth of 3,000 meters.

Wolf has recently signed a production sharing agreement (PSC) with the Petroleum Authority of Mongolia (PAM). The PSC for Sukhbaatar has three exploration phases divided into five years:

- Exploration phase I – year 1 (Table 1)
- Exploration phase II – year 2-3 (Table 2)
- Exploration phase III – year 4-5 (Table 3)

Table 1: PSC obligations for Phase I

Work obligations for phase I- 1st year	Status
Collect historic data, re-process and plan next stages of exploration.	Complete Studied 27 reports and maps
Generate initial geologic map based on historic data Perform geological mapping at a detailed scale. Produce new 1:200,000 geological map	Complete Initial 1:200,000 scale map (Figure 19)
Perform geological mapping at a detailed scale. Produce new 1:200,000 geological map	PLANNED To start in October 2012
Gravity and magnetic surveys, sampling and interpretation	PLANNED To start in October 2012
Environmental assessment and recovery program	PLANNED To start in October 2012
Compile and submit report	PLANNED To complete in December 2012
Remote sensing – Hi res satellite image survey 1:100,000 scale	PLANNED To start in October 2012
Geochemical survey	PLANNED To start in September 2012
Introductory meeting with local authorities and environmental officers	PLANNED To start in October 2012

Table 2: PSC obligations for Phase II

Work obligations for phase II- year 2 and 3
Select best target area and develop a plan for detailed exploration
Gravity and magnetic survey (at a scale of 1:50,000 over partial area)
2D seismic survey and data processing (minimum 750 line km)
2D seismic survey data processing and interpretation
3D seismic survey and data processing (300km ²)
3D seismic interpretation report
Complete drill hole

Table 3: PSC obligations for Phase III

Work obligations for phase III- year 4 and 5
Select best target area and develop a plan for detailed exploration
Potential 3D seismic survey and data processing (200km ²)
3D seismic interpretation
Design an extended drilling program
Exploration drilling (approximately 10 wells)
Design additional geologic work program
Exploration and evaluation drilling (approximately 20 wells)
Evaluation of drilled wells
Evaluation of the petroleum potential of the property

Under the PSC the exploration period can be extended twice for 2 years each and 5 years more by Government approval.

Sukhbaatar Conclusions

- Approximately 60% or approximate 12,000 sq km of the surface outcrops are Cretaceous in age with potential source and reservoir rocks at depth.
- Historical reports indicates at least one sub basin with a thickness of 3,000 meters.
- Potential petroleum source “kitchen” identified in deep basin.

II. Valuation

Methodology

MHA was directed to prepare this evaluation in accordance with the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports issued by the Australian Institute of Mining and Metallurgy (“the VALMIN Code”). The VALMIN Code states that most mineral or petroleum assets can be classified as either:

Exploration Areas – properties where a petroleum resource has not yet been identified.

Advanced Exploration Areas – properties where considerable exploration has been undertaken and specific targets have been identified that warrant further detailed evaluation, usually by drill testing. A 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 accumulation present and encouragement that further work will elevate one or more of the prospects to the resource category.

Pre-Development Projects – properties where petroleum resources have been identified and their extent estimated, but where a decision to proceed with development has not been made.

Development Projects – properties for which a decision has been made to proceed with construction and/or production, but which are not yet commissioned or are not yet operating at design levels.

Operating Projects – properties that have been commissioned and are in production.

It is the opinion of MHA that the Mongolian-based petroleum exploration assets of Wolf fall within the classification of Exploration Areas as defined above. As stated, 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. Such an approach is not considered appropriate for properties at the 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, MHA 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 exploration stage.

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. MHA has significant experience evaluating the Mongolian petroleum exploration assets of Wolf and, as such, is qualified to conduct such a valuation.

Once an appraised value has been determined, it must then be adjusted to Fair Market Value. There are many definitions of market value in the literature. In general, for a fair market value to exist, the following tests must be met:

1. Both seller and buyer must be willing and not under compulsion,
2. The transaction must be at arm's length, and
3. Both seller and buyer must be informed or have reasonable knowledge of the associated facts.

The market value of an exploration asset is time and circumstance specific. The market value will reflect a premium or a discount to the technical value (appraised value) as overall market conditions, commodity prices, exchange rates, geologic factors, discoveries or the initiation of oil and gas production on nearby blocks, political risks, and other factors change. Any of these factors will influence the market's perception of an exploration asset relative to its technical value. These conditions can be recognized by applying a subjective market factor, usually increments of 25%, as either a discount or premium to the appraised value.

