THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in MIE Holdings Corporation (the "**Company**"), you should at once hand this circular to the purchaser or the transferee or the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

MIE HOLDINGS CORPORATION
MI 能源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1555)

(1) MAJOR TRANSACTION RELATING TO THE DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF ASIA GAS & ENERGY LTD AND (2) NOTICE OF THE EXTRAORDINARY GENERAL MEETING

A letter from the Board is set out on pages 5 to 15 of this circular. A notice convening the extraordinary general meeting (the "**EGM**") of the Company to be held at Room 3, United Conference Centre, 10/F, United Centre, 95 Queensway, Admiralty, Hong Kong on Monday, 20 June 2016 immediately after the conclusion of the extraordinary general meeting of the Company in relation to the disposal of 60% equity interest in Palaeontol B.V. is set out on pages EGM-1 to EGM-2 of this circular. Whether or not you are able to attend the EGM in person, please complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time fixed for the holding of the EGM or any adjourned meeting thereof (as the case may be). Completion and return of the form of proxy shall not preclude you from attending and voting at the EGM or any adjourned meeting thereof (as the case may be) should you so wish.

26 May 2016

CONTENTS

In this circular, unless the context otherwise requires, the following expressions shall have the following meaning:

"Agreement"	the sale and purchase agreement dated 26 April 2016 between the Company and the Purchaser in relation to the Disposal
"Announcement"	the announcement of the Company dated 27 April 2016 in relation to, inter alia, the Disposal
"associates"	has the meaning ascribed to it in the Listing Rules
"Board"	the board of Directors
"Company"	MIE Holdings Corporation (stock code: 1555), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
"Competent Person"	RISC Operations Pty Ltd
"Competent Person's Report"	the competent person's report set out in Appendix II to this circular, issued by the Competent Person, in accordance with the requirements of the Listing Rules
"Completion"	Completion of the Disposal in accordance with the terms and conditions of the Agreement
"Completion Date"	the fifth business day following the day on which the parties to the Agreement notified each other that all Conditions have been satisfied or waived (if applicable) or such later date as the parties to the Agreement may agree in writing
"connected persons"	has the meaning ascribed to it under the Listing Rules
"Consideration"	the total consideration payable by the Purchaser pursuant to the Agreement, details of which are set out in the paragraph headed "*Consideration and basis of determination*" in this circular
"Director(s)"	the director(s) of the Company
"Disposal"	the disposal of the Sale Shares and the Shareholder's Loan pursuant to the terms and conditions of the Agreement
"EBITDA"	earnings before interest, tax, depreciation and amortization

"EGM"	the extraordinary general meeting of the Company to be convened to consider, and if thought fit, approve, among other things, the Disposal, the notice of which is set out on pages EGM-1 to EGM-2 of this circular
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hydrocarbon Gas"	any gas mainly consisting of methane and hydrocarbon liquids that are covered by the PSCs
"IFRS"	the International Financial Reporting Standards
"IFRS Financial Statements"	financial statements prepared in compliance with the International Financial Reporting Standards
"Independent Third Party(ies)"	independent third party(ies) who is (are) not connected person(s) of the Company and is (are) independent of the Company and connected persons of the Company
"Initial Payment"	as defined in the paragraph headed "*Consideration and basis of determination — (a) Purchase Price*" in this circular
"Kazakhstan"	Republic of Kazakhstan
"Latest Practicable Date"	24 May 2016, being the latest practicable date prior to the printing of this circular for ascertaining certain information herein
"Linxing PSC"	the production sharing contract between SGE and China United Coal Bed Methane Corporation dated 29 June 1998 and as amended in respect of a tenement area of approximately 1,874 km^2 (as adjusted from time to time) in the Linxian and Xingxian Counties, Shanxi Province, the PRC
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long-stop Date"	the 120th day after the date of the Agreement or such other date as the parties to the Agreement may agree in writing

"Management Fee"	as defined in the paragraph headed "*Consideration and basis of determination — (b) Management Fee*" in this circular
"Mscf/d"	thousand standard cubic feet per day, a common measure for volume of gas
"MMscf"	million standard cubic feet
"Net Contribution Amount"	as defined in the paragraph headed "*Consideration and basis of determination — (a) Purchase Price — Completion Adjustment of Purchase Price*" in this circular
"Net Working Capital of the Target Company"	as defined in the paragraph headed "*Consideration and basis of determination — (a) Purchase Price — Completion Adjustment of Purchase Price*" in this circular
"Net Working Capital of SGE"	as defined in the paragraph headed "*Consideration and basis of determination — (a) Purchase Price — Completion Adjustment of Purchase Price*" in this circular
"OPEC"	Organization of the Petroleum Exporting Countries
"Post-Completion Adjustment Amount"	as defined in the paragraph headed "*Consideration and basis of determination — (a) Purchase Price — Post-completion Adjustment of Purchase Price*" in this circular
"PRC"	the People's Republic of China, for the purpose of this circular, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
"PSCs"	the Linxing PSC and the Sanjiaobei PSC
"Purchase Price"	as defined in the paragraph headed "*Consideration and basis of determination — (a) Purchase Price*" in this circular
"Purchaser"	China New Energy Mining Limited, a company incorporated under the laws of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Shares"	4,990,000,000 shares of US$0.001 each in the Target Company, representing the entire issued share capital of the Target Company

"Sanjiaobei PSC"	the production sharing contract between the SGE and China National Petroleum Corporation dated 29 June 1998 and as amended in respect of a tenement area of approximately 1,126 km^2 (as adjusted from time to time) in Sanjiaobei Area, Shanxi Province, the PRC
"SGE"	Sino Gas & Energy Limited, a company incorporated under the laws of Australia
"SGEH"	Sino Gas & Energy Holdings Limited, a company incorporated under the laws of Australia
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of US$0.001 each in the issued share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Shareholder's Loan"	all of the amounts owed by the Target Company to the Company as at the Completion Date. For illustration purpose, the amount of the Shareholder's Loan was US$87.8 million (approximately HK$684.8 million) as at 31 December 2015
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	Asia Gas & Energy Ltd, an exempted company incorporated under the laws of the Cayman Islands with limited liability, and as at the date of this circular, a wholly-owned subsidiary of the Company
"Target Group"	The Target Company and SGE
"USA" or "US"	United States of America
"US$" or "USD"	United States dollars, the lawful currency of the United States of America
"%"	per cent.

For the purpose of this circular and for illustrative purpose only, US$ is converted into HK$ at the rate of HK$7.80:US$1.00, RMB is converted into HK$ at the rate of HK$1.20: RMB1.00. No representation is made that any amounts in US$ has been or could be converted at the above rates or at any other rates.

MIE HOLDINGS CORPORATION
MI 能源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1555)

Registered office
Maples Corporate Services Limited
P.O. Box 309
Ugland House
Grand Cayman KY1-1104
Cayman Islands

Principal place of business in Hong Kong
Level 54, Hopewell Centre
183, Queen's Road East
Hong Kong

Beijing office
Suite 1501, Block C, Grand Place
5 Hui Zhong Road
Chaoyang District
Beijing 100101, PRC

26 May 2016

To the Shareholders

Dear Sir or Madam,

(1) MAJOR TRANSACTION RELATING TO THE DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF ASIA GAS & ENERGY LTD AND (2) NOTICE OF THE EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the Announcement in relation to the Agreement entered into by the Company and the Purchaser on 26 April 2016 pursuant to which the Company agreed to sell and the Purchaser agreed to purchase the Sale Shares, representing the entire issued share capital of the Target Company, and the Shareholder's Loan.

The purpose of this circular is to provide you with, among other things, (i) further details in relation to the Sale and Purchase Agreement and the transactions contemplated therein; (ii) financial information of the Group; (iii) the Competent Person's Report; (iv) other information as required under the Listing Rules; and (v) the notice convening the EGM.

THE AGREEMENT

The principal terms of the Agreement are as follows:

Date

26 April 2016

Parties

(a) the Company; and

(b) the Purchaser.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner(s) are Independent Third Parties.

Subject matter of the Disposal

(a) the Sale Shares, representing the entire issued share capital of the Target Company; and

(b) the Shareholder's Loan.

Consideration and basis of determination

The Consideration under the Agreement comprises (a) the Purchase Price (subject to adjustment); and (b) the Management Fee.

(a) Purchase Price

The Purchaser shall pay US$220 million (approximately HK$1,716 million) (subject to adjustment) (the "**Purchase Price**") in cash to the Company according to the following schedule:

(i) on the date of the Agreement, US$88 million (approximately HK$686.4 million), being 40% of the Purchase Price (the "**Initial Payment**");

(ii) at Completion, the balance of the Purchase Price, as adjusted pursuant to the paragraph headed "*Completion Adjustment of Purchase Price*" below; and

(iii) if there is any further revision to the adjustment amount to the Purchase Price pursuant to the paragraph headed "*Post-Completion Adjustment of Purchase Price*" below, such amount shall be settled by the Company or the Purchaser (as the case may be) within 10 business days after such amount has been agreed by them (or otherwise determined pursuant to the Agreement).

The Initial Payment is refundable if Completion does not take place on or before the Long-stop Date, other than by virtue of any breach of the Agreement by the Purchaser.

Completion Adjustment of Purchase Price

At Completion, the Purchase Price shall be adjusted as follows:

(i) if the difference between the current assets and the current liabilities of SGE (excluding accounts receivable from or accounts payable to SGEH and/or the Target Company) as at 31 December 2015 (the "**Net Working Capital of SGE**") is positive, the Purchase Price shall be increased by an amount equal 51% of the Net Working Capital of SGE; and if the Net Working Capital of SGE is negative, the Purchase Price shall be decreased by an amount equal to 51% of the Net Working Capital of SGE;

(ii) if the difference between the current assets and current liabilities of the Target Company (excluding accounts receivable from or accounts payable to SGE and/or the Group) as at 31 December 2015 (the "**Net Working Capital of the Target Company**") is positive, the Purchase Price shall be increased by an amount equal to the Net Working Capital of the Target Company; and if such amount is negative, the Purchase Price shall be decreased by an amount equal to the Net Working Capital of the Target Company;

(iii) if the aggregate of all payments made by the Group to, on behalf of or for the benefit of, the Target Company less the payments made by the Target Company to the Group (including any distribution of profits generated after 31 December 2015 to the Company) (the "**Net Contribution Amount**") after 31 December 2015 until the Completion Date is positive, the Purchase Price shall be increased by an amount equal to the Net Contribution Amount; and if the Net Contribution Amount is negative, the Purchase Price shall be decreased by an amount equal to the Net Contribution Amount; and

(iv) if there is any revenue generated or accrued by SGE from sales of Hydrocarbon Gas produced on or before 31 December 2015 or if there is any allocation made to or accrued by SGE with respect to production or pilot production under the PSCs produced on or before 31 December 2015, and such respective amounts are not reflected in the Net Working Capital of SGE, the Purchase Price shall be increased by an amount equal to 51% of such respective amounts.

Post-completion Adjustment of Purchase Price

On or before the 50th day following the Completion Date, the Purchaser shall notify the Company if any revision on the adjustment amount of the Purchase Price (the "**Post-Completion Adjustment Amount**") is necessary. The Company shall within a period of 30 days indicate whether it agrees to the Post-Completion Adjustment Amount as notified by the Purchaser, failing which the Company shall be deemed to have accepted the amount as notified by the Purchaser. If the Company and the Purchaser fail to agree on the Post-Completion Adjustment Amount after a further period of 30 days, they should jointly engage one of the "Big Four" accounting firms to make a final decision on the Post-Completion Adjustment Amount.

(b) Management Fee

At Completion, the Purchaser shall pay a management fee for the Company's management of SGE's operations and activities in relation to Hydrocarbon Gas exploration, appraisal, development and production under the PSCs in the amount of US$60,000 (approximately HK$468,000) per month for the period after 31 December 2015 until the Completion Date (the "**Management Fee**").

Whilst the final Consideration amount will be subject to the above adjustments to the Purchase Price to be finalised at or after Completion, based on an estimation of the adjusted Purchase Price as at the date of this circular, the Board currently estimates that the applicable percentage ratio with reference to the consideration test under the Listing Rules will exceed 25% but will be below 75%.

The Consideration was determined on normal commercial terms after arm's length negotiations between the Company and the Purchaser with reference to a number of factors, including but not limited to the 2P Reserves stated in the independent technical reserve reports for both Linxing PSC and Sanjiaobei PSC as at 31 December 2015 of 574,260 MMscf, 2015 gross production of 3,702 Mscf/d, gas sales price of RMB1.615/m^3 for Linxing PSC and RMB1.63/m^3 for Sanjiaobei PSC, existing infrastructure including the two central gathering station located within the Linxing PSC and the Sanjiaobei PSC, financial information of the Target Company and the strategic value of the assets under the macro China natural gas environment.

The Directors consider that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions

Completion is conditional on the following conditions (the "**Conditions**") being satisfied or waived (if applicable):

(a) all of the requirements under the Listing Rules (including, without limitation, the shareholders' approval requirements under Chapter 14 of the Listing Rules), which are applicable to the transactions contemplated under the Agreement, have been satisfied;

(b) the charge over the Sale Shares in favour of an independent third party has been released; and

(c) no material adverse event, namely the termination of either or both of the PSCs by the relevant counterparties to the PSCs (except if such termination is caused by any act or omission to act of the Purchaser, its holding company or their respective subsidiaries, or of any third party acting in accordance with the instructions of the Purchaser, its holding company or their respective subsidiaries), has occurred.

Save and except for Condition (c) above (which may be waived at the discretion of the Purchaser), none of the Conditions can be waived.

As at the Latest Practicable Date, none of the Conditions has been fulfilled.

Completion

Completion shall take place on the Completion Date.

Upon Completion, the Target Company will cease to be a wholly-owned subsidiary of the Group.

Completion of the Disposal is subject to certain conditions being satisfied. Accordingly, the Disposal may or may not proceed and Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares and other securities of the Company.

INFORMATION ABOUT THE PARTIES

The Group

The Group is an independent oil and gas group engaged in the exploration and production of oil and gas in the PRC, Kazakhstan and the USA. The Group operates the Daan and Moliqing oilfields in the Songliao Basins under various separate production sharing contracts with PetroChina Company Limited, the largest oil company in the PRC. The Group also holds an exploration contract and four production contracts that allow the Group to conduct exploration and production activities in the Mangistau province in the southwestern region of Kazakhstan. In addition, the Group pursues other oil and gas exploration, development and production opportunities internationally, both independently and in partnership with other major and independent oil companies.

The Purchaser

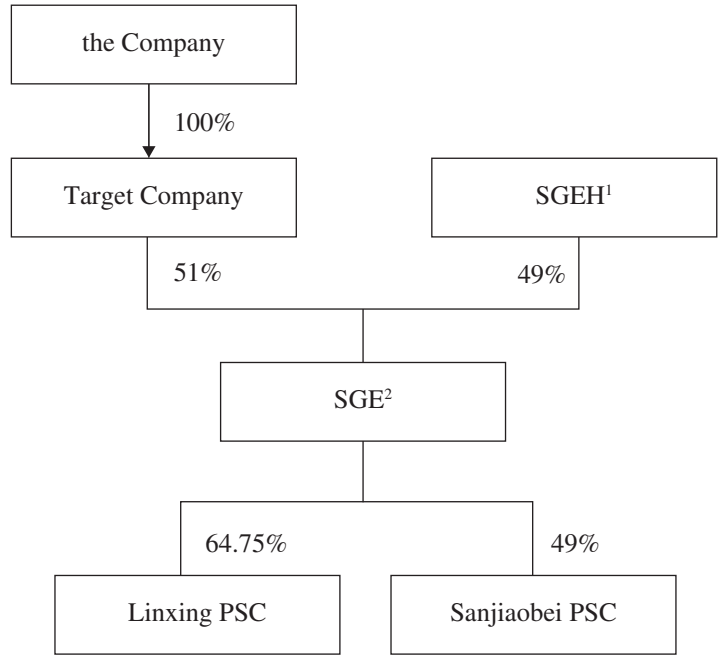
The Purchaser is a private company incorporated under the laws of Hong Kong with a focus on the exploration, development and production of oil and gas fields. The Purchaser's management team comprises of industry veterans with extensive exploration and development experience of operating on-shore oil and gas fields in the PRC, the Republic of Indonesia, Kazakhstan and other international oil and gas joint ventures during their tenors with China National Petroleum Corporation and other companies listed on the Main Board of the Stock Exchange or on other stock exchanges, such as CNOOC Limited (NYSE: CEO; HKEx: 883; ADR: CNU), Sinopec Corp. (SSE: 600028; HKEx: 386; ADR: SNP) and CITIC Resources Holding Limited (HKEx: 1205).

INFORMATION ABOUT THE TARGET GROUP

The Target Company is an exempted company incorporated under the laws of the Cayman Islands with limited liability. As at the date of this circular, the Target Company is wholly owned by the Company.

The Target Company is an investment holding company. The Target Company holds 51% equity interest in SGE, which has a 64.75% and 49% interest in the Linxing PSC and Sanjiaobei PSC, respectively. The PSCs are located in Shanxi province, North China, in the Ordos Basin and cover an area of over 3,000 km^2 and are prospective for coal bed methane and tight gas. During 2015, the total gross operated production of SGE was 3,702 Mscf/day. For the period since the Company's acquisition of the Target Company in 2012 until 31 December 2015, the Company has contributed a total of approximately US$148.8 million (approximately HK$1,160.64 million) (by way of equity and shareholder's loan) in the Target Company.

A simplified chart illustrating the shareholding structure of the Target Company and SGE as at the date of this circular is set out below:



Note (1): To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, save for the Company's and SGEH's joint investment in SGE as shown in the chart above, SGEH and its ultimate beneficial owner(s) are Independent Third Parties as at the date of this circular.

Note (2): SGE is classified as joint venture in accordance with the relevant terms of the shareholder agreement between the Company and SGEH.

Summary of oil and gas information of the Target Group

The table below sets out the indicative 1P, 2P and 3P oil and natural gas reserves estimates of the Target Group as at 31 December 2015:

	31 Dec 2015		
	Oil	**Gas**	**BOE**
	(Barrels)	*(MMscf)*	*(Barrels)*
Proved (1P)	—	375,870	62,645
Proved + Probable (2P)	—	574,260	95,710
Proved + Probable + Possible (3P)	—	781,830	130,305

Note (1): Barrels of oil equivalent ("**BOE**", converting at six thousand standard cubic feet of gas to one BOE for reference purpose only).

Note (2): the indicated 1P, 2P and 3P oil and natural gas reserves estimates of the Target Group as at 31 December 2015 was extracted from the Competent Person's Report prepared in accordance with the SPE-PRMS standard and included as Appendix II in this circular.

Financial Information of the Target Company and Financial Effects of the Disposal

The table below sets forth the financial information of the Target Company:

	For the financial year ended 31 December	
	2014	**2015**
	(unaudited)	(unaudited)
	US$	*US$*
EBITDA (negative)	(9,240,720)	(4,274,634)
Net (loss)	(9,252,879)	(4,274,764)

	As at 31 December 2014	**As at 31 December 2015**
	(unaudited)	(unaudited)
	US$	*US$*
Net assets	46,885,649	42,610,885

Upon Completion, the Group is expected to record an unaudited gain of approximately US$62.0 million (approximately HK$483.8 million) from the Disposal, calculated on the basis of (i) the estimated Purchase Price of US$220.0 million (approximately HK$1,716 million) and the estimated Management Fee of US$0.3 million (approximately HK$2.3 million); (ii) the unaudited net assets value of and shareholder's loan to the Target Company as at 31 December 2015 of US$42.6 million (approximately HK$332.3 million) and US$87.8 million (approximately HK$684.8 million), respectively; and (iii) the acquisition consideration of previous minority shareholders' stake in the Target Company based on the same Purchase Price of US$220.0 million (approximately HK$1,716 million) (before adjustment); and (iv) the transaction expenses in connection with the Disposal.

Assets and liabilities

The Group accounts for its investment in SGE by way of equity accounting. Upon Completion, based on the consolidated financial statements of the Group as at 31 December 2015, it is estimated that the total assets of the Group would increase by approximately US$62.0 million (approximately HK$483.8 million) and that the total liabilities of the Group would be unchanged. Such an increase in net assets is calculated by reference to the (i) Purchase Price; (ii) unaudited net assets value of and shareholder's loan to the Target Company as at 31 December 2015; (iii) acquisition consideration of previous minority shareholders' stake in the Target Company based on the same Purchase Price; and (iv) transaction costs and expenses attributable to the Disposal.

REASONS FOR AND BENEFITS OF THE DISPOSAL

In view of the prolonged volatility of crude prices in the global commodities market, the Disposal opportunity shall further enhance the financial strength and liquidity of the Group. The Disposal will allow the Group to realign resources and provide greater flexibilities in balancing between (i) capitalizing on any new acquisition opportunities that may provide more long-term strategic value to the Group and (ii) managing the various liabilities on the Group's balance sheet as the global oil and gas industry recovers in the foreseeable future.

Further, based on the Target Group's consolidated financial statements (prepared under the relevant international accounting standards adopted by the Group) for the years ended 31 December 2014 and 31 December 2015, the Target Group recorded (i) net losses of RMB55.4 million (approximately HK$66.5 million) and RMB26.6 million (approximately HK$31.9 million), respectively; and (ii) negative EBITDA of RMB55.4 million (approximately HK$66.5 million) and RMB26.6 million (approximately HK$31.9 million), respectively. The Disposal will attribute potential gains of RMB402.8 million (approximately HK$483.8 million) to the Group upon Completion, and enhances the financial strength and liquidity of the Company in the current low oil price environment.

