**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, bank manager, solicitor, professional accountant or other professional adviser.

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



# MIE HOLDINGS CORPORATION
# MI能源控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1555)**

# VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION IN RELATION TO THE PROPOSED DISPOSAL OF ENTIRE EQUITY INTEREST IN MAPLE MARATHON AND NOTICE OF EXTRAORDINARY GENERAL MEETING

**Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders**

**PLATINUM**
Securities

A letter from the Board is set out on pages 6 to 19 of this circular and a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 20 to 21 of this circular. A letter from the Independent Financial Adviser containing its recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 22 to 57 of this circular.

A notice convening the EGM of MIE Holdings Corporation to be held at Room 13, 7/F, Nexxus Building, 77 Des Voeux Road Central, Hong Kong on Tuesday, November 20, 2018 at 10:00 a.m. or any adjournment thereof is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use at the EGM is also enclosed. Such form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited (http://www.hkexnews.hk) and the Company (http://www.mienergy.com.cn).

Whether or not you are able to attend and vote at the EGM, please complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return it to 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 as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy as instructed will not preclude you from attending and voting in person at the EGM if you so wish.

November 5, 2018

# CONTENTS

*In this circular, the following expressions have the following meanings unless the context otherwise requires:*

| | |
|---|---|
| "Acquisition" | the very substantial acquisition of CQ Energy Canada Partnership by Canlin which was completed on September 29, 2017 as announced by the Company on June 9, 2017 and October 3, 2017 |
| "Announcement | the announcement dated September 24, 2018 made by the Company in relation to the Disposal |
| "associate(s)" | has the meaning ascribed to it under the Listing Rules |
| "Board" | the board of Directors of the Company |
| "C$" | Canadian Dollars, the lawful currency of Canada |
| "Canlin" | Canlin Energy Corporation, a corporation incorporated in British Columbia, Canada whose entire share capital of common shares are held by Maple Marathon as at the date of this circular |
| "Company" | MIE Holdings Corporation (stock code: 1555), a company incorporated in the Cayman Islands with limited liability on March 20, 2008, the ordinary shares of which are listed on the Main Board of the Stock Exchange |
| "Competent Person" | Sproule Associates Limited |
| "Competent Person's Report" | the competent person's report, which is set out in "Appendix IV — Competent Person's Report" of this circular, prepared by the Competent Person in accordance with the Listing Rules |
| "Competition Act" | the Competition Act (Canada), R.S.C. 1985, c. C-34, as amended |
| "connected person(s)" | has the meaning ascribed to it under the Listing Rules |
| "Consideration" | the consideration of US$250,000,000 (equivalent to approximately HK$1,961,950,000) payable by Far East Energy to the Company in accordance with the Share Purchase Agreement |
| "controlling shareholder" | has the meaning ascribed to it under the Listing Rules |
| "Director(s)" | director(s) of the Company |

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| "Disposal" | the proposed disposal of 100 issued shares of Maple Marathon, representing its entire issued share capital, by MIEJ to Far East Energy pursuant to the Share Purchase Agreement |
| "Disposal Group" | Maple Marathon and its subsidiaries collectively |
| "EGM" | the extraordinary general meeting of the Company to be convened on November 20, 2018 to consider and, if thought fit, approve, among others, the Share Purchase Agreement and the transaction contemplated thereunder |
| "Far East Energy" | Far East Energy International Limited, a limited company incorporated in the British Virgin Islands indirectly wholly owned by Mr. Zhang as at the date of this circular |
| "FEEL" | Far East Energy Limited, a limited company incorporated in Hong Kong and a substantial shareholder of the Company, held by Mrs. Zhang, Mr. Zhang and Mr. Zhao Jiangwei as to 80%, 9.99% and 10%, respectively, where Mrs. Zhang, Mr. Zhang and Mr. Zhao Jiangwei have entered into an acting-in-concert agreement under which Mr. Zhang is allowed to vote on his, Mrs. Zhang's and Mr. Zhao's shares if a unanimous opinion in relation to the matters that requires action in concert is unable to be reached |
| "FY2014" | the financial year of the Company ended December 31, 2014 |
| "FY2015" | the financial year of the Company ended December 31, 2015 |
| "FY2016" | the financial year of the Company ended December 31, 2016 |
| "FY2017" | the financial year of the Company ended December 31, 2017 |
| "1H2018" | the six months of the Company ending June 30, 2018 |
| "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 |
| "IFRS" | International Financial Reporting Standards issued by the International Accounting Standards Board which is in effect |

| | |
|---|---|
| "Independent Board Committee" | an independent committee of the Board formed to advise the Independent Shareholders in respect of the Disposal, comprising all independent non-executive Directors, namely, Mr. Mei Jianping, Mr. Jeffrey Willard Miller and Mr. Guo Yanjun |
| "Independent Financial Adviser" | Platinum Securities Company Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Share Purchase Agreement and the transactions contemplated thereunder |
| "Independent Shareholders" | the Shareholders other than FEEL and its associates |
| "Latest Practicable Date" | November 1, 2018, being the latest practicable date prior to the publication of this circular for ascertaining certain information contained herein |
| "Listing Rules" | the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time |
| "Maple Marathon" | Maple Marathon Investments Limited, a limited company incorporated in Hong Kong and a wholly owned subsidiary of the Company as at the date of this circular |
| "mcf" | one thousand cubic feet |
| "MIEJ" | MIE Jurassic Energy Corporation, a company incorporated under the laws of Cayman Islands, wholly owned by the Company as at the date of this circular |
| "MMBOE" | million barrels of oil equivalent |
| "Mr. Zhang" | Mr. Zhang Ruilin, the Chairman, an executive Director and a substantial shareholder of the Company |
| "Mrs. Zhang" | Ms. Zhao Jiangbo, the spouse of Mr. Zhang Ruilin and a substantial shareholder of the Company |
| "No Action Letter" | a communication in writing from the Commissioner of Competition advising that he or she does not, at the present time, intend to make an application to the Competition Tribunal under Section 92 of the Competition Act in respect of the transactions contemplated hereunder |

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|---|---|
| "Outstanding Debts" | the outstanding debts of the Company due in the 12 months from the Latest Practicable Date at the total amount of US$470,000,000 (equivalent to approximately HK$3,688,466,000) |
| "Outstanding Intra-Group Debts" | means all intra-group debts owed by the Maple Marathon to the Group, which shall be consolidated before Completion for the account of MIEJ, the final amount of which shall be determined as at the date of completion of the Share Purchase Agreement, but for the avoidance of doubt shall in any event be greater than USD160,000,000 |
| "Outstanding Third Party Loan" | the US$100,000,000 term loan facility advanced to Maple Marathon by China Huarong Macau (HK) Investment Holdings Limited pursuant to a facility agreement dated September 1, 2017 |
| "percentage ratio" | has the meaning ascribed to it under Rule 14.04(9) of the Listing Rules |
| "PRC" | the People's Republic of China which, for the purpose of this circular only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan |
| "Remaining Group" | the Group other than the Disposal Group as contemplated under the Share Purchase Agreement |
| "RMB" | Renminbi, the lawful currency of the PRC |
| "SFO" | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or modified from time to time |
| "Shareholder(s)" | holder(s) of the share(s) of the Company |
| "Share Purchase Agreement" | the share purchase agreement dated September 24, 2018 (after trading hours) entered into between the Company and Far East Energy in relation to the Disposal as amended on November 2, 2018 |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "subsidiary(ies)" | has the meaning ascribed to it under the Listing Rules |
| "substantial shareholder(s)" | has the meaning ascribed to it under the Listing Rules |

| | |
|---|---|
| "US$" | US Dollars, the lawful currency of the United States of America |
| "%" | per cent. |

*For the purpose of this circular, the translation of C$ into HK$ is based on the rate of C$1:HK$6.0375 and the translation of US$ into HK$ is based on the rate of US$1:HK$7.8478 and the translation of US$ into RMB is based on the rate of US$1:RMB6.8792. This conversion rate is for the purpose of illustration only and does not constitute a representation that any amounts have been, could have been, or may be exchanged at the aforementioned or any other rates or at all.*

*Certain figures set out in this circular have been subject to rounding adjustments. Accordingly, figures shown as the currency conversion or percentage equivalents may not be an arithmetic sum of such figures.*

*Any discrepancy in any table between totals and sums of amounts listed in this circular is due to rounding.*

# MIE HOLDINGS CORPORATION
# MI能源控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1555)**

*Executive Directors:*
Mr. Zhang Ruilin *(Chairman)*
Mr. Zhao Jiangwei

*Non-executive Directors:*
Ms. Xie Na
Mr. Jiao Qisen

*Independent Non-executive Directors:*
Mr. Mei Jianping
Mr. Jeffrey Willard Miller
Mr. Guo Yanjun

*Registered Address:*
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

November 5, 2018

*To the Shareholders*

Dear Sir or Madam,

**VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION IN RELATION TO THE PROPOSED DISPOSAL OF ENTIRE EQUITY INTEREST IN MAPLE MARATHON AND NOTICE OF EXTRAORDINARY GENERAL MEETING**

## INTRODUCTION

Reference is made to the Announcement in relation to the Share Purchase Agreement entered into by the Company and Far East Energy, pursuant to which the Company (either directly or through its designated entity) conditionally agreed to sell and Far East Energy conditionally agreed to purchase 100 issued shares of Maple Marathon, representing its entire issued share capital, at a consideration of US$250,000,000 (equivalent to approximately HK$1,961,950,000).

The purpose of this circular is to give you, among other things: (i) further details of the Share Purchase Agreement and the transactions contemplated thereunder; (ii) the advice and recommendation from the Independent Board Committee in respect of the Disposal; (iii) the advice from the Independent Financial Adviser in respect of the Disposal (iv) the financial information of the Group; (v) the financial information of the Disposal Group; (vi) the unaudited pro forma financial information of the Remaining Group; (vii) the Competent Person's Report; and (viii) a notice convening the EGM to enable you to make an informed decision.

## THE SHARE PURCHASE AGREEMENT

The principal terms of the Share Purchase Agreement are as follows:

### Date

September 24, 2018 (after trading hours)

### Parties

(a) the Company, either directly or through its designated entity, as the vendor

(b) Far East Energy, as the purchaser

### Interest to be disposed

100 issued shares of Maple Marathon, representing its entire issued share capital. Maple Marathon holds 296,000,100 common shares of Canlin, representing its entire issued share capital of common shares.

As at the Latest Practicable Date, a directly wholly owned subsidiary of the Company, MIEJ, was the only legal and beneficial owner of 100 issue shares of Maple Marathon.

### Consideration

The Consideration for the Disposal is US$250,000,000 (equivalent to approximately HK$1,961,950,000), which shall be paid in the following manner:

(i) all of the US$150,000,000 (equivalent to approximately HK$1,177,170,000) shall be paid by Far East Energy to MIEJ in cash upon Completion for the settlement of the existing Outstanding Intra-Group Debts; and

(ii) US$100,000,000 (equivalent to approximately HK$784,780,000) shall be retained by Far East Energy for the repayment of the Outstanding Third Party Loan.

The Consideration was determined on the consideration paid by the Group for the Acquisition plus a reasonable premium. The Consideration was arrived at after arm's length negotiations between the Company and Far East Energy and is on normal commercial terms with reference to:

(i) the consideration paid by the Group for the Acquisition at the amount of C$296,000,000 (equivalent to approximately HK$1,787,100,000), which equals to approximately US$232,860,252 as at the completion of the Acquisition on September 29, 2017;

(ii) the Outstanding Intra-Group Debts;

(iii) the Outstanding Third Party Loan; and

(iv) the net assets of the Disposal Group at the amount of negative C$106,844,000 (equivalent to approximately negative HK$645,070,650) based on its book value as at June 30, 2018. No valuer has been appointed for this purpose. The excess of the Consideration over the net book value of the asset is C$431,804,663 (equivalent to approximately HK$2,607,020,653).

The net present values (the "**NPV**") of the reserves presented in the Competent Persons' Report set out in the Appendix IV of the circular simply represent discounted future cash flow values ranged from C$562,100,000 (equivalent to approximately HK$3,393,678,750) to C$3,209,400,000 (equivalent to approximately HK$19,376,752,500) at the discount rate of 20% to 0%. At 10% discount rate of NPV calculation, which is commonly adopted in the valuation of oil and gas asset, the NPV of the reserves of Canlin would be approximately C$719,100,000 (equivalent to approximately HK$4,341,566,250) after taking into consideration of Company's shareholding of 63.6% in Canlin. Nevertheless, the Independent Financial Adviser is of the view that such valuation was arrived without the consideration of other economic and political factors such as recent fluctuant oil and gas price, oil and gas policy in Canada and North America, as well as the valuation deviation may cause to the reserves estimation, and thus the valuation of Canlin only provided a general reference to the Consideration of the Disposal.

The Company confirms that, as at the date hereof, there is no material change in the financial information which was referred to for the purpose of the Consideration.

The Directors consider the Consideration is fair and reasonable taking into account the decreasing gas price in Canada. From an asset value perspective, over 90% current production of Canlin is natural gas and the average realized gas price of which dropped significantly from the amount of C$2.47/mcf for the year of 2017 to C$1.57/mcf for the first eight months for the year of 2018, which is significantly lower compared with that for 2017. The Company thus expects very limited cash flow could be up-streamed to the Company from the Disposal Group in the future, which will not be of assistance for the Company to repay or refinance the outstanding debts due in the next six to 24 months. On this basis, an efficient sale of the Disposal Group is a more reasonable and practicable option to the Company to survive under the current environment. Therefore, having considered all of the above factors, the Directors believe that the Consideration determined mostly on the original price paid by the Group for the Acquisition plus a reasonable premium is fair and reasonable.

**Conditions Precedent of the Disposal**

Completion of the Disposal is subject to and conditional upon satisfaction of the following conditions:

(a) the approval of the Share Purchase Agreement and the transactions contemplated hereunder by the Shareholders of the Company in accordance with the applicable requirements of the Listing Rules and the articles of association of the Company;

(b) the compliance and satisfaction of all applicable requirements which the Company is required to comply with under the Listing Rules in connection with the Share Purchase Agreement and the transactions contemplated hereunder;

(c) obtaining all applicable consents, waivers, agreements or execution or relevant deeds or any other form of documents in respect of the Outstanding Third Party Loan;

(d) obtaining all applicable consents to the change of control of Maple Marathon from the lenders under a senior secured revolving credit facility granted to Canlin;

(e) the approval of the change of control of Maple Marathon resulting from the Disposal by at least two-thirds of the directors of Canlin pursuant to the shareholders' agreement of Canlin;

(f) the receipt of Competition Act approval, which includes (A) the issuance of an advance ruling certificate issued by the commissioner pursuant to the Competition Act in respect of the transactions contemplated hereunder or (B) the issuance of a No-Action Letter where (i) the Commissioner has granted a waiver pursuant to section 113(c) of the Competition Act or (ii) the applicable waiting period under subsection 123(1) of the Competition Act has expired or has been terminated under section 123(2) of the Competition Act; and

(g) obtaining all applicable consents, waivers, agreements or execution of relevant deeds or any other form of documents required for the Disposal.

The Competition Act requires that parties to certain categories of transactions provide prescribed information to the Commissioner of Competition (the "**Commissioner**") where applicable financial thresholds set out in sections 109 and 110 of the Competition Act are exceeded and no exemption applies (the "**Notification Requirement**"). The purpose of the Notification Requirement is to allow the Commissioner, which is the administrative head of Canada's competition enforcement agency, the Competition Bureau, to assess the competitive effects of a transaction. Canlin is principally engaged in the business of the exploration and development of oil and natural gas resources and supply of crude oil and natural gas in Canada. Pursuant to the Competition Act, the Disposal constitutes a transaction subject to the Notification Requirement.

Completion of a transaction subject to the Notification Requirement can only take place until the Commissioner issues an ‘‘advance ruling certificate’’ under section 102 of the Competition Act (the ‘‘**ARC**’’) or waives the Notification Requirement pursuant to section 113(c) of the Competition Act, or until the statutory waiting period expires or is terminated where the parties submit a prescribed notification filing. Unless an ARC is issued, the Commissioner may apply under section 92 of the Competition Act to the Competition Tribunal, which is a quasi-judicial administrative body, for an order in respect of a transaction prior to or within one year of it being substantially completed. Subject to certain exceptions, if the Competition Tribunal finds on such an application that a transaction prevents or lessens, or is likely to prevent or lessen, competition substantially in a market, it may issue an order prohibiting or dissolving a transaction or requiring the divestiture of assets, among other remedies. If the Commissioner issues an ARC, it cannot bring a section 92 application on the basis of information that is the same or substantially the same as that on which the ARC is issued.

In consideration of the Notification Requirement and the statutory waiting period, as well as the potential section 92 application, the Share Purchase Agreement includes receipt of approval under the Competition Act as a condition precedent. On October 31, 2018, the ARC for the Disposal has been obtained which fulfills condition precedent (f).

As at the date of the Latest Practicable Date, parties to the Share Purchase Agreement are still in the progress of obtaining the relevant conditions precedent set out above other than conditions precedent (f) and (d).

Save and except that the above conditions precedent (c) to (g) may be waived, unless otherwise restricted by applicable laws or regulations, in accordance with the Share Purchase Agreement by notice in writing at any time prior to January 31, 2019 to or such other date as the parties may agree in writing, the Sale Purchase Agreement shall terminate with effect from that date.

**Completion**

Completion shall take place at the offices of the Company on the second business day following the date when all of the abovementioned conditions precedent have been fulfilled or waived.

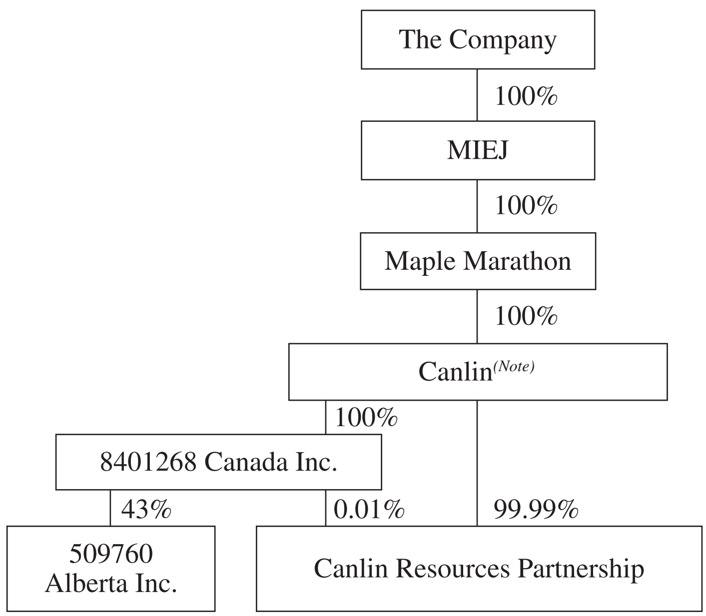
The parties to the Share Purchase Agreement agreed that MIEJ shall bear any amounts owing or incurred by the Disposal Group related to the Outstanding Third Party Loan (including any outstanding interest and expense payments for the avoidance of doubts) accrued on or before Completion, other than the principal amount which shall be paid by Far East Energy in accordance with the Share Purchase Agreement.

## INFORMATION OF THE DISPOSAL GROUP

### Maple Marathon

Maple Marathon is a limited liability company incorporated in Hong Kong. Maple Marathon is an investment holding company. As of the Latest Practicable Date, Maple Marathon is an indirectly wholly owned subsidiary of the Company and upon completion of the Disposal, Maple Marathon will cease to be a subsidiary of the Company. Maple Marathon holds 296,000,100 common shares of Canlin, representing its entire issued share capital of common shares.

The shareholding structure of the Disposal Group as at the Latest Practicable Date is set out as below:




*Note:* As at the Latest Practicable Date, Canlin has issued 296,000,100 common shares wholly owned by Maple Marathon and 204,000,000 convertible preferred shares, of which 170,000,000 convertible preferred shares are owned by CCGRF Gastown Limited and 34,000,000 convertible preferred shares are owned by Mercuria Energy Netherlands BV. Upon full conversion of the convertible preferred shares into common shares, Canlin will be owned as to 63.6% thereof by Maple Marathon, as to 30.3% thereof by CCGRF Gastown Limited and as to the remaining 6.1% thereof by Mercuria Energy Netherlands BV, respectively.

Set out below is the financial information of the Disposal Group extracted from its unaudited financial statements for the years ended December 31, 2016 and December 31, 2017 prepared in accordance with the IFRS:

| | For the year ended December 31 | |
|---|---|---|
| | **2016** | **2017** |
| | *approximate C$ thousand* | *approximate C$ thousand* |
| Loss before income tax | 7 | 29,046 |
| Loss for the year | 7 | 26,268 |

For the six months ended June 30, 2018, the unaudited loss before and after taxation of the Disposal Group were C$83,035,000 (equivalent to approximately HK$501,323,813) and C$67,287,000 (equivalent to approximately HK$406,245,263), respectively.

**Canlin**

Canlin is a company incorporated in British Columbia, Canada, principally engaged in the business of exploration and development of oil and natural gas resources and the supply of crude oil and natural gas to the North America markets. The principal oil and natural gas producing properties are located in British Columbia, Alberta and Saskatchewan, Canada. As at the date of this circular, Canlin directly holds the entire interests in 8401268 Canada Inc. and Canlin Resources Partnership.

*(i) The Acquisition*

Reference is made to the announcements of the Company dated June 9, 2017, October 3, 2017 and the circular of the Company dated September 7, 2017 in relation to (i) the very substantial acquisition of CQ Energy Canada Partnership and (ii) the deemed disposal of 36.4% equity interest in Canlin Energy Corporation.

The consideration payable by Canlin at completion in relation to the Acquisition was approximately C$700,000,000 (equivalent to approximately HK$4,226,250,000), subsequent to adjustments provided in the Partnership Interest and Sale Agreement dated May 31, 2017 in relation to the Acquisition. The consideration for the Acquisition was funded through a combination of Group's internal resources, debts financing and proceeds raised from the convertible preferred shares issued by Canlin where:

(a) C$170,000,000 (equivalent to approximately HK$1,026,375,000) in convertible preferred shares from CCGRF Gastown Limited;

(b) C$34,000,000 (equivalent to approximately HK$205,275,000) in convertible preferred shares from Mercuria Energy Netherlands BV;

(c) C$296,000,000 (equivalent to approximately HK$1,787,100,000) in common shares from the Group; and

(d) C$200,000,000 (equivalent to approximately HK$1,207,500,000) in a senior secured loan provided by a syndicate of Canadian banks.

Upon completion of the Acquisition, the partnership arrangement of CQ Energy Canada Partnership dissolved by way of operation of law due to having only one partner being Canlin.

Subsequent to the Acquisition, there was a decrease in goodwill of C$6,949,000 (equivalent to approximately HK$41,954,588) due to a disposal of Carrot Creek assets completed in May 2018 and goodwill balance as at June 30, 2018 related to the Acquisition at the amount of C$128,633,000 (equivalent to approximately HK$776,621,738).

*(ii) Operating Summary of Canlin*

Canlin currently owns a diverse base of producing, resource and infrastructure assets located throughout Alberta, Saskatchewan, Manitoba, Ontario and British Columbia in Canada. Among the aforesaid, Canlin's key oil and gas assets are oil and gas bearing rocks (reservoirs) buried 300 to 5,000 meters below the surface. The reservoirs can be mapped using geophysical methods as well as drilling and logging of vertical wells. Most reservoirs can be developed using horizontal drilling and completion technology.

The assets can be divided into five geographical regions as well as Royalty and Fee Lands. The five geographical regions are: (a) Peace River Arch, (b) North, (c) Hanlan Robb, (d) Foothills and (e) South, and the key assets of which are set out as below:

(a) in Peace River Arch, the key asset is a gas charged reservoir named Montney primarily in the Glacier and Parkland areas, which is characterized by light oil production from the Charlie Lake formation;

(b) in North, the key assets are light oil and liquid bearing zones such as Belly River, Cardium, Charlie Lake, Gething and Glauconite in Gilby and Ferrier;

(c) in Hanlan Robb, it currently produces low decline sour gas from Turner Valley formation and sweet gas production from the Spirit River Group which consists of three stacked formations, the Notikewin, the Falher, and the Wilrich;

(d) in Foothills, the key asset is Wildcat Hills with sour gas production from Turner Valley formation; and

(e) in South, it produces shallow gas.

In relation to the mid-stream infrastructure, Canlin has ownership in ten major facilities, including two sweet and eight sour plants. These plants are gas processing plants that process the raw natural gas produced by Canlin and other producers in the nearby area. Mid-stream infrastructure also includes compressors and gathering pipeline.

According to the Competent Person's Report as at June 30, 2018, the total proved reserves ("**1P**") of Canlin was approximately 179.33 MMBOE and the total proved and probable reserves ("**2P**") of Canlin was approximately 266.2 MMBOE.

On October 18, 2018, Canlin Resources Partnership, an indirect wholly owned subsidiary of Canlin, as vendor and a public company listed on the Toronto Stock Exchange as purchaser have agreed to the sale and purchase of the vendor's right, title, estate and interest (whether absolute, contingent, legal or beneficial) in certain petroleum and natural gas rights, the tangibles and the miscellaneous interests located in the Spirit River area of northwestern Alberta, Canada at the base price of C$30,000,000 (approximately HK$181,125,000) (subject to adjustments) (the "**October Disposal**"). Please refer to the announcement of the Company dated October 18, 2018 for further details. The Company confirms that such disposal has no impact on the financial position of Canlin.

The October Disposal, as part of the Company's ongoing efforts to divest its non-core assets, will further enhance the financial strength of the Group. The adjustment date for October Disposal is June 1, 2018 and the sale of the subject assets under the October Disposal are excluded from the Disposal. In addition, certain oil and natural gas assets located in the Stettler area in East Central Alberta, Canada was disposed by Canlin Resources Partnership at the amount of C$2,300,000 (equivalent to approximately HK$13,886,250) on October 16, 2018, which was not subject to any disclosure requirement under the Listing Rules. Other than the aforesaid disposals, there is no other assets of Maple Marathon that will be excluded under the Disposal.

Upon completion of the Disposal, the Company will not hold any oil and natural gas assets directly in Canada through Canlin. The financial information of the Disposal Group set out in Appendix II and Appendix III of this circular has duly reflected the subject matter of the Disposal and its effect on the Company.

However, the Company holds an investment being a minority shareholder in an oil and natural gas company named Hammerhead Resources (formerly known as CIOC), a Calgary Canada headquartered private oil and gas producer, which is not connected with any asset held by Canlin. The Company invested approximately US$7,000,000 via a private equity fund, CCGRF, in November 2014. Core asset of Hammerhead Resources is located in the Alberta Deep Basin where it is developing unconventional multi-zone, oil and liquids-rich gas plays.

## REASONS FOR AND BENEFITS OF THE DISPOSAL

The Company has been working extremely hard on various options to refinance the Company's Outstanding Debts from February 2018, including but not limited to the financing and refinancing discussions with various banks both onshore and offshore, equity financing through general mandate and the disposal of the non-core assets of the Company, however none of which proved to be a viable solution. The Disposal of the Disposal Group was first initiated in late July 2018, when despite the Company's great efforts to work on various options to refinance the Company's Outstanding Debts, of which US$100,000,000 (equivalent to approximately HK$784,780,000) is the Outstanding Third Party Loan which will remain with Maple Marathon. Debts and liabilities of Canlin are consolidated into the Group's financial statements, and were not separately counted for calculation of the total amount of Outstanding Debts.

The Company is of the view that the disposal of the Disposal Group is the only feasible and practical means for the Company to refinance the Outstanding Debts and the Disposal can significantly help enhance the financial strength, cash flow and liquidity of the Group for the following reasons:

(i) the significant changes in onshore and offshore capital (including debt and loan) markets where the impact of a year-long deleveraging campaign in the PRC and a rapidly intensifying Sino-US trade war have led to a tight liquidity in the onshore capital markets and the rise in bank funding costs, coming after the US Federal Reserve's interest rate announcement, further suggests the current liquidity squeeze in the banking sector of the offshore capital market. The market change has restricted the Company's means to raise additional funds to refinance the Outstanding Debts;

(ii) the Company's share price also slipped significantly since the completion of the Acquisition and the decreasing share price of the Company further limits the amount of funds to be raised through equity financing; and

(iii) the Company also explored the possibility to dispose non-core assets, which include its 40% stake in the Kazakhstan business and its 34% stake in the South China Sea business. However, because the Company does not hold a majority stake in those non-core assets, the disposal of those non-core assets will not be fully under the Company's control, especially in view of the tight refinancing schedule and the prolonged negotiation involved.

In addition to the significant changes in the circumstances in onshore and offshore capital markets and the decreasing share price of the Company, the gas price in Canada dropped to the weakest level in the past year after completion of the Acquisition, which resulted in the reduction of its capability to obtain significant cash inflow from Canlin to serve its debts.

The Company has been proactively communicating with various onshore and offshore financial institutions for additional bank borrowings to refinance the Outstanding Debts. However, being highly leveraged, the Company found it almost impossible to raise additional funds for this purpose at a reasonable cost.

The Company has not approached any other potential purchasers on the Disposal. The reason for such approach is that the deal certainty and execution timing are not under the Company's control if it needs to negotiate with other potential purchasers. Time is of the essence for the Company to complete the Disposal in order to refinance the Outstanding Debts. Taking into consideration of (i) the length of time to complete the Acquisition (i.e. around two years), (ii) the current gas price in Canada, which is much lower compared with that in 2017, (iii) additional time might be required for regulatory and third party approvals, the Company is not in a position to gauge the timing and certainty for the Disposal to be executed with other potential purchasers.

Meanwhile, Far East Energy is willing to cater to the Group's tight refinancing schedule and the Consideration was arrived at after arm's length negotiations between the Company and Far East Energy and is on normal commercial terms. It is the first priority for the Company to refinance the Outstanding Debts and it is appropriate at this specific point of time for the Company to take steps (including amongst others the Disposal) to ensure that the refinancing of the Outstanding Debts will be arranged in a timely manner. Thus, the Company believes that the Disposal with Far East Energy is in the best interests of the Group.

Accordingly, based on the reasons provided above, the Directors are of the view that (i) the Disposal is in the interest of the Company and the Shareholders as a whole; (ii) the terms of the Disposal are fair and reasonable; and (iii) the entering into the Share Purchase Agreement is in the interests of the Company and the Shareholders as a whole.

The Company does not foresee any circumstances that would prevent the Disposal from taking place. Notwithstanding the foregoing, if the Disposal does not proceed, timely repayment of the Outstanding Debts could potentially be too burdensome for the Company. The Company will be exposed to higher risk of default and would like to enter into negotiations with the creditors to extend the repayment of the Outstanding Debts. In addition, to lower the debt ratio to a reasonable level in the long term, the Company will continue to explore various options to refinance the Outstanding Debts such as obtaining new commercial loans and offering new bonds where the timing and market allow. Lastly, the Company is also prepared to consider disposing of other non-core assets of the Company as an alternative to repay the Outstanding Debts.

## FINANCIAL EFFECTS OF THE DISPOSAL

Upon completion of the Disposal, MIEJ will cease to hold any shares of Maple Marathon and will no longer be a shareholder of Maple Marathon. The financial results of the Disposal Group will no longer be consolidated into the Group's financial statements.

The gain of the Group as a result of the Disposal represents approximately RMB331,981,000 (equivalent to approximately HK$378,724,342) based on the unaudited financial statements of the Disposal Group for the six month ended at June 30, 2018 and assuming the Disposal was completed on June 30, 2018. This estimated gain on disposal has not taken into account any interest or expense incurred by the Disposal Group subsequent to June 30, 2018 and up to Completion Date to be borne by the Remaining Group. The actual gain on disposal will be reduced taken into account these expenses.

The actual gain or loss in connection with the Disposal may be different from the above and will be assessed after completion of the Disposal and is subject to the review by the auditors.

The effect of the Disposal on earnings, assets and liabilities of the Group are set out as below:

### (i) Effect on earnings

Upon Completion, Maple Marathon Investments Limited would cease to be a subsidiary of the Group and its financial performance of which would not be reflected in the consolidated financial statements of the Group.

### (ii) Effect on assets and liabilities

The unaudited pro forma financial information of the Group is set out in Appendix III of this circular, which illustrates the financial effects of the Disposition by assuming the Completion has taken place on June 30, 2018. Based on the unaudited pro forma financial information of the Group, the total assets of the Group would decrease by approximately 49.2% from approximately RMB8,945.9 million to approximately RMB4,542.3 million and its total liabilities would decrease by approximately 48.9% from approximately RMB9,825.4 million to approximately RMB5,023.4 million. The net liability of the Group would decrease by approximately 45.3% from approximately RMB879.4 million to approximately RMB481.1 million.

## INFORMATION OF THE REMAINING GROUP

The Remaining Group immediately after the Disposal will be principally engaged in the exploration, development, production and sale of oil and other petroleum products. The Remaining Group is currently entitled to 100% and 10% participating interest in the foreign contractor's entitlement and obligations under the production sharing contract (the "**PSC**") for Daan oil field and Moliqing oil field, respectively, both in the PRC. The Remaining Group also currently participates as associates in the exploration, development and production of petroleum assets located in the Republic of Kazakhstan and the northern part of the South China Sea in the PRC.

Assuming the Disposal had been completed on January 1, 2017, the estimated total assets and net assets of the Remaining Group as at December 31, 2017 would be approximately HK$4,734,563,036 and (HK$163,090,585) respectively and the revenue and net loss for the year ended December 31, 2017 would be HK$758,342,542 and HK$1,093,212,615 respectively.

The Company currently intends to dispose all of its non-core assets to further deleverage its balance sheet, which include its 40% stake in the Kazakhstan business and its 34% stake in the South China Sea business. However, since the Company does not hold majority stake in these assets, it would be much more challenging and difficult for the Company to dispose these assets in a timely manner. For the PSC for Daan oil field in the PRC, it has always been the Company's most cash prolific asset and the Company intends to retain it to serve the remaining debts for the Group and to maintain its ordinary and usual course of business for the Company. In the future, the Company will continue to seek opportunities to replenish its asset portfolio provided that it could financially afford these assets.

## USE OF PROCEEDS

The Group will receive net cash proceeds of approximately US$150,000,000 (equivalent to approximately HK$1,177,170,000) from the Disposal.

The Group intends to use the entire proceeds for repaying the Group's Outstanding Debts.

The Company will continue to explore various options to refinance and/or repay the remaining Outstanding Debts. Currently the Company intends to dispose the remaining non-core assets, namely, its 40% stake in the Kazakhstan business and its 34% stake in the South

China Sea business, as soon as practicable to further reduce the amount of the Company's current indebtedness. The remaining debts of the Company could be repaid by revenue generated from our PRC assets in a reasonable time period.

## INFORMATION ON THE COMPANY AND FAR EAST ENERGY

The Company is a limited company incorporated in the Cayman Islands. The principal activity of the Company is investment holding and to engage in the exploration, development, production and sale of crude oil and other petroleum products under production sharing contracts and other similar arrangements.

Far East Energy is a company incorporated under the laws of the British Virgin Islands, indirectly wholly owned by Mr. Zhang who is a substantial shareholder of the Company (through his shareholding in FEEL) holding approximately 50.01% of the issued share capital of the Company. Far East Energy is an investment holding company.

## LISTING RULES IMPLICATIONS

Given that one or more of the applicable percentage ratios in respect of the Disposal are more than 75%, the Disposal constitutes a very substantial disposal for the Company pursuant to Rule 14.06(4) of the Listing Rules and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Furthermore, Far East Energy is a company indirectly wholly owned by Mr. Zhang, who is a substantial shareholder of the Company (through his shareholding in FEEL) holding approximately 50.01% of the issued share capital of the Company. Far East Energy is thus an associate of Mr. Zhang, and is therefore a connected person of the Company. As such, the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Accordingly, the Disposal is conditional upon the approval of the Independent Shareholders at the EGM. An Independent Board Committee of the Company has been formed to advise the Independent Shareholders in respect of the Disposal. The Independent Financial Adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

## EGM

Set out on pages EGM-1 to EGM-2 of this circular is a notice convening the EGM at which an extraordinary resolution will be proposed and, if thought fit, passed to approve the Share Purchase Agreement and the transaction contemplated thereunder by way of poll.

Any Shareholder with a material interest in the Disposal and his associates will be required to abstain from voting on resolution approving the Share Purchase Agreement and the transactions contemplated thereunder at the EGM. Accordingly, FEEL and its associates shall abstain from voting at the EGM for approving the Share Purchase Agreement and the transactions contemplated thereunder.

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, save for FEEL and its associates which together held 1,469,600,000 Shares (representing approximately 50.01% of the issued share capital of the Company as at the Latest Practicable Date), no other Shareholders are required to abstain from voting on the resolution approving the Share Purchase Agreement and the transactions contemplated thereunder at the EGM. Accordingly, the Independent Shareholders, being all Shareholders other than FEEL and his associates, will be entitled to vote on the resolution approving the Share Purchase Agreement and the transactions contemplated thereunder at the EGM.

A form of proxy for use by the Shareholders at the EGM is enclosed. Shareholders are advised to read the notice and to complete the accompanying form of proxy for use at the EGM in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Tricor Abacus Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event, not less than 48 hours before the time appointed for holding the EGM or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the EGM if they so wish.

## RECOMMENDATION

The Board (excluding Mr. Zhang but including the independent non-executive Directors after taking into account of the recommendations from the Independent Financial Adviser as set out in the letter of advice from the Independent Financial Adviser contained in this circular) considers that the Disposal and entering into the Share Purchase Agreement is in the interests of the Company and the Shareholders as a whole and the terms of the Share Purchase Agreement are on normal commercial terms, fair and reasonable so far as the Company and the Shareholders are concerned. Accordingly, the Board recommends that the Independent Shareholders shall vote in favour of the ordinary resolution which will be proposed at the EGM to approve the Share Purchase Agreement and the transactions contemplated thereunder.

## ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee, the letter of advice from the Independent Financial Adviser and the information set out in the appendices to this circular.

By Order of the Board<br>
**MIE Holdings Corporation**<br>
**Zhang Ruilin**<br>
*Chairman*

# MIE HOLDINGS CORPORATION
# MI能源控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1555)**

November 5, 2018

*To the Shareholders*

Dear Sir or Madam,

## VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION IN RELATION TO THE PROPOSED DISPOSAL OF ENTIRE EQUITY INTEREST IN MAPLE MARATHON AND NOTICE OF EXTRAORDINARY GENERAL MEETING

We refer to the circular of the Company dated November 5, 2018 (the "**Circular**"), of which this letter forms part. Terms used herein have the same meanings as those defined in the Circular unless the context otherwise requires.

In compliance with the Listing Rules, we have been appointed as members of the Independent Board Committee to advise you as to whether, in our opinion, the terms of the Share Purchase Agreement and the transactions contemplated thereunder are (i) on normal commercial terms or better; (ii) in the ordinary and usual course of business of the Company and; (iii) fair and reasonable so far as in the interests of the Independent Shareholders are concerned and are in the interests of the Company and the Independent Shareholders as a whole. In this connection, Platinum Securities Company Limited has been appointed as the Independent Financial Adviser to advise us and you regarding the terms of the Share Purchase Agreement and the transactions contemplated thereunder.

We wish to draw your attention to the letter from the Board set out on pages 6 to 19 of the Circular, the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 22 to 57 of the Circular which contains its opinion in respect of the Disposal, and the additional information set out in the appendices to the Circular.

Having considered the terms of the Share Purchase Agreement and the advice of the Independent Financial Adviser and its recommendation in relation thereto, we are of the opinion that the terms of the Share Purchase Agreement and the transactions contemplated thereunder though not in the ordinary or usual course of business of the Company are on normal commercial terms which are fair and reasonable so far as in the interests of the Independent Shareholders are concerned and are in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend that you vote in favour of the relevant resolutions set out in the notice of the EGM to approve the Share Purchase Agreement and the transactions contemplated thereunder.

Yours faithfully,
Independent Board Committee

| **Mei Jianping** | **Jeffrey Willard Miller** | **Guo Yanjun** |
|---|---|---|
| *Independent non-executive Director* | *Independent non-executive Director* | *Independent non-executive Director* |

*The following is the text of the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders for the purpose of incorporation into this circular.*

**PLATINUM** Securities Company Limited

21/F LHT Tower
31 Queen's Road Central
Hong Kong
**Telephone** (852) 2841 7000
**Facsimile** (852) 2522 2700
**Website** www.platinum-asia.com

November 5, 2018

*To the Independent Board Committee and the Independent Shareholders*

Dear Sir or Madam,

**VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION IN RELATION TO THE PROPOSED DISPOSAL OF ENTIRE EQUITY INTEREST IN MAPLE MARATHON**

## INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Disposal. Details of the Disposal are contained in the letter from the Board as set out in the circular of the Company dated November 5, 2018 (the "**Circular**"). Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On September 24, 2018, the Company and Far East Energy entered into the Share Purchase Agreement, pursuant to which the Company (either directly or through its designated entity) conditionally agreed to sell and Far East Energy conditionally agreed to purchase 100 issued shares of Maple Marathon, representing its entire issued share capital, at a consideration of US$250,000,000 (equivalent to approximately HK$1,961,950,000). Out of the entire consideration of US$250,000,000, US$150,000,000 (equivalent to approximately HK$1,177,170,000 shall be paid by Far East Energy to MIEJ in cash upon Completion for the settlement of the existing outstanding intra-group debts owed by Maple Marathon to the Group; and US$100,000,000 (equivalent to approximately HK$784,780,000 shall be retained by Far East Energy for the repayment of the Outstanding Third Party Loan.

As at the Latest Practicable Date, a directly wholly owned subsidiary of the Company, MIEJ, subsequent to a share swap with the Company and upon completion of the Disposal, MIEJ will cease to hold any shares of the Disposal Group and will no longer be a shareholder of Maple Marathon. The financial results of the Disposal Group will no longer be consolidated into the Group's financial statements.

Given that one or more of the applicable percentage ratios in respect of the Disposal are more than 75%, the Disposal constitutes a very substantial disposal for the Company pursuant to Rule 14.06(4) of the Listing Rules and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Furthermore, Far East Energy is a company indirectly wholly owned by Mr. Zhang, who is a substantial shareholder of the Company (through his shareholding in FEEL) holding approximately 50.01% of the issued share capital of the Company. Far East Energy is thus an associate of Mr. Zhang, and is therefore a connected person of the Company. As such, the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Accordingly, the Disposal is conditional upon the approval of the Independent Shareholders at the EGM.

## BASIS OF OUR OPINION

In our capacity as the Independent Financial Adviser, our role is to advise the Independent Board Committee and the Independent Shareholders as to whether the Share Purchase Agreement is on normal commercial terms and the terms of the Disposal contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to give independent advice to the Independent Board Committee and Independent Shareholders as to whether the Independent Shareholders should vote in favour of the Disposal.

In formulating our advice and recommendation, we have relied on the information and facts supplied, and the opinion expressed to us by the Directors and/or management of the Company. We have reviewed, among other things:

(i) the announcement of the Company dated September 24, 2018 (the "**Announcement**");

(ii) the circular of the Company dated September 7, 2017 in relation to the acquisition of CQ Energy Canada Partnership (the "**Previous Acquisition Circular**");

(iii) the circular of the Company dated April 19, 2018 in relation to the disposal of some assets of Canlin (the "**Previous Disposal Circular**");

(iv) the Share Purchase Agreement;

(v) the annual reports of the Company for each of the two financial years ended December 31, 2016 (the "**2016 Annual Report**") and December 31, 2017 (the "**2017 Annual Report**");

(vi) the interim report of the Company for the six months ended June 30, 2018 (the "**2018 Interim Report**");

(vii) the unaudited consolidated financial statements of Maple Marathon for two years ended December 31, 2016 (the "**2016 Consolidated Financial Statement**") and December 31, 2017 (the "**2017 Consolidated Financial Statement**");

(viii) the unaudited consolidated financial statements of Maple Marathon for the six months ended June 30, 2018; (the "**2018 1H Consolidated Financial Statement**");

(ix) the audited consolidated financial statements and the statement of operations of CQ Energy Canada Partnership for the year ended December 31, 2016 and for nine months ended September 30, 2017;

(x) the consolidated statement of operations of Canlin for the three months ended December 31, 2017;

(xi) the competent person's report of the P&NG Reserves of Canlin Energy Corporation for MIE Holdings Corporation as of June 30, 2018 (the "**Competent Person's Report**") prepared by Sproule Associates Limited (the "**Independent Valuer**");

(xii) the report of the P&NG Reserves of Canlin Energy Corporation as of December 31, 2017 prepared by the Independent Valuer (the "**2017 Canlin Reserves Report**");

(xiii) other publicly available information related to the Company including regulatory filings where available.

We have assumed that all information, facts, opinions and representations contained in the Circular are true, complete and accurate in all material respects and we have relied on the same. The Directors have confirmed that they take full responsibility for the contents of the Circular and have made all reasonable inquiries that no material facts have been omitted from the information supplied to us.

We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy or completeness of the information of all facts as set out in the Circular and of the information and representations provided to us by the Directors and/or management of the Company. Furthermore, we have no reason to suspect the reasonableness of the opinions and representations expressed by the Directors and/or management of the Company which have been provided to us. In line with normal practice, we have not, however, conducted a verification process of the information supplied to us, nor have we conducted any independent in-depth investigation into the business and affairs of the Company. We consider that we have reviewed sufficient information to enable us to reach our opinion and advice as set out in this letter.

During the past two years, Platinum Securities Company Limited had no past engagement with the Company. As at the Latest Practicable Date, we were independent from, and were not connected or associated with the Company or Far East Energy or any other party to the Disposal, or their respective substantial shareholder(s) or connected person(s), as defined under the Listing Rules and accordingly, are considered eligible to give independent advice on the Disposal. We will receive a fee from the Company for our role as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Disposal. Apart from this normal professional fee payable to us in connection with this appointment, no arrangements exist whereby we will receive any fees or benefits from the Company or any other party to the Disposal or their respective substantial shareholder(s) or connected person(s), as defined under the Listing Rules.

The Independent Board Committee, comprising Mr. Mei Jianping, Mr. Jeffrey Willard Miller and Mr. Guo Yanjun, has been established to advise the Independent Shareholders as to whether the Share Purchase Agreement is on normal commercial terms and the terms of the Disposal contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation with regard to the Disposal, we have taken into account the following principal factors and reasons:

### I. Background information on the Group, Far East Energy, Maple Marathon and Canlin

#### *1. Information on the Group*

The principal business of the Group is to engage in the exploration, development, production and sale of crude oil and other petroleum products under production sharing contracts and other similar arrangements.

The Group currently has oil and gas properties, including (i) one producing production oil sharing contract in northeast China, (ii) a diverse producing, resource and infrastructure oil and gas asset throughout Western Canada, (iii) participating an exploration contract and four production contracts in Kazakhstan held by Emir-Oil, and (iv) participating one producing production oil sharing contract in South China Sea.

*1.1 Financial performance of the Group*

Set out below are highlights of certain financial information on the Group as extracted from the audited consolidated statement of comprehensive income for each of the two years ended December 31, 2016 ("**FY2016**") and December 31, 2017 ("**FY2017**"), and the unaudited consolidated statement of comprehensive income for the six months ended June 30, 2018 ("**1H2018**"):

| | **1H2018** | | **FY2017** | | **FY2016** | |
|---|---|---|---|---|---|---|
| | *% of the revenue* | *RMB'000* (unaudited) *Amount* | *% of the revenue* | *RMB'000* (audited) *Amount* | *% of the revenue* | *RMB'000* (audited) *Amount* |
| Revenue | 100% | 1,205,868 | 100% | 1,125,982 | 100% | 534,974 |
| *Segment Revenue* | | | | | | |
| — Revenue from PRC | 27.6% | 333,273 | 58.4% | 657,365 | 99.2% | 530,908 |
| — Revenue from North America | 72.4% | 872,595 | 41.6% | 468,617 | 0.8% | 4,066 |
| Loss before income tax | | (579,224) | | (1,012,296) | | (457,981) |
| Income tax credits/(expense) | | 57,971 | | (87,180) | | (147,166) |
| Loss for the period/year from continuing operations | | (521,253) | | (1,099,476) | | (605,147) |
| Loss for the year from discontinued operations | | — | | — | | (717,086) |
| Loss for the year | | (521,253) | | (1,099,476) | | (1,322,233) |

We understand from the management of the Company that the PRC segment derives its revenue substantially from the sale of oil, while the revenue is realized from the sale of the Group's share of crude oil to PetroChina Company Limited pursuant to respective joint operating contracts. The North America segment derives its revenue from the sale of oil and gas through working interest in the Niobrara asset in the United States of America and its share of profit from the investment in associate in Canada.

As disclosed in the 2017 Annual Report, the total revenue recorded a significant increase of 110.5% from approximately RMB535.0 million for FY2016 to approximately RMB1,126.0 million for FY2017. In addition to the increase in crude oil prices during the course of 2017, the increase in revenue was mainly due to the acquisition of CQ Energy Partnership in September 2017 ("**Canlin Acquisition**"), which contributed a revenue of RMB465.4 million during the three months ended December 31, 2017. As disclosed in the 2018 Interim Report, the Group's revenue recorded approximately RMB1,205.9 million for the six months ended June 30, 2018, which has already exceeded the total revenue generated in FY2017. Such remarkable increase in revenue during 1H2018 was also mainly due to the Canlin Acquisition, which contributed a revenue of RMB879.9 million during the six months ended June 30, 2018. The Group's net loss for FY2017 was approximately RMB1,099.5 million, compared to the net loss of approximately RMB1,322.2 million for FY2016. We noted from the 2017 Annual Report and 2018 Interim Report that the financial improvements made by the Company in FY2017 and 1H2018 were not only caused by Canlin Acquisition, the Company was also benefited from the rise in oil price during the period given the average realized oil price for the Group was US$59.68 per barrel for the six months ended 30 June 2018, compared to US$47.10 per barrel for the six months ended 30 June 2017. In addition, based on the 2018 1H Consolidated Financial Statement provided by the Company, Maple Marathon recorded a net loss of approximately C$65.3 million for the six months ended 30 June 2018, and a negative net asset value of approximately C$106.8 million as at 30 June 2018. We believe that Maple Marathon is unable to reverse the loss position and to deliver a significant positive financial performance to the Group in short term taking into the consideration of the outlook of oil and gas industry in North America regarding the business operation prospect within the area being unfavorable to the Group, which we will discuss under the section "II — Industry overview — 2. Overview of oil and gas industry in North America". Furthermore, it should be noted that the previous Canlin Acquisition has never generated cash flow other than the contributions in revenues to the Group during the period. Considering the ongoing critical issue of repayment of Company's outstanding debts, we think that the Canlin Acquisition is unable to distribute any cash to the Group as to release debts burden of the Group in short term. As such, we are of the view that the Disposal is in the interest of the Company and Shareholders as a whole.