Much of the information in 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" authored by William E. Roscoe, Roscoe Postle Associates Inc.

The method utilized by MHA to determine the fair market value for the Mongolian-based assets of Wolf was as follows:

- An appraised value for each of the three blocks was determined by estimating the sum of meaningful past exploration expenditures plus warranted future costs for each block. MHA determined a range (low, most likely, high) of appraised values for each of the three blocks.
- A detailed analysis was conducted on each of the three blocks to evaluate the positives or advantages of each block, as well as the negatives or disadvantages of each block. These positives or negatives were generally technical or commercial aspects associated with the blocks. Following this detailed analysis, MHA then estimated a subjective market factor which would be a multiplier on the previously determined appraised value. A value less than 1.0 would reflect a discount to the appraised value, while a value greater than 1.0 would apply a premium to the appraised value.
- The fair market value was calculated by the following equation:

$$\text{Market Value} = (\text{Appraised Value}) * (\text{Market Factor}) - \text{Future Costs}$$

MHA determined a range (low, most likely, high) of market values for each of the three blocks.

The results of the MHA estimates for appraised values, subjective market factors, and resulting fair market values for each of the three Wolf blocks is presented in the following paragraphs.

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.

Table 4 presents a summary of expenditures and investment amounts for Mongolian petroleum blocks that are currently under exploration or production by other operators. All monetary values in this report are in US dollars. The source for this data is MHA's subscription to IHS EDIN database for Mongolia and the various investor presentations for the current operators of these exploration and production petroleum blocks.

Table 4. Summary of other operator exploration costs or commitments

Contract Block-Name	Type Of Period	Date (year)	Block size km ²	Current Operator	Total Investment to date
PSC 1997	Exploration	1997-2000	5286	Dongsheng	
PSCA XIII-Tsagaan Els	Exploration	2009-14	7060	DWM Petroleum AG	\$14,450,000.00
PSCA XIV-Zuunbayan	Exploration	2012-14	4527	DWM Petroleum AG	\$13,825,000.00
PSCA XVI-Nyalga	Exploration	2007-12	12679	Sunwing	\$6,500,000.00
PSCA XX-Matad	Exploration	2006-11	10340	PetroMatad	\$40,050,000.00
XXI-Tamtsag	Expl/Production	1996-2001	9576	Daqing Tamsag Mongolia	\$15,539,884.00
XXII-Buir	Expl/Production	1993-98	8927	Daqing Tamsag Mongolia	\$20,114,000.00
XXIII-Sulinkheer	Exploration	2009-14	18091	Caneol International Ltd	\$46,000,000.00
XIX-Toson Uul	Expl/Production	1993-98	9500	Daqing Tamsag Mongolia	\$18,518,340.00

from IHS Energy EDIN
June 28, 2012

producing block XIX-Toson Uul

Most PSCs are initially a 5 year exploration plan with commitments similar to what was described in the geology section for Sukhbaatar. All blocks listed in Table 5 have PSC agreements with PAM. Blocks highlighted in yellow have established oil production. The average total investment for eight blocks where cost information is available is \$21,874,653. This average total represents the minimum amount/obligation that PAM requires be spent on the exploration block.

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 a 5 year program of exploration, 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.

Baruun Urt Block

The Baruun Urt block is currently operating under a joint survey exploration block contract with a Memorandum of Understanding (MOU) recently 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, interpretation and a final report. Additional exploration activities are assumed to include gravity and magnetics, geochemical sampling, remote sensing, additional 2D seismic lines, 3D seismic survey and drilling wells. Table 5 presents a high low and a most likely cost scenario.