In addition, as the Group accounts for its investment in SGE by way of equity accounting and does not consolidate the balance sheet and income statement of SGE into the Group's consolidated financial statements, the Disposal is not expected to have any material impact on the Group's financials following Completion.

Accordingly, the Directors believe that the Consideration represents a fair valuation on the Target Company and a reasonable return to the Group. The Board concludes that the terms and conditions of the Disposal are fair and reasonable and in the best of interests of the Company and the Shareholders as a whole.

USE OF PROCEEDS

The net proceeds from the Disposal after deducting related transaction costs and expenses as mentioned above are estimated to be US$203.5 million (approximately HK$1,587.1 million). The Group intends to apply the net proceeds from the Disposal for general working capital of the Group.

IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio in respect of the Disposal exceeds 25% but is less than 75%, the Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. The Company will convene the EGM at which ordinary resolution(s) will be proposed to approve, among other things, the Disposal.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholder has any material interest in the Disposal as at the date of this circular, and as such, no Shareholder is required to abstain from voting on the resolution(s) to be proposed at the EGM to approve the Disposal.

In compliance with the requirements of Chapter 18 of the Listing Rules, the Company has appointed the Competent Person to issue the Competent Person's Report to provide the estimated amount of resources and reserves in respect of the Disposal Company in accordance with the SPE-PRMS standard.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Competent Person and its ultimate beneficial owners are Independent Third Parties.

EGM

The EGM will be held at Room 3, United Conference Centre, 10/F, United Centre, 95 Queensway, Admiralty, Hong Kong on Monday, 20 June 2016 immediately after the conclusion of the extraordinary general meeting of the Company in relation to the disposal of 60% equity interest in Palaeontol B.V. for the purpose of considering and, if thought fit, passing the resolutions set out in the notice of EGM, which is set out on pages EGM-1 to EGM-2 of this circular.

Whether or not you are able to attend the EGM in person, please complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time fixed for the holding of the EGM or any adjourned meeting thereof (as the case may be). Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof (as the case may be) should you so wish.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 16 June 2016 to Monday, 20 June 2016, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to qualify for the attendance at the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 15 June 2016.

RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the terms of the Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend the Shareholders to vote in favour of the relevant resolutions to approve the Disposal at the EGM.

ADDITIONAL INFORMATION

Your attention is drawn to the further information contained in the appendices to the circular.

Yours faithfully,
For and on behalf of the Board
Zhang Ruilin
Chairman

STATEMENT OF INDEBTEDNESS

At the close of 31 March 2016, the Group had outstanding borrowings of approximately RMB4,964.1 million, comprising secured bank loans of approximately RMB552.6 million and interest bearing notes carrying at a book value of RMB4,411.5 million.

The bank loans totalling RMB121.0 million are secured by the Group's right to receive revenue allocated to the Group under Daan Production Sharing Contract ("**Daan PSC**") in the Daan oilfield located in Northeast region in the PRC during respective loan agreement periods. The Group holds a 90% interest in the foreign participating interest in the Daan PSC and the Daan PSC had been in the commercial production phase since 2005, expiring in 2024. The Group's remaining bank loans totalling RMB431.6 million were secured by the Group's bank deposits of approximately RMB463.0 million.

As at 31 March 2016, the Group had no material contingent liabilities or guarantees.

Save as aforesaid or otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables in the normal course of business, at the close of business on 31 March 2016, the Group did not have any other loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, finance lease commitments, guarantees or other contingent liabilities.

WORKING CAPITAL STATEMENT

The Directors are of the opinion that, after taking into account the available financial resources, including internally generated funds, the available loan facilities and the estimated net proceeds from the Disposal, the Group will have sufficient working capital, that is, for at least the next 12 months from the date of this circular, in the absence of unforeseen circumstances.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

A race to pump by OPEC crude producers, US shale and non-OPEC suppliers created an unprecedented global glut that drove oil prices to a second year of steep declines since 2014. While producers have been responding to the low price environment with various measures, the macro fundamentals appear to have carried forward into 2016 and crude oil prices are likely to remain volatile in the short term. When operating under such challenging macro environment, the Group focuses on the ability to react promptly to these drastic changes with flexibility. In 2015, the Group continued to adapt and rebalance in response to the lower commodity prices by way of managing and lowering our operating and administrative costs, while maintaining safe and reliable operations. Capital investments significantly decreased and we expect further reductions in 2016 as we place liquidity as our top priority.

Accordingly, while the Group continue to closely monitor the development of global oil & gas market and keep abreast of attractive assets that would fit well with the Group's long term development and growth, we shall maintain a strategy of reduced capital expenditure, minimal drilling and work programs, as well as focusing on operational efficiency and cost reduction in 2016. We plan to drill 23 gross wells, with total budgeted capital expenditure and cash-call approximating US$55 million. The expected net oil production is 9,240 to 10,540 barrels/day and the expected net gas production is 11,100 to 12,100 Mscf/day.

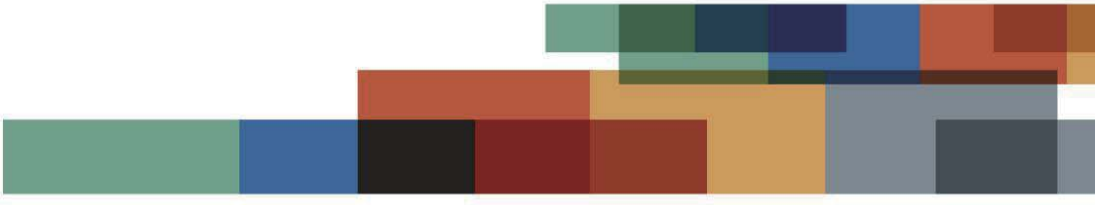
The following is the text of the Competent Person's Report issued by the Competent Person, RISC Operations Pty Ltd, for the purpose of inclusion in this circular.

RISC

Private and confidential

Competent Person's Report on Linxing and SanJiaoBei PSCs

for MIE Holdings Corporation



decisions with confidence

Confidentiality

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Authorisation

The preparation of this Competent Persons Report (CPR) report has been managed by Mr Peter Stephenson who is an employee of RISC Operations Pty Ltd. Mr Stephenson holds a B.Sc in Chemical Engineering, an M.Eng in Petroleum Engineering and is a chartered member in good standing of the Institution of Chemical Engineers and Society of Petroleum Engineers which are Recognised Professional Organisation. He has over 30 years' experience in the sector and is a Competent Person as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Mr Stephenson authorises the release of this CPR.

Peter Stephenson B.Sc., M.Eng., MIChemE 16 May 2016
RISC Partner, 1138 Hay St., Perth, Australia

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1. Executive Summary

1.1. Overview

Sino Gas and Energy Limited (SGE) is owned 51% by MIE Holdings Corporation (MIE) through its 100% owned subsidiary Asia Gas & Energy Limited. Sino Gas and Energy Holdings Limited (SGEH) hold the remaining 49%. SGE holds 100% contractor interest and is operator of two adjacent PSCs, Linxing (LX) and SanJiaoBei (SJB) in the Ordos Basin, onshore China.

The two PSCs are in the exploration phase which has been extended several times. Pilot gas production testing and sales is ongoing prior to submission of the Overall Development Plan (ODP). Upon ODP Approval the Government Authorities have the right to take an interest in the development, paying their corresponding share of development costs. Government entitlement is 30% in Linxing PSC and 51% in SanJiaoBei PSC. Also CBM Energy Associates has an option to buy back 5.25% of the contractor's share of Linxing PSC by paying 7.5% of past costs. RISC has assumed that these options are exercised when estimating MIE share of NPV and resource entitlements; Table 1-1 summarises the resulting interests in each PSC.

Table 1-1 PSC Summary and Interests assuming Government Authorities and CBM Energy Associates Options taken

Asset		Operator	SGE Interest	MIE Interest	Status	Licence Expiry Date	Gross Area (km^2)	MIE Net Area (km^2)
Country	Block							
China	Linxing PSC	Sino Gas and Energy	64.325%	33.82575%	Pilot testing	June 2028	1873.56	633.75
China	San Jiao Bei PSC	Sino Gas and Energy	49%	24.99%	Pilot Testing	June 2033	1124.09	280.91
MIE currently has a 51% effective interest in both PSCs but this interest is expected to reduce to the above values with Government and CBM Energy Associates options to take part in the development								

Dry gas (93% Methane) was discovered in 2006 by well TB-01 and over 100 exploration and appraisal wells have been subsequently drilled to delineate the PSCs. Gas is reservoired in five formations over an 800m interval between 1300 and 2100 mbgl.

The reservoirs are low permeability sandstones containing basin centred gas that is not structurally constrained. This deep gas is sourced from coal measures located towards the base of the interval. CBM (Coal Bed Methane) resources have also been discovered and are undergoing pilot testing in a smaller area where the coal beds are shallower.

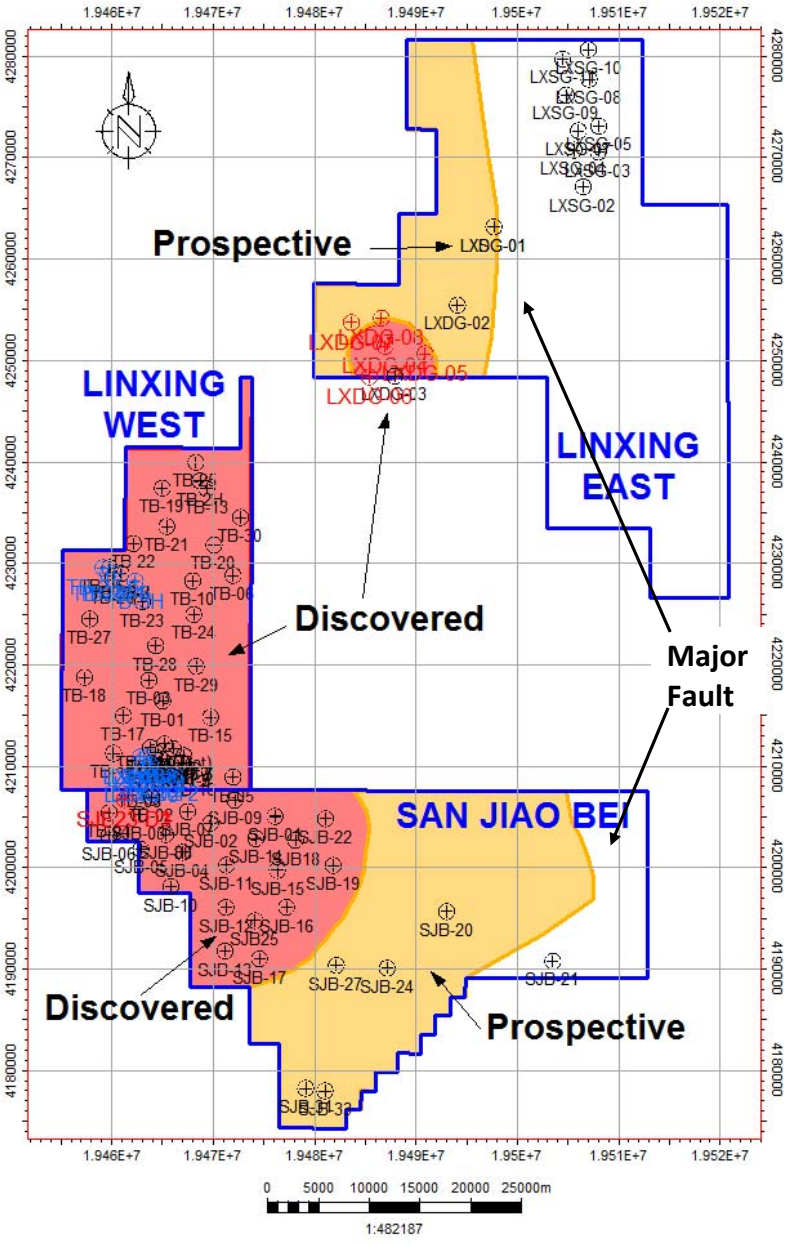


Figure 1-1 Location of MIE PSCs in China

The reservoirs appear to be gas bearing across the whole PSC area west of a major fault. Referring to Figure 1-1:

- Linxing PSC has been divided into Linxing West and Linxing East following exploration relinquishments to the Government Authority.
- Extensive drilling and well tests have demonstrated mobile gas across the whole Linxing West permit and the northwest of SanJiaoBei permit with the discovered gas resources classified as reserves or contingent resources. Reserves are classified within 2 well spacings of existing wells and the remaining area classified as contingent resources
- The central part of SanJiaoBei PSC is classified as prospective resources requiring well testing to demonstrate a significant quantity of potentially moveable gas
- The eastern part of SanJiaoBei PSC is on the other side of the major fault and has no resources assigned
- Wells and well tests in Linxing East are limited so discovered gas (reserves and contingent resources) are limited to part of the permit. The remainder of Linxing East to the west of the major fault contains prospective resources

The coal measures to the west of the major fault are considered too deep (1500-2000 mbgl) to be commercially viable for CBM development and larger gas volumes are contained in the adjacent sandstones.

To the east of the major fault, the formations and coal measures are shallower and potentially commercial for CBM (Coal Bed Methane) development. The adjacent shallow sandstones are either water bearing or contain limited gas volumes due to the low pressure at the shallow depth. CBM has been discovered in the north east of Linxing East and pilot testing is ongoing. The wells have largely de-watered but gas rates achieved to date are sub-economic. These shallow CBM resources have been estimated and assigned as contingent resources.

Pilot gas production started in SanJiaoBei and Linxing West in November 2014 with gas sold into the Yulin Jinan regional pipeline. The initial rates of up to 4 MMscf/d have been achieved through the SanJiaoBei gas station. The Linxing Gas Plant started in September 2015 with rates up to 7 MMscf/d. Production through the two gas plants is expected to increase to the 25 MMscf/d capacity during 2016.

1.2. Reserves and Development Parameters

SGE is entitled to cost and profit gas under the terms of the PSC. The PSC terms differ in Linxing and SanJiaoBei PSCs so resources in the two PSCs have been estimated separately. Table 1-2 summarises the gross and MIE entitlement to resources in the two PSCs.

Table 1-2 Summary of 1P and 2P Reserves, as of 1 January 2016

Gas Resource (bcf) YE2015	PSC	Gross		MIE Entitlement	
		1P	2P	1P	2P
Reserves	Linxing deep	670	1053	225	343
	SanJiaoBei deep	580	909	152	231
	Total	**1250**	**1962**	**376**	**574**

A small proportion of the reserves associated with the ongoing pilot tests are classified as developed with the remaining majority undeveloped. Resources were evaluated at 31 December 2015.

Gross 1P and 2P gas production forecasts for Linxing and SanJiaoBei are shown in Figure 1-2 and Figure 1-3.

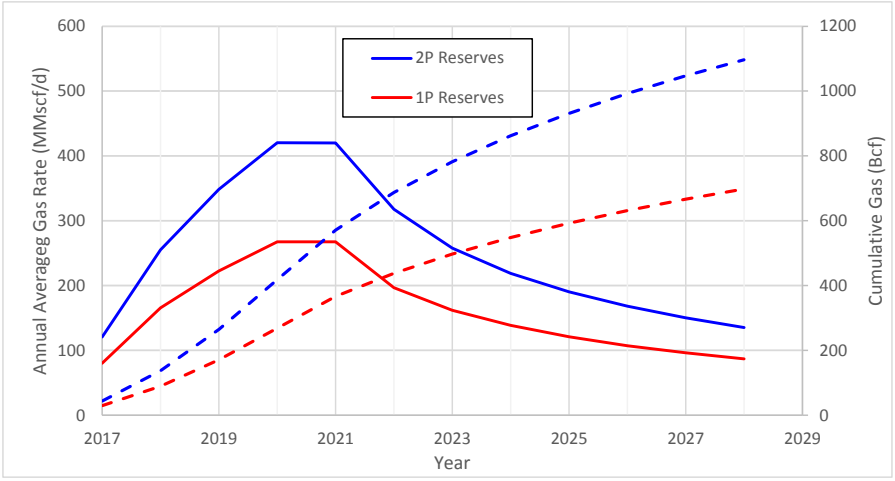


Figure 1-2 1P and 2P Gas Forecasts for Linxing PSC

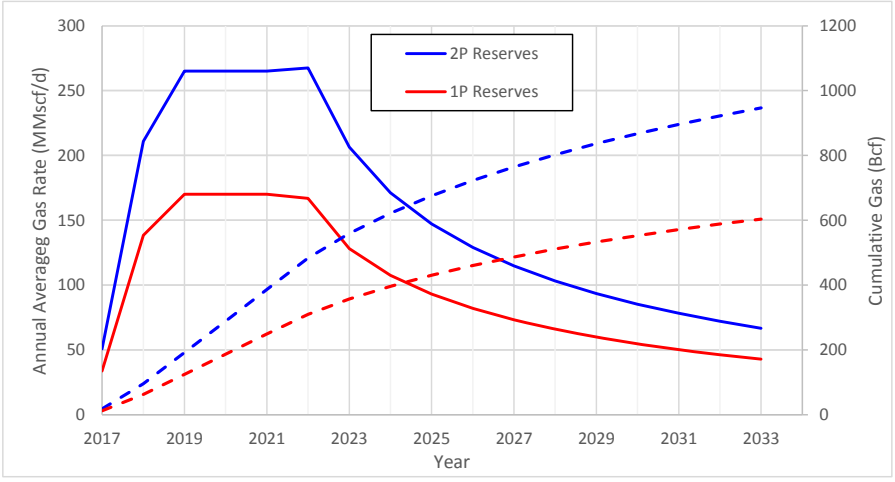


Figure 1-3 1P and 2P Gas Forecasts for SanJiaoBei PSC

The estimated development well numbers and costs to develop the deep gas reserves in Linxing and SanJiaoBei PSCs are shown in Table 1-3.

Table 1-3 Well Numbers and Development Costs (100%)

Parameter (Gross Field)		Linxing Reserves		*SanJiaoBei Reserves*		Total Reserves	
		1P	2P	1P	2P	1P	2P
Max gas rate	MMscf/d	268	420	170	267	438	688
Well numbers		523	523	387	387	910	910
Wells	US$MM	605	605	473	473	1078	1078
Gathering	US$MM	140	140	103	104	243	244
Facilities	US$MM	231	302	174	221	404	523
Total Capex	US$MM	976	1048	749	797	1725	1845
Unit Capex	$/Mscf	1.4	1.0	1.2	0.8	1.3	0.90
Unit Opex	$/Mscf	0.4	0.3	0.4	0.4	0.4	0.3
Unit cost	$/Mscf	1.8	1.3	1.7	1.2	1.8	1.3

- 523 wells are required to develop Linxing 1P and 2P reserves with a development cost of $976 to $1048 million
- 387 wells are required to develop SanJiaoBei 1P and 2P reserves with a development cost of $749 to $797 million

The required number of wells and facilities are consistent with SGE intentions for the project at 31st December 2015.

MIE's entitlement to cost and profit gas and project NPVs have been estimated using discounted cash flow modelling with the appropriate PSC terms and macroeconomic assumptions estimated by RISC. No consideration has been given to the contractor's other assets or liabilities, contingent or prospective resources. Consequently, the economics in this report only relate to potential development of the Linxing and SanJiaoBei PSC gas reserves.

Economic evaluation is at 1/1/2016 with pre 2016 expenses treated as sunk costs. Table 1-4 shows the economic analysis of Linxing and SanJiaoBei reserve.

Table 1-4 NPV of Reserves (MIE share)

Project NPV_{10} (US$MM) (MIE share)	1P Reserves	2P Reserves
SanJiaoBei PSC	289	507
Linxing PSC	472	830
Total	761	1,337

The above estimates have not been adjusted to reflect resource category or other factors (e.g. strategic, political and security risks) that a buyer or seller may consider in any transaction concerning these assets and therefore should not be considered as Fair Market Values.

1.3. Upside Resources

In addition to 1P and 2P reserves discussed above RISC has estimated 3P reserves, contingent and prospective resources as detailed in Table 1-5 Summary of Upside Resources for Linxing PSC, as of 31 December 2015Table 1-5.

Table 1-5 Summary of Upside Resources for Linxing PSC, as of 31 December 2015

Gas Resource (bcf) YE2015	PSC	Gross			MIE Entitlement		
				Possible			Possible
Reserves	Linxing deep			406			123
	SanJiaoBei deep			355			84
	Total			**761**			**207**
		1C	**2C**	**3C**	**1C**	**2C**	**3C**
Contingent Resource	Linxing deep	1133	1764	2499	367	564	790
	Linxing CBM	109	273	431	36	88	137
	SanJiaoBei deep	510	794	1127	126	195	274
	Total	**1752**	**2831**	**4057**	**529**	**847**	**1201**
		low	**best**	**high**	**low**	**best**	**high**
Prospective Resource	Linxing deep	620	982	1382	196	302	419
	SanJiaoBei deep	1250	1972	2785	298	460	641
	Total	**1870**	**2954**	**4167**	**494**	**762**	**1060**

Contingent resources are contingent upon further appraisal and maturation of the development plan. The probability of contingent resources maturing to reserves and being developed is estimated to be 90%.

Prospective resources require exploration to confirm a significant quantity of potentially moveable gas to mature them to contingent resources, followed by commercial evaluation and development planning to mature them to reserves. The probability of exploration success is estimated as 75% in Linxing and 60% in SanJiaoBei. In addition the probability of commercial development is estimated to be 90%. This gives an overall probability of Linxing prospective resources being developed 67.5% and SanJiaoBei prospective resources being developed 54%.