The following table presents a reconciliation of earnings before interest, taxes, depreciation and amortization ("**EBITDA**") and adjusted EBITDA of the Group from continuing operations to loss before income tax from continuing operations for the six months ended June 30, 2018, and financial years ended December 31, 2017 and December 31, 2016, which were extracted from 2018 Interim Report, 2017 Annual Report and 2016 Annual Report, respectively.

| | **1H2018** | **FY2017** | **FY2016** |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| | (unaudited) | (audited) | (audited) |
| Loss for the period/year from continuing operations before income tax | (579,224) | (1,012,296) | (457,981) |
| Finance income | (28,028) | (49,248) | (17,490) |
| Finance costs | 414,525 | 187,997 | 403,951 |
| Depreciation, depletion and amortization | 385,786 | 489,863 | 363,860 |
| EBITDA from continuing operations | 193,059 | (383,684) | 292,340 |
| Share-based payment to employees | 50,805 | 20,158 | 27,990 |
| Impairment loss | 3,194 | 35,524 | 234,667 |
| (Reverse of provisions)/provision for receivable | (83,964) | 730,116 | 252,756 |
| Losses on disposal of FVPL assets | 3,198 | — | — |
| Geological and geophysical | — | — | 1,227 |
| Exploration and evaluation expense | 12,903 | 10,737 | — |
| Withholding tax | 4,441 | 10,633 | 10,647 |
| Gains on disposal of Canlin partial assets | (3,136) | — | — |
| Gains/(losses) on derivative financial instruments | 101,701 | (52,390) | 19,595 |
| Gains on disposal of subsidiaries | — | (46,318) | (526,132) |
| Gains arising from acquisition of an associate | — | — | (29,798) |
| Losses on disposal of Journey | 17,512 | — | — |
| Others | 14,069 | 23,339 | — |
| Unaudited adjusted EBITDA from continuing operations | 313,782 | 348,115 | 283,292 |

The EBITDA of the Group recorded negative of approximately RMB383.7 million for FY2017, compared to the positive EBITDA of approximately RMB292.3 million for FY2016. The decrease in EBITDA in FY2017 was mainly due to (i) share of loss of investment accounted for using the equity method of RMB63.0 million for FY2017, compared to the gain of RMB32.3 million for FY2016 and (ii) bad debt provision of receivables of RMB730.1 million for FY2017, compared to the amount of RMB252.8 million for FY2016. The Group's adjusted EBITDA increased by approximately RMB64.8 million, increased by approximately 22.9% from approximately RMB283.3 million for FY2016 to approximately RMB348.1 million for FY2017. Such increase in adjusted EBITDA was primarily due to the Canlin Acquisition, as well as benefited from the increase in oil price during the period. Based on our discussion with the management of the Company, we understand that although the financial performance of Maple Marathon has been reflected on book and it has relatively increased the operating cash flow of the Group after completion of the Canlin Acquisition in the sense of accounting consolidation, it did not lead to a material or substantive financial improvements to the Group given the loss-making and negative net asset value position of Maple Marathon. In addition, the Group has never received any dividend distribution from the Canlin Acquisition as well during the period. Save as mentioned above and taking into considerations of the reasons we have discussed under the section headed "III The Disposal — 1. Reasons for and benefits of the Disposal" below, we are of the view that the Disposal is in the interest of the Company and Shareholders as a whole.

*1.2 Financial position of the Group*

Set out below is the summary of the consolidated statements of financial position of the Group as at June 30, 2018, December 31, 2017 and December 31, 2016 as extracted from the 2017 Annual Report and 2018 Interim Report, respectively:

| | As at June 30, | As at December 31, | |
|---|---|---|---|
| | **2018** | **2017** | **2016** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| | (unaudited) | (audited) | (audited) |
| **Non-current assets** | | | |
| Property, plant and equipment | 6,247,112 | 7,719,859 | 2,407,958 |
| Intangible assets | 782,034 | 708,193 | 8,849 |
| Investments in associates | — | 182,541 | 246,667 |
| Deferred income tax assets | 766 | 334 | 40,590 |
| Available-for-sale financial assets | — | 67,132 | 63,330 |
| Derivative financial instruments | 3,214 | 25,652 | — |
| Financial assets at fair value through other comprehensive income | 65,026 | — | — |
| Prepayments, deposits and other receivables | 754,129 | 727,966 | 820,224 |
| Restricted cash | 43,831 | 43,285 | — |
| | 7,896,112 | 9,474,962 | 3,587,618 |
| **Current assets** | | | |
| Inventories | 18,241 | 16,745 | 30,155 |
| Prepayments, deposits and other receivables | 558,799 | 751,426 | 1,131,001 |
| Available-for-sale financial assets | — | 111,228 | — |
| Financial assets at fair value through profit or loss | 68,801 | — | — |
| Trade receivables | 292,608 | 407,035 | 103,568 |
| Derivative financial instruments | 27,787 | 342,763 | 90,325 |
| Restricted cash | — | 72,012 | — |
| Cash and cash equivalents | 83,596 | 132,172 | 904,961 |
| | 1,049,832 | 1,833,381 | 2,260,010 |
| **Total assets** | 8,945,944 | 11,308,343 | 5,847,628 |

| | As at June 30, 2018 | As at December 31, 2017 | 2016 |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| | (unaudited) | (audited) | (audited) |
| **Current liabilities** | | | |
| Trade and other payables | 402,741 | 392,984 | 74,199 |
| Provisions, accruals and other liabilities | 480,514 | 718,598 | 226,999 |
| Current income tax liabilities | 96,139 | 97,233 | 54,141 |
| Derivative financial instruments | 59,709 | 9,200 | 20,576 |
| Borrowings | 2,104,104 | 1,529,011 | 104,000 |
| | 3,143,207 | 2,747,026 | 479,915 |
| **Non-current liabilities** | | | |
| Borrowings | 3,128,147 | 4,520,457 | 4,586,555 |
| Deferred income tax liabilities | 524,003 | 589,281 | 66,401 |
| Trade and notes payable | 26,902 | 26,529 | 14,161 |
| Provisions, accruals and other liabilities | 1,664,061 | 2,620,311 | 60,809 |
| Derivative financial instruments | 24,806 | 5,574 | — |
| Financial liabilities at fair value through profit or loss | 1,314,246 | 1,067,626 | — |
| | 6,682,165 | 8,829,778 | 4,727,926 |
| **Total liabilities** | 9,825,372 | 11,576,804 | 5,207,841 |
| **Total equity** | | | |
| Equity attributable to owners of the Company | (879,381) | (268,434) | 639,814 |
| Non-controlling interests | (47) | (27) | (27) |
| | (879,428) | (268,461) | 639,787 |

As at June 30, 2018, the Group's total assets amounted to approximately RMB8,945.9 million, which represented a decrease of approximately 20.9% from approximately RMB11,308.3 million as at December 31, 2017. Non-current assets of the Group, which mainly consist of property, plant and equipment amounted to approximately RMB7,896.1 million as at June 30, 2018 as compared to approximately RMB9,475.0 million as at December 31, 2017. The Group's current assets also recorded a decrease of approximately 42.7% from approximately RMB1,833.4 million as at December 31, 2017 to approximately RMB1,049.8 million as at June 30, 2018. Such decrease was mainly resulted from the decrease in trade receivables and cash and cash equivalents. The Group had cash and cash equivalents of approximately RMB83.6 million as at June 30, 2018 representing a decline of approximately 36.8% from approximately RMB132.2 million as at December 31, 2017.

Total liabilities of the Group recorded approximately RMB9,825.4 million as at June 30, 2018, decreased by approximately 15.1% from approximately RMB11,576.8 million as at December 31, 2017, while the total borrowings of the Group amounted to approximately RMB5,232.3 million as at June 30, 2018, compared with approximately RMB6,049.5 million as at December 31, 2017.

As at June 30, 2018, the total equity attributable to owners of the Company was negative of approximately RMB879.4 million, compared with negative of approximately RMB268.5 million as at December 31, 2017.

### *2. Information on Far East Energy*

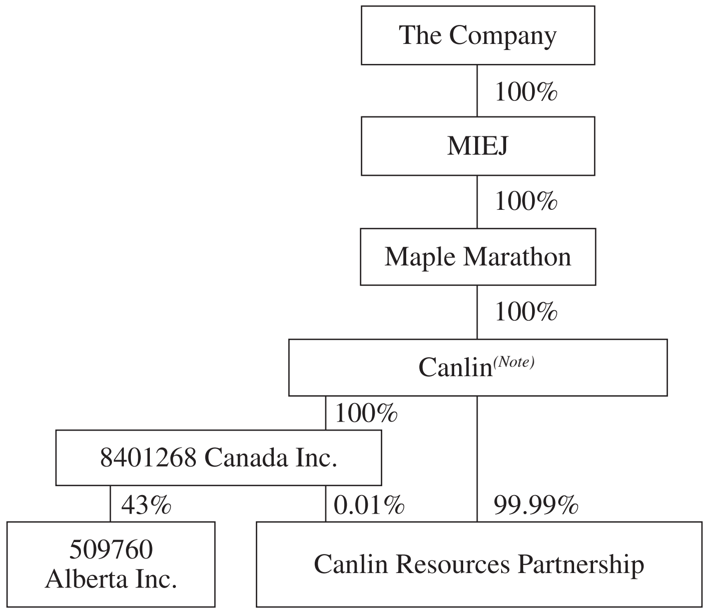
Far East Energy is a limited company incorporated under the laws of the British Virgin Islands, indirectly wholly owned by Mr. Zhang who is a substantial shareholder of the Company (through his shareholding in FEEL) holding approximately 50.01% of the issued share capital of the Company as at the Latest Practicable Date. Far East Energy is an investment holding company.

### *3. Information on the Disposal Group*

#### *3.1 Maple Marathon*

Maple Marathon is a limited liability company incorporated in Hong Kong. Maple Marathon is an investment holding company. As of the Latest Practicable Date, Maple Marathon is owned by MIEJ, a wholly owned subsidiary of the Company after a share swap with the Company and upon completion of the Disposal, Maple Marathon will cease to be a subsidiary of MIEJ. Maple Marathon holds 296,000,100 common shares of Canlin, representing its entire issued share capital of common shares.

The shareholding structure of the Disposal Group and its subsidiaries as at the Latest Practicable Date is set out as below:




*Note:* As at the Latest Practicable Date, Canlin has issued 296,000,100 common shares wholly owned by Maple Marathon and 204,000,000 convertible preferred shares, of which 170,000,000 convertible preferred shares are owned by CCGRF Gastown Limited and 34,000,000 convertible preferred shares are owned by Mercuria Energy Netherlands BV. Upon full conversion of the convertible preferred shares into common shares, Canlin will be owned as to 63.6% thereof by Maple Marathon, as to 30.3% thereof by CCGRF Gastown Limited and as to the remaining 6.1% thereof by Mercuria Energy Netherlands BV, respectively.

Set out below is the financial information of the Disposal Group extracted from its unaudited financial statements for the years ended December 31, 2016 and December 31, 2017 prepared in accordance with the IFRS:

| | **For the year ended December 31,** | |
|---|---|---|
| | **2017** | **2016** |
| | *approx. C$'000* | *approx. C$'000* |
| Loss before income tax | 29,046 | 7 |
| Loss for year | 26,268 | 7 |

For the six months ended 30 June 2018, the unaudited loss before and after taxation of the Disposal Group were C$83,035,000 (equivalent to approximately HK$501,323,813) and C$67,287,000 (equivalent to approximately HK$406,245,263), respectively.

*3.2 Canlin*

Canlin is a company incorporated in British Columbia, Canada, principally engaged in the business of exploration and development of oil and natural gas resources and the supply of crude oil and natural gas to the North America markets. The principal oil and natural gas producing properties are located in British Columbia, Alberta and Saskatchewan, Canada. As at the date of the Circular, Canlin directly holds the entire interests in 8401268 Canada Inc. and Canlin Resources Partnership.

*The Acquisition*

We have reviewed the Previous Acquisition Circular and note that the consideration payable by Canlin at completion in relation to the Acquisition was approximately C$700,000,000 (equivalent to approximately HK$4,226,250,000), subsequent to adjustments provided in the Partnership Interest and Sale Agreement dated May 31, 2017 in relation to the Acquisition. The consideration for the Acquisition was funded through a combination of Group's internal resources, debts financing and proceeds raised from the convertible preferred shares issued by Canlin where:

(a) C$170,000,000 (equivalent to approximately HK$1,026,375,000) in convertible preferred shares from CCGRF Gastown Limited;

(b) C$34,000,000 (equivalent to approximately HK$205,275,000) in convertible preferred shares from Mercuria Energy Netherlands BV;

(c) C$296,000,000 (equivalent to approximately HK$1,787,100,000) in common shares from the Group; and

(d) C$200,000,000 (equivalent to approximately HK$1,207,500,000) in a senior secured loan provided by a syndicate of Canadian bank.

Upon completion of the Acquisition, the partnership arrangement of CQ Energy Canada Partnership dissolved by way of operation of law due to having only one partner being Canlin.

Subsequent to the Acquisition, there was a decrease in goodwill of C$6,949,000 (equivalent to approximately HK$41,954,588) due to a disposal of Carrot Creek assets completed in May 2018 and goodwill balance as at June 30, 2018 related to the Acquisition at the amount of C$128,633,000 (equivalent to approximately HK$776,621,738).

*Operating Summary of Canlin*

Canlin currently owns a diverse base of producing, resource and infrastructure assets located throughout Alberta, Saskatchewan, Manitoba, Ontario and British Columbia in Canada. Among the aforesaid, Canlin's key oil and gas assets are oil and gas bearing rocks (reservoirs) buried 300 to 5,000 meters below the surface. The reservoirs can be mapped using geophysical methods as well as drilling and logging of vertical wells. Most reservoirs can be developed using horizontal drilling and completion technology.

The assets can be divided into five geographical regions as well as Royalty and Fee Lands. The five geographical regions are: (a) Peace River Arch, (b) North, (c) Hanlan Robb, (d) Foothills and (e) South, and the key assets of which are set out as below:

(a) in Peace River Arch, the key asset is a gas charged reservoir named Montney primarily in the Glacier and Parkland areas, which is characterized by light oil production from the Charlie Lake formation;

(b) in North, the key assets are light oil and liquid bearing zones such as Belly River, Cardium, Charlie Lake, Gething and Glauconite in Gilby and Ferrier;

(c) in Hanlan Robb, it currently produces low decline sour gas from Turner Valley formation and sweet gas production from the Spirit River Group which consists of three stacked formations, the Notikewin, the Falher, and the Wilrich;

(d) in Foothills, the key asset is Wildcat Hills with sour gas production from Turner Valley formation; and

(e) in South, it produces shallow gas.

In relation to the mid-stream infrastructure, Canlin has ownership in ten major facilities, including two sweet and eight sour plants. These plants are gas processing plants that process the raw natural gas produced by Canlin and other producers in the nearby area. Mid-stream infrastructure also includes compressors and gathering pipeline.

According to the Competent Person's Report as at June 30, 2018, the total proved reserves ("**1P**") of Canlin was approximately 179.33 MMBOE and the total proved and probable reserves ("**2P**") of Canlin was approximately 266.2 MMBOE.

On October 18, 2018, Canlin Resources Partnership, an indirect wholly owned subsidiary of Canlin, as vendor and a public company listed on the Toronto Stock Exchange as purchaser have agreed to the sale and purchase of the vendor's right, title, estate and interest (whether absolute, contingent, legal or beneficial) in certain petroleum and natural gas rights, the tangibles and the miscellaneous interests located in northwestern Alberta, Canada at the base price of C$30,000,000 (approximately HK$181,125,000) (subject to adjustments) (the "**October Disposal**"). Please refer to the announcement of the Company dated October 18, 2018 for further details. The Company confirms that such disposal has no impact on the financial position of Canlin.

The October Disposal, as part of the Company's ongoing efforts to divest its non-core assets, will further enhance the financial strength of the Group. The adjustment date for October Disposal is June 1, 2018 and the sale of the subject assets under the October Disposal are excluded from the Disposal. In addition, certain oil and natural gas assets located in the Stettler area in East Central Alberta, Canada was disposed by Canlin Resources Partnership at the amount of C$2,300,000 (equivalent to approximately HK$13,886,250) on October 16, 2018, which was not subject to any disclosure requirement under the Listing Rules. Other than the aforesaid disposals, there is no other assets of Maple Marathon that will be excluded under the Disposal.

Upon completion of the Disposal, the Company will not hold any oil and natural gas assets directly in Canada. The financial information of the Disposal Group set out in Appendix II and Appendix III of the Circular has duly reflected the subject matter of the Disposal and its effect on the Company.

However, the Company holds an investment being a minority shareholder in an oil and natural gas company named Hammerhead Resources (formerly known as CIOC), a Calgary Canada headquartered private oil and gas producer, which is not connected with any asset held by Canlin. The Company invested approximately US$7,000,000 via a private equity fund, CCGRF, in November 2014. Core asset of Hammerhead Resources is located in the Alberta Deep Basin where it is developing unconventional multi-zone, oil and liquids-rich gas plays.

## II. Industry overview

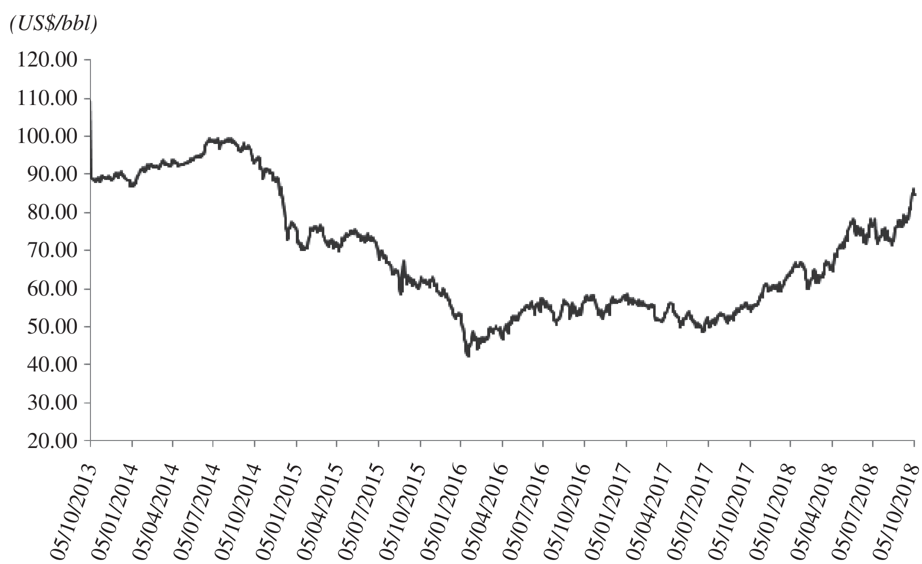
### *1. Global oil & gas industry outlook*

According to BP Statistical Review of World Energy[1], global oil market is yet to robust demand growth, considering the production cuts of OPEC and other participating countries, the oil inventories may fall back. However, the rapid growth

[1] https://www.bp.com/content/dam/bp/en/corporate/pdf/energy-economics/statistical-review/bp-stats-review-2018-full-report.pdf

of US tight oil over the years may bring caution to the world that the recent firming in oil prices is unlikely to persist. In natural gas market, it has experienced a strong expansion of global liquefied natural gas ("**LNG**") supplies helped to improve the accessibility of gas around the globe, and with clear signs that the major regional gas markets are becoming increasingly integrated, which may help to underpin the long-term use of natural gas.

**Brent Crude Future Price for the past 5 years**

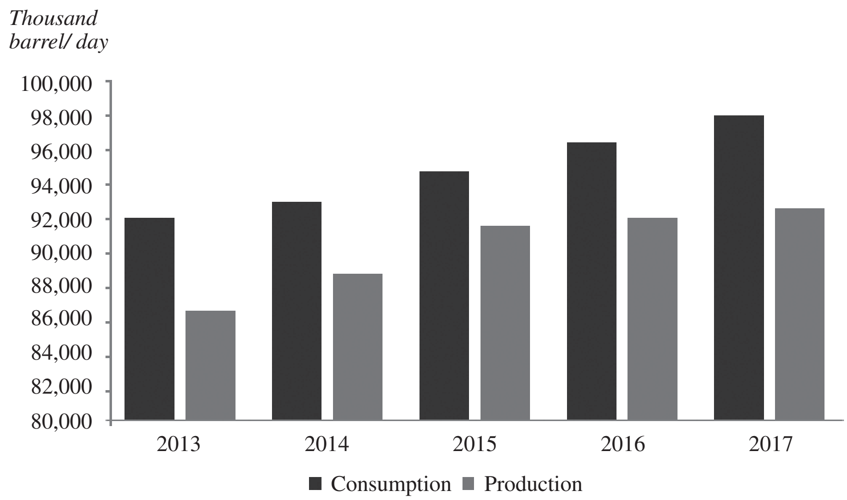



*Source: Bloomberg*

**WTI Crude Future Price for the past 5 years**


*Source: Bloomberg*

**World Oil Consumption & Production for the past 5 years**



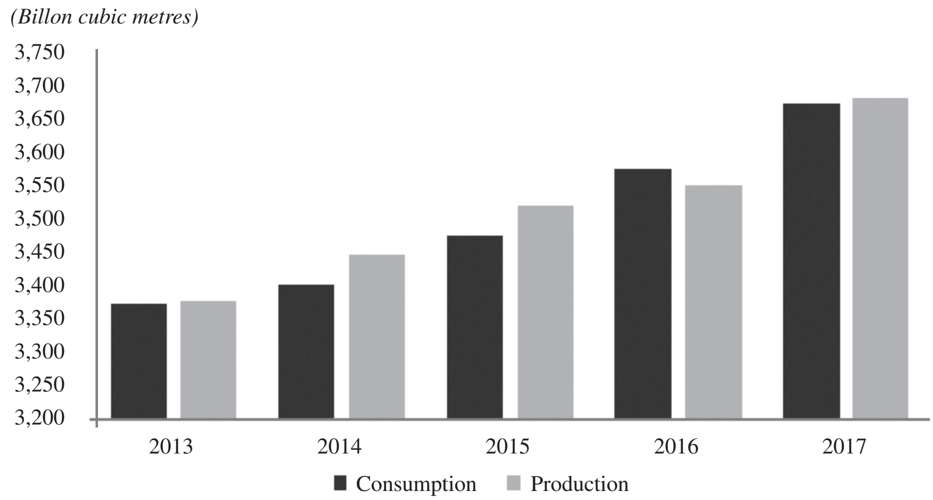

*Source: BP Statistics 2018*

Based on the charts above, both Brent crude oil price and WTI crude oil price were on an upward trend after dropping to the lowest of US$42.21/bbl and US$40.95/bbl in 2016. WTI crude oil price rebounded in 2017 averaging US$50.95/bbl or 18% above the average price realized in 2016. Since June 2017 onwards, the WTI crude oil price has been stably increasing from US$45.67/bbl to US$74.50/bbl as of October 5, 2018, with an increase of approximately of 63.1% over 15 months. However, we notice that there has been a noticeable divergence between key global crude benchmarks, with Brent's premium to WTI widening to over US$11/bbl, the largest margin since 2014.

Global oil consumption growth averaged 1.8%, or 1.7 million barrels per day, above its 10-year average of 1.2% for the third consecutive year. Global oil production rose by 0.6 million barrels per day, below average for the second consecutive year, while production United States averaged 690,000 barrel per day, posted the largest increase in output during 2017.

We also note that the recent trade war between the United States and China is getting fierce which leads to more and more uncertainties of the global economy. Given China is one of the key consumers of global oil, a downturn in its economy could hamper its demand for crude oil, which may cause oil prices to fall.

**World Gas Consumption & Production for the past 5 years**



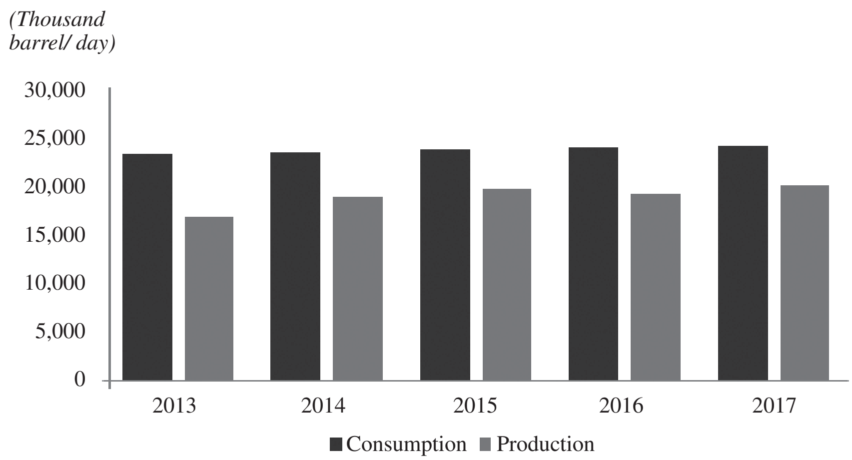

*Source: BP Statistics 2018*

Natural gas consumption rose by 96 billion cubic metres ("**bcm**") or 3.0% from approximately 3,574 bcm in 2016 to approximately 3,670 bcm in 2017, it was mainly driven by China, the Middle East and Europe. Global natural gas production increased by 131 bcm or 4.0% in 2017, almost double the 10-year average growth rate, while the Russian growth was the largest at 46 bcm in 2017. We note that the growth in consumption was more than matched by increasing production.

***2. Overview of oil & gas industry in North America***

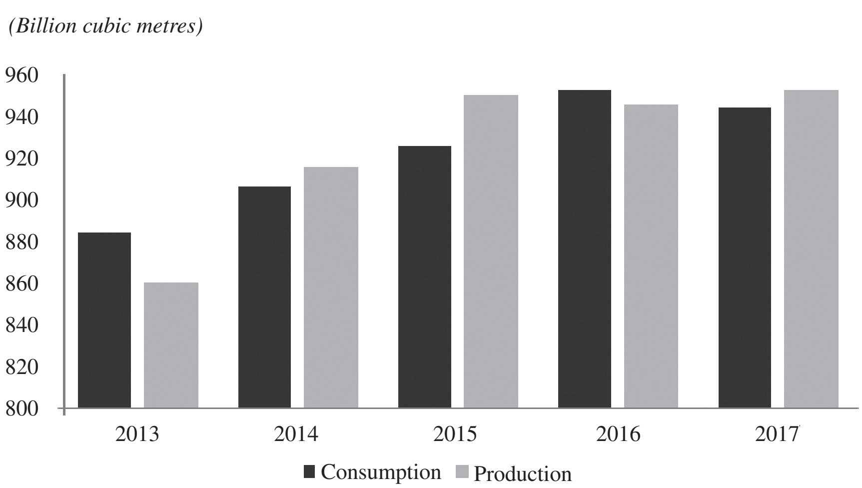
Since Canlin is a subsidiary of the Company and is a company incorporated in British Columbia, Canada, which is principally engaged in the business of exploration and development of oil and natural gas resources and the supply of crude oil and natural gas to the North America markets, we have looked into recent oil and gas industry in North America.

**North America Oil Consumption & Production for the past 5 years**




*Source: BP Statistics 2018*

**North America Gas Consumption & Production for the past 5 years**




*Source: BP Statistics 2018*

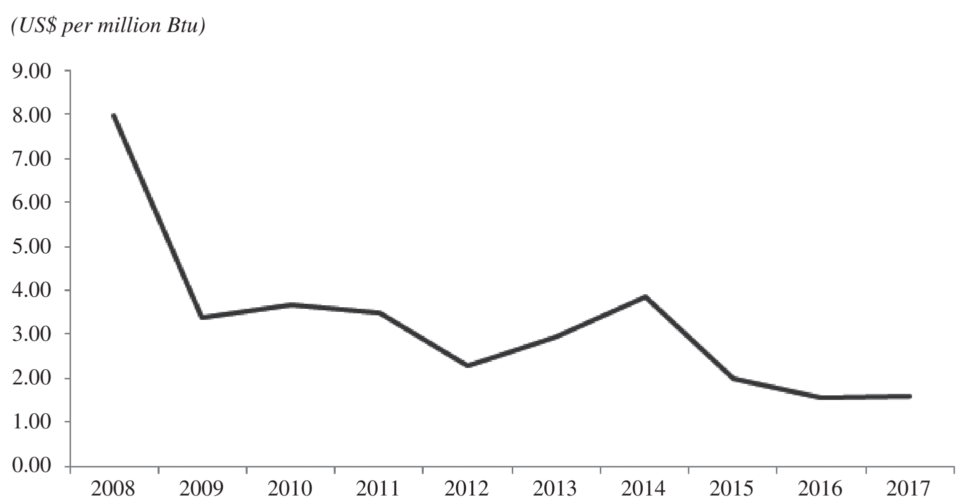
The oil consumption and production in North America seemed relatively flat for the past five years. Oil consumption in North America growth averaged 0.15 million barrel per day or only 0.6% in 2017, while the oil production growth averaged by 0.82 million barrel per day or 4.3%.

Although gas consumption in North America has been gradually increased during 2013 to 2016, it recorded a decrease of 0.9% to approximately 943 bcm in 2017 from approximately 952 bcm in 2016, whereas gas production slightly rose by approximately 7 bcm, or 0.7% in 2017.

According to National Energy Board, Canada's energy and safety regulator, Canada is the world's fifth largest producer of natural gas and accounts for around 5% of global production. However, the Canadian natural gas supply currently exceeds domestic consumption. Canada's natural gas markets are heavily integrated with those of the United States and Canada usually exports its surplus natural gas. While some companies have proposed exporting natural gas to overseas markets by LNG, most of the projects that are actually built are unlikely to be operational until towards the end of the decade.

Moreover, according to 2018 Industry Outlook Survey Results by Trusted Energy Intelligence[2], it expressed widespread concern that regulatory issues will continue delaying needed oil export pipelines and LNG facilities. Furthermore, carbon taxes will add to the disadvantages the Canadian oil and gas industry faces. Both the Alberta and federal governments of Canada received failing grades for the handling of energy related issues and market access and regulatory approvals of new projects were solved slowly.

**Natural Gas Price in Canada for the last 10 years**




*Source: BP Statistics 2018*

As illustrated from the above chart, natural gas price in Canada experienced a relatively downward trend for the last ten years from an average realized gas price of approximately US$8.00 per million British thermal unit ("**Btu**") in 2008 to approximately US$1.60 per million Btu in 2017, decreased by 80% over the years. We think that the natural gas price was remained at low level, especially for the last two years, averaged at approximately US$1.58 per million Btu.

2 http://www2.jwnenergy.com/industry-outlook-survey-results-2018

In light of the above, we consider that the recent Canadian oil and gas business environment was unfavorable to the Company given (i) the supply surplus, (ii) slow regulatory approval for new projects and (iii) slow response of Canadian government for handling energy related issues. Also, considering the gas price has been decreasing over the last 10 years and remaining at low of around US$1.58 per million Btu for the current years, we concur with the management of the Company that it is expected very limited cash flow could be up-streamed to the Company from Maple Marathon in the future. Therefore, we think that the Disposal is in the interest of the Company and Shareholders as a whole.

## III. The Disposal

### *1. Reasons for and Benefits of the Disposal*

According to 2017 Annual Report, we note that the Company has been continuing a loss making for the past two financial years, from a loss of approximately RMB1,322.2 million in FY2016 to loss of approximately RMB1,099.5 million in FY2017. As at June 30, 2018, Company had a net debt position of approximately RMB3,044 million. We further note from the Company that the outstanding debts of the Company due in the 12 months from the Latest Practicable Date has increased to total amount of US$470.0 million (equivalent to approximately HK$3,688.5 million). As disclosed in the 2018 Interim Report, the net finance costs of the Company increased by RMB188.6 million, or 95.3% from RMB197.9 million for the six months ended June 30, 2017 to RMB386.5 million for the six months ended June 30, 2018. The increase in finance costs was mainly due to (i) Canlin Energy related financing costs of RMB98.7 million and the accrued interest expense related to the asset retirement obligations, and (ii) the effective interest rate of the borrowing for the Group increased during the period. We think that the net proceeds from the Disposal would not only solve the urgent needs for settling the Outstanding Third Party Loan, but also the risk of breach of repayment obligations under other relevant loan agreements will be reduced. Upon completion of the Disposal, the gearing ratio and financial leverage of the Group would be declined as well allowing the Group with an improved financing capability to refinance the outstanding debts.

The Company is of the view that the disposal of the Disposal Group is the only feasible and practical means for the Company to refinance the Outstanding Debts and the Disposal can significantly help enhance the financial strength, cash flow and liquidity of the Group for the following reasons:

(i) the significant changes in onshore and offshore capital (including debt and loan) markets where the impact of a year-long deleveraging campaign in the PRC and a rapidly intensifying Sino-US trade war have led to a tight liquidity in the onshore capital markets and the rise in bank funding costs, coming after the US Federal Reserve's interest rate announcement, further suggests the current liquidity squeeze in the banking sector of the offshore capital market. The market change has restricted the Company's means to raise additional funds to refinance the Outstanding Debts;

(ii) the Company's share price also slipped significantly since the completion of the Acquisition and the decreasing share price of the Company further limits the amount of funds to be raised through equity financing; and

(iii) the Company also explored the possibility to dispose non-core assets, which include its 40% stake in the Kazakhstan business and its 34% stake in the South China Sea business. However, because the Company does not hold a majority stake in those non-core assets, the disposal of those non-core assets will not be fully under the Company's control, especially in view of the tight refinancing schedule and the prolonged negotiation involved.

In addition to the significant changes in the circumstances in onshore and offshore capital markets and the decreasing share price of the Company, the gas price in Canada dropped to the weakest level in the past year after completion of the Acquisition, which resulted in the reduction of its capability to obtain significant cash inflow from Canlin to serve its debts. We also noted from the Company that time is of the essence for the Company to complete the Disposal in order to refinance the Outstanding Debts since the deal certainty and execution timing are not under the Company's control if it needs to negotiate with other potential purchasers other than Far East Energy. The Company is not in a position to gauge the timing and certainty for the Disposal to be executed with other potential purchasers.

We understand that the Company has been proactively communicating with various onshore and offshore financial institutions for additional bank borrowings to refinance the Outstanding Debts. However, being highly leveraged, the Company found it almost impossible to raise additional funds for this purpose at a reasonable cost.

We also note from the management of the Company that the Company has also considered a number of alternative fund raising methods, including but not limited to, the financing/refinancing discussions with various banks both onshore and offshore, equity financing through general mandate, whereas taking into account of:

(i) the loss-making financial position of the Company over the past two years and the low trading volume of the shares;

(ii) placing and rights issue usually involve the issue of new shares at a discount to the market price, and it is unlikely to secure potential investors to subscribe for new Shares in short term. In addition, we consider that rights issue will also involve extra administrative work and higher cost for the trading arrangement, as well as time consuming, however, time is crucial for the Company to refinance the Outstanding Debts; and

(iii) favorable terms in relation to debt financing on a timely basis may not be achievable under the loss-making position of the Company.

The Company does not foresee any circumstances that would prevent the Disposal from taking place. Notwithstanding the foregoing, if the Disposal does not proceed, timely repayment of the Outstanding Debts could potentially be too burdensome for the Company. The Company will be exposed to higher risk of default and would like to enter into negotiations with the creditors to extend the repayment of the Outstanding Debts. In addition, to lower the debt ratio to a reasonable level in the long term, the Company will continue to explore various options to refinance the Outstanding Debts such as obtaining new commercial loans and offering new bonds where the timing and market allow. Lastly, the Company is also prepared to consider disposing of other non-core assets of the Company as an alternative to repay the Outstanding Debts.

In light of the above, we are of the view that entering into the Share Purchase Agreement is in the interests of the Company and the Shareholders as a whole.

***2. Principal terms of the Share Purchase Agreement***

*Date*

September 24, 2018 (after trading hours)

*Parties*

(1) the Company (either directly or through its designated entity), as the vendor

(2) Far East Energy, as the purchaser

*Interest to be disposed*

100 issued shares of Maple Marathon, representing its entire issued share capital. Maple Marathon holds 296,000,100 common shares of Canlin, representing its entire issued share capital of common shares.

As at the Latest Practicable Date, a directly wholly owned subsidiary of the Company, MIEJ, was the only legal and beneficial owner of 100 issue shares of Maple Marathon.

*Consideration*

The Consideration for the Disposal is US$250,000,000 (equivalent to approximately HK$1,961,950,000), which shall be paid in the following manner:

(i) all of the US$150,000,000 (equivalent to approximately HK$1,177,170,000) shall be paid by Far East Energy to MIEJ in cash upon Completion for the settlement of the existing Outstanding Intra-Group Debts; and

(ii) US$100,000,000 (equivalent to approximately HK$784,780,000) shall be retained by Far East Energy for the repayment of the Outstanding Third Party Loan.

The Consideration was determined on the consideration paid by the Group for the Acquisition plus a reasonable premium. The Consideration was arrived at after arm's length negotiations between the Company and Far East Energy and is on normal commercial terms with reference to:

(i) the consideration paid by the Group for the Acquisition at the amount of C$296,000,000 (equivalent to approximately HK$1,787,100,000), which equals to approximately US$232,860,252 as at the completion of the Acquisition on September 29, 2017;

(ii) the Outstanding Intra-Group Debts;

(iii) the Outstanding Third Party Loan; and

(iv) the net assets of the Disposal Group at the amount of negative C$106,844,000 (equivalent to approximately negative HK$645,070,650) based on its book value as at June 30, 2018. No valuer has been appointed for this purpose. The excess of the Consideration over the net book value of the asset is C$431,804,663 (equivalent to approximately HK$2,607,020,653).

The Company confirms that, as at the Latest Practicable Date, there is no material change in the financial information which was referred to for the purpose of the Consideration.

According to the management of the Company, the Consideration has been also taken into account the decreasing gas price in Canada. From an asset value perspective, over 90% current production of Canlin is natural gas where the average realized gas price of which dropped significantly from the amount of C$2.47/mcf for the year of 2017 to C$1.57/mcf for the first eight months for the year of 2018, which is significantly lower compared with that for 2017. The Company thus expects very limited cash flow could be up-streamed to the Company from the Disposal Group in the future, which will not be of assistance for the Company to repay or refinance any of the outstanding debts which will mature in the next six to 24 months. On this basis, an efficient sale of the Disposal Group is a more reasonable and practicable option to the Company to survive under the current environment.

*Conditions precedent of the Disposal*

Completion of the Disposal is subject to and conditional upon satisfaction of the following conditions:

(a) the approval of the Share Purchase Agreement and the transactions contemplated hereunder by the Shareholders of the Company in accordance with the applicable requirements of the Listing Rules and the articles of association of the Company;

(b) the compliance and satisfaction of all applicable requirements which the Company is required to comply with under the Listing Rules in connection with the Share Purchase Agreement and the transactions contemplated hereunder;

(c) obtaining all applicable consents, waivers, agreements or execution or relevant deeds or any other form of documents in respect of the Outstanding Third Party Loan;

(d) obtaining all applicable consents to the change of control of Maple Marathon from the lenders under a senior secured revolving credit facility granted to Canlin;

(e) the approval of the change of control of Maple Marathon resulting from the Disposal by at least two-thirds of the directors of Canlin pursuant to the shareholders' agreement of Canlin;

(f) the receipt of Competition Act approval, which includes (A) the issuance of an advance ruling certificate issued by the commissioner pursuant to the Competition Act in respect of the transactions contemplated hereunder or (B) the issuance of a No-Action Letter where (i) the Commissioner has granted a waiver pursuant to section 113(c) of the Competition Act or (ii) the applicable waiting period under subsection 123(1) of the Competition Act has expired or has been terminated under section 123(2) of the Competition Act; and

(g) obtaining all applicable consents, waivers, agreements or execution of relevant deeds or any other form of documents required for the Disposal.

The Competition Act requires that parties to certain categories of transactions provide prescribed information to the Commissioner of Competi tion (the "**Commissioner**") where applicable financial thresholds set out in sections 109 and 110 of the Competition Act are exceeded and no exemption applies (the "**Notification Requirement**"). The purpose of the Notification Requirement is to allow the Commissioner, which is the administrative head of Canada's competition enforcement agency, the Competition Bureau, to assess the competitive effects of a transaction. Canlin is principally engaged in the business of the exploration and development of oil and natural gas resources and supply of crude oil and natural gas in Canada. Pursuant to the Competition Act, the Disposal constitutes a transaction subject to the Notification Requirement.

Completion of a transaction subject to the Notification Requirement can only take place until the Commissioner issues an "advance ruling certificate" under section 102 of the Competition Act (the "**ARC**") or waives the Notification Requirement pursuant to section 113(c) of the Competition Act, or until the statutory waiting period expires or is terminated where the parties submit a prescribed notification filing. Unless an ARC is issued, the Commissioner may apply under section 92 of the Competition Act to the Competition Tribunal, which is a quasi-judicial administrative body, for an order in respect of a transaction prior to or within one year of it being substantially completed. Subject to certain exceptions, if the Competition Tribunal finds on such an application that a transaction prevents or lessens, or is likely to prevent or lessen, competition substantially in a market, it may issue an order prohibiting or dissolving a transaction or requiring the divestiture of assets, among other remedies. If the Commissioner issues an ARC, it cannot bring a section 92 application on the basis of information that is the same or substantially the same as that on which the ARC is issued.

In consideration of the Notification Requirement and the statutory waiting period, as well as the potential section 92 application, the Share Purchase Agreement includes receipt of approval under the Competition Act as a condition precedent. On October 31, 2018, the ARC for the Disposal has been obtained which fulfills condition precedent (f).

As at the date of the Latest Practicable Date, parties to the Share Purchase Agreement are still in the progress of obtaining the relevant conditions precedent set out above other than conditions precedent (f) and (d).

Save and except that the above conditions precedent (c) to (g) may be waived, unless otherwise restricted by applicable laws or regulations, in accordance with the Share Purchase Agreement by notice in writing at any time prior to January 31, 2019 to or such other date as the parties may agree in writing, the Sale Purchase Agreement shall terminate with effect from that date.

*Completion*

Completion shall take place at the offices of the Company on the second business day following the date when all of the abovementioned conditions precedent have been fulfilled or waived.

The parties to the Share Purchase Agreement agreed that MIEJ shall bear any amounts owing or incurred by the Disposal Group related to the Outstanding Third Party Loan (including any outstanding interest payments for the avoidance of doubts) accrued on or before Completion, other than the principal amount which shall be paid by Far East Energy in accordance with the Share Purchase Agreement.

Based on the above, we are of the view that the terms of the Share Purchase Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned.

### 3. *Evaluation of the Consideration*

*3.1 Comparable Companies analysis*

To assess the fairness and reasonableness of the Consideration in respect of the Disposal, we have attempted to compare Canlin (being the only asset of Maple Marathon) with similar upstream oil and gas companies. Canlin is principally engaged in the business of exploration and development of oil and natural gas resources and the supply of crude oil and natural gas to the North America markets while the principal oil and natural gas producing properties are located in British Columbia, Alberta and Saskatchewan, Canada. Based on Competent Person's Report, the 2P oil and gas reserves of Canlin as at June 30, 2018 were approximately 266 MMBOE. In order to ensure comparability in terms of business and operation geographic region, we have identified companies (the "**Comparable Companies**") which are (i) currently listed on the Toronto Stock Exchange, (ii) principally engaged in exploration, development and production of crude oil and natural gas resources, (iii) operating the related businesses in Canada and North America, (iv) over 50% production is natural gas (around 91% of Canlin's production is natural gas) and (v) above the market capitalization of C$1 billion and below the market capitalization of C$5 billion. We have identified 5 Comparable Companies which have been selected exhaustively based on the above criteria according to our research through public information, while the Comparable Companies are also those which have published sufficient information on their reserves and resources. We consider these companies are comparable with Canlin and should give an indication of whether the Consideration is fair and reasonable.

We have assessed Comparable Companies and Canlin using EV/EBITDA multiple and EV/proved plus probable reserves of oil and gas ("**2P Reserves**"), which we think are the most appropriate measures when assessing an oil and gas company or its related assets. EV/2P Reserves could be interpreted as the value of the enterprise allocated to each MMBOE of proved plus probable oil and gas reserves. It is useful in measuring as it highlights how much the investors are paying for company's core assets, and it may help Shareholders to understand how well resources will support the company's operation. When EV/2P Reserves is higher, the company of interest would be trading at a premium for a given amount of oil and gas in the ground, while a lower value of EV/2P Reserves would suggest a potentially undervalued firm. Details of our findings are as follows:

| Comparable Companies | Ticker | Market capitalization as at the Latest Practicable Date | EV | EBITDA | 2P Reserves | Natural gas production weighting | EV/ EBITDA | EV/ 2P Reserves |
|---|---|---|---|---|---|---|---|---|
| | | *(C$m)* | *(C$m)* | *(C$m)* | *(MMBOE)* | *(%)* | *(x)* | *(C$/BOE)* |
| | | *(Note 1)* | *(Note 2)* | | *(Note 3)* | | *(Note 4)* | |
| ARC Resources Ltd | ARX CN | 4,318 | 5,009 | 975 | 836 | 71% | 5.1 | 6.0 |
| Enerplus Corp | ERF CN | 3,036 | 3,334 | 608 | 397 | 52% | 5.5 | 8.4 |
| Paramount Resources Ltd | POU CN | 1,792 | 3,071 | 489 | 593 | 63% | 5.1 | 4.3 |
| Peyto Exploration & Development Corp | PEY CN | 1,320 | 1,899 | 604 | 722 | 91% | 3.9 | 3.2 |
| Nuvista Energy Ltd | NVA CN | 1,229 | 1,412 | 227 | 347 | 61% | 6.2 | 4.1 |
| | | | | | **Max** | 91% | 6.2 | 8.4 |
| | | | | | **Min** | 52% | 3.9 | 3.2 |
| | | | | | **Average** | 68% | 5.2 | 5.2 |
| | | | | | **Median** | 63% | 5.1 | 4.3 |
| | | **Implied Disposal** | 697 *(Note 5)* | 117 *(Note 6)* | 266 *(Note 7)* | 90% | 5.9 | 2.6 |

*Source: Bloomberg, the respective companies' latest annual reports and Competent Person's Report*

*Notes:*

1. The market capitalisation of the respective Comparable Companies are as at the Latest Practicable Date extracted from Bloomberg;

2. Enterprise value of each Comparable Companies is the sum of the respective market capitalisation as described in note (1) and the amount of net debt, being the amounts of borrowings minus the cash and cash equivalent of the respective Comparable Companies as obtained from their latest published financial information;

3. 2P Reserves represents gross proved plus probable reserves of oil and gas resources as at December 31, 2017 as obtained from respective Comparable Companies' latest published annual report;

4. EV/EBITDA ratio is calculated based on the enterprise value as described in note (2) above as at the Latest Practicable Date divided by the earnings before interest, tax, depreciation and amortization of the respective Comparable Companies as obtained from their latest published annual report;

5. The implied enterprise value of Canlin is based on the Disposal consideration of US$250 million divided by Company's shareholding in Canlin of 63.6%, multiplied by exchange rate of US$ to C$ of 1.29 (according to Bloomberg as at the Latest Practicable Date), and plus Canlin's borrowings for previous Acquisition of C$190 million according to Previous Acquisition Circular;

6. The adjusted EBITDA (excluding extraordinary items) is based on the financial statement of CQ Energy Canada Partnership for the nine months ended September 30, 2017 and the financial statement of Canlin for the three months ended December 31, 2018 provided by the Company; and

7. The 2P Reserves is extracted from Competent Persons' Report

The EV/EBITDA ratio of the Comparable Companies ranged from approximately 3.9 times to 6.2 times ("**Trading EV/EBITDA Range**") with an average of 5.2 times ("**Trading EV/EBITDA Average**") and a median of 5.1 times ("**Trading EV/EBITDA Median**"). The implied EV/EBITDA multiple of the Consideration of Canlin is approximately 5.9 times, where it falls within Trading EV/EBITDA Range and above the Trading EV/EBITDA Average and the Trading EV/EBITDA Median.

The EV/2P Reserves of the Comparable Companies ranged from approximately C$3.2/BOE to C$8.4/BOE ("**Trading EV/2P Reserves Range**") with an average of C$5.2/BOE and a median of C$4.3/BOE. The implied EV/2P Reserves of the Consideration of the Disposal is approximately C$2.6/BOE, where it falls beyond the Trading EV/2P Reserves Range. However, we considered that when evaluating Canlin as a private company, it does not factor into the capitalization and market trading factors when comparing with those listed companies. In addition, the Consideration was arrived at after arm's length negotiations between the Company and Far East Energy and the management of the Company considered that the Far East Energy is the only one who is will to cater to the Group's tight refinancing schedule and believes that the Disposal with Far East Energy is in the best interests of the Group, which we have discussed under the section of "III The Disposal — 1. Reasons for and Benefits of the Disposal"). Therefore, we consider that the implied EV/EBITDA multiple shall be the basis for evaluating the Consideration.

In light of the above, we are of the view that the Consideration is justifiable and fair and reasonable so far as the Independent Shareholders are concerned.

*3.2 Comparable transaction analysis*

We have also conducted a comparable transactions (the "**Comparable Transactions**") analysis to assess the fairness and reasonableness of the Consideration regarding the Disposal. We have selected the precedent transactions based on the following criteria:

(i) the business of the acquisition target was mainly in the field of exploration, development and production of crude oil and natural gas resources, and the operation location of the target and its related assets are in North America;

(ii) Gas production weighting of the acquisition target is above 50%; and

(iii) The acquisition was initially announced since January 1, 2017 up to the Latest Practicable Date, but excluding the transactions with undisclosed target company's name and/or acquiror's name.

In our assessment, we have compared the EV/2P Reserves based on the same rationale as discussed in the above of Comparable Companies' analysis. We have also applied EV/Daily Production for Comparable Transactions analysis as it is also commonly used to evaluate oil and gas company. Due to the precedent transactions of the Comparable Transactions involves many assets acquisition instead of corporate acquisition, therefore, we consider the EV/EBITDA multiple analysis for Comparable Transactions is inapplicable.

| **Date of announcement** | **Target entity/asset** | **Transaction Value** *(C$m)* *(Note 1)* | **Acquiror** | **Gas Production Weighting** | **EV/Daily Production** *(C$/BOE per day)* | **EV/2P Reserves** *(C$/BOE)* |
|---|---|---|---|---|---|---|
| August 24, 2018 | Ikkuma Resources | 155 | Pieridae Energy | 98% | 8,049 | 8.6 |
| August 9, 2018 | Cenovus Energy | 625 | NuVista Energy | 54% | 65,104 | 4.0 |
| May 18, 2018 | Iron Bridge Resource | 120 | Velvet Energy | 69% | 33,333 | 4.6 |
| April 19, 2018 | Karve Energy Inc | 30 | Battle River Energy | 57% | 8,643 | n/a |
| October 19, 2017 | Cenovus Energy | 1300 | Torxen Resources/ Schlumberger | 77% | 24,074 | n/a |
| September 25, 2017 | Cenovus Energy | 512 | International Petroleum | 71% | 21,333 | 5.1 |
| September 1, 2017 | RMP Energy | 80 | Tangle Creek Energy | 70% | 24,833 | 3.5 |

| Date of announcement | Target entity/asset | Transaction Value (C$m) (Note 1) | Acquiror | Gas Production Weighting | EV/Daily Production (C$/BOE per day) | EV/2P Reserves (C$/BOE) |
|---|---|---|---|---|---|---|
| July 7, 2017 | Questfire Energy Corp. | 55 | Manitok Energy Inc | 77% | 12,854 | 1.9 |
| July 6, 2017 | Apache | 460 | Paramount Resources | 74% | 10,890 | 1.6 |
| July 6, 2017 | Trilogy Energy | 1190 | Paramount Resources | 65% | 47,348 | 7.3 |
| June 9, 2017 | Centrica | 699 | MIE Holdings | 91% | 12,945 | 2.0 |
| March 15, 2017 | UGR Blair Creek Ltd | 277 | Painted Pony Petroleum | 96% | 32,541 | 0.9 |
| | | | **Max** | 98% | 65,104 | 8.6 |
| | | | **Min** | 54% | 8,049 | 0.9 |
| | | | **Average** | 75% | 25,166 | 3.9 |
| | | | **Median** | 73% | 22,704 | 3.7 |
| | **Implied Disposal** | **697** | **Far East Energy** | **91%** | **12,860** (Note 1) | **2.6** |

*Source:* *Company's announcements, respective press releases, and data from Canadian Imperial Bank of Commerce*

*Note:*

1. The implied EV of the Disposal as discussed in the Comparable Companies analysis, divided by the daily production of Canlin in 2017 which is extracted from the "Monthly Partnership Performance Review" of Canlin Energy Corporation as of December 31, 2017, and divided by 6,000 Cubic Feet Gas as convert into per BOE unit.

As shown the above table, the EV/2P Reserves of Comparable Transactions ranged from C$0.9/BOE to C$8.6/BOE ("**Transaction EV/2P Reserves Range**") with an average of C$3.9/BOE **(Transaction EV/2P Reserves Average**"), and a median of C$3.7/BOE ("**Transaction EV/2P Reserves Median**"). We note that the implied EV/2P Reserves of the Consideration of the Disposal of C$2.6/BOE is within the range of Transaction EV/2P Reserves Range, but below the Transaction EV/2P Reserves Average and Transaction EV/2P Reserves Median. The EV/Daily Production of Comparable Transactions ranged from C$8,049/BOE per day to C$65,104/BOE per day ("**Transaction EV/Daily Production Range**") with an average of C$25,166/ BOE per day ("**Transaction EV/Daily Production Average**")and a median of C$22,704/BOE per day ("**Transaction EV/Daily Production Median**"), while the implied EV/Daily Production of the Disposal of C$12,860/BOE per day is within the Transaction EV/Daily Production Range but below the Transaction EV/Daily Production Average and the Transaction EV/Daily Production Median.

In light of the above, we consider that the Consideration of the Disposal is justifiable and fair and reasonable so far as the Independent Shareholders are concerned.

