

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' and Chief Executive's Interests in Shares and Underlying Shares

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures (if any) of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), as recorded in the register maintained by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

Interests and short positions in the shares, underlying shares and debentures of the Company or its associated corporations

Name of Director	Capacity/ Nature of interest	Number of shares/ underlying shares interested	Approximate percentage of interest in the corporation
Mr. Zhang Ruilin	Beneficial interest	5,087,000 (L) ^{Note 1}	0.17%
	Family interest/interest of controlled corporation	1,626,455,234 (L) ^{Notes 3 and 5}	55.35%
	Parties acting in concert	7,287,000 (L) ^{Notes 3 and 5}	0.25%
		211,855,234 (S) ^{Notes 4 and 5}	7.21%
Mr. Zhao Jiangwei	Beneficial interest	7,287,000 (L) ^{Note 2}	0.25%
	Family interest/interest of controlled corporation	1,626,455,234 (L) ^{Notes 3 and 5}	55.35%
	Parties acting in concert	5,087,000 (L) ^{Notes 3 and 5}	0.17%
		211,855,234 (S) ^{Notes 4 and 5}	7.21%
Mr. Mei Jianping	Beneficial interest	1,267,933 (L) ^{Note 6}	0.04%
Mr. Jeffrey Willard Miller	Beneficial interest	1,811,333 (L) ^{Note 7}	0.06%
Mr. Andrew Sherwood Harper	Beneficial interest	3,441,000 (L) ^{Note 8}	0.12%

Name of Director	Capacity/ Nature of interest	Number of shares/ underlying shares interested	Approximate percentage of interest in the corporation
Mr. Tian Hongtao	Beneficial interest	5,400,000 (L) ^{Note 9}	0.18%
Mr. Tao Tak Yin Dexter	Beneficial interest	4,800,000 (L) ^{Note 10}	0.16%

Notes:

1. Mr. Zhang Ruilin beneficially owns 100,000 Shares and is interested in 4,987,000 Shares underlying the share options of the Company granted to him on September 20, 2011 and March 21, 2014, respectively.
2. Mr. Zhao Jiangwei beneficially owns 1,150,000 Shares and is interested in 6,137,000 Shares underlying the share options and awarded shares of the Company granted to him on September 20, 2011, March 21, 2014 and November 20, 2015, respectively;
3. Each of Champion International Energy Limited, Orient International Energy Limited, Power International Energy Limited and New Sun International Energy Limited is a wholly-owned subsidiary of Sunrise Glory Holdings Limited, which is in turn wholly-owned by Far East Energy Limited, the ultimate holding company of the Company. Far East Energy Limited owns through each of Champion International Energy Limited, Orient International Energy Limited, Power International Energy Limited and New Sun International Energy Limited, an aggregate of 1,414,600,000 Shares. Far East Energy Limited is held as to 9.99%, 80% and 10% by Mr. Zhang Ruilin, Ms. Zhao Jiangbo and Mr. Zhao Jiangwei, respectively.
4. As at the Latest Practicable Date, Celestial Energy Limited beneficially holds 211,855,234 Shares. Pursuant to the put and call option agreement dated November 8, 2014 and entered into among Far East Energy Limited, Mr. Zhang Ruilin, Mr. Zhao Jiangwei, Ms. Zhang Jiangbo and Celestial Energy Limited (the “2014 Option Agreement”), (i) a put option was granted by Far East Energy Limited to Celestial Energy Limited to sell up to 211,855,234 Shares; and (ii) a call option was granted by Celestial Energy Limited to Far East Energy Limited to purchase up to 84,742,094 Shares, on and subject to the terms and conditions therein. Far East Energy Limited is interested in a long position of 211,855,234 Shares pursuant to the 2014 Option Agreement. Pursuant to its obligation to deliver 211,855,234 Shares under the 2014 Option Agreement, Celestial Energy Limited has a short position of 211,855,234 Shares. As Far East Energy Limited is a party acting in concert with Celestial Energy Limited, it is deemed interested in such short position.
5. On May 24, 2013, Mr. Zhang Ruilin, Ms. Zhao Jiangbo and Mr. Zhao Jiangwei have entered into an agreement pursuant to which each of them has agreed to act in concert in relation to all matters that require the decisions of the shareholders of Far East Energy Limited (“Acting in Concert Agreement”). Therefore, by virtue of being party to the Acting In Concert Agreement, Mr. Zhao Jiangwei is deemed to be interested in (a) through the controlling interest of Ms. Zhao Jiangbo in Far East Energy Limited, in the 1,414,600,000 Shares held by Far East Energy Limited through its subsidiaries and the 211,855,234 Shares which Far East Energy Limited is interested pursuant to the 2014 Option Agreement; and (b) the 100,000 Shares beneficially owned by Mr. Zhang Ruilin and the 4,987,000 Shares underlying the share options of the Company granted to Mr. Zhang Ruilin. By virtue of being spouse to Ms. Zhao Jiangbo and party to the Acting in Concert Agreement, Mr. Zhang Ruilin is deemed interested in (a) through the controlling interest of Ms. Zhao Jiangbo in Far East Energy Limited, in the 1,414,600,000 Shares held by Far East Energy Limited through its subsidiaries and the 211,855,234 Shares which Far East Energy Limited is interested pursuant to the 2014 Option Agreement; and (b) the 1,150,000 Shares beneficially owned by Mr. Zhao Jiangwei and the 6,137,000 Shares underlying the share options and awarded shares of the Company granted to Mr. Zhao Jiangwei.