Table 5. Baruun Urt Cost Scenario

Baruun Urt - LOW COST	Item	Unit	Completed to date	Estimated Cost
6 sub basins identified	10,287 sq km			
Initial investment	initial application		\$10,000	
Gravity & Magnetics & Historical review		3200 km	\$260,000	
grav mag data gaps	\$50/km	1600 km		\$80,000
geochem	2-3 sub basins			\$100,000
remote sensing				\$45,000
2D Seismic (dynamite)	\$3500/km	335 sq km	\$1,507,500	
2D Seismic (dynamite)	\$3500/km	400 sq km		\$5,600,000
3D seismic				
est 1 at 80 sq km	\$8,000/ sq km	80 sq km		\$640,000
est 1 at 50 sq km	\$8,000/ sq km	50 sq km		\$400,000
G& G	\$625,000/year	est 5 additional years	\$825,000	\$3,125,000
Well prep, drilling & logging (TD 2500)	\$2,250,000/well	est 2 wells		\$4,500,000
well test	\$150,000/well	est 1 well		\$150,000
		Total to date	\$2,602,500	
		Total to future		\$14,640,000
		Grand total LOW		\$17,242,500
Baruun Urt - HIGH COST				
6 sub basins identified	10,287 sq km			
Initial investment	initial application		\$10,000	
Gravity & Magnetics & Historical review		3200 km	\$260,000	
grav mag data gaps	\$80/km	1600 km		\$128,000
geochem	2-3 sub basins			\$100,000
remote sensing				\$45,000
2D Seismic (dynamite)	\$4500/km	335 km	\$1,507,500	
2D Seismic (dynamite)	\$4500/km	1200 km		\$5,400,000
3D seismic				
est 3 at 80 sq km	\$10000/ sq km	240 sq km		\$2,400,000
est 3 at 50 sq km	\$10000/ sq km	150 sq km		\$1,500,000
G& G	\$825,000/year	est 5 additional years	\$825,000	\$4,125,000
Well prep, drilling & logging (TD 2500)	\$3,800,000/well	est 8 wells		\$30,400,000
well test	\$150,000/well	est 4 wells		\$600,000
		Total to date	\$2,602,500	
		Total to future		\$44,698,000
		Grand total -HIGH		\$47,300,500
Baruun Urt - MOST LIKELY				
6 sub basins identified	10,287 sq km			
Initial investment	initial application		\$10,000	
Gravity & Magnetics & Historical review	\$ 70/km	3200 km	\$260,000	
grav mag data gaps	\$70/km	1600 km		\$128,000
geochem	2-3 sub basins			\$100,000
remote sensing				\$45,000
2D Seismic (dynamite)	\$4000/km	335 km	\$1,507,500	
2D Seismic (dynamite)	\$4000/km	800 km		\$3,200,000
3D seismic				
est 2 at 80 sq km	\$9,000/ sq km	160 sq km		\$1,440,000
est 2 at 50 sq km	\$9,000/ sq km	100 sq km		\$900,000
G& G	\$725,000/year	est 5 additional years	\$825,000	\$3,625,000
Well prep, drilling & logging (TD 2500)	\$3,200,000/well	est 4 wells		\$12,800,000
well test	\$150,000/well	est 2 wells		\$300,000
		Total to date	\$2,602,500	
		Total to future		\$22,538,000
		Grand total- MOST LIKELY		\$25,140,500

Future PAM activities will include applying for a PSC and negotiating additional exploration activities for the Baruun Urt Block.

Jinst Block

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. Table 6 presents a high low and a most likely cost scenario for the Jinst Block.

Table 6. Jinst Cost Scenario

Jinst- LOW COST	Item	Unit	Completed to date	Estimated Cost
12 sub basins identified	41,790 sq km	6 sub basins identified as K		
Initial investment	initial application		\$10,000	
Gravity & Magnetics & Historical review		7500 sq km	\$700,000	
geochem				\$230,000
remote sensing			\$40,000	
hi res areal photo's			\$75,000	
2D Seismic (dynamite)	\$3500/km	currently proposed 665 km		\$2,327,500
2D Seismic (dynamite)	\$3500/km	1200 km		\$427,000
3D seismic				
est 2 at 80 sq km	\$8000/ sq km	160 sq km		\$1,280,000
est 2 at 50 sq km	\$8000/ sq km	100 sq km		\$800,000
G& G	\$625,000/year	est 5 additional years	\$825,000	\$3,125,000
Well prep, drilling & logging (TD 3000)	\$3,200,000/well	est 3 wells		\$9,600,000
well test	\$150,000/well	est 1 well		\$150,000
Evaluation of west half of Jinst block	lum sum est			\$1,500,000
		Total to date	\$1,650,000	
		Total future		\$19,439,500
		Grand total		\$21,089,500
Jinst- HIGH COST				
12 sub basins identified	41,790 sq km	6 sub basins identified as K		
Initial investment	initial application		\$10,000	
Gravity & Magnetics & Historical review		7500 sq km	\$700,000	
geochem				\$430,000
remote sensing			\$40,000	
hi res areal photo's			\$75,000	
2D Seismic (dynamite)	\$4500/km	currently proposed 665 sq km		\$2,992,500
2D Seismic (dynamite)	\$4500/km	2400 km		\$5,400,000
3D seismic	\$10000/ sq km			
est 8 at 80 sq km	\$10000/ sq km	640 sq km		\$4,320,000
est 8 at 50 sq km		400 sq km		\$3,200,000
G& G	\$825,000/year	est 5 additional years	\$825,000	\$4,125,000
Well prep, drilling & logging (TD 3000)	\$4,000,000/well	est 8 wells		\$32,000,000
well test	\$150,000/well	est 4 well		\$600,000
Evaluation of west half of Jinst block	lum sum est			\$3,000,000
		Total to date	\$1,650,000	
		Total future		\$56,067,500
		Grand total- HIGH		\$57,717,500
Jinst- MOST LIKELY				
12 sub basins identified	41,790 sq km	6 sub basins identified as K		
Initial investment	initial application		\$10,000	
Gravity & Magnetics & Historical review		7500 sq km	\$700,000	
geochem				\$350,000
remote sensing			\$40,000	
hi res areal photo's			\$75,000	
2D Seismic (dynamite)	\$4000/km	currently proposed 665 sq km		\$2,660,000
2D Seismic (dynamite)	\$4000/km	2000 km		\$8,000,000
3D seismic				
est 4 at 80 sq km	\$9000/ sq km	320 sq km		\$2,880,000
est 4 at 50 sq km	\$9000/ sq km	200 sq km		\$1,800,000
G& G	\$725,000/year	est 5 additional years	\$825,000	\$3,625,000
Well prep, drilling & logging (TD 3000)	\$3,500,000/well	est 4 wells		\$14,000,000
well test	\$150,000/well	est 2 well		\$300,000
Evaluation of west half of Jinst block	lum sum est			\$2,000,000
		Total to date	\$1,650,000	
		Total future		\$35,615,000
		Grand total - MOST LIKELY		\$37,265,000