2. Basis of Assessment

2.1. Terms of Reference

This Competent Person's Report has been prepared under the terms of an engagement letter dated 29th April 2016 between RISC Operations Pty Ltd ("RISC") and MIE Holdings Corporation (MIE) for the preparation of a Competent Person's Report on Linxing and SanJiaoBei PSCs consistent with the HKEx listing rules in relation to Mineral Companies.

2.2. Data Availability and Approach

In preparing this Competent Person's Report, RISC has relied on information provided by Sino Gas and Energy Limited (SGE) and reports prepared by RISC[12] on behalf of SGE. These reports present our independent estimates of reserves and resources, production and cost forecasts, and results of economic evaluation using available data to end December 2015. Gas in place volumes were estimated using probabilistic methods. All reserves and resources have been evaluated using deterministic methods.

SGE has provided their consent that these data, evaluations and reports could be used as the basis for this Competent Person's Report.

2.3. Qualifications

RISC is an independent oil and gas advisory firm. All of the RISC staff engaged in this assignment are professionally qualified engineers, geoscientists or analysts, each with many years of relevant experience and most have in excess of 20 years.

The preparation of this report has been managed by Mr Peter Stephenson who is an employee of RISC Operations Pty Ltd. Mr Stephenson is a member of the Society of Petroleum Engineers and holds a B.Sc in Chemical Engineering from University of Nottingham, England and an M.Eng in Petroleum Engineering from Herriot Watt University, Scotland. Mr Stephenson is a member in good standing of Institute of Chemical Engineers which is a Recognised Professional Organisation. Mr Stephenson has over 30 years' experience in the sector and is a Competent Person as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Mr Stephenson was support in the compilation of this report by Martin Kennedy (petrophysics), Stephen Newman (geoscience) and Joe Collins (development engineering).

- Mr Kennedy has a B.Sc in Chemistry and PhD in Electrical Engineering. He has over 30 years' experience as a petrophysicist with Schulmberger, British Gas, Enterprise, Petro-Canada, Woodside and as a consultant.
- Stephen Newman has a B.Sc in Geology, MSc in Petroleum Geology. He has over 30 years' experience as a geoscientist with BP, Woodside, Shell and as a consultant.

[1] INDEPENDENT RESERVES AND RESOURCE ASSESSMENT, LINXING PSC, CHINA
AS AT 31 DECEMBER 2015
[2] INDEPENDENT RESERVES AND RESOURCE ASSESSMENT, SANJIAOBEI PSC, CHINA
AS AT 31 DECEMBER 2015

- Joe Collins has a B.Eng in Oil and Gas Engineering, Diploma in Project Management, is a member of SPE and chartered member of Engineers Australia. He has 12 years' experience as an engineer with Haliburton, Westfarmers Chemicals and RISC.

RISC was founded in 1994 to provide independent advice to companies associated with the oil and gas industry. Today the company has approximately 40 highly experienced professional staff at offices in Perth, Brisbane, Jakarta and London. We have completed over 2000 assignments in 68 countries for nearly 500 clients. Our services cover the entire range of the oil and gas business lifecycle and include:

- Oil and gas asset valuations, expert advice to banks for debt or equity finance;
- Exploration/portfolio management;
- Field development studies and operations planning;
- Reserves assessment and certification, peer reviews;
- Gas market advice;
- Independent Expert/Expert Witness;
- Strategy and corporate planning.

2.4. Limitations

The assessment of petroleum assets is subject to uncertainty because it involves judgments on many variables that cannot be precisely assessed, including reserves/resources, future oil and gas production rates, the costs associated with producing these volumes, access to product markets, product prices and the potential impact of fiscal/regulatory changes.

The statements and opinions attributable to RISC are given in good faith and in the belief that such statements are neither false nor misleading. While every effort has been made to verify data and resolve apparent inconsistencies, neither RISC nor its servants accept any liability, except any liability which cannot be excluded by law, for its accuracy, nor do we warrant that our enquiries have revealed all of the matters, which an extensive examination may disclose. In particular, we have not independently verified property title, encumbrances or regulations that apply to these assets.

We believe our review and conclusions are sound but no warranty of accuracy or reliability is given to our conclusions.

This CPR may not fully address some areas that are required content for a Competent Person's Report as per Appendix 25 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. These areas are not addressed in the reports on which this CPR is based and MIE considered it was not practical to extend the work scope to address these areas within the time available for the preparation of this CPR. For example

- a site visit has not been conducted. A site visit is deemed unnecessary by RISC as on-site development is currently limited, RISC has seen extensive photographs of site activity and is aware of a number of investor site visits.
- RISC Is not aware of any material social and/or environmental issues although a detailed review has not been conducted

2.5. Independence

RISC makes the following disclosures:

- RISC is independent with respect to MIE and confirms that there is no conflict of interest with any party involved in the assignment.
- Under the terms of engagement between RISC and MIE, RISC will receive a time-based fee, with no part of the fee contingent on the conclusions reached, or the content or future use of this report. Except for these fees, RISC has not received and will not receive any pecuniary or other benefit whether direct or indirect for or in connection with the preparation of this report.
- Neither RISC Directors nor any staff involved in the preparation of this report have any material interest in MIE or in any of the properties described herein.

2.6. Standard

Reserves and resources are reported in accordance with the definitions of reserves, contingent resources and prospective resources and guidelines set out in the Petroleum Resources Management System (PRMS) approved by the Board of the Society of Petroleum Engineers in 2007.

2.7. Indemnities

MIE has agreed to release, discharge and indemnify RISC from all or any claims, losses, costs, expenses, actions, demands, judgments, orders, liability at law or in equity however arising including but not limited to any claim or consequential damages or any other proceedings whatsoever incurred by RISC in respect of any claim by a third party (including associates, agents or employees of the client) in connection with all or any of the services provided by RISC to the client under the terms set out in this document.

2.8. Consent

Neither the whole nor any part of this report nor any reference to it may be included in or attached to any prospectus, document, circular, resolution, letter or statement without the prior consent of RISC.

3. Regional Data and Analysis

3.1. Regional Petroleum History

The Linxing and SanJiaoBei PSC lies on the eastern edge of the Ordos Basin. The basin is the second largest petroleum-bearing basin in China with a reported total discovered P50 oil initially in-place of 8 billion barrels and a discovered P50 GIIP of 50 Tcf.

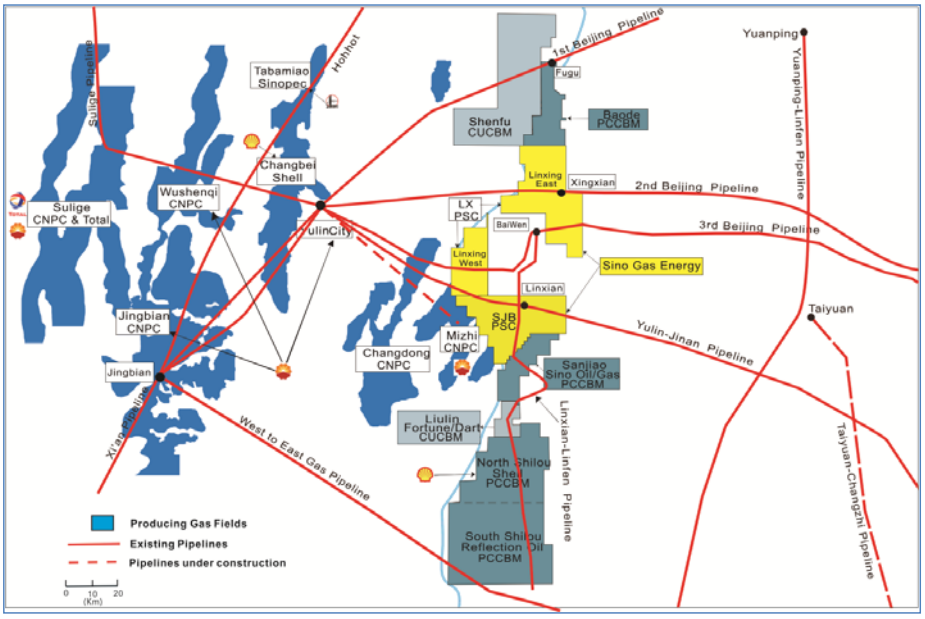


Figure 3-1 Ordos Basin Gas Fields and Pipelines

The Ordos Basin is a cratonic basin covering an area of 250,000 sq km with up to 10,000m of Palaeozoic and Mesozoic sediments. The Jingbian, Wushenqi, Changbei, Tabamiao, Sulige, Chandong and Mizhi gas fields to the west are producing and under further development. They are largely located in an area of a gentle monocline, which extends into the SanJiaoBei PSC. These fields are understood to be stratigraphically trapped[3], with gas present where reservoir quality sand bodies are present. As such the resource area is not limited to the traditional structural highs but extensive over the area.

The SanJiaoBei/Linxing gas accumulation is an updip extension of the Mizhi gas reservoirs (formerly called Jia Xian) with reported proven reserves of 0.5 Tcf. Gas is being produced in Mizhi from the Permian and Carboniferous He8, Shanxi and Taiyuan reservoirs which are also gas bearing in Linxing and SanJiaoBei. The Mizhi permit lies directly to the west of SanJiaoBei.

[3] **Yongtai Yang et al 2005** Tectonic and stratigraphic controls of hydrocarbon systems in the Ordos basin: A multicycle cratonic basin in central China *AAPG Bulletin*; February 2005; v. 89; no. 2

China National Petroleum Corporation (CNPC) started development of the Mizhi Gas Field in 2005 with first commercial gas production announced in 2007.

Development has been sanctioned and is underway for the South Sulige field, the fourth major gas development in the basin, operated by CNPC with Total as partner. Over 1000 wells will be drilled, hydraulically fractured and completed on two or three intervals in the Shihezi and He8 formations. These formations are gas bearing in SGE acreage.

Gas was discovered in Linxing PSC by well TB-01 drilled in 2006.

3.2. Regional Geology

The gas resources are contained in a number of interbedded sandstone layers between or overlying the coal seams extensively found in Carboniferous and Permian aged rocks at depths between 1300 and 2200 mbrt. At this depth the permeability of the coal is too low to be productive and the gas is produced through the adjacent gas bearing sandstone intervals.

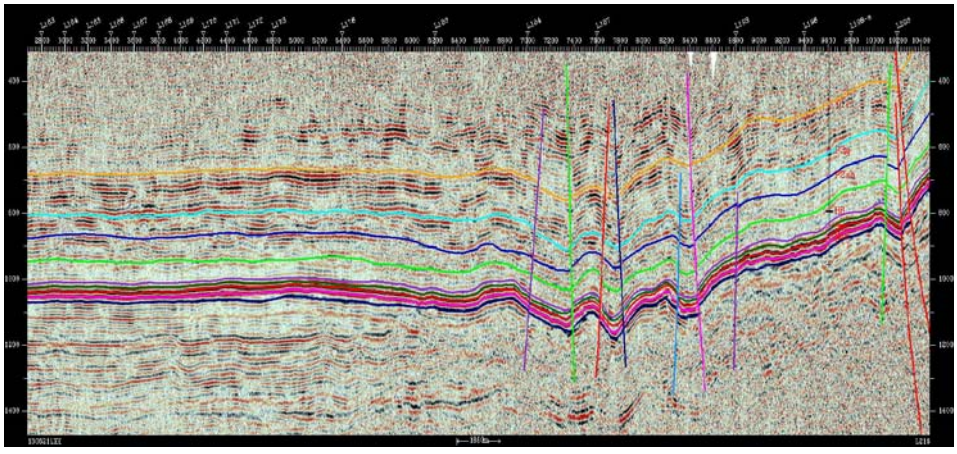


Figure 3-2 SGE seismic interpretation - Line 221

The SGE structure map at He8 level is shown in Figure 3-3. It demonstrates two structural areas; a structurally simple western area and a more complex fold area in the south-east of the SanJiaoBei permit.

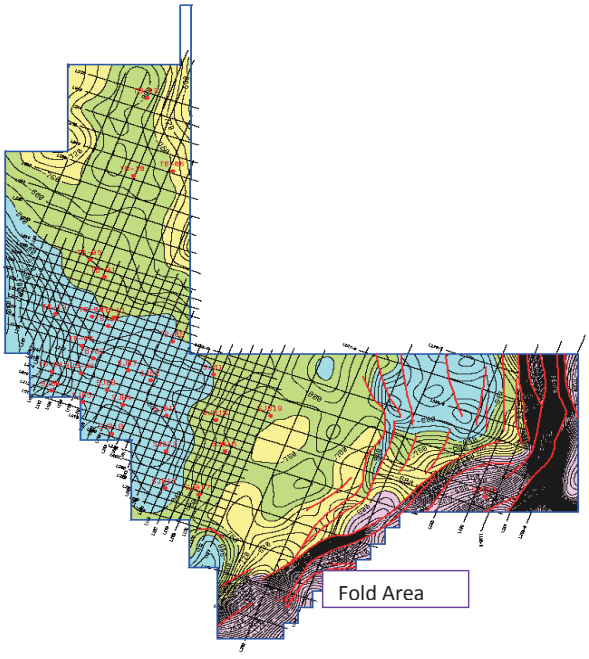


Figure 3-3 SGE He8 structure map

RISC supports this model and sees the eastern fold area as the result of the impingement of the Lishi Thrust Belt to the east (Figure 3-4). Note that this line is greatly compressed and the angle of the faults is shallow.

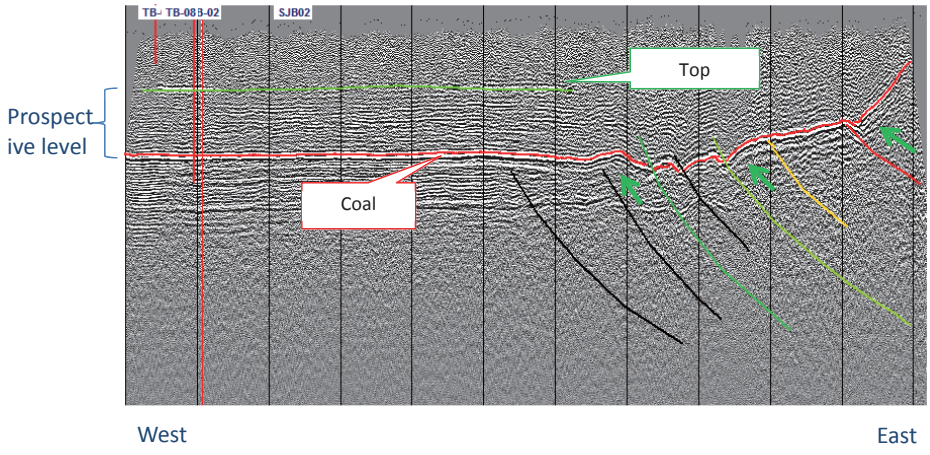


Figure 3-4 Line SJB2011_216 showing thrusts

Stratigraphic Column

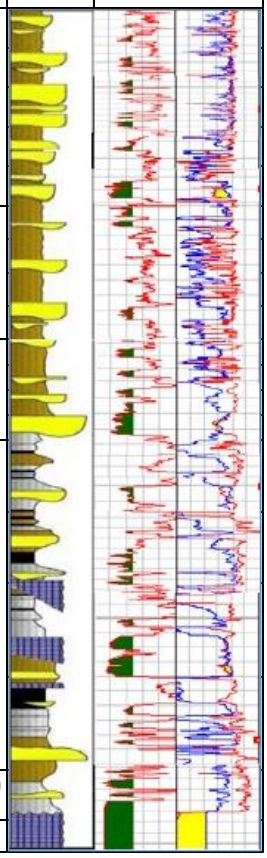
Era	System	Epoch	Formation	Para-formation	Code	Facies	Lithology	Wireline Logging
Palaeozoic	permian	Upper	SQF	Q1	P_3q_1	Flood Plain		
				Q2	P_3q_2			
				Q3	P_3q_3			
				Q4	P_3q_4			
				Q5	P_3q_5			
		Middle	Up Shihezi	He1	P_2sh_1	Lacustrine Deposit		
				He2	P_2sh_2			
				He3	P_2sh_3			
				He4	P_2sh_4			
		Lower	Lower Shihezi	He5	P_2x_5	Channel-Delta Deposit		
				He6	P_2x_6			
				He7	P_2x_7			
				He8	P_2x_8			
			Shanxi	Shan1	P_1s_1	Channel-Delta Deposit		
				Shan2	P_1s_2			
	Carboniferou	Upper	Taiyuan	Tai1	C_3t_1			
				Tai2	C_3t_2			
		Middle	Benxi		C_2b	Barrier Island Lagoon Deposit		
	Ordovician	Middle	Majiagou		O_1m			

Figure 3-5 Stratigraphy of SGE Ordos Basin permits

3.3. Well Test Results

Data from 109 well tests across various reservoir intervals in 89 SGE wells in SanJiaoBei and Linxing were available for this review. The table below summarises the formations tested, flowrates, bottom hole and tubing head pressures (BHP and THP).

Table 3-1 Well Test Summary

Well	Formation	Test	Interval m MD		Gas Flowrate		BHP		THP	
			from	to	m3/d	mscf/d	Mpa	psia	MPa	psig
TB-01-LX	SQF,He8, T'yuan	post frac	1390	1973	5,000	177			0.1	15
TB-02-SJB	Shanxi 1 + Shanxi 2	pre-frac	2130	2135	No flow					
	Shanxi 1 + Shanxi 2	post frac	2130	2135	6,500	230			1.38	200
	Upper + Lower Shihezi	pre frac	1883	1888	145	5			0.02	3
	Upper + Lower Shihezi	post frac	1883	1888	4,800	170			1.38	200
TB-03-LX	SQF 4	pre-frac	1592	1595	7,500	265			3.50	508
	Taiyuan/Benxi	post frac	2071	2088.5	water produced				0.6	87
TB-04-SJB	SQF 3	post frac	1526	1531	15,800	558			1.6	232
	SQF 4	pre-frac	1611.5	1613.5	3,262	115	3.42	496	0.32	46
	SQF 4	post frac	1611.5	1613.5	8,000	283			5.04	731
TB-05-LX	Upper + Lower Shihezi	post-frac	1924.7	1931.5	4,800	170	13	1885	8.79	1275
TB-06-LX	SQF 3	pre-frac	1417.8	1423.2	28,300	1,000	watered out		1.4	200
TB-07-LX	SQF 4	pre-frac	1620	1623	52,785	1,864	5.81	842	4.24	615
TB-08-LX	Upper + Lower Shihezi	pre-frac	1866.5	1875	Flared gas but died after 15 minutes					
	SQF 4	pre-frac	1596.5	1605	Flared gas but died after 20 minutes					
	SQF 4	post frac	1596.5	1605	20,000	706			2.0	290
	Taiyuan/Benxi	post frac	2076	2078	5,000	177			1.4	200
TB-09-LX	SQF 4	pre-frac	1595.5	1598.5	25,000	883			3.0	435
SJB-03	SQF 4 and SQF 5	pre-frac	1575.5	1578	8,184	289			0.8	116
SJB-01	He8	post-frac	1806	1811	4,230	149	2.40	347	1.1	160
2013 Testing:										
SJB-02	Shanxi	post frac	2038	2040	646	23	declined 60%		3.4	493
SJB-03	Shanxi		1989.4	1993.2	3,088	109	1.26	182	0.50	73
SJB-04	Taiyuan	post frac	2051	2056	2,704	95	2.12	307	0.26	38
SJB-05	Shanxi	post frac	1911	1914	3,035	107	4.63		0.8	116
SJB-06	Shanxi	post frac	1905	1909	2,874	101	2.97	431	0.55	80
	SQF, Shihezi, He8	post frac	1425	1829	15,361	542			6	870
SJB-07	Taiyuan/Benxi	post frac	2163	2167	3,557	126	4.44	644	1.3	189
SJB-10	Shanxi	post frac	1742	1757	1,055	37	1.96	285	0.75	109
SJB-11	Shihezi		1800	1839	175	6	0.38	55	0	0
SJB-12	Shihezi		1967	1971	260	9	4.90	711	2.9	421
SJB-13	Shanxi	post frac	1859	1875	635	22	3.20	464	0.6	87
SJB-15	Shanxi	pre-frac	1882	1908	385	14	8.20	1189	0.7	102
SJB-16	Shihezi	post frac	1815	1823	25,619	905	6.10	885	4.4	638
SJB-17	Shihezi	post frac	1684	1752	6,947	245	2.43	352	1.3	189
SJB-19	He8		1746	1749	7,540	266			3.8	551
TB-11 LX	Shanxi	pre-frac	1934	1939	2,500	88				
	Shanxi	post frac	1934	1939	19,058	673	6.62	960	5	725
	He6, 8, Shanxi	post frac	1730	1854	14,638	517			2.5	363
TB-13 LX	Taiyuan	post frac	1982	2001	16,018	566	7.73	1121		