*3.3 Previous Acquisition Cost v.s. Disposal Consideration*

Considering the Acquisition was completed by the Company around one year prior to the Disposal, we think that it is worth to look into the previous acquisition cost of Canlin paid by the Company comparing with the Consideration of the Disposal.

| **Date of first announcement** | **Transaction** | **Consideration** | **Referenced Evaluation of 2P Reserves during the period** | **Natural Gas Price** *(C$/GJ)* *(Note 4)* |
|---|---|---|---|---|
| June 2017 | The previous Acquisition | C$296 million (equivalent to approximately US$227 million) *(Note 1)* | 299 MMBOE *(Note 2)* | C$2.62/GJ |
| September 2018 | The Disposal | US$250 million | 266 MMBOE *(Note 3)* | C$1.13/GJ |

*Source: Previous Acquisition Circular, Competent Persons' Report*

*Notes:*

1. The exchange rate of C$1 to US$0.7660 according to Bloomberg as at the Latest Practicable Date

2. Based on the Previous Acquisition Circular and extracted from competent persons' report dated March 31, 2017

3. Extracted from Competent Persons' Report as of June 30, 2018

4. The average natural gas price figures were extracted from Canadian Gas Association

We note that the Consideration of the Disposal to be received by the Company is at premium of approximately 10.1% over the consideration of the Acquisition initially paid by the Company, while the evaluation of 2P Reserves of Canlin regarding the Disposal is even decreased by 33 MMBOE from 299 MMBOE as of March 31, 2017 to 266 MMBOE as of June 30, 2018. Based on the Competent Persons' Report and Previous Disposal Circular, we understand that the decrease in 2P Reserves of Canlin was mainly due to the disposal of several Canlin assets by the Company in early April 2018, which included some assets of oil and gas reserves and infrastructure in the Carrot Creek and Cyn Pem fields of central Alberta. Furthermore, the natural gas price in Canada only recorded average of C$1.13/GJ for the period of Disposal, decreased by approximately 56.9% comparing with the natural gas price of C$2.62/GJ during the period of previous Acquisition.

In light of the above, we are of the view that the Consideration of the Disposal is in favour of the Company and is in the interest of the Company and Shareholders as a whole.

*3.4 Competent Person's Report*

In order to assess the basis in determining fairness of the Consideration regarding the Disposal, we have reviewed the Competent Persons' Report and 2017 Canlin Reserves Report. We note that the reports were prepared according to the Canadian Oil and Gas Evaluation Handbook (the "**COGE Handbook**") reserve definitions that are consistent with the standards of Canadian National Instrument 51–101, which have accepted by the Stock Exchange as being in accordance with the requirements of Chapter 18 of the Listing Rules. Besides, we have also reviewed and enquired the independent competent persons' qualification and experience in relation to the performance of the valuation, as well as conducted an interview with one of the independent competent persons in relation to understand credentials of the Independent Valuer and noted that the Independent Valuer is one of the world's largest independent subsurface petroleum consulting and evaluation firms with over 65 years of experience in the petroleum industry. It also has an active advisory practice providing technical and valuation advice to clients with respect to merger and acquisition transactions involving a variety of petroleum assets worldwide. We are of the view that the Independent Valuer has extensive experience in valuing similar assets over the years and they are independent from the Company and other related parties involved in the Disposal.

Net Present Value Approach

Following our discussions with the Independent Valuer, we understand that the Independent Valuer has adopted net present value ("**NPV**") methodology based on capital budget and a business development program presented by the Company. NPV is the difference between the present value of cash inflows and the present value of cash outflows over a period of time and it is commonly used in capital budgeting to analyze the profitability of a projected investment or project.

The net present values of the reserves presented in the Competent Persons' Report represented discounted future cash flow values at discount rate of 0%, 5%, 10%, 15% and 20%, respectively. Reserves are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, from a given date forward, based on:

— analysis of drilling, geological, geophysical and engineering data;

— the use of established technology;

— specified economic conditions, which are generally accepted as being reasonable, and shall be disclosed; and

— a remaining reserve life of 50 years.

We understand that 5% discount rate is commonly used for NPV calculation as a reference of oil and gas reserves valuation, while 10% discount rate of NPV calculation is still a standard discount rate to determine oil and gas reserves valuation in the industry for merger and acquisition transaction. Since the production of Canlin held by the Company commenced as early as 1953, we are satisfied with Independent Valuer by using the NPV and discounting cash flow approach to value Canlin since NPV approach is particularly appropriate and commonly adopted for valuing oil and gas properties that have defined resources. It is also more appropriate for valuing assets such as oil and gas or mineral assets which are depleted over time and where significant capital expenditure might be required, while it involves the calculation of the net present values by discounting expected future cash flows using discount rates that take into account the time value of money and risk associated with the cash flows. We note that the net present values of the reserves presented in the Competent Persons' Report simply represent discounted future cash flow values ranged from C$562.1 million to C$3,209.4 million at the discount rate of 20% to 0%. If to adopt 10% discount rate of NPV calculation as it is commonly adopted in the valuation of oil and gas asset, the net present values of the reserves of Canlin would be approximately C$719.1 million after taking into consideration of Company's shareholding of 63.6% on Canlin. Nevertheless, we have interviewed one of the Independent Valuer and understand that such valuation was arrived without the consideration of other economic and political factors such as recent fluctuant oil and gas price, oil and gas policy in Canada and North America, as well as the valuation deviation may cause to the reserves estimation, therefore, we consider that the valuation of Canlin estimated by the Independent Valuer only provided a general reference to the Consideration of the Disposal which we think it is fair and reasonable so far as the Independent Shareholders are concerned.

We further note that the Independent Valuer has included a forecast of the future oil price for Western Canada from currently projected WTI of US$65.37 per barrel for 2018 increasing to projected WTI of US$83.85 per barrel for 2028. We understand that the pricing of oil and gas forecasted by the Independent Valuer were based on information obtained from various sources, including government agencies, industry publications, oil refiners, and natural gas marketers as well as consideration for the New York Mercantile Exchange and Intercontinental Exchange futures markets, and the projected oil and gas prices would be updated by monthly basis. After reviewing the historical performance of the oil and gas price and considering the professional judgment of the Independent Valuer, we consider that the forecast of the future oil and gas price to be fair and reasonable.

Having considered (i) the independence, qualification and experience of the Independent Valuer, (ii) the relevant application of the valuation methodology and (iii) the valuation of Canlin estimated by the Independent Valuer only provides a general reference to the Consideration of the Disposal, we are of the view that the valuation was carried out on a fair and reasonable basis by the Independent Valuer. As such, we consider the Competent Person's Report is a fair reference for Independent Shareholders to assess the fairness and reasonableness of the Consideration of the Disposal.

### 4. *Financial impacts of the Disposal on the Group*

#### *4.1 Effect on earnings*

Upon Completion of the Disposal, Maple Marathon Investments Limited would no longer be a subsidiary of the Group and its financial performance of which would not be reflected in the consolidated financial statements of the Group. In addition, the gain of the Group as a result of the Disposal will be approximately RMB331,981,000 (equivalent to approximately HK$378,724,342) based on the unaudited financial statements of the Disposal Group as at June 30, 2018. Therefore, we consider that the Disposal will have a positive impact on Company's earnings.

Nevertheless, the above analysis is for illustration purpose. The actual gain or loss in connection with the Disposal may be different from the above and will be assessed after completion of the Disposal.

#### *4.2 Effect on cash and working capital*

The Group will receive net cash proceeds of approximately US$150 million (equivalent to approximately HK$1,177.2 million) upon completion of the Disposal. Since the Group intends to use the entire proceeds for repaying the Group's Outstanding Debts, we consider that the Disposal would not have material impact on the cash position and working capital of the Group.

*4.3 Effect on gearing*

According to 2018 Interim Report, the gearing ratio of the Group was 120.6%, calculated as total borrowings less cash and cash equivalents divided by the sum of net borrowings and total equity. Upon Completion, the total borrowings would reduce after the Group repays the Group's Outstanding Debts, thus the gearing ratio would be declined accordingly. As such, we consider that the Disposal will have positive impact on the gearing of the Group.

## IV. Opinion and Recommendation

Having taken into account, in particular:

(i) the terms of the Share Purchase Agreement are fair and reasonable and on normal commercial terms;

(ii) the recent oil and gas business environment in Canada is unfavorable to the Company, as well as the gas price in Canada dropped to the weakest level in the past years;

(iii) Disposal with Far East Energy is in the best interests of the Group comparing with other alternative fund raising methods for the time being;

(iv) the Consideration is justifiable, fair and reasonable and is in the interest of the Company and Shareholders as a whole; and

(v) the overall positive financial impact would be brought to the Group upon the completion of the Disposal

we are of the view that the Disposal and entering into the Share Purchase Agreement are in the interests of the Company and Shareholders as a whole and the terms of the Share Purchase Agreement are on normal commercial terms and fair and reasonable. Accordingly, we recommend the Independent Shareholders, and the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the ordinary resolutions to approve the Share Purchase Agreement and the transactions contemplated thereunder at the EGM.

Yours faithfully,
For and on behalf of
**Platinum Securities Company Limited**
**Li Lan**
*Director and Co-head of Corporate Finance*

*Mr. Li Lan is a licensed person registered with the Securities and Futures Commission and as a responsible officer of Platinum Securities Company Limited to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and has over twelve years of experience in corporate finance industry.*

## 1. FINANCIAL SUMMARY

The audited financial information of the Group for each of the three years ended December 31, 2017 are disclosed in the annual reports of the Company for the three years ended December 31, 2017, respectively. The unaudited financial information of the Group for the six months ended June 30, 2018 are disclosed in the interim report of the Company for the six months ended June 30, 2018.

The above-mentioned financial information has been published on the website of the Company (http://www.mienergy.com.cn/en/), and the website of the Stock Exchange as set out below:

| **Document** | **Link** |
|---|---|
| Annual report for the year ended December 31, 2015 (pages 90 to 236) | http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0428/LTN20160428952.pdf |
| Annual report for the year ended December 31, 2016 (pages 116 to 272) | http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0427/LTN201704271356.pdf |
| Annual report for the year ended December 31, 2017 (pages 137 to 308) | http://www.hkexnews.hk/listedco/listconews/SEHK/2018/0426/LTN20180426705.pdf |
| Interim report for the six months ended June 30, 2018 (pages 60 to 132) | http://www.hkexnews.hk/listedco/listconews/SEHK/2018/0906/LTN20180906800.pdf |

## 2. INDEBTEDNESS STATEMENT

### Borrowings

At the close of business on September 30, 2018, being the latest practicable date for the purpose of the statement of indebtedness prior to the printing of this circular, the Group had total outstanding indebtedness of approximately RMB5,491,600,000, comprising (i) secured bank loans of approximately RMB522,900,000 (ii) secured financial institution loans of approximately RMB2,800,200,000, (iii) interest bearing notes carrying at a book value of approximately RMB2,159,500,000 and (iv) unsecured related party borrowings of approximately RMB9,000,000.

### Compound instruments

At the close of business on September 30, 2018, being the latest practicable date for the purpose of the statement of indebtedness prior to the printing of this circular, the Group had convertible bonds with principal amount of HK$340,000,000 with an initial conversion price of HK$0.58 and due to mature on the third anniversary of the date of issue, bearing interest at 5% per annum, payable semi-annually in arrears on January 26 and July 26 of each year, and will mature on January 26, 2021. On July 26, 2018, the conversion price was adjusted to HK$0.47 per conversion share pursuant to the terms and conditions of the convertible bond.

**Charges**

As at September 30, 2018, certain assets, comprising principally oil and gas assets and properties in Alberta, Canada, were pledged to banks as collateral security for banking facilities with an aggregate outstanding amount of RMB522,900,000. In addition, as at September 30, 2018, the Group's interest under the PSCs in the PRC, certain financial assets at fair value through profit or loss, bank accounts and shares of subsidiaries of the Group were also pledged to secure borrowings in the aggregate amount of RMB2,800,200,000.

**Contingent liabilities**

As at September 30, 2018, 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 September 30, 2018, 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.

## 3. WORKING CAPITAL STATEMENT

In determining the sufficiency of the working capital of the Group, key considerations include completion of the Disposal and maturity of the senior notes of US$315.9 million (equivalent to RMB2,173.2 million) expiring on April 25, 2019 (the "**Senior Notes**"), which is within twelve months from the date of this Circular.

(i) The Directors have included the receipt of net proceeds from the Disposal of US$150.0 million (equivalent to RMB1,031.9 million), in the working capital forecast assuming the Disposal will be completed in the near future.

(ii) Management of the Company is considering refinancing options for the repayment of Senior Notes upon maturity (the "**Planned Senior Notes Refinancing**"). The Directors have included the proceeds from the Planned Senior Notes Refinancing in the working capital forecast based on the management's best estimate. Up to the date of this Circular, the timetable and the detailed plan of the Planned Senior Notes Refinancing have not been finalised or committed. The Company is in the discussions of the Planned Senior Notes Refinancing with potential financial advisors.

Whether the Disposal and Planned Senior Notes Refinancing could be completed prior to the maturity of the Senior Notes according to management's plan, depends on various factors, including but not limited to fulfillment of conditions precedent of the Disposal, sentiment of bond market and oil price which may affect the financial performance of the Company. In addition, the Group continues exploring alternative financing arrangements.

Should the Planned Senior Notes Refinancing or completion of the Disposal fail and the related cashflows are excluded from the working capital forecasts and the Group fails to obtain any alternative financing arrangement to meet the repayment of Senior Notes due on April 25, 2019, the Group will not have sufficient working capital for the Group's requirement upon the maturity of the Senior Notes.

The Directors are of the opinion that, after taking into account the Group's business prospects, the financial resources available to the Group, including the internally generated funds, the continuing availability of the financing facilities, the effects of the completion of the Disposal and on the assumption that the Planned Senior Notes Refinancing as set out above will be completed, the Group has sufficient working capital for its present requirements for at least the next twelve months from the date of this Circular.

## 4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

In the first half of 2018 ("**1H2018**", or the "**Current Period**") in response to a complicated economic environment of bullish global crude oil prices paralleled with suppressed Canadian natural gas pricing, the Group strategically increased investment in crude production by drilling new oil wells and enhancing production on vintage well bores, while reduced capital expenditures on natural gas assets in Canada. In 1H2018, both the gross and net hydrocarbon production of the Group increased remarkably compared to the first half of 2017 ("**1H2017**" or the "**Prior Period**") due to the Acquisition. The Group's gross oil and gas production increased by 3.38 times to about 10.47 million barrels of oil equivalent ("**BOE**"), while net production increased by 8.11 times to about 9.29 million BOE compared to the Prior Period. During the Current Period, the Group's net crude sales increased by 48.0% to approximately 1.51 million barrels, and the Group's net natural gas sales was 44.87 billion standard cubic feet ("**MMSCF**"). During the Current Period, the average realized crude price of the Group increased by 26.7% to US$59.68 per barrel, while average realized natural gas price decreased to US$1.24 per thousand standard cubic feet ("**MSCF**"). As a result of the Acquisition and crude oil price rebound in the Current Period, the Group's realized sales revenue increased by 2.58 times to RMB1,206 million compared to 1H2017. Reported EBITDA in the Current Period is RMB193 million, an increase of RMB430 million compared to the Prior Period. The adjusted EBITDA increased by 53.0% to approximately RMB314 million in the Current Period. In 1H2018, the Group reported a net loss of RMB521 million, a RMB152 million improvement versus the Prior Period. In 2017, despite the challenging macro environment, we were pleased with our achievements in managing and lowering our costs. In particular, lifting costs in our PRC oilfields increased only 2.0% to US$8.48/bbl. In terms of overall overhead, the total headcount of the Group increased from 1,387 as of year-end 2016 to 1,495 as of year-end 2017.

In 1H2018, despite concerns around potential trade disputes, the world economy continued to grow and fostered strong growth in oil demand. The OECD crude inventories returned to their normal levels. Supported by the strong demand, oil prices rebounded rapidly in 1H2018. Uncertainties still exist on the supply side, however these uncertainties could drive crude price's continuous upswing and support a high price range in the second half of 2018 ("**2H2018**"). Canadian natural gas price suffered in 1H2018 and had reached its lowest levels in recent years. Considering seasonality of demand, the market speculates that natural gas price could come back in 2H2018.

Operating in such a challenging macro environment, the Group will focus on financial flexibility and agility. The Group will continue to boost crude production by investing in oil assets, re-completing suitable old wells, and drilling new wells. The Group expects substantial economic gains to emerge with elevated crude oil production. In 2H2018, natural gas production will reflect local price volatilities, the Group will adjust production level to generate optimal returns. As an international oil and gas producer, the Group is well on its course to maximize shareholder values by executing long term strategy with discipline and prudence.

## 5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since December 31, 2017, being the date to which the latest published audited consolidated financial statements of the Company were made up.

## 6. MANAGEMENT DISCUSSION AND ANALYSIS ON THE REMAINING GROUP

Set out below is the management discussion and analysis of the business, financial results and position of the Remaining Group for each of the years ended December 31, 2015, 2016 and 2017 and interim report for the six months ended June 30, 2018, and modified as appropriate.

### (a) For the year ended December 31, 2015

***Business review and prospects***

Despite the challenging environment, the Remaining Group made achievement in managing and lowering our costs and the adaptability exhibited in executing our FY2015 work program. In particular, lifting costs in our PRC oil projects dropped by 10.6% to US$9.49/barrel, while those of Emir-Oil, LLC ("**Emir-Oil**") in Kazakhstan decreased by 24.6% to US$3.66/barrel. In our Sino Gas & Energy Limited ("**SGE**") project in Shanxi Province, the PRC, vertical well drilling costs were also down approximately 10%. In terms of overall overhead, the total headcount of the Remaining Group was reduced from about 2,100 as of year-end FY2014 to about 1,700 as of year-end FY2015.

Based on the year-end FY2015 oil and gas reserves and resources estimates prepared by independent technical consultants, the Remaining Group's reserves were enhanced, despite the low oil price environment, with the Remaining Group's 2P oil and gas reserves at 232.2 million BOE, representing a 6% increase from year-end FY2014. The increase in total 2P oil and gas reserves is largely attributable to the gas reserves increases achieved in the SGE project, where a successful FY2015 drilling and well-testing program increased 2P gas reserves by 23% to 574 billion cubic feet ("**BCF**") (16.3 billion cubic metre ("**BCM**")).

Successful exploration drilling in SGE and Emir-Oil provided significant reserves additions. At SGE, new gas reserves were discovered by three exploration wells within the Linxing East block, expanding the discovered resource area of the Linxing PSC by 40 square kilometers (7% increase) to 613 square kilometers, and adding approximately 33 BCF to the Group's net 2P gas reserves share of the SGE project. On a BOE-basis, the Remaining Group's net 2P gas reserves share of 574 BCF for the SGE project represents 95.7 million BOE, which is approximately equivalent to the 2P oil reserves of Emir-Oil (96.2 million barrels), and about four times the combined 2P oil reserves of Daan plus Moliqing (24.4 million barrels). Furthermore, important exploration success was also achieved in Kazakhstan where Emir-Oil tested the North Kariman-1 well at an initial production rate of 1,520 barrels of oil per day ("**BOPD**"). As a result, 2P reserves for the North Kariman discovery were increased by approximately 55%, helping to keep Emir-Oil's total 2P oil reserves essentially flat versus year-end 2014.

The Remaining Group drilled a total of 23 new wells in FY2015 (including 20 wells in SGE), less than our original guidance, as we strategically scaled down drilling activities and deferred a portion of SGE's work program. As of year-end FY2015, the Remaining Group operated a total of 2,772 wells, of which, 2,719 are located in the PRC, 48 in Kazakhstan, and 5 in the USA.

***Review of Operations by Segment***

- *China Operations*

  (1) Oil Projects (Jilin Province: Daan, Moliqing)

  During FY2015, total gross operated production for our two China oil projects, Daan and Moliqing, decreased by 15.4% to 15,942 BOPD, as compared to FY2014 (excluding the production of Pan-China Resources Ltd. ("**PCR**") and Miao Three Energy Limited ("**Miao Three**")). Total net production allocated to the Remaining Group decreased by 24.5% to 6,687 BOPD (excluding the production of PCR and Miao Three), mainly due to the scale back of capital expenditure ("**Capex**"). In line with the decline in global crude oil prices, the average realized Daqing oil price averaged approximately US$46.65/barrel for FY2015, representing a decrease of 52.1% year-on-year, compared to US$97.31 for FY2014.

No new wells were drilled for the China oil projects in FY2015. Total net Capex relating to converting development wells to injection wells and other surface engineering incurred was US$5 million.

Direct lifting costs for Daan and Moliqing decreased by US$1.13/barrel, or 10.6%, from US$10.62/barrel for FY2014 to US$9.49/barrel for FY2015 as a result of lower fuel, electricity, transportation and downhole operating costs, as well as enhanced operational efficiency and maintenance scheduling adjustments.

EBITDA per barrel for our China oil projects decreased by US$34.04/barrel, or 51.8%, from US$65.70/barrel for FY2014 to US$31.66/barrel for FY2015. The decline in EBITDA per barrel was primarily due to the drop in average realized oil price, which was partially offset by the decrease of special oil levy for the China oil projects and the decrease in direct lifting cost.

(2) Gas Projects (Shanxi Province: Linxing, Sanjiaobei)

In FY2015, SGE made significant progress on testing, pilot production, gas sales, as well as preparation of China reserve reports ("**CRR**") and overall development plans ("**ODP**"). SGE well testing program continued to be successful in FY2015. The most notable test results was at the Linxing West vertical well TB-27, located in the northeast part of the block, where a flow rate of 1.8 MMSCF/day (or 50,940 cubic meters/day) at a pressure of 630 psi (or 4.2Mpa) was recorded from an un-fracked reservoir zone. This represents the second highest flow rate ever achieved from an un-stimulated reservoir zone in the SGE project area. The significantly improved test results underscore the tremendous potential of both the Linxing and Sanjiaobei PSCs. The test improvements also highlight SGE's strong and rapidly expanding technological and operational knowhow in gas well fracking and completion operations for both horizontal and vertical wells.

In FY2015, a total of 20 new wells were drilled by SGE, including 17 wells in Linxing block (including 2 horizontal wells, TB-3H and TB-4H) and 3 wells in Sanjiaobei block, bringing the total number of new wells drilled since the Group's acquisition of its 51% stake in SGE in July 2012 to 99 wells. SGE's net incurred Capex attributed to the Remaining Group was about US$22 million. Particularly notable were results achieved in SGE's new horizontal wells. The horizontal well TB-3H has lateral section of 1,051 meters and logs have indicated excellent development potential, while TB-4H has lateral section of 1,184 meters and is adjacent to TB-3H. Furthermore, efficiencies and improved rig rates drove an approximate 10% decrease in average well costs in FY2015 compared to FY2014. As a result, average costs for both exploration wells and vertical development wells were approximately US$100,000 lower in FY2015, at about US$900,000 and US$1.1 million, respectively.

In terms of pilot production and sales, SGE's Linxing CGS was officially put into pipeline pilot production in October 2015, providing the project substantial room for rapid production ramp up. As of year-end FY2015, a total of 14 wells have been connected to the Linxing CGS. 10 wells were producing, with a combined total pilot production rate of about 7 MMSCF per day (or approximately 200,000 cubic meters per day). In addition, SGE has recently signed attractive terms for two new gas sales agreements for FY2016, amid the recent NDRC announcements on the reduction in city-gate prices. For Sanjiaobei gas production, a revised wellhead gas sales price of RMB1.63 per cubic meter (approximately US$7.10/MSCF) has been signed with a new local gas buyer, Shanxi Guoxin Energy, under the Shanxi provincial government. For Linxing gas production, a revised wellhead gas sales price of RMB1.615 per cubic meter (approximately US$7.04/MSCF) has been signed with Shanxi Guohua Energy Limited Company.

Sanjiaobei CRR has been submitted to PetroChina Coalbed Methane Company Limited ("**PCCBM**") and is currently progressing through technical review with approval expected in the middle of 2016, while approval for Linxing West CRR is anticipated by the end of FY2016. During the FY2015, SGE also completed the geology and gas reservoir engineering section of the Sanjiaobei ODP.

As mentioned above, SGE's successful drilling and testing programs have led to further significant increases in the project's reserves. According to the independent technical consultant's review of year-end FY2015 reserves and resources for the Linxing and Sanjiaobei blocks, the net 1P reserves, attributed to the Remaining Group increased by 3% to 376 BCF (or 10.6BCM) and 2P reserves increased by 23% to 574 BCF (16.3 BCM). Furthermore, the year-end FY2015 reserves assessment indicates that, based on 2P gas reserves, the Remaining Group's net share NPV 10 is estimated at about US$1.3 billion. In the current global low oil price scenario, the price and demand for natural gas in China has remained strong, and SGE currently sells gas at between RMB1.615 to RMB1.63/cubic meter (US$7.04 to US$7.10 per MSCF). With huge net contingent and prospective resources attributed to the Remaining Group totaling more than 1,521 BCF (43.1BCM, Best Estimate Prospective Resources + 2C Contingent Resources) in an extensive area of about 3,000 square kilometers, SGE still has further enormous growth potential.

Furthermore, SGE has recently confirmed the receipt of pilot gas sales revenue for the Linxing PSC since December 2014, which accordingly shall be applied to finance a significant portion of the project's Capex for FY2016 and beyond. Meanwhile, the discussion with PCCBM in respect of a similar pilot gas sales allocation for the Sanjiaobei block is progressing well. As such, we remain excited that the SGE project will contribute significant profitability and shareholders' value to the Remaining Group in the foreseeable future.

- *Kazakhstan Operations (Emir-Oil)*

Due to the strategic shut-in of low efficiency wells during this period of low global oil prices, the average daily oil production for Emir-Oil decreased by 34.4% from 5,201 BOPD in FY2014 to 3,412 BOPD in FY2015. The average realized oil price for Emir-Oil was US$43.95/barrel for FY2015, representing a drop of 30.6% year-on-year, compared to US$63.34/barrel for FY2014. The average realized export oil price (after deducting export sales and transportation commission (the "**Commission**") of US$5.56/barrel) and domestic oil price were US$48.41/barrel and US$12.02/barrel respectively during FY2015, compared to US$70.63/barrel (export) and US$39.68/barrel (domestic) realized for FY2014. The drop in average realized oil price was mainly due to lower export and domestic realized oil prices which were partially offset by an increase in export and domestic sales mix from 76:24 for FY2014 to 88:12 during FY2015.

As of year-end FY2015, Emir-Oil operated a total of 48 wells, of which 16 wells were producing. In FY2015, Emir-Oil completed 2 development wells and 1 exploration well that were spudded in FY2014. Total Capex for Emir-Oil incurred in FY2015 amounted to about US$56 million, which was mainly related to the construction of central processing facility ("**CPF**"). As of year-end FY2015, the Remaining Group has incurred a total of approximately US$46 million for the CPF. Amid the continued challenging operating environment, whilst ancillary oil and gas pipeline as well as external ground work amounting to approximately US$33 million shall be further deferred beyond 2016, it is anticipated that Emir-Oil's CPF construction will be completed by fourth quarter of 2016.

On the exploration front, North Kariman-1, the second exploration well drilled in the North Kariman block commenced testing at the end of September 2015, and produced about 830 cubic meters of oil during the first 82 hours (approximately 1,520 BOPD), representing another high production well for the Remaining Group, following the success of North Kariman-2 well. The success at North Kariman-1 and North Kariman-2 further enhances the reserve base for Emir-Oil, and more importantly, it also makes the integration of the North Kariman block into the Kariman production license more realistic and likely, leading to the potential for further reserves upgrades, based on the possibility of one continuous accumulation in the overall Kariman — North Kariman area.

In order to enhance operating profit margins, particularly in light of the current low oil price environment, Emir-Oil executed a new sales agreement with our Kazakhstan export oil marketing company, Euro-Asian Oil SA (formerly Titan Oil), effective January 2016. Under the previous agreement, the benchmark price was Urals (RCMB) and the Commission payable by Emir-Oil was around US$5/barrel. Under the new export sales agreement, the benchmark price is Brent (ICE) and the Commission is about US$8/barrel. The increase in Commission is offset by the expected decrease in distribution expenses. As such, an overall net gain of approximately US$2–3/barrel is expected to be enjoyed from this new sales agreement with Euro-Asian Oil in FY2016, as compared to the previous export sales agreement.

The direct lifting cost for Emir-Oil decreased by US$1.19/barrel, or 24.6%, from US$4.85/barrel for FY2014 to US$3.66/barrel for FY2015. The decrease in lifting cost was primarily due to the operation of higher efficiency wells, reduction in administrative expenses, change in sales route, depreciation of Tenge and higher operation efficiencies.

EBITDA per barrel for the export sales oil of Emir-Oil decreased by US$14.41/barrel, or 87.8%, from US$16.41/barrel for FY2014 to US$2.00/barrel for FY2015. The EBITDA per barrel for the domestic sales oil of Emir-Oil decreased by US$24.32/barrel, or 127.8%, from US$19.04/barrel for FY2014 to US$(5.29)/barrel for FY2015. Weighted average EBITDA per barrel for Emir-Oil decreased by US$16.49/barrel, or 96.8%, from US$17.03/barrel for FY2014 to US$0.54/barrel for FY2015. The decrease in EBITDA per barrel was primarily due to the decrease of the average realized oil price.

- *USA Operations (Condor)*

There were no drilling activities during FY2015 in our US business. The Remaining Group's subsidiary, Condor Energy Technology LLC, operates 5 horizontal wells in the Niobrara project. For FY2015, the average daily operated oil and gas production was 71 BOPD and 136 MSCF/day, net oil and gas production was 54 BOPD and 109 MSCF/day, respectively. Average realized oil and gas price was US$40.68/barrel and US$2.61/MSCF, respectively.

***Financial results***

*Revenue*

The Remaining Group's revenue was generated from sales of oil and gas products and rendering of services. The Remaining Group's revenue from sales of oil and gas decreased by RMB1,946.0 million, or 65.5%, from RMB2,970.0 million for FY2014 to RMB1,024.0 million for FY2015.

This decrease was mainly due to the significant drop in crude oil prices over 2015 as well as the decrease of the Group's overall sales volumes. In addition, the Group's FY2015 results do not include PCR and Miao Three, two subsidiaries that were divested in 2H2014. PCR and Miao Three's revenue totaled RMB266.5 million in FY2014. Average realized oil price was US$45.79 per barrel for FY2015, compared to US$86.15 per barrel for FY2014. The Group's total crude oil sales volume was 3.55 million barrels for FY2015, compared to 5.58 million barrels for FY2014.

The Group's revenue from rendering of services is RMB8.7 million for FY2015.

- China

In FY2015, our China oil fields realized revenue of RMB707.1 million. The average realized oil price was US$46.65 per barrel for FY2015, compared to US$97.89 per barrel for FY2014. Our sales volume was 2.44 million barrels for FY2015, compared to 3.66 million barrels for FY2014.

- Kazakhstan

In FY2015, Emir-Oil realized revenue from oil and gas sales of RMB310.5 million, compared to RMB746.3 million for FY2014. The decrease in revenue was primarily due to the drop in realized oil price and a decrease in sales volumes.

(a) Crude oil sales

The sales volumes decreased from 1,883,235 barrels for FY2014 (comprising 1,439,846 barrels from export sales and 443,389 barrels from domestic sales) to 1,089,285 barrels for FY2015 (comprising 955,750 barrels from export sales and 133,535 barrels from domestic sales).

The average realized oil price for FY2015 was US$48.41 per barrel from export sales (after Commission of US$5.56 per barrel) and US$12.02 per barrel from domestic sales. The average realized oil price for FY2014 was US$70.63 per barrel from export sales (after Commission of US$20.98 per barrel and US$39.68 per barrel from domestic sales. As a result of the new export sales agreement effective February 2015, the new export transportation and marketing commissions payable to Euro-Asian Oil SA decreased from US$20.98 per barrel in FY2014 to US$5.56 per barrel in FY2015, which was partially offset by an additional distribution expense averaging US$7.8 per barrel under the new agreement.

(b) Gas sales

In FY2015, Emir-Oil realized revenue from gas sales of RMB11.8 million, with a realized gas price of US$0.95 per MSCF and total gas sales volume of 2,001,150 MSCF. In FY2014, Emir-Oil realized revenue from gas sales of RMB13.6 million, with a realized gas price of US$1.14 per MSCF and total gas sales volume of 1,954,375 MSCF.

- USA

In FY2015, our USA oil fields realized revenue from crude oil sales of RMB5.1 million. The average realized oil price was US$40.68 per barrel, with sales volume of 20,085 barrels. In FY2014, our USA oil fields realized revenue from crude oil sales of RMB17.0 million. For FY2014, the average realized oil price was US$83.11 per barrel, with sales volume of 33,272 barrels.

Our USA operations realized revenue from gas sales of RMB0.3 million, with a realized gas price of US$2.61 per MSCF and total gas sales volume of 20,124 MSCF for FY2015. In FY2014, revenue from gas sales of RMB2.4 million was recorded from realized gas price of US$6.44 per MSCF and total gas sales volume of 59,961 MSCF.

*Depreciation, depletion and amortization*

The Remaining Group's depreciation, depletion and amortization decreased by RMB331.5 million, or 35.7%, from RMB928.4 million for FY2014 to RMB596.9 million for FY2015. The decrease in depreciation, depletion and amortization was mainly due to: (i) the decrease in sales and production volumes in FY2015; (ii) our exclusion two subsidiaries, PCR and Miao Three in FY2015, which were divested 2H2014 and whose depreciation, depletion and amortization amounted to RMB64.8 million in FY2014; and (iii) no depreciation, depletion and amortization expenses recorded for Riyadh's property, plant and equipment and intangible assets after Riyadh's assets and liabilities were reclassified to ''held for sale'' on June 30, 2015.

*Taxes other than income taxes*

The Remaining Group's taxes other than income taxes decreased by RMB541.1 million, or 77.8%, from RMB695.1 million for FY2014 to RMB154.0 million for FY2015.

*Employee compensation costs*

The Remaining Group's employee compensation costs decreased by RMB41.2 million, or 19.1%, from RMB215.6 million for FY2014 to RMB174.4 million for FY2015. The decrease in employee compensation costs was primarily due to (i) a reduction of headcount during FY2015; and (ii) the exclusion of two subsidiaries (PCR and Miao Three) in FY2015, which accounted for a total of RMB20.8 million employee compensation costs for FY2014.

*Purchases, services and other expenses*

Our purchases, services and other expenses decreased by RMB167.6 million, or 49.7%, from RMB337.3 million for FY2014 to RMB169.7 million for FY2015. The decrease in purchase, services and other expenses was primarily due to (i) the decrease of production and sales during FY2015; and (ii) the disposal of two subsidiaries (PCR and Miao Three) during 2H2014, which accounted for a total of RMB48.7 million in purchases, services and other expenses for FY2014. The Remaining Group's results excluded these two companies during FY2015.

*Distribution expenses*

The Remaining Group's distribution expenses increased by RMB52.8 million, or 144.3%, from RMB36.6 million in FY2014 to RMB89.4 million in FY2015, primarily due to the new export sales route for our Kazakhstan operation which resulted in the recording of an average of US$7.80/barrel of distribution expense. The increase of distribution expenses incurred by our Kazakhstan operation was partially offset by the decrease of distribution expenses incurred by our China oilfields due to lower sales volume for FY2015.

*General and administrative expenses*

The Remaining Group's general and administrative expenses decreased by RMB8.2 million, or 6.6%, from RMB123.7 million for FY2014 to RMB115.5 million for FY2015. The decrease in administrative expenses was primarily due to: (i) the stringent cost control measures implemented by the Remaining Group; and (ii) the exclusion of two subsidiaries (PCR and Miao Three) in FY2015, which accounted for about RMB13.9 million in general and administrative expenses for FY2014. The above decreases were partially offset by transaction expenses of RMB21.9 million incurred for the proposed acquisition of Long Run Exploration Ltd. in FY2015.

*Impairment charges*

Due to significant lower global oil prices in FY2015, the Remaining Group recognized an impairment charge amounting to RMB473.4 million, RMB233.9 million and RMB16.7 million on the long-live assets (including mineral extractions rights) relating to assets in the PRC, Kazakhstan and the working interest in the USA, respectively, to reflect their carrying value to the respective estimated recoverable amount calculated based on value- in-use.

*Other (losses)/income*

The Remaining Group incurred ''other loss'' of RMB378.7 million for FY2015, compared to other income of RMB302.0 million for FY2014. Other losses for FY2015 arose primarily from (i) provision for bad debts of RMB86.7 million; and (ii) loss on re-measurement of disposal group classified as held for sale of RMB328.5 million, regarding assets and liabilities related to Riyadh being presented as held for sale at June 30, 2015 following the approval of the Company to dispose Riyadh. At December 31, 2015, the assets and liabilities of Riyadh were remeasured at the lower of adjusted carrying amount and fair value less cost to sell at FY2015 following initial classification as held for sale. Other income for FY2014 includes mainly (i)RMB52.2 million gains from disposal of Miao Three and RMB207.2 million from disposal of PCR; (ii) realized gain of RMB19.6 million from oil hedge contracts for our FY2014 production; (iii) royalty income received by PCR for its interest in the Zhou 13 Bock in Daqing of RMB8.1 million; and (iv) non- cash revaluation gain of RMB3.6 million for this interest.

*Finance income/(costs), net*

The Remaining Group's finance income increased by RMB2.0 million, or 10.8%, from RMB18.5 million for FY2014 to RMB20.5 million for FY2015.

Finance cost decreased by RMB171.2 million, or 34.3%, from RMB499.8 million for FY2014 to RMB328.6 million for FY2015. This decrease was primarily due to certain one-off finance costs incurred during FY2014 including: (i) RMB120.2 million call premium for the early redemption of the US$400 million 9.75% senior notes due 2016 ("**2016 Notes**"); and (ii) RMB35.2 million unamortized expenses of the 2016 Notes charged to finance cost as a result of the redemption. For FY2015, a net exchange gain of RMB85 million (FY2014: RMB32 million) was recorded as net result of the devaluation of the Tenge, which was offset by the devaluation of the Renminbi.

*Share of loss of joint ventures*

The Remaining Group holds a 51% interest in SGE. This investment was accounted for as joint ventures by the Remaining Group and our share of loss of SGE decreased from RMB55.4 million in FY2014 to RMB26.6 million in FY2015. This is mainly due to lower loss incurred by SGE as SGE realized pilot gas sales in FY2015.

*Loss before income tax*

The Remaining Group's loss before income tax was RMB1,704.5 million for FY2015, compared to the profit before income tax RMB236.7 million for FY2014. This was primarily due to the cumulative effects of the above factors.

*Income tax credit*

The Remaining Group recorded an income tax credit of RMB179.2 million for FY2015, compared to an income tax expense of RMB214.2 million for FY2014. This change was primarily due to the Remaining Group incurring loss before income tax in FY2015. The effective tax rate for FY2015 is 11% compared to an effective tax rate for FY2014 of 90%.

*Net (loss)/profit for the year*

As a result of the foregoing, our net loss for FY2015 was RMB1,525.3 million, compared to a net profit of RMB22.6 million for FY2014.

***Liquidity and Capital Resources***

*Overview*

The Remaining Group's primary sources of cash during FY2015 were cash flow from operating activities and cash flow from financing activities.

In FY2015, we had net cash generated from operating activities of RMB326.1 million, net cash used in investing activities of RMB1,124.4 million, net cash generated from financing activities of RMB298 million, an exchange gain on cash and cash equivalent of RMB14.1 million, and a net decrease in cash and cash equivalent of RMB500.4 million.

*Cash generated from operating activities*

Net cash generated from operating activities was RMB326.1 million in the year ended December 31, 2015. In the year ended December 31, 2015, our net cash generated in operating activities included loss before income tax of RMB1,704.5 million adjusted for, depreciation, depletion and amortization of RMB596.9 million, net interest expenses of RMB393.9 million, impairment charge of RMB724.0 million, loss on re-measurement of disposal group classified as held for sale of RMB328.5 million, provision for bad debt of RMB86.7 million, employee share option of RMB22.5 million, share of loss from investments in joint ventures of RMB26.6 million, offset by gains on write-off payables of RMB29.4 million, exchange gain of RMB85.8 million. The cash movements from changes in working capital which included decrease in trade and other payables of RMB29.5 million, a decrease in trade and other receivables of RMB344.7 million and a decrease in inventories of RMB0.1 million, and interest paid of RMB337.9 million and income tax paid of RMB10.5 million.

Net cash generated from operating activities was RMB1,180.4 million in the year ended December 31, 2014. In the year ended December 31, 2014, our net cash generated in operating activities included profit before income tax of RMB236.7 million adjusted for, depreciation, depletion and amortization of RMB928.4 million, net interest expenses of RMB514.1 million, employee share option of RMB12.3 million, share of loss from investments in joint ventures of RMB55.4 million, offset by gains on disposal of subsidiaries of RMB259.4 million, exchange gain of RMB32.8 million, and gains on changes of fair value of derivative financial instruments of RMB11.3 million, gains on oil hedge options of RMB19.6 million. The cash movements from changes in working capital which included decrease in trade and other payables of RMB140.5 million, a decrease in trade and other receivables of RMB226.2 million and a decrease in inventories of RMB2.5 million, and interest paid of RMB326.0 million and income tax paid of RMB155.3 million.

*Cash used in investing activities*

Net cash used in investing activities in the year ended December 31, 2015 amounted to RMB1,124.4 million, as a result of purchases of property, plant and equipment of RMB644.9 million, capital contribution to/acquisition of investments accounted for using the equity method of RMB30.9 million, loans to investments accounted for using equity method of RMB155.2 million, increase in restricted cash of RMB318.8 million, release of the deposit in relation to disposal of subsidiary of

RMB48.5 million, offset by proceeds from disposal of RMB45.2 million, net cash inflow from investment in available for sale financial assets of RMB28.3 million, and interest received of RMB0.6 million.

Net cash used in investing activities in the year ended December 31, 2014 amounted to RMB1,311.1 million, as a result of purchases of property, plant and equipment of RMB1,314.0 million, capital contribution to/acquisition of investments accounted for using the equity method of RMB269.4 million, loans to investments accounted for using equity method of RMB163.9 million, increase in restricted cash of RMB103.4 million, purchase of available-for-sale financial assets of RMB72.0 million, offset by proceeds from disposal of interest in subsidiaries net of disposal expenses, cash and cash equivalent balance as at disposal date of RMB532.5 million, deposit from disposal of subsidiary of RMB46.4 million, proceeds from contingent consideration receivable of RMB8.1 million and interest received of RMB14.4 million.

*Cash generated from financing activities*

Net cash generated from financing activities in the year ended December 31, 2015 amounted to RMB298 million primarily due to: (i) repayments of borrowings of RMB360.1 million; (ii) payment of fees of modification of terms in indenture of senior notes of RMB25.9 million, (iii) payment for repurchase of shares and cancellation of RMB17.6 million; and (iv) payment for shares purchased under Share Award Scheme of RMB11.1 million, offset by: (i) proceeds from issuance of ordinary shares of RMB200.0 million; (ii) proceeds from borrowings of RMB512.8 million.

Net cash generated from financing activities in the year ended December 31, 2014 amounted to RMB541.9 million primarily due to: (i) proceeds from the issue of the 2019 Notes of RMB2,986.2 million in April 2014, (ii) proceeds from bank borrowings of RMB411.5 million, comprising one RMB55 million and two RMB5 million short-term working capital loan from China Construction Bank ("**CCB**"), US$35 million from Deutsche Bank ("**DB**"), and US$20 million from Bank of Communication ("**BCM**"), and dividends on treasury shares of RMB1.0 million, offset by: (i) 2013 final cash dividend of RMB61.0 million paid in June 2014, (ii) RMB2,465.6 million used for repayment of the 2016 Notes in May 2014 and the repayment of RMB125 million short-term and RMB1.5 million long-term working capital loan from CCB, (iii) RMB120.2 million used for the payment of premium related to the repayments of the 2016 Notes, (iv) RMB10.4 million used for the payment for settlement of share options, (v) RMB15.0 million used for the payment of loan arrangement fees and other fees, (vi) settlement of options to consultants for investments in subsidiaries of RMB44.6 million and (vii) RMB13.6 million payment for buyback of shares and cancellation.

As at December 31, 2015, the Remaining Group's bank borrowings and Senior Notes amounted to approximately RMB4,954.1 million, representing an increase of approximately RMB439.8 million as compared to December 31, 2014. Among which, borrowings repayable within one year amounted to approximately RMB529.9 million, representing an increase of RMB190.4 million as compared to December 31, 2014. All of the Remaining Group's bank borrowings and Senior Notes are denominated in RMB and United States Dollars.

Our gearing ratio, which is defined as total borrowings less cash and cash equivalents ("**Net Borrowings**") divided by the sum of Net Borrowings and total equity, increased slightly from 51.8% as at December 31, 2014 to 68.3% as at December 31, 2015, principally due to a decrease in cash and cash equivalents balance.

Our total borrowings to Adjusted EBITDA ratio, which is defined as total borrowings divided by Adjusted EBITDA increased from 2.83 as at December 31, 2014 to 13.39 as at December 31, 2015.

*Borrowings*

The carrying amount of borrowing are denominated in the following currencies: (i) RMB96.1 million worth of borrowing in RMB; and (ii) RMB4,858.0 million worth of borrowing in US Dollars.

The Remaining Group has the following undrawn banking facilities: (i) RMB290.0 million at floating rate and expiring within one year; and (ii) RMB143.9 million at fixed rate and expiring within one year.

***Market risks***

Our market risk exposures primarily consist of fluctuations in oil prices and exchange rates.

*Oil price risk*

Our realized oil prices are determined by reference to oil prices in the international market, changes in international oil prices will have a significant impact on us. Unstable and high volatility of international oil prices may have a significant impact on our revenue and profit.

*Currency risk*

The majority of the Remaining Group's China operation sales are in US dollars, while production and other expenses in China are incurred in RMB. The RMB is not a freely convertible currency and is regulated by the PRC government. Limitations on foreign exchange transactions imposed by the PRC government could cause future exchange rates to vary significantly from current or historical exchange rates.

The functional currency of the Kazakhstan subsidiary is in US dollars and all export sales are in US dollars. The transactions of the Kazakhstan subsidiary which are denominated in the Kazakhstan Tenge are exposed to fluctuations in the US dollars and Kazakhstan Tenge exchange rate. Management is not in a position to anticipate changes in the PRC foreign exchange regulations or the fluctuations between the US dollar and Kazakhstan Tenge exchange rates, and as such is unable to reasonably anticipate the impacts on the Remaining Group's results of operations or financial position arising from future changes in exchange rates.

***Charges on remaining group assets***

The secured bank loans totalling RMB96.1 million is secured by the Remaining Group's right to receive its share of revenue allocated under Daan production sharing contract. The Remaining Group's remaining secured bank loans totalling RMB433.8 million were secured by Remaining Group's bank deposits of approximately RMB462.7 million.

***Employees***

As at December 31, 2015, the Company had 1,684 employees, with 1,436 based in China (Mainland and Hong Kong), 244 based in Kazakhstan and 4 based in USA. There have been no material changes to the information disclosed in the Annual Report 2014 in respect of the remuneration of employees, remuneration policies and staff development.

The stock incentive compensation plan was adopted on November 20, 2009 with the purpose of providing additional incentive to employees, directors and consultants to attract and retain the best available personnel for positions of substantial responsibility. The Company originally reserved 6,072,870 ordinary shares for issuance under the Plan. The Company has undertaken that no further options shall be granted under the Plan upon its initial public offering. Any options granted prior to the initial public offering remain subject to the ordinary vesting and exercise provisions set out in the award agreement. A total of 4,422,000 shares originally reserved for the Plan were cancelled upon the initial public offering.

As approved by shareholders of the Company at a meeting held on November 27, 2010, the Company adopted a new share option scheme ("**Scheme**") in accordance with Chapter 17 of the Listing Rules.

The purpose of the Scheme is to enable the Company to grant options to selected participants as incentives or rewards for their contributions to the Remaining Group.

The Company's directors may, at their absolute discretion, invite any person belonging to any of the following classes of participants, to take up options to subscribe for the shares: (i) any employee (full time) of the Company or any of the subsidiaries, including any executive Director; and (ii) any non-executive Director (including independent non-executive Director) of the Company or any of the subsidiaries.

***Contingencies***

On August 28, 2000, MI Energy Corporation ("**MIE**") entered into a PSC with China Petrochemical Corporation Sinopec ("**Sinopec**") for exploration and development of Luojiayi 64 block at Shengli oilfield in Shandong Province, which was suspended since the end of 2004. In April 2005, MIE requested an extension from Sinopec to restart the project. On September 27, 2006, MIE received a letter from Sinopec denying the request to restart the project and seeking to terminate the PSC on the grounds that the extension period of the trial-development phase had expired and MIE had not met its investment commitment under the PSC. The Company believes its investment in the project at Shengli oilfield had met the required commitment amount under the PSC. The PSC with Sinopec has not been formally terminated and the dispute has not entered any judicial proceedings. As advised by the external legal counsel of the Company, the probability of claim from Sinopec for unfulfilled investment commitment, if any, in relation to the pilot-development phase is remote as the statute of limitations has run out.

***Future plans for material investments or capital assets and their expected sources of funding in the coming years***

In summary, the sharp slump of international crude oil prices since the second half of 2014 undoubtedly affected oil producers around the world. Oil companies ranging from independents to international majors have announced further substantial cuts to work plans and budgets for the coming year. Accordingly, whilst the Remaining Group continue to closely monitor the development of global oil & gas market and keep abreast of attractive assets that would fit well with the Remaining Group's long term development and growth, for FY2016 the Remaining Group shall maintain a strategy of reduced Capex, minimal drilling and work programs, as well as focusing on operational efficiency and cost reduction.

**(b) For the year ended December 31, 2016**

***Business review and prospects***

*Overview*

Despite the challenging environment, the Remaining Group made achievements in managing and lowering our costs and the adaptability exhibited in executing our FY2016 work program. In particular, lifting costs in our China oilfields dropped 12.4% to US$8.31/bbl and the production was also stabilized at a better than expected declined rate, while those of Emir Oil project in Kazakhstan decreased 38.5% to US$2.25/bbl. The Remaining Group drilled total of 2 new wells in FY2016, in line with our original guidance, while work on Emir-Oil's CPF completion was been deferred based on mutual agreement made between the shareholders. As of December 31, 2016, the Remaining Group operated a total of 2,610 wells, of which, 2,605 are located in China and 5 in the USA. In terms of overall overhead, the total headcount of the Remaining Group was reduced from approximately 1,700 as of year-end 2015 to 1,387 as of year-end 2016. During 2016, the Remaining Group divested its stake in Asia Gas & Energy Ltd and a 60% stake in Palaeontol B.V. ("**PBV**") while acquiring a 37.4% stake in Journey Energy Inc. a Canada listed company and a 34% stake in PetroBroad Copower Limited ("**PetroBroad**"), a contractor with China National Offshore Oil Company ("**CNOOC**") who operates a production sharing contract in the South China Sea. Following the acquisition and divestment exercises of the Remaining Group, based on the year-end 2016 oil and gas reserves and resources estimates prepared by independent consultants, the Remaining Group's 2P oil and gas reserves were 75.1 million BOE, representing a 45% decrease from year-end 2015. The decrease in the Remaining Group's 2P oil and gas reserves is largely attributable to the Remaining Group's asset sales.

***Review of Operations by Segment***

- *China Operations*

  Oil Projects (Jilin Province: Daan, Moliqing)

  During FY2016, total gross operated production for our two China oil projects, Daan and Moliqing, decreased 12.0% to 14,031 BOPD, as compared to FY2015. Total net production allocated to the Remaining Group decreased by 12.2% to 5,872 BOPD, which is within the 2016 annual guidance range of 5,600–6,300 BOPD. In line with the decline in global crude oil prices, the average realized Daqing oil price averaged approximately US$36.73/bbl for FY2016, representing a decrease of 21.3% year-on-year, compared to US$46.65/bbl for FY2015.

  Based on the Remaining Group's strategic scale back of Capex, no new wells were drilled for the China oil projects in FY2016. Total net Capex relating to sidetrack horizontal wells, converting development wells to injection wells and other surface engineering incurred was US$4 million.

  Direct lifting costs for Daan and Moliqing decreased US$1.18/barrel, or 12.4%, from US$9.49/barrel for FY2015 to US$8.31/barrel for FY2016 as a result of lower transportation and staff costs costs, as well as enhanced operational efficiency and maintenance scheduling adjustments.