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

Sukhbaatar Block

A PSC has recently been signed with PAM on Sukhbaatar. Activities completed on Sukhbaatar block to date include historic studies and a geologic map. This block has a PSC which requires certain obligations for each phase of the contract which were presented in Tables 1-3. Table 7 presents a high low and a most likely cost scenario for the Sukhbaatar Block.

Table 7. Sukhbaatar Cost Scenario

Sukhbaatar- LOW COST	Item	Unit	Completed to date	Estimated Cost
no sub basins identified	23047 sq km			
Initial investment	initial application		\$10,000	
Historical review			\$100,000	
Gravity & Magnetics	\$50/km	18,000 km		\$900,000
geochem				\$350,000
remote sensing				\$45,000
hi res areal photo's				\$45,000
2D Seismic (dynamite)	\$3500/km	750 km		\$2,625,000
2D Seismic (dynamite)	\$3500/km	750 km		\$2,625,000
3D seismic				
est 1 at 80 sq km	\$8000/ sq km	160 sq km		\$1,280,000
est 1 at 50 sq km	\$8000/ sq km	100 sq km		\$800,000
G& G	\$625,000/year	est 5 additional years	\$825,000	\$3,125,000
Well prep, drilling & logging (TD 3000)	\$3,400,000/well	est 3 wells		\$10,200,000
well test	\$150,000/well	est 1 wells		\$150,000
		Total to date	\$935,000	
		Total future		\$22,145,000
		Grand total		\$23,080,000
Sukhbaatar- HIGH COST				
no sub basins identified	23047 sq km			
Initial investment	initial application		\$10,000	
Historical review			\$100,000	
Gravity & Magnetics	\$80/km	18,000 km		\$1,440,000
geochem				\$550,000
remote sensing				\$75,000
hi res areal photo's				\$75,000
2D Seismic (dynamite)	\$4500/km	750 km		\$3,375,000
2D Seismic (dynamite)	\$4500/km	2000 km		\$9,000,000
3D seismic	\$10000/ sq km			
est 4 at 80 sq km	\$9000/ sq km	320 sq km		\$2,560,000
est 4 at 50 sq km	\$9000/ sq km	200 sq km		\$1,600,000
G& G	\$825,000/year	est 5 additional years	\$825,000	\$4,125,000
Well prep, drilling & logging (TD 3000)	\$4,000,000/well	est 8 wells		\$32,000,000
well test	\$150,000/well	est 4 well		\$600,000
		Total to date	\$935,000	
		Total future		\$55,400,000
		Grand total- HIGH		\$56,335,000
Sukbataar MOST LIKELY				
no sub basins identified	23047 sq km			
Initial investment	initial application		\$10,000	
Historical review			\$100,000	
Gravity & Magnetics	\$60/km	18,000 km		\$1,080,000
geochem				\$450,000
remote sensing				\$60,000
hi res areal photo's				\$60,000
2D Seismic (dynamite)	\$4000/km	750 km		\$3,000,000
2D Seismic (dynamite)	\$4000/km	1500 km		\$6,000,000
3D seismic				
est 2 at 80 sq km	\$9000/ sq km	160 sq km		\$1,440,000
est 2 at 50 sq km	\$9000/ sq km	100 sq km		\$900,000
G& G	\$725,000/year	est 5 additional years	\$825,000	\$3,625,000
Well prep, drilling & logging (TD 3000)	\$3,500,000/well	est 4 wells		\$14,000,000
well test	\$150,000/well	est 2 wells		\$300,000
		Total to date	\$935,000	
		Total future		\$30,915,000
		Grand total - MOST LIKELY		\$31,850,000