2014 Testing:										
SJB-03	He8	post-Frac	1847	1851	4,150	147	3.40	493	2	290
SJB15	He8	post-Frac	1692	1723	12,000	424	4.48	650	4	580
SJB19	He6	post-Frac	1626	1699	7,104	251	4.63	672	3.69	535
SJB25	He8	post-Frac	1742	1799	5,215	184	4.67	678	3	435
TB-10	He7	post-Frac	1659	1662	4,684	165	3.72	539	1.14	165
TB-15	Shanxi-2	post-Frac	1986	1990	5,425	192	5.57	809	1.8	261
TB-16	He7	post-Frac	1742	1746	6,351	224	3.70	537	1.2	174
TB-17	He6	post-Frac	1753	1758	9,194	325	4.97	721	2.9	421
TB-18	SQF Q3	post-Frac	1544	1558	8,350	295	2.62	380	2.1	305
TB-21	Shanxi-2	post-Frac	1863	1867	5,241	185	3.42	496	1.28	186
TB-26	Benxi	only perf	2061	2065	34,391	1215	14.88	2159	12	1740
TB-12	He7	post-Frac	1535	1768	20,706	731	6.37	925	5.6	812
TB-1H	Shanxi-1	post-Frac	2320	3440	141,000	4979	17.93	2601	13.993	2029
TB-2H	Shanxi	post-Frac	1938	1945	105,517	3726			10.4	1508
TB-23	Taiyuan	post-Frac	1934	1938	57,348	2025	10.72	1555	8.78	1273
SJB02	L Shihezi	post-Frac	1788	1920	3,510	124	0.87	126	0.3	44
SJB10	He8	post-Frac	1595	1674	5,915	209	6.41	929	4.8	696
SJB18	L Shihezi	post-Frac	1921	1929	4,751	168	8.57	1243	3.6	522
SJB18	He8	post-Frac	1798	1802	13,474	476	6.29	912	4.4	638
SJB22	L Shihezi	post-Frac	1874	1979	13,184	466	11.57	1678	9.7	1407
SJB9	He8	post-Frac	1869	1890	11,595	409	5.66	821	5.1	740
TB-19	Tiayuan/Benxi	post-Frac	1997	2045	15,075	532			2	290
TB-20	Shanxi-2	post-Frac	2066	2073	rate too low to measurement					
TB-27	Shanxi-2, Taiyuan	post-Frac	2110	2192	17,441	616	6.41	929	3.5	508
TB-22	Benxi	pre-Frac	2047	2066	2,177	77	2.94	427	1.3	189
	Benxi	post-Frac	2047	2066	small unstable flow					
TB-24	Taiyuan	post-Frac	1998	2001	1,044	37	4.74	687	0.65	94
TB-30	Shanxi-1&2 + He8	post-Frac	1848	1922	rate too low to measurement					
LXW1-1	L Shihezi + Shanxi-1	post-Frac	1895	2018	9,633	340			0.6	87
LXW1-3	SQF + Shanxi-1	post-Frac	1734	1933	26,621	940			3.5	508
LXW1-5	L Shihezi + Shanxi-1	post-Frac	1557	2111	8,850	313			2.6	377
LXW1-7	L Shihezi + Shanxi-1	post-Frac	1662	1977	23,914	845			3	435
LXW1-9	L Shihezi + Shanxi-1	post-Frac	1918	2085	20,446	722			2.2	319
LXW3-01	SQF + L Shihezi	post-Frac	1459	1824	28,842	1019			3.9	566
LXW3-5	SQF + Shanxi-1	post-Frac	1681.3	2144.4	61,267	2164			7.7	1117
LXW3-7	L Shihezi + Shanxi-1	post-Frac	1813.4	1974	37,846	1337			5.5	798
LXW5-5	L Shihezi + Shanxi-1	post-Frac	2090.8	2296.5	38,053	1344			5.5	798
LXW5-7	SQF + Shanxi-1	post-Frac	1628.8	2071.5	17,523	619			2.77	402
2015 Testing:										
LXDG-03	Upper Shanxi	post-Frac	1741	1728.5	302	11	6.47	938	0.3	44
	Shihezi (He7)	post-Frac	1582.5	1557.5	7,449	263	2.80	406	1.5	218
LXDG-04	Shihezi (He7)	post-Frac	1671.5	1669.5	17,252	609	2.96	429	1.2	174
LXW 3-2	Lower Shanxi	post-Frac	2043	2037.8	30,000	1059			8.5	1233
	Upper Shanxi	post-Frac	1991.2	1987.2						
	He8	post-Frac	1973.2	1967.2						
	SQF Q4	post-Frac	1529.4	1524.4						
TB-06	Benxi	post-Frac	1957.5	1952.5	14,373	508	4.33	628	1.7	247
TB-25	Taiyuan	post-Frac	1941.5	1937.5	6,779	239	6.22	902	3.8	551
	Taiyuan + Lower Shanxi	post-Frac	1942	1878	22,742	803	7.13	1033	4.5	653

TB-26-2	Bexni	post-Frac	2028.5	2025.5	2,243	79	5.01	727	0.8	116
TB-27	Shehizi He6	post-Frac	1870	1864	10,526	372	3.78	549	1.3	189
	SQF Q3		1631.5	1627.5	43,179	1525	4.51	654	3.7	537
TB-28	U Shanxi & L Shehizi	post-Frac	2097	1974	555	20	5.61	814	0.1	15
		post-Frac	1669	1666	16,383	579	2.25	327	1.3	189
TB-26-3	Benxi, L & U Shanxi	post-Frac	2184	1991	1,282	45	6.00	870	0.6	87
TB-20	Taiyuan	post-Frac	2196	2194	17,549	620	6.10	884	1.1	160
LXW5-2	Q5, L Shehezi, L Shanxi	pre-frac	2014	1632	7,099	251			1	145
LXW5-4	Benxi, He7	pre-frac	2098	1807	7,559	267			0.9	131
SJB23-D1	Benxi	pre-frac	2228.5	2224.5	32,147	1135	4.46	647	3	435
LXDG-05	SQF Q5	post-Frac	1442	1445	5,129	181	3.66	531	1.1	160
LXDG-02	U Shanxi	post-Frac	1790	1793	100	4	10.67	1547	0	0
LXDG-04	SQF Q5	post-Frac	1396	1420	61,536	2173	5.31	770	5.2	754
TB-26-1	Benxi, L Shanxi, He8	pre-frac	1810	2028	35,853	1266	3.25	471	2.8	406
TB-26-4	Benxi	pre-frac	2148	2152	45,103	1593	3.62	525	3.1	450
TB-26-5	SQF Q5	pre-frac	1623	1626	4,035	142	3.97	576	2.7	392
TB-26-6	Taiyuan	pre-frac	2138.4	2141.6	8,138	287			3.1	450
TB-06	Shehizi He6, He7	post-Frac	1649.4	1689.5	12,000	424	3.30	479	1.6	232
LXW3-4	Q5, L Shehezi, L Shanxi	post-Frac	1642	2101	30,000	1059			4.4	638
TB-26-2	Shehizi He8	post-Frac	1809	1818	1,750	62	2.14	311	0.7	102
87	**107**				**103**	**or 96%**	**had sustained flow**			

Several new well tests in 2015 flowed above 1 MMscf/d:

- TB-26-4 and SJB23-D1 flowed 1.6 and 1.1 MMscf/d from the Benxi formation without hydraulic fracturing
- TB-26-1 flowed 1.3 MMscf/d without hydraulic fracturing in a comingled test
- LXDG-04 in Linxing East flowed 2.2 MMscf/d from SQF Q5 after fraccing
- TB-27 flowed 1.5 MMscf/d from SQF Q5 formation

SGE have successfully drilled and tested two horizontal wells TB-1H and TB-2H in Linxing West. The high well test rates are encouraging and SGE plans to drill horizontal wells where beneficial to supplement the development.

3.3.1. Analysis of Well Test Results

Water production has occurred in two wells. The Taiyuan/Benxi formation in TB-03-LX was interpreted to have a low gas saturation and produced water on test. The SQF formation in TB-06-LX produced at a high estimated gas rate for 3 hours before watering-out. The well is known to have a poor cement bond and it is suspected that water identified in other intervals killed the well. SGE drilled TB-10 near TB-06 and logs from TB-10 have confirmed gas pay in the five formations. TB-10 successfully tested the Shihezi He8 formation.

The well test flowrates achieved from individual reservoirs varies from zero to 141,000 m^3/d (5.0 MMscf/d). Figure 3-6 shows the distribution of well test rates from individual reservoirs (pre-frac tests are excluded where superseded by post frac tests).

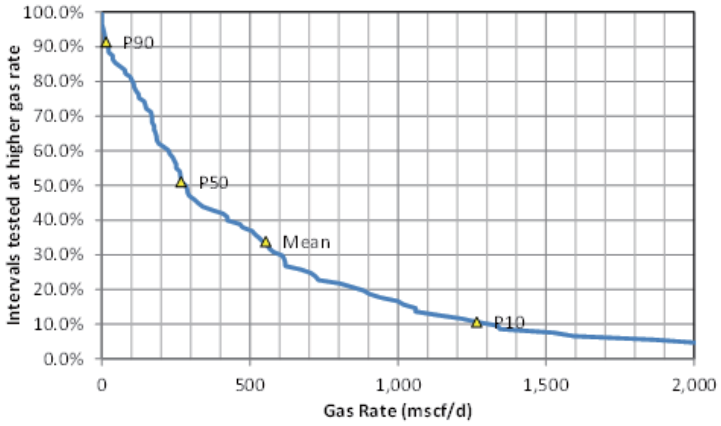


Figure 3-6 Distribution of Interval Well Test Rates

- 4% of tests failed to flow, died or flowed water
- 2015 testing has not significantly altered the well test statistics
- 50% of tests flowed at more than 8,000m3/d (267 Mscf/d),
- 16% of tests flowed at more than 28,300 m3/d (1,000 Mscf/d)

Hydraulic fracturing has been conducted on 80% of well test intervals although:

- A well test with one of the highest gas rate was not fractured; 53,000 m3/d (1.9 MMscf/d) from the SQF formation in TB-07-LX.
- The pre-frac rate in TB-11 increased 8 fold after hydraulic fracturing. A proportion of reservoir intervals will not flow without hydraulic fracturing.

Permeability and skin factors have been estimated from pressure build-up analysis on 33% of the well tests. The average and range in permeability estimated for each formation is shown below:

Table 3-2 Average Well Test Rate and Permeability

Formation	Average test rate		Well Test Permeability (mD)		
	m3/d	mscf/d	min	mean	max
SQF	21,096	745	0.445	6.74	42.10
Shihezi	10,979	388	0.012	0.11	0.49
Shanxi	13,759	486	0.002	0.04	0.10
Taiyuan	8,111	286	0.022	0.17	0.57
Total	14,431	510	0.002	1.60	42.10

- There is a good correlation between well test permeability and well test flow rate per metre of pay.
- The average SQF permeability is skewed by one value of 42 mD; excluding this reduces the average to 0.8 mD. However, the average rates of all SQF well tests (including those without permeability estimates) supports the 6.74 mD average.

- The SQF is the most productive formation having successfully flowed in all tests with an average rate of 23,000 m3/d (810 Mscf/d). However, productivity is variable and the interval required hydraulic fracturing in TB-08-LX to achieve sustainable flow.

The minimum economic well flow rate to support development is estimated at 3100 m^3/d (110 Mscf/d) at semi-steady state conditions, which equates to a transient flow rate after 2 week flow of 6200 to 7600 m^3/d (220 to 270 Mscf/d) at 200 psia THP. The average well test flowrate often of an individual interval is greater than this and development wells will be completed on multiple intervals.

The well tests intervals have generally included sections of porosity greater than 8.5%. Therefore there is uncertainty if lower porosity intervals will flow and how much they contribute to production. RISC uses a 5%, 7% and 9% porosity cut off to estimate the high, mid and low percentage of the GIIP that is productive. A 4% porosity cut-off is used to estimate total GIIP, which is the normal cut-off used by Operator's in these Ordos Basin formation.

RISC has used the mean permeability in Table 3-2 and the net pay with 7% porosity cut-off to model the performance of an average well completed in the different formations.

3.3.2. Location of Wells Tested

Figure 3-7 shows the location of wells tested before and during 2015.

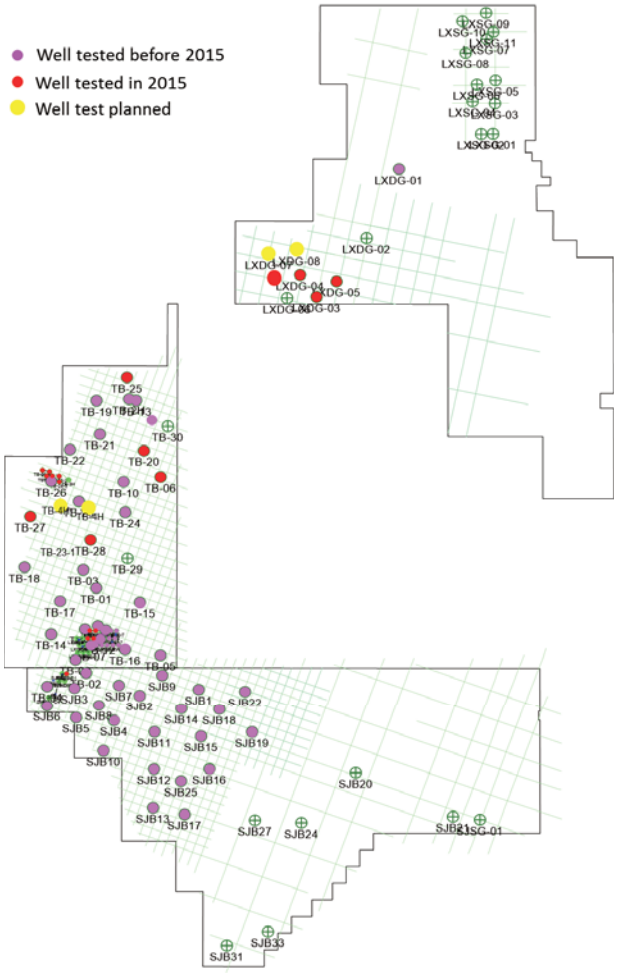


Figure 3-7 Location of Tested wells

In 2015 well tests have confirmed commercial gas flow in the previously prospective Linxing East area:

- Well LXDG-03 flowed 263 Mscf/d at 218 psig wellhead pressure (WHP) from the He7 formation. It also flowed 11 Mscf/d from the Upper Shanxi
- Well LXDG-04 flowed 609 Mscf/d at 174 psig wellhead pressure (WHP) from the He7 formation. It also flowed 1,173 Mscf/d from the SQF with high (754 psig) WHP
- Well LXDG-05 flowed 181 Mscf/d at 160 psig wellhead pressure (WHP) from the SQF formation.

- Although not yet tested wells LXDG-06 and 08 are near LXDG-03, 04 and 05 and the logs indicated gas bearing pay.
- Well LXDG-02 was tested in 2015 but struggled to flow. A rate of 4 Mscf/d as recorded. A previous test on LXDG-01 produced small volumes of gas and water. LXDG01 is close to or on the fault. Therefore, LXDG-01 and 02 remain prospective.

With the additional wells and well test data RISC classifies Linxing East area around LXDG-03, 4, 5, 6, and 8 as discovered with either reserves or contingent resources.

The central SanJiaoBei area is also classified as prospective as gas saturations estimated from well logs are uncertain and commercial gas flow had not been demonstrated by well tests.

3.4. Reservoir Pressure and Gas Properties

Well test data is the most accurate source of information and has been used to estimate reservoir pressure and temperature data. Reservoir pressure estimates from fracture fall-off tests are also considered. Wireline pressure measurements have not been attempted as the reservoir permeability is generally too low to give successful measurements. The pressure data is from a limited number of well tests and therefore carries a higher degree of uncertainty than usual.

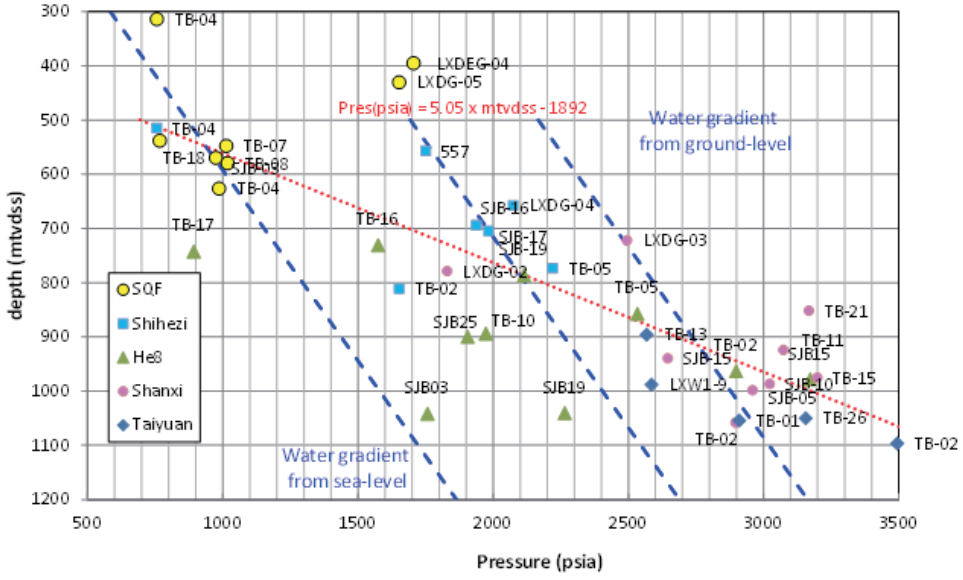


Figure 3-8 Reservoir Pressures Data from Well Tests

The Taiyuan reservoir pressure is about 20 MPa (2750 psia). However, the shallower SQF reservoir is significantly lower at about 7 MPa (1000 psia). Well tests on the Shihezi shows a range of intermediate pressures as plotted.

The land elevation is approximately 1010 m above sea level and the reservoir pressure data lie between a normal water pressure gradient from ground-level and a water pressure gradient from sea-level.

If a line is drawn through all pressure data (red dashed line), the gradient (5.05 psi/m) is greater than a water gradient and therefore wrong. Therefore, shallower and deeper formations must be separate hydraulic units with different pressures. All five reservoirs may be in different hydraulic units with the deeper reservoirs less under-pressured than the shallower reservoirs. Under-pressured reservoirs are not common but usually associated with low permeability, gas-charged reservoirs in uplifted basins as is the case here.

Pressure data from the Shanxi formation indicates that the Shanxi formation is in the same pressure regime at the underlying Taiyuan. Therefore, a normal pressure gradient (1.42 psi/m) from ground level has been used to estimate pressures in the Taiyuan to Shanxi and Ordovician.

A normal pressure gradient (1.42 psi/m) from near sea level has been used to estimate pressures in the SQF and a normal pressure gradient (1.42 psi/m) from an intermediate depth has been used to estimate pressures in the Shihezi including He8.

This pressure model represents a series of hydraulic models with increasing under-pressure in the shallower formations. Such a model could be caused by the deeper formations outcropping near 1000m ground level and shallower formations outcropping at lower altitudes approaching sea level for the SQF.

Two SQF pressure points from deep gas wells in Linxing East (LXEDG-04 and LXEDG-05) indicate that the SQF pressure in Linxing East may be higher than in Linxing West and SanJiaoBei. The two pressures are closer to the Shanxi pressure line. However, pressure data carries significant uncertainty and these two points may not be representative. Therefore RISC has used the same pressure gradient for SQF in Linxing East as in the other permits. If additional data supports a different model for Linxing East this will be updated in future reviews and increase GIIP estimated in the Linxing East SQF.

The gas is dominantly methane (88 - 98 mol%), with specific gravity of 0.57 – 0.63 and no associated condensate. It has low carbon dioxide and nitrogen content, no H_2S and a heating value of 1.1 PJ/Bcf. The compositional variation between samples is relatively small and does not significantly alter gas properties. The composition of the sample from TB-05 He8 represents an average composition sample and has been used to estimate representative fluid properties.

Gas expansion factors (+/-20%) have been estimated from the reservoir pressure, temperature and gas composition.

Table 3-3 Reservoir Pressure, Temperature and Gas Expansion Factors

Reservoir	Average Depth		Pressure		Temp	Eg
	mtvdss	mbrt	Mpa.a	psia	C	v/v
SQF1	314	1324	4.16	604	46	40
SQF2	371	1381	4.72	685	46	46
SQF3	429	1439	5.29	767	47	52
SQF4	475	1485	5.74	833	48	57
SQF5	512	1522	6.10	885	48	61
U+LShihezi	651	1661	13.15	1907	51	142
He8	810	1820	14.71	2134	53	157
Shanxi 1+2	898	1908	18.81	2728	54	199
Taiyuan	953	1963	19.35	2807	55	203

From well test data the reservoir temperature is estimated to be 53 °C at 840 mtvdss with a gradient of 0.0147 °C/m.

3.5. Reservoir Properties

Reservoir properties for each formation and each well have been estimated from the well logs. The average and standard deviation of all well results has been used to estimate the range in properties field wide.

RISC has reviewed the petrophysics results by permit to see if there are any directional trends in reservoir properties. We conclude that although there is significant variation from well to well there are no clear trends in properties and no significant difference between Linxing and SanJiaoBei permits. Therefore, we use results from all wells to quantify the range of reservoir properties across all regions. This provides a larger single statistical database for each formation.

If saturation is removed from the analysis, the prospective area pore volume distribution is also consistent with the other areas. Therefore, properties in the prospective area are only differentiated using saturation as discussed below.

3.5.1. Petrophysical Methodology

RISC has interpreted all the SGE logs using standard petrophysical methods. To define net pay we have used the following cut-offs.

Table 3-4 Petrophysical cut-offs applied

	Porosity	Vshale	Sw
Net Pay	>4%	<30%	<80%
Net Reservoir	>4%	<30%	No cut-off applied

Log porosity (PHIT) has been compared to core porosity and shows a good correlation in Figure 3-9.