6. Mr. Mei Jianping is interested in 1,267,933 underlying Shares by virtue of the share option of the Company granted to him on November 23, 2010.
7. Mr. Jeffrey Willard Miller is interested in 1,811,333 underlying Shares by virtue of the share option of the Company granted to him on November 23, 2010.
8. Mr. Andrew Sherwood Harper is interested in 3,441,000 underlying Shares by virtue of the share option of the Company granted to him on September 20, 2011 and March 21, 2014, respectively.
9. Mr. Tian Hongtao is interested in 5,400,000 underlying Shares by virtue of the share option and awarded shares of the Company granted to him on March 21, 2014 and November 20, 2015, respectively.
10. Mr. Tao Tak Yin Dexter beneficially owns 2,400,000 Shares and is interested in 2,400,000 underlying Shares by virtue of the awarded shares of the Company granted to him on November 20, 2015.
11. “L” denotes long position in the Shares; and “S” denotes short position in the Shares.

(b) Persons who have interests or short positions which are discloseable under Divisions 2 and 3 of Part XV of the SFO

As at the Latest Practicable Date, the following persons, not being a Director or chief executive of the Company, had an interest in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO or as required to be disclosed to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO, the details of which are set out below:

Interests and short positions in the shares and underlying shares of the Company

Name of shareholder	Nature of interest	Number of Shares held	Approximately percentage of interest in the Company
Ms. Zhao Jiangbo	Interest of controlled corporation	1,626,455,234 (L) ^{Notes 1 and 2}	55.35%
	Family interest	5,087,000 (L) ^{Note 3}	0.17%
	Parties acting in concert	7,287,000 (L) ^{Note 3}	0.25%
		211,855,234 (S) ^{Note 2}	7.21%
Champion International Energy Limited	Beneficial interest	399,070,000 (L) ^{Note 1}	13.58%
Orient International Energy Limited	Beneficial interest	399,070,000 (L) ^{Note 1}	13.58%
Power International Energy Limited	Beneficial interest	141,460,000 (L) ^{Note 1}	4.81%
New Sun International Energy Limited	Beneficial interest	475,000,000 (L) ^{Note 1}	16.16%
Sunrise Glory Holdings Limited	Interest of controlled corporation	1,414,600,000 (L) ^{Note 1}	48.14%

Name of shareholder	Nature of interest	Number of Shares held	Approximately percentage of interest in the Company
Far East Energy Limited	Beneficial interest	211,855,234 (L) ^{Note 2}	7.21%
	Interest of controlled corporation	1,414,600,000 (L) ^{Note 1}	48.14%
	Parties acting in concert	12,374,000 (L) ^{Note 4}	0.42%
		211,855,234 (S) ^{Note 2}	7.21%
Celestial Energy Limited	Beneficial interest	211,855,234 (L) ^{Note 5}	7.21%
		211,855,234 (S) ^{Note 2}	7.21%
	Parties acting in concert	1,426,974,000 (L) ^{Note 6}	48.56%
Mr. Ho Chi Sing	Interest of controlled corporation	211,855,234 (L) ^{Note 5}	7.21%
		211,855,234 (S) ^{Note 2}	7.21%
	Parties acting in concert	1,426,974,000 (L) ^{Note 6}	48.56%
Citigroup Inc.	Beneficial interest	176,978,724 (L)	6.02%
		50,199,827 (P)	1.71%