Determination of a Subjective Market Factor for Each Block

MHA conducted a detailed analysis on each of the three blocks to evaluate the positives or advantages of each block, as well as the negatives or disadvantages of each block. These positives or negatives were generally technical or commercial aspects associated with the blocks. Any of these factors will influence the market's perception of an exploration asset relative to its technical value. These conditions can be recognized by applying a subjective market factor, usually increments of 25%, as either a discount or premium to the appraised value. Values greater than 1.0 reflect a premium to the appraised value, while values less than 1.0 reflect a discount to the estimated appraised value. The results of this analysis are presented in the tables below:

Table 8: Baruun Urt Market Conditions

<i>Advantages</i>	<i>Disadvantages</i>
5 gravity sub basins identified	All but 2 sub basins appear to be fairly shallow - oil may be biodegraded, heavier as seen in Block 97 production to the southwest.
Tost - Sub basin with alluvium on surface & depths similar to Tolson Uul field to east	Salkit sub basin has alluvium on the surface, but very shallow
Closest to Tolson Uul field (Chinese Operated)	Tolson Uul field production approx 175 km to the east
Seismic indicates structures similar to Tolson Uul field	No oil shale, seeps, or bitumen have been identified so far to confirm a petroleum system
Cretaceous on surface verifies that reservoir and source rocks are present	No wells or penetrations to verify a petroleum system
Very little alluvium present on the surface - may represent deeper burial or later uplift, existing production at Tolson Uul has reservoir rocks buried beneath alluvial cover	Surface R _o 0.33 - 0.41% from 27 samples may indicate thermally immature
Talbulag sub basin appears to be plunging in depth and thickness > 2400 meters to the west onto the adjacent Sukhbataar block	Newly defined basin - Tamsag basin with Tolson Uul field has a confirmed petroleum system
Surrounding blocks have demonstrated that oil migration has occurred from deeper source kitchens	Oil generation predicted to occur at >1800 meters of burial - only 2 basins greater than 1800 meters thick, most much shallower
Historic report on adjacent Sukhbaatar block identified a gravity sub basin that is >3,000 meters thick, potential source kitchen	Exploration block only, PSC will need to be negotiated. This will take time and additional investment
Summary: Baruun Urt block has the most exploration activities, however most of the structures are shallow. The best seismic structures are in the Tost sub basin. There is not as much Cretaceous on the surface as Sukhbaatar and more Paleozoic intrusives are faulted to surface, which eliminates the lower Paleozoic as deeper higher risk targets.	Subjective Market Factor = 1.25
	<1 = discount on appraised value
	1= neutral
	>1 = premium on appraised value

Table 9: Jinst Market Conditions

Advantages	Disadvantages
12 gravity sub basins identified	No oil shale, seeps, or bitumen have been identified so far to confirm a petroleum system
5 sub basins have Cretaceous on surface - similar age rocks and depositional environment to what produces in Eastern Mongolia.	No wells or penetrations to verify a petroleum system
Largest Petroleum block in Mongolia - lots of potential for new plays/reservoirs	No near by production in Mongolia
Surface folding present indicating structures similar to production in Block 97	Higher cost to evaluate the west half of the block because of size
Cretaceous on surface verifies that reservoir and source rocks are present	Assume Cretaceous rocks are equivalent to eastern Mongolia production, but currently no age dating
Remote sensing (satellite imagery) has identified alteration minerals in Cretaceous on the surface that may indicate petroleum seeps	Remote part of Mongolia - additional cost associated with location and weather extremes
Other 7 sub basins are under alluvium so the age of the rocks is unknown, but these sub basins are smaller than the two large East Jinst basins	Paleozoic rocks may be metamorphosed - unconventional/fractured reservoirs.
Large Permian coal mine present near surface, which may be a petroleum source for deeper older rocks, probably gas. This type of production has been established in the Erlian basin on the south edge of Mongolia, mostly in China.	Exploration block only, PSC will need to be negotiated. This will take time and additional investment
Summary: Jinst is very large, the surface folding and Cretaceous sub basins are very encouraging. There is a high risk potential for the lower Paleozoic rocks to be productive as has been documented in China. There is also a large amount of alluvium on the block which might indicate a situation similar to the production at Tolson Uul.	Subjective Market Factor = 1.5
	<1 = discount on appraised value
	1= neutral
	>1 = premium on appraised value