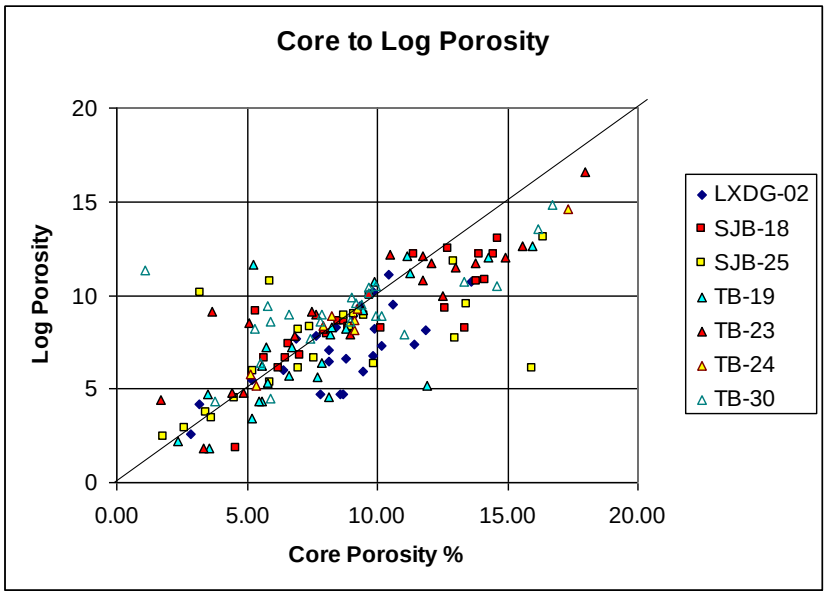


Figure 3-9 Log versus Core Porosity comparison

Where continuous core is available, this has been depth matched against logs and gives a good correlation. However, a significant amount of core data are single points from sidewall cores and depth matching is not possible. The poor match of some individual points is estimated to be due to depth error resulting in the log porosity being from a slightly different depth than the core porosity. Overall the log and core porosity correlation is reasonable.

Archie's equation was used with m=n=2 and varying water resistivity/salinity defined by Picket plots to estimate saturations.

Sums and averages were calculated for the net pay and net reservoir in each reservoir interval. These were also calculated using 5%, 7% and 9% porosity cut-off in order to estimate the proportion of productive or developable GIIP.

3.5.2. Gas Bearing Pay

Water saturations estimated from logs carry significant uncertainty in low permeability sands. It is not unusual to have water saturation of 50 to 60% and above due to the low porosity and permeability.

Earlier wells (pre 2013) were interpreted to be dominantly gas bearing. Some subsequent wells indicate some water bearing intervals and that a saturation cut-off may be required, particularly in the prospective area. Therefore, a hydrocarbon NTG parameter is used to model the pore volume proportion of gas bearing reservoir. This incorporates the risk and uncertainty that some intervals may not be gas bearing.

Petrophysical interpretation of well data in the centre of SanJiaoBei shows high water saturation with some log derived water saturations above 80%. As a result, RISC are now using a hydrocarbon net-to-gross (HC NTG) based on an 80% water saturation cut-off to account for potential water bearing intervals. Separate Hydrocarbon NTG values are calculated and applied to the discovered and prospective regions.

3.5.3. Reservoir Properties by Well

RISC has interpreted the well logs and compiled the petrophysical data for this report.

In RISCs GIIP calculations, the Upper and Lower Shihezi, intervals are combined. Similarly, the Shanxi 1 and Shanxi 2, and the Taiyuan and Benxi are combined. The petrophysical averages by properties for the Shiqianfeng (SQF) to the Taiyuan/Benxi, are given in Table 3-5. In the volumetric calculations, RISC use weighted average porosity for the individual formation. The porosity standard deviation shown has been calculated using the standard deviation around the mean with an additional 1pu to account for potential systematic error in log interpretation.

As previously discussed in Section 3.5.2, RISC incorporates a hydrocarbon net to gross variable. This variable is calculated and applied to the appropriate discovered and prospective areas.

Table 3-5 Average Formation Properties

	Net Reservoir Thickness		Reservoir Porosity		Sw	
	m	Std dev	%	Std dev	%	Std dev
Shiqianfeng (Total)	45.3	2.02	7.68	0.12	54.3	0.89
Upper + Lower Shihezi	27.6	1.53	8.05	0.12	49.1	1.02
He8	3.2	0.36	7.31	0.27	39.2	1.85
Shanxi 1 + 2	9.7	0.85	8.40	0.23	38.0	1.46
Taiyuan + Benxi	9.0	0.81	7.88	0.21	41.4	1.77
	Discovered HC NTG		Prospective HC NTG			
	%	Std dev	%	Std dev		
Shiqianfeng (Total)	48.7	3.55	35.3	3.55		
Upper + Lower Shihezi	60.6	2.91	33.9	2.91		
He8	84.5	3.74	29.2	3.74		
Shanxi 1 + 2	84.3	1.87	51.5	1.87		
Taiyuan + Benxi	50.7	3.45	65.2	3.45		

RISC has expanded the statistical standard deviation of the mean porosity and water saturations by 1 porosity unit and 10 saturation units to account for possible interpretation bias.

Additionally, RISC has estimated and used the petrophysical average properties by formation for the Shiqianfeng sub units (SQF 1 to 5). This summary is given in Table 3-6.

Table 3-6 Formation Properties for the Shiqianfeng Sub Units (SQF 1 to 5)

	Net Reservoir Thickness		Reservoir Porosity		Sw	
	m	Std dev	%	Std dev	%	Std dev
SQF 1	5.5	0.54	6.37	0.14	59.9	1.74
SQF 2	15.8	0.96	7.16	0.15	55.0	1.13
SQF 3	8.9	0.75	7.69	0.19	58.3	1.24
SQF 4	10.7	0.53	8.87	0.18	51.3	1.11
SQF 5	4.4	0.48	8.27	0.25	51.5	1.57
	Discovered HC NTG		Prospective HC NTG			
	%	Std dev	%	Std dev		
SQF 1	34.9	4.77	32.5	4.77		
SQF 2	46.9	4.10	37.2	4.10		
SQF 3	44.0	4.07	24.3	4.07		
SQF 4	58.5	3.60	41.6	3.60		
SQF 5	48.5	4.41	25.8	4.41		

The average reservoir properties are sensitive to the porosity cut-off used. A 4% porosity cut-off has been used to estimate total GIIP. However it is unclear whether the lower porosity intervals will all contribute to flow. Therefore RISC uses a 5%, 7% and 9% porosity cut off to estimate the high, mid and low percentage of the GIIP that is productive.

Increasing the porosity cut-off from 4% to 7% reduces the total productive pay across all reservoirs by 58%. In terms of GIIP, the reduction is not as severe because the average porosity is greater with higher porosity cut-offs. Increasing the porosity cut-off from 4% to 7% reduces the average productive GIIP by 17%.

Figure 3-10 shows the GIIP distribution by formation which is similar using the different porosity cut-offs.

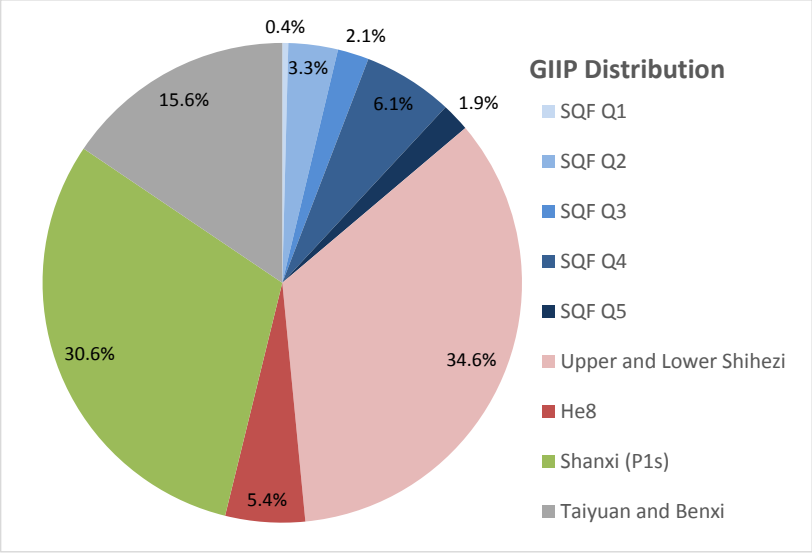


Figure 3-10 GIIP percentages by Formation

14% of the P50 GIIP is estimated to be in the SQF; 40% in Shihezi (including He8); 31% in Shanxi and 15% in Taiyuan/Benxi.

3.6. Gas Market and Prices

RISC has estimated gas prices using information from SGE and China and the Shanxi province discussed below. Gas prices between 1.19 and 2.23 RMB/m^3 are estimated, which have been converted to US$/Mscf at an average exchange rate over recent years of 6.45 RMB/USD (Table 3-7):

Table 3-7 Wellhead Gas Price Assumption (RISC)

Gas Price	Low	Mid	High
RMB/m^3	1.19	1.63	2.23
USD/Mscf	5.22	7.16	9.80

SGE have been negotiating the sale of pilot test gas from LX and SJB pilot production gas station and signed new gas sales agreements on 15 Dec 2015 with a gas price is 1.63 RMB/m3. RISC use this as the mid case price. RISC has broadened the range in estimated gas prices to incorporate exchange rate and economic uncertainty.

China's gas market potential is enormous, with accelerating growth in gas consumption over the past decade. With robust economic development expected to continue, energy demand is expected to be high, particularly for clean fuels. By 2020, China's total consumption is expected to approach 200 billion cubic metres, which will account for 13% of China's energy mix. While domestic gas production capacity continues to expand, a large portion of China incremental demand will be met by cross-border pipelines and LNG imports. By 2020, about half of the natural gas demand will have to be imported.

Locally, the Shanxi to Beijing pipeline, the East-West pipeline and the Yulin to Jinan pipeline pass through the province and are currently the source of natural gas supplied into Shanxi. The province has established the Shanxi Natural Gas Company to develop in the long term some 1700 km of distribution pipeline.

Shanxi Development and Reform Commission (DRC) report gas supplies are limited in the Province. If new gas resources became available, they would actively support the construction of pipeline infrastructure and if required, revise their current plans. They see gas use for local distribution, via new pipelines or the main trunk pipelines, CNG and as a chemical feedstock as the main end use options.

Domestic gas prices are expected to gradually align with imported LNG prices. China intends to reform natural gas prices towards a market guided system where fuel oil provides a benchmark for natural gas prices. Such trials are currently being conducted in two provinces that use CBM and LNG supplies.

In June-2013 the National Development and Reform Commission announced[4] that the average price of non-residential natural gas will rise 15% to 1.95 RMB per cubic meter in 10-July-2013. On 18 Nov 2015 they announced revised city gate prices of 1.95 RMB per cubic meter.

The 13th five year plan for the development and utilization of CMB provides support to grow CBM and other gas production in the Ordos Basin. The gas demand continues to be strong. The Ordos basin is one of three industrialized bases for the CBM industry.

The gas evaluated in this report is in coal measures and sandstones adjacent to the coal measures. Coals in the Linxing West are typically too deep to be productive for CBM so the focus is on the adjacent gas bearing sandstones. The coals are shallower in the east of Linxing East and may be productive. In China, gas bearing intervals adjacent to coal measures may be grouped with CBM and be developed through the CBM rules and Authorities. As such, the development may attract the current CBM subsidy.

In summary, RISC estimates a mid gas price based on the deep CBM pilot gas sales agreement with 37% uncertainty, and escalated at 3.75%.

[4] China to Increase Natural Gas Prices for Non-Residential Use, Bloomberg News - Jun 28, 2012

3.7. Development Schedule and Resource Classification

In 2015, SGE drilled 20 wells bringing the total in the Linxing and SanJiaoBei permits to over 110 wells including 2 horizontal wells and 13 shallow CBM wells in Linxing East.

Pilot gas production started in SanJiaoBei and Linxing West on 29th Nov 2014 with gas sold into the Yulin Jinan regional pipeline. The initial rates of up to 4 MMscf/d have been achieved through the SanJiaoBei gas station (1 compressor). The Linxing Gas Plant started in Sep-15 with rates up to 7 MMscf/d. Production through the two gas plants are expected to increase to the 25 MMscf/d capacity during 2016.

Most of the 2015 wells and well tests were drilled and tested to meet the Chinese Reserves Reporting requirements. The 2015 work program focuses on commissioning the Linxing gas plant, building up pilot production and preparing ODPs. The preliminary 2016 work programme includes significant activity including:

In Linxing:

- 19 new deviated pilot wells in Linxing West
- 12 exploration wells (Linxing East)
- 62 well tests
- A second Linxing West Gas Station

In SanJiaoBei:

- 6 new deviated pilot wells in SanJiaoBei
- 3 exploration wells

Activities sometimes partially slip into the following year if not fully completed in the year as planned.

There are a number of milestones required to develop the resources including:

- Submission and approval of the Chinese Reserves Report
- Development, submission and approval of the ODP
- Confirmation of the funding and capability to develop the field

SGE is aware of and progressing the milestones required for full field development. RISC is not aware of any factors that would prevent these milestones from being achieved and reserves being developed within the 5 year reserve guideline. However, RISC has not seen detailed development plans or sanction for development. The development plans detailed in this report have been estimated by RISC but are in line with SGEs development concepts. As the development is modular and onshore there is no need to sanction the full development. Therefore sanction is likely to be phased on an annual basis.

The achievements to date and 2016 forward plans in Linxing and SanJiaoBei PSCs show the commitment and progress in developing the resource. SGE has confirmed that drilling the required wells to develop the reserves is consistent with their intentions. .

3.8. Pilot Production

The PSCs allow for pilot production and associated gas sales under the exploration phase prior to submitting the ODP and obtaining a production license. This allows for long term testing prior to the full investment decision. Gas flaring is generally not allowed so gas export and a market is required for significant pilot testing. Typically formal development is a progression of increased pilot testing once the ODP is submitted, rather than a key project milestone.

Early efforts to conduct deeper CBM pilot testing using CNG facilities were not sustainable due to poor facility availability and reliability. However a sustainable gas market and GSA was agreed in 2014 with gas being sold into the YuJi regional pipeline.

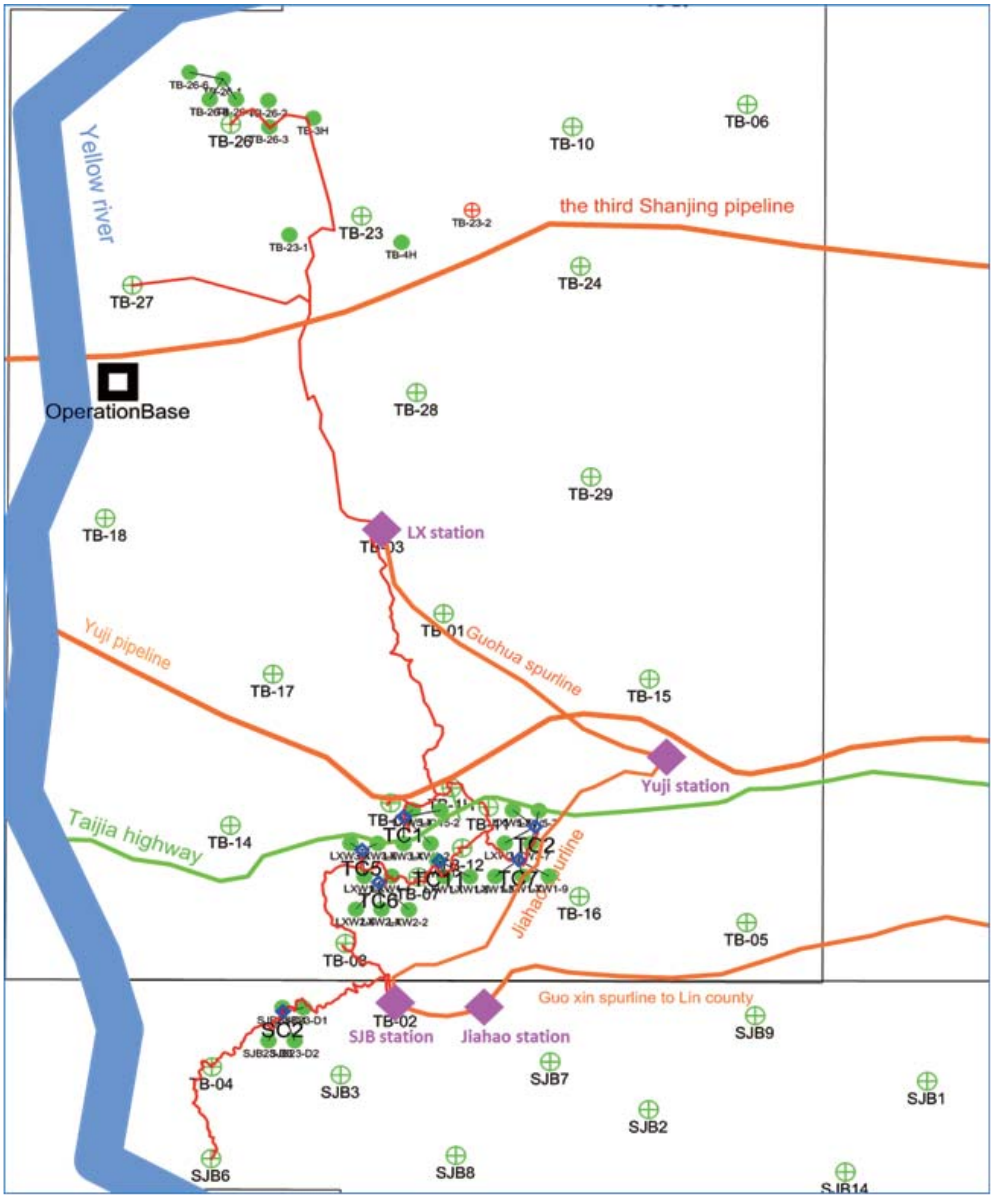


Figure 3-11 Deeper CBM Pilot Scheme

SJB Gas Station Pilot Test Results:

Pilot testing of deep gas started in November 2014 with eleven SJB and LX wells tied into the SJB Gas station. Gas is exported to YuJi station and into the YuJi pipeline. Four additional wells were tied in in 2015. Figure 3-12 shows the pilot production from the SJB gas station.

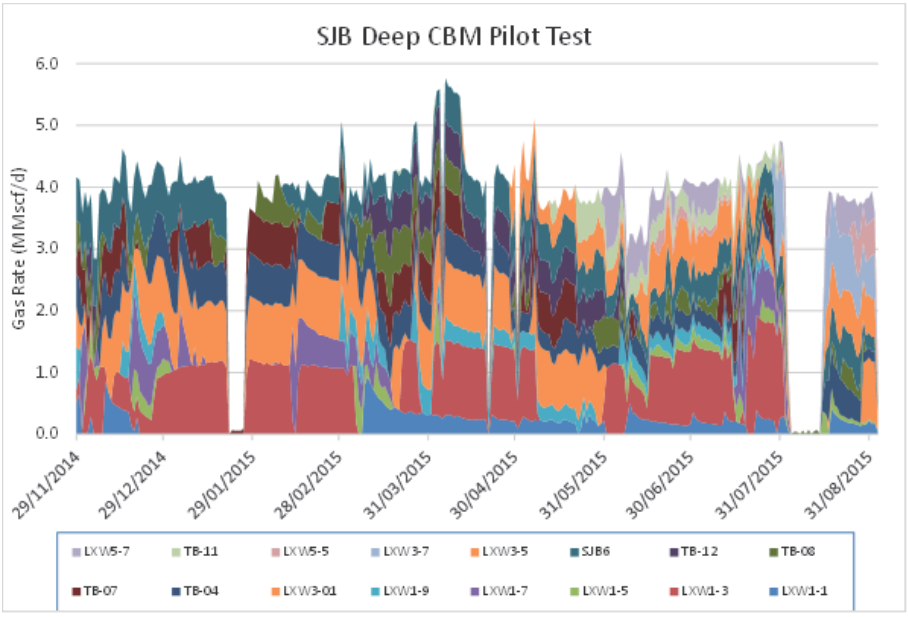


Figure 3-12 SJB Deeper CBM Pilot Production

- Production has been limited by the SJB station compressor capacity of about 4 MMscf/d
- Total gas production was 1.1 Bcf over the 9 months at an average rate of 3.7 MMscf/d
- Due to surplus well productivity, production has been rotated amongst the 13 wells. Individual wells have produced between 0.01 and 0.20 Bcf
- RISC is not aware of any wells issues stopping or significantly reducing production
- SJB pilot testing stopped in Sept 2015, when the LXW pilot started due to disputes over gas sales payments

The following 16 wells are available for SJB pilot production (developed producing reserves):

Table 3-8 SJB Pilot Wells and Completion Intervals

Ord.	Well name	Pad	Development formation					Top MD	Bottom MD	Gas & Poor gas zones thickness TVD m	Log Poro %	Fracking stages
			SQF	Shihezi	shanxi	taiyuan	benxi					
1	TB-11			√	√			1671	1939			
2	TB-12		√	√				1535	1768			
3	TB-07		√					1620	1623			
4	TB-08		√			√		1596	2078			
5	TB-04		√					1526	1531			
6	SJB6		√	√				1425	1829			
7	LXW3-01	TC-11	√	√				1459	1824	18.9	9.64	3
8	LXW1-3	TC-11	√	√	√			1734	2197	17.4	9.27	4
9	LXW1-1	TC-11		√	√			1892	2018	13.9	9.38	3
10	LXW1-7	TC-7		√	√			1810	1977	12.9	9.40	3
11	LXW1-9	TC-7		√	√			1919	2085	2.0	11.60	2
12	LXW1-5	TC-7	√	√	√			1557	2111	37.0	9.19	7
13	LXW3-5	TC-2	√	√	√			1681	2144	10.9	9.66	4
14	LXW3-7	TC-2		√	√			1813	1973	21.97	9.04	4
15	LXW5-5	TC-2		√	√		√	2091	2297	13.4	8.3	4
16	LXW5-7	TC-2	√	√	√			1629	2072	12.4	9.4	4

Developed reserves have been estimated for the 16 wells hooked up to the SJB gas station, with production forecasts limited to the PSC expiry date.