Notes:

- Each of Champion International Energy Limited, Orient International Energy Limited, Power International Energy Limited and New Sun International Energy Limited is a wholly-owned subsidiary of Sunrise Glory Holdings Limited, which is in turn wholly-owned by Far East Energy Limited, the ultimate holding company of the Company. Far East Energy Limited owns, through each of Champion International Energy Limited, Orient International Energy Limited, Power International Energy Limited and New Sun International Energy Limited, an aggregate of 1,414,600,000 Shares. Far East Energy Limited is held as to 9.99%, 80% and 10% by Mr. Zhang Ruilin, Ms. Zhao Jiangbo and Mr. Zhao Jiangwei, respectively. Ms. Zhao Jiangbo, through her controlling interest in Far East Energy Limited, is deemed to be interested in the 1,414,600,000 Shares held by Far East Energy Limited through its subsidiaries.
- Pursuant to the 2014 Option Agreement, (i) a put option was granted by Far East Energy Limited to Celestial Energy Limited to sell up to 211,855,234 Shares; and (ii) a call option was granted by Celestial Energy Limited to Far East Energy Limited to purchase up to 84,742,094 Shares, on and subject to the terms and conditions therein. Far East Energy Limited is interested in a long position of 211,855,234 Shares underlying such options granted under the 2014 Option Agreement. Pursuant to its obligation to deliver 211,855,234 Shares under the 2014 Option Agreement, Celestial Energy Limited has a short position of 211,855,234 Shares. As Far East Energy Limited is a party acting in concert with Celestial Energy Limited, it is deemed interested in such short position of Celestial Energy Limited. By virtue of her controlling interest in Far East Energy Limited, Ms. Zhao Jiangbo is therefore, deemed interested in (a) such long position of 211,855,234 Shares as well as the short position of 211,855,234 Shares of Celestial Energy Limited, in both of which Far East Energy Limited is interested.
- As spouse of Mr. Zhang Ruilin, Ms. Zhao Jiangbo is deemed interested in the 100,000 Shares held by Mr. Zhang Ruilin and the 4,987,000 underlying Shares in which Mr. Zhang Ruilin is interested by virtue of the share options of the Company granted to him on September 20, 2011 and March 21, 2014, respectively. As party to the Acting in Concert Agreement with Mr. Zhao Jiangwei, Ms. Zhao Jiangbo is also deemed interested in the 1,150,000 Shares held by Mr. Zhao Jiangwei and the 6,137,000 underlying Shares in which Mr. Zhao Jiangwei is interested by virtue of the share option and awarded shares of the Company granted to him on September 20, 2011, March 21, 2014, and November 20, 2015, respectively.

4. By virtue of being parties acting in concert with Mr. Zhang Ruilin and Mr. Zhao Jiangwei, Far East Energy Limited is deemed interested in (a) the 100,000 Shares and (by virtue of the share options of the Company granted to Mr. Zhang Ruilin on September 20, 2011 and March 21, 2014, respectively) the 4,987,000 underlying Shares; and (b) the 1,150,000 Shares and (by virtue of the share options and awarded shares of the Company granted to Mr. Zhao Jiangwei on September 20, 2011, March 21, 2014, and November 20, 2015 respectively) the 6,137,000 underlying Shares.
5. Celestial Energy Limited beneficially owns 211,855,234 Shares. Mr. Ho Chi Sing is the sole shareholder of Celestial Energy Limited and is therefore deemed interested in such Shares held by Celestial Energy Limited.
6. As party acting in concert with Far East Energy Limited, Celestial Energy Limited is therefore deemed interested a long position of an aggregate of 1,638,829,234 Shares and underlying Shares in which Far East Energy Limited is interested and deemed interested.
7. “L” denotes long position in the Shares; “S” denotes short position in the Shares; and “P” denotes lending pool in the Shares.

Saved as disclosed above, as at the Latest Practicable Date, the Company had not been notified of any other persons (other than the Directors or chief executive of the Company) who had any interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO or as required to be disclosed to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors was a director or an employee of a company which had an interest or short position in the shares and underlying shares of the Company would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO.

3. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective associates had any interest in a business, apart from the business of the Company, which competes or may compete with the business of the Company or has any other conflict of interest with the Company which would be required to be disclosed under Rule 8.10 of the Listing Rules.

