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Wolf Petroleum
Mongolian Oil Exploration Company

QUARTERLY ACTIVITIES REPORT

FOR THE QUARTER ENDING 30 JUNE 2014

ASX RELEASE

28 July 2014

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ISSUED CAPITAL:

261.8 million shares
27 million options (WOFO)
174 million options (WOFOA)
14.4 million unlisted options

ASX CODE:

WOF, WOFO, WOFOA

Wolf Petroleum (ASX:WOF) is pleased to release the quarterly activities report and progress made towards farming out the SB block. ▶▶▶

Highlights:

THE NEW PETROLEUM LAW PASSED

The parliament of Mongolia has passed a new petroleum law aiming to boost foreign investment and make the petroleum sector one of the nation's leading industries.

NON CORE MINING ASSET DIVESTMENT

Wolf Petroleum sold its interest in SKKGM to its former joint venture partner, Electrum Group for US\$200,000.

RESOURCE ASSESSMENT COMPLETED

Independent resource assessment on SB block estimated **LOW 460 million to HIGH 2.2 billion** barrels of potentially recoverable oil.

FARM OUT PROGRESS

A data room has been established and potential strategic partners are in the data room and evaluating the opportunity.

Wolf Petroleum's current focus and major milestone is to farm out SB block.



The New Petroleum Law Passed

The parliament of Mongolia has passed a new petroleum law aiming to boost foreign investment and make the petroleum sector one of the nation's leading industries.

The long awaited New Petroleum Law has been passed by the Parliament of Mongolia and is effective from 1 July 2014. Wolf Petroleum had an opportunity to review and comment on the new law with petroleum related associations and other operating companies.

THE INCENTIVES UNDER THE NEW MONGOLIAN PETROLEUM LAW

OIL OPERATIONS:

The exploration period is eight years and can be extended twice by two years. The production period is 25 years and can be extended twice by five years.

PRODUCTION SHARING CONTRACT (PSC):

Production Sharing Contracts (PSC) can be signed and approved by the Government upon the Companies' request within 180 days. The Company must meet the exploration contract commitments and discuss the production sharing terms.

Wolf Petroleum is ahead of its exploration contract commitments on BU and Jinst blocks and planning to apply for a PSC in 2014.

ROYALTY:

Royalty payments to the Government of Mongolia to be at least 5%.

TAX EXEMPTION:

The Companies are exempt from customs duty, VAT in first five years, and income taxes from oil sales.

COST RECOVERY PROGRAMME:

Exploration, operation, development, and production costs can be recovered 100%. Annual percentage from oil sales to cost recovery programme can be up to 40%.

PIPELINE:

Upon request a Company may be granted a permission to build a pipeline for the purpose of transferring the petroleum that it produces.

The New Petroleum Law simplifies the application for Production Sharing Contract, minimises bureaucracy, and creates a more competitive and investment friendly business environment.

The Company believes the new petroleum law will play a significant role in development of the industry and further open more investment opportunities in Mongolia.

Non core mining asset divestment

The Company has sold its interest in SKKGM to its former joint venture partner, Electrum Group for US\$200,000.

The proceeds from the sale will be used to meet Wolf Petroleum's working capital commitments and progressing the process towards farming out an interest in the SB block.

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Independent resource assessment completed

Independent resource assessment on SB block estimated **LOW 460 million to HIGH 2.2 billion** barrels of potentially recoverable oil.

Independent resource assessment has been completed and has identified a substantial prospective oil resource on the Companies 100% owned SB block.

ABOUT SB BLOCK

Wolf Petroleum signed a production sharing contract on SB block in January 2013 for up to 39 years of exploration and production. In 2013, the Company successfully completed a two year work programme in one year is now one year ahead of contract commitments.

GEOLOGICAL AND GEOPHYSICAL RESULTS

Comprehensive geological and geophysical exploration programmes have identified one of the largest sub basins (Toson Tolgoi) in Mongolia with over 3,500 sq. km and up to 5,000 meters deep.

SEISMIC ACQUISITION PROGRAMME

The Company has successfully acquired 450 km of 2D seismic data and collected seismic shot hole samples for geochemical analysis.

The seismic interpretation has revealed large scale structural and stratigraphic traps with the potential for there to be significant oil reservoirs present.

Geochemical analysis of shot hole samples has also revealed the presence of high quality light oil seeps, further enhancing the prospectivity of drill targets.

DRILLING TARGETS

Seismic interpretation on the Toson Tolgoi and Talbulag Basin within the SB block has identified seven drill ready lead targets.

PROSPECTIVE RESOURCES

An Independent resource assessment estimated **LOW 460 million to HIGH 2.2 billion** of potentially recoverable oil.

FARM OUT PROGRESS

Wolf Petroleum is inviting potential strategic partners to the data room and making further progress on farm out negotiations on the company's 100% owned SB block.

Further details on discussions will be released when agreement with the partner has been reached.

The estimated quantities of petroleum that may potentially be recovered by the application of future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

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WOLF PETROLEUM HIGHLIGHTS:

- The leading oil exploration company in Mongolia.
- The largest petroleum acreage holder with over 18 million acres.
- **Drill ready prospects with 460 million to 2.2 billion barrels of oil.**
- Discussing farm out deals with potential strategic partners.
- Near term huge upside potential with drilling programmes planned.

WOLF PETROLEUM BLOCKS:

SB block (100%)

23,000 km²

Proven and producing region
Production contract

INTEREST AT BEGINNING AND END OF QUARTER

BU block (100%)

10,000 km²

Proven and producing region
Exploration contract

Jinst block (100%)

41,000 km²

Proximal to major oil fields in China
Exploration contract

SUMMARY OF BLOCK EXPENDITURE

TOTAL: A\$'000

SB Block: 144

BU Block: -

Jinst Block: -

ASX CODE: WOF

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