LXW Gas Station Pilot Test Results:

Additional deep gas pilot testing started in Sept 2015 with 9 Linxing West wells tied into the LXW Gas station. Gas was exported to YuJi station and into the YuJi pipeline. Four additional wells were subsequently tied in. Figure 3-13 shows the pilot production from the LXW gas station.

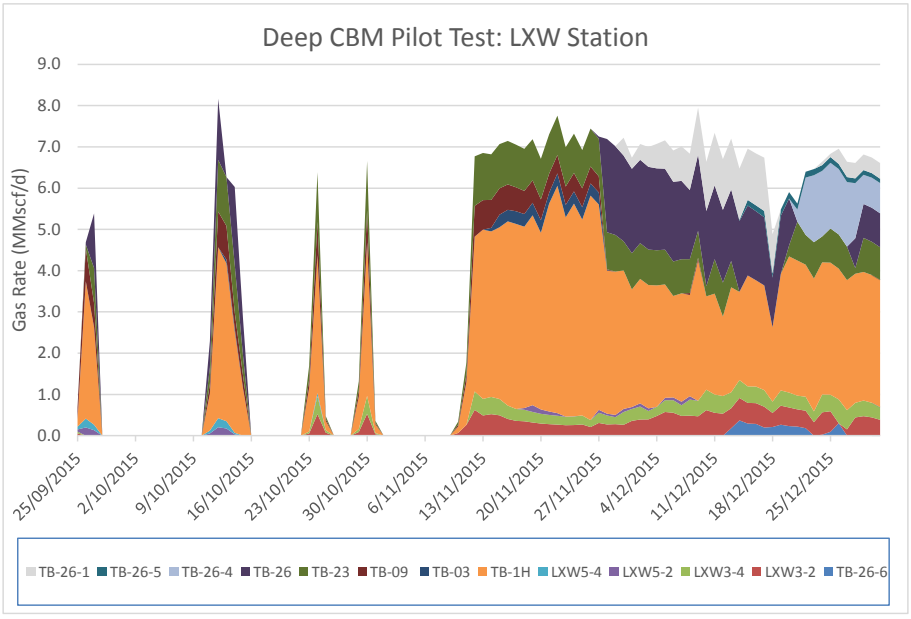


Figure 3-13 LXW Deeper CBM Pilot Production

- Production has been limited by the LXW station compressor capacity of about 7 MMscf/d
- Total gas production was 0.40 Bcf over the 3 months
- Due to surplus well productivity, production has been rotated amongst the 13 wells.
- Horizontal well TB-1H has produced 0.20 Bcf at rates of up to 5.5 MMscf/d

Production through the LXW gas plant is planned to increase to 17 MMscf/d during 2016. Production from SJB gas station is expected to resume and increase to 8 MMscf/d giving a total pilot production rate of 25 MMscf/d.

The following 13 wells are available for LXW pilot production (developed producing reserves):

Table 3-9 LXW Pilot Wells and Completion Intervals

Well	Target zones				comment	perforated or fracked
	Formation	Top (m)	Bottom (m)	Th (m)		
TB-09	P3q5	1592.1	1599.0	6.9	Gas	perforated
TB-03	P3q5	1589.1	1594.9	5.8	Gas	perforated
TB-1H	P1s1_Horiz	2320	3440	1120	Gas	open hole fracked
TB-23	P1t	1933.1	1945.7	12.6	Gas	fracked
TB-26	C2b	2059.3	2063.5	4.2	Gas	perforated
	C2b	2064.4	2066.4	2.0	Poor gas	
TB26-1	C_2b5	2028.3	2030.5	2.2	gas	perforated
	C_2b5	2014.7	2016.9	2.2	poor gas	perforated
		2013.3	2014.7	1.4	gas	perforated
	P_1s-2	1888	1890.4	2.4	gas	perforated
	P_2x-he8	1806.6	1810.3	3.7	gas	perforated
TB-26-4	C_2b5	2147.2	2154.4	7.2	gas	perforated
TB-26-5	P_3q5	1622.6	1626.7	4.1	gas	perforated
TB-26-6	P_1t	2138.4	2141.7	3.3	gas	perforated
LXW3-2	P_1s-2	2037.8	2043	5.2	gas	fracked
	P_1s-1	1988.8	1991.2	2.4	gas	fracked
		1987.2	1988.8	1.6	dry	
	P_2x-he8	1970	1973.2	3.2	gas	fracked
		1967.2	1970	2.8	poor gas	
	P_3q4	1526.4	1529.4	3	gas	fracked
		1524.4	1526.4	2	poor gas	
LXW3-4	P1s-2	2114	2121.6	7.6	gas	fracked
	P2x-he8	2035.4	2038.6	3.2	poor gas	fracked
		2009.2	2012.4	3.2	gas	
	P2x-he7	1955.8	1958.6	2.8	gas	fracked
		1950.4	1951.4	1	poor gas	
		1947	1949.4	2.4	poor gas	
	P3q5	1647	1651	4	gas	fracked
		1642.6	1644.6	2	gas	
LXW5-2	P_1s-2	2091.6	2104.4	12.8	gas	perforated
	P_2x-he8	1962	1966.2	4.2	gas	perforated
	P_2x-he7	1923	1925	2	poor gas	perforated
	P_2x-he7	1903.4	1906.4	3	poor gas	perforated
	P_3q5	1632	1640.4	8.4	gas	perforated
LXW5-4	C_2b5	2095.6	2098.8	3.2	poor gas	perforated

Developed reserves have been estimated for the 13 wells hooked up to the LXW gas station, with production forecasts limited to the PSC expiry date.

The shallow CBM in Linxing East has been de-watering and producing gas since late 2012. However gas production volumes have been less than 50 Mscf/d and too small to sell (despite a signed GSA) so the gas has been flared.

4. SanJiaoBei PSC

4.1. Introduction and PSC Terms

The 35-year SanJiaoBei PSC consists of a number of exploration phases totalling 5 years (unless extended) followed, if successful, by a 30 year development period. The exploration period should include pilot developments of any discoveries prior to submitting an ODP (Overall Development Program). If there is not sufficient time to complete the approved pilot development, the exploration period can be extended. The development period will commence with approval of the ODP and its length will be specified in the approved ODP. If gas sales or gas transportation contracts are not available the exploration period can be extended or suspended for a limited period.

From a brief review, the PSC appears to be a standard PSC with the following key terms:

- Exploration expenditure is totally for the contractor and non-recoverable if unsuccessful.
- The Government Partner (CNPC or China National Petroleum Corporation) has the right to 51% interest in SanJiaoBei development and pay their corresponding share of development costs. PCCBM operate on behalf of CNPC.
- Value added tax and royalty is paid from Annual Gross Production.
- 85% of production is available for cost recovery to recover Opex, Exploration Expenditure, Development Capex and interest.

Once exploration and development costs have been recovered, surplus cost recovery production is added to the "remainder CBM and liquid hydrocarbon production".

The remainder production is shared by the parties in proportion to their respective participating interests. However, the allocated remainder reduces with production rate from 100% when production is less than 800 million m^3/d to 90% of production over 5000 million m^3/d.

Various exploration right user fees, mining right user fees and CNPC/PCCBM support costs must be paid.

PSC terms for SanJiaoBei are illustrated in Figure 4-1:

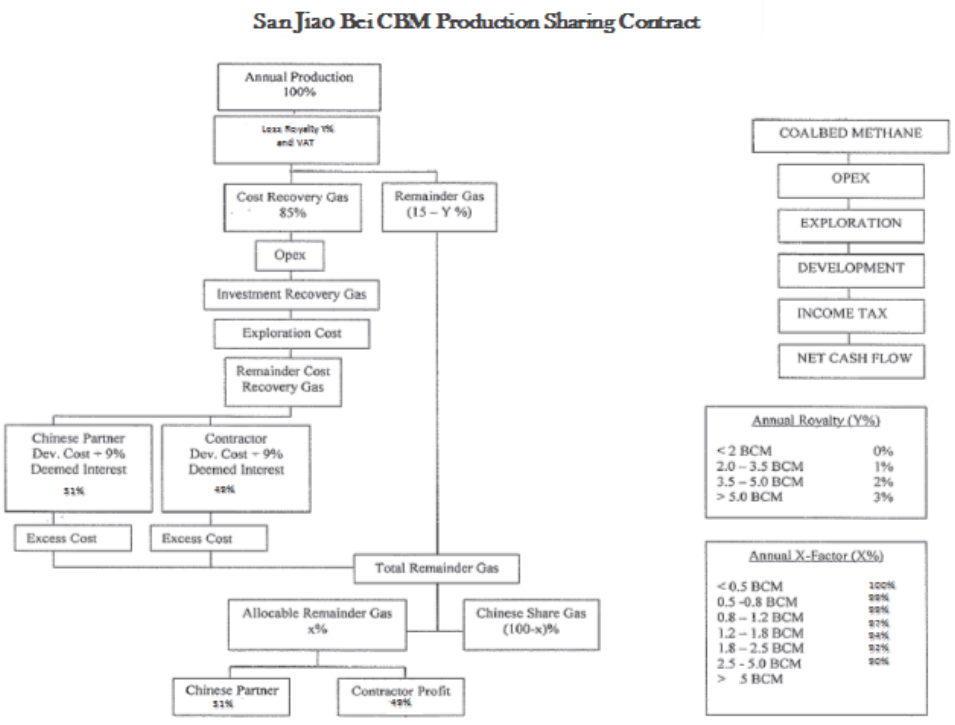


Figure 4-1: SanJiaoBei PSC Terms

SGE has advised that:

- the income tax rate applicable to this project is 25%
- VAT at the rate of 13% is embedded in the gas price and is rebatable
- Regional taxes assessed at 10% of the VAT amount are also payable – the impact of these is relatively minor and they are not included in the economic modelling.

The original exploration period for the SanJiaoBei PSC (5 years) has been extended 3 times to August 2015. As part of the extension SGE and PetroChina Coal Bed Methane Company (PCCBM), the subsidiary of CNPC, have developed a mutually agreed work program to move the project towards the preparation of the Chinese Reserves Report covering the SanJiaoBei area and the overall development plan (ODP).

The PSC expires after 35 years in 2033 although extension may be possible.

4.2. Gas Initially In Place Estimates

The total resource area is constrained by the PSC boundaries.

RISC has reviewed SanJiaoBei and estimated a discovered area defined by seismic and wells and a prospective area where seismic and well control is limited. Resources in the discovered area are

classified as contingent resources or reserves. Resources in the prospective area are classified as prospective resources. The areas are shown in Figure 4-2 and Table 4-1.

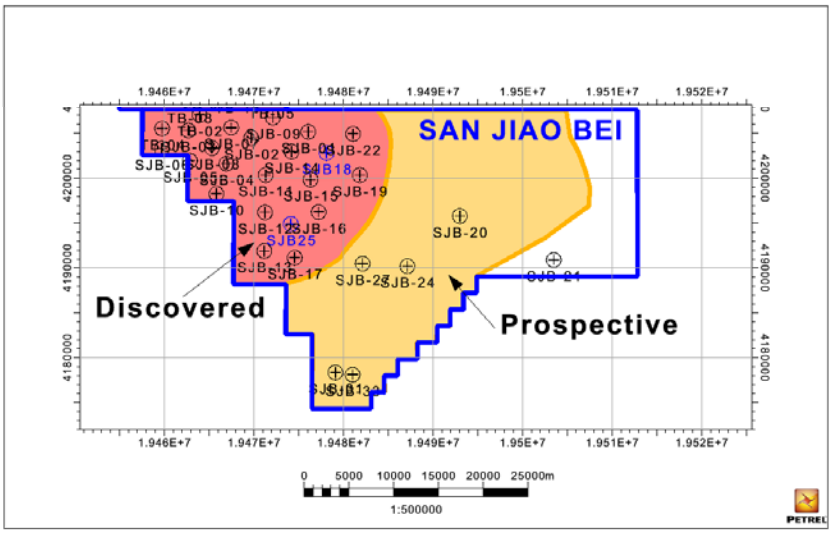


Figure 4-2 SanJiaoBei permit – Resource Areas

Table 4-1 SanJiaoBei permit – Deep CBM Resource Areas

Deep CBM Resource Areas (km^2)		
Region	**Discovered**	**Prospective**
SanJiaoBei	370	595

The northwest of SanJiaoBei has adequate wells and well test coverage to classify as discovered and gas productive.

The central area is supported by seismic mapping. Gas saturations in the limited number of wells carry significant uncertainty and the wells have not yet been tested to confirm the presence of producible gas. The area is therefore classified as prospective.

The sandstone in wells east of the regional fault (SJB-21) are interpreted as water bearing. Therefore, no deep CBM resources are interpreted. However, the coals are shallower east of the fault and may have some shallow CBM potential.

RISC has estimated gas initially in-place (GIIP) for all formations probabilistically using the areas in Table 4-1 and reservoir parameters in Table 3-3, Table 3-5 and Table 3-6. The resulting range of GIIP by formation is shown in Table 4-2. The arithmetic range is provided for reference. However, the probabilistic range represents the independent nature of the different formations more realistically.

Table 4-2 SanJiaoBei - Gas Initially In-place by Formation

Discovered GIIP (Bcf)			
Formation	P90	P50	P10
Shiqianfeng (Total)	416	529	664
SQF 1	*14.5*	*25.5*	*42*
SQF 2	*108*	*168*	*251*
SQF 3	*57.9*	*95.1*	*148*
SQF 4	*101*	*172*	*269*
SQF 5	*27.3*	*52.3*	*88.1*
Shihezi	794	1237	1832
He8	151	238	360
Shanxi	708	1073	1564
Taiyuan / Benxi	348	540	804
Arithmetic (Total)	2310	3601	5358
Probabilistic (Total)	**3031**	**3685**	**4489**

Prospective GIIP (Bcf)			
Formation	P90	P50	P10
Shiqianfeng (Total)	547	704	900
SQF 1	*21.6*	*38.1*	*63*
SQF 2	*136*	*214*	*322*
SQF 3	*49.1*	*83.5*	*134*
SQF 4	*162*	*277*	*433*
SQF 5	*37.7*	*72.2*	*122*
Shihezi	708	1110	1659
He8	81.1	131	203
Shanxi	694	1055	1539
Taiyuan / Benxi	723	1119	1659
Arithmetic (Total)	2613	4100	6134
Probabilistic (Total)	**3468**	**4219**	**5111**

4.2.1. Productive and Developable GIIP

Gas-bearing reservoir quality sand (pay) has been identified in five formations. However, pay does not exist in all formations in every well and the amount and quality of pay in certain intervals may not justify fracture stimulation and development of all pay in every well. Therefore, only a proportion of the GIIP is expected to be completed and developed to production.

As with all tight gas sand developments, permeability is a key uncertainty and although sands with less than 4% porosity are excluded from pay, the permeability or thickness of some pay intervals may still not be adequate to justify stimulation and achieve stabilised gas production. RISC has estimated the P90, P50 and P10 proportion of productive GIIP from each formation in each well by applying a porosity cut-off of 9%, 7% and 5% to the petrophysical interpretation of each well. The high cut-off of 9% is based on successful well test that have generally included a section with porosities above 9%. The low cut-off of 5% is greater than the 4% used to define net pay to allow for some intervals being too thin to justify individual stimulation and completion. The proportion of GIIP above the different cut-offs in all Linxing and SanJiaoBei wells is used as the P90, P50 and P10 percentage of productive GIIP - Table 4-3.

Table 4-3 Proportion of Productive GIIP per Formation

	SQF Q1	SQF Q2	SQF Q3	SQF Q4	SQF Q5	Shihezi	He8	Shanxi	Taiyuan	Total GIIP	Prod well
P90	38%	46%	64%	77%	83%	73%	48%	62%	59%	64%	100.0%
P50	53%	73%	79%	90%	92%	85%	74%	84%	81%	82%	100.0%
P10	87%	94%	95%	100%	100%	97%	91%	98%	99%	97%	100.0%

Explaining the table above:

- 38% of the GIIP in SQF Q1 pay has porosity greater than 9% and is considered proved to be producible.
- 53% of the GIIP in SQF Q1 pay in all wells has a porosity greater than 7% and is considered most likely producible
- 87% of the GIIP in SQF Q1 pay in all wells has a porosity greater than 5% and is considered possibly producible
- Combining the P90 probabilities with the P90 GIIP gives a total P90 producible GIIP which is 64% of the total P90 GIIP.
- 82% of the P50 GIIP is productive.

The probability of a well finding productive GIIP in at least one formation is effectively (marginally below) 100% for the P90, P50 and P10 realisation.

4.3. Development Plan and Production Forecast

RISC has built P90, P50 and P10 single well simulation models for each formation and used these to optimise the well spacing and develop typecurves for production forecasting. Production forecasts are based on the following assumptions:

- The deeper formations are developed using vertical fracced wells at 130 acre spacing
- The SQF formation is developed using vertical fracced wells at 390 acre spacing
- 1 in 3 of the deeper wells includes an SQF completion
- 80% of the discovered and prospective area is accessible. The remaining 20% cannot be developed due to land access (terrain, villages, farms, etc.)
- 5% of wells prove to be no productive due to mechanical or reservoir issues.

- Initially 10 drilling rigs are used with a capability to drill a maximum of 120 wells per year, based on all-year drilling; 27 days per well excluding rig move.

The 370 km^2 discovered area containing reserves and contingent resources is estimated to be developed using 534 productive wells and parameters given in Table 4-4.

Table 4-4 Development Parameters – Discovered Area

SJB Discovered Area Resource

Prob	GIIP	Productive	Area	Prod GIIP	Economic Dev Area		Total	Productive Wells		Developable
	Bcf	GIIP	km2	bcf/km2	%	km2	Wells	%	Wells	GIIP bcf
P90	3031	1950	370	5.27	80%	296	562	95%	534	1481
P50	3685	3040	370	8.22	80%	296	562	95%	534	2309
P10	4489	4359	370	11.78	80%	296	562	95%	534	3311

The single well typecurves have been generated and combined to generate the full field production forecasts as shown in Figure 4-3.

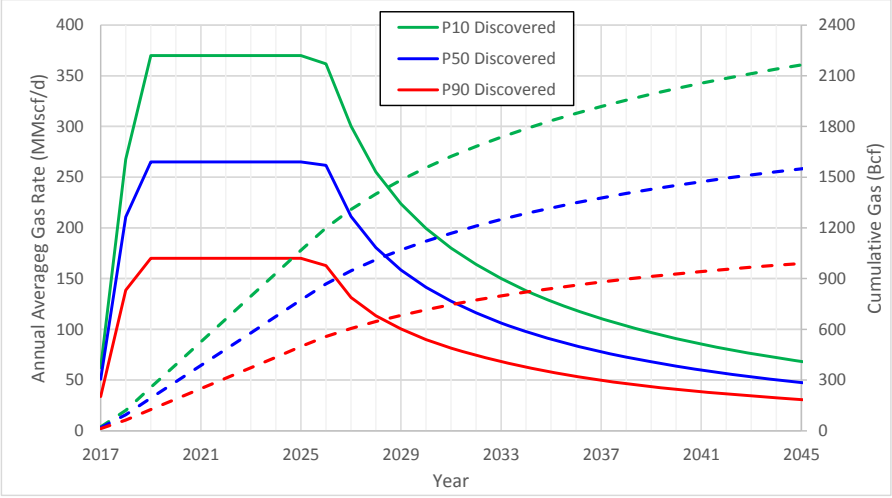


Figure 4-3 SanJiaoBei Discovered Area P90, P50, P10 Production Forecasts

Development drilling is initially limited to 10 SanJiaoBei drilling rigs (120 well /year) so plateau occurs in year three of production. The plateau rate has been selected to give 10 years ramp-up plus plateau.

Production forecasts and economics are based on 50 year field life to 2066, although for clarity production graphs are limited to 2044.

4.4. SanJiaoBei Resources

Existing SanJiaoBei wells are producing and additional wells are planned to be put onto production as part of the pilot program, prior to submitting the Chinese Reserves Report, ODP and obtaining the production license. Gas produced from these wells is sold through the approved and future gas sales agreements. Therefore gas production from the planned pilot program is classified as developed reserves.

RISC has assigned reserves to the existing wells and the two adjacent well spacings within the discovered area. 1P, 2P and 3P reserves are based on the geological and well performance uncertainty within that area.

The ultimate size of the development will depend upon pilot, further drilling and early production results. RISC classifies the remaining resources in the larger discovery area as contingent resources.

Resources in the prospective area need to be confirmed with exploration wells and are classified as prospective resources with a geological possibility of success.

4.4.1. 1P and 2P Reserves

28 wells have been drilled in the discovered area of SanJiaoBei and are available for future production. Resources in these wells and the surrounding 2 well spacings are classified as reserves. The reserve area is 268 km^2 of the 370 km^2 discovered area. Production forecasts for the reserves area were generated using the same methodology discussed in section 4.3 but limited to the reserve area. Reserves are also limited to production up to the PSC expiry date. SanJiaoBei Reserves are shown in Table 4-5

Table 4-5: SanJiaoBei 1P and 2P Reserves

Gas Reserves (bcf) YE2015	**Full Field**		**MIE Entitlement**	
	1P	**2P**	**1P**	**2P**
Developed Reserves	3	5	0.8	1.2
Undeveloped Reserves	573	904	151	230
Total Reserves	580	909	152	231

4.4.2. Possible Reserves

Upside reservoir performance and the resulting possible reserves have been estimated and shown in Table 4-6.