4. INTEREST IN CONTRACT OR ARRANGEMENT

As at the Latest Practicable Date, none of the Directors and supervisors of the Company had any direct or indirect interest in any contract, transaction or assets which have been acquired or disposed of by, or leased to, or which are proposed to be acquired or disposed of by, or leased to, any member of the Group since December 31, 2015, being the date to which the latest published audited accounts of the Group were made up.

As at the Latest Practicable Date, so far is known to the Directors, none of the Directors and supervisors of the Company was materially interested in any contract or arrangement entered into by the Company or any of its subsidiaries which was subsisting and significant in relation to the business of the Group taken as a whole.

5. SERVICE CONTRACTS OF THE DIRECTORS

On November 20, 2009, Zhang Ruilin and Zhao Jiangwei, each an executive Director, each entered into a service contract with each of the Company and MI Energy Corporation, a wholly-owned subsidiary of the Company (“MIE”), which is renewable yearly unless terminated (i) with twelve month’s notice by either party, or (ii) by the Company or MIE (as applicable) upon certain events such as the Director having committed serious or persistent breaches of the service contract. Should the Company or MIE (as applicable) terminate the service contract, Zhang Ruilin and Zhao Jiangwei will be entitled to receive a severance payment equivalent to one year’s basic pay under the service contract, save for circumstances described in item (ii) above.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any existing service contract or proposed service contract with the Group which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since December 31, 2015, the date to which the latest published audited accounts of the Company were made up.

7. EXPERT AND CONSENT

The following is the qualification of the expert who has been named in this circular or have given opinion or advice contained in this circular:

Name	Qualification
Chapman Petroleum Engineering Ltd.	Competent Person

Chapman Petroleum Engineering Ltd. is referred to as the “**Expert**” hereinafter.

As at the Latest Practicable Date, the Expert had no shareholding in any member of the Group, nor had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor had any direct or indirect interest in any assets which have been acquired or disposed of by, or leased to, any member of the Group or are proposed to be acquired or disposed of by, or leased to, any member of the Group since December 31, 2015, the date to which the latest published audited accounts of the Group was made up.

The Expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter(s) or report(s) and reference to its name in the form and context in which it is included.

8. LITIGATION

As at the Latest Practicable Date, no members of the Group were engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened against the Group as at the Latest Practicable Date.

9. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the members of the Group within two years immediately preceding the issue of this circular and are material:

- (a) the Sale and Purchase Agreement;
- (b) supplemental indentures dated March 20, 2014, May 29, 2014, November 12, 2014, June 16, 2015 and July 16, 2015 and entered into among Citicorp International Limited (as the trustee), the Company (as the issuer), MI Energy Corporation, MIE New Ventures Corporation, Palaeontol Cooperatief U.A., Palaeontol B.V., Emir-Oil, LLP., MIE Jurassic Energy Corporation, Asia Dynamic Energy Corporation, Pan-China Resources Ltd., Miao Three Energy Limited, Gobi Energy Limited, Riyadh Energy Limited, Asia Oil & Gas (Cayman) Limited, and/or Asia Dynamic Energy Trading Corporation (each a subsidiary of the Company and as a guarantor) in relation to the amendment to an indenture dated February 6, 2013 and entered into among Citicorp International Limited (as the trustee), the Company (as the issuer), MI Energy Corporation, MIE New Ventures Corporation, Palaeontol Cooperatief U.A., Palaeontol B.V., Emir-Oil, LLP., MIE Jurassic Energy Corporation, Asia Dynamic Energy Corporation, Pan-China Resources Ltd., Asia Power Energy Corporation, Gobi Energy Limited and Riyadh Energy Limited (each a subsidiary of the Company and as a guarantor) setting out the terms of the US\$200,000,000 6.875% senior notes due 2018 issued by the Company;
- (c) a sale and purchase agreement dated August 20, 2014 and an amendment agreement dated November 28, 2014, both entered into between the Company and Hong Kong Huihua Global Technology Limited in relation to the acquisition by Hong Kong Huihua Global Technology Limited from the Company of all of the issued share capital of Pan-China Resources Ltd at a consideration of US\$83.1 million payable to the Company;
- (d) a termination agreement dated September 16, 2014 and entered into between the Company and the Acap Limited in relation to the termination of the right granted by the Company to Acap Limited to co-invest with the Company or its associates for up to 9.9% of the assets acquired in the acquisition by Palaeontol B.V. of all the issued and outstanding participation interests of, and loans granted to, Emir-Oil, LLP pursuant to the participation interest purchase agreement dated February 14, 2011 and entered into between BMB Munai, Inc., Palaeontol B.V. and the Company and held by the Company or its associate as at the exercise of such right, at the consideration of US\$11.9 million payable by the Company;