  EBITDA per barrel for our Northeast China projects decreased by US$9.21/barrel, or 29.1%, from US$31.66/barrel for FY2015 to US$22.45/barrel for FY2016. The decline in EBITDA per barrel was primarily due to the drop in average realized oil price, which was partially offset by the decrease in direct lifting cost.

- *Kazakhstan Operations (Emir-Oil)*

During the 11 months of 2016, gross oil production for Emir-Oil decreased to 3,328 BOPD, 2.5% lower as compared to FY2015, and below the 2016 annual guidance range of 3,600–4,200 BOPD. Gross gas production decreased 5.0% to 5,598 MSCF/day during the first 11 months of 2016, which is also below the 2016 annual guidance of 6,000–7,000 MSCF/day.

For the first 11 months of 2016, the average realized oil price for Emir-Oil was US$34.85/barrel (FY2015: US$43.95/barrel), with export sales comprising 86% of total sales volume (FY2015: 88%). The average realized export price was US$38.39/ barrel (FY2015: US$48.41/barrel) while the average realized domestic price was US$13.25/barrel (FY2015: US$12.02/barrel). Average realized gas price was US$0.78/MSCF (FY2015: US$0.95/MSCF).

The direct lifting cost for Emir-Oil decreased by US$1.41/barrel, or 38.5%, from US$3.66/barrel for FY2015 to US$2.25/barrel for the first 11 months of 2016. The decrease in lifting cost was primarily due to the operation of higher efficiency wells, reduction in administrative expenses, depreciation of Tenge and higher operational efficiencies.

EBITDA per barrel for the export sales oil of Emir-Oil increased by US$8.74/ barrel, or 437%, from US$2.00/barrel for FY2015 to US$10.74/barrel for the first 11 months of 2016. The EBITDA per barrel for the domestic sales oil of Emir-Oil increased by US$9.70/barrel, or 184%, from US$(5.29)/barrel for FY2015 to US$4.42/barrel for the first 11 months of 2016. Weighted average EBITDA per barrel for Emir-Oil increased by US$9.08/barrel, or 1681%, from US$0.54/barrel for FY2015 to US$9.62/barrel for the first 11 months of 2016. The increase in EBITDA per barrel was primarily due to the decrease in taxes, distribution and administrative expense and employee compensation costs, as well as lower lifting costs.

In FY2016, Emir-Oil completed 2 exploration wells, Dolinnoe-8 and Yessen-3, as per the requirements under its exploration license. Logs of both wells indicate oil and gas shows, and plans are for these wells to be tested in 2017. Total Capex for Emir-Oil incurred in FY2016 amounted to about US$12 million, which was mainly related to the drilling of the two wells. As agreed between both shareholders, work on Emir-Oil's CPF construction has been deferred.

In January 2017, Emir-Oil and the Kazakhstan Ministry of Energy executed an agreement extending the expiration date of the Aksaz-Dolinnoe-Emir-Kariman ("**ADEK**") Exploration Contract by three years to January 9, 2020. Under the terms of the contract extension, Emir-Oil will have to drill 6 exploration wells. Based on incremental reserves and resources attributable to prior exploration work within the ADEK area, the Remaining Group is excited about the upside potential provided by this exploration contract extension.

- *USA Operations (Condor) and Others*

There were no drilling activities during FY2016 in our US business. The Remaining Group's subsidiary, Condor Energy Technology LLC ("**Condor**"), operates 5 horizontal wells in the Niobrara project. For FY2016, the average daily operated oil and gas production was 53BOPD and 81MSCF/day, net oil and gas production was 41 BOPD and 65 MSCF/day, respectively. Average realized oil and gas price was US$37.77/barrel and US$2.30/MSCF, respectively.

***Financial results***

The Remaining Group's management and shareholders approved the disposal of 60% equity interest in PBV on June 20, 2016. Emir-Oil, which is located in Kazakhstan, is the 100% wholly-owned subsidiary of PBV (collectively, the "**PBV Group**"). The Kazakhstan operation is recognized as a disposal group and discontinued operation as at December 31, 2016, as Emir-Oil represents the business in Kazakhstan segment, which is a major line of business of the Remaining Group. Emir-Oil's operating results from the Kazakhstan operation were recorded as a loss for the period from discontinued operations, and were not included in the results of continuing operations.

*Continuing operations*

Revenue

The Remaining Group's revenue is generated from sales of oil and gas products and rendering of technical services.

The Remaining Group's revenue from sales of oil and gas decreased by RMB189.2 million, or 26.5%, from RMB713.5 million for 2015 to RMB524.3 million for 2016.

This decrease was mainly due to the significant drop in crude oil prices over 2016 as well as the decrease of the Remaining Group's overall sales volumes. Average realized oil price was US$36.74 per barrel for 2016, compared to US$46.6 per barrel for 2015. The Remaining Group's total crude oil sales volume was 2.14 million barrels for 2016, compared to 2.46 million barrels for 2015.

The Remaining Group's revenue from rendering of technical services is RMB10.6 million for 2016.

- <u>China</u>

  Revenue from our China oil fields decreased from RMB707.1 million for 2015 to RMB519.6 million for 2016. The average realized oil price was US$36.73 per barrel for 2016, compared to US$46.65 per barrel for 2015. Our sales volume was 2.12 million barrels for 2016, compared to 2.44 million barrels for 2015.

- North America

In 2016, our North America oil fields realized revenue from crude oil sales of RMB3.9 million. The average realized oil price was US$37.77 per barrel, with sales volume of 15,328 barrels. In 2015, our North America oil fields realized revenue from crude oil sales of RMB5.1 million. For 2015, the average realized oil price was US$40.68 per barrel, with sales volume of 20,085 barrels.

Our North America operations realized revenue from gas sales of RMB0.2 million, with a realized gas price of US$2.30 per MSCF and total gas sales volume of 13,981 MSCF for 2016. In 2015, revenue from gas sales of RMB0.3 million was recorded from realized gas price of US$2.61 per MSCF and total gas sales volume of 20,124 MSCF.

*Depreciation, depletion and amortization*

The Remaining Group's depreciation, depletion and amortization decreased by RMB156.3 million, or 30.0%, from RMB520.2 million for 2015 to RMB363.9 million for 2016. The decrease in depreciation, depletion and amortization was mainly due to: (i) the decrease in sales and production volumes in 2016; (ii) RMB763.8 million and RMB153.3 million impairment provision for the oil and gas properties made in 2015 and in 2016 decreased the net book value and depreciable amount of the company's property, plant and equipment.

*Taxes other than income taxes*

The Remaining Group's taxes other than income taxes decreased by RMB9.9 million, or 42.5%, from RMB23.3 million for 2015 to RMB13.4 million for 2016.

***Liquidity and capital resources***

*Overview*

The Remaining Group's primary sources of cash during 2016 were cash generated from investing activities.

In 2016, we had net cash used in operating activities of RMB370.9 million, net cash generated from investing activities of RMB1,790.7 million, net cash used in financing activities of RMB750.3 million, an exchange gain on cash and cash equivalent of RMB32.4 million, and a net increase in cash and cash equivalent of RMB669.6 million.

*Cash used in/generated from operating activities*

Net cash used in operating activities was RMB370.9 million in the year ended December 31, 2016. In the year ended December 31, 2016, our net cash used in operating activities included loss before income tax of RMB458.0 million adjusted for, depreciation, depletion and amortization of RMB363.9 million, net interest expenses of RMB362.6 million, provision for bad debt of RMB252.8 million, gains arising from acquisition of Journey of RMB29.8 million, employee share option of RMB28.0 million, share of loss from investments in associates of RMB35.7 million, exchange loss of RMB23.9 million, impairment charge of RMB234.7 million, loss on oil hedge options of RMB19.6 million, which was offset by gains on disposal of AGE of RMB526.1 million. The cash movements from changes in working capital which included increase in trade and other payables of RMB65.5 million, an increase in trade and other receivables of RMB123.0 million and an increase in inventories of RMB4.6 million, and interest paid of RMB383.0 million and income tax paid of RMB69.6 million, and net cash used in discontinued operations of RMB81.1 million.

Net cash generated from operating activities was RMB326.1 million in the year ended December 31, 2015. In the year ended December 31, 2015, our net cash generated in operating activities included loss before income tax of RMB1,467.3 million adjusted for, depreciation, depletion and amortization of RMB520.2 million, net interest expenses of RMB387.7 million, provision for bad debt of RMB84.4 million, employee share option of RMB22.1 million, share of loss from investments in joint ventures of RMB26.6 million, exchange loss of RMB34.0 million, impairment charge of RMB765.0 million, offset by gains on write-off payables of RMB29.4 million. The cash movements from changes in working capital which included decrease in trade and other payables of RMB161.4 million, a decrease in trade and other receivables of RMB298.6 million and a decrease in inventories of RMB0.1 million, and interest paid of RMB337.9 million and income tax paid of RMB9.1 million, and net cash generated from discontinued operations of RMB192.2 million.

*Cash generated from/used in investing activities*

Net cash generated from investing activities in the year ended December 31, 2016 amounted to RMB1,790.7 million, as a result of receipts of proceeds from disposal of subsidiaries of RMB2,283.7 million, decrease in restricted cash of RMB462.6 million, and interest received of RMB20.2 million, which was offset by purchases of property, plant and equipment of RMB21.6 million, increase in financial assets of RMB96.4 million, loan and deposit to third parties of RMB375.0 million, contribution and loans to/acquisition of investments accounted for using equity method of RMB277.0 million, and net cash used in discontinued operations of RMB205.7 million.

Net cash used in investing activities in the year ended December 31, 2015 amounted to RMB1,124.4 million, as a result of purchases of property, plant and equipment of RMB249.6 million, deposit paid to third parties of RMB48.5 million, contribution and loans to/acquisition of investments accounted for using equity method of RMB186.1 million, increase in restricted cash of RMB324.1 million, net cash outflow from discontinued operations of RMB390.1 million, offset by proceeds from disposal of RMB45.2 million, decrease in financial assets of RMB28.3 million, and interest received of RMB0.065 million.

*Cash used in/generated from financing activities*

Net cash used in financing activities in the year ended December 31, 2016 amounted to RMB750.3 million primarily due to: (i) repayments of borrowings of RMB930.2 million, (ii) payments relating to share-based compensation of RMB63.7 million, (iii) payment for repurchase and cancellation of 2019 Notes RMB110.7 million, (iv) cash paid to non-controlling interest for additional interest in subsidiary of RMB103.9 million, (v) financing expenses and others of RMB33.2 million, offset by proceeds from borrowings of RMB491.5 million.

Net cash generated from financing activities in the year ended December 31, 2015 amounted to RMB298.0 million primarily due to: (i) proceeds from issuance of ordinary shares of RMB200.0 million, (ii) proceeds from borrowings of RMB512.8 million; and offset by:(i) payments relating to share-based compensation RMB28.7 million, (ii) repayments of borrowings of RMB360.1 million, (iii) financing expenses and others of RMB25.9 million.

As at December 31, 2016, the Remaining Group's bank borrowings and Senior Notes amounted to approximately RMB4,690.6 million, representing a decrease of approximately RMB263.5 million as compared to December 31, 2015. Among which, borrowings repayable within one year amounted to approximately RMB104.0 million, representing a decrease of RMB425.9 million as compared to December 31, 2015. All of the Remaining Group's bank borrowings and Senior Notes are denominated in RMB and United States Dollars. The Remaining Group's bank borrowings and Senior Notes are all at fixed interest rates. No hedging instruments are used for bank borrowings and Senior Notes.

Our gearing ratio, which is defined as the sum of Net Borrowings divided by the sum of Net Borrowings and total equity, increased from 68.2% as at December 31, 2015 to 85.5% as at December 31, 2016, principally due to a decrease in equity.

Our total borrowings to Adjusted EBITDA ratio, which is defined as total borrowings divided by Adjusted EBITDA increased from 14.14 as at December 31, 2015 to 16.56 as at December 31, 2016.

*Borrowings*

The carrying amount of borrowing are denominated in the following currencies: (i) RMB104.0 million worth of borrowing in RMB; and (ii) RMB4,586.6 million worth of Senior Notes in US Dollars.

The Remaining Group has no undrawn banking facilities expiring within one year.

*Market Risks*

Our market risk exposures primarily consist of fluctuations in oil prices and exchange rates.

*Oil price risk*

Our realized oil prices are determined by reference to oil prices in the international market, changes in international oil prices will have a significant impact on us. Unstable and highly volatile international oil prices may have a significant impact on our revenue and profit. During 2016, the Remaining Group entered into oil hedge options contracts to manage its price risk.

*Currency risk*

The majority of the Remaining Group's China operation sales are in US dollars, while production and other expenses in China are incurred in RMB. The RMB is not a freely convertible currency and is regulated by the PRC government. Limitations on foreign exchange transactions imposed by the PRC government could cause future exchange rates to vary significantly from current or historical exchange rates.

The functional currency of the Kazakhstan subsidiary is in US dollars and all export sales are in US dollars. The transactions of the Kazakhstan subsidiary which are denominated in the Kazakhstan Tenge are exposed to fluctuations in the US dollars and Kazakhstan Tenge exchange rate. Management is not in a position to anticipate changes in the PRC foreign exchange regulations or the fluctuations between the US dollar and Kazakhstan Tenge exchange rates, and as such is unable to reasonably anticipate the impacts on the Remaining Group's results of operations or financial position arising from future changes in exchange rates.

The Remaining Group currently does not engage in hedging activities designed or intended to manage foreign exchange rate risk. The Remaining Group will continue to monitor foreign exchange changes to best preserve the Remaining Group's cash value.

***Charges on remaining group assets***

As at December 31, 2016, a bank loan in the sum of RMB104.0 million was secured by the Remaining Group's trade receivable of RMB84.7 million. On March 24, 2017, the Remaining Group repaid the loan in full.

***Provision of loan***

On December 16, 2016, the Company entered into a loan agreement with Boston-Power, Inc., (the "**Borrower**"), pursuant to which the Company agreed to grant a loan of US$30 million to the Borrower for a term of six months at an interest rate of 9% per annum. Subsequent to December 31, 2016, US$30 million was drawn by the Borrower.

Details of the transaction are set out in the announcement of the Company dated December 19, 2016.

***Employees***

As at December 31, 2016, the Company had 1,387 employees, with 1,371 based in China (Mainland and Hong Kong), 11 based in Kazakhstan and five based in USA. There have been no material changes to the information disclosed in the Annual Report 2015 in respect of the remuneration of employees, remuneration policies and staff development.

The stock incentive compensation plan was adopted on November 20, 2009 with the purpose of providing additional incentive to employees, directors and consultants to attract and retain the best available personnel for positions of substantial responsibility. The Company originally reserved 6,072,870 ordinary shares for issuance under the Plan.

The share option scheme adopted by the Company was approved by shareholders on November 27, 2010 in accordance with Chapter 17 of the Listing Rules. The purpose of the Scheme is to enable the Company to grant options to selected participants as incentives or rewards for their contributions to the Remaining Group.

Apart from the above plan and scheme, to recognize the contributions by certain grantees and to give incentives thereto in order to retain them for the continuing operation and development of the Remaining Group, and to attract suitable personnel for further development of the Remaining Group, the Board of Directors resolved to adopt the 2015 Share Award Scheme on January 6, 2015.

***Contingencies***

On August 28, 2000, MIE entered into a PSC with Sinopec for exploration and development of the Shengli oilfield in Shandong Province. In 2000, MIE began the trial- development phase of its operations at the Shengli oilfield and drilled a dry hole. The project has been suspended since the end of 2004. In April 2005, MIE requested an extension from Sinopec to restart the project at the Shengli oilfield. On September 27, 2006, MIE received a letter from Sinopec denying the request to restart the project and seeking to terminate the PSC on the grounds that the extension period of the trial- development phase had expired and MIE had not met its investment commitment of at least USD2 million under the PSC. MIE believes its investment in the project at Shengli oilfield had met the required commitment amount under the PSC. The PSC with Sinopec has not been formally terminated and the dispute has not entered any judicial proceedings. As advised by the external legal counsel of the Company, the probability of claim from Sinopec for unfulfilled investment commitment, if any, in relation to the pilot- development phase is remote as the statute of limitations has run out.

***Future Plans for Material Investments or Capital Assets and their Expected Sources of Funding in the Coming Years***

Despite the recent recovery in oil prices, the challenges that the Remaining Group has faced still persist. Since the Remaining Group's initial public offering in Hong Kong in 2010, the Remaining Group have maintained close ties with the international capital market and created returns for market participants. The Remaining Group are cognizant that our bondholders are paying close attention to both bonds which are due in 2018 and 2019, and the Remaining Group will spend utmost efforts in 2017 to balance both the development of the Company and the optimization of our capital structure.

**(c) For the year ended December 31, 2017**

***Business Review and Prospects***

*Overview*

During FY2017, the gas and oil operational production and net production of the Remaining Group increased sharply compared with the same period in FY2016. The Remaining Group's oil and gas production increased by 43.0% to about 9.44 million BOE compared with the first half of 2016 ("**1H2016**"). Net oil gas production increased by 87.8% to about 6.76 MMBOE compared with FY2016. During FY2017, our crude oil sales decreased by 26.5% to approximately 2.38 million barrels from FY2016, while our natural gas sales increased 13.7 times to 25,315.4 MMSCF. In 2H2017, the Remaining Group's acquisition of 100% of partnership interests of CQ Energy Canada Partnership ("**CQ Energy**") in Canada boosted the Remaining Group's oil and natural gas reserves, production capacity and revenue substantially.

The average realized crude oil price of the Remaining Group increased by 33.3% to US$48.96 per barrel, with average natural gas prices rising to US$1.50 per MSCF in FY2017. As the recovery in crude oil prices and the increase in oil and gas production brought about by the acquisition of CQ Energy, the Remaining Group's revenue of FY2017 increased by 110.5% to RMB1,126 million compared with FY2016. EBITDA recorded a decline of RMB676.0 million in FY2016 to a loss of RMB383.7 million. The adjusted EBITDA increased by 22.9% to approximately RMB348.1 million in FY2017. During FY2017, the Remaining Group recorded a net loss of RMB1,099.5 million.

*Material Acquisitions and disposals*

In 2H2017, the Remaining Group successfully acquired 100% of the partnership interests of CQ Energy, a Canadian oil and gas exploration and development company with a very comprehensive and mature oil and gas business, through its wholly-owned subsidiary in Canada, Canlin Energy Corporation ("**Canlin Energy**"). CQ Energy owns a diverse base of producing, resource and infrastructure portfolio located throughout the Western Canadian Sedimentary and Williston basins in

Alberta, Saskatchewan, Manitoba, Ontario and British Columbia in Canada. Canlin Energy has an average working interest (average percentage of ownership) of 67% in the relevant asset sand properties in relation to its oil and gas reserves, which as of June 6, 2017 covered an area with gross land coverage of 3,492,600 acres (or net coverage of 2,200,814 acres). CQ Energy possesses natural gas resources producing low decline, long life asset base products and infrastructure. It has vast acreage of undeveloped land and has potential for growth. The acquisition enlarged the Remaining Group's business scope from oil production to natural gas production, acquired new profit growth points, and allowed the Remaining Group to entered the Canadian market at the same time. Based on the Company's globalization development strategy, the acquisition enhanced oil and natural gas production capacity and improved the Company's profitability and competitiveness.

Completion of the acquisition of 100% of the partnership interests of CQ Energy from the Vendors took place on September 29, 2017. Upon Closing, the partnership arrangement of CQ Energy dissolved by way of operation of law due to having only one partner which being Canlin Energy. The entire business of CQ Energy was transferred to and operated by Canlin Energy.

In 2H2017, the Remaining Group disposed of the entire issued share capital of Riyadh Energy Limited ("**Riyadh Energy**"). The principal business activity of Riyadh Energy is oil and gas development operations in China pursuant to the Moliqing PSC. Riyadh Energy holds 90% of the participating interests in the foreign contractor's entitlement and obligations covering Moliqing block within Jilin oilfield and is the sole operator.

Following the acquisition and divestment exercises of the Remaining Group during FY2017, based on the year-end 2017 oil and gas reserves and resources estimate prepared by independent consultants, the Remaining Group's 2P oil and gas reserves were 398.71MMBOE, representing 4.31 times increase from year-end 2016. The increase in the Remaining Group's 2P oil and gas reserves is largely attributable to the Remaining Group's acquisition of CQ Energy.

In FY2017, the Remaining Group implemented efficiency management, focused on optimizing the allocation of existing assets, implementing a cost leadership strategy, striving to reduce costs, increasing efficiency, and stabilizing the production of old wells to delay the trend of declining production. In 2017, while the oil prices were significantly higher than FY2016, the lifting cost remained stable. Direct lifting costs for Daan and Moliqing increased slightly by 2.0% to US$8.48 per barrel as compared to FY2016, As of December 31, 2017, except for over 8,500 production wells belonging to Canlin Energy, the Remaining Group operated a total of 2,369 wells, of which 2,364 were located in China and five wells were located in the United States. Taking CQ Energy acquisition and Riyadh Energy disposal into account, the total headcount of the Remaining Group increased from 1,387 as of December 31, 2016 to 1,495 as of December 31, 2017.

*Review of Operations by Segment*

- China Operations (Daan, Moliqing, South China Sea)

By introducing some advanced new technologies and optimizing traditional oilfield development technologies, our projects in northeastern China maintained a relatively high level of production in FY2017. During FY2017, the total gross operated production for our two China oil projects in Daan and Moliqing decreased by 9.5% to 4.65 million barrels as compared to FY2016. Total net production allocated to the Remaining Group decreased by 6.6% to 1.98 million barrels. During FY2017, the gross operated production per day decreased by 9.0% to 12,812 BOPD as compared to FY2016, and net production per day allocated to the Remaining Group decreased by 7.1% to 5,454 BOPD. With the recovery of international crude oil prices, the average oil price of Daan and Moliqing increased by 33.1% from US$36.73 per barrel in FY2016 to US$48.89 per barrel in FY2017. Based on rising oil prices, there were 15 wells drilled in Daan in FY2017, including 14 vertical wells and 1 horizontal well. Direct lifting costs for Daan and Moliqing increased by US$0.17/barrel, or 2.0%, from US$8.31/barrel for FY2016 to US$8.48/barrel for FY2017. EBITDA per barrel for Daan and Moliqing increased by US$11.93/barrel, or 53.1%, from US$22.45/barrel for FY2016 to US$34.38/barrel for FY2017. The increase in EBITDA per barrel was primarily due to the rise in average realized oil price. Considering the Remaining Group's development strategy, the Remaining Group disposed of the entire interest in the Moliqing oil project through the disposal of Riyadh Energy in the 2H2017. The free cash flow contributed by the Daan is crucial for the development and operation of the Remaining Group's other projects.

As of the end of 2017, the Remaining Group had a 34% interest in the South China Sea project. On August 11, 2017, the Ministry of Land and Resources examined and approved our South China Sea project reserve report, and we obtained the approval of the review of the Ministry of Land and Resources on November 30, 2017. At present, the block has commissioned CNOOC research institute to make the ODP and plans to complete the preparation and review of the ODP by the end of 2018. The successful exploration of this block has provided good experience for the operation of MIE in offshore oil fields.

- North America Operations

Canada (Canlin Energy, Journey)

As of the end of 2017, Canlin Energy's 2P reserves were 334.5 MMBOE, accounting for 83.9% of the Remaining Group's total reserves, and Canlin Energy accounted for 5.21 times the reserves of other projects in the Remaining Group. Canlin Energy was consolidated into the Remaining Group's financial statements from the fourth quarter of FY2017, and its net annual production was 4.77 MMBOE, accounting for 70.5% of the Remaining Group's total annual production, Canlin Energy's production in one quarter is about 2.39 times the total annual production of the Remaining Group's other projects. The successful acquisition of Canlin Energy has greatly enhanced the scale of the Remaining

Group and achieved the Remaining Group's leap-forward development, making the Remaining Group an international large-scale oil and gas company and enhancing the financial stability and strength of the Remaining Group.

Canlin Energy is an oil and gas company that prefers natural gas development. Canlin Energy has more than 11,500 oil and gas wells, of which more than 8,500 are producing wells. Daily oil and gas production was 51,811 BOE, of which natural gas and natural gas condensate accounted for about 91.8%, the crude oil accounted for about 8.2%. Daily oil production was 4,262 barrels, daily natural gas condensate production was 1,690 barrels, and daily nature gas production was 275.2 MMSCF. Despite average realized gas price was only US$1.50 per Mscf in the fourth quarter 2017, considering the natural growth in global energy demand and the substitution of natural gas for coal and oil as a kind of clean energy, the Remaining Group is confident in the development of natural gas.

Canlin Energy has a high level, international and professional management team. To face the current low gas prices, Canlin Energy optimized management, improved staffing and asset allocation, downsized staff and improved efficiency, and strived to reduce lifting costs, satisfactory results were achieved in the fourth quarter of FY2017. As a large-scale oil and gas company in Canada, Canlin Energy's high-quality business management had improved the international management of the Remaining Group and improved our ability to further expand our business market in Canada. At present, the focus of the Remaining Group's business has shifted from the Chinese market to the Canadian market. The business structure, personnel composition and management methods of the Remaining Group will be more international in the future, which would be beneficial to the widening of our global footprint, development of a more balanced oil and gas business portfolio, expansion of our operational capabilities and enhancement of our profile and image as an international energy company.

Journey Energy Inc. ("**Journey**") planned to drill 14 wells in FY2017, with 14 wells having been completed in FY2017. Daily production increased by 14% to 9,962 barrels per day from 8,712 barrels per day in FY2016. The Remaining Group generated investment loss of RMB63.0 million in FY2017.

USA (Condor)

There were no drilling activities during FY2017 in relation to our US business. The Remaining Group's subsidiary, Condor, operates 5 horizontal wells in the Niobrara project. For FY2017, the average daily operated oil and gas production was 38 BOPD and 23 Mscf per day, net oil and gas production was 29 BOPD and 18 Mscf per day, respectively. Average realized oil and gas price was US$47.44 per barrel and US$4.47 per Mscf, respectively.

- Kazakhstan Operations (Emir-Oil)

With the recovery of oil prices, six production wells had been opened again in FY2017 and the total number of producing wells was 20 at the end of 2017. Daily production of crude oil decreased by 28.0% from 3,328 barrels per day in FY2016 to 2,396 barrels per day in FY2017.

*FY2018 Guidance*

The following is our preliminary guidance for FY2018.

| | **Interest** *(%)* | **Numbers of Wells** *(Gross)* | **Remaining Group Net Capex Investment** *(millions of US$)* | **Net Production** | **Remarks** |
|---|---|---|---|---|---|
| China Onshore Projects (Daan, Moliqing) | Daan: 90% from January to March/100% since April 1, 2018 of the foreign participation interest<br><br>Moliqing: 10% of the foreign participation interest since April 1, 2018 | 31 | 20 | 4,880–5,280 BOPD | — |
| China Offshore Project (28/03 Block) | 34 | — | — | — | |
| Canada (Canlin Energy) | 100 | | 50 | Total: 47,500–51,170 BOED<br><br>Oil: 3,750–4,275 BPD<br>NGL: 1,250–1,425 BPD<br>Gas: 255,000–272,820 MSCF | |

| | Interest *(%)* | Numbers of Wells *(Gross)* | Remaining Group Net Capex Investment *(millions of US$)* | Net Production | Remarks |
|---|---|---|---|---|---|
| USA (Condor) | 100 | — | — | 27 BOPD | Sold in August 2018 |
| Remaining Group Total | | 30 | 70 | 52,327–56,397 BOED | |

The Remaining Group will closely monitor the situation and we may revise our work program as warranted in a timely manner, based on changes in oil prices. We believe it is very important to maintain a high degree of flexibility in order to ensure the stability and profitability of our business in this current volatile oil price environment.

***Financial Results***

The Remaining Group's management and shareholders approved the disposal of 60% equity interest in PBV on June 20, 2016. Emir-Oil, which is located in Kazakhstan, is the 100% wholly-owned subsidiary of PBV. The Kazakhstan operation is recognized as a disposal group and discontinued operation as at December 31, 2016, as Emir-Oil represents the business in Kazakhstan segment, which is a major line of business of the Remaining Group. Emir-Oil's operating results from the Kazakhstan operation were recorded as a loss for the period from discontinued operations, and were not included in the results of continuing operations.

***Continuing operations***

*Revenue*

The Remaining Group's revenue is generated from sales of oil and gas products and provision of services. The Remaining Group's revenue from sales of oil and gas increased by RMB553.7 million, or 105.6%, from RMB524.3 million for 2016 to RMB1,078.0 million for 2017.

This increase was mainly due to the acquisition of CQ Energy in September 2017, which contributed revenue RMB421.8 million during the three months ended December 31, 2017. There was increase in crude oil prices during the course of 2017 as well. Average realized oil price was US$48.96 per barrel for 2017, compared to US$36.74 per barrel for 2016. The Remaining Group's total crude oil sales volume was 2.38 million barrels for 2017, compared to 2.14 million barrels for 2016.

The Remaining Group's revenue from rendering of services is RMB48.0 million for 2017.

- PRC

Revenue from our China oil fields increased from RMB519.6 million for 2016 to RMB652.2 million for 2017. The average realized oil price was US$48.89 per barrel for 2017, compared to US$36.73 per barrel for 2016. Our sales volume was 1.98 million barrels for 2017, compared to 2.12 million barrels for 2016.

- North America

Canada

During the three months ended December 31, 2017, our Canada oil fields realized revenue from crude oil sales of RMB130 million. The average realized oil price was US$49.32 per barrel, with sales volume of 392,129 barrels.

During the three months ended December 31, 2017, our Canada operations realized revenue from gas sales of RMB256 million, with a realized gas price of US$1.50 per MSCF and total gas sales volume of 25.3 billion standard cubic feet ("**Bscf**") for 2017.

During the three months ended December 31, 2017, our Canada operations realized revenue from NGL sales of RMB27.92 million, with a realized gas price of US$26.64 per barrel and total NGL sales volume of 155,466 barrels for 2017.

During the three months ended December 31, 2017, our Canada oil fields realized revenue from sulphur sales of RMB18.88 million, royalty income of RMB10.96 million, and other revenue (incl. processing income) of RMB21.25 million.

USA

In 2017, our America oil fields realized revenue from crude oil sales of RMB3.2 million. The average realized oil price was US$47.44 per barrel, with sales volume of 9,956 barrels. In 2016, our America oil fields realized revenue from crude oil sales of RMB3.9 million. For 2016, the average realized oil price was US$37.77 per barrel, with sales volume of 15,328 barrels.

Our America operations realized revenue from gas sales of RMB43,025, with a realized gas price of US$4.47 per MSCF and total gas sales volume of 1,428 MSCF for 2017. In 2016, revenue from gas sales of RMB0.2 million was recorded from realized gas price of US$2.30 per MSCF and total gas sales volume of 13,981 MSCF.

*Depreciation, depletion and amortization*

The Remaining Group's depreciation, depletion and amortization increased by RMB126.0 million, or 34.6%, from RMB363.9 million for 2016 to RMB489.9 million for 2017. The increase in depreciation, depletion and amortization was mainly due to the acquisition of CQ Energy in September 2017, which has a depreciation expense of RMB137.2 million during the three months ended December 31, 2017.

*Taxes other than income taxes*

The Remaining Group's taxes other than income taxes increased by RMB0.8 million, or 6%, from RMB13.4 million for 2016 to RMB14.2 million for 2017. The following table summarizes taxes other than income taxes for 2017 and 2016:

*Employee compensation costs*

The Remaining Group's employee compensation costs increased by RMB73.2 million, or 54.9%, from RMB133.3 million for 2016 to RMB206.5 million for 2017. The increase in employee compensation costs was primarily due to acquisition of CQ Energy, which has compensation cost of RMB84.5 million during the three months ended December 31, 2017, and partially offset by the reduction of headcount during 2017.

*Purchases, services and other expenses*

Our purchases, services and other expenses increased by RMB194.8 million, or 184.5%, from RMB105.6 million for 2016 to RMB300.4 million for 2017. The increase was due to acquisition of CQ Energy, which had purchases, services and other expenses of RMB199.5 million during the three months ended December 31, 2017.

*Distribution expenses*

The Remaining Group's distribution expenses increased by RMB37.5 million, or 206%, from RMB18.2 million in 2016 to RMB55.7 million in 2017. The increase in distribution expenses was primarily due to acquisition of CQ Energy, which has distribution expenses of RMB38.6 million during the three months ended December 31, 2017.

*General and administrative expenses*

The Remaining Group's general and administrative expenses increased by RMB103.3 million, or 152.6%, from RMB67.7 million for 2016 to RMB171.0 million for 2017. The increase in administrative expenses was primarily due to: (i) the acquisition of CQ Energy, which had general and administrative expenses of RMB65.0 million (including transaction fee for acquiring CQ Energy of RMB16.7 million) during the three months ended December 31, 2017; (ii) the other portion of transaction fees incurred in relation to the acquisition of CQ Energy charged on the Company of RMB17.3 million.

*Impairment charges*

The Remaining Group recognized: (i) impairment charge amounting to RMB33.5 million on the investment in PetroBroad; (ii) impairment loss on available-for-sale financial assets amounting to RMB2 million.

*Other (losses)/income*

The Remaining Group incurred other loss of RMB652.5 million for 2017, compared to other income of RMB297.8 million for 2016. Other loss for 2017 arose primarily from the provision for receivables of RMB730.1 million due to long aging and lower collectability, which was offset by (i) gains on disposal of subsidiaries of RMB46.3 million; and (ii) gains on financial instruments of RMB45.7 million; Other income for 2016 includes mainly: (i) gain on disposal of a subsidiary of RMB526.1 million in July 2016; (ii) gains arising from acquisition of Journey of RMB29.8 million, which was offset by (i) provision for receivables of RMB252.8 million due to long aging and lower collectability; and (ii) losses on derivative financial instruments of RMB19.6 million.

*Finance income/(costs), net*

The Remaining Group's finance income increased by RMB31.7 million, or 181.1%, from RMB17.5 million for 2016 to RMB49.2 million for 2017.

Finance cost decreased by RMB216 million, or 53.5%, from RMB404.0 million for 2016 to RMB188.0 million for 2017.

*Share of loss of associates*

As at December 31, 2017, the Remaining Group holds a 34.0% interest in PetroBroad, 31.9% interest in Journey and 40.0% in PBV, respectively. These investments are accounted for as associates by the Remaining Group and our share of loss of amounted to RMB63.0 million in 2017.

*Loss before income tax*

The Remaining Group's loss before income tax was RMB1,012.3 million for 2017, compared to the loss before income tax of RMB458.0 million for 2016. This was primarily due to the cumulative effects of the above factors.

*Income tax expense*

The Remaining Group recorded an income tax expense of RMB87.2 million for 2017, compared to an income tax expense of RMB147.2 million for 2016. The effective tax rate for 2017 is negative 9% compared to an effective tax rate for 2016 of negative 32%.

*Loss for the year from continuing operations*

As a result of the foregoing, our net loss from continuing operations for 2017 was RMB1,099.5 million, compared to a net loss from continuing operations of RMB605.1 million for 2016.

*Loss for the year*

The Remaining Group's net loss for 2017 was RMB1,099.5 million, compared to the net loss of RMB1,322.2 million for 2016.

***Liquidity and Capital Resources***

*Overview*

The Remaining Group's primary sources of cash during 2017 were cash generated from financing activities. In 2017, we had net cash generated from operating activities of RMB40.9 million, net cash used in investing activities of RMB3,959.3 million, net cash generated from financing activities of RMB3,160.8 million, an exchange loss on cash and cash equivalent of RMB15.2 million, and a net decrease in cash and cash equivalent of RMB757.6 million.

*Cash generated from/used in operating activities*

Net cash generated from operating activities was RMB40.9 million in the year ended December 31, 2017. In the year ended December 31, 2017, our net cash generated from operating activities included loss before income tax of RMB1,012.3 million adjusted for, depreciation, depletion and amortization of RMB489.9 million, net interest expenses of RMB143.3 million, provision for receivable of RMB730.1 million, impairment loss of RMB35.5 million, share of losses from investments in associates of RMB63.0 million, share- based payment to employees of RMB20.2 million, exploration and evaluation expense of RMB10.7 million, others of RMB23.3 million, which was offset by gains on disposal of subsidiaries of RMB46.3 million, exchange gains of RMB4.6 million, gains on derivative financial instruments of RMB52.4 million. The cash movements from changes in working capital which included an increase in trade and other receivables of RMB18.0 million and an increase in trade and other payable of RMB76.7 million and a decrease of inventories of RMB6.2 million, interest paid of RMB422.0 million and income tax paid of RMB2.4 million.

Net cash used in operating activities was RMB370.9 million in the year ended December 31, 2016. In the year ended December 31, 2016, our net cash used in operating activities included loss before income tax of RMB458.0 million adjusted for, depreciation, depletion and amortization of RMB363.9 million, net interest expenses of RMB362.6 million, provision for receivable of RMB252.8 million, gains arising from acquisition of an associate of RMB29.8 million, share-based payment to employees of RMB28.0 million, share of losses from investments in associates of RMB35.7 million, exchange loss of RMB23.9 million, impairment loss of RMB234.7 million, losses on derivative financial instruments of RMB19.6 million, which was offset by gains on disposal of subsidiaries of RMB526.1 million. The cash movements from changes in working capital which included an increase in trade and other payables of RMB65.5 million, an increase in trade and other receivables of RMB123.0 million and an increase in inventories of RMB4.6 million, and interest paid of RMB383.0 million and income tax paid of RMB69.6 million, and net cash used in discontinued operations of RMB81.1 million.

*Cash used in/generated from investing activities*

Net cash used in investing activities in the year ended December 31, 2017 amounted to RMB3,959.3 million, as a result of proceeds from disposals of subsidiaries of RMB90.7 million and interest received of RMB3.7 million, which was offset by payment for acquisition of subsidiary of RMB3,557.0 million, purchases of property, plant and equipment of RMB60.7 million, increase in financial assets of RMB336.7 million, loans and deposits to third parties of RMB24.7 million, contribution and loans to investments accounted for using equity method of RMB33.5 million and others of RMB41.2 million.

Net cash generated from investing activities in the year ended December 31, 2016 amounted to RMB1,790.7 million, as a result of proceeds from disposal of subsidiaries of RMB2,283.7 million, decrease in restricted cash of RMB462.6 million, and interest received of RMB20.2 million, which was offset by purchases of property, plant and equipment of RMB21.6 million, increase in financial assets of RMB96.4 million, loans and deposits to third parties of RMB375.0 million, contribution and loans to/acquisition of investments accounted for using equity method of RMB277.0 million, and net cash used in discontinued operations of RMB205.7 million.

*Cash generated from/used in financing activities*

Net cash generated from financing activities in the year ended December 31, 2017 amounted to RMB3,160.8 million primarily due to: (i) repayments of borrowings of RMB609.9 million, (ii) payment for repurchase and cancellation of 2018 & 2019 Notes of RMB791.2 million, (iii) payment of others of RMB27.7

million, offset by(i) proceeds from borrowings of RMB3,431.9 million, (ii) increase in other payable of RMB67.9 million and (iii) proceeds from financial liabilities at fair value through profit or loss of RMB1,089.7 million.

Net cash used in financing activities in the year ended December 31, 2016 amounted to RMB750.3 million primarily due to: (i) repayments of borrowings of RMB930.2 million, (ii) payments relating to share-based compensation of RMB63.7 million, (iii) payment for repurchase and cancellation of 2018 & 2019 Notes RMB110.7 million, (iv) cash paid to non- controlling interest for additional interest in subsidiary of RMB103.9 million, (v) others of RMB33.2 million, offset by proceeds from borrowings of RMB491.5 million.

As at December 31, 2017, the Remaining Group's borrowings from the bank and third parties amounted to approximately RMB6,049.5 million, representing an increase of approximately RMB1,358.9 million as compared to December 31, 2016. Among which, borrowings repayable within one year amounted to approximately RMB1,529.0 million, representing an increase of RMB1,425.0 million as compared to December 31, 2016. All of the Remaining Group's borrowings are denominated in RMB, United States Dollars, Hong Kong Dollars and Canadian Dollars. The Remaining Group's borrowings are all at fixed interest rates. No hedging instruments are used for bank borrowings.

Our gearing ratio, which is defined as the sum of Net Borrowings divided by the sum of Net Borrowings and total equity, increased from 85.5% as at December 31, 2016 to 104.8% as at December 31, 2017, principally due to a decrease in equity.

Our total borrowings to Adjusted EBITDA ratio, which is defined as total borrowings divided by Adjusted EBITDA increased from 16.56 as at December 31, 2016 to 17.38 as at December 31, 2017.

*Market Risks*

Our market risk exposures primarily consist of fluctuations in oi and gas prices and exchange rates.

*Oil and gas price risk*

Our realized oil and gas prices are determined by reference to oil and gas prices in the international market, changes in international oil and gas prices will have a significant impact on us. Unstable and highly volatile international oil and gas prices may have a significant impact on our revenue and profit. During 2017, the Remaining Group entered into oil and gas hedge options contracts to manage its price risk.

*Currency risk*

The majority of the Remaining Group's China operation sales are in US dollars, while production and other expenses in China are incurred in RMB. The RMB is not a freely convertible currency and is regulated by the PRC government. Limitations on foreign exchange transactions imposed by the PRC government could cause future exchange rates to vary significantly from current or historical exchange rates.

The functional currency of the Canada subsidiary is in Canadian dollars and all sales are in Canadian dollars. Management is not in a position to anticipate changes in the fluctuations between the Canadian dollar and RMB exchange rates, and as such is unable to reasonably anticipate the impacts on the Remaining Group's results of operations or financial position arising from future changes in exchange rates.

The Remaining Group currently does not engage in hedging activities designed or intended to manage foreign exchange rate risk. The Remaining Group will continue to monitor foreign exchange changes to best preserve the Remaining Group's cash value.

***Charges on Remaining Group Assets***

As of December 31, 2017, certain assets, comprising principally oil assets and properties in Alberta, Canada, were pledged to banks as collateral security for banking facilities with outstanding amount of RMB870.3 million. In addition, as of December 31, 2017, certain available for sale financial assets, bank accounts and shares of subsidiaries of the Remaining Group were pledged to secure borrowings in the aggregate amount of RMB1,958.8 million.

***Employees***

As at December 31, 2017, the Company had 1,495 employees, with 1,089 based in China (Mainland and Hong Kong), two based in USA and 404 based in Canada. There have been no material changes to the information disclosed in the Annual Report 2016 in respect of the remuneration of employees, remuneration policies and staff development.

***Contingencies***

On August 28, 2000, MI Energy entered into a PSC with Sinopec for exploration and development of the Shengli oilfield in Shandong Province. In 2000, MI Energy began the trial-development phase of its operations at the Shengli oilfield and drilled a dry hole. The project has been suspended since the end of 2004. In April 2005, MI Energy requested an extension from Sinopec to restart the project at the Shengli oilfield. On September 27, 2006, MI Energy received a letter from Sinopec denying the request to restart the project and seeking to terminate the PSC on the grounds that the extension period of the trial-development phase had expired and MI Energy had not met its investment commitment of at least US$2 million under the PSC. MI Energy believed its investment in the project at Shengli oilfield had met the required commitment amount under the PSC. The PSC with Sinopec has not been formally terminated and the dispute has not entered any judicial proceedings. On November 17, 2017, the Remaining Group completed the sale of the entire issued share capital of MI Energy.

***Future plans for material investments or capital assets and their expected sources of funding in the coming years***

Despite the recent recovery in oil prices, natural gas prices in Canada remain low. The Group is positive about price recovery of oil and gas but remains cautious of the challenges we are facing. The Group will continue to focus on its core areas, diligently improve cost control and productivity and maximize strategic value and financial returns. We will continue to work hard to balance the company's business development with improving its capital structure. With the joint efforts of all the staff, we are full of confidence in the future of our Group.

**(d) For the six months ended June 30, 2018**

***Business Review and Prospects***

In 1H2018, in response to a complicated economic environment of bullish global crude oil prices paralleled with suppressed Canadian natural gas pricing, the Company strategically increased investment in crude production by drilling new oil wells and enhancing production on vintage well bores, while reduced capital expenditures on natural gas assets in Canada. In 1H2018, both the gross and net hydrocarbon production of the Remaining Group increased remarkably compared to 1H2017 due to the Remaining Group's acquisition of 100% interest in CQ Energy Canada Partnership, a Canadian oil and gas exploration and development company, through a wholly-owned subsidiary in Canada, Canlin Energy in the second half of 2017 ("**Canlin Acquisition**"). The Remaining Group's gross oil and gas production increased by 3.38 times to about 10.47 million BOE, while net production increased by 8.11 times to about 9.29 million BOE compared to the Prior Period. During the Current Period, the Remaining Group's net crude sales increased by 48.0% to approximately 1.51 million barrels, and Remaining Group's net natural gas sales was 44.87 MMSCF. During the Current Period, the average realized crude price of the Remaining Group increased by 26.7% to US$59.68 per barrel, while average realized natural gas price decreased to US$1.24 per MSCF. As a result of Canlin Acquisition and crude oil price rebound in the Current Period, the Remaining Group's realized sales revenue increased by 2.58 times to RMB1,206 million compared to 1H2017. Reported EBITDA in Current Period is RMB193 million, an increase of RMB430 million compared to the Prior Period. The adjusted EBITDA increased by 53.0% to approximately RMB314 million in the Current Period. In 1H2018, the Remaining Group reported a net loss of RMB521 million, a RMB152 million improvement versus the Prior Period.

The Remaining Group incurred development expenses of RMB110 million during the six months ended June 30, 2018, of which RMB24 million was incurred in China and RMB86 million was incurred in Canadian operations; the production expenses amounted to RMB560 million, of which RMB59 million was incurred in China, RMB500 million was incurred in Canadian operations, and RMB1 million was incurred in operations in the US.

- *China Operations (Daan, Moliqing, South China Sea)*

In 1H2018 the Remaining Group strategically acquired 10% foreign contractor's participating interest in the Daan PSC and Moliqing PSC. In Northeastern China, the Remaining Group held 100% interest in the Daan PSC and 10% interest in the Moliqing PSC starting from April 2018. In 1H2018, the average realized oil price of the Daan and Moliqing projects increased by 32.4% from US$47.10 per barrel during the Prior Period US$62.34 per barrel. As the price of crude oil rebounds, the Remaining Group increased capital expenditure on drilling new oil wells and enhancing production on old wells in order to maintain Daan project's high production level. The Daan project planned to drill 29 wells throughout the year, eight wells were actually drilled in 1H2018. 859,600 barrels of oil were attributed to the Remaining Group from Daan and Moliqing projects in 1H2018. The net daily production volume from the Daan project and Moliqing Project decreased 9.6%, from 5,590 BPD in 1H2017 to 5,052 BPD in 1H2018 primarily due to the divestment of 90% foreign contractor's interest in the Moliqing PSC on December 15, 2017.

As of June 30, 2018, the Remaining Group held a 34% interest in the South China Sea Project. CNOOC has been engaged to complete a feasibility study report and ODP" for the oilfield development. The oilfield development feasibility study report was reviewed by CNOOC in July 2018, and the ODP is scheduled to be completed in December 2018. A successful development of the block would help the Remaining Group to gain experiences in offshore petroleum operations.

- *North America Operations*

  - Canada (Canlin Energy, Journey)

    Canadian natural gas prices have been bearish in 1H2018, and AECO prices in Canada have reached their lowest levels in recent years in June. Canlin Energy, like other gas-weighted Canadian producers, implemented measures to manage natural gas production, including tighter control of capital expenditures to endure the prolonged low price environment. In the meantime, Canlin Energy continued to optimize management, fine tune portfolio management, improve operating efficiency, and use financial instruments to hedge risks from commodity price fluctuations.

    In 1H2018, Canlin Energy achieved production of 8.43 million BOE with 44.872 Bscf of natural gas, 0.28 million barrels of natural gas liquid ("**NGL**") and 0.67 million barrels of oil. The average daily production of nature gas was 247.91 MMscf per day, the average daily NGL production was 1,546 BPD and the average daily production of crude oil was 3,729 BPD. During 1H2018, Canlin Energy average realized prices at US$1.24/Mscf for natural gas and US$56.36/bbl for oil. The gross revenue of Canlin Energy was RMB871 million, which accounted for 72.2% of the Remaining Group's total revenue. The adjusted EBITDA was RMB119.4 million, which accounted for 38.1% of the Remaining Group's adjusted EBITDA.

In 1H2018, Canlin Energy disposed of certain oil and gas reserves and infrastructures, including gathering pipelines and an operated gas plant, in the Carrot Creek and Cyn Pem fields located in central Alberta, Canada for a consideration of approximately C$59.1 million, after interim adjustments pursuant to the agreement which was used for the repayment of bank borrowings.

Journey Energy Inc. ("**Journey**") drilled six wells in 1H2018. The average daily production was 10,076 barrels of oil equivalent per day ("**BOED**"), 1.2% lower than the average daily production of 10,194 BOED in 1H2017. In consideration of our going forward strategy to focus on the development of core asset, the Remaining Group disposed of all of the issued share capital of Journey held by it by August 2018.

- USA (Condor)

The average daily production of crude oil during the Current Period was 23 BPD, having decreased by 23.3% from the Prior Period's 30 BPD; and the average daily production of natural gas in the Current Period was 11 MSCF per day, having decreased by 35.3% from 17 MSCF per day during the Prior Period. In consideration of our going forward strategy to focus on the development of core asset, the Remaining Group disposed of all of the issued share capital of Condor held by it in August 2018.

- *Kazakhstan Operations (Emir-Oil)*

With the recovery of crude prices, Emir-Oil increased its production in 1H2018, with 24 wells producing at its peak. The net production during the Current Period was 205,500 barrels, an increase of 31,900 barrels or 18.4% compared to 1H2017. The daily crude net production was 1,135 BPD an increase of 176 BPD compared to 1H2017.

Overall, in response to the rapid rebound of crude oil prices in 1H2018, the Remaining Group made timely adjustments to its original annual production plan and directed capital into crude developments, including new well drillings and re-completion of old wells which resulted in significant boost to crude production. The disposal of non-core assets in 1H2018 lowered debt levels and interest burden thereby strengthened the balance sheet. As natural gas prices remained low in Canada in 1H2018, Canlin Energy's production volume has yet to contribute to the Remaining Group's profitability; the free cash flow generated from the Northeastern China oilfields played an irreplaceable role in the Remaining Group's operation in the Current Period.

***Outlook for 2018***

In 1H2018, despite concerns around potential trade disputes, the world economy continued to grow and fostered strong growth in oil demand. The OECD crude inventories returned to their normal levels. Supported by the strong demand, oil prices rebounded rapidly in 1H2018. Uncertainties still exist on the supply side, however these uncertainties could drive crude price's continuous upswing and support a high price range in the second half of 2018 ("**2H2018**"). Canadian natural gas price suffered in 1H2018 and had reached its lowest levels in recent years. Considering seasonality of demand, the market speculates that natural gas price could come back in 2H2018.

Operating in such a challenging macro environment, the Remaining Group will focus on financial flexibility and agility. The Remaining Group will continue to boost crude production by investing in oil assets, re-completing suitable old wells, and drilling new wells. The Remaining Group expects substantial economic gains to emerge with elevated crude oil production. In 2H2018, natural gas production will reflect local price volatilities, the Remaining Group will adjust production level to generate optimal returns. As an international oil and gas producer, the Remaining Group is well on its course to maximize shareholder values by executing long term strategy with discipline and prudence.

***Review of Financial Results***
*(Six Months Ended June 30, 2018 Compared to Six Months Ended June 30, 2017)*

*Revenue*

The Remaining Group's revenue is generated from sales of oil and gas products and provision of services.

The Remaining Group's revenue from sales of oil and gas increased by RMB789.5 million, or 235.9%, from RMB334.7 million for the six months ended June 30, 2017 to RMB1,124.2 million for the six months ended June 30, 2018. This increase was mainly due to Canlin Acquisition, which contributed revenue of RMB789.3 million during the six months ended June 30, 2018. There was increase in crude oil price during the course of 2018 as well. Average realized oil price for the Remaining Group was US$59.68 per barrel for the six months ended June 30, 2018, compared to US$47.10 per barrel for the six months ended June 30, 2017. The Remaining Group's total crude oil sales volume was 1.52 million barrels for the six months ended June 30, 2018, compared to 1.03 million barrels for the six months ended June 30, 2017.