Table 10: Sukhbaatar Market Conditions

Advantages	Disadvantages
Cretaceous on surface verifies that reservoir and source rocks are present	No wells or penetrations to verify a petroleum system
Talbulag sub basin from Baruun Urt block appears to be plunging in depth and thickness > 2400 meters onto this block	No detailed gravity or magnetic survey
Very little alluvium present on the surface - may represent deeper burial or later uplift, existing production at Tolson Uul has reservoir rocks buried beneath alluvial cover	Newly defined basin - Tamsag basin with Tolson Uul field has a confirmed petroleum system
Surrounding blocks have demonstrated that oil migration has occurred from deeper source kitchens	
Historic report identified a gravity sub basin that is >3,000 meters thick	
PSC signed, therefore there are minor obstacles to exploration activities	
Production approximately 250 km to the east and 120 km to the southwest	
Summary: Sukhbaatar block has the least exploration information, however this block has the highest potential because of the Cretaceous on the surface and it may have a deep basin which could be a source kitchen. Surface geology indicates less basement uplift from Baruun Urt with less intrusives.	Subjective Market Factor = 1.75
	<1 = discount on appraised value
	1= neutral
	>1 = premium on appraised value

Estimated Fair Market Value of Wolf's Mongolian-Based Petroleum Exploration Assets

The fair market value was calculated by the following equation:

$$\text{Market Value} = (\text{Appraised Value}) * (\text{Market Factor}) - \text{Future Costs}$$

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

Table 11: Estimated Fair Market Value

	Low	Most Likely	High
Baruun Urt	\$6,913,125	\$8,887,625	\$14,427,625
Jinst	\$12,194,750	\$20,282,500	\$30,508,750
Sukhbaatar	\$18,245,000	\$24,822,500	\$43,186,250
Totals	\$37,352,875	\$53,992,625	\$88,122,625

(Above values are in US dollars.)

As shown in the above table, MHA estimates that the Sukhbaatar Block has the highest market value followed closely by the Jinst Block. It is not a coincidence that both of these blocks also have higher estimated future exploration costs, in comparison to the Baruun Urt Block. The reason for this connection between estimated market value and projected future exploration costs is that these blocks are exploration assets. Exploration properties are those on which an economically viable petroleum accumulation has not yet been demonstrated to exist. The real market value of such an exploration property lies in its potential for the existence and discovery of economically viable petroleum accumulations. Blocks with greater potential typically require more substantial capital resources to identify and prove up these petroleum accumulations.

As stated previously in our report, the Jinst Block is the largest petroleum exploration block in Mongolia with total area of 41,790 km². Twelve sub-basins have been identified on the Jinst Block indicating the substantial potential of this exploration area. The higher future exploration costs estimated for the Jinst Block are the result of the sheer size and significant potential associated with the block.

In the Sukhbaatar Block, Wolf has recently signed a production sharing agreement with the Petroleum Authority of Mongolia. The PSC for Sukhbaatar has three exploration phases divided into five years (refer to Tables 1 through 3). These three exploration phases indicate that the Sukhbaatar Block has progressed to a more mature stage than the other two blocks. With that progression comes an increase in market value, as well as an increase in the committed future capital expenditures required to fulfill the PSC requirements and to demonstrate the potential of the block.

III. 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 MHA 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 MHA'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, MHA makes no warranties concerning the data and interpretations of such data. In no event shall MHA be liable for any special or consequential damages arising from Ernst & Young's use of MHA's interpretation, reports, or services produced as a result of its work for Ernst & Young.

MHA is being paid a fee according to its normal per diem rates and out of pocket expenses for the provision of this technical advice to Ernst & Young and the preparation of this report. Neither MHA, nor any of our employees have any interest in the subject properties and neither

the employment to do this work, nor the compensation, is contingent on our estimates of economic value for the properties in this report.

MHA has not verified the accuracy of the information provided to it during the course of this investigation. However, we have aimed to satisfy ourselves that all of the information provided has been prepared in accordance with proper industry standards and best practice, and is based on data that MHA considers to be of acceptable quality and reliability.

MHA has been previously engaged by Wolf Petroleum Ltd to offer independent technical advice and exploration support for their Mongolian assets.