- (e) a termination agreement dated September 22, 2014 and an amendment agreement dated November 20, 2014, both entered into between the Company and the Essentia Investments Limited in relation to the termination of the right granted by the Company to Essentia Investments Limited to co-invest with the Company or its associates for up to 9.9% of the assets acquired in the acquisition by the Company of all the issued and outstanding shares of Pan-China Resources Ltd. pursuant to the consultancy agreement dated September 17, 2012 and entered into between Essentia Investments Limited and the Company and held by the Company or its associate as at the exercise of such right, at a consideration of US\$3.7 million payable by the Company;
- (f) a sale and purchase agreement dated September 26, 2014, an amendment agreement dated October 14, 2014, a supplementary agreement dated December 17, 2014 and a second amendment agreement dated December 31, 2014, all entered into between the Company and Pacific Energy Development (Asia) Co. Corp. in relation to the acquisition by Pacific Energy Development (Asia) Co. Corp. from the Company of all of the issued share capital of Miao Three Energy Limited at a consideration of US\$21.2 million payable to the Company;
- (g) a cooperation framework agreement dated December 16, 2014 and entered into between the Company and China Oil and Gas Group Limited in relation to the cooperation in the development of Shanxi Linxing block coalbed methane integrated utilization project;
- (h) a placing and subscription agreement dated October 16, 2015, and entered into among New Sun International Energy Limited (“New Sun”), the Company and six institutional and individual investors, pursuant to which (a) New Sun sell to the investors in aggregate 276,300,000 Shares at the price of HK\$0.90 per Share; and (b) New Sun subscribe, and the Company issue and allot 276,300,000 Shares at the price of HK\$0.90 per Share;
- (i) a settle agreement dated December 11, 2015 and entered into between the Company and the Acap Limited in relation to an outstanding termination fee payable by the Company to Acap Limited amounted to approximately US\$6,830,000 is settled by the allotment and issue of 55,718,000 Shares to Acap Limited at the issue price of HK\$0.95 per Share; and
- (j) a sale and purchase agreement dated 26 April 2016 between the Company and China New Energy Mining Limited relating to the disposal of the entire issued share capital of Asia Gas & Energy Ltd. and the shareholder’s loan owed by Asia Gas & Energy Ltd. to the Company in consideration of US\$220 million (approximately HK\$1,716 million) (subject to adjustment).

10. MISCELLANEOUS

- (a) The registered office of the Company is at P.O. Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands. The head office of the Company is at Sutie 1501, Block C, Grand Place, 5 Hui Zhong Road, Chaoyang District, Beijing 100101, the People's Republic of China and the principal place of business in Hong Kong is at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (b) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (c) The company secretary of the Company is Ms. Wong Sau Mei. Ms. Wong is an Associate of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators.
- (d) This circular is prepared in both English and Chinese. In the event of inconsistency, the English version shall prevail.

11. DOCUMENTS FOR INSPECTION

Copies of the following documents will be available for inspection at the Company's principal place of business in Hong Kong at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong during normal business hours on any weekday (except public holidays) for a period of 14 days from the date of this circular:

- (a) the memorandum and articles of association of the Company;
- (b) the audited consolidated accounts of the Group for each of the two financial years ended December 31, 2014 and 2015;
- (c) the Sale and Purchase Agreement;
- (d) the contracts referred to in the paragraph headed "Service Contracts of the Directors" in this Appendix;
- (e) the contracts referred to in the paragraph headed "Material Contracts" in this Appendix;
- (f) the Competent Person's Report prepared by the Competent Person, the text of which are set out in Appendix I to this circular;
- (g) the written consent from Chapman Petroleum Engineering Ltd. referred to in the paragraph headed "Expert and Consent" in this Appendix;
- (h) the circular of the Company dated May 26, 2016 in relation to the disposal of the entire issued share capital of Asia Gas & Energy Ltd.; and
- (i) this circular.