The Remaining Group's revenue from rendering of services is RMB81.7 million for the six months ended June 30, 2018.

- PRC

Revenue from our China oil fields was RMB333.3 million for the six months ended June 30, 2018, compared to RMB334.6 million for the six months ended June 30, 2017.The average realized oil price was US$62.34 per barrel for the six months ended June 30, 2018, compared to US$47.10 per barrel for the six months ended June 30, 2017. Our sales volume was 0.84 million barrels for the six months ended June 30, 2018, compared to 1.03 million barrels for the six months ended June 30, 2017, the decrease was mainly due to: (i) the disposal of Riyadh Energy Limited in 2017, which contributed sales volume of 0.14 million barrels during the first half year of 2017; (ii) the sales volume of Daan decreased by 0.10 million barrels, or 11.0%, from 0.89 million barrels for the six months ended June 30, 2017 to 0.79 million barrels for the six months ended June 30, 2018; partially offset by: (i) the realized average price of Daan increased by US$15.23 per barrel, or 32.3%, from US$47.1 per barrel for the six months ended June 30, 2017 to US$62.34 per barrel for the six months ended June 30, 2018; (ii) on March 29, 2018, the Remaining Group acquired 10% participating interest in the foreign contractors' entitlement and obligation under the PSCs for each of the Daan oilfield and the Moliqing oilfield, which contributed revenue of RMB20.1 million during the three months ended June 30, 2018.

- North America

Canada

During the six months ended June 30, 2018, our Canada oil fields realized revenue from crude oil sales of RMB243.0 million. The average realized oil price was US$56.36 per barrel, with sales volume of 0.67 million barrels.

During the six months ended June 30, 2018, our Canada operations realized revenue from gas sales of RMB354.4 million, with a realized gas price of US$1.24 per Mscf and total gas sales volume of 44.87 Bscf.

During the six months ended June 30, 2018, our Canada operations realized revenue from NGL sales of RMB44.1 million, with a realized gas price of US$24.7 per barrel and total NGL sales volume of 0.28 million barrels.

During the six months ended June 30, 2018, our Canada oil fields realized revenue from sulphur sales of RMB34.8 million, processing income of RMB81.7 million and other revenue of RMB113.0 million.

USA

During the six months ended June 30, 2018, our USA oil fields realized revenue from crude oil sales of RMB1.6 million. The average realized oil price was US$62.43 per barrel, with sales volume of 4,036 barrels. During the six months ended June 30, 2017, our USA oil fields realized revenue from crude oil sales of RMB1.8 million. The average realized oil price was US$46.85 per barrel, with sales volume of 5,461 barrels.

*Operating expenses*

- Depreciation, depletion and amortization

The Remaining Group's depreciation, depletion and amortization increased by RMB208.9 million, or 118.1%, from RMB176.9 million for the six months ended June 30, 2017 to RMB385.8 million for the six months ended June 30, 2018. The increase in depreciation, depletion and amortization was mainly due to Canlin Acquisition, which had depreciation, depletion and amortization of RMB234.4 million for the six months ended June 30, 2018.

- Taxes other than income taxes

The Remaining Group's taxes other than income taxes decreased by RMB0.9 million, or 11.4%, from RMB7.9 million for the six months ended June 30, 2017 to RMB7.0 million for the six months ended June 30, 2018. The following table summarizes the Remaining Group's taxes other than income taxes for the six months ended June 30, 2018 and 2017:

*PRC*

The Ministry of Finance of the People's Republic of China ("**MOF**") had decided to increase the threshold of the special oil income levy from US$55 to US$65 per barrel, effective from January 1, 2015. The increase of petroleum special profit charge was due to the realized oil price of US$68.46 per barrel in June 2018, which exceeded the threshold slightly.

*Corporate and other segments*

Withholding Tax

Withholding tax represents accrual of withholding tax on interest charged on intercompany loans.

Employee compensation costs. The Remaining Group's employee compensation costs increased by RMB167.4 million, or 275.8%, from RMB60.7 million for the six months ended June 30, 2017 to RMB228.1 million for the six months ended June 30, 2018. The increase in employee compensation costs was primarily due to: (i) Canlin

Acquisition, which incurred employee compensation costs of RMB127.4 million during the six months ended June 30, 2018, and (ii) the new share awards granted to employees amounted to RMB48.4 million.

Purchases, services and other expenses. The Remaining Group's purchases, services and other expenses increased by RMB543.3 million, from RMB43.9 million for the six months ended June 30, 2017 to RMB587.2 million for the six months ended June 30, 2018. The increase was due to Canlin Acquisition, which incurred purchases, services and other expenses amounted to RMB540.8 million during the six months ended June 30, 2018.

Distribution and administrative expenses. The Remaining Group's distribution and administrative expenses increased by RMB73.5 million, or 131.3%, from RMB56.0 million for the six months ended June 30, 2017 to RMB129.5 million for the six months ended June 30, 2018. The increase in distribution and administrative expenses was primarily due to: (i) Canlin Acquisition, which incurred distribution and administrative expenses amounted to RMB86.5 million during the six months ended June 30, 2018, and (ii) partially offset by the reduction of administrative expenses during the six months ended June 30, 2018, comparing to the six months ended June 30, 2017, which included expenses in relation to Canlin Acquisition amounted to RMB18.3 million.

Impairment. For the six months ended June 30, 2018, the Remaining Group has recognized an impairment charge amounting to RMB3.2 million on investment in PetroBroad, compared to total impairment of RMB3.4 million on investment in PetroBroad for the six months ended June 30, 2017.

Other losses, net. The Remaining Group had net other losses of RMB36.0 million for the six months ended June 30, 2018, compared to other income of RMB412.0 million for the six months ended June 30, 2017. The decrease was mainly due to: (i) the Remaining Group reversed provisions for receivables amounted to RMB84.0 million in 1H2018, however, the Remaining Group recorded provisions for receivables amounted to RMB422.0 million in 1H2017, which resulted in a large decrease of other loss amounted to RMB506.0 million and partially offset by (ii) Canlin Acquisition, which incurred losses on changes in fair value of financial instruments amounted to RMB92.4 million during the six months ended June 30, 2018.

*Finance costs, net*

The Remaining Group's net finance costs increased by RMB188.6 million, or 95.3%, from RMB197.9 million for the six months ended June 30, 2017 to RMB386.5 million for the six months ended June 30, 2018. The increase in finance costs was mainly due to: (i) Canlin Energy related financing costs of RMB98.7 million during the six months ended June 30, 2018, mainly for the accrued interest expense related to the asset retirement obligations; and (ii) the effective interest rate of the borrowing for the Remaining Group increased.

*Share of loss of associate*

As at June 30, 2018, the Remaining Group held a 34% interest in PetroBroad and 40% interest in Palaeontol B.V., respectively. On February 1, 2018, the Remaining Group sold 24.8% interest in Journey and reclassified the remaining investment to financial assets at fair value through other comprehensive income on June 6, 2018. The share of investment loss from Journey amounted to RMB9 million during the six months ended June 30, 2018.

*Loss before income tax*

The Remaining Group's loss before income tax was RMB579.2 million for the six months ended June 30, 2018, compared to the loss before income tax RMB611.6 million for the six months ended June 30, 2017, representing a decrease of RMB32.4 million, or 5.3%. The decrease was primarily due to the cumulative effects of the above factors.

*Income tax expense*

The Remaining Group recorded income tax credit of RMB58.0 million for the six months ended June 30, 2018, compared to income tax expense of RMB62.0 million for the six months ended June 30, 2017, representing a decrease of RMB120 million, or -193.5%. The effective tax rate for the six months ended June 30, 2018 was 10%, compared to the effective tax rate for the six months period ended June 30, 2017 of negative 10%.

*Loss for the period*

The Remaining Group's loss for the six months ended June 30, 2018 was RMB521.3 million, compared to the loss of RMB673.5 million for the six months ended June 30, 2017, having decreased by RMB152.2 million, or negative 22.6%. This decrease was primarily due to the cumulative effects of the above factors.

***Liquidity and Capital Resources***

*Overview*

Our primary source of cash during the six months ended June 30, 2018 was cash generated from operating activities.

In 1H2018, we had net cash generated from operating activities of RMB485.7 million, net cash generated from investing activities of RMB298.7 million and net cash used in financing activities of RMB897.4 million and a translation gain for foreign currency exchange of RMB64.4 million, resulting in a net decrease in cash and cash equivalent of RMB48.6 million compared to the cash balance of RMB132.2 million as at December 31, 2017.

*Cash generated from/(used in) operating activities*

Net cash generated from operating activities was RMB485.7 million for the six months ended June 30, 2018. In 1H2018, our net cash used in operating activities included a loss before income tax of RMB579.2 million adjusted for, among other things, depreciation, depletion and amortization of RMB385.8 million, net interest expenses of RMB390.5 million, an unrealized foreign exchange gain of RMB4.0 million, an impairment loss on assets of RMB3.2 million, gains on changes in fair value of financial instruments of RMB101.7 million, value of employee services under stock option scheme of RMB50.8 million, losses on disposal of FVPL assets of RMB3.2 million, share of profits from investments accounted for using the equity method of RMB9.0 million, reverse of provisions for receivables of RMB84.0 million, exploration and evaluation expense of RMB12.9 million, loss on disposal of Journey of RMB17.5 million, gain on disposal of Canlin partial assets of RMB3.1 million and others of RMB15.7 million. The cash movements from changes in working capital in the six months ended June 30, 2018 included a decrease in trade and other receivables of RMB544.4 million; a decrease in trade and other payables of RMB103.8 million; an increase in inventories of RMB0.1 million, interest paid of RMB272.9 million and income tax paid of RMB0.2 million.

Net cash generated from operating activities was RMB53.0 million for the six months ended June 30, 2017. In 1H2017, our net cash used in operating activities included a loss before income tax of RMB611.6 million adjusted for, among other things, depreciation, depletion and amortization of RMB176.9 million, net interest expenses of RMB212.7 million, an unrealized foreign exchange gain of RMB14.8 million, an impairment loss on assets of RMB3.4 million, gains on changes in fair value of derivative financial instruments of RMB20.8 million, value of employee services under stock option scheme of RMB13.1 million, losses on disposal of available-for-sale financial assets of RMB22.2 million, share of profits from investments accounted for using the equity method of RMB10.9 million, provisions for receivables of RMB422.0 million and others of RMB4.2 million. The cash movements from changes in working capital in the six months ended June 30, 2017 included a decrease in trade and other receivables of RMB44.6 million; a decrease in trade and other payables of RMB11.2 million; a decrease in inventories of RMB2.9 million; interest paid of RMB171.2 million and income tax paid of RMB0.2 million.

*Cash generated from/(used in) investing activities*

Net cash generated from investing activities for the six months ended June 30, 2018 amounted to RMB298.7 million, mainly as a result of: (i) net cash flow from equity investment of RMB70.6 million; (ii) a decrease in restricted bank deposits of RMB71.5 million; (iii) received from disposal of subsidiaries of RMB183.8 million; (iv) received from disposal of assets of RMB395.4 million; (v) received from third parties of RMB71.0 million and (vi) others of RMB0.7 million, offset by: (i) purchase of property, plant and equipment of RMB223.4 million; (ii) contribution and loans to/acquisition of investments accounted for using the equity method of

RMB3.2 million; (iii) loans and deposits to third parties of RMB72.5 million; (iv) payment for acquisition of interests under Daan and Moliqing PSCs of RMB187.9 million and (v)deposit for acquisition of RMB7.1 million.

Net cash used in investing activities for the six months ended June 30, 2017 amounted to RMB642.2 million, mainly as a result of purchases of: (i) property, plant and equipment of RMB38.4 million; (ii) contribution and loans to/acquisition of investments accounted for using the equity method of RMB24.0 million; (iii) net cash flow from investment in available-for-sale financial assets of RMB115.2 million; (iv) an increase in restricted bank deposits of RMB44.9 million; (v) loans and deposits to third parties of RMB104.2 million; (vi) deposit for acquiring of RMB365.0 million and (vii) others of RMB41.2 million, offset by proceeds from disposal of derivative financial instruments of RMB90.7 million.

*Cash used in/(generated from) financing activities*

Net cash used in financing activities for the six months ended June 30, 2018 amounted to RMB897.4 million due to: (i) repayments of borrowings of RMB617.0 million; (ii) repayments of 2018 senior note of RMB1,150.2 million; (iii) payment of loan arrangement and other fees of RMB135.7 million; (iv) decrease in other payable of RMB106.8 million, offset by: (i) proceeds from borrowings of RMB836.8 million and (ii) proceed from issue of convertible bond of RMB275.4 million.

Net cash generated from financing activities for the six months ended June 30, 2017 amounted to RMB861.6 million due to proceeds from borrowings of RMB1,162.1 million, offset by repayments of borrowings of RMB300.5 million.

*Borrowings*

As at June 30, 2018, the Remaining Group's borrowings from the banks and third parties amounted to approximately RMB5,232.3 million, representing a decrease of approximately RMB817.2 million as compared to December 31, 2017. Among which, borrowings repayable within one year amounted to approximately RMB2,104.1 million, representing an increase of RMB575.1 million as compared to December 31, 2017. All of the Remaining Group's borrowings are denominated in United States Dollars, Hong Kong Dollars or Canadian Dollars. The Remaining Group's borrowings are all at fixed interest rates. No hedging instruments are used for bank borrowings.

Our gearing ratio, which is defined as the sum of Net Borrowings divided by the sum of Net Borrowings and total equity, increased from 104.8% as at December 31, 2017 to 120.6% as at June 30, 2018, principally due to a decrease in equity.

Our total borrowings to Adjusted EBITDA ratio, which is defined as total borrowings divided by Adjusted EBITDA decreased from 17.38 as at December 31, 2017 to 8.34 as at June 30, 2018.

*Market Risks*

Our market risk exposures primarily consist of fluctuations in oil and gas prices and exchange rates.

*Oil and gas price risk*

Our realized oil and gas prices are determined by reference to oil and gas prices in the international market, as changes in international oil and gas prices will have a significant impact on us. Unstable and highly volatile international oil and gas prices may have a significant impact on our revenue and profit. During 1H2018, the Remaining Group entered into oil and gas hedge options contracts to manage its price risk.

*Currency risk*

The majority of the Remaining Group's China operation sales are in US dollars, while production and other expenses in China are incurred in RMB. The RMB is not a freely convertible currency and is regulated by the PRC government. Limitations on foreign exchange transactions imposed by the PRC government could cause future exchange rates to vary significantly from current or historical exchange rates.

The functional currency of the Canada subsidiary is in Canadian dollars and all sales are in Canadian dollars. Management is not in a position to anticipate changes in the fluctuations between the Canadian dollar and RMB exchange rates, and as such is unable to reasonably anticipate the impacts on the Remaining Group's results of operations or financial position arising from future changes or fluctuations in exchange rates.

The Remaining Group currently does not engage in hedging activities designed or intended to manage foreign exchange rate risk. The Remaining Group will continue to monitor foreign exchange changes to best preserve the Remaining Group's cash value.

***Charges on Remaining Group Assets***

As at June 30, 2018, certain assets, comprising principally oil & gas assets and properties in Alberta, Canada, were pledged to banks as collateral security for banking facilities with an aggregate outstanding amount of RMB472.5 million. In addition, as at June 30, 2018, Remaining Group's interest under the PSCs in China, certain financial assets at fair value through profit or loss, bank accounts and shares of subsidiaries of the Remaining Group were pledged to secure borrowings in the aggregate amount of RMB2,679.7 million.

***Employees***

As at June 30, 2018, the Company had 1,460 employees, with 1,093 based in China (Mainland and Hong Kong), 3 based in USA and 364 based in Canada. There have been no material changes to the information disclosed in the Company's annual report for the year ended December 31, 2017 in respect of the remuneration of employees, remuneration policies and staff development.

*The following is the text of a report set out on pages II-1 to II-2, received from the Company's auditor, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.*

pwc 羅兵咸永道

**REPORT ON REVIEW OF**
**HISTORICAL FINANCIAL INFORMATION OF**
**MAPLE MARATHON INVESTMENTS LIMITED**
*(incorporated in Hong Kong with limited liability)*

To the Board of Directors of MIE Holdings Corporation

**INTRODUCTION**

We have reviewed the historical financial information set out on pages II-3 to II-15, which comprise the condensed consolidated statements of financial position of Maple Marathon Investments Limited (the "**Disposal Company**") and its subsidiaries (together, the "**Disposal Group**") as at December 31, 2015, 2016 and 2017 and June 30, 2018, and the condensed consolidated statements of comprehensive income, the condensed consolidated statements of changes in equity and the condensed consolidated statements of cash flows for each of the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2017 and June 30, 2018 and explanatory notes (the "**Historical Financial Information**"). The Historical Financial Information has been prepared solely for the purpose of inclusion in the circular to be issued by MIE Holdings Corporation (the "**Company**") in connection with the disposal of the Disposal Group in accordance with paragraph 14.68(2)(a)(i)(A) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rule**").

The directors of the Company are responsible for the presentation and preparation of the Historical Financial Information of the Disposal Group in accordance with the basis of preparation set out in note 2 to the Historical Financial Information and paragraph 14.68(2)(a)(i) of the Listing Rule. The directors are also responsible for such internal control as management determines is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error. The Historical Financial Information does not contain sufficient information to constitute a complete set of financial statements as defined in International Accounting Standard 1 "Presentation of Financial Statements" or an interim financial report as defined in International Accounting Standard 34 "Interim Financial Reporting" issued by International Accounting Standards Board. Our responsibility is to express a conclusion on this Historical Financial Information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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## SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by International Auditing and Assurance Standards Board and with reference to Practice Note 750 "Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal" issued by Hong Kong Institute of Certified Public Accountants. A review of the Historical Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the Historical Financial Information of the Disposal Group for the relevant periods is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in note 2 to the Historical Financial Information.

**PricewaterhouseCoopers**
*Certified Public Accountants*

Hong Kong, November 5, 2018

## CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | Note | As at December 31, 2015 C$'000 (Unaudited) | As at December 31, 2016 C$'000 (Unaudited) | As at December 31, 2017 C$'000 (Unaudited) | As at June 30, 2018 C$'000 (Unaudited) |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | *3* | — | — | 1,139,605 | 872,402 |
| Intangible assets | *4* | — | — | 135,582 | 128,633 |
| Derivative financial instruments | *6* | — | — | 4,932 | 643 |
| | | — | — | 1,280,119 | 1,001,678 |
| **Current assets** | | | | | |
| Inventories | | — | — | 1,419 | — |
| Prepayments, deposits and other receivables | | — | — | 15,441 | 15,684 |
| Trade receivables | *5* | — | — | 62,083 | 45,135 |
| Amount due from a current intermediate holding company | | 2 | 2 | — | — |
| Derivative financial instruments | *6* | — | — | 9,415 | 5,563 |
| Restricted cash | | — | — | 13,846 | — |
| Cash and cash equivalents | | — | — | 866 | 422 |
| | | 2 | 2 | 103,070 | 66,804 |
| **Total assets** | | 2 | 2 | 1,383,189 | 1,068,482 |
| **Equity** | | | | | |
| **Equity attributable to owner of the Disposal Company** | | | | | |
| Share capital | | 2 | 2 | 2 | 2 |
| Other reserves | | — | — | 3,961 | (13,284) |
| Accumulated losses | | — | (7) | (26,275) | (93,562) |
| **Total equity** | | 2 | (5) | (22,312) | (106,844) |

| | | As at December 31, | | | As at June 30, |
|---|---|---|---|---|---|
| | | 2015 | 2016 | 2017 | 2018 |
| | *Note* | *C$'000* | *C$'000* | *C$'000* | *C$'000* |
| | | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| **Liabilities** | | | | | |
| **Non-current liabilities** | | | | | |
| Borrowings | *9* | — | — | 219,889 | 219,042 |
| Deferred income tax liabilities | | — | — | 107,171 | 90,902 |
| Provisions, accruals and other liabilities | | — | — | 491,635 | 319,025 |
| Derivative financial instruments | *6* | — | — | 1,072 | 4,966 |
| Financial liabilities at fair value through profit or loss | *7* | — | — | 205,277 | 205,825 |
| | | — | — | 1,025,044 | 839,760 |
| **Current liabilities** | | | | | |
| Trade and notes payable | *8* | — | — | 57,951 | 55,967 |
| Provisions, accruals and other liabilities | | — | — | 61,785 | 41,477 |
| Current income tax liabilities | | — | — | 8,443 | 8,964 |
| Derivative financial instruments | *6* | — | — | 1,769 | 11,954 |
| Borrowings | *9* | — | — | 66,081 | 3,299 |
| Amount due to a current intermediate holding company | | — | 7 | 119,600 | 150,186 |
| Amounts due to fellow subsidiaries | | — | — | 64,828 | 63,719 |
| | | — | 7 | 380,457 | 335,566 |
| **Total liabilities** | | — | 7 | 1,405,501 | 1,175,326 |
| **Total equity and liabilities** | | 2 | 2 | 1,383,189 | 1,068,482 |

## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| | Year ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | **2015** | **2016** | **2017** | **2017** | **2018** |
| | *C$'000* | *C$'000* | *C$'000* | *C$'000* | *C$'000* |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| **Revenue** | — | — | 87,566 | — | 176,799 |
| Depreciation, depletion and amortization | — | — | (26,334) | — | (47,099) |
| Exploration and evaluation expense | — | — | (2,061) | — | (2,593) |
| Employee compensation costs | — | — | (13,137) | — | (28,679) |
| Purchase, services and others | — | — | (36,876) | — | (110,089) |
| Distribution expenses | — | — | (7,417) | — | (14,143) |
| General and administrative expenses | — | (7) | (12,576) | (1) | (3,283) |
| Impairment | — | — | — | — | (155) |
| Other gains/(losses), net | — | — | 10,275 | — | (21,674) |
| Finance (costs)/income, net | — | — | (28,486) | 2,601 | (32,119) |
| **Loss before income tax** | — | (7) | (29,046) | 2,600 | (83,035) |
| Income tax credits | — | — | 2,778 | — | 15,748 |
| **Loss for the year/period** | — | (7) | (26,268) | 2,600 | (67,287) |
| **Other comprehensive income** | | | | | |
| ***Items that may be reclassified to profit or loss*** | | | | | |
| Currency translation differences | — | — | 3,961 | — | (17,245) |
| **Other comprehensive income for the year/period, net of tax** | — | — | 3,961 | — | (17,245) |
| **Total comprehensive income for the year/period** | — | (7) | (22,307) | 2,600 | (84,532) |

## CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

| | Share capital | Other reserves | Accumulated losses | Total Equity |
|---|---|---|---|---|
| | *C$'000* | *C$'000* | *C$'000* | *C$'000* |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| **As at January 1, 2015** | — | — | — | — |
| Issue new shares | 2 | — | — | 2 |
| **As at December 31, 2015** | 2 | — | — | 2 |
| **As at January 1, 2016** | 2 | — | — | 2 |
| **Comprehensive income for the year** | | | | |
| Loss for the year | — | — | (7) | (7) |
| **As at December 31, 2016** | 2 | — | (7) | (5) |
| **As at January 1, 2017** | 2 | — | (7) | (5) |
| **Comprehensive income for the year** | | | | |
| Loss for the year | — | — | (26,268) | (26,268) |
| Currency translation differences | — | 3,961 | — | 3,961 |
| **As at December 31, 2017** | 2 | 3,961 | (26,275) | (22,312) |
| **As at January 1, 2018** | 2 | 3,961 | (26,275) | (22,312) |
| **Comprehensive income for the period** | | | | |
| Loss for the period | — | — | (67,287) | (67,287) |
| Currency translation differences | — | (17,245) | — | (17,245) |
| **As at June 30, 2018** | 2 | (13,284) | (93,562) | (106,844) |
| **As at January 1, 2017** | 2 | — | (7) | (5) |
| **Comprehensive income for the period** | | | | |
| Loss for the period | — | — | 2,600 | 2,600 |
| Currency translation differences | — | — | — | — |
| **As at June 30, 2017** | 2 | — | 2,593 | 2,595 |

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Six months ended June 30, | | Year ended December 31, | | |
|---|---|---|---|---|---|
| | 2018 | 2017 | 2017 | 2016 | 2015 |
| | *C$'000* | *C$'000* | *C$'000* | *C$'000* | *C$'000* |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| **Cash flows from operating activities** | | | | | |
| Cash generated from operations | 32,053 | — | 4,960 | — | — |
| Interest paid | (4,245) | — | (1,397) | — | — |
| **Net cash generated from operating activities** | 27,808 | — | 3,563 | — | — |
| **Cash flows from investing activities** | | | | | |
| Purchases of property, plant and equipment | (12,921) | — | (2,845) | — | — |
| Payment for acquisition of subsidiary, net of cash acquired | — | (70,000) | (665,869) | — | — |
| Net decrease/(increase) in restricted bank deposits | 13,846 | — | (13,846) | — | — |
| Received from disposal of assets | 57,294 | — | — | — | — |
| **Net cash generated from/(used in) investing activities** | 58,219 | (70,000) | (682,560) | — | — |
| **Cash flows from financing activities** | | | | | |
| Proceeds from borrowings | 10,303 | — | 335,423 | — | — |
| Repayment of borrowings | (98,834) | — | (46,944) | — | — |
| Payments of loan arrangement and other fees | (10,587) | — | (1,324) | — | — |
| Increase in amounts due to a current intermediate holding company and subsidiaries | 12,469 | 67,740 | 188,004 | — | — |
| Issuance of Convertible Preferred Share | — | — | 204,000 | — | — |
| **Net cash (used in)/generated from financing activities** | (86,649) | 67,740 | 679,159 | — | — |
| **Net (decrease)/increase in cash and cash equivalents** | (622) | (2,260) | 162 | — | — |
| Cash and cash equivalents at beginning of the period | 866 | — | — | — | — |
| Exchange gains on cash and cash equivalents | 178 | 2,600 | 704 | — | — |
| **Cash and cash equivalents at end of the period/year** | 422 | 340 | 866 | — | — |

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 1. GENERAL INFORMATION

MIE Holdings Corporation (the ''Company'') and its subsidiaries (together, the ''Group'') are principally engaged in the exploration, development, production and sale of oil, gas and other petroleum products in the People's Republic of China under production sharing contract (the ''PSC'') and in the exploration, development and holding interests in petroleum and natural gas properties directly and through investments in other partnership holdings in oil and natural gas properties or related production infrastructure in Canada. The Group also participates as associates in the exploration, development and production of petroleum assets located in the Republic of Kazakhstan and the northern part of the South China Sea in the PRC.

On September 24, 2018, the Company entered into a sale and purchase agreement (the ''Sale and Purchase Agreement'') with Far East Energy International Limited (the ''Purchaser''), which is indirectly wholly owned by Mr. Zhang, who is also the 50.01% substantial beneficial shareholder of the Company as at the date of approving this condensed financial information, pursuant to which the Company shall, either directly or through its designated entity dispose its entire equity interest in Maple Marathon Investments Limited (the ''Disposal Company'') at a consideration of approximately US$250 million (the ''Proposed Disposal'').

As at December 31, 2015, 2016 and 2017 and June 30, 2018, the directors regard the Company as its immediate holding company. Subsequent to the reorganization and as at the date of approving this condensed financial information, MIE Jurassic Energy Corporation (''MIEJ''), another directly wholly owned subsidiary of the Company was the sole legal and beneficial owner of the entire share capital of the Disposal Company. The directors regard the Company and MIEJ as the current intermediate holding company and current immediate holding company of the Disposal Company, respectively.

The Disposal Company is a limited liability company, incorporated in Hong Kong on July 29, 2015. The address of its registered office is at Room 521–526, 5/F, Sun Hung Kai Centre, 30 Harbour Road, Wan Chai, Hong Kong.

The Disposal Company and its subsidiaries (collectively referred to as the ''Disposal Group'') are principally engaged in the exploration, development, production and sale of oil, gas and other petroleum products in Canada.

The condensed consolidated financial information are presented in Canadian dollar (''C$'') unless otherwise stated.

### 2. BASIS OF PREPARATION

(a) The condensed financial information has been prepared in accordance with paragraph 14.68(2)(a)(i)(A) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the ''Listing Rule'') and solely for the purpose of inclusion in this Circular. It does not contain sufficient information to constitute a complete set of financial statements as described in International Accounting Standard 1 ''Presentation of Financial Statements'' nor a set of condensed financial statements as defined in International Accounting Standard 34 ''Interim Financial Reporting'' issued by the International Institute of Certified Public Accountants. It should be read in connection with the annual report of the Company for the year ended December 31, 2017 and the interim report of the Company for the six months ended June 30, 2017.

(b) As at June 30, 2018, the Disposal Group had net current liabilities of C$268.8 million and a deficit on equity attributable to owner of the Disposal Company of C$106.8 million, which was primarily due to payables to group companies arising from payments of borrowing costs by group companies on its behalf and the operating losses arising from the sale of natural gas in Canada.

The board of directors of the Company has considered, among others, internally generated funds and financial resources available to the Disposal Group in the adoption of going concern basis in the preparation of the financial information. In addition, the Disposal Company's current intermediate holding company and fellow subsidiaries have confirmed that they will not demand repayment of the balances due by the Disposal Group totalling approximately C$213.9 million as at June 30, 2018 within the next twelve months.

Based on the above, the directors of the Company believe that the Disposal Group will be able to continue its operations for the foreseeable future for a period that is not less than 12 months from the end of the reporting period. Accordingly, the directors of the Company have adopted the going concern basis in preparing the financial information.

(c) The condensed financial information has been prepared in accordance with the accounting policies adopted by the Disposal Group as set out in the annual report of the Company for the year ended December 31, 2017 and the interim report of the Company for the six months ended June 30, 2017. Except as described below, these policies have been consistently applied to all the periods presented.

The following amended standards are mandatory for the Disposal Group's financial year beginning on January 1, 2018 and are applicable for the Disposal Group:

- International Financial Reporting Standards (''IFRS'') 9 Financial Instruments; and
- IFRS 15 Revenue from Contracts with Customers.

## 3. PROPERTY, PLANT AND EQUIPMENT

| | **Total**<br>*C$'000*<br>(unaudited) |
|---|---|
| **Year ended December 31, 2017** | |
| Acquisition through business combination *(Note 10)* | 1,161,022 |
| Additions | 7,216 |
| Disposals | (238) |
| Depreciation charge | (26,334) |
| Write off | (2,061) |
| Closing net book amount | 1,139,605 |
| **Six months ended June 30, 2018** | |
| Opening net book amount | 1,139,605 |
| Additions | 17,299 |
| Disposals (a) | (234,810) |
| Depreciation charge | (47,099) |
| Write off | (2,593) |
| Closing net book amount | 872,402 |

(a) On March 23, 2018, the Disposal Group entered into an agreement with an independent party to dispose of certain of its assets in Canada (the ''Disposal''). The subject matter assets under the Disposal include the legal and beneficial interest of the Disposal Group in certain petroleum and natural gas rights and certain tangibles and miscellaneous interests located in central Alberta, Canada (the ''Disposal Assets''). The Disposal was completed in May, 2018. The consideration upon completion was C$59.1 million. Upon completion, the carrying amount of the Disposal Assets was derecognised from the unaudited condensed consolidated financial information and the impact on income statement was nil.

(b) As at December 31, 2017, management has reviewed whether any indicators exist for possible impairment on the carrying amount of oil and gas properties at each of the cash generating units (''CGU'') in Canada and determined that there was no indicator of impairment on its property, plant and equipment due to the assets being acquired 3 months prior to the balance sheet date and there were no significant changes in assumptions during the intervening period.

As at June 30, 2018, management has reviewed whether any indicators exist for possible impairment on the carrying amount of oil and gas properties at each of the CGU in Canada. When indicators of impairment are identified, management therefore performed impairment assessment of the relevant CGU. The carrying value of the CGU is compared against respective recoverable amount for each CGU, which is estimated using a fair value less cost of disposal methodology based on discounted cash flow model ("DCF"). Due to declines in gas price in Canada as an impairment indicator, management performed an impairment test for each of its CGU located in Canada. In performing the impairment assessment, key assumptions adopted by the management include forecast gas prices, forecast reserve quantities, forecast operating costs and capital expenditures. Management determined the forecast gas prices bench-marked against the price forecasts published by a reputable industry organisation. The forecast reserve quantities were based on management internal forecast based on the prior year reserve report updated to reflect declines due to production and uneconomic reserves resulting from the lower prices. Management's forecasted operating costs and capital expenditures remained consistent with the prior year reserve report. The discount rates used reflected specific risks relating to the relevant business. There was no impairment for property, plant and equipment after the assessment.

## 4. INTANGIBLE ASSETS

| | **Goodwill**<br>*C$'000*<br>(unaudited) |
|---|---|
| **Year ended December 31, 2017** | |
| Acquisition through business combination *(Note 10)* | 135,582 |
| **Closing net book amount** | 135,582 |
| **Six months ended June 30, 2018** | |
| Opening net book amount | 135,582 |
| Disposal *(Note 3(a))* | (6,949) |
| **Closing net book amount** | 128,633 |

The goodwill of the Disposal Group was primarily arising from the Acquisition completed on September 29, 2017 (Note 10).

At each of the reporting date, the Disposal Group performed an impairment test of the goodwill as required under IFRS through comparing the carrying value of goodwill to the recoverable amount of the relevant CGUs of the Disposal Group. Based on the results of the test, management determined that the recoverable amount is higher than the carrying value of the relevant CGUs. Consequently no impairment charges would be recorded.

## 5. TRADE RECEIVABLES

The aging analysis of trade receivables is as follows:

| | **As at December 31,** | | | **As at June 30,** |
|---|---|---|---|---|
| | **2015**<br>*C$'000*<br>(unaudited) | **2016**<br>*C$'000*<br>(unaudited) | **2017**<br>*C$'000*<br>(unaudited) | **2018**<br>*C$'000*<br>(unaudited) |
| Up to 30 days | — | — | 20,332 | 29,608 |
| 31–180 days | — | — | 38,555 | 2,914 |
| Over 180 days | — | — | 3,196 | 12,613 |
| | — | — | 62,083 | 45,135 |

The fair value of trade receivables approximates their carrying amount.

## 6. DERIVATIVE FINANCIAL INSTRUMENTS

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2015 | 2016 | 2017 | 2018 |
| | *C$'000* | *C$'000* | *C$'000* | *C$'000* |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| **Assets** | | | | |
| **Current** | | | | |
| Commodity swaps contracts | — | — | 9,415 | 5,563 |
| **Non-Current** | | | | |
| Commodity swaps contracts | — | — | 4,932 | 643 |
| | — | — | 14,347 | 6,206 |
| **Liabilities** | | | | |
| **Current** | | | | |
| Commodity swaps contracts | — | — | 1,769 | 11,954 |
| **Non-Current** | | | | |
| Commodity swaps contracts | — | — | 1,072 | 4,966 |
| | — | — | 2,841 | 16,920 |

The operational results and financial condition of Disposal Group are largely dependent on the commodity prices received for its gas, oil and natural gas liquids production. Commodity prices are volatile due to global and regional factors including supply and demand fundamentals, inventory levels, weather, economic and geopolitical factors. During the year ended December 31, 2017, and the six months ended June 30, 2018, in order to mitigate commodity price risk, Disposal Group has entered into a number of financial derivative contracts, including WTI Oil Contracts and AECO Gas Contracts, which are accounted for at fair value through profit or loss and not held for trading or speculative purposes.

The fair value of commodity swaps contracts are within level 2 of the fair value hierarchy.

## 7. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

| | As at December 31 | | | As at June 30, |
|---|---|---|---|---|
| | 2015 | 2016 | 2017 | 2018 |
| | *C$'000* | *C$'000* | *C$'000* | *C$'000* |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| **Non-current liabilities** | | | | |
| Convertible preferred shares | — | — | 205,277 | 205,825 |

In connection with the acquisition as described in Note 10, to finance part of the purchase consideration, the Company, Canlin Energy Corporation (''Canlin'') and two independent subscribers (the ''Subscribers'') entered into a subscription agreement (the ''Subscription Agreement'') on May 31, 2017. Pursuant to the terms of the Subscription Agreement, Canlin issued an aggregate 204.0 million convertible preferred shares (the ''CPS'') at an issuance price of C$1.00 per share for aggregate proceeds of C$204.0 million to the two Subscribers.

Pursuant to the terms of the Subscription Agreement, the holders of the CPS (the ''CPS Holder'') are entitled to receive a fixed preferential dividends of C$0.08 per share per annum when declared by the board of Canlin.

Each issued CPS may at any time convert into 0.83 common shares within the four years from the issuance date at the option of the CPS Holder and the Disposal Group may redeem at any time the whole or from time to time any part of the then outstanding CPS on payment at a redemption price as stipulated in the Subscription Agreement. Upon full conversion of the CPS, a total of 169.3 million common shares will be issued, representing approximately 36.4% of the enlarged issued share capital. Upon full conversion, Canlin will remain to be a subsidiary of the Company, but the Disposal Group's interest in the issued share capital of Canlin will be reduced to approximately 63.6%.

The CPS is recognized and measured as financial liabilities measured at fair value through profit or loss. The changes in fair value should be reflected in the income statement under IAS 39, and the changes in fair value that is attributable to changes in its own credit risk should be presented in other comprehensive income and the remaining amount of changes in fair value should be presented in the income statement under IFRS 9.

As of the issuance date, the fair value of the CPS is C$224.0 million, after making reference to the valuation report prepared by an independent professional valuer. The difference between the issuance price and the fair value calculated by valuation techniques as at the issuance date of C$20.0 million would be amortized on a straight-line basis over the 4-year life of the CPS as estimated by the management.

## 8. TRADE AND NOTES PAYABLE

The aging analysis of trade and notes payable is as follows:

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | **2015** | **2016** | **2017** | **2018** |
| | *C$'000* | *C$'000* | *C$'000* | *C$'000* |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| Up to 6 months | — | — | 56,691 | 52,838 |
| 6 months–1 year | — | — | 187 | 2,373 |
| 1–2 years | — | — | 190 | 11 |
| 2–3 years | — | — | 4 | 26 |
| Over 3 years | — | — | 879 | 719 |
| | — | — | 57,951 | 55,967 |

The fair value of trade payable approximates their carrying amount.

## 9. BORROWINGS

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2015 | 2016 | 2017 | 2018 |
| | *C$'000* | *C$'000* | *C$'000* | *C$'000* |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| **Current** | | | | |
| — Secured bank borrowings *(Note (a))* | — | — | 50,000 | 3,299 |
| — Secured loans from third party institutions *(Note (b))* | — | — | 16,081 | — |
| | — | — | 66,081 | 3,299 |
| **Non-current** | | | | |
| — Secured bank borrowings *(Note (a))* | — | — | 117,343 | 94,606 |
| — Secured loans from third party institutions *(Note (b))* | — | — | 102,546 | 124,436 |
| | — | — | 219,889 | 219,042 |
| | — | — | 285,970 | 222,341 |

(a) On September 29, 2017, the Disposal Group entered into a senior secured revolving facility (the "Secured Revolving Facility") agreement with a syndicate of banks in an aggregate amount of C$210.0 million to finance the acquisition as described in Note 10. The credit facility consists of a C$185.0 million revolving syndicate facility and a C$25.0 million revolving operating facility.

On December 29, 2017, the Disposal Group further entered into an amending agreement of the credit facility to repay the principal amount outstanding under the syndicate facility of amounts no less than C$50.0 million, and to reduce the revolving syndicate facility by C$25.0 million, on or before May 31, 2018. After such reduction, the credit facility will consist of a C$160.0 million revolving syndicate facility and C$25.0 million revolving operating facility.

On May 30, 2018, the Disposal Group further entered into a second amending agreement of the credit facility to reduce the revolving syndicate facility to C$165.0 million consisting of a C$140.0 million revolving syndicate facility and C$25.0 million revolving operating facility.

The revolving period of the Secured Revolving Facility will expire on May 31, 2019 and can be extended by an additional one year at the request of the Disposal Group subject to the approval by the syndicate of banks.

The Secured Revolving Facility is secured against a demand debenture of C$375.0 million providing for a first ranking security interest and floating charge over all the assets and properties of Canlin.

(b) The loans from third party institutions were secured by Share charge over certain common shares of Canlin held by the Disposal Group, personal guarantees provided by Mr. Zhang Ruilin, Ms. Zhao Jiangbo and Mr. Zhao Jiangwei and charge over certain bank accounts of the Disposal Group.

(c) The effective interest rate as at December 31, 2017 is 4.45%–30%, excluding the arrangement fee of C$2.2 million for a loan from third party institution, the effective interest rate is 4.45%–21.74%.

The effective interest rate as at June 30, 2018 is 4.57%–21.74%.

## 10. BUSINESS COMBINATION

### Summary of the Acquisition

On September 29, 2017, the Disposal Group acquired 100% of the partnership interests of CQ Energy (the "Acquisition") for a purchase consideration of approximately C$699.4 million from two independent vendors. CQ Energy owns a diverse base of producing, reserve and infrastructure assets located throughout Alberta, Saskatchewan and British Columbia in Canada.

The total purchase consideration was paid in cash to the vendors upon completion of the Acquisition. The purchase consideration was financed by the cash proceeds from: (i) the issuance of CPS of C$204.0 million by Canlin as described in Note 7; (ii) net cash proceeds of the Secured Revolving Facility provided by a syndicate of banks totalling C$210.0 million to Canlin as described in Note 9; (iii) net cash proceeds from internal resources and other general borrowings undertaken by the Disposal Group.

Upon completion, goodwill of C$135.6 million arose from the Acquisition, primarily attributable to the potential future cash flows derived from drilling and exploitation opportunities in the acquired areas. None of the goodwill recognized is expected to be deductible for income tax purposes. The following table summarises the consideration paid for CQ Energy, the fair value of assets acquired, liabilities assumed at the date of Acquisition.

| | **As at the date of acquisition** *C$'000* |
|---|---:|
| **Total consideration** | 699,360 |
| **Recognized amounts of identifiable assets acquired and liabilities assumed** | |
| Cash and cash equivalents | 33,491 |
| Property, plant and equipment *(Note 3)* | 1,161,022 |
| Current income tax liabilities | (9,480) |
| Deferred income tax liabilities | (108,912) |
| Trade and other receivables | 60,044 |
| Trade and other payables | (572,387) |
| **Total identifiable net assets** | 563,778 |
| Goodwill *(Note 4)* | 135,582 |

## 11. CHANGES IN ACCOUNTING POLICIES

The Disposal Group has adopted IFRS9 and IFRS15 since January 1, 2018, which led to changes in accounting policies.

### IFRS 9

The Disposal Group has assessed the business model and the terms relating to the collection of contractual cash flows applicable to the financial assets held by the Group at the date of initial application of IFRS 9 (January 1, 2018) and there is no impact on classification.

The Disposal Group has revised its impairment methodology according to IFRS 9 for these classes of assets. For trade receivables, the Disposal Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which requires the use of lifetime expected loss provision for all trade receivables. For other receivables, the Disposal Group applies the general model for expected credit losses prescribed by IFRS 9.

The Disposal Group has revised its measurement according to IFRS 9 for financial liabilities at fair value through profit or loss. The changes in fair value that is attributable to changes in its own credit risk should be presented in other comprehensive income and the remaining amount of changes in fair value should be presented in the income statement under IFRS 9.

**IFRS 15**

The initial application of IFRS 15 has no material impact on the condensed consolidated financial information of the Disposal Group, except for the recognition of gross natural gas liquid consideration as revenue and separately recognize cost of sales and any associated transportation expense. The net impact on profit derived from the transaction is nil.

## 12. SUBSEQUENT EVENTS

On October 16, 2018 (Calgary time), Canlin Resources Partnership (“Canlin Resources”), an indirectly wholly owned subsidiary of the Disposal Company entered into an agreement to sell certain assets held by Canlin Resources to an independent purchaser (the “Subsequent Disposal”). The subject matter assets under the Subsequent Disposal include the entire legal and beneficial interest of Canlin Resources in certain petroleum and natural gas rights, the tangibles and the miscellaneous interests located in northwestern Alberta, Canada (the “Subsequent Disposal Assets”). This Subsequent Disposal was completed on October 17, 2018 (Calgary time). The consideration upon completion was C$30.0 million. Upon completion, the unaudited book value of the Subsequent Disposal Assets were C$23.9 million and a gain of approximately C$4.6 million arose from the Subsequent Disposal.

*The following is the text of a report set out on pages III-1 to III-3, received from the Company's auditor, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.*

pwc 羅兵咸永道

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

To the Directors of MIE Holdings Corporation

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of MIE Holdings Corporation (the "**Company**") and its subsidiaries (collectively the "**Group**") excluding Maple Marathon Investments Limited and its subsidiaries (the "**Disposal Group**") (collectively the "**Remaining Group**") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at June 30, 2018, the unaudited pro forma consolidated statement of comprehensive income for the six months ended June 30, 2018, the pro forma consolidated statement of cash flows for the six months ended June 30, 2018, and related notes (the "**Unaudited Pro Forma Financial Information**") as set out on pages III-4 to III-12 of the Company's circular dated November 5, 2018, in connection with the proposed disposal of the Disposal Group (the "**Transaction**") by the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages III-4 to III-12.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the Transaction on the Group's financial position as at June 30, 2018 and the Group's financial performance and cash flows for the six months ended June 30, 2018 as if the Transaction had taken place at June 30, 2018 and January 1, 2018 respectively. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the directors from the Group's condensed interim consolidated financial information for the six months ended June 30, 2018, on which no audit or review report has been published.

**DIRECTORS' RESPONSIBILITY FOR THE UNAUDITED PRO FORMA FINANCIAL INFORMATION**

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with

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reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

## OUR INDEPENDENCE AND QUALITY CONTROL

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

## REPORTING ACCOUNTANT'S RESPONSIBILITIES

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Transaction at June 30, 2018 and January 1, 2018 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**OPINION**

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**PricewaterhouseCoopers**
*Certified Public Accountants*
Hong Kong, November 5, 2018

## 1. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

The following is an illustrative unaudited pro forma consolidated statement of financial position, unaudited pro forma consolidated statement of comprehensive income and unaudited pro forma consolidated statement of cash flows of the Remaining Group (the "**Unaudited Pro Forma Financial Information**"), which have been prepared in accordance with paragraph 4.29 of the Listing Rules and on the basis of the notes set out below, for the purpose of illustrating the effect of the Disposal as if it had taken place on June 30, 2018 for the unaudited pro forma consolidated statement of financial position and January 1, 2018 for the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position, financial results or cash flows of the Remaining Group had the Transaction been completed as at June 30, 2018 for the financial position or January 1, 2018 for the financial results and cash flows or at any future date.

## Unaudited pro forma consolidated statement of financial position

| | Condensed interim consolidated statement of financial position of the Group as at June 30, 2018 (Unaudited) | Pro forma adjustments | | | | Pro forma consolidated statement of financial position of the Remaining Group as at June 30, 2018 (Unaudited) |
|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | *(Note 1(a))* | *(Note 2(a))* | *(Note 2(b))* | *(Note 2(b))* | *(Note 2(b))* | |
| **ASSETS** | | | | | | |
| **Non-current assets** | | | | | | |
| Property, plant and equipment | 6,247,112 | (4,357,386) | | | | 1,889,726 |
| Intangible assets | 782,034 | (642,483) | | | | 139,551 |
| Deferred income tax assets | 766 | | | | | 766 |
| Derivative financial instruments | 3,214 | (3,214) | | | | — |
| Financial assets at fair value through other comprehensive income | 65,026 | | | | | 65,026 |
| Prepayments, deposits and other receivables | 754,129 | | | | | 754,129 |
| Restricted cash | 43,831 | | | | | 43,831 |
| | 7,896,112 | | | | | 2,893,029 |
| **Current assets** | | | | | | |
| Inventories | 18,241 | | | | | 18,241 |
| Prepayments, deposits and other receivables | 558,799 | (78,336) | | | | 480,463 |
| Financial assets at fair value through profit or loss | 68,801 | | | | | 68,801 |
| Trade receivables | 292,608 | (225,436) | | | | 67,172 |
| Derivative financial instruments | 27,787 | (27,787) | | | | — |
| Cash and cash equivalents | 83,596 | (2,108) | 992,490 | (49,845) | (9,577) | 1,014,556 |
| | 1,049,832 | | | | | 1,649,233 |
| TOTAL ASSETS | 8,945,944 | | | | | 4,542,262 |
| **EQUITY** | | | | | | |
| Equity attributable to owners of the Company | | | | | | |
| Share capital | 1,068,796 | | | | | 1,068,796 |
| Other reserves | (37,601) | | 66,350 | | | 28,749 |
| Accumulated losses | (1,910,576) | | 331,981 | | | (1,578,595) |
| | (879,381) | | | | | (481,050) |
| Non-controlling interests | (47) | | | | | (47) |
| TOTAL EQUITY | (879,428) | | | | | (481,097) |

| | Condensed interim consolidated statement of financial position of the Group as at June 30, 2018 (Unaudited) | Pro forma adjustments | | | | Pro forma consolidated statement of financial position of the Remaining Group as at June 30, 2018 (Unaudited) |
|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | *(Note 1(a))* | *(Note 2(a))* | *(Note 2(b))* | *(Note 2(b))* | *(Note 2(b))* | |
| **LIABILITIES** | | | | | | |
| **Non-current liabilities** | | | | | | |
| Borrowings | 2,720,373 | (1,094,049) | | | | 1,626,324 |
| Deferred income tax liabilities | 524,003 | (454,028) | | | | 69,975 |
| Trade and notes payable | 26,902 | | | | | 26,902 |
| Provisions, accruals and other liabilities | 1,664,061 | (1,593,434) | | | | 70,627 |
| Derivative financial instruments | 24,806 | (24,806) | | | | — |
| Financial liabilities at fair value through profit or loss | 1,314,246 | (1,028,034) | | | | 286,212 |
| | 6,274,391 | | | | | 2,080,040 |
| **Current liabilities** | | | | | | |
| Trade and notes payable | 402,741 | (279,538) | | | | 123,203 |
| Provisions, accruals and other liabilities | 480,514 | (207,165) | | | | 273,349 |
| Current income tax liabilities | 96,139 | (44,772) | | | | 51,367 |
| Derivative financial instruments | 59,709 | (59,709) | | | | — |
| Borrowings | 2,511,878 | (16,478) | | | | 2,495,400 |
| Amount due to a current intermediate holding company | — | (750,134) | 750,134 | | | — |
| Amount due to fellow subsidiaries | — | (318,257) | 318,257 | | | — |
| | 3,550,981 | | | | | 2,943,319 |
| TOTAL LIABILITIES | 9,825,372 | | | | | 5,023,359 |
| TOTAL EQUITY AND LIABILITIES | 8,945,944 | | | | | 4,542,262 |

## Unaudited pro forma consolidated statement of comprehensive income

| | Condensed consolidated statement of comprehensive income of the Group for the six months ended June 30, 2018 (Unaudited) | Pro forma adjustments | | | | Pro forma consolidated statement of comprehensive income of the Remaining Group for the six months ended June 30, 2018 (Unaudited) |
|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | *(Note 1(b))* | *(Note 3(a))* | *(Note 3(b))* | *(Note 3(b))* | *(Note 3(b))* | |
| **Continuing operations** | | | | | | |
| Revenue | 1,205,868 | (879,858) | | | | 326,010 |
| Depreciation, depletion and amortization | (385,786) | 234,393 | | | | (151,393) |
| Exploration and evaluation expense | (12,903) | 12,903 | | | | — |
| Taxes other than income taxes | (6,966) | — | | | | (6,966) |
| Employee compensation costs | (228,092) | 142,724 | | | | (85,368) |
| Purchases, services and others | (587,236) | 547,869 | | | | (39,367) |
| Distribution expenses | (77,598) | 70,384 | | | | (7,214) |
| General and administrative expenses | (51,865) | 16,338 | (9,577) | | | (45,104) |
| Impairment | (3,194) | 771 | | | | (2,423) |
| Other (losses)/gain, net | (35,983) | 107,863 | | 20,601 | 71,638 | 164,119 |
| Finance income | 28,028 | (612) | | | | 27,416 |
| Finance costs | (414,525) | 160,456 | | | | (254,069) |
| Share of losses of investments in associates | (8,972) | | | | | (8,972) |
| **Loss before income tax** | (579,224) | | | | | (83,331) |
| **Income tax credits/(expense)** | 57,971 | (78,371) | | | | (20,400) |
| **Loss for the period from continuing operations** | (521,253) | | | | | (103,731) |

| | Condensed consolidated statement of comprehensive income of the Group for the six months ended June 30, 2018 (Unaudited) | Pro forma adjustments | | | | Pro forma consolidated statement of comprehensive income of the Remaining Group for the six months ended June 30, 2018 (Unaudited) |
|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | *(Note 1(b))* | *(Note 3(a))* | *(Note 3(b))* | *(Note 3(b))* | *(Note 3(b))* | |
| Other comprehensive (loss)/income: | | | | | | |
| **Items that will not be reclassified to profit or loss** | | | | | | |
| Currency translation differences | (134,727) | 85,821 | | (20,601) | | (69,507) |
| Change in the fair value of equity instruments at fair value through other comprehensive income | (3,190) | | | | | (3,190) |
| **Items that may be reclassified to profit or loss** | | | | | | |
| Share of other comprehensive income of investments in associates | (2,602) | | | | | (2,602) |
| **Other comprehensive loss for the year, net of tax** | (140,519) | | | | | (75,299) |
| **Total comprehensive loss for the period** | (661,772) | | | | | (179,030) |
| **Total comprehensive loss for the period attributable to:** | | | | | | |
| Owners of the Company | (661,752) | | | | | (179,010) |
| Non-controlling interests | (20) | | | | | (20) |

## Unaudited pro forma consolidated statement of cash flows

| | Condensed Consolidated statement of cash flows of the Group for the six months ended June 30, 2018 (Unaudited) | Pro forma adjustments | | | Pro forma consolidated statement of cash flow of the Remaining Group for the six months ended June 30, 2018 (Unaudited) |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | *(Note 1(b))* | *(Note 3(a))* | *(Note 3(b))* | *(Note 3(b))* | |
| **Cash flows from operating activities** | | | | | |
| **Continuing operations** | | | | | |
| Cash generated from operations | 758,780 | (159,515) | | | 599,265 |
| Interest paid | (272,944) | 21,126 | | | (251,818) |
| Income tax paid | (157) | | | | (157) |
| **Net cash generated from operating activities** | 485,679 | | | | 347,290 |
| **Cash flows from investing activities** | | | | | |
| **Continuing operations** | | | | | |
| Purchases of property, plant and equipment | (223,444) | 64,303 | | | (159,141) |
| Payment for acquisition of interests under Daan and Moliqing PSCs | (187,881) | | | | (187,881) |
| Loans and deposits to third parties | (72,515) | | | | (72,515) |
| Contribution and loans to investments accounted for using equity method | (3,199) | | | | (3,199) |
| Net cash flow from equity investment | 70,581 | | | | 70,581 |
| Net decrease in restricted bank deposits | 71,466 | (68,906) | | | 2,560 |
| Received from disposal of subsidiaries | 183,768 | | 914,788 | (9,577) | 1,088,979 |
| Received from disposal of assets | 395,355 | (285,129) | | | 110,226 |
| Received from third parties | 70,968 | | | | 70,968 |
| Deposit for acquisition | (7,129) | | | | (7,129) |
| Others | 729 | | | | 729 |
| **Net cash generated from investing activities** | 298,699 | | | | 914,178 |
| **Cash flows from financing activities** | | | | | |
| **Continuing operations** | | | | | |
| Repayments of borrowings | (617,049) | 491,857 | | | (125,192) |
| Proceeds from borrowings, net of borrowing costs | 836,823 | (51,274) | | | 785,549 |
| Proceeds from issue of convertible bond | 275,436 | | | | 275,436 |
| Repayments of 2018 senior note | (1,150,179) | | | | (1,150,179) |
| Payment of loan arrangement and other fees | (135,659) | 52,687 | | | (82,972) |
| Decrease in other payable | (106,776) | | | | (106,776) |
| Amount due to a current intermediate holding company | — | (62,053) | | | (62,053) |
| **Net cash used in financing activities** | (897,404) | | | | (466,187) |
| **Net (decrease)/increase in cash and cash equivalents** | (113,026) | | | | 795,281 |
| Cash and cash equivalents at beginning of the period | 132,172 | (4,310) | | | 127,862 |
| Exchange gains on cash and cash equivalents | 64,450 | (886) | | | 63,564 |
| **Cash and cash equivalents at end of the period** | 83,596 | | | | 986,707 |

**NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP**

1. (a) The amounts are extracted from the unaudited condensed consolidated statement of financial position of the Group as at June 30, 2018 as set out in the published interim report of the Group for the six months ended June 30, 2018, with an adjustment of re-classifying a loan of approximately RMB408 million from non-current liabilities to current liabilities pursuant to the terms stipulated in the loan agreement.