It was a pleasure performing this work for Ernst & Young. If you have any questions regarding this review, or if additional information is needed, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Timothy L. Hower". The signature is fluid and cursive, with a long horizontal stroke extending to the left.

Timothy L. Hower, P.E.
Chairman

Certificate

Timothy L. Hower, M. Sc., P. E.

I, Timothy L. Hower, Chief Executive Officer of MHA Petroleum Consultants LLC, 730 17th Street, Suite 410, Denver, Colorado 80202, declare the following:

1. I hold the following degrees:
 - a. B. Sc., Petroleum Engineering, 1981, Penn State University
 - b. M. Sc., Petroleum Engineering, 1983, Penn State University
2. I am a registered professional engineer:
 - a. Licensed Professional Engineer, Colorado PE-28053
 - b. Licensed Professional Engineer, Wyoming PE-9597
3. I am a member of the following professional organization:
 - a. Society of Petroleum Engineers
4. I am a qualified oil and gas reserves evaluator and auditor
5. My contribution to the technical specialist's report pertaining to the Mongolian-based petroleum exploration assets of Wolf Petroleum Ltd is based on my engineering knowledge and the data provided to me by Wolf Petroleum, from public sources, and from the non-confidential files of MHA Petroleum Consultants 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 or Strzelecki Metals Limited.



Timothy L. Hower, M.Sc., P. E.
Chairman



Certificate

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

I, Debra K. Gomez, Senior Geologist of MHA Petroleum Consultants LLC, 730 17th Street, Suite 410, Denver, Colorado 80202, 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. Certified Professional Geologist, AIPG8135
 - c. Certified Petroleum Geologist, AAPG 4553

3. I am a member of the following professional organization:
 - a. American Association 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 MHA Petroleum Consultants 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 or Strzelecki Metals Limited.

Debra K. Gomez

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

THIS FINANCIAL SERVICES GUIDE FORMS PART OF THE INDEPENDENT EXPERT'S REPORT

14 September 2012

PART 2 - FINANCIAL SERVICES GUIDE

1. Ernst & Young Transaction Advisory Services

Ernst & Young Transaction Advisory Services Limited ("Ernst & Young Transaction Advisory Services" or "we," or "us" or "our") has been engaged to provide general financial product advice in the form of an Independent Expert's Report ("Report") in connection with a financial product of another person. The Report is set out in Part 1.

2. Financial Services Guide

This Financial Services Guide ("FSG") provides important information to help retail clients make a decision as to their use of the general financial product advice in a Report, information about us, the financial services we offer, our dispute resolution process and how we are remunerated.

3. Financial services we offer

We hold an Australian Financial Services Licence which authorises us to provide the following services:

- ▶ financial product advice in relation to securities, derivatives, general insurance, life insurance, managed investments, superannuation, and government debentures, stocks and bonds; and
- ▶ arranging to deal in securities.

4. General financial product advice

In our Report we provide general financial product advice. The advice in a Report does not take into account your personal objectives, financial situation or needs.

You should consider the appropriateness of a Report having regard to your own objectives, financial situation and needs before you act on the advice in a Report. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain an offer document relating to the financial product and consider that document before making any decision about whether to acquire the financial product.

We have been engaged 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. Although you have not engaged us directly, a copy of the Report will be provided to you as a retail client because of your connection to the matters on which we have been engaged to report.

5. Remuneration for our services

We charge fees for providing Reports. These fees have been agreed with, and will be paid by, the person who engaged us to provide a Report. Our fees for Reports are based on a time cost or fixed fee basis. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority. The estimated fee for this Report is \$50,000 (inclusive of GST).

Ernst & Young Transaction Advisory Services is ultimately owned by Ernst & Young, which is a professional advisory and accounting practice. Ernst & Young may provide professional services, including audit, tax and financial advisory services, to the person who engaged us and receive fees for those services.

Except for the fees and benefits referred to above, Ernst & Young Transaction Advisory Services, including any of its directors, employees or associated entities should not receive any fees or other benefits, directly or indirectly, for or in connection with the provision of a Report.

6. Associations with product issuers

Ernst & Young Transaction Advisory Services and any of its associated entities may at any time provide professional services to financial product issuers in the ordinary course of business.

7. Responsibility

The liability of Ernst & Young Transaction Advisory Services, if any, is limited to the contents of this Financial Services Guide and the Report.

8. Complaints 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 services. All complaints must be in writing and addressed to the AFS Compliance Manager or Chief Complaints Officer and sent to the address below. We will make every effort to resolve a complaint within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Ombudsman Service Limited.