Table 4-6: SanJiaoBei Possible Reserves

Possible Gas Reserves (bcf) YE2015	**Full Field** **Possible Reserves**	**MIE Entitlement** **Possible Reserves**
Developed Reserves	2	0.5
Undeveloped Reserves	353	83
Total Reserves	355	84

Possible reserves are incremental to the 2P reserves in Table 4-5.

4.4.3. Contingent Resources

SanJiaoBei Contingent Resources are shown in Table 4-7. Contingent resources are the production shown in Figure 4-3 less resources assigned as reserves, and include post PSC expiry production.

Table 4-7: SanJiaoBei Contingent Resources

Gas Resource (bcf) YE2015	Full Field			MIE Entitlement		
	1C	2C	3C	1C	2C	3C
Contingent Resource	510	794	1127	126	195	274

SanJiaoBei contingent resources are estimated to have 90% probability of development.

4.4.4. Prospective Resources

SanJiaoBei Prospective Resources are shown in Table 4-8.

Table 4-8: SanJiaoBei Prospective Resources

Gas Resource (bcf) YE2015	Full Field			MIE Entitlement		
	low	best	high	low	best	high
Prospective Resource	1250	1972	2785	298	460	641

Production forecasts and resource volumes for the prospective area were generated using the same methodology discussed in section 4.3 using the prospective resource area and prospective resource typecurves. The prospective resource typecurves use lower net pay and GIIP density due a lower proportion of gas bearing reservoir incorporated using the lower hydrocarbon net to gross.

SanJiaoBei prospective resources are estimated to have 54% probability of discovery and development.

4.5. SanJiaoBei Economics

4.5.1. Probability of Development and Discovery

Development of the full contingent resource depends upon successful Chinese reserve certification, approval of the Overall Development Plan, supporting results from the pilot test, stakeholder approval and funding for the development. RISC estimated the probability of development to be 90%.

Discovery of prospective resources carries an increase geological probability of occurrence, estimated to be 60%. The probability of development of the prospective resources is the geological risk times the development risk; namely 54% (60% x 90%).

If development does not proceed there is a potential negative outcome due to the cost of progressing the evaluation prior to a negative development decision.

The Contingent and Prospective Resources assessed in this report have not been adjusted for these probabilities and are therefore unrisked values.

4.5.2. Economic Analysis

Discounted Cashflow Analysis has been conducted on the SanJiaoBei PSC to calculate MIE entitlement to cost and profit gas and project NPVs. Economic assumptions include:

- USD cost inflation 2.5% pa,
- RMB/USD exchange rate of 6.45 current and in the future,
- Recoverable exploration and appraisal expenditure of US$105 million in SJB as of Dec 2015.

NPV has been calculated at 1/1/2016 using 10% real discount rate. The sunk cost prior to 2016 has been accounted for in the economic model. The terms used in the analysis are those outlined in the economic section above, with the assumption that the latest information supplied to RISC is current.

Pilot test production is small and not included in the economic analysis. Full field development and production is assumed from 2017.

Economic results from developing 1P and 2P reserves are summarized in Table 4-9. SGE share is the contractor share of which MIE are entitled to 51%.

Table 4-9: SanJiaoBei Reserves Economics

Project NPV_{10} ($MM)	1P	2P
SGE Share	$567	$994
MIE Share	$289	$507

The effect of key uncertainties on the NPV of MIE 2P reserves are shown in Figure 4-4.

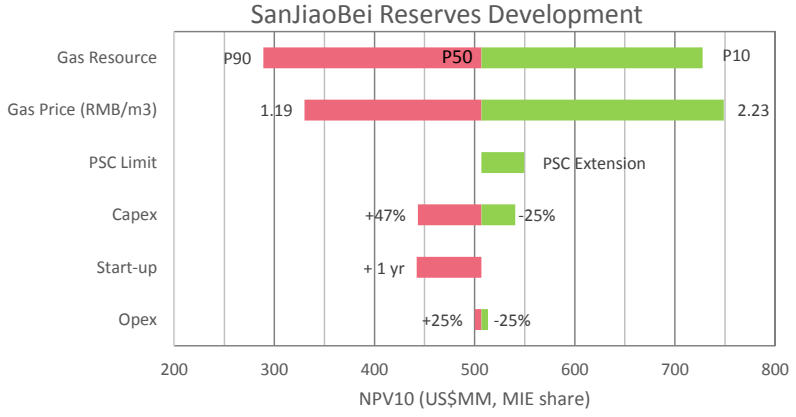


Figure 4-4: Economic Sensitivities –SanJiaoBei Reserves Development

Points of note are:

- The gas resource or volume of developable GIIP is the largest economic uncertainty, closely followed by gas price uncertainty.
- Economics is more sensitive to development Capex than Opex. The downside Capex combines cost uncertainty +25% and not achieving the expected 15% Capex reduction with experience.
- Potential extension the 35 year PSC beyond expiry in 2033 has a significant upside.

- In the start-up sensitivity only production (not costs) were adjusted to simulate delayed production or gas sales.

Economic analysis shows the project to be robust (NPV10 positive) across all realisations although there is a wide range in field performance and resulting NPV.

5. Linxing PSC

5.1. Introduction and PSC Terms

The Linxing 30-year PSC consists of a number of exploration phases totalling 5 years (unless extended) followed, if successful, by a development period. The exploration period should include pilot developments of any discoveries prior to submitting an ODP (Overall Development Program). If there is not sufficient time to complete the approved pilot development, the exploration period can be extended. The development period will commence with approval of the ODP and its length will be specified in the approved ODP. If gas sales or gas transportation contracts are not available the exploration period can be extended or suspended for a limited period.

From a brief review, the PSC appears to be a standard PSC with the following key terms:

- Exploration expenditure is totally for the contractor and non-recoverable if unsuccessful.
- The Government Partner (CUCBM) has the right to 30% interest in Linxing development and pay their corresponding share of development costs.
- Value added tax and royalty is paid from Annual Gross Production.
- 85% of production is available for cost recovery to recover Opex, Exploration Expenditure, Development Capex and interest.
- Once exploration and development costs have been recovered, surplus cost recovery production is added to the "remainder CBM and liquid hydrocarbon production".
- The remainder production is shared by the parties in proportion to their respective participating interests. However the allocated remainder reduces with production rate from 100% when production is less than 800 million m3/d to 90% of production over 5000 million m3/d.
- Various exploration right user fees, mining right user fees and CUCBM support costs must be paid.

PSC terms for Linxing are illustrated below.

CBM Energy Associates L.C. has an option (granted originally by Chevron) to buy-back 5.25% of the contractor interest by paying 7.5% of historical costs and expenses. RISC assumes that this option is exercised in calculating SGE economics.

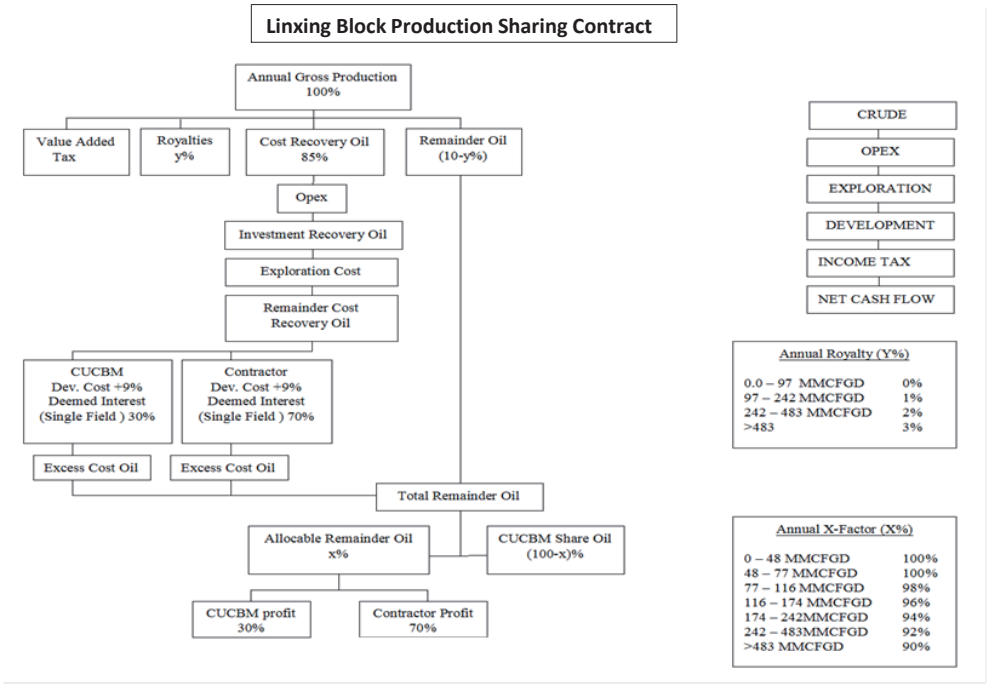


Figure 5-1: Linxing PSC Terms

SGE has advised that:

- the income tax rate applicable to this project is 25%
- VAT at the rate of 13% is embedded in the gas price and is rebatable
- Regional taxes assessed at 10% of the VAT amount are also payable – the impact of these is relatively minor and they are not included in the economic modelling.

The original exploration phase (5 year) has been extended 7 times and will currently expire end August 2016. Subsequently a further extension or an ODP (Overall Development Program) application would be required. It is likely that SGE will apply an ODP at before this.

Table 5-1: PSC Extensions and Expiry Dates

PSC	Awarded	Extension	Expiry
Linxing	29/06/1998	6	31/08/2013
Linxing	29/06/1998	7	31/08/2016

The PSC has a minimum spend of 10,000 RMB per square km per year.

The PSC expires after 30 years in 2028 although extension may be possible.

5.2. Gas Initially In Place Estimates

The total resource area is constrained by the PSC boundaries which were revised when the PSC exploration phase extension was granted. The relinquished area divides the PSC into east and west sub-blocks.

RISC has reviewed Linxing PSC and estimated a discovered deep gas area defined by seismic, wells and well tests and a prospective area where seismic and well control is limited. Resources in the discovered area are classified as contingent resources or reserves. Resources in the prospective area are classified as prospective resources. The areas are shown in Figure 5-2 and Table 5-2.

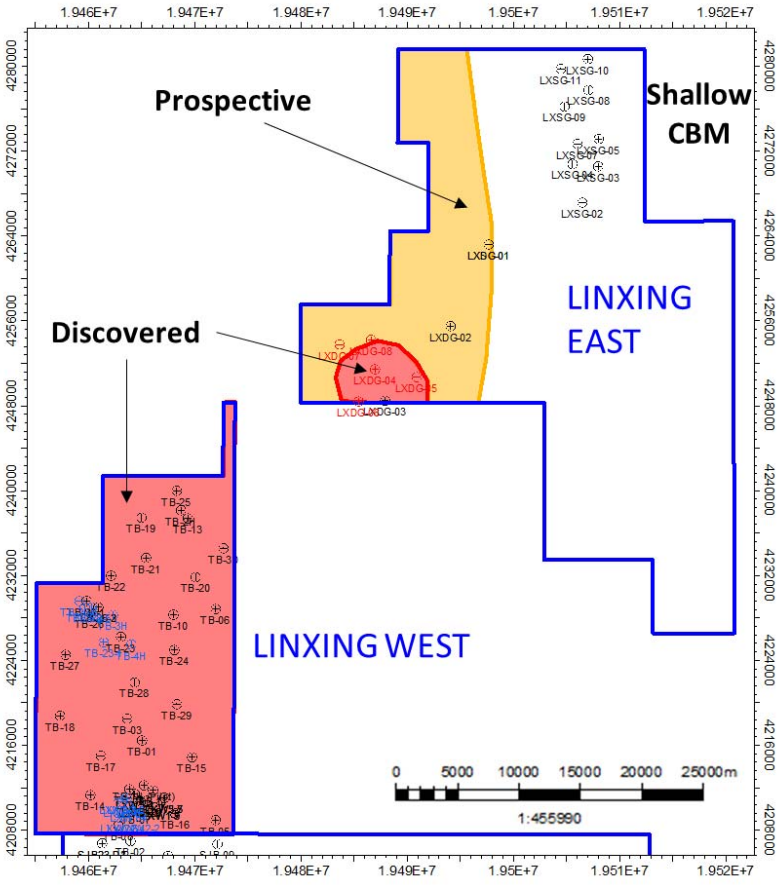


Figure 5-2 Linxing permit – Resource Areas

Table 5-2 Linxing permit – Deep Gas Resource Areas

Linxing permit – Deep CBM Resource Areas (km^2)		
Region	**Discovered**	**Prospective**
LX West	573	-
LX East	40	294

The Linxing West area has adequate wells and well test coverage to classify the complete area as discovered and gas productive.

The Linxing East resource area is divided into a deeper gas area to the west of a major fault and a shallow CBM area east of the fault. The deeper area is largely prospective; it is supported by seismic mapping but lacks well control and well tests to confirm the presence of producible gas. A well test in LXDG01 produced gas and water but not at measured stabilised rates. Well LXDG02 produced gas at sub-economic rates.

However in 2015 wells drilled in the south of Linxing East (LXDG-03, 4 and 5) produced at economic gas rates. Therefore RISC has assigned a 40 km^2 area around these wells as discovered.

RISC has estimated deep gas initially in-place (GIIP) for all formations probabilistically using the areas in Table 5-2 and reservoir parameters in Table 3-3, Table 3-5 and Table 3-6. The resulting range of GIIP by formation is shown in Table 5-3. The arithmetic range is provided for reference. However, the probabilistic range represents the independent nature of the different formations more realistically.

Table 5-3 Linxing - Gas Initially In-place by Formation

Discovered GIIP (Bcf)			
Formation	P90	P50	P10
Shiqianfeng (Total)	689	875	1102
SQF 1	*24*	*42*	*70*
SQF 2	*179*	*279*	*415*
SQF 3	*96*	*158*	*244*
SQF 4	*167*	*285*	*446*
SQF 5	*45*	*87*	*146*
Shihezi	1316	2049	3035
He8	250	395	596
Shanxi	1173	1778	2592
Taiyuan / Benxi	576	895	1332
Arithmetic (Total)	3826	5968	8876
Probabilistic (Total)	5022	6105	7438

Prospective GIIP (Bcf)			
Formation	P90	P50	P10
Shiqianfeng (Total)	270	348	445
SQF 1	*11*	*19*	*31*
SQF 2	*67*	*106*	*159*
SQF 3	*24*	*41*	*66*
SQF 4	*80*	*137*	*214*
SQF 5	*19*	*36*	*60*
Shihezi	350	548	820
He8	40	65	100
Shanxi	343	521	760
Taiyuan / Benxi	357	553	820
Arithmetic (Total)	1291	2026	3031
Probabilistic (Total)	1712	2079	2519

As with SanJiaoBei the proportion of productive GIIP in Linxing has been estimated using the parameters in Table 4-3.

Linxing East also contains CBM resource to the east of the major fault where the formations and coal measures are significantly shallower. These are discussed in section 5.5.

5.3. Deep Gas Development Plan and Production Forecast

As for SanJiaoBei PSC, P90, P50 and P10 single well simulation models have been used these to optimise the well spacing, develop typecurves for production forecasts for Linxing. The same development assumptions are using in Linxing as SanJiaoBei:

- The deeper formations are developed using vertical fracced wells at 130 acre spacing
- The SQF formation is developed using vertical fracced wells at 390 acre spacing
- 1 in 3 of the deeper wells includes an SQF completion
- 80% of the discovered and prospective area is accessible. The remaining 20% cannot be developed due to land access (terrain, villages, farms, etc.)
- 5% of wells prove to be no productive due to mechanical or reservoir issues.
- Initially 10 drilling rigs are used with a capability to drill a maximum of 120 wells per year, based on all-year drilling; 27 days per well excluding rig move.

The 613 km^2 discovered area containing reserves and contingent resources is estimated to be developed using 885 productive wells and parameters given in Table 5-4.

Table 5-4 Development Parameters – Discovered Area

Linxing Discovered Area Resource

Prob	GIIP Bcf	Productive GIIP	Area km2	Prod GIIP bcf/km2	Economic Dev Area %	Economic Dev Area km2	Total Wells	Productive Wells %	Productive Wells Wells	Developable GIIP bcf
P90	5022	3231	613	5.27	80%	490	932	95.0%	885	2455
P50	6105	5036	613	8.21	80%	490	932	95.0%	885	3826
P10	7438	7223	613	11.78	80%	490	932	95.0%	885	5488

The single well typecurves have been combined to generate the full field production forecasts as shown in Figure 5-3.

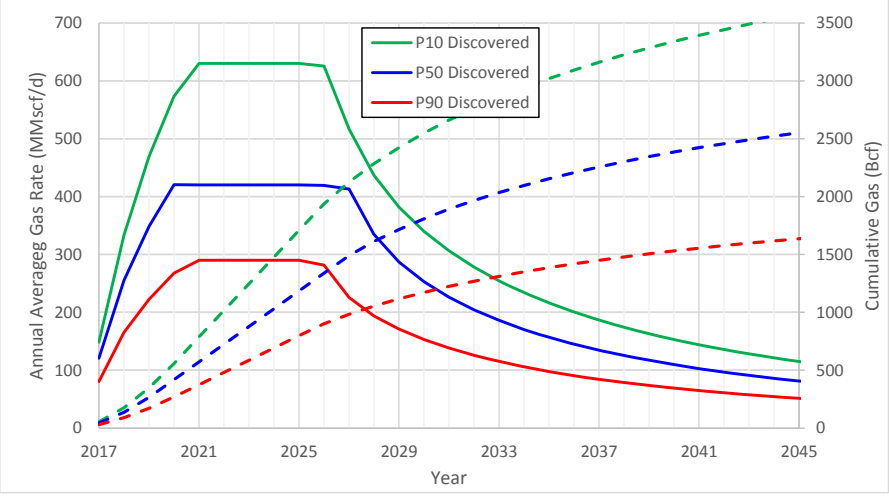


Figure 5-3 Linxing Discovered Area P90, P50, P10 Production Forecasts

Development drilling is initially limited to 10 Linxing drilling rigs (120 well /year) so plateau occurs in year four or five of production. The plateau rate has been selected to give 10 years ramp-up plus plateau.

Production forecasts and economics are based on 50 year field life to 2067, although for clarity production graphs are limited to 2045.

5.4. Linxing Deep Gas Resources

Existing Linxing wells are producing and additional wells are planned to be put onto production as part of the pilot program, prior to submitting the Chinese Reserves Report, ODP and obtaining the production license. Gas produced from these wells is sold through the approved and future gas sales agreements. Therefore gas production from the planned pilot program is classified as developed reserves.

RISC estimates the risk of no development progressing as negligible. RISC has assigned reserves to the existing wells and the two adjacent well spacings within the discovered area. 1P, 2P and 3P reserves are based on the geological and well performance uncertainty within that area.

The ultimate size of the development will depend upon pilot, further drilling and early production results. RISC classifies the remaining resources in the larger discovery area as contingent resources.

Resources in the prospective area need to be confirmed with exploration wells and are classified as prospective resources with a geological possibility of success.

5.4.1. Reserves

56 wells have been drilled in the discovered area of Linxing and are available for future production. Resources in these wells and the surrounding 2 well spacings are classified as reserves. The reserve area is 327 km^2 of the 613 km^2 discovered area and requires 523 development wells. Production forecasts for the reserves area were generated using the same methodology discussed in section 5.3, but limited to the reserve area. Reserves are also limited to production up to the PSC expiry date. Linxing Deep Reserves are shown in Table 5-5:

Table 5-5: Linxing Deep Gas 1P and 2P Reserves

Gas Reserves (bcf) YE2015	Full Field		MIE Entitlement	
	1P	2P	1P	2P
Developed Reserves	29	47	9.7	15.3
Undeveloped Reserves	641	1006	215	328
Total Reserves	670	1053	225	343

5.4.2. Possible Reserves

Upside reservoir performance and the resulting possible reserves have been estimated in Table 5-6.

Table 5-6: Linxing Deep Gas Possible Reserves

Possible Gas Reserves (bcf) YE2015	Full Field Possible Reserves	MIE Entitlement Possible Reserves
Developed Reserves	18	5.6
Undeveloped Reserves	388	117
Total Reserves	406	123

Possible reserves are incremental to the 2P reserves in Table 5-5.

5.4.3. Contingent Resources

Linxing Deep Contingent Resources are shown in Table 5-7. Contingent resources are the production shown in Figure 4-3 less resources assigned as reserves, and include post PSC expiry production.

Table 5-7: Linxing Deep Contingent Resources

Gas Resource (bcf) YE2015	Full Field			MIE Entitlement		
	1C	2C	3C	1C	2C	3C
Contingent Resource	1133	1764	2499	367	564	790

Linxing deep contingent resources are estimated to have 90% probability of development.

5.4.4. Prospective Resources

Production forecasts and resource volumes for the prospective area were generated using the same methodology discussed in section 5.3 using the prospective resource area and prospective resource typecurves. The prospective resource typecurves use lower net pay and GIIP density due a lower proportion of gas bearing reservoir incorporated using the lower hydrocarbon net to gross.

Linxing Deep Prospective Resources are shown in Table 5-8:

Table 5-8: Linxing Deep Prospective Resources

Gas Resource (bcf) YE2015	Full Field			MIE Entitlement		
	low	best	high	low	best	high
Prospective Resource	620	982	1382	196	302	419

Linxing deep prospective resources are estimated to have 67.5% probability of discovery and development.

5.5. Linxing East Shallow CBM Resources

The shallow CBM resource area is confined to the north-eastern quadrant of the Linxing East PSC (Figure 5-2). Structurally, Linxing East is divided by an N-S trending fault with significant throw which separates the shallow CBM play on the eastern up thrown side from the western deep CBM play (Figure 3-2).