   (b) The amounts are extracted from the unaudited condensed consolidated statements of comprehensive income and cash flows of the Group for the six months ended June 30, 2018 as set out in the published interim report of the Group for the six months ended June 30, 2018.

2. The following pro forma adjustments have been made to the unaudited pro forma consolidated statement of financial position, assuming the Disposal had taken place on June 30, 2018:

   (a) The adjustments represent the de-recognition of assets and liabilities of the Disposal Group as at June 30, 2018, assuming the Disposal had taken place on June 30, 2018. The assets and liabilities of the Disposal Group are extracted from the unaudited condensed consolidated statement of financial position of the Disposal Group set out in Appendix II to this Circular. For the purpose of the unaudited pro forma consolidated statement of financial position, the balances denominated in Canadian Dollars ("**CAD**") have been translated into Renminbi ("**RMB**") at CAD1=RMB4.9947 and the amount in Note 2(b) denominated in United States Dollar ("**USD**") have been translated into RMB at USD1=RMB6.6166, being the exchange rates prevailing as at June 30, 2018.

   (b) The adjustments represent the estimated gain on disposal assuming the Disposal had taken place on June 30, 2018 and is calculated as follows:

| | | *RMB'000* |
|---|---|---|
| Consideration | *Note (i)* | 1,654,150 |
| Carrying value of net liabilities of the Disposal Group attributable to owners of the Disposal Company as at June 30, 2018 | *Note (ii)* | 533,654 |
| Retained by the Purchaser for the repayment of the principal of outstanding loan from a third party as at June 30, 2018 | *Note (iii)* | (661,660) |
| Repayment of the interests and other expenses regarding to the outstanding loan from a third party as at June 30, 2018 | *Note (iv)* | (49,845) |
| Settlement of inter-company loans owed by the Disposal Group to the Group as at June 30, 2018 | *Note (v)* | (1,068,391) |
| Release of exchange reserves attributable to the Disposal Group as at June 30, 2018 | *Note (vi)* | (66,350) |
| | | 341,558 |
| Less: Estimated transaction costs attributable to the Proposed Disposal | *Note (vii)* | (9,577) |
| Estimated gain on disposal | *Note (viii)* | 331,981 |

*Notes:*

(i) There is no adjustment to the Consideration (USD250 million) as mentioned in the sub-section headed "Consideration" of the letter from the Board in this Circular.

(ii) The amount represents the net liabilities of the Disposal Group attributable to owners of the Disposal Company which is extracted from the unaudited condensed consolidated financial information of the Disposal Group as set out in Appendix II to this Circular.

(iii) Pursuant to the sub-section headed "Consideration" of the letter from the Board in this Circular, USD100 million out of the consideration will be retained by the Purchaser for the repayment of the principal of outstanding loan of the Disposal Group provided by a third party.

(iv) Pursuant to the sub-section headed "Completion" of the letter from the Board in this Circular, the Remaining Group will pay the accrued interest and other expense regarding to the outstanding loan from the third party as at June 30, 2018. The interest is calculated based on the principal amount and interest rate. Other expense represents the liquidated damages of USD7 million. The interest and other expense are borne by the Remaining Group and are assumed to be settled in cash.

(v) Upon Completion, all the inter-company loans owed by the Disposal Group to the Group will be settled. The inter-company loans payable by the Disposal Group is extracted from the Circular on the unaudited condensed consolidated financial information of the Disposal Group as set out in Appendix II to this Circular.

(vi) The amount represents the exchange reserves attributable to the Disposal Group which is extracted from the unaudited condensed consolidated financial information of the Disposal Group as set out in Appendix II to this Circular.

(vii) The costs and expenses directly incurred for the Disposal amounting to RMB10 million will be borne by the Group and are assumed to be settled in cash.

(viii) This unaudited pro forma financial information has not taken into account any interest or other expense incurred by the Disposal Group subsequent to June 30, 2018 and up to Completion Date to be borne by the Remaining Group. The actual gain on disposal will be reduced taken into account these expenses.

(c) Apart from note above, no other adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to June 30, 2018 for the purpose of preparation of the unaudited pro forma consolidated statement of financial position of the Remaining Group. In particular, the Unaudited Pro Forma Financial Information has not taken into account the disposal of the entire legal and beneficial interest of Canlin Resources Partnership, an indirect non-wholly owned subsidiary of the Company, in certain Petroleum and Natural Gas Rights, the Tangibles and the Miscellaneous interests located in northwestern Alberta, Canada as disclosed in the announcement of the Company dated October 18, 2018.

3. The following pro forma adjustments have been made to the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows, assuming the Disposal had taken place on January 1, 2018:

(a) The adjustments represent the exclusion of the results and cash flows of the Disposal Group for the six months ended June 30, 2018, assuming the Disposal had taken place on January 1, 2018. The statement of comprehensive income and cash flows of the Disposal Group are extracted from the unaudited condensed consolidated financial statement of comprehensive income and cash flows of the Disposal Group set out in Appendix II to this Circular. For the purpose of the unaudited pro forma consolidated statement of comprehensive income and unaudited pro forma consolidated statement of cash flows, the amounts denominated in CAD have been translated into RMB at CAD1=RMB4.9766, the average exchange rate prevailing for the six months ended June 30, 2018. The amounts denominated in CAD have been translated into RMB at CAD1=RMB5.2009, and the amount in Note 3(b) denominated in USD have been translated into RMB at USD1=RMB6.5342, being the exchange rate prevailing as at January 1, 2018.

(b) The adjustments represents the estimated gain on disposal assuming the Disposal had taken place on January 1, 2018 and is calculated as follows:

| | | *RMB'000* |
|---|---|---|
| Consideration | *Note 2(b)(i)* | 1,633,550 |
| Carrying value of net liabilities of the Disposal Group attributable to owners of the Disposal Company as at January 1, 2018 | *Note 2(b)(ii)* | 116,042 |
| Retained by the Purchaser for the repayment of the principal of outstanding loan from a third party as at January 1, 2018 | *Note 2(b)(iii)* | (653,420) |
| Repayment of the interests and other expenses regarding to the outstanding loan from a third party as at January 1, 2018 | *(i)* | (65,342) |
| Settlement of inter-company loans owed by the Disposal Group to the Group as at January 1, 2018 | *Note 2(b)(v)* | (959,192) |
| Release of exchange reserves attributable to the Disposal Group as at January 1, 2018 | *Note 2(b)(vi)* | 20,601 |
| | | 92,239 |
| Less: Estimated transaction costs attributable to the Proposed Disposal | *Note 2(b)(vii)* | (9,577) |
| Estimated gain on disposal | *(ii)* | 82,662 |

*Notes:*

(i) Pursuant to the sub-section headed "Completion" of the letter from the Board in this Circular, the Remaining Group will pay the accrued expense regarding to the outstanding loan from a third party as at January 1, 2018. Expense represents liquidated damages of USD10 million. The interest and other expense are borne by the Remaining Group and are assumed to be settled in cash.

(ii) This unaudited pro forma financial information has not taken into account any interest or other expense incurred by the Disposal Group subsequent to January 1, 2018 and up to Completion Date to be borne by the Remaining Group. The actual gain on disposal will be reduced taken into account these expenses.

(c) Apart from note above, no other adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to January 1, 2018 for the purpose of preparation of the unaudited pro forma consolidated statement of comprehensive income of the Remaining Group and the unaudited pro forma consolidated statement of cash flows of the Remaining Group. In particular, the Unaudited Pro Forma Financial Information has not taken into account the disposal of the entire legal and beneficial interest of Canlin Resources Partnership, an indirect non-wholly owned subsidiary of the Company, in certain Petroleum and Natural Gas Rights, the Tangibles and the Miscellaneous interests located in northwestern Alberta, Canada as disclosed in the announcement of the Company dated October 18, 2018.

(d) The above adjustments are not expected to have a continuing effect on the unaudited pro forma consolidated statement of comprehensive income and unaudited pro forma consolidated statement of cash flows of the Remaining Group.

4. Since the net assets value of the Disposal Group at the Closing Date and the loan owed by the Disposal Group to the third party and the Remaining Group prior to Closing may be different from the amounts used in the Unaudited Pro Forma Financial Information of the Remaining Group, the final amounts of value of net liabilities of the Disposal Group, balances of loans payable to the third party and to the Remaining Group, and the estimated gain on the Transaction may be different from the amounts presented above.

# INDEPENDENT COMPETENT PERSON'S REPORT OF THE P&NG RESERVES OF CANLIN ENERGY CORPORATION FOR MIE HOLDINGS CORPORATION

(AS OF JUNE 30, 2018)

sproule.com

| | |
|---|---|
| Copies: | MIE Holdings Corporation (2 copies)<br>Electronic (2 copies)<br>Sproule (1 copy) |
| Project No.: | 4845.22299 |
| Prepared for: | MIE Holdings Corporation |
| Authors: | Barrett R. Hanson, P.Eng., SPEC, Project Leader<br>Alec Kovaltchouk, P.Geo. |
| Exclusivity: | This report has been prepared for the exclusive use of MIE Holdings Corporation. The distribution to and use by third parties of the Report is governed by the terms and conditions of the Engagement Agreement entered into between Sproule and MIE Holdings Corporation and by the assumptions and limitations as contained herein. |

# 1. Table of Contents

**Tables**

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## Appendices

# 2. Executive Summary

Table 2-1 summarizes the results of a mechanical update of our prior evaluation, "Evaluation of the P&NG Reserves of Canlin Energy Corporation (As of December 31, 2017)" dated February 2, 2018 (the prior evaluation hereinafter referred to as the "Original Report"). Canlin Energy Corporation is a wholly owned subsidiary of Maple Marathon Investments which is a wholly owned subsidiary of MIE Holdings Corporation ("MIE"). This report is hereinafter referred to as the "Mechanical Update" or "Competent Persons Report" and is effective as of June 30, 2018. A mechanical update is not an evaluation.

In this Mechanical Update, the effective date of the Original Report has been moved forward to an effective date of June 30, 2018 from a prior effective date of December 31, 2017.

The price forecasts used in this Mechanical Update are Sproule's June 30, 2018 price forecasts, as summarized in Section 8 of this report. The Original Report was based on Sproule's December 31, 2017 forecast.

Actual production within the database has not been updated and the performance of existing wells has not been reviewed or adjusted. The Mechanical Update relies upon the functionality of the evaluation software to determine the economic viability of forecast development. The inclusion of future drilling locations and other future capital investments required a positive before tax net present value at a 5 percent discount rate.

The Company has completed the sale of the Carrot Creek and the Cynthia-Pembina properties effective January 1, 2018. These properties were included in the Original Report but have been removed from this Mechanical Update.

The Company has accepted a conditional offer for the sale of the Spirit River property effective June 1, 2018. This property was included in the Original Report, but it has been removed from this Mechanical Update as the closing of the sale is imminent and there is no reason to believe that it will not close as expected.

The Company has not conducted development activity between the effective date of the Original Report and this Mechanical Update.

Forecast development activity, forecast to occur between the effective date of the Original Report, December 31, 2017 and that of this Mechanical Update, June 30, 2018, was found to have not occurred and has been moved into the future as detailed below.

100/15-22-046-17W5/2 – major workover moved to March 2019 (Hanlan Area)
200/c-060-B/094-G-15/0 - major gathering modification moved to 2022 (Bougie Area)
100/13-34-040-08W5/VT/CRDM - Drill, complete, equip moved to 2020 (Ferrier Area)
100/07-04-041-08W5/VT/CRDM - Drill, complete, equip moved to 2020 (Ferrier Area)
100/15-34-041-09W5/VT/CRDM - Drill, complete, equip moved to 2020 (Ferrier Area)
Peco Nisku C Gas Cycling Scheme – Well completion moved to 2020 (Peco Area)

In upgrading these wells, no changes have been made to the forecasts or reserves associated with the respective proved and proved plus probable categories.

The Mechanical Update only represents a sensitivity on our Original Report, and, as such, must be read in conjunction with the Original Report. The "best practices" recommended in the Canadian Oil and Gas Evaluation Handbook ("COGE Handbook") which are in accordance with principles and definitions established by the Calgary Chapter of the Society of Petroleum Evaluation Engineers and is incorporated by reference in Canadian National Instrument 51-101 cautions against the public disclosure of Mechanical Updates due to the risk of misleading information within the context of the Mechanical Update.

The Company has advised there are no material changes to the original information provided and that the forecast production profiles are reasonably consistent with the present operations suggesting that this Mechanical Update should reasonably represent the reserves and net present values as of June 30, 2018.

More significantly, within the Original Report there is contained important information and a complete listing of assumptions under which the Original Report was prepared. The Original Report and its contents must be read in its entirety before using the results of this Mechanical Update. The use of this Mechanical Update, in part or in whole, outside of the scope of which the Original Report was prepared and/or this Mechanical Update has been prepared may not be appropriate. This Mechanical Update is subject to all of the assumptions, qualifications and limitations as outlined in the Original Report.

Sproule reserves the right to review all calculations made, referred to or included in this Mechanical Update and to revise the estimates as a result of erroneous data supplied by the Company or information that exists but was not made available to us, which becomes known subsequent to the preparation of this letter report.

The Company has reviewed the reported reserves and cash flow results of this Mechanical Update and advises there are no apparent significant differences between the Mechanical Update and the ongoing operating results of the assets as of June 30, 2018. The Company also advises there have not been any changes to the Company's development plans as outlined in the Original Report.

**Table 2-1**
**Canlin Energy Corporation**
**Consolidated**
**Summary of the Evaluation of the P.& N.G. Reserves**
**As Of Date : 2018-06-30**

| | Remaining Reserves | | | Net Present Values Before and After Taxes | | | | |
|---|---|---|---|---|---|---|---|---|
| | Gross | Company | Company | @ 0% | @ 5.0% | @ 10.0% | @ 15.0% | @ 20.0% |
| | 100% | Gross | Net | M$ | M$ | M$ | M$ | M$ |
| **Light and Medium Crude Oil (MBbl)** | | | | | | | | |
| Proved Developed Producing | 47252.5 | 7184.9 | 6719.1 | 431958 | 282238 | 205254 | 160794 | 132589 |
| Proved Developed Non-Producing | 107.8 | 92.7 | 78.1 | 4685 | 4176 | 3766 | 3437 | 3171 |
| Proved Undeveloped | 400.8 | 400.8 | 354.6 | 15883 | 9992 | 6512 | 4294 | 2790 |
| Total Proved | 47761.2 | 7678.3 | 7151.8 | 452526 | 296406 | 215532 | 168525 | 138550 |
| Probable Developed Producing | 14252.6 | 1745.6 | 1601.0 | 128173 | 51231 | 25636 | 15414 | 10552 |
| Probable Developed Non-Producing | 87.8 | 61.6 | 53.7 | 1647 | 1221 | 919 | 699 | 534 |
| Probable Undeveloped | 757.1 | 702.5 | 610.9 | 29600 | 18363 | 12203 | 8379 | 5803 |
| Total Probable | 15097.5 | 2509.7 | 2265.6 | 159420 | 70815 | 38758 | 24492 | 16889 |
| Total Proved + Probable | 62858.7 | 10188.0 | 9417.4 | 611946 | 367221 | 254290 | 193017 | 155439 |
| **Conventional Natural Gas (Solution Gas) (MMcf)** | | | | | | | | |
| Proved Developed Producing | 46149 | 7906 | 7737 | 0 | 0 | 0 | 0 | 0 |
| Proved Developed Non-Producing | 166 | 129 | 122 | 0 | 0 | 0 | 0 | 0 |
| Proved Undeveloped | 214 | 214 | 202 | 0 | 0 | 0 | 0 | 0 |
| Total Proved | 46529 | 8248 | 8060 | 0 | 0 | 0 | 0 | 0 |
| Probable Developed Producing | 13974 | 1902 | 2030 | 0 | 0 | 0 | 0 | 0 |
| Probable Developed Non-Producing | 184 | 33 | 45 | 0 | 0 | 0 | 0 | 0 |
| Probable Undeveloped | 566 | 470 | 443 | 0 | 0 | 0 | 0 | 0 |
| Total Probable | 14725 | 2405 | 2518 | 0 | 0 | 0 | 0 | 0 |
| Total Proved + Probable | 61254 | 10653 | 10578 | 0 | 0 | 0 | 0 | 0 |
| **Conventional Natural Gas (Non Assoc. & Assoc.) (MMcf)** | | | | | | | | |
| Proved Developed Producing | 1032208 | 671356 | 593415 | 637141 | 605679 | 527744 | 457324 | 400296 |
| Proved Developed Non-Producing | 39613 | 30884 | 26172 | 31410 | 25421 | 20711 | 17049 | 14190 |
| Proved Undeveloped | 498042 | 392751 | 354014 | 731506 | 220847 | 22436 | -68125 | -113417 |
| Total Proved | 1569864 | 1094992 | 973601 | 1400056 | 851947 | 570891 | 406248 | 301069 |
| Probable Developed Producing | 318421 | 207526 | 180076 | 356157 | 225492 | 146189 | 101401 | 74617 |
| Probable Developed Non-Producing | 28490 | 23941 | 19915 | 27067 | 17774 | 11974 | 8233 | 5740 |
| Probable Undeveloped | 398427 | 318920 | 280935 | 814198 | 327551 | 147317 | 66228 | 25208 |
| Total Probable | 745337 | 550387 | 480926 | 1197422 | 570817 | 305480 | 175861 | 105565 |
| Total Proved + Probable | 2315201 | 1645378 | 1454527 | 2597478 | 1422764 | 876372 | 582109 | 406634 |
| **Natural Gas Liquids (MBbl)** | | | | | | | | |
| Proved Developed Producing | 17914.4 | 6066.2 | 4580.1 | 0 | 0 | 0 | 0 | 0 |
| Proved Developed Non-Producing | 220.8 | 198.1 | 120.9 | 0 | 0 | 0 | 0 | 0 |
| Proved Undeveloped | 6076.1 | 4884.6 | 3869.5 | 0 | 0 | 0 | 0 | 0 |
| Total Proved | 24211.2 | 11148.9 | 8570.6 | 0 | 0 | 0 | 0 | 0 |
| Probable Developed Producing | 4779.9 | 1623.9 | 1276.3 | 0 | 0 | 0 | 0 | 0 |
| Probable Developed Non-Producing | 68.3 | 59.3 | 36.7 | 0 | 0 | 0 | 0 | 0 |
| Probable Undeveloped | 4438.8 | 3675.8 | 2728.2 | 0 | 0 | 0 | 0 | 0 |
| Total Probable | 9286.9 | 5359.0 | 4041.2 | 0 | 0 | 0 | 0 | 0 |
| Total Proved + Probable | 33498.2 | 16507.9 | 12611.8 | 0 | 0 | 0 | 0 | 0 |

**Table 2-1**
**Canlin Energy Corporation**
**Consolidated**
**Summary of the Evaluation of the P.& N.G. Reserves**
**As Of Date : 2018-06-30**

| | Remaining Reserves | | | Net Present Values Before and After Taxes | | | | |
|---|---|---|---|---|---|---|---|---|
| | Gross | Company | Company | @ 0% | @ 5.0% | @ 10.0% | @ 15.0% | @ 20.0% |
| | 100% | Gross | Net | M$ | M$ | M$ | M$ | M$ |
| **Sulphur (MLt)** | | | | | | | | |
| Proved Developed Producing | 1838.3 | 1400.5 | 1161.8 | 0 | 0 | 0 | 0 | 0 |
| Proved Developed Non-Producing | 125.6 | 91.8 | 76.5 | 0 | 0 | 0 | 0 | 0 |
| Proved Undeveloped | 179.1 | 175.4 | 146.4 | 0 | 0 | 0 | 0 | 0 |
| Total Proved | 2143.0 | 1667.6 | 1384.6 | 0 | 0 | 0 | 0 | 0 |
| Probable Developed Producing | 630.5 | 450.1 | 373.4 | 0 | 0 | 0 | 0 | 0 |
| Probable Developed Non-Producing | 133.5 | 106.8 | 85.4 | 0 | 0 | 0 | 0 | 0 |
| Probable Undeveloped | 272.7 | 266.7 | 222.5 | 0 | 0 | 0 | 0 | 0 |
| Total Probable | 1036.7 | 823.7 | 681.3 | 0 | 0 | 0 | 0 | 0 |
| Total Proved + Probable | 3179.7 | 2491.3 | 2065.9 | 0 | 0 | 0 | 0 | 0 |
| **Grand Total (MBoe) - BTax (M$)** | | | | | | | | |
| Proved Developed Producing | 244893.1 | 126461.3 | 111491.2 | 1069098 | 887916 | 732998 | 618117 | 532885 |
| Proved Developed Non-Producing | 6958.6 | 5459.5 | 4581.4 | 36095 | 29597 | 24477 | 20486 | 17361 |
| Proved Undeveloped | 89519.6 | 70779.7 | 63259.9 | 747389 | 230839 | 28948 | -63830 | -110627 |
| Total Proved | 341371.3 | 202700.5 | 179332.5 | 1852582 | 1148352 | 786424 | 574773 | 439619 |
| Probable Developed Producing | 74431.6 | 38274.3 | 33228.3 | 484330 | 276723 | 171826 | 116814 | 85169 |
| Probable Developed Non-Producing | 4935.1 | 4116.4 | 3417.1 | 28714 | 18995 | 12893 | 8932 | 6274 |
| Probable Undeveloped | 71694.7 | 57609.9 | 50235.4 | 843798 | 345914 | 159520 | 74607 | 31010 |
| Total Probable | 151061.4 | 100000.7 | 86880.8 | 1356842 | 641632 | 344238 | 200353 | 122454 |
| Total Proved + Probable | 492432.7 | 302701.2 | 266213.2 | 3209424 | 1789985 | 1130662 | 775126 | 562073 |
| **Income Tax (M$)** | | | | | | | | |
| Proved Developed Producing | 0.0 | 0.0 | 0.0 | 251560 | 191996 | 152735 | 125480 | 105727 |
| Proved Developed Non-Producing | 0.0 | 0.0 | 0.0 | 10018 | 8239 | 6875 | 5818 | 4988 |
| Proved Undeveloped | 0.0 | 0.0 | 0.0 | 179598 | 74340 | 33115 | 14042 | 4274 |
| Total Proved | 0.0 | 0.0 | 0.0 | 441176 | 274575 | 192724 | 145340 | 114989 |
| Probable Developed Producing | 0.0 | 0.0 | 0.0 | 128390 | 71615 | 45040 | 30943 | 22696 |
| Probable Developed Non-Producing | 0.0 | 0.0 | 0.0 | 7471 | 5332 | 3909 | 2945 | 2275 |
| Probable Undeveloped | 0.0 | 0.0 | 0.0 | 235143 | 104734 | 56300 | 34254 | 22624 |
| Total Probable | 0.0 | 0.0 | 0.0 | 371004 | 181681 | 105248 | 68143 | 47594 |
| Total Proved + Probable | 0.0 | 0.0 | 0.0 | 812180 | 456256 | 297972 | 213482 | 162583 |
| **Grand Total (MBoe) - ATax (M$)** | | | | | | | | |
| Proved Developed Producing | 244893.1 | 126461.3 | 111491.2 | 817539 | 695921 | 580263 | 492638 | 427158 |
| Proved Developed Non-Producing | 6958.6 | 5459.5 | 4581.4 | 26077 | 21358 | 17602 | 14668 | 12373 |
| Proved Undeveloped | 89519.6 | 70779.7 | 63259.9 | 567790 | 156499 | -4166 | -77873 | -114901 |
| Total Proved | 341371.3 | 202700.5 | 179332.5 | 1411406 | 873777 | 593700 | 429433 | 324631 |
| Probable Developed Producing | 74431.6 | 38274.3 | 33228.3 | 355940 | 205108 | 126786 | 85871 | 62473 |
| Probable Developed Non-Producing | 4935.1 | 4116.4 | 3417.1 | 21243 | 13663 | 8984 | 5987 | 4000 |
| Probable Undeveloped | 71694.7 | 57609.9 | 50235.4 | 608655 | 241181 | 103220 | 40352 | 8386 |
| Total Probable | 151061.4 | 100000.7 | 86880.8 | 985838 | 459951 | 238990 | 132210 | 74859 |
| Total Proved + Probable | 492432.7 | 302701.2 | 266213.2 | 2397244 | 1333728 | 832690 | 561643 | 399490 |

Note: Related product revenues are included with the primary product NPV's (Solution Gas w/Oil, NGL and Sulphur with Oil and Gas)

# 3. Introduction

## 3.1 Scope and Terms of Reference

This report was prepared by Sproule Associates Limited ("Sproule") at the request of Canlin Energy Corporation and MIE Holdings Corporation. Canlin Energy Corporation is hereinafter referred to as "the Company" or "Canlin" and MIE Holdings Corporation is hereinafter referred to as "MIE", unless otherwise specified. MIE owns one hundred percent of the shares of the Company, through its wholly owned subsidiary, Maple Marathon Investments Limited. The effective date of this report is June 30, 2018, and it consists of a mechanical update of the P&NG reserves of the Company in Western Canada.

This Competent Person's Report ("CPR") was prepared in September 2018 for the purpose of updating to June 30, 2018 the Company's interest in their P&NG reserves. The Original Report was prepared according to the Canadian Oil and Gas Evaluation Handbook (the "COGE Handbook") reserve definitions that are consistent with the standards of Canadian National Instrument 51-101, which have been accepted by the Hong Kong Stock Exchange ("HKEX") as being in accordance with the requirements of Chapter 18 of the Listing Rules of the exchange. This Competent Persons Report was prepared for the Company's and MIE's corporate purposes.

Sproule's evaluation documented in the Original Report includes undeveloped locations with development timing beyond the COGE Handbook recommended practices of three years for the assignment of proved reserves and five years for the assignment of probable reserves. This delay has no consequent impact on the confidence level associated with the reserves estimates.

This report is included in one (1) volume which consists of an Executive Summary, Introduction, and discussion of the evaluation parameters and results according to the reporting requirements of the HKEX. Reserves definitions, abbreviations, units, conversion factors, formation names and cash flow reports are included in Appendices A, B, and C, respectively. A representation letter prepared by officers of the Company, Appendix D, confirms the accuracy, completeness and availability of the data requested by and furnished to Sproule during the preparation of this Mechanical Update and the Original Report.

### 3.2 Statement of Competent Persons

**Barrett R. (Barry) Hanson, P.Eng., SPEC**

I, Barrett R. Hanson, Senior Petroleum Engineer, of Sproule, 900, 140 Fourth Avenue SW, Calgary, Alberta, declare the following:

1. I hold the following degree:
    a. B.Sc., Chemical Engineering (1979), University of Saskatchewan, Saskatoon, Saskatchewan, Canada

2. I am a registered professional:
    a. Professional Engineer (P.Eng.), Province of Alberta, Canada
    b. Certified SPE Petroleum Engineer

3. I am a member of the following professional organizations:
    a. Association of Professional Engineers and Geoscientists of Alberta (APEGA)
    b. Society of Petroleum Engineers (SPE)

4. I have 39 years experience in the petroleum industry.

5. I am a qualified reserves evaluator and reserves auditor as defined in Canadian National Instrument 51-101 and a Competent Person pursuant to Chapter 18 of the Hong Kong Stock Exchange Listing Rules.

6. My contribution to the report entitled "Independent Competent Person's Report of the P&NG Reserves of Canlin Energy Corporation for MIE Holdings Corporation (As of June 30, 2018)" is based on my engineering knowledge and the data provided to me by the Company, from public sources, and from the non-confidential files of Sproule. I did not undertake a field inspection of the properties.

7. I have no interest, direct or indirect, nor do I expect to receive any interest, direct or indirect, in the properties described in the above-named report or in the securities of Canlin Energy Corporation or MIE Holdings Corporation in compliance with Chapter 18 of the Hong Kong Stock Exchange Listing Rules.

Original Signed by Barrett R. Hanson, P.Eng., SPEC

Barrett R. Hanson, P.Eng., SPEC

**Alec Kovaltchouk, P.Geo.**

I, Alec Kovaltchouk, VP, Geoscience of Sproule, 900, 140 Fourth Avenue SW, Calgary, Alberta, declare the following:

1. I hold the following degree:
   a. M.Sc. Geochemistry (1981) University of Lviv, Lviv, Ukraine

2. I am a registered professional:
   a. Professional Geoscientist (P.Geo.), Province of Alberta, Canada

3. I am a member of the following professional organizations:
   a. Association of Professional Engineers and Geoscientists of Alberta (APEGA)
   b. Canadian Society of Petroleum Geologists (CSPG)

4. I have 34 years experience in the petroleum industry.

5. I am a qualified reserves evaluator and reserves auditor as defined in Canadian National Instrument 51-101 and a Competent Person pursuant to Chapter 18 of the Hong Kong Stock Exchange Listing Rules.

6. My contribution to the report entitled "Independent Competent Person's Report of the P&NG Reserves of Canlin Energy Corporation for MIE Holdings Corporation (As of June 30, 2018)" is based on my geoscience knowledge and the data provided to me by the Company, from public sources, and from the non-confidential files of Sproule. I did not undertake a field inspection of the properties.

7. I have no interest, direct or indirect, nor do I expect to receive any interest, direct or indirect, in the properties described in the above-named report or in the securities of Canlin Energy Corporation or MIE Holdings Corporation in compliance with Chapter 18 of the Hong Kong Stock Exchange Listing Rules.

Original Signed by Alec Kovaltchouk, P.Geo.

Alec Kovaltchouk, P.Geo.

## Cameron P. Six, P.Eng.

I, Cameron P. Six, President and CEO of Sproule, 900, 140 Fourth Avenue SW, Calgary, Alberta, declare the following:

1. I hold the following degree:
   a. B.Sc. (with Distinction) Chemical Engineering (1979) University of Calgary, Calgary, Alberta, Canada
2. I am a registered professional:
   a. Professional Engineer (P.Eng.) Province of Alberta, Canada
3. I am a member of the following professional organizations:
   a. Association of Professional Engineers and Geoscientists of Alberta (APEGA)
   b. Society of Petroleum Engineers (SPE)
4. I have 38 years experience in the petroleum industry.
5. I am a qualified reserves evaluator and reserves auditor as defined in Canadian National Instrument 51-101 and a Competent Person pursuant to Chapter 18 of the Hong Kong Stock Exchange Listing Rules.
6. My contribution to the report entitled "Independent Competent Person's Report of the P&NG Reserves of Canlin Energy Corporation for MIE Holdings Corporation (As of June 30, 2018)" is based on my engineering knowledge and the data provided to me by the Company, from public sources, and from the non-confidential files of Sproule. I did not undertake a field inspection of the properties.
7. I have no interest, direct or indirect, nor do I expect to receive any interest, direct or indirect, in the properties described in the above-named report or in the securities of Canlin Energy Corporation or MIE Holdings Corporation in compliance with Chapter 18 of the Hong Kong Stock Exchange Listing Rules.

Original Signed by Cameron P. Six, P.Eng.

Cameron P. Six, P.Eng.

### 3.3 Credentials of Sproule

Sproule is one of the world's largest independent subsurface petroleum consulting and evaluation firms with over 65 years of experience in the petroleum industry. Sproule is recognized as a premier reserve evaluator for TSX-listed companies, which file their reserves annually pursuant to Canadian National Instrument 51-101 ("NI 51-101"). In 2016/17, Sproule conducted reserve evaluations for over 60 TSX-listed companies in accordance with NI 51-101 regulations. Sproule also has an active advisory practice providing technical and valuation advice to clients with respect to M&A transactions involving a variety of petroleum assets worldwide. For the past three consecutive years, Sproule has held Deloitte's award for "Best Managed Company".

### 3.4 Field Operations

In the preparation of this Mechanical Update, a field inspection of the properties was not performed. In the Original Report, the relevant geoscience and engineering data were made available by the Company or obtained from public sources and the non-confidential files at Sproule. No material information regarding the reserves evaluation, in the Original Report or this Mechanical Update, would have been obtained by an on-site visit.

### 3.5 Nature and Source of Information

No additional information has been considered in this Mechanical Update. In the Original Report:

1. All historical production, revenue and expense data, product prices actually received, and other data that were obtained from the Company or from public sources were accepted as represented, without any further investigation by Sproule.

2. Property descriptions, details of interests held, and well data, as supplied by the Company, were accepted as represented. No investigation was made into either the legal titles held or any operating agreements in place relating to the subject properties.

3. Lessor and overriding royalties and other burdens were obtained from the Company. No further investigation was undertaken by Sproule.

4. The Company has advised there are no material changes to the original information provided and that the forecast production profiles are reasonably consistent with the present operations suggesting that this Mechanical Update should reasonably represent the reserves and net present values as of June 30, 2018.

5. A Representation Letter to confirm the accuracy, completeness, and availability of data furnished to Sproule during the preparation of this report and the Original Report was provided by the Company, and is included as Appendix D.

6. Sproule has no responsibility for estimates based on analyses of erroneous data supplied by the Company or MIE.

7. Sproule has no responsibility for any results presented that would be affected by information that exists but was not made available to us.

8. Sproule has no responsibility to update our report for events and circumstances occurring after the preparation date of the report or for data that becomes available to us after the preparation date of the report.

### 3.6 Reporting Standards

This Original Report was prepared by Sproule using current geological and engineering knowledge, techniques and computer software. It was prepared within the Code of Ethics of the Association of Professional Engineers and Geoscientists of Alberta ("APEGA"). The Original Report adheres in most material aspects to the "best practices" recommended in the COGE Handbook which are in accordance with principles and definitions established by the Calgary Chapter of the Society of Petroleum Evaluation Engineers. The COGE Handbook is incorporated by reference in NI 51-101.

This Mechanical Update only represents a sensitivity on our Original Report, and, as such must be read in conjunction with the Original Report. The Company has made representations that there are no significant changes to the operations of the assets, other than the sale or pending sale of the Carrot Creek, Cynthia-Pembina and Spirit River properties which were or will be effective between the December 31, 2017 effective date of the Original Report and the June 30, 2018 effective date of this Mechanical Update. These properties have been removed for this Mechanical Update.

The development plan presented in the original evaluation differs from the COGE Handbook guidance of three years for proved undeveloped locations and five years for probable undeveloped locations. The final year of the development plan for the Glacier property for proved locations is 2025 and probable locations is 2026. The development has been scheduled to optimize the operation and deliver supply for the life of the plant.

### 3.7 Effective and Preparation Dates

The effective date of the Mechanical Update is June 30, 2018. The preparation date of this Competent Person's Report is September 28, 2018.

### 3.8 Evaluation Procedures

1. The development forecast presented in the Original Report was based on capital budgets and a development program as presented by the Company under the scope of that evaluation and engagement. The development forecast presented in the Original Report may not represent the full development potential of the lands evaluated.

2. The Company provided Sproule with lease operating statements containing historical data for twelve months for each of the years 2014, 2015 and 2016 and for the first four months for 2017. These statements were used to determine certain economic parameters in the Original Report.

3. The forecasts of product prices used in this Mechanical Update were based on Sproule's June 30, 2018 price forecasts.

4. Abandonment and reclamation costs for existing wells with economic developed reserves, and future economic proposed development included in the Original Report were provided by the Company and forecast at the entity level.

   The Company did not identify any material dedicated facilities for which abandonment and reclamation costs were included in the Original Report.

   The Original Report does not include abandonment and reclamation costs associated with active producing wells, which are not economic to produce under the forecast prices utilized in the report, active service wells, inactive wells, and various active or inactive gathering and processing facilities, that the Company holds an interest in, that were not identified as being material dedicated facilities by the Company.

   No allowances for salvage were incorporated into the abandonment and reclamation costs contained in the Original Report.

5. For the Original Report and this Mechanical Update, Sproule worked on the reserves evaluation model, Value Navigator version 2016.2.0.45. The functionality of the program is not the responsibility of Sproule, and results were accepted as calculated by the model. Sproule's responsibility is limited to the quality of the data input and reasonableness of the outcoming results.

### 3.9 Evaluation Results

1. The analysis of the individual entities, as reported herein, was conducted within the context and scope of an evaluation of a unique group of entities in aggregate. Use of this Mechanical Update outside of this scope may not be appropriate. The estimates of reserves and future net revenue for individual entities may not reflect the same confidence level as estimates of reserves and future net revenue for all entities, due to the affects of aggregation.

2. The accuracy of reserves estimates and associated economic analysis is, in part, a function of the quality and quantity of available data and of engineering and geological interpretation and judgment. Given the data provided at the time this Mechanical Update was prepared, the estimates presented herein are considered reasonable. However, they should be accepted with the understanding that reservoir and financial performance subsequent to the date of the estimates may necessitate revision. These revisions may be material.

3. The net present values of the reserves presented in this Mechanical Update simply represent discounted future cash flow values at several discount rates. Though net present values form an integral part of fair market value estimations, without consideration for other economic criteria, they are not to be construed as Sproule's opinion of fair market value.

4. The dollar values presented throughout the Mechanical Update are in Canadian dollars, unless otherwise stated.

5. Due to rounding, certain totals may not be consistent from one presentation to the next.

### 3.10 Reserve Definitions

The reserve definitions are included in Appendix A.

### 3.11 Abbreviations

The abbreviations are included in Appendix B.

# 4. Summary of Assets

## 4.1 Location of Assets

The Company holds interests in approximately 121 producing properties throughout Western Canada for which reserves have been assigned. The Company operates the properties within five separate Cash Generating Units (CGUs). Figures 4.1-1 to 4.1-5 show the general location of each of the CGUs, the location of the major properties within each of the CGUs and an indication of the lands held under lease by the Company.

Approximately 95 percent of the total proved plus probable reserves value of the Company, discounted at 10 percent, resides in the Province of Alberta. The 10 largest properties, representing approximately 80 percent by value in total, are Alderson, Burnt Timber, Ferrier, Gilby, Glacier, Hanlan Unit, Panther, Stolberg Unit, Turner Valley and Wildcat Hills Unit. The applicable data from the Original Report, for only these 10 properties, has been summarized in this Competent Persons Report.

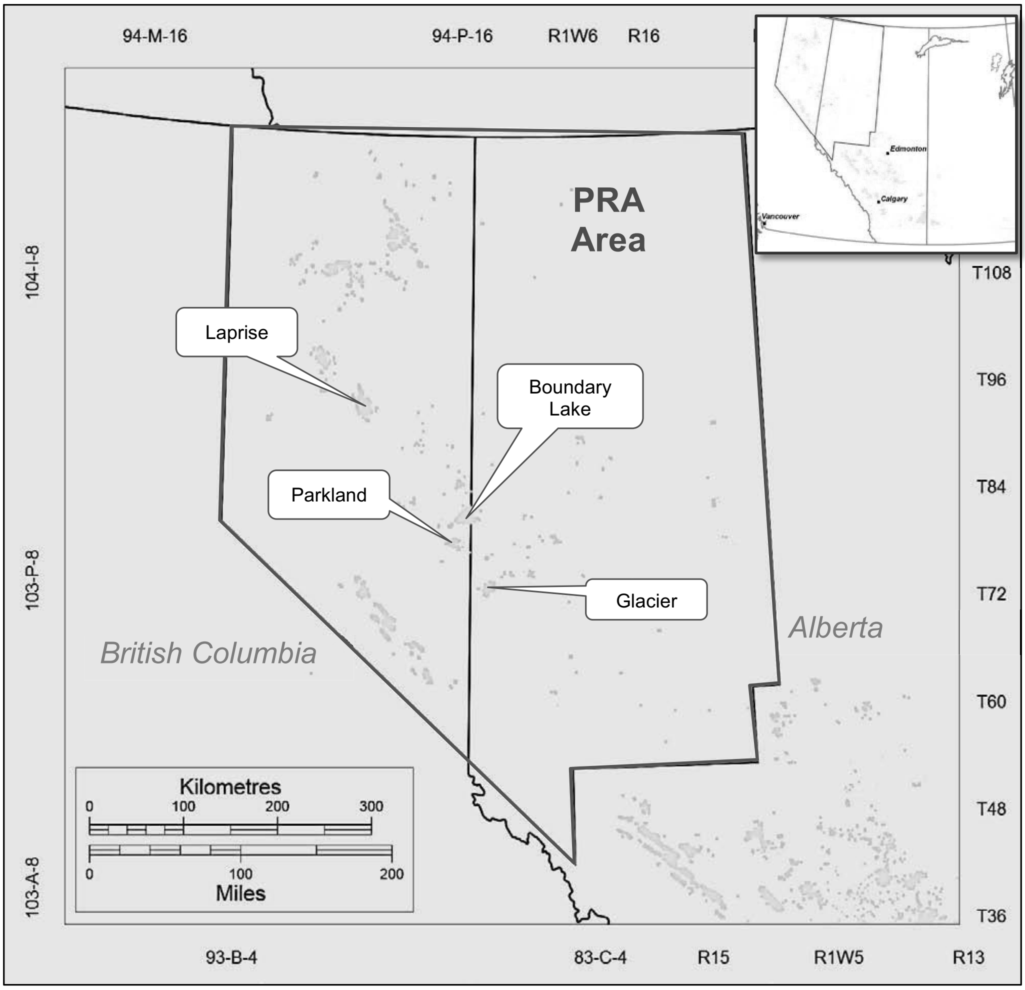


Figure 4.1-1 – Peace River Arch (PRA) Area CGU Location Map Showing Canlin Interest Lands and Major Properties

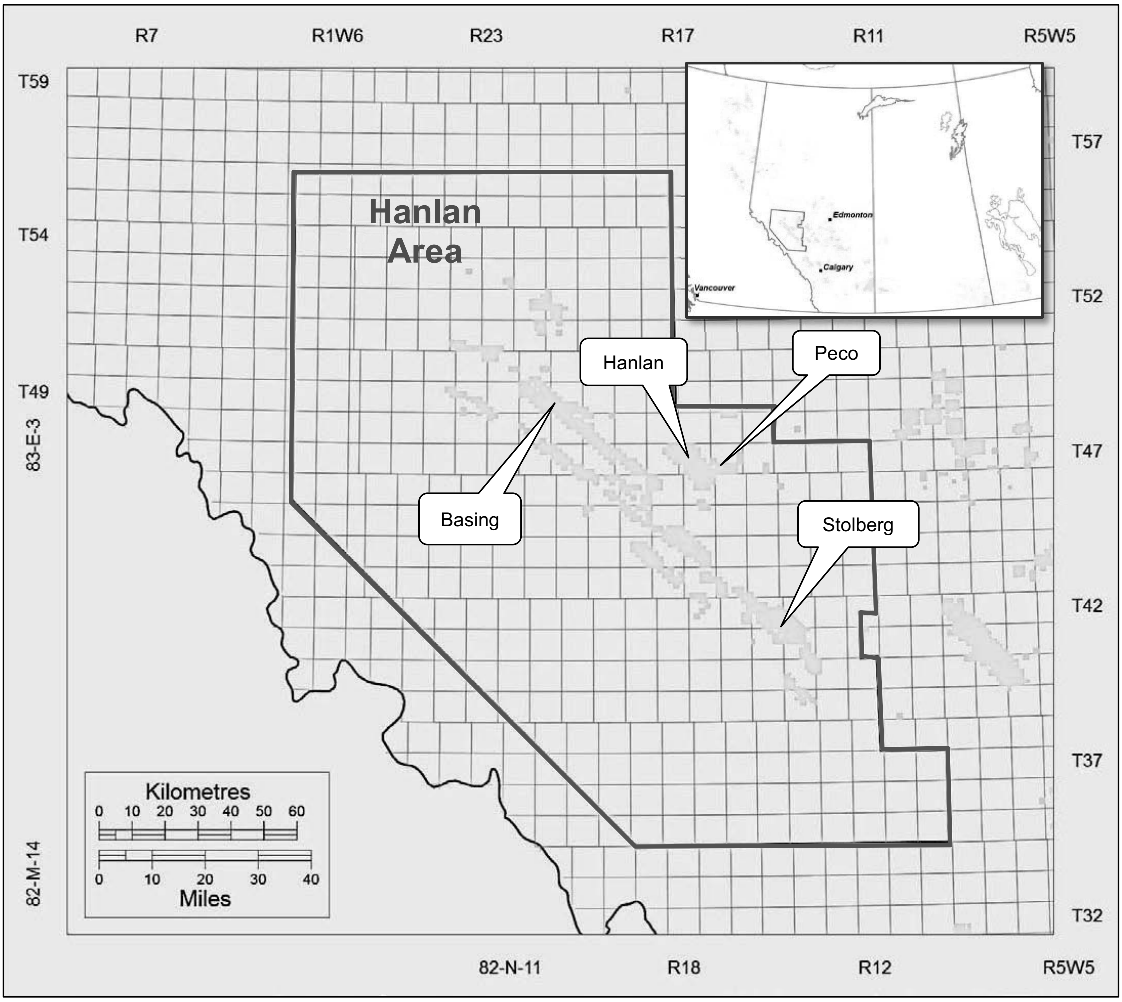


Figure 4.1-2 – Hanlan Area CGU Location Map Showing Canlin Interest Lands and Major Properties

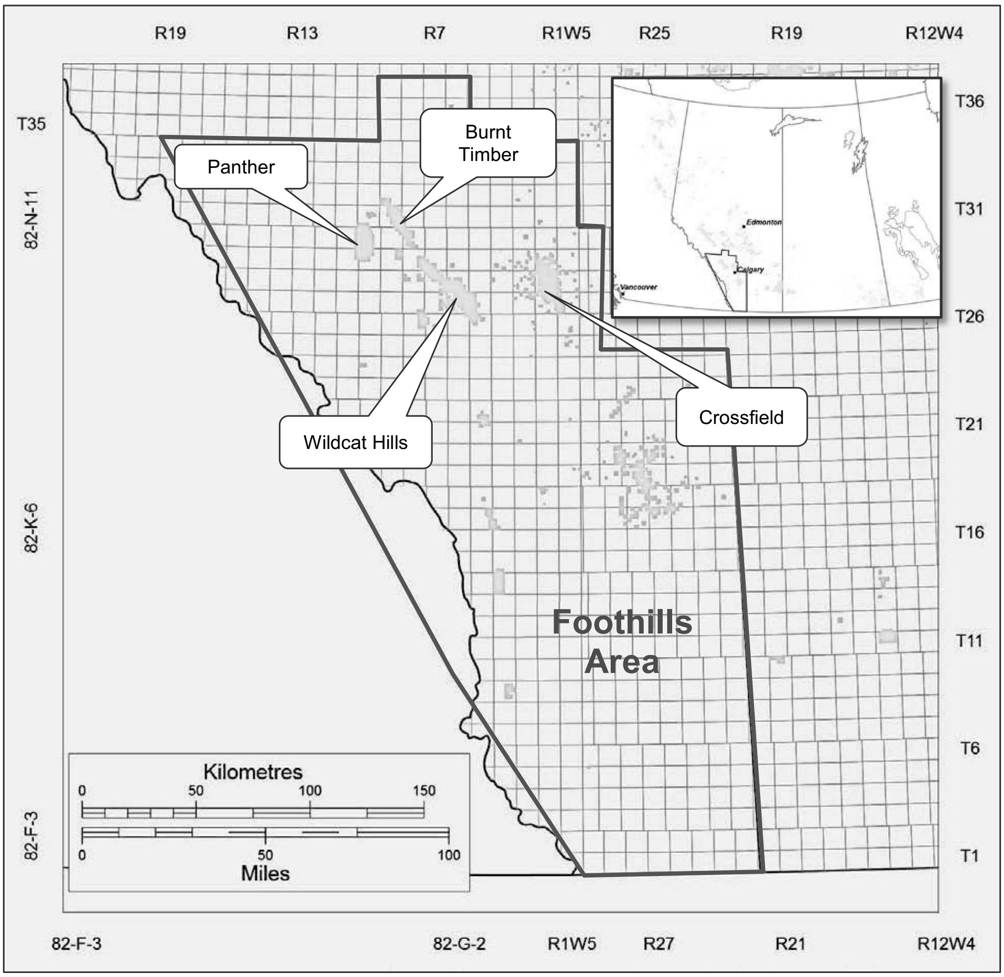


Figure 4.1-3 – Foothills Area CGU Location Map Showing Canlin Interest Lands and Major Properties

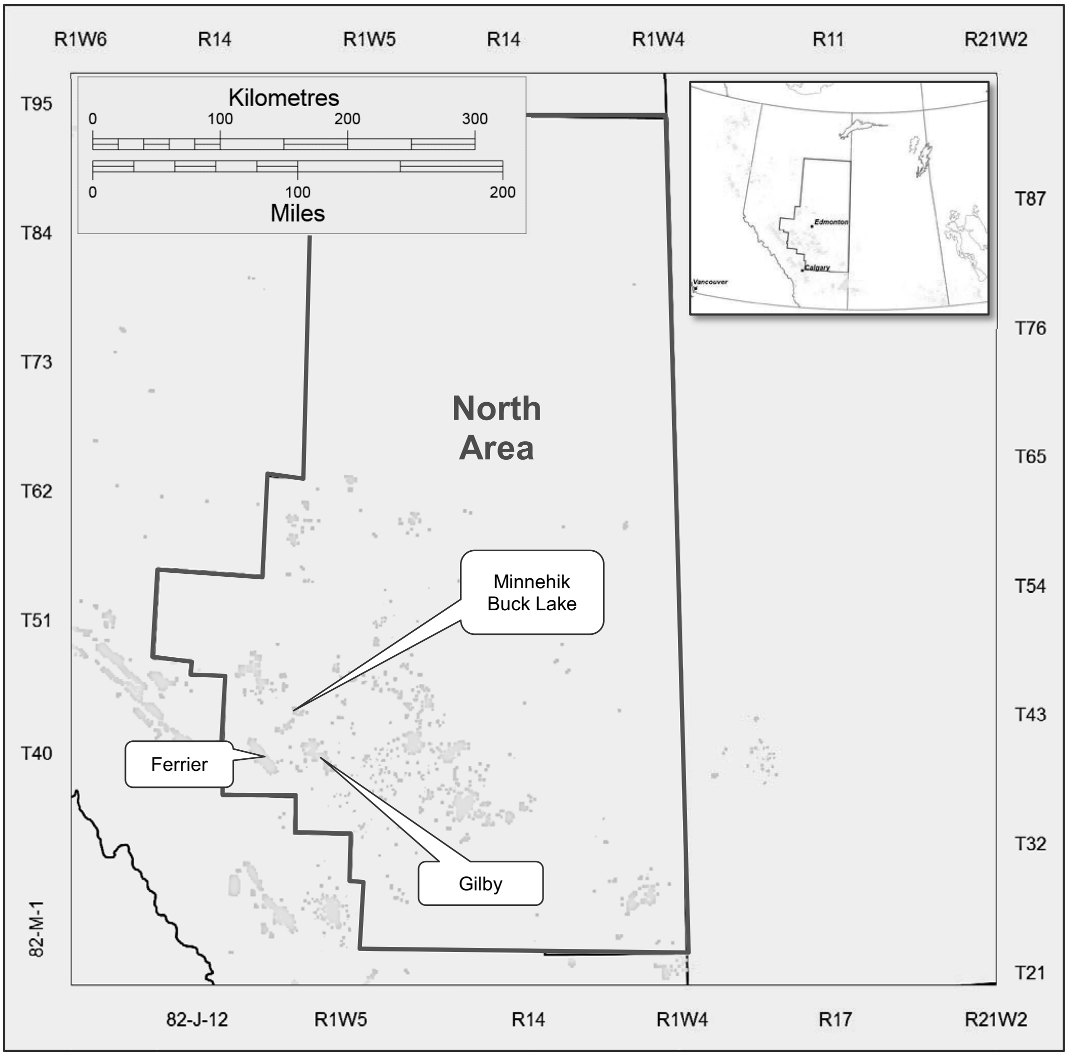


Figure 4.1-4 – North Area CGU Location Map Showing Canlin Interest Lands and Major Properties

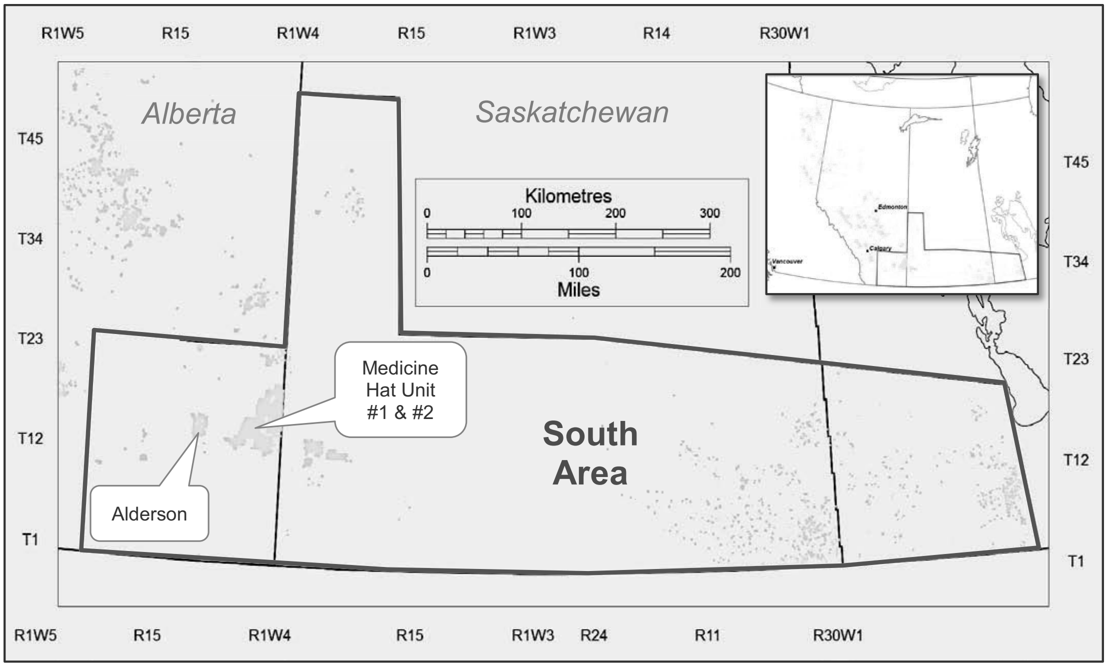


Figure 4.1-5 – South Area CGU Location Map Showing Canlin Interest Lands and Major Properties

## 4.2 Ownership and Acreage

Table 4.2-1 provides a summary of the Company's average working interest, the gross (100 percent working interest) acreage and the Company's net acreage in Canada.