9. Compensation Arrangements

The Company and its related entities hold Professional Indemnity insurance for the purpose of compensation should this become relevant. Representatives who have left the Company's employment are covered by our insurances in respect of events occurring during their employment. These arrangements and the level of cover held by the Company satisfy the requirements of section 912B of the Corporations Act 2001.

Contacting Ernst & Young Transaction Advisory Services AFS Compliance Manager Ernst & Young 680 George Street Sydney NSW 2000 Telephone: (02) 9248 5555	Contacting the Independent Dispute Resolution Scheme: Financial Ombudsman Service Limited PO Box 3 Melbourne VIC 3001 Telephone: 1300 78 08 08
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This Financial Services Guide has been issued in accordance with ASIC Class Order CO 04/1572.

ANNEXURE C – NOMINATION OF AUDITOR LETTER

7 September 2012

The Directors
Strzelecki Metals Limited
Level 1, 33 Richardson Street
WEST PERTH WA 6005

I, Aaron Dean Bertolatti, being a member of Strzelecki Metals Limited (ACN 116 249 060) (Company), hereby nominate BDO Audit (WA) Pty Ltd of 38 Station Street, Subiaco, Western Australia (ACN 112 284 787) in accordance with Section 328B(1) of the Corporations Act 2001 (Cth) (Act) to fill the office of auditor of the Company.

Please distribute copies of this notice of this nomination as required by Section 328B(3) of the Act.

Yours faithfully

A handwritten signature in black ink, appearing to read 'DA Bertolatti', with a stylized flourish at the end.

Aaron Bertolatti
7 September 2012

**ANNUAL GENERAL MEETING
PROXY FORM**

**APPOINTMENT OF PROXY
STRZELECKI METALS LIMITED
ACN 116 249 060**

I/We

of

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

appoint

Name of proxy

OR the Chair 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 9:30am, on 22 October 2012 at Level 16, 211 Victoria Square, Adelaide, South Australia, and at any adjournment thereof.

The Chair intends to vote undirected proxies in favour of all Resolutions in which the Chair is entitled to vote.

Voting on business of the Meeting	FOR	AGAINST	ABSTAIN
Resolution 1 – Adoption of remuneration report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 – Re-Election of Director – Brian McMaster	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 – Re-Election of Director – Matthew Wood	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 – Re-Election of Director – Peter Hunt	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5 – Removal of auditor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6 – Appointment of auditor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7 – Ratification of prior issue - Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8 – Approval of 10% placement capacity - Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 9 – Approval for change in nature and scale of activities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 10 – Consolidation of capital	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 11 – The Acquisition of Wolf Shares from Matthew Wood and associates	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 12 – The Acquisition of Wolf Shares from Brian McMaster and associates	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 13 – Change of Company name	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 14 – Placement of Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 15 – Participation in placement – Shares to Related Party – Garrison Capital Pty Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 16 – Placement – Options to Related Party – Garrison Capital Pty Ltd	<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.

Important for Resolutions 1, 12, 15 and 16

If you have not directed your proxy how to vote as your proxy in respect of Resolutions 1, 12 and 16 and the Chair is, or may by default be, appointed your proxy, you must mark the box below.

I/we direct the Chair to vote in accordance with his/her voting intentions (as set out above) on Resolutions 1 and 16 (except where I/we have indicated a different voting intention above) and expressly authorise that the Chair may exercise my/our proxy even though Resolutions 1 and 16 are connected directly or indirectly with the remuneration of a member of the Key Management Personnel and acknowledge that the Chair may exercise my/our proxy even if the Chair has an interest in the outcome of Resolutions 12, 15 and 16 and that votes cast by the Chair for Resolutions 12, 15 and 16, other than as proxy holder, will be disregarded because of that interest.

If the Chair is, or may by default be, appointed your proxy and you do not mark this box and you have not directed the Chair how to vote, the Chair will not cast your votes on Resolutions 1, 12, 15 and 16 and your votes will not be counted in calculating the required majority if a poll is called on Resolutions 1, 12, 15 and 16.

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

Signature of Shareholder(s): _____ **Date:** _____

Individual or Shareholder 1

Shareholder 2

Shareholder 3

Sole Director/Company Secretary

Director

Director/Company Secretary

Contact Name: _____ **Contact Ph (daytime):** _____

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 to Strzelecki Metals Limited, Level 1, 33 Richardson Street WEST PERTH WA 6005; or
 - (b) facsimile to the Company on facsimile number +61 8 9200 4469; or
 - (c) email to the Company at info@strzelecki.com.au,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.