Eleven CBM exploration wells have been drilled in the Linxing East Shallow CBM area (LXSG-1 to LXSG-11). The primary CBM targets are the Shanxi 4/5 coal seam and the Taiyan 8/9 coal seams. The well sections are stratigraphically datumed on the 8/9 seam and show that there are several thinner seams and plies present within the Shanxi and Taiyuan Coal Measures sequence which will add to the total resource volume. For this analysis, RISC has estimated volumes for the Shanxi 4/5 seam and Taiyuan 8/9 seams only, as these two seams account for the majority of the resource and are the seams that are most likely to be developed.

RISC has calculated resource volumes within the seismically mapped area, east of the fault. This area is 265 km^2 and is a small subset of the entire Linxing East PSC. RISC reviewed the sensitivity of net coal thickness to density log cut off within Petrel by applying density cut off values from 1.70 g/cc to 2.20 g/cc. The net coal thickness using a base case density cut-off (1.85 g/cc) varies from 5.5 to 13.7m in the 11 wells with an average of 10.0m.

Isotherms curves measured in the laboratory on coal samples for all LXSG wells show maximum gas content of 6 to 16 m^3/tonne. Desorption data indicates limited gas saturation with gas contents of 3 to 8 m3/tonne, which is lower than regional analogues (13 m3/tonne). The gas is 95% to 97% methane.

Gas production has been achieved in five out of the six pilot wells, although the gas rates achieved to date are too low for economic development; average 1200 m^3/d (44 Mscf/d). The rapid dewatering and early gas production indicated that gas saturations are higher than the measured desorption values. RISC has modelled the pilot well production and estimate that de-watering is continuing and gas rates may increase with further de-watering. RISC estimate a gas recovery per vertical CBM well of between 0.2 and 0.76 Bcf/well, with a mid case of 0.5 Bcf/well. The low case is based on current pilot well flow rates. Table 5-9 shows RISC's estimate of the shallow CBM GIIP and contingent resources.

Table 5-9 Linxing East shallow CBM GIIP and Contingent Resources, at 31 December 2015

Parameter		Realisation		
		P90	P50	P10
Area	km^2	265	265	265
GIIP (4/5 + 8/9 coals)	Bcf	546	910	1,274
Dev Area	km^2	212	212	212
Well failure factor		17%	17%	17%
Drainage area per well	Km^2	0.32	0.32	0.32
Development Wells		545	545	545
UR/well	Bcf	0.2	0.5	0.76
Contingent Resource	Bcf	109	273	431

Development would require 545 vertical, stimulated wells drilled at 80 acre (0.32 km^2) spacing. The development may be optimised using horizontal or multi-lateral wells at wider spacing although the total gas resource is estimated to be similar.

The low, mid and high case create a gas revenue of US$1.4, 3.6 and 5.4 million per well at the base case gas price. By examination, the low case would be sub-economic and the mid case marginal. Further pilot testing is required to confirm a viable economic development project. Therefore, the

resources are classified as contingent resources until an economic development and firm development plan is demonstrated. Linxing East Shallow CBM Contingent Resources are shown in Table 5-10:

Table 5-10: Linxing East Shallow CBM Resources

Gas Resource (bcf) YE2015	Full Field			MIE Entitlement		
	1C	2C	3C	1C	2C	3C
Contingent Resource	109	273	431	36	88	137

SGE are investigating ways to reduce shallow CBM development costs and/or improve well productivity.

Linxing shallow contingent resources are estimated to have 50% probability of development.

5.6. Linxing Economic Analysis

5.6.1. Deep CBM Development

5.6.1.1. Probability of Development and Discovery

Development of the full contingent resource depends upon successful Chinese reserve certification, approval of the Overall Development Plan, supporting results from the pilot test, stakeholder approval and funding for the development. RISC estimated the probability of development to be 90% in the year-end 2013 assessment. Since then new wells support the previous analysis so RISC has maintain the estimated probability of development at 90%.

Discovery of prospective resources carries an increase geological probability of occurrence, estimated to be 75% and unchanged since the end 2013 assessment. The probability of development of the prospective resources is the geological risk times the development risk; namely 67.5% (75% x 90%).

If development does not proceed there is a potential negative outcome due to the cost of progressing the evaluation prior to a negative development decision.

The Contingent and Prospective Resources assessed in this report have not been adjusted for these probabilities and are therefore unrisked values.

5.6.1.2. Economics

Discounted Cashflow Analysis has been conducted on the Linxing PSC to calculate MIE entitlement to cost and profit gas and project NPVs. Economic assumptions include:

- USD cost inflation 2.5% pa,
- RMB/USD exchange rate of 6.45 current and in the future,
- Recoverable exploration and appraisal expenditure of US$195 million in Linxing PSC as of Dec 2015.

NPV calculated is at 1/1/2016 using 10% real discount rate. The sunk cost prior to 2016 has been accounted for in the economic model. The terms used in the analysis are those outlined in the economic section above, with the assumption that the latest information supplied to RISC is current.

Pilot test production is small and not included in the economic analysis. Full field development and production is assumed from 2017.

Economic results from developing 1P and 2P reserves are summarized in of which MIE holds 51%.

Table 5-11. SGE has 100% of the contractor's entitlement of which MIE holds 51%.

Table 5-11: Linxing Reserves Economics

Project NPV_{10} ($MM)	1P	2P
SGE Share	$926	$1,627
MIE Share	$472	$830

The effect of key uncertainties on the NPV of MIE 2P reserves are shown in Figure 5-4.

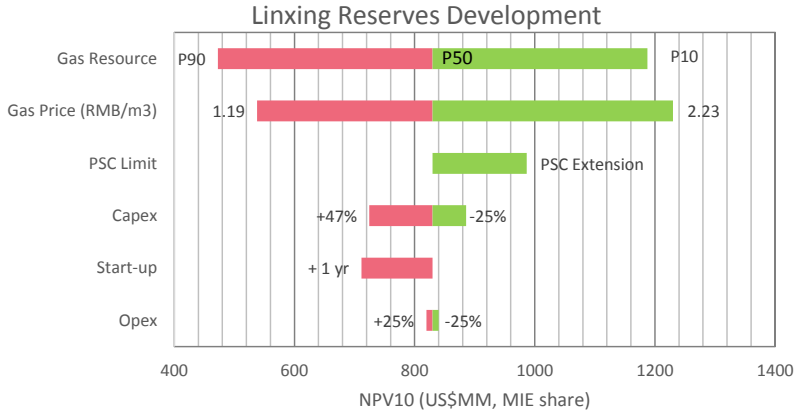


Figure 5-4: Economic Sensitivities – Linxing Reserves Development

Points of note are:

- The gas resource or volume of developable GIIP is the largest economic uncertainty, closely followed by gas price uncertainty
- Economics is more sensitive to development Capex than Opex. The downside Capex combines cost uncertainty ±25% and not achieving the expected 15% Capex reduction with experience
- Extending the 30 year PSC beyond expiry in 2028 has upside value
- In the start-up sensitivity only production (not costs) were adjusted to simulate delayed production or gas sales

Economic analysis shows the project to be robust (NPV10 positive) across all realisations although there is a wide range in field performance and resulting NPV.

5.6.2. Shallow CBM Development

By examination the low or 1C contingent resource estimate is sub-economic as the 0.2 Bcf recovery per well represents an undiscounted gas revenue of $1.4 MM per well, which would not cover the cost

of the well, stimulation and hook-up. The 2C case creates a gas revenue of US$3.6 million per well and is expected to be economically marginal. The high or 3C case creates a gas revenue of US$5.4 million per well will be economically attractive. Further pilot testing is required to reduce uncertainty, confirm the base case economics and economic robustness. The shallow CBM resources are sub-economic and hence contingent.

6. List of terms

The following lists, along with a brief definition, abbreviated terms that are commonly used in the oil and gas industry and which may be used in this report.

Term	Definition
1P	Equivalent to Proved reserves or Proved in-place quantities, depending on the context.
1Q	1st Quarter
2P	The sum of Proved and Probable reserves or in-place quantities, depending on the context.
2Q	2nd Quarter
2D	Two Dimensional
3D	Three Dimensional
4D	Four Dimensional – time lapsed 3D in relation to seismic
3P	The sum of Proved, Probable and Possible Reserves or in-place quantities, depending on the context.
3Q	3rd Quarter
4Q	4th Quarter
AFE	Authority for Expenditure
Bbl	US Barrel
BBL/D	US Barrels per day
BCF	Billion (10^9) cubic feet
BCM	Billion (10^9) cubic meters
BFPD	Barrels of fluid per day
BOPD	Barrels of oil per day
BTU	British Thermal Units
BOEPD	US barrels of oil equivalent per day
BWPD	Barrels of water per day
°C	Degrees Celsius
Capex	Capital expenditure
CAPM	Capital asset pricing model
CGR	Condensate Gas Ratio – usually expressed as bbl/MMscf
Contingent Resources	Those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingent Resources are a class of discovered recoverable resources as defined in the SPE-PRMS.
CO2	Carbon dioxide
CP	Centipoise (measure of viscosity)
CPI	Consumer Price Index
DEG	Degrees
DHI	Direct hydrocarbon indicator
Discount Rate	The interest rate used to discount future cash flows into a dollars of a reference date
DST	Drill stem test
E&P	Exploration and Production
EG	Gas expansion factor. Gas volume at standard (surface) conditions/gas volume at reservoir conditions (pressure and temperature)

Term	Definition
EIA	US Energy Information Administration
EMV	Expected Monetary Value
EOR	Enhanced Oil Recovery
ESP	Electric submersible pump
EUR	Economic ultimate recovery
Expectation	The mean of a probability distribution
F	Degrees Fahrenheit
FDP	Field Development Plan
FEED	Front End Engineering and design
FID	Final investment decision
FM	Formation
FPSO	Floating Production Storage and offtake unit
FWL	Free Water Level
FVF	Formation volume factor
GIIP	Gas Initially In Place
GJ	Giga (10^9) joules
GOC	Gas-oil contact
GOR	Gas oil ratio
GRV	Gross rock volume
GSA	Gas sales agreement
GTL	Gas To Liquid(s)
GWC	Gas water contact
H2S	Hydrogen sulphide
HHV	Higher heating value
ID	Internal diameter
IRR	Internal Rate of Return is the discount rate that results in the NPV being equal to zero.
JV(P)	Joint Venture (Partners)
Kh	Horizontal permeability
km2	Square kilometres
Krw	Relative permeability to water
Kv	Vertical permeability
kPa	Kilo (thousand) Pascals (measurement of pressure)
LIBOR	London inter-bank offered rate
LNG	Liquefied Natural Gas
LTBR	Long-Term Bond Rate
m	Metres
mbgl	Metres below ground level
MDT	Modular dynamic (formation) tester
mD	Millidarcies (permeability)
MJ	Mega (10^6) Joules
MMbbl	Million US barrels
MMscf(d)	Million standard cubic feet (per day)

Term	Definition
MMstb	Million US stock tank barrels
MOD	Money of the Day (nominal dollars) as opposed to money in real terms
MOU	Memorandum of Understanding
Mscf	Thousand standard cubic feet
Mstb	Thousand US stock tank barrels
MPa	Mega (10^6) pascal (measurement of pressure)
mss	Metres subsea
Mstb/d	Thousand Stock tank barrels per day
MSV	Mean Success Volume
mTVDss	Metres true vertical depth subsea
MW	Megawatt
NPV	Net Present Value (of a series of cash flows)
NTG	Net to Gross (ratio)
ODT	Oil down to
OGIP	Original Gas In Place
OOIP	Original Oil in Place
Opex	Operating expenditure
OWC	Oil-water contact
P90, P50, P10	90%, 50% & 10% probabilities respectively that the stated quantities will be equalled or exceeded. The P90, P50 and P10 quantities correspond to the Proved (1P), Proved + Probable (2P) and Proved + Probable + Possible (3P) confidence levels respectively.
PBU	Pressure build-up
PJ	Peta (10^{15}) Joules
POS	Probability of Success
Possible Reserves	As defined in the SPE-PRMS, an incremental category of estimated recoverable volumes associated with a defined degree of uncertainty. Possible Reserves are those additional reserves which analysis of geoscience and engineering data suggest are less likely to be recoverable than Probable Reserves. The total quantities ultimately recovered from the project have a low probability to exceed the sum of Proved plus Probable plus Possible (3P) which is equivalent to the high estimate scenario. When probabilistic methods are used, there should be at least a 10% probability that the actual quantities recovered will equal or exceed the 3P estimate.
Probable Reserves	As defined in the SPE-PRMS, an incremental category of estimated recoverable volumes associated with a defined degree of uncertainty. Probable Reserves are those additional Reserves that are less likely to be recovered than Proved Reserves but more certain to be recovered than Possible Reserves. It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated Proved plus Probable Reserves (2P). In this context, when probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the 2P estimate.
Prospective Resources	Those quantities of petroleum which are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations as defined in the SPE-PRMS.
Proved Reserves	As defined in the SPE-PRMS, an incremental category of estimated recoverable volumes associated with a defined degree of uncertainty Proved Reserves are those quantities of petroleum, which by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations. If deterministic methods are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate. Often referred to

Term	Definition
	as 1P, also as "Proven".
PSC	Production Sharing Contract
PSDM	Pre-stack depth migration
PSTM	Pre-stack time migration
psia	Pounds per square inch pressure absolute
p.u.	Porosity unit e.g. porosity of 20% +/- 2 p.u. equals a porosity range of 18% to 22%
PVT	Pressure, volume & temperature
QA/QC	Quality Assurance/ Control
rb/stb	Reservoir barrels per stock tank barrel under standard conditions
RFT	Repeat Formation Test
Real Terms (RT)	Real Terms (in the reference date dollars) as opposed to Nominal Terms of Money of the Day
Reserves	RESERVES are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must further satisfy four criteria: they must be discovered, recoverable, commercial, and remaining (as of the evaluation date) based on the development project(s) applied. Reserves are further categorised in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by development and production status.
RT	Measured from Rotary Table or Real Terms, depending on context
SC	Service Contract
scf	Standard cubic feet (measured at 60 degrees F and 14.7 psia)
Sg	Gas saturation
Sgr	Residual gas saturation
SRD	Seismic reference datum lake level
SPE	Society of Petroleum Engineers
SPE-PRMS	Petroleum Resources Management System, approved by the Board of the SPE March 2007 and endorsed by the Boards of Society of Petroleum Engineers, American Association of Petroleum Geologists, World Petroleum Council and Society of Petroleum Evaluation Engineers.
s.u.	Fluid saturation unit. e.g. saturation of 80% +/- 10 s.u. equals a saturation range of 70% to 90%
stb	Stock tank barrels
STOIIP	Stock Tank Oil Initially In Place
Sw	Water saturation
TCM	Technical committee meeting
Tcf	Trillion (10^{12}) cubic feet
TJ	Tera (10^{12}) Joules
TLP	Tension Leg Platform
TRSSV	Tubing retrievable subsurface safety valve
TVD	True vertical depth
US$	United States dollar
US$ million	Million United States dollars
WACC	Weighted average cost of capital
WHFP	Well Head Flowing Pressure
WI	Working Interest - a company's equity interest in a project before reduction for royalties or production share owed to others under the applicable fiscal terms.

Term	Definition
WPC	World Petroleum Council
WTI	West Texas Intermediate Crude Oil

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	Total number of shares/underlying shares	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%

Name of Director	Capacity/Nature of interest	Total number of shares/underlying shares	Approximate percentage of interest in the corporation
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%
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 20 September 2011 and 21 March 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 20 September 2011, 21 March 2014 and 20 November 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 8 November 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 24 May 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 23 November 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 23 November 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 20 September 2011 and 21 March 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 21 March 2014 and 20 November 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 20 November 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	Approximate 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	Approximate 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:

(1) 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.

(2) 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.

(3) 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 20 September 2011 and 21 March 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 20 September 2011, 21 March 2014, and 20 November 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 20 September 2011 and 21 March 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 20 September 2011, 21 March 2014, and 20 November 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 1,426,974 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 in this section, 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.

Saved as disclosed in this section, as at the Latest Practicable Date, none of the Directors or Proposed Directors was a director or employee of a company which had an interest in the Shares and underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

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.

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 31 December 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.

DIRECTORS' SERVICE CONTRACTS

On 20 November 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 any member of the Enlarged Group which will not expire or which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

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 31 December 2015, the date to which the latest published audited accounts of the Company were made up.

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
RISC Operations Pty Ltd	Competent Person

RISC Operations Pty 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 31 December 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.

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.

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 Agreement;

(b) the conditional sale and purchase agreement dated 5 March 2016 and entered into among the Company, Palaeontol Cooperatief U.A., and Reach Energy Berhad in relation to the acquisition by Palaeontol Cooperatief U.A. from the Company of 60% of the equity interest in Palaeontol B.V. at a consideration of approximately US$154,889,000, subject to adjustment;

(c) a settlement agreement dated 11 December 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$0.95per Share;

(d) a placing and subscription agreement dated 16 October 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;

(e) supplemental indentures dated 29 May 2014, 12 November 2014, 16 June 2015 and 16 July 2015 and entered into among Citicorp International Limited (as the trustee), the Company (as the issuer), MI Energy Corporation, MIE New Ventures

Corporation, Palaeontol Coperatief 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 6 February 2013 and entered into among Citicorp International Limited (as the trustee), the Company (as the issuer), MI Energy Corporation, MIE New Ventures Corporation, Palaeontol Coperatief 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;

(f) a cooperation framework agreement dated 16 December 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;

(g) a sale and purchase agreement dated 26 September 2014, an amendment agreement dated 14 October 2014, a supplementary agreement dated 17 December 2014 and a second amendment agreement dated 31 December 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;

(h) a sale and purchase agreement dated 20 August 2014 and an amendment agreement dated 28 November 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;

(i) a termination agreement dated 22 September 2014 and an amendment agreement dated 20 November 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 17 September 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; and

(j) a termination agreement dated 16 September 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 14 February 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.

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 Suite 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.

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 annual reports of the Company for each of the two financial years ended 31 December 2014 and 2015;

(c) the contracts referred to in the paragraph headed "Directors' Service Contracts" in this Appendix;

(d) the contracts referred to in the paragraph headed "Material Contracts" in this Appendix;

(e) the Competent Person's Report prepared by the Competent Person, the text of which are set out in Appendix II to this circular;

(f) the written consent from the Competent Person referred to in the paragraph headed "Expert and Consent" in this Appendix;

(g) the circular of the Company dated 26 May 2016 in relation to the disposal of 60% equity interest in an indirectly wholly-owned subsidiary of the Company; and

(h) this circular.

MIE HOLDINGS CORPORATION
MI 能源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1555)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the extraordinary general meeting (the "**EGM**") of MIE Holdings Corporation (the "**Company**") will be held at Room 3, United Conference Centre, 10/F, United Centre, 95 Queensway, Admiralty, Hong Kong on Monday, 20 June 2016 immediately after the conclusion of the extraordinary general meeting of the Company in relation to the disposal of 60% equity interest in Palaeontol B.V. for the purpose of considering and, if thought fit, passing with or without modification or amendment the following resolution:

ORDINARY RESOLUTION

"**THAT**:

(a) the sale and purchase agreement dated 26 April 2016 (the "**Agreement**") entered into between the Company and the Purchaser (a copy of which is produced to the EGM marked "A" and initialed by the chairman of the EGM for the purpose of identification), and the terms and conditions thereof and the transactions contemplated thereunder and the implementation thereof be and are hereby approved and confirmed; and

(b) the authorisation to any one of the Directors, or any other person authorised by the Board from time to time, for and on behalf of the Company, among other matters, to sign, seal, execute, perfect, perform and deliver all such agreements, instruments, documents and deeds, and to do all such acts, matters and things and take all such steps as he or she or they may in his or her or their absolute discretion consider to be necessary, expedient, desirable or appropriate to give effect to and implement the Agreement and the transactions contemplated thereunder and all matters incidental to, ancillary to or in connection thereto, including agreeing and making any modifications, amendments, waivers, variations or extensions of the Sale and

Purchase Agreement or the transactions contemplated thereunder be and are hereby approved, ratified and confirmed.''

By order of the Board
MIE Holdings Corporation
Zhang Ruilin
Chairman

Hong Kong, 26 May 2016

Notes:

(1) All resolutions at the meeting will be taken by poll pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the ''**Listing Rules**'') and the results of the poll will be published on the website of the Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.

(2) Any shareholder of the Company entitled to attend and vote at the above meeting is entitled to appoint more than one proxy to attend and on a poll, vote instead of him. A proxy need not be a shareholder of the Company.

(3) In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power of attorney or authority, must be deposited at the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting or any adjourned meeting thereof (as the case may be). Delivery of the form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

(4) Where there are joint holders of any share of the Company, any one of such holders may vote at the meeting, either personally or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such holders be present at the meeting personally or by proxy, that one of such holders so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.

(5) For determining the entitlement to attend and vote at the meeting, the register of members of the Company will be closed from Thursday, 16 June 2016 to Monday, 20 June 2016, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 15 June 2016.

As at the date of this notice, the Board comprises of (1) the executive Directors namely Mr. Zhang Ruilin, Mr. Zhao Jiangwei, Mr. Andrew Sherwood Harper, Mr. Tao Tak Yin Dexter and Mr. Tian Hongtao; (2) the non-executive Director namely Ms. Xie Na; and (3) the independent non-executive Directors namely Mr. Mei Jianping, Mr. Jeffrey W. Miller and Mr. Guo Yanjun.