**Table 4.2-1 – Summary of Canlin's Working Interest, Gross and Canlin Net Acreage**

| Area | Canlin Average Working Interest[2] (%) | Canlin Gross[1] Acreage (thousands of acres) | Canlin Net Acreage (thousands of acres) |
|---|---|---|---|
| Canada | 62.87 | 3,276.2 | 2,059.6 |

1. Canlin Gross acreage represents all acreage where Canlin holds an interest.
2. Canlin Average Working Interest is calculated by dividing the Canlin Net Lease Acreage by the Canlin Gross Lease Acreage.

Approximately 29% of these lands are undeveloped, some of which are not assigned reserves.

## 4.3 Reserves and Net Present Values

Table 4.3-1 provides a summary of the remaining reserves (100 percent interest), gross company reserves before royalty, net company reserves after royalty, proved and proved plus probable reserves and associated net present values before deduction of income taxes using escalated prices and costs, as of June 30, 2018.

**Table 4.3-1**

**Canlin Energy Corporation**
**Summary of the Evaluation of the P.&N.G. Reserves**

**As Of Date : 2018-06-30**

| | Lt, Med, Heavy Oil, Bitumen | | | Non-Assoc, Assoc Gas | | | Solution Gas | | | Natural Gas Liquids / Sulphur | | | Net Present Values Before Income Taxes | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Remaining | Company Reserves | | Remaining | Company Reserves | | Remaining | Company Reserves | | Remaining | Company Reserves | | | | | |
| | Reserves | Gross | Net | Reserves | Gross | Net | Reserves | Gross | Net | Reserves | Gross | Net | @ 0% | @ 5% | @ 10% | @ 15% |
| | MBbl | MBbl | MBbl | MMcf | MMcf | MMcf | MMcf | MMcf | MMcf | MBbl/MLt | MBbl/MLt | MBbl/MLt | M$ | M$ | M$ | M$ |
| **Canlin Energy Corporation** | | | | | | | | | | | | | | | | |
| PDP | 47252.5 | 7184.9 | 6719.1 | 1032208 | 671356 | 593415 | 46149 | 7906 | 7737 | 17914.4 | 6066.2 | 4580.1 | 1069098 | 887916 | 732998 | 618117 |
| | | | | | | | | | | 1838.3 | 1400.5 | 1161.8 | | | | |
| PNP | 107.8 | 92.7 | 78.1 | 39613 | 30884 | 26172 | 166 | 129 | 122 | 220.8 | 198.1 | 120.9 | 36095 | 29597 | 24477 | 20486 |
| | | | | | | | | | | 125.6 | 91.8 | 76.5 | | | | |
| PUD | 400.8 | 400.8 | 354.6 | 498042 | 392751 | 354014 | 214 | 214 | 202 | 6076.1 | 4884.6 | 3869.5 | 747389 | 230839 | 28948 | -63830 |
| | | | | | | | | | | 179.1 | 175.4 | 146.4 | | | | |
| TP | 47761.2 | 7678.3 | 7151.8 | 1569864 | 1094992 | 973601 | 46529 | 8248 | 8060 | 24211.2 | 11148.9 | 8570.6 | 1852582 | 1148352 | 786424 | 574773 |
| | | | | | | | | | | 2143.0 | 1667.6 | 1384.6 | | | | |
| PADP | 14252.6 | 1745.6 | 1601.0 | 318421 | 207526 | 180076 | 13974 | 1902 | 2030 | 4779.9 | 1623.9 | 1276.3 | 484330 | 276723 | 171826 | 116814 |
| | | | | | | | | | | 630.5 | 450.1 | 373.4 | | | | |
| PANP | 87.8 | 61.6 | 53.7 | 28490 | 23941 | 19915 | 184 | 33 | 45 | 68.3 | 59.3 | 36.7 | 28714 | 18995 | 12893 | 8932 |
| | | | | | | | | | | 133.5 | 106.8 | 85.4 | | | | |
| PAUD | 757.1 | 702.5 | 610.9 | 398427 | 318920 | 280935 | 566 | 470 | 443 | 4438.8 | 3675.8 | 2728.2 | 843798 | 345914 | 159520 | 74607 |
| | | | | | | | | | | 272.7 | 266.7 | 222.5 | | | | |
| TPA | 15097.5 | 2509.7 | 2265.6 | 745337 | 550387 | 480926 | 14725 | 2405 | 2518 | 9286.9 | 5359.0 | 4041.2 | 1356842 | 641632 | 344238 | 200353 |
| | | | | | | | | | | 1036.7 | 823.7 | 681.3 | | | | |
| TPP | 62858.7 | 10188.0 | 9417.4 | 2315201 | 1645378 | 1454527 | 61254 | 10653 | 10578 | 33498.2 | 16507.9 | 12611.8 | 3209424 | 1789985 | 1130662 | 775126 |
| | | | | | | | | | | 3179.7 | 2491.3 | 2065.9 | | | | |

Canlin Energy Corporation
Project : 22299 - Report : D1
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Price : 2018-06-30 SAL Prices - New C*
Scenario : SAL June Price
DB : CANLIN22299MY.vndl

Run By : CarolinH
Version : 16.2.0.45
Run Time : 18/09/19 23:58

Sproule

### 4.4 Project Gross Field Production Profiles

In June 2017, the gross production from the properties in which the Company holds an interest was approximately 16,000 bopd and 542 MMcfpd from a total of approximately 9,800 wells. Working interest production volumes were 1,800 bpd for oil, 310 MMcfpd for gas, and 11 bpd for condensate.

Production schedules are included in Appendix C. Discussion of the overall development plan is included in section 6.5.

The gross (100 percent working interest) historical production profile for all the lands in which the Company holds an interest including the total proved production forecast is included in Figures 4.4-1 and 4.4-2 for oil and gas production, respectively.

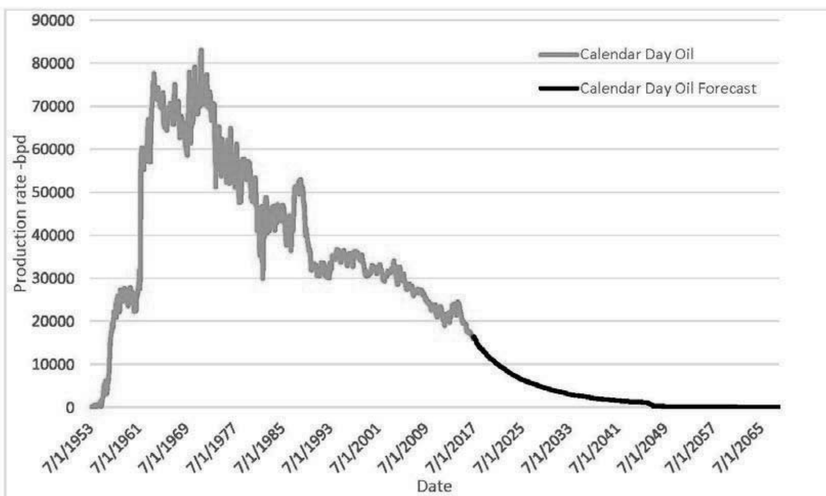


Figure 4.4-1 –Gross Production History with Total Proved Oil Production Forecast

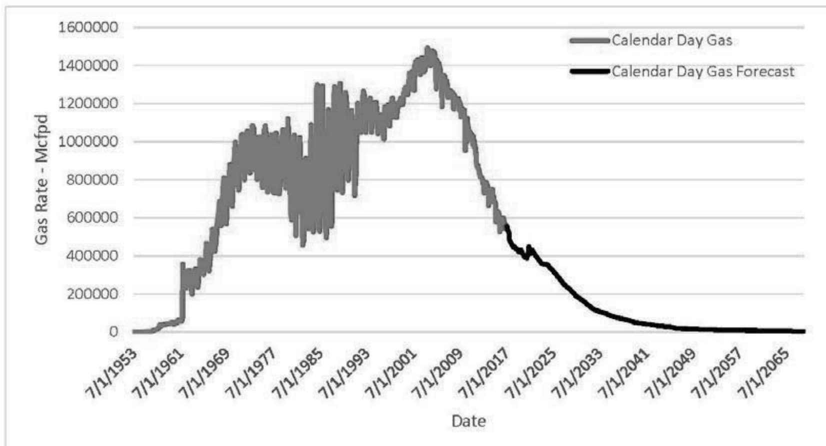


Figure 4.4-2 - Gross Production History with Total Proved Gas Production Forecast

Figures 4.4-3 and 4.4-4 show the gross (100 percent working interest) historical production profile for all the lands in which the Company holds an interest including the total proved plus probable oil and gas production forecasts, respectively.

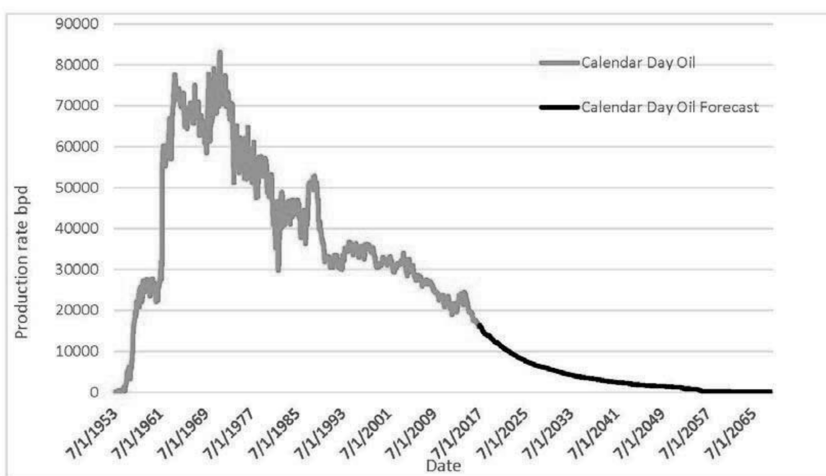


Figure 4.4-3 –Gross Production History with Total Proved Plus Probable Oil Production Forecast

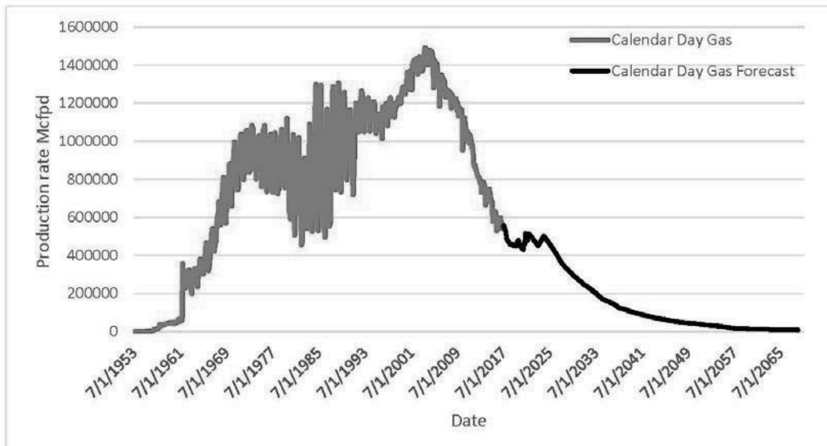


Figure 4.4-4 –Gross Production History with Total Proved Plus Probable Gas Production Forecast

# 5. Regional Geological Discussion

## 5.1 Regional Petroleum History [1]

*"The Western Canada Sedimentary Basin ("WCSB") comprises the eastern Canadian Cordillera and two major sedimentary basins: a northwest-trending trough in front of the Cordilleran Fold and Thrust Belt (extending eastward to the Canadian Shield) called the Alberta Basin; and the cratonic Williston Basin, centered in North Dakota and extending into southern Saskatchewan and southwest Manitoba"* [1].

## 5.2 Regional and Basin Generalized Geology, Evident Petroleum System

The shallowest zone the Company produces oil and gas from is the Late Cretacous Belly River. The deepest zones the Company produces oil and gas from is the late Devonian aged Muskwa, Leduc and Slave Point Formations and generally from nearly all oil and gas bearing zones in-between.

### 5.2.1 Geological Settings

The distribution of shales, generally acting as both source rocks and cap rocks, and reservoir rocks of different lithology across Western Canada are displayed on the stratigraphic column shown in Figure 5.2.1-1.

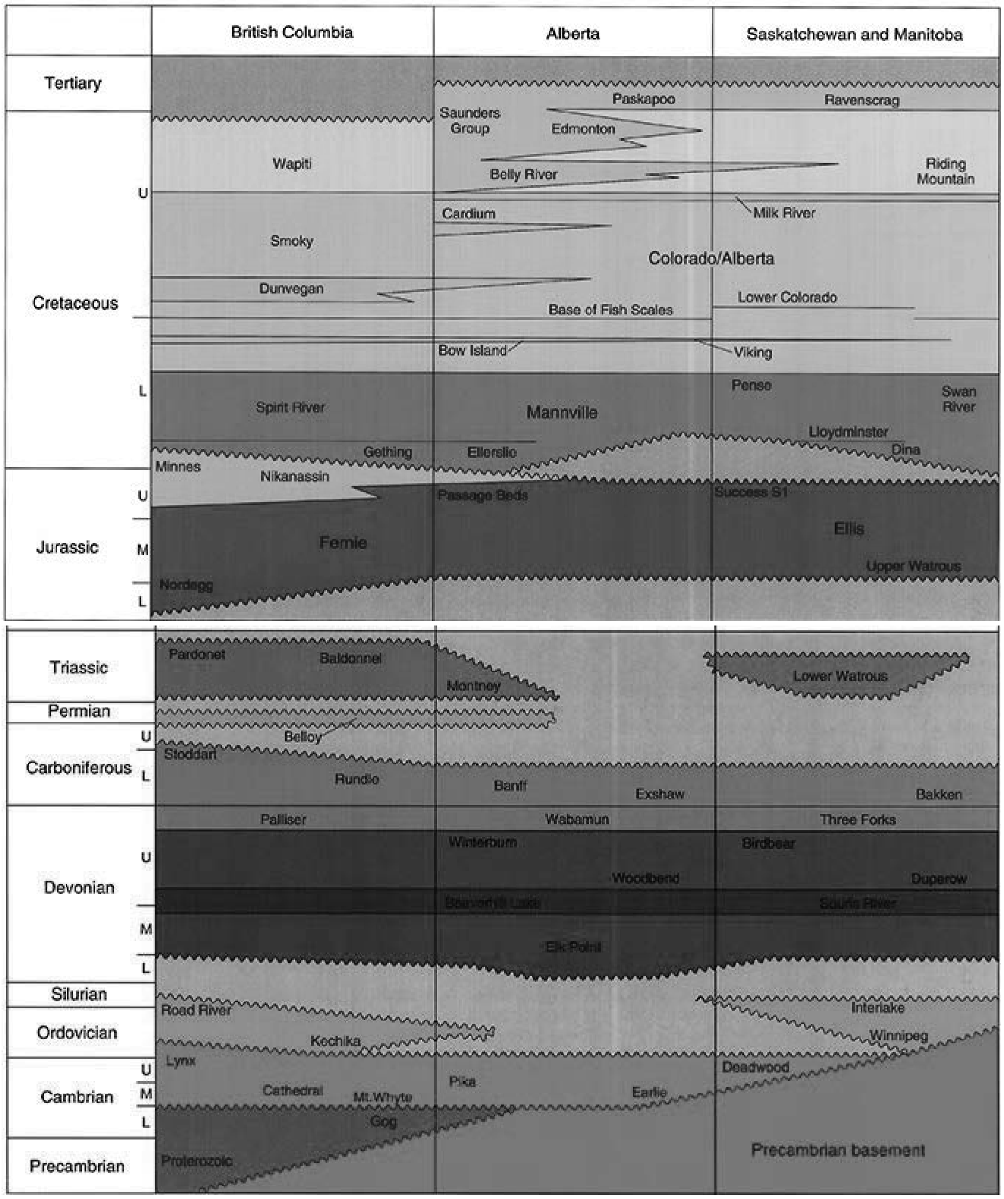


Figure 5.2.1-1 Generalized Stratigraphic Correlation Chart of Western Canada [2]

### 5.2.2 Source Rocks

*To facilitate discussion of petroleum in the Western Canada Sedimentary Basin, a petroleum system terminology is used. According to Magoon (1988) [3], "a petroleum system includes all those geologic elements and processes that are essential for an oil and gas deposit to exist." These basic elements include source rock, maturation, migration path, reservoir rock, trap, and seal* [4].

The WCSB comprises a number of discrete petroleum systems linked to a number of source rocks [4]. Each petroleum system is named after the source rock, where possible, and the limits of the system are defined by the extent of migration of petroleum from that discrete source [4].

The following petroleum systems are present within the WCSB:

- Ordovician Petroleum System with generally thin source facies of "kukersites";
- Keg River/Brightholme Petroleum System with the source facies of a basinal, marine laminate;
- Duvernay Petroleum System with the source facies of bituminous, slightly argillaceous carbonates interbedded with gray-green, calcareous shales;
- Exshaw-Bakken and Lodgepole Petroleum Systems with the source facies of organic-rich, black, basinal laminites;
- Doig Petroleum System with phosphatic and radioactive facies;
- Nordegg Jurassic Petroleum System with variably phosphatic marlstone and calcareous mudstone;
- Mannville Petroleum System with the coal rich deposits;
- Colorado Group Petroleum System with a thick marine shale succession.

# 6. Local Geological and Engineering Discussion

## 6.1 Reserves

Table 6.1-1 provides a summary of the proved and proved plus probable reserves attributed to the Company's interests in Western Canada at the effective date of the Mechanical Update, June 30, 2018.

**Table 6.1-1 Summary of the Company's Oil, Gas and NGL Reserves As of June 30, 2018**
**(Forecast Prices and Costs)**

| Reserve Category | Oil | | Gas | | NGL | |
|---|---|---|---|---|---|---|
| | Company Gross (Mstb) | Company Net (Mstb) | Gross (Bcf) | Net (Bcf) | Gross (Mstb) | Net (Mstb) |
| **Total Proved** | 7,678.3 | 7,151.8 | 1,103 | 982 | 11,148.9 | 8,570.6 |
| **Total Proved Plus Probable** | 10,188.0 | 9,417.4 | 1,656 | 1,465 | 16,507.9 | 12,611.8 |

## 6.2 Rights to Explore and Extract Hydrocarbons

The details of the P&NG rights are summarized in Section 8.2.2.

## 6.3 Geology

The geology throughout Western Canada is well known and has been the subject of numerous publications on both a basin wide basis and for individual areas and formations. The only major development area included in the Canlin development plan is the Glacier Area, targeting the early Triassic-aged Montney Formation. The more detailed geological discussion is thus limited to the Montney.

The other developments included in the Canlin development plan are spread amongst many of the areas and on a field by field basis are relatively minor compared to the Glacier Area development and thus will not be discussed further.

### 6.3.1 Geological Characteristics

The Montney Formation discussion included herein has been prepared by Canlin.

#### 6.3.1.1 Montney Formation

The Montney Formation is Early Triassic in age and is comprised of a thick (250-300m) section of siltstones and sandstones in the Glacier Area with shales present further west in British Columbia. The primary depositional environment for the Montney Formation in this area is widely accepted to be lower shoreface marine with discernible and repeatable coarsening upward offshore marine cycles. In the Glacier Area the Montney Formation can be divided into 3 distinct and mappable zones (Upper Montney, Middle Montney, Lower Montney) that are productive and that are present on Canlin land. Regional dip is to the southwest and reaches a maximum basal depth over Canlin lands of approximately 2600m true vertical depth (TVD). Water saturation based on a water resistivity $R_w$ of 0.025 from Canadian Well Logging Society tables averages roughly 20 percent over Canlin lands. Using a 3 percent density limestone cutoff and based on these wellbore parameters, calculated gas initially-in-place for the Montney Formation in 3 zones over Canlin operated lands are in the order of 75-100 Bcfe/section with liquids content varying up to 20-25 bbl/MMcf.

### 6.3.2 Exploration

The Company lands in Western Canada are very well developed for oil and gas production. As a result, there has been no exploration activity conducted by the Company. Development activities have targeted known hydrocarbon reservoirs.

### 6.3.3 Reservoir Characteristics

The average reservoir parameters of the Montney Formation are summarized in Table 6.3.3-1.

**Table 6.3.3-1 Montney Formation Reservoir Parameters**

| Formation | Thickness | Porosity | Permeability | Pressure | Recovery |
|---|---|---|---|---|---|
| Montney | 225-275m | 3-6% | 0.01 – 0.1md | 23-25mpa | Primary |

## 6.4 Production

### 6.4.1 Production Commencement

Production from the lands currently held by the Company in Western Canada commenced as early as 1953. Production in the Glacier Area commenced in 1988.

### 6.4.2 Extraction Methods

Most of the wells in which Canlin holds an interest are gas wells flowing with primary recovery techniques. Most of the oil production is from primary recovery as well, although there is some secondary recovery waterflood operations ongoing.

### 6.4.3 Production Schedule

The production schedule, for the all the lands in which the Company holds an interest, is listed on a Gross, Company Gross and Company Net basis is indicated in the cash flow reports in Appendix C.

## 6.5 Overall Development Plan for Glacier Area

Table 6.5-1 summarizes the timing and number of undeveloped well locations forecast to be drilled by year.

**Table 6.5-1 – Timing of Undeveloped Well Locations by Year**

| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|
| Proved | 0 | 0 | 0 | 29 | 15 | 12 | 15 | 13 |
| Proved Plus Probable | 0 | 0 | 0 | 29 | 15 | 26 | 31 | 21 |

The development timing is beyond the recommended guidance in the COGE Handbook and is designed to optimize the operation and deliver supply for the life of the plant in the Glacier Area. The plant is forecast to commence operation in 2021.

## 6.6 Methods of Estimation

The technically recoverable oil and gas volumes for most producing wells were estimated from production decline curve analyses (DCA) where sufficient data was available to establish production trends. The technical recoverable volumes for undeveloped wells and wells with short production histories were estimated by analogy comparing to other wells in the same formation in the general area.

### 6.6.1. Decline Curve Analysis Estimation Method

DCA was completed on all producing and non-producing oil and gas wells with significant history to estimate the recoverable volumes for the Original Report. Production up to July 31, 2017 was reviewed on an individual well basis. Non-producing wells with assigned reserves were scheduled based on capital budgets and a development program as presented by the Company under the scope of the original evaluation and engagement. The DCA results were considered reasonable considering other analytical techniques.

### 6.6.2 Analogy Estimation Method

For the Original Report, reserves were estimated by analogy for all undeveloped wells. The initial rate and ultimate recovery of all wells completed and produced from the same formation as that targeted by the undeveloped well within the general area were reviewed. The average rate and recovered volumes of the wells reviewed were used to estimate the production profile for the undeveloped locations. The total volumes recovered were compared to volumes initially-in-place to ensure recovery factors are reasonable.

## 6.7 Volumes of Sales Products

Forecasts of raw volumes of gas from the Original Report were converted to sales volumes for reserves determination by applying an average surface loss for each field to account for gas volumes used for fuel and flare and shrinkage due to the removal of gas by-products.

Volumes of gas sold in Western Canada are transacted on the basis of heat content of the gas. The actual gas sales revenues and volumes from the revenue statements for each field were analyzed and compared to the actual posted sales price at the AECO-C sales hub to estimate the apparent heat content of the gas as sold.

The Company's proved and probable by-product reserves and production forecasts were based on the recovery rates determined from the individual field revenue statements (barrels or long tons sulfur per MMcf of natural gas) and the natural gas reserves and production forecasts. Condensate volumes were estimated by applying a constant condensate-gas ratio against each producing gas well based on current ratios. The yields of the respective liquid by-products are presented in Table 6.7-1 below.

**Table 6.7-1 – Gas By-Product Yields from Sales Gas Volumes, Shrinkage and Energy Content**

| | **Product Yield** (per MMcf sales gas) | | | | | | |
|---|---|---|---|---|---|---|---|
| **Area** | **C2 (bbls)** | **C3 (bbls)** | **C4 (bbls)** | **C5+ (bbls)** | **Sulphur (long tons)** | **Energy Content (BTU/scf)** | **Raw to Sales Shrinkage (%)** |
| Alderson | - | - | - | - | - | 1000 | 6.4 |
| Burnt Timber | - | - | - | - | 8.54 | 1000 | 27.0 |
| Ferrier | - | 53.20 | 31.70 | 30.40 | - | 1125 | 20.0 |
| Gilby | 0.20 | 13.50 | 12.70 | 7.70 | - | 1099 | 15.0 |
| Glacier (Non-Montney) | - | - | 0.50 | 4.00 | - | 1080 | 5.0 |
| Glacier (Montney) | - | 31.00 | - | - | - | 1080 | 10.0 |
| Hanlan Unit | - | 0.01 | 0.02 | 1.16 | 8.67 | 1000 | 33.7 |
| Panther | - | - | - | 0.00 | 3.80 | 998 | 24.0 |
| Stolberg Unit | - | - | - | 0.90 | 1.22 | 1061 | 10.7 |
| Turner Valley | - | - | - | 2.60 | 1.60 | 1050 | 19.0 |
| Wildcat Hills Unit | - | - | - | - | 1.50 | 1050 | 18.0 |

These same ratios are also applied to the undeveloped locations where applicable.

Oil volumes are sold based on a custody transfer point, which is the point at which the product first enters the buyer's facilities. Sales volumes are prorated back to individual wells such that reported production volumes for accounting and royalty purposes are consistent with sales volumes. The actual oil sales revenues and volumes from the revenue statements for each field were analyzed and compared to the actual posted sales price for Canada Light Sweet crude at Edmonton for production from Alberta and British Columbia and to the actual posted sales price at Cromer for Light Sour Blend for production from Saskatchewan. Sales prices on a field by field basis are adjusted for sulphur content, base sediment and water and density differences in comparison to the benchmark crude quality.

# 7. General Business Discussion

## 7.1 General Description of the Company

Canlin Energy Corporation is a medium to large size petroleum and natural gas company with producing assets located throughout the Western Canada Sedimentary Basin, extending east into the north end of the Williston Basin. The assets owned by Canlin are generally of a mature state, with production from some wells having commenced in the 1950's.

## 7.2 Statement of Long Term Prospects

The Company's broad base of mineral rights has given them the opportunity to participate in a number of developing oil and gas plays in Western Canada that have occurred due to the technological development of multi-stage fracture stimulations in horizontal wellbores. The highest profile play at the current time being in the Montney Formation at Glacier. The number of potential drilling locations that the Company has identified on their current land holdings allows them to plan development activity well beyond the time period allowed for the booking of proved and proved plus probable undeveloped reserves under NI 51-101.

## 7.3 Assessment of Technical Staff

Canlin operates many of their properties throughout Western Canada and has very experienced and qualified technical and operations staff. Canlin has conducted on-shore drilling programs with very challenging and complex geological conditions and has demonstrated their capability to adequately handle them safely and within budget. The management team in Calgary provides guidance and oversight on all upstream activities.

# 8. Economic Evaluation Discussion

## 8.1 Discounted Net Present Values

The net present values of the reserves are presented in millions of Canadian dollars and are based on annual projections of the future net revenue. Table 8.1-1 summarizes the net present values of the Assets at various discount rates before deduction of income taxes.

**Table 8.1-1 – Summary of Net Present Value Before Income Taxes**
**As of June 30, 2018 (Forecast Prices and Costs)**

| Reserves Category | Canlin Net Present Values of Future Net Revenue Before Income Taxes Discounted at (%/Year) | | | | |
|---|---|---|---|---|---|
| | 0 (MM$Cdn) | 5 (MM$Cdn) | 10 (MM$Cdn) | 15 (MM$Cdn) | 20 (MM$Cdn) |
| **Canada** | | | | | |
| **Total Proved** | 1,852.6 | 1,148.4 | 786.4 | 574.8 | 439.6 |
| **Total Proved Plus Probable** | 3,209.4 | 1,790.0 | 1,130.7 | 775.1 | 562.1 |

## 8.2 Fiscal Terms

### 8.2.1 Ownership

The Company's interests in the petroleum and natural gas leases varies from a small royalty interest up to 100 percent working interest. The Company's average working interest in all the evaluated lands is 79.76 percent.

The working interest lands are subject to Crown lessor royalties or, in some limited cases, by Freehold owner royalties, with some lands burdened by an additional overriding royalty.

A detailed list of interests and burdens by well for each field is included in the individual property reports in the Original Report.

### 8.2.2 Petroleum and Natural Gas Leases, Royalties and Taxes

The largest share of the Company's production is within the Province of Alberta in Canada. The Province of Alberta in Canada, as representative of the Crown, owns the majority of the mineral rights on lands within its' borders. The Province administers the rights to Petroleum and Natural Gas through a tenure system where the right to develop and produce the respective commodity is granted to a lessee. The details of the system are described by the Province on their website as follows [5]:

> *"The tenure system facilitates the leasing of rights that enable companies to explore for and develop petroleum and natural gas from Alberta's resources, for the benefit of the province's residents. The Alberta tenure system is looked upon by industry as one of the best in the world.*
>
> *Alberta's Crown petroleum and natural gas rights are issued in the form of licences or leases through a competitive bid auction system. Public offerings (or sales) of petroleum and natural gas rights are held every two weeks. Notice of the parcels being offered are published on the department's website approximately eight weeks prior to the sale.*
>
> *The Crown attaches several expectations to the licences and leases issued:*
>
> - *Annual rent of $3.50 per hectare must be paid for each hectare covered by the agreement;*
> - *Tenure holders must meet all regulatory requirements;*
> - *Lands in a licence are earned by the drilling of a well;*
> - *A lease is proven productive at the end of its five-year term by drilling, producing, mapping, being part of a unit agreement or by paying offset compensation;*
> - *If a lease is proven productive, it will continue indefinitely beyond the end of the term;*
> - *The tenure ends when an agreement holder can no longer prove his agreement is capable of producing oil or gas in paying quantities or is lost through rental or royalty payment default or by voluntary surrender."*

The primary term of all leases is 5 years with the right to continue indefinitely if commercial production of the lease product is continuing.

The lessor and overriding royalties applied in this evaluation were based on existing agreements and government regulations. The Crown royalty rates were based upon existing provincial regulations.

Alberta provincial regulations were revised as of January 1, 2017 to emulate a revenue minus cost royalty structure across all hydrocarbons. The structure incorporates a Drilling and Completion Cost Allowance ($C^*$), based on average industry drilling and completion costs, as a proxy for well costs. A company will pay a flat royalty of 5% on a well's early production until the well's total revenue, from all hydrocarbon products, equals $C^*$. Afterwards, the company will pay higher royalty rates that vary depending on the resource and market prices but will not exceed 36% for gas and natural gas liquids or 40% for oil and condensate. Royalty rates will drop to match declining production rates when the well reaches a Maturity Threshold [6].

Wells drilled between July 13, 2016 and December 31, 2016 were given the right to exercise an "early opt-in" to the new royalty framework, otherwise all wells drilled prior to the start date of the new regulations are subject to the previous royalty structure, including any incentive programs, but will transition to the new royalty structure after 10 years from the implementation date of the new program [7].

The Crown royalties also allow for the deduction of the capital and operating costs necessary to process and transport to market the royalty share of production. The eligible operating cost and third party processing component of this Gas Cost Allowance (GCA) used in the Original Report was estimated at $1.52/Mcf based on historical information supplied by the Company. This GCA cost has not been updated in this Mechanical Update.

Crown royalties are applied in a somewhat similar manner in the Provinces of Saskatchewan and British Columbia with variations in the formulae for calculation of royalty share and various incentives for age and depth.

Estimates of Capital GCA have not been revised for the new product price forecasts used in this Mechanical Update.

Most of the Company's leases are Crown leases and subject to Crown royalties. Freehold royalties paid on the non-Crown leases are fixed percentages with an additional mineral tax paid to the Crown over and above the applicable Freehold royalty.

Property taxes are applied against the assessed value of the wells and tangible assets.

Income taxes are assessed at the Corporate level and are included in this evaluation based on the assumption that any changes to the depreciation pool balances are negligible compared to the Original Report.

## 8.3 Economic Assumptions

### 8.3.1 Production Term

All wells are forecast to produce until they are no longer economic. There are no lease or operating terms currently in place that would provide contractual limitations to the production forecast.

### 8.3.2 Pricing

The forecast of oil prices used in this Mechanical Update were based on Sproule's June 30, 2018 price forecasts for Western Canada and are shown in Table 8.3.2-1.

**Table 8.3.2-1 – Summary of Pricing Forecast and Assumptions as of June 30, 2018**

| Year | WTI Cushing Oklahoma ($US/Bbl) | Canadian(4) Light Sweet Crude 40° API ($Cdn/bbl) | Western(6) Canada Select 20.5 API ($Cdn/bbl) | Alberta AECO-C Spot ($Cdn/MMbtu) | Edmonton Pentanes Plus ($Cdn/bbl) | Edmonton Butane(5) ($Cdn/bbl) | Edmonton Propane(5) ($Cdn/bbl) | Ethane Plant Gate ($Cdn/bbl) | Operating Cost Inflation Rate(2) (%/Yr) | Capital Cost Inflation Rate(2) (%/Yr) | Exchange Rate(3) ($US/$Cdn) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Historical** | | | | | | | | | | | |
| 2013 | 97.98 | 93.27 | 74.93 | 3.13 | 105.48 | 69.88 | 38.37 | 8.68 | 1.0% | 0.7% | 0.97 |
| 2014 | 93.00 | 93.99 | 81.06 | 4.50 | 102.39 | 68.02 | 44.42 | 12.46 | 2.0% | -1.0% | 0.91 |
| 2015 | 48.80 | 57.45 | 44.83 | 2.70 | 61.45 | 36.81 | 6.17 | 7.49 | 1.8% | -23.2% | 0.78 |
| 2016 | 43.32 | 52.80 | 38.89 | 2.18 | 55.71 | 34.32 | 13.60 | 6.05 | 1.2% | -3.4% | 0.76 |
| 2017 | 50.95 | 61.84 | 50.56 | 2.19 | 67.21 | 44.11 | 28.77 | 6.11 | 1.7% | -3.4% | 0.77 |
| 2018 (6mo.) | 65.37 | 73.94 | 55.79 | 1.63 | 83.38 | 44.77 | 28.85 | 4.53 | 1.6% | 1.6% | 0.78 |
| **Forecast** | | | | | | | | | | | |
| 2018(6mo.) | 67.00 | 79.03 | 57.69 | 1.92 | 83.97 | 47.24 | 28.40 | 5.33 | 0.0% | 0.0% | 0.78 |
| 2019 | 65.00 | 74.51 | 59.61 | 2.50 | 75.61 | 47.56 | 29.26 | 6.93 | 2.0% | 2.0% | 0.82 |
| 2020 | 70.00 | 78.24 | 64.94 | 3.12 | 78.82 | 53.53 | 34.42 | 8.64 | 2.0% | 2.0% | 0.85 |
| 2021 | 73.00 | 82.45 | 68.43 | 3.32 | 82.35 | 60.12 | 37.85 | 9.21 | 2.0% | 2.0% | 0.85 |
| 2022 | 74.46 | 84.10 | 69.80 | 3.65 | 84.07 | 61.32 | 39.29 | 10.11 | 2.0% | 2.0% | 0.85 |
| 2023 | 75.95 | 85.78 | 71.20 | 3.74 | 85.82 | 62.55 | 40.25 | 10.37 | 2.0% | 2.0% | 0.85 |
| 2024 | 77.47 | 87.49 | 72.62 | 3.83 | 87.61 | 63.80 | 41.23 | 10.62 | 2.0% | 2.0% | 0.85 |
| 2025 | 79.02 | 89.24 | 74.07 | 3.93 | 89.43 | 65.07 | 42.23 | 10.89 | 2.0% | 2.0% | 0.85 |
| 2026 | 80.60 | 91.03 | 75.55 | 4.03 | 91.29 | 66.37 | 43.26 | 11.16 | 2.0% | 2.0% | 0.85 |
| 2027 | 82.21 | 92.85 | 77.06 | 4.13 | 93.19 | 67.70 | 44.30 | 11.43 | 2.0% | 2.0% | 0.85 |
| 2028 | 83.85 | 94.71 | 78.61 | 4.23 | 95.12 | 69.06 | 45.36 | 11.72 | 2.0% | 2.0% | 0.85 |
| Escalation Rate of 2.0% thereafter | | | | | | | | | | | |

(1) This summary table identifies benchmark reference pricing schedules that might apply to a reporting issuer. See Appendix B for more details.
(2) Inflation rates for forecasting prices and costs.
(3) Exchange rates used to generate the benchmark reference prices in this table.
(4) Edmonton Par prior to 2014.
(5) Source Change 2013-01.
(6) Source Change 2013-07.

*Notes:*

Product sale prices will reflect these reference prices with further adjustments for quality and transportation to point of sale.

Sproule's short-term outlook for oil and gas prices is based on information obtained from various sources, including government agencies, industry publications, oil refiners, and natural gas marketers as well as consideration for the New York Mercantile Exchange (NYMEX) and Intercontinental Exchange (ICE) futures markets. The forecast used in this evaluation was derived as June 30, 2018**.**

Supply and demand fundamentals, along with the NYMEX and ICE oil and gas futures prices are the foundation of Sproule's commodity pricing models in the early years. This data is combined with Sproule's assumptions in respect of long-term prices, inflation rates and exchange rates, together with estimates of transportation costs and prices of competing fuels, to forecast wellhead and plantgate prices for oil, natural gas and natural gas by-products.

**8.3.2.1 Oil Pricing**

The oil price forecasts set out in Table 8.3.2-1 are based on prices for the NYMEX Division light, sweet (low-sulphur) crude oil contract, which specifies the WTI crude as a deliverable at Cushing, Oklahoma. Sproule's long-term forecast has been set at **$73.00 US** per barrel for WTI in 2021 with an escalation rate of 2.0% thereafter.

In the near term the Canadian economy faces many headwinds in combination with the US Federal Reserve tightening monetary policy leading to weakness in the Canadian dollar. We expect the Canadian dollar to continue to be correlated to the price of oil over the forecast period. The exchange rate ($U.S. per $Canadian) reflects a long-term projection of **$0.85.**

Sproule's price outlook for Canadian crudes sees the current differential narrowing over the forecast period. With pipeline infrastructure experiencing delays, rail has proven to be an effective method to improve takeaway capacity. The low capital investment required, short time frame for constructing a new loading terminal and the ability to access key markets flexibly suggest that rail will continue to play an important role in the transportation of crude. While Canadian light oil faces competition from US light tight oil (LTO) plays, new market opportunities are arising for Canadian heavy crudes. US Gulf Coast refiners are increasingly seeking Canadian heavy oil as imports from Venezuela and Mexico decline. The dynamics affecting Canadian oil prices are reflected in a long-term narrowing of the Canadian light sweet (CLS) differential to **96%** of WTI and the WCS differential to **83%** of CLS**.**

**8.3.2.2 Gas Pricing**

The NYMEX futures price for gas bought and sold at Henry Hub in Louisiana is the dominant index for North American gas prices. In Alberta and Saskatchewan, the AECO price is a reflection of the market price for natural gas sold locally, while the BC Westcoast Station 2 price is critical to the BC producer. Natural gas prices are generally reflective of regional factors affecting supply and demand.

Increased supply from development in US shale plays like the Utica and Marcellus combined with increased associated gas volumes from Light Tight Oil (LTO) production will introduce some near-term risk to US gas prices. However, demand for natural gas in the US faces many positive catalysts over the forecast period. Significant demand growth is anticipated from the industrial sector, petrochemicals, the switching from coal to natural gas for power plants and the development of pipeline infrastructure to export natural gas from the US to Mexico. Also, significant liquified natural gas export capacity (close to 10 bcf/d) is now either on-stream or currently under construction.

In the United States, Sproule expects a long-term price of $3.75 US per MMbtu by 2020 for Henry Hub, reflecting long-term full cycle marginal costs, with an escalation rate of 2.0% thereafter.

Supply growth in the US has put pressure on the future of Canadian natural gas prices as market access becomes more limited for the Canadian producer. In Canada, industrial demand growth for natural gas is weak compared to the United States. LNG export projects represent a significant opportunity for Canada but face challenges in their development including high costs and lengthy regulatory approval processes. The estimated first shipment date from Canadian LNG projects has become uncertain. Several projects have now been cancelled.

The long-term price of Alberta AECO-C is expected to be $3.12 CAD per MMbtu in 2020 with a 2.0% escalation rate thereafter. Detailed price forecasts for natural gas are set out in Table 8.3.2-2. The actual plantgate price will vary with the heat content of the natural gas and the cost of transportation from the plantgate to the trading hub. In the absence of actual natural gas price statistics, the differential is based on the price of natural gas in the area.

**Table 8.3.2-2 Summary of Price Offsets to Forecast Marker Price**

| Area | Price Offset to Marker | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Crude Oil ($/bbl) Canadian Light Sweet** | **Sales Gas ($/Mcf) AECO** | **$C_2$ ($/bbl)** | **$C_3$ ($/bbl)** | **$C_4$ ($/bbl)** | **$C_5$+ ($/bbl)** | **Condensate ($/bbl)** | **Sulphur ($/LT)** |
| Alderson | - | 0.08 | - | - | - | - | - | - |
| Burnt Timber | - | 0.20 | - | - | - | - | - | -7.25 |
| Ferrier | 3.45 | 0.05 | - | 5.55 | 6.35 | 0.80 | - | - |
| Gilby | 2.89 | 0.05 | 3.29 | 11.18 | 10.65 | 9.28 | - | - |
| Glacier | 4.40 | 0.27 | - | 7.95 | 8.45 | 4.10 | - | - |
| Hanlan Unit | - | 0.25 | 12.86 | 9.66 | 11.01 | -3.18 | - | -12.91 |
| Panther | - | 0.20 | - | - | - | - | - | -7.25 |
| Stolberg Unit | - | 0.09 | - | - | - | 4.56 | - | -28.57 |
| Turner Valley | - | 0.10 | - | - | - | 0.00 | - | -9.40 |
| Wildcat Hills Unit | - | 0.21 | - | - | - | - | - | -9.40 |

**8.3.2.3 Natural Gas By-Products**

Sproule and GPMi are collaborating to produce a price outlook for Western Canadian Natural Gas Liquids. The pricing methodology has changed for ethane, propane, butane and condensate. Ethane is typically sold under mid to long term, cost plus contracts. The methodology utilized in this outlook is based on shrinkage value and corresponds to the price of gas at AECO. Propane value is a function of gas value as well as differentials from mid-continent markets. Butane and condensate tend to be priced with reference to crude prices as the dominant demand drivers are refining and diluent markets. Detailed price forecasts for natural gas by-products are set out in Table 8.3.2-1. The prices for these by-products were adjusted in this Competent Persons Report to reflect the actual prices received at the plantgate.

### 8.3.3 Capital Costs

From the Original Report, the Company provided estimates of the capital costs required to develop the undeveloped locations in the Glacier Area. These estimates are summarized in Table 8.3.3-1.

**Table 8.3.3-1 – Summary of Project Gross[1] Capital Costs in 2018 Dollars for the Glacier Area (MM$Cdn)**

| | Proved | | | | | | Proved Plus Probable | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Year | Number of Wells to be Drilled | Plant Capital | Well Drilling Capital | Complete Capital | Well Equipment and Tie-In Capital | Total Capital[2] | Number of Wells to be Drilled | Plant Capital | Well Drilling Capital | Complete Capital | Well Equipment and Tie-In Capital | Total Capital[2] |
| **2018** | 0 | 13.1 | 0.0 | 0.0 | 6.9 | 20.0 | 0 | 13.1 | 0.0 | 0.0 | 6.9 | 20.0 |
| **2019** | 0 | 22.5 | 0.0 | 0.0 | 11.8 | 34.3 | 0 | 22.5 | 0.0 | 0.0 | 11.8 | 34.3 |
| **2020** | 0 | 22.5 | 0.0 | 0.0 | 11.8 | 34.3 | 0 | 22.5 | 0.0 | 0.0 | 11.8 | 34.3 |
| **2021** | 29 | 7.5 | 58.0 | 65.3 | 13.1 | 143.9 | 29 | 7.5 | 58.0 | 65.3 | 13.1 | 143.9 |
| **2022** | 15 | 0.0 | 30.0 | 33.8 | 4.7 | 68.5 | 15 | 32.8 | 30.0 | 33.8 | 4.7 | 101.3 |
| **2023** | 12 | 0.0 | 24.0 | 0.0 | 0.0 | 24.0 | 26 | 32.8 | 52.0 | 31.5 | 4.4 | 120.7 |
| **2024** | 15 | 0.0 | 30.0 | 60.8 | 8.5 | 99.3 | 31 | 0.0 | 62.0 | 96.8 | 13.5 | 172.3 |
| **2025** | 13 | 0.0 | 26.0 | 29.3 | 4.1 | 59.4 | 21 | 0.0 | 42.0 | 47.3 | 6.3 | 95.6 |
| **Total[2]** | **84** | **65.6** | **168.0** | **189.0** | **60.9** | **483.5** | **122** | **131.2** | **244.0** | **274.5** | **72.5** | **722.2** |

1. Project Gross means 100 percent interest
2. Values may not add due to rounding

### 8.3.4 Operating Costs

The Company provided Sproule with full year operating statements in Canadian dollars for 2014, 2015, and 2016. The operating statement provided for 2017 included actual costs for the first four months of the year. The operating statements were used to estimate the operating costs used in the Original Report.

**Table 8.3.4-1 – Summary of Operating Cost Assumptions in 2018 Dollars**

| Area | Company Net Fixed Field and Plant Operating (M$/year) | Company Net Monthly Fixed Well Operating ($/well/month) | Variable Oil Operating ($/bbl) | Variable Gas Operating ($/Mcf Sales) | Oil Transport ($/bbl) |
|---|---|---|---|---|---|
| **Alderson** | 1,000 | 385 | - | 0.05 | - |
| **Burnt Timber** | 1,030 | 5,500 | - | 1.05 | - |
| **Ferrier** | 7,507 | 3,485 | 7.55 | 0.22 | - |
| **Gilby** | 1,500 | 3,066 | 6.48 | 0.34 | 2.18 |
| **Glacier (Non-Montney)** | 2,230 | 2,800 | - | 0.44 | - |
| **Glacier (Montney)** | - | 3,300 | - | 0.37 | - |
| **Hanlan Unit** | 927 | 24,000 | - | 0.10 | - |
| **Panther** | 1,733 | 6,100 | - | 0.64 | - |
| **Stolberg Unit** | 1,327 | 5,200 | - | 0.04 | - |
| **Turner Valley** | 1,500 | 3,100 | - | 0.25 | - |
| **Wildcat Hills Unit** | 1,692 | 3,100 | - | 0.25 | - |

### 8.3.5 Abandonment Costs

Abandonment and reclamation costs represent all costs associated with the process of restoring a company's properties, which have been disturbed by oil and gas activities, to a standard imposed by applicable government or regulatory authorities. Pursuant to guidance provided by regulatory agencies, the costs included in this evaluation do not represent the total decommissioning liabilities of the Company but only those costs related to abandonment and reclamation of active wells and material dedicated facilities associated with the Company's active oil and gas activities in a property. Hence, decommissioning liabilities associated with various non-producing wells, gathering systems and various processing facilities may not be included in this evaluation. Examples of material dedicated facilities could be SAGD projects, offshore projects or properties where it is clear that the facilities are dedicated to a given property. This is not meant to include minor facilities such as tanks, dehydrators etc., or non-material facilities that service small or multiple properties.

The Company was requested to provide abandonment and reclamation costs for all existing development, material dedicated facilities, and future development evaluated in the Original Report.

Abandonment and reclamation costs for existing wells with economic developed reserves assigned in the report have been estimated by the Company and were included in the Original Report at the entity level.

The Company identified no material dedicated facilities for which abandonment and reclamation costs were included.

Abandonment and reclamation costs for future development drilling locations were estimated by the Company and were included in the Original Report at the entity level.

The Company identified no future material dedicated facilities development for which abandonment and reclamation costs were included.

The Original Report does not include abandonment and reclamation costs associated with active producing wells, which were not economic to produce under the forecast prices utilized in the report, active service wells, inactive wells, and various active or inactive gathering and processing facilities, that the Company holds an interest in, that were not identified as being material dedicated facilities by the Company.

No allowances for salvage were incorporated into the abandonment and reclamation costs contained in the Original Report.

The abandonment cost per well used in the Original Report varied by field based on information provided by the Company and generally accounted for differences in depth, complexity, area and producing product. The abandonment expenditure for all entities was incurred 60 months after the last month of production of that entity.

### 8.3.6 Sensitivity Analysis

Sproule performed sensitivity analyses for the total proved plus probable case on key assumptions of price and costs, the results of which are presented in Table 8.3.6-1.

**Table 8.3.6-1 – Summary of Sensitivity Analyses**

| Variable | Sensitivity | Asset Value Impact(1) | |
|---|---|---|---|
| | | Plus | Minus |
| | | $CdnMM | |
| Commodity Price | +/- 5% | 142.0 | -138.7 |
| Operating Costs | +/- 20% | -200.3 | 219.9 |
| Capital Costs | +/- 20% | -147.4 | 159.3 |

(1) Based on NPV discounted at 10% before tax.

# 9. Social and Environmental Discussion

Western Canada has a long history of petroleum exploration and production activities and is governed by mature petroleum regulation systems covering both social and environmental issues.

Canlin is proficient and professional in both technical and administrative aspects of the exploration and production activities in Western Canada. Additionally, Canlin's Health, Safety and Environment (HSE) policies emphasize sound HSE performance as one of the foundations for sustainable development.

# 10. Basis of Opinion

## 10.1 Evaluation Results

The accuracy of reserves estimates and associated economic analysis is, in part, a function of the quality and quantity of available data and of engineering and geological interpretation and judgment. Given the data provided at the time this report was prepared, the estimates presented herein are considered reasonable. However, they should be accepted with the understanding that reservoir and financial performance subsequent to the date of the estimates may necessitate revision. These revisions may be material.

The net present values of the reserves presented in this Competent Persons Report simply represent discounted future cash flow values at several discount rates. Though net present values form an integral part of fair market value estimations, without consideration for other economic criteria, they are not to be construed as Sproule's opinion of fair market value.

The Competent Person's Report has been prepared within the context of the Competent Person's understanding of the effects of petroleum legislation, taxation and other regulations.

Interests, burdens, and other data provided by the Company were accepted as represented, without any further investigation by Sproule. Sproule has no reason to believe the data supplied by the Company is inaccurate or misleading. A Representation Letter to confirm the accuracy, completeness, and availability of data furnished to Sproule during the preparation of this Competent Persons Report and the Original Report was provided by the Company.

The Competent Person's Report represents an independent opinion based on the information provided by the Company, from public sources, and from the non-confidential files of Sproule.

The Competent Person's Report was performed under an Engagement Agreement that contains standard clauses pertaining to indemnification and liability. Sproule is indemnified by the Company and MIE for misstatements owing to the reliance by Sproule on data and interpretations provided by the Company and MIE, whether directly or indirectly from third parties. Sproule is not indemnified for acts of willful misconduct performed by its management or staff.

## 10.2 Exclusivity

The Mechanical Update and the Original Report have been prepared for the exclusive use of MIE Holdings Corporation. It may not be reproduced, distributed, or made available to any other company or person, regulatory body, or organization without the knowledge and written consent of Sproule, and without the complete contents of the Competent Persons Report and the Original Report being made available to that party.

### 10.3 Report Preparation

The report entitled "Independent Competent Person's Report of the P&NG Reserves of Canlin Energy Corporation for MIE Holdings Corporation (As of June 30, 2018)" was prepared by the following Sproule personnel:

Original Signed by Barrett R. Hanson, P.Eng., SPEC

Barrett R. Hanson, P.Eng., SPEC
Project Leader;
Senior Petroleum Engineer
_28_/_09_/2018 dd/mm/yr

Original Signed by Alec Kovaltchouk, P.Geo.

Alec Kovaltchouk, P.Geo.
VP, Geoscience
_28_/_09_/2018 dd/mm/yr

#### 10.3.1 Sproule Executive Endorsement

This report has been reviewed and endorsed by the following Executive of Sproule:

Original Signed by Cameron P. Six, P.Eng.

Cameron P. Six, P.Eng.
President and CEO
_28_/_09_/2018 dd/mm/yr

#### 10.3.2 Permit to Practice

Sproule Associates Limited is a member of the Association of Professional Engineers and Geoscientists of Alberta and our permit number is P00417.

# 11. References

[1] Wright, G.N et al (1994): Structure and Architecture of the Western Canada Sedimentary Basin; in Geological Atlas of the Western Canada Sedimentary Basin, G.D. Mossop and I. Shetsen (comp.),Canadian Society of Petroleum Geologists and Alberta Research Council,<https://ags.aer.ca/publications/chapter-3-structure-and-architecture>, [Accessed: August 30, 2018].

[2] Mossop, G.D., Shetsen, I. (1994): Introduction to the Geological Atlas of the Western Canada Sedimentary Basin; in Geological Atlas of the Western Canada Sedimentary Basin, G.D. Mossop and I. Shetsen (comp.),Canadian Society of Petroleum Geologists and Alberta Research Council,< https://ags.aer.ca/publications/chapter-1-introduction.htm>, [Accessed: September 21, 2018].

[3] Magoon, L.B. 1988. The petroleum system - a classification scheme for research, exploration, and resource assessment. In: Petroleum Systems of the United States. L.B. Magoon (ed.). United States Geological Survey, Bulletin 1870.

[4] Creaney, S. et al (1994): Petroleum Generation and Migration; in Geological Atlas of the Western Canada Sedimentary Basin, G.D. Mossop and I. Shetsen (comp.), Canadian Society of Petroleum Geologists and Alberta Research Council, URL ,<https://ags.aer.ca/publications/chapter-3-structure-and-architecture> [Acccessed: March 28, 2018]

[5] What is Tenure? <http://www.energy.gov.ab.ca/Tenure/About/Pages/WIT.aspx> [Accessed: September 12, 2018] .

[6] Brochure titled "Alberta's Modernized Royalty Framework Overview", Alberta Government, published February 23, 2017.

[7] "Alberta at a Crossroads – Royalty Review Advisory Panel Report", page 60, Royalty Review Panel chaired by Dave Mowat, released January 28, 2016.

## Appendix A — Reserve Definitions

The following definitions form the basis of our classification of reserves and values presented in this report. The definitions are those set out in National Instrument 51-101 ("NI 51-101") and/or the Canadian Oil and Gas Evaluation Handbook as amended from time to time (the "COGE Handbook"), maintained by the Society of Petroleum Evaluation Engineers (Calgary Chapter) and incorporated into NI 51-101 by reference.

Reserves are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, from a given date forward, based on:

- analysis of drilling, geological, geophysical and engineering data;
- the use of established technology;
- specified economic conditions, which are generally accepted as being reasonable, and shall be disclosed; and
- a remaining reserve life of 50 years.

Reserves are classified according to the degree of certainty associated with the estimates.

**1. Proved Reserves**

Proved reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.

**2. Probable Reserves**

Probable reserves are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.

**3. Possible Reserves**

Possible reserves are those additional reserves that are less certain to be recovered than probable reserves. It is unlikely that the actual remaining quantities recovered will exceed the sum of the estimated proved plus probable plus possible reserves. Possible reserves have not been considered in this report.

Other criteria that must also be met for the categorization of reserves are provided in Section 5.5 of the COGE Handbook.

Each of the reserves categories (proved, probable, and possible) may be divided into developed or undeveloped categories.

**4. Developed Reserves**

Developed reserves are those reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (e.g., when compared to the cost of drilling a well) to put the reserves on production. The developed category may be subdivided into producing and non-producing.

**5. Developed Producing Reserves**

Developed producing reserves are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty.

**6. Developed Non-Producing Reserves**

Developed non-producing reserves are those reserves that either have not been on production, or have previously been on production, but are shut in, and the date of resumption of production is unknown.

**7. Undeveloped Reserves**

Undeveloped reserves are those reserves expected to be recovered from known accumulations where a significant expenditure (e.g., when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves classification (proved, probable, possible) to which they are assigned.

In multi-well pools, it may be appropriate to allocate total pool reserves between the developed and undeveloped categories or to subdivide the developed reserves for the pool between developed producing and developed non-producing. This allocation should be based on the estimator's assessment as to the reserves that will be recovered from specific wells, facilities, and completion intervals in the pool and their respective development and production status.

**8. Levels of Certainty for Reported Reserves**

The qualitative certainty levels contained in the definitions in Sections 1, 2 and 3 are applicable to individual reserves entities, which refers to the lowest level at which reserves estimates are made, and to reported reserves, which refers to the highest level sum of individual entity estimates for which reserve estimates are made.

Reported total reserves estimated by deterministic or probabilistic methods, whether comprised of a single reserves entity or an aggregate estimate for multiple entities, should target the following levels of certainty under a specific set of economic conditions:

a. There is a 90% probability that at least the estimated proved reserves will be recovered.

b. There is a 50% probability that at least the sum of the estimated proved reserves plus probable reserves will be recovered.

c. There is a 10% probability that at least the sum of the estimated proved reserves plus probable reserves plus possible reserves will be recovered.

A quantitative measure of the probability associated with a reserves estimate is generated only when a probabilistic estimate is conducted. The majority of reserves estimates will be performed using deterministic methods that do not provide a quantitative measure of probability. In principle, there should be no difference between estimates prepared using probabilistic or deterministic methods.

Additional clarification of certainty levels associated with reserves estimates and the effect of aggregation is provided in Section 5.5.3 of the COGE Handbook. Whether deterministic or probabilistic methods are used, evaluators are expressing their professional judgement as to what are reasonable estimates.

**9. Remaining Recoverable Reserves** are the total remaining recoverable reserves associated with the acreage in which the Company has an interest.

**10. Company Gross Reserves** are the Company's working interest share of the remaining reserves, before deduction of any royalties.

**11. Company Net Reserves** are the gross remaining reserves of the properties in which the Company has an interest, less all Crown, freehold, and overriding royalties and interests owned by others plus all royalty interest volumes received.

12. **Net Production Revenue** is income derived from the sale of net reserves of oil, non-associated and associated gas, and gas by-products, less all capital and operating costs.

13. **Fair Market Value** is defined as the price at which a purchaser seeking an economic and commercial return on investment would be willing to buy, and a vendor would be willing to sell, where neither is under compulsion to buy or sell and both are competent and have reasonable knowledge of the facts.

14. **Barrels of Oil Equivalent (BOE) Reserves** – BOE is the sum of the oil reserves, plus the gas reserves divided by a factor of 6, plus the natural gas liquid reserves, all expressed in barrels or thousands of barrels. Equivalent reserves can also be expressed in thousands of cubic feet of gas equivalent (McfGE) using a conversion ratio of 1 bbl:6 Mcf.

15. **Oil (or Crude Oil)** – a mixture consisting mainly of pentanes and heavier hydrocarbons that exists in the liquid phase in reservoirs and remains liquid at atmospheric pressure and temperature. Crude oil may contain small amounts of sulphur and other non-hydrocarbons, but does not include liquids obtained from the processing of natural gas. Crude oil volumes are further divided into Product Types, for reporting purposes.

16. **Gas (or Natural Gas)** – a mixture of lighter hydrocarbons that exist either in the gaseous phase or in solution in crude oil in reservoirs, but are gaseous at atmospheric conditions. Natural gas may contain sulphur or other non-hydrocarbon compounds. Natural Gas volumes are further divided into Product Types, for reporting purposes.

17. **Non-Associated Gas** – an accumulation of natural gas in a reservoir where there is no crude oil.

18. **Associated Gas** – the gas cap overlying a crude oil accumulation in a reservoir.

19. **Solution Gas** – gas dissolved in crude oil.

20. **Natural Gas By Products** – those components that can be removed from natural gas including, but not limited to, ethane, propane, butanes, pentanes plus, condensate, and small quantities of non-hydrocarbons.

21. **Product Types** - sub-classify the principle product types of petroleum, crude oil, gas and by-products, into specific groupings based on the properties of the hydrocarbon and the properties of the accumulation and reservoir rock from which it is found. Regulatory agencies may define in legislation the production types they require to be used for reporting purposes in their jurisdiction. The Canadian Securities Associations (CSA) defines the following Product Types for reporting purposes in National Instrument 51-101, effective July 1, 2015.

**Crude Oil**

**I)** **Light Crude Oil** means crude oil with a relative density greater than 31.1 degrees API gravity;

**II)** **Medium Crude Oil** means crude oil with a relative density greater than 22.3 degrees API gravity and less than or equal to 31.1 degrees API gravity;

**III)** **Heavy Crude Oil** means crude oil with a relative density greater than 10 degrees API gravity and less than or equal to 22.3 degrees API gravity;

**IV)** **Tight Oil** means crude oil:

a. contained in dense organic rich rocks, including low-permeability shales, siltstones and carbonates, in which the crude oil is primarily contained in microscopic pore spaces that are poorly connected to one another, and

b. that typically requires the use of hydraulic fracturing to achieve economic production rates;

**V)** **Bitumen** means a naturally occurring solid or semi-solid hydrocarbon:

a. consisting mainly of heavier hydrocarbons, with a viscosity greater than 10,000 millipascal-seconds (mPa·s) or 10,000 centipoise (cP) measured at the hydrocarbon's original temperature in the reservoir and at atmospheric pressure on a gas-free basis, and

b. that is not primarily recoverable at economic rates through a well without the implementation of enhanced recovery methods;

**VI)** **Synthetic Crude Oil** means a mixture of liquid hydrocarbons derived by upgrading bitumen, kerogen or other substances such as coal, or derived from gas to liquid conversion and may contain sulphur or other compounds;

**Natural Gas**

**VII)** **Conventional Natural Gas** means natural gas that has been generated elsewhere and has migrated as a result of hydrodynamic forces and is trapped in discrete accumulations by seals that may be formed by localized structural, depositional or erosional geological features;

**VIII)** **Coal Bed Methane** means natural gas that

a) primarily consists of methane, and

b) is contained in a coal deposit;

**IX)** **Shale Gas** means natural gas:

a) contained in dense organic-rich rocks, including low-permeability shales, siltstones and carbonates, in which the natural gas is primarily adsorbed on the kerogen or clay minerals, and

b) that usually requires the use of hydraulic fracturing to achieve economic production rates;

**X)** **Synthetic Gas** means a gaseous fluid:

a) generated as a result of the application of an in-situ transformation process to coal or other hydrocarbon-bearing rock, and

b) comprised of not less than 10% by volume of methane;

**XI)** **Gas Hydrate** means a naturally occurring crystalline substance composed of water and gas in an ice-lattice structure;

**By-Products**

**XII)** **Natural Gas Liquids** means those hydrocarbon components that can be recovered from natural gas as a liquid including, but not limited to, ethane, propane, butanes, pentanes plus, and condensates.

**XIII)** **Sulphur** is a non-hydrocarbon elemental by-product of gas processing and oil refining.

## Appendix B — Abbreviations, Units, Conversion Factors and Formation Names

**Abbreviations**

| | |
|---|---|
| ARF | Alberta royalty framework (pre 2017) |
| AOF | absolute open flow |
| BOE | barrels of oil equivalent |
| bpd | barrels per day |
| bopd | barrels of oil per day |
| bwpd | barrels of water per day |
| Cr | Crown |
| DPIIP | discovered petroleum initially-in-place |
| DSU | drilling spacing unit |
| FH | Freehold |
| GCA | gas cost allowance |
| GOR | gas-oil ratio |
| GORR | gross overriding royalty |
| LPG | liquid petroleum gas |
| LRR | lease royalty rate |
| McfGE | thousands of cubic feet of gas equivalent |
| Mcfpd | thousands of cubic feet per day |
| MPR | maximum permissive rate |
| MRF | Alberta modernized royalty framework (post 2016) |
| MRL | maximum rate limitation |
| NC | 'new' Crown |
| NCI | net carried interest |
| NGL | natural gas liquids |
| NORR | net overriding royalty |
| NPI | net profits interest |
| NRA | no reserves assigned |
| NRI | net revenue interest |
| NPV | net present value |
| OC | 'old' Crown |
| ORRI | overriding royalty interest |
| P&NG | petroleum and natural gas |
| PSU | production spacing unit |
| PVT | pressure-volume-temperature |
| TPIIP | total petroleum initially-in-place |
| Unecon | uneconomic reserves evaluation case |
| UPIIP | undiscovered petroleum initially-in-place |
| WI | working interest |

## Imperial and Metric Units

| Imperial Units | | | Metric Units | |
|---|---|---|---|---|
| M ($10^3$) | thousand | **Prefixes** | k ($10^3$) | kilo |
| MM ($10^6$) | million | | M ($10^6$) | mega |
| B ($10^9$) | billion | | G ($10^9$) | giga |
| T ($10^{12}$) | trillion | | T ($10^{12}$) | tera |
| Q ($10^{15}$) | quadrillion | | P ($10^{15}$) | peta |
| in. | inches | **Length** | cm | centimetres |
| ft | feet | | m | metres |
| mi | miles | | km | kilometres |
| $ft^2$ | square feet | **Area** | $m^2$ | square metres |
| ac | acres | | ha | hectares |
| cf or $ft^3$ | cubic feet | **Volume** | $m^3$ | cubic metres |
| scf | standard cubic feet | | | |
| gal | gallons | | L | litres |
| Mcf | thousand cubic feet | | | |
| MMcf | million cubic feet | | | |
| Bcf | billion cubic feet | | $e^6m^3$ | million cubic metres |
| bbl | barrels | | $m^3$ | cubic metres |
| Mbbl | thousand barrels | | $e^3m^3$ | thousand cubic metres |
| stb | stock tank barrels | | $stm^3$ | stock tank cubic metres |
| bbl/d | barrels per day | **Rate** | $m^3/d$ | cubic metre per day |
| Mbbl/d | thousand barrels per day | | $e^3m^3/d$ | thousand cubic metres |
| Mcf/d | thousand cubic feet per day | | $e^3m^3/d$ | thousand cubic metres |
| MMcf/d | million cubic feet per day | | $e^6m^3/d$ | million cubic metres |
| Btu | British thermal units | **Energy** | J | joules |
| oz | ounces | **Mass** | g | grams |
| lb | pounds | | kg | kilograms |
| ton | tons | | t | tonnes |
| lt | long tons | | | |
| psi | pounds per square inch | **Pressure** | Pa | pascals |
| | | | kPa | kilopascals ($10^3$) |
| psia | pounds per square inch absolute | | | |
| psig | pounds per square inch gauge | | | |
| °F | degrees Fahrenheit | **Temperature** | °C | degrees Celsius |
| °R | degrees Rankine | | K | degrees Kelvin |
| M$ | thousand dollars | **Dollars** | k$ | 1 kilodollar |

### Imperial and Metric Units (Cont'd)

| Imperial Units | | | Metric Units | |
|---|---|---|---|---|
| sec | second | **Time** | s | second |
| min | minute | | min | minute |
| hr | hour | | h | hour |
| d | day | | d | day |
| wk | week | | | week |
| mo | month | | | month |
| yr | year | | a | annum |

## Conversion Tables

| Conversion Factors — Metric to Imperial | | |
|---|---|---|
| cubic metres ($m^3$) (@ 15°C) | x 6.29010 | = barrels (bbl) (@ 60°F), water |
| $m^3$ (@ 15°C) | x 6.3300 | = bbl (@ 60°F), Ethane |
| $m^3$ (@ 15°C) | x 6.30001 | = bbl (@ 60°F), Propane |
| $m^3$ (@ 15°C) | x 6.29683 | = bbl (@ 60°F), Butanes |
| $m^3$ (@ 15°C) | x 6.29287 | = bbl (@ 60°F), oil, Pentanes Plus |
| $m^3$ (@ 101.325 kPaa, 15°C) | x 0.0354937 | = thousands of cubic feet (Mcf) (@ 14.65 psia, 60°F) |
| 1,000 cubic metres ($10^3m^3$) (@ 101.325 kPaa, 15°C) | x 35.49373 | = Mcf (@ 14.65 psia, 60°F) |
| hectares (ha) | x 2.4710541 | = acres |
| 1,000 square metres ($10^3m^2$) | x 0.2471054 | = acres |
| 10,000 cubic metres (ha·m) | x 8.107133 | = acre feet (ac-ft) |
| $m^3/10^3m^3$ (@ 101.325 kPaa, 15° C) | x 0.0437809 | = Mcf/Ac.ft. (@ 14.65 psia, 60°F) |
| joules (j) | x 0.000948213 | = Btu |
| megajoules per cubic metre ($MJ/m^3$) (@ 101.325 kPaa, 15°C) | x 26.714952 | = British thermal units per standard cubic foot (Btu/scf) (@ 14.65 psia, 60°F) |
| dollars per gigajoule ($/GJ) | x 1.054615 | = $/Mcf (1,000 Btu gas) |
| metres (m) | x 3.28084 | = feet (ft) |
| kilometres (km) | x 0.6213712 | = miles (mi) |
| dollars per 1,000 cubic metres ($\$/10^3m^3$) | x 0.0288951 | = dollars per thousand cubic feet ($/Mcf) (@ 15.025 psia) B.C. |
| ($\$/10^3m^3$) | x 0.02817399 | = $/Mcf (@ 14.65 psia) Alta. |
| dollars per cubic metre ($\$/m^3$) | x 0.158910 | = dollars per barrel ($/bbl) |
| gas/oil ratio (GOR) ($m^3/m^3$) | x 5.640309 | = GOR (scf/bbl) |
| kilowatts (kW) | x 1.341022 | = horsepower |
| kilopascals (kPa) | x 0.145038 | = psi |
| tonnes (t) | x 0.9842064 | = long tons (LT) |
| kilograms (kg) | x 2.204624 | = pounds (lb) |
| litres (L) | x 0.2199692 | = gallons (Imperial) |
| litres (L) | x 0.264172 | = gallons (U.S.) |
| cubic metres per million cubic metres ($m^3/10^6m^3$) ($C_3$) | x 0.177496 | = barrels per million cubic feet (bbl/MMcf) (@ 14.65 psia) |
| $m^3/10^6m^3$) ($C_4$) | x 0.1774069 | = bbl/MMcf (@ 14.65 psia) |
| $m^3/10^6m^3$) ($C_{5+}$) | x 0.1772953 | = bbl/MMcf (@ 14.65 psia) |
| tonnes per million cubic metres ($t/10^6m^3$) (sulphur) | x 0.0277290 | = LT/MMcf (@ 14.65 psia) |
| millilitres per cubic meter ($mL/m^3$) ($C_{5+}$) | x 0.0061974 | = gallons (Imperial) per thousand cubic feet (gal (Imp)/Mcf) |
| ($mL/m^3$) ($C_{5+}$) | x 0.0074428 | = gallons (U.S.) per thousand cubic feet (gal (U.S.)/Mcf) |
| Kelvin (K) | x 1.8 | = degrees Rankine (°R) |
| millipascal seconds (mPa·s) | x 1.0 | = centipoise |
| density (kg/m3), ρ | ρ÷1000x141.5-131.5 | = °API |

## Conversion Tables (Cont'd)

| Conversion Factors — Imperial to Metric | | |
|---|---|---|
| barrels (bbl) (@ 60°F) | x 0.15898 | = cubic metres ($m^3$) (@ 15°C), water |
| bbl (@ 60°F) | x 0.15798 | = $m^3$ (@ 15°C), Ethane |
| bbl (@ 60°F) | x 0.15873 | = $m^3$ (@ 15°C), Propane |
| bbl (@ 60°F) | x 0.15881 | = $m^3$ (@ 15°C), Butanes |
| bbl (@ 60°F) | x 0.15891 | = $m^3$ (@ 15°C), oil, Pentanes Plus |
| thousands of cubic feet (Mcf) (@ 14.65 psia, 60°F) | x 28.17399 | = $m^3$ (@ 101.325 kPaa, 15°C) |
| Mcf (@ 14.65 psia, 60°F) | x 0.02817399 | = 1,000 cubic metres ($10^3m^3$) (@ 101.325 kPaa, 15°C) |
| acres | x 0.4046856 | = hectares (ha) |
| acres | x 4.046856 | = 1,000 square metres ($10^3m^2$) |
| acre feet (ac-ft) | x 0.123348 | = 10,000 cubic metres ($10^4m^3$) (ha·m) |
| Mcf/ac-ft (@ 14.65 psia, 60°F) | x 22.841028 | = $10^3m^3/m^3$ (@ 101.325 kPaa, 15°C) |
| Btu | x 1054.615 | = joules (J) |
| British thermal units per standard cubic foot (Btu/Scf) | x 0.03743222 | = megajoules per cubic metre ($MJ/m^3$) |
| (@ 14.65 psia, 60°F) | | (@ 101.325 kPaa, 15°C) |
| $/Mcf (1,000 Btu gas) | x 0.9482133 | = dollars per gigajoule ($/GJ) |
| $/Mcf (@ 14.65 psia, 60°F) Alta. | x 35.49373 | = $/$10^3m^3$ (@ 101.325 kPaa, 15°C) |
| $/Mcf (@ 15.025 psia, 60°F), B.C. | x 34.607860 | = $/$10^3m^3$ (@ 101.325 kPaa, 15°C) |
| feet (ft) | x 0.3048 | = metres (m) |
| miles (mi) | x 1.609344 | = kilometres (km) |
| dollars per barrel ($/bbl) | x 6.29287 | = dollars per cubic metre ($/$m^3$) |
| GOR (scf/bbl) | x 0.177295 | = gas/oil ratio (GOR) ($m^3/m^3$) |
| horsepower | x 0.7456999 | = kilowatts (kW) |
| psi | x 6.894757 | = kilopascals (kPa) |
| long tons (LT) | x 1.016047 | = tonnes (t) |
| pounds (lb) | x 0.453592 | = kilograms (kg) |
| gallons (Imperial) | x 4.54609 | = litres (L) (.001 $m^3$) |
| gallons (U.S.) | x 3.785412 | = litres (L) (.001 $m^3$) |
| barrels per million cubic feet (bbl/MMcf) (@ 14.65 psia) ($C_3$) | x 5.6339198 | = cubic metres per million cubic metres ($m^3/10^6m^3$) |
| bbl/MMcf ($C_4$) | x 5.6367593 | = ($m^3/10^6m^3$) |
| bbl/MMcf ($C_{5+}$) | x 5.6403087 | = ($m^3/10^6m^3$) |
| LT/MMcf (sulphur) | x 36.063298 | = tonnes per million cubic metres ($t/10^6m^3$) |
| gallons (Imperial) per thousand cubic feet (gal (Imp)/Mcf) ($C_{5+}$) | x 161.3577 | = millilitres per cubic meter ($mL/m^3$) |
| gallons (U.S.) per thousand cubic feet (gal (U.S.)/Mcf) ($C_{5+}$) | x 134.3584 | = ($mL/m^3$) |
| degrees Rankine (°R) | x 0.555556 | = Kelvin (K) |
| centipoises | x 1.0 | = millipascal seconds (mPa·s) |
| °API | (°APIx131.5)x 1000/141.5 | = density (kg/m3) |

## SPROULE STANDARD FORMATION NAME ABBREVIATIONS - CANADA

| ABB. | FORMATION NAME | ABB. | FORMATION NAME | ABB. | FORMATION NAME | ABB. | FORMATION NAME |
|---|---|---|---|---|---|---|---|
| ABGP | ALBERTA GROUP | EARL | EARLIE | LKRV | LOWER KEG RIVER | RVCG | RAVENSCRAG |
| ALID | ALIDA | EDMN | EDMONTON | LLTN | LYLETON | SBRS | SUNBURST |
| ALXO | ALEXO | EKPP | ELK POINT GROUP | LMNV | LOWER MANNVILLE | SBWI | SECOND BOW ISLAND SS |
| AMRN | AMARANTH | ELDN | ELDON | LPIN | LEPINE | SCLD | SCOLLARD |
| ARCM | ARCTOMYS | ELKK | ELK | LPRK | LEA PARK | SCLN | SCALLION |
| ARCS | ARCS | ELKT | ELKTON | LRSV | LOWER SHAUNAVON | SCTR | SCATTER |
| ASRN | ASHERN | ELRL | ELLERSLIE | LVGS | LIVINGSTONE | SFBR | SHAFTESBURY |
| ASVL | ASHVILLE | ERLK | ERNESTINA LAKE | LWAT | LOWER WATROUS | SFCR | SWIFT CURRENT |
| BARO | BARONS SAND | ERNG | ETHERINGTON | LWGR | LOWER GRAND RAPIDS | SHND | SHUNDA |
| BCDS | BASAL COLORADO SS. | ESND | EASTEND | MASE | MASEFIELD | SKGP | SASKATCHEWAN GROUP |
| BCHO | BISTCHO | EXSW | EXSHAW | MBGP | MANITOBA GROUP | SKNN | SIKANNI |
| BCKG | BUCKINGHORSE | FCLZ | FISH SCALE ZONE | MBRL | MOBERLY | SLLN | SULLIVAN |
| BCLK | BIRCH LAKE | FLHR | FALHER | MCLN | MCLAREN | SLPM | SULPHUR MOUNTAIN |
| BCMB | BASAL SAND (CAMBRIAN) | FLUM | FLUME | MCMR | MCMURRAY | SLPP | SULPHUR POINT |
| BCRK | BLACK CREEK | FNGN | FINNEGAN | MCNL | MCCONNELL | SLVP | SLAVE POINT |
| BDBD | BASAL RED BEDS | FNSQ | FANTASQUE | MDCN | MEDICINE HAT | SMGP | SMOKY GROUP |
| BDBR | BIRDBEAR | FRBG | FIREBAG | MDGP | MADISON GROUP | SMRR | ST. MARY RIVER |
| BDLK | BOUNDARY LAKE | FRBR | FROBISHER | MDLK | MEADOW LAKE | SNMN | STONY MOUNTAIN |
| BDRT | BADHEART | FRCM | FRENCHMAN | MIDL | MIDALE | SNVN | SHAUNAVON |
| BGRY | BIGORAY MEMBER | FRLM | FAIRHOLME | MILK | MIDDLE INTERLAKE | SPNL | SPINNEY HILL |
| BGVL | BIG VALLEY | FRMS | FOREMOST | MJLK | MAJEAU LAKE | SPRF | SPEARFISH |
| BHLL | BEAVERHILL LAKE | FRNG | FERNIE GROUP | MLDD | MILDRED | SPRK | SPARKY |
| BKKN | BAKKEN | FSMP | FORT SIMPSON | MLKR | MILK RIVER | SPRR | SPRAY RIVER |
| BLCK | BLACKSTONE | FTJN | FORT ST. JOHN GROUP | MLTN | MOULTON | SPRV | SPIRIT RIVER |
| BLDN | BALDONNEL | FVEL | FAVEL | MMTN | MIST MOUNTAIN | SRSR | SOURIS RIVER |
| BLDV | BLOOD RESERVE | FVLM | FORT VERMILION | MNCH | MUNCHO | SSPK | SECOND WHITE SPECKS |
| BLLY | BELLOY | FWSS | FIRST WHITE SPECKS | MNTE | MONTEITH | SSSH | SASSENACH |
| BLQZ | BASAL QUARTZ | GBJC | GREY BEDS (JURASSIC) | MNTN | MONTNEY | STLR | STETTLER |
| BLRG | BLUE RIDGE MEMBER | GDPD | GRAND RAPIDS | MNVL | MANNVILLE | STNL | STONEWALL |
| BLRV | BELLY RIVER | GDRC | GOODRICH | MORR | MORRO | STON | STONE |
| BLSK | BLUESKY | GLCC | GLAUCONITIC SS. | MPRK | MOUNTAIN PARK | STPN | STEPHEN |
| BNFF | BANFF | GLPM | GENERAL PETROLEUM | MRDN | MORDEN | STSK | SOUTHESK |
| BOYN | BOYNE | GLWD | GILWOOD | MSBR | MOOSEBAR | STTH | SAWTOOTH |
| BRPW | BEARPAW | GMBL | GRUMBLER | MSKG | MUSKEG | SUCC | SUCCESS |
| BRSS | BROSSEAU | GNTN | GUNTON | MSKK | MUSKIKI | SULY | SULLY |
| BRVR | BESA RIVER | GOGG | GOG | MSKW | MUSKWA | SWFT | SWIFT |
| BRWD | BROWN SAND | GOLT | GOLATA | MSNC | MISSION CANYON | SWNH | SWAN HILLS |
| BRZU | BRAZEAU | GPPG | GYPSUM SPRINGS | MSTY | MISTY | SWNR | SWAN RIVER |
| BSLD | BOW ISLAND | GRBD | GREEN BEDS | MTHK | MT. HAWK | TBER | TABER |
| BSUT | BLACK SHALE UNIT | GRBT | GARBUTT | MTSN | MATTSON | TFLS | TWIN FALLS |
| BSVN | BOISSEVAIN | GRLG | GRAYLING | MTYT | MT. WHYTE | TLFL | TAYLOR FLAT |
| BTPK | BEATTIE PEAKS | GRMN | GRAMINIA | MWBL | MOWITCH-BELCOURT | TLSN | TILSTON |
| BTTL | BATTLE | GRNW | GRANITE WASH | NCSL | NEWCASTLE | TNLM | TUNNEL MOUNTAIN |
| BVRF | BEAVERFOOT | GRSM | GROSMONT | NKNS | NIKANASSIN | TOAD | TOAD |
| CARN | CAIRN | GRTT | GROTTO | NNDA | NONDA | TOQY | TORQUAY |
| CCPD | CONTACT RAPIDS | GTES | GATES | NRDG | NORDEGG | TRFK | THREE FORKS |
| CDMN | CADOMIN | GTNG | GETHING | NSKU | NISKU | TRLM | TURTLE MOUNTAIN |
| CDRL | CATHEDRAL | GVBG | GRAVELBOURG | NTKN | NOTIKEWIN | TRRV | TROUT RIVER |
| CDTT | CADOTTE | HGHD | HIGHWOOD | OCDZ | OSTRACOD ZONE | TRVL | TURNER VALLEY |
| CHNK | CHINOOK | HLFY | HALFWAY | OLDM | OLDMAN | TTCH | TETCHO |
| CKGK | COOKING LAKE | HNDO | HONDO | PCCP | POUCE COUPE | TTLN | TATHLINA |
| CLDK | COLD LAKE | HNSN | HANSON | PCGP | PEACE RIVER GROUP | UBMG | UPPER BLAIRMORE |
| CLLK | CHARLIE LAKE | HOME | HOME | PCPL | PORCUPINE HILLS | UILK | UPPER INTERLAKE |
| CLMR | CALMAR | HRLD | HERALD | PDDY | PADDY | UKRV | UPPER KEG RIVER |
| CLMT | CALMUT | HRMN | HARMON | PECH | PEECHEE | UMNV | UPPER MANNVILLE |
| CLNY | COLONY | HRRV | HORN RIVER | PGBD | PASSAGE BEDS | UPGR | UPPER GRAND RAPIDS |
| CLRD | COLORADO | HRVR | HAY RIVER | PIKA | PIKA | USHV | UPPER SHAUNAVON |
| CLSP | COALSPUR SCOLLARD | HSCN | HORSESHOE CANYON | PIPR | PIPER | UTRV | UPPER TURNER VALLEY |
| CLWS | CLEARWATER SHALE | HSLR | HASLER | PKCP | POKER CHIP SHALE | VCTR | VICTORIA |
| CMGS | CUMMINGS | IRTN | IRETON | PKKU | PUSKWASKAU | VGRD | VANGUARD |
| CMRS | CAMROSE | ISBL | ISHBEI | PKSK | PEKISKO | VKNS | VIKING SAND |
| CNCG | CHINCHAGA | JDTH | JUDITH RIVER | PKWK | PAKOWKI | VMLR | VERMILION RIVER |
| CNGO | CHUNGO | JLFU | JOLI FOU | PLCN | PELICAN | VRDN | VIRDEN |
| CNTH | CYNTHIA MEMBER | JNMR | JEAN MARIE | PLSR | PALLISER | WATT | WATT MOUNTAIN |
| CNTR | CANTUAR | JPGP | JUMPING POUND | PMBN | PEMBINA | WBMN | WABAMUN |
| CPSL | CYPRESS HILLS | KEGR | KEG RIVER | PNPT | PINE POINT | WBSK | WABISKAW |
| CRDM | CARDIUM | KKIS | KAKISA | PPHT | PROPHET | WDMN | WOOD MOUNTAIN |
| CRFT | CROWFOOT | KNDL | KINDLE | PPLR | POPLAR | WFWL | WATERFOWL |
| CRLS | CHARLES | KSBY | KISBEY | PRDN | PARDONET | WGTE | WESTGATE |
| CRSN | CHRISTINA | KSKN | KISKATINAW | PRDX | PERDRIX | WHRS | WHITEHORSE |
| CRSR | CRUISER | KSKP | KASKAPAU | PRQL | PRESQU'ILE | WKPH | WOKKPASH |
| CRWS | CROWSNEST | KSKS | KANANASKIS | PRVP | PRAIRIE EVAPORITE | WLCK | WILLOW CREEK |
| CSFD | CROSSFIELD | KTCH | KOTCHO | PSKP | PASKAPOO | WLRC | WILRICH |
| CSGN | COSTIGAN | KTNL | KOTANEELEE | RCKK | ROCK CREEK | WNPG | WINNIPEG |
| CTBK | CUT BANK | KTNY | KOOTENAY | RCLF | RATCLIFFE | WOLF | WOLF LAKE MEMBER |
| DBLT | DEBOLT | LABI | LA BICHE | RDBV | RED BEDS (DEVONIAN) | WPGP | WAPITI GROUP |
| DCRK | DOE CREEK | LAMR | LOWER AMARANTH | RDGM | RIDING MOUNTAIN | WPGS | WINNIPEGOSIS |
| DDWD | DEADWOOD | LBMG | LOWER BLAIRMORE | RDKF | REDKNIFE | WPIB | WAPIABI |
| DINA | DINA | LBRG | LOTSBERG | RDRV | RED RIVER | WRBR | WINTERBURN |
| DNVG | DUNVEGAN | LBSK | LOBSTICK MEMBER | REXX | REX | WRLK | WHITEWATER LAKE |
| DOIG | DOIG | LCLD | LOWER COLORADO | RLDG | ROUTLEDGE | WSEC | WASECA |
| DPRW | DUPEROW | LDGP | LODGEPOLE | RNBW | RAINBOW | WTMD | WHITEMUD |
| DSBY | DAWSON BAY | LDMR | LLOYDMINSTER | RNDL | RUNDLE GROUP | WTRS | WATROUS |
| DTSS | DETRITAL SANDSTONE | LDUC | LEDUC | RRDN | RIERDON | WTRW | WATERWAYS |
| DUDN | DUNEDIN | LILK | LOWER INTERLAKE | RSRY | ROSERAY | YOMN | YEOMAN |
| DVRN | DUVERNAY | LIRD | LIARD | RSTN | RESTON | ZAMA | ZAMA |

## Appendix C – Cash Flow Reports

This appendix contains detailed cash flow reports containing summaries of reserves and net present values for Canlin's working interests in Canada.

Discussion of the fiscal terms and economic assumptions are included in Section 8.0.

The cash flow report tables present the economic summary and production details.

Appendix C
Summary of Reserves and Net Present Values

Canlin Energy Corporation
Consolidated
Total Proved + Probable

Production Start : 2018-07-01
As Of Date : 2018-06-30

| | Lt Med Oil | Heavy Oil | Bitumen | Synthetic | Tight Oil | Solution Gas | Non-Assoc Assoc Gas | CBM | Shale Gas | Ethane | Propane | Butane Pentane Plus | | Total NGL | Sulphur | Equiv. Oil |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | MBbl | MBbl | MBbl | MBbl | MBbl | MMcf | MMcf | MMcf | MMcf | MBbl | MBbl | MBbl | MBbl | MBbl | MLt | MBoe |
| Gross | 62858.7 | 0.0 | 0.0 | 0.0 | 0.0 | 61254 | 2315201 | 0 | 0 | 4394.4 | 15770.4 | 4759.7 | 8573.6 | 33498.2 | 3179.7 | 492432.7 |
| Co. Gr. | 10188.0 | 0.0 | 0.0 | 0.0 | 0.0 | 10653 | 1645378 | 0 | 0 | 316.4 | 9527.8 | 2078.6 | 4585.1 | 16507.9 | 2491.3 | 302701.2 |
| Co. Net | 9417.4 | 0.0 | 0.0 | 0.0 | 0.0 | 10578 | 1454527 | 0 | 0 | 295.7 | 7381.6 | 1642.9 | 3291.6 | 12611.8 | 2065.9 | 266213.2 |

| Year | Oil Comp. Gross | Gas Comp. Gross | BOE Comp. Gross | Oil Revenue | Gas Revenue | Other Revenue | Total Revenue | Total Crown | Non-Crown | Total Royalty | Royalty | Opex | Other Exp. | Total Expenses | Total Capital | Aband. & Reclaim. | BTax Cash Flow |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | bbl/d | Mcf/d | boe/d | M$ | M$ | M$ | M$ | M$ | M$ | M$ | % | M$ | M$ | M$ | M$ | M$ | M$ |
| 2018 | 1823.4 | 238213 | 43782.1 | 25233.6 | 77382.6 | 47434.6 | 150050.8 | 11497.3 | 1342.1 | 12839.3 | 8.6 | 77620.3 | 0.0 | 77620.3 | 63701.8 | 0.0 | -4110.6 |
| 2019 | 2081.2 | 237092 | 43971.6 | 53760.1 | 204385.9 | 88674.2 | 346820.2 | 25612.1 | 3784.3 | 29396.4 | 8.5 | 155044.8 | 0.0 | 155044.8 | 150171.0 | 0.0 | 12208.1 |
| 2020 | 1898.8 | 231326 | 42709.6 | 51897.4 | 253628.1 | 86493.3 | 392018.9 | 31995.2 | 5331.1 | 37326.3 | 9.5 | 151696.5 | 0.0 | 151696.5 | 98717.7 | 0.0 | 104278.4 |
| 2021 | 1777.2 | 272375 | 49629.1 | 51180.5 | 313900.2 | 87729.1 | 452809.9 | 35760.5 | 5304.4 | 41064.9 | 9.1 | 167673.6 | 0.0 | 167673.6 | 213616.8 | 0.0 | 30454.6 |
| 2022 | 1584.8 | 288740 | 52326.9 | 46595.2 | 370041.9 | 86580.4 | 503217.5 | 39253.6 | 5565.3 | 44818.8 | 8.9 | 171569.8 | 0.0 | 171569.8 | 130526.3 | 0.0 | 156302.6 |
| 2023 | 1439.7 | 267821 | 48578.5 | 43214.8 | 351167.4 | 83828.1 | 478210.4 | 38809.3 | 5308.1 | 44117.4 | 9.2 | 170261.2 | 0.0 | 170261.2 | 128465.3 | 176.1 | 135190.3 |
| 2024 | 1319.7 | 302502 | 55049.2 | 40553.5 | 412069.1 | 90917.2 | 543539.8 | 42284.5 | 5283.2 | 47567.7 | 8.8 | 172234.3 | 0.0 | 172234.3 | 135362.3 | 14556.7 | 173818.8 |
| 2025 | 1220.5 | 276035 | 49998.8 | 38183.1 | 386159.3 | 76056.8 | 500399.3 | 38595.9 | 4997.6 | 43593.5 | 8.7 | 162992.2 | 0.0 | 162992.2 | 67110.7 | 320.3 | 226382.5 |
| 2026 | 1135.6 | 244507 | 44248.6 | 36267.6 | 351518.2 | 66036.1 | 453822.0 | 36128.4 | 4503.4 | 40631.7 | 9.0 | 152309.9 | 0.0 | 152309.9 | 271.4 | 2339.0 | 258270.0 |
| 2027 | 1060.2 | 214281 | 38844.5 | 34565.2 | 316194.4 | 59762.5 | 410522.2 | 30440.4 | 4010.5 | 34450.9 | 8.4 | 146635.6 | 0.0 | 146635.6 | 0.0 | 37776.3 | 191659.4 |
| 2028 | 993.0 | 193335 | 35076.0 | 33138.9 | 293468.5 | 54998.3 | 381605.7 | 29595.7 | 3769.1 | 33364.8 | 8.7 | 140798.7 | 0.0 | 140798.7 | 0.0 | 11024.0 | 196418.2 |
| 2029 | 932.1 | 175524 | 31877.0 | 31665.8 | 271154.3 | 50617.2 | 353437.3 | 28047.2 | 3467.2 | 31514.4 | 8.9 | 136161.2 | 0.0 | 136161.2 | 0.0 | 28741.2 | 157020.5 |
| 2030 | 875.8 | 160621 | 29192.3 | 30372.2 | 253689.4 | 46828.5 | 330890.2 | 26692.9 | 3259.8 | 29952.6 | 9.1 | 133071.0 | 0.0 | 133071.0 | 0.0 | 8105.4 | 159761.1 |
| 2031 | 818.8 | 144292 | 26282.7 | 28986.1 | 232859.8 | 43058.1 | 304904.0 | 25189.5 | 2729.6 | 27919.1 | 9.2 | 123141.1 | 0.0 | 123141.1 | 0.0 | 21396.9 | 132446.8 |
| 2032 | 772.4 | 132349 | 24135.4 | 27987.2 | 218900.2 | 40251.6 | 287139.1 | 23991.3 | 2555.1 | 26546.5 | 9.2 | 119707.3 | 0.0 | 119707.3 | 0.0 | 8741.6 | 132143.7 |
| 2033 | 708.8 | 119913 | 21889.3 | 26143.4 | 202176.9 | 36993.6 | 265313.9 | 22539.0 | 2383.4 | 24922.3 | 9.4 | 111062.2 | 0.0 | 111062.2 | 0.0 | 14012.9 | 115316.5 |
| 2034 | 661.9 | 106559 | 19512.1 | 24938.6 | 183761.5 | 33957.8 | 242657.9 | 20988.3 | 2212.1 | 23200.4 | 9.6 | 100816.0 | 0.0 | 100816.0 | 0.0 | 5108.3 | 113533.3 |
| 2035 | 627.8 | 97372 | 17864.0 | 24143.9 | 171718.7 | 31761.5 | 227624.0 | 19917.2 | 2057.7 | 21975.0 | 9.7 | 96845.6 | 0.0 | 96845.6 | 0.0 | 6347.3 | 102456.2 |
| 2036 | 596.9 | 88677 | 16288.5 | 23495.3 | 159831.9 | 29304.6 | 212631.8 | 18716.3 | 1899.7 | 20616.0 | 9.7 | 93398.6 | 0.0 | 93398.6 | 0.0 | 28504.6 | 70109.0 |
| 2037 | 567.4 | 78150 | 14428.3 | 22731.4 | 143822.1 | 25780.4 | 192333.9 | 16738.1 | 1798.4 | 18536.5 | 9.6 | 83590.0 | 0.0 | 83590.0 | 0.0 | 6179.9 | 84027.4 |
| Sub Total | | | | 695054.1 | 5167830.4 | 1167064.1 | 7029948.6 | 562792.7 | 71561.9 | 634354.5 | | 2666629.9 | 0.0 | 2666629.9 | 987943.2 | 193330.5 | 2547686.7 |
| 36 Years | | | | 274668.3 | 1788012.5 | 274741.5 | 2337422.3 | 207782.0 | 11216.7 | 218998.7 | | 1190516.6 | 0.0 | 1190516.6 | 0.0 | 266169.4 | 661737.5 |
| Total | | | | 969722.4 | 6955842.9 | 1441805.5 | 9367370.9 | 770574.6 | 82778.6 | 853353.2 | | 3857146.6 | 0.0 | 3857146.6 | 987943.2 | 459499.9 | 3209424.3 |
| Discount | 5% | | | 559438.9 | 3918836.7 | 900879.1 | 5379154.7 | 432645.7 | 52977.0 | 485622.7 | | 2103114.6 | 0.0 | 2103114.6 | 839198.4 | 161232.9 | 1789984.5 |
| Discount | 10% | | | 385203.8 | 2628181.2 | 652480.9 | 3665865.8 | 291209.9 | 37955.7 | 329165.6 | | 1403253.0 | 0.0 | 1403253.0 | 724750.4 | 78034.1 | 1130662.0 |
| Discount | 12% | | | 342761.3 | 2306870.5 | 587882.3 | 3237514.1 | 256356.3 | 33939.2 | 290295.5 | | 1235331.7 | 0.0 | 1235331.7 | 686323.8 | 61188.6 | 964374.0 |
| Discount | 15% | | | 294829.9 | 1939578.9 | 512242.2 | 2746651.0 | 216697.1 | 29202.6 | 245899.6 | | 1046683.1 | 0.0 | 1046683.1 | 635063.4 | 43878.6 | 775125.8 |
| Discount | 18% | | | 259406.3 | 1665516.1 | 454291.7 | 2379214.1 | 187210.7 | 25562.8 | 212773.6 | | 908090.9 | 0.0 | 908090.9 | 590329.3 | 32409.1 | 635611.0 |
| Discount | 20% | | | 240537.3 | 1519022.7 | 422678.8 | 2182238.8 | 171473.8 | 23578.4 | 195052.2 | | 834675.7 | 0.0 | 834675.7 | 563607.3 | 26830.5 | 562073.1 |
| Discount | 25% | | | 204418.6 | 1239094.0 | 360755.3 | 1804267.9 | 141407.6 | 19704.6 | 161112.2 | | 695346.8 | 0.0 | 695346.8 | 505815.8 | 17355.5 | 424637.5 |

| Reserve Life | Reserve Half Life | Reserve Life Index | Before Tax Payout | First Year Co Gr. Operating Costs |
|---|---|---|---|---|
| 50.5 years | 8.3 years | 19.0 | 1.1 years | $/BOE 9.69 |

Canlin Energy Corporation
Project : 22299 - Report : H4
**Page : 1 of 1**

Price : 2018-06-30 SAL Prices - New C*
Scenario : SAL June Price
DB : CANLIN22299MY.vndl

Run By : CarolinH
Version : 16.2.0.45
Run Time : 18/09/24 07:42

Sproule

Appendix C
Production and Price Forecast

Canlin Energy Corporation
Consolidated
Total Proved + Probable

Production Start : 2018-07-01
As Of Date : 2018-06-30

| Year | Light & Medium Oil Gr. Well Count | Gr. Daily Bbl/d | Gross MBbl | Co Grs MBbl | Co Net MBbl | Price $/Bbl | Gas Gr. Well Count | Gr. Daily Mcf/d | Gross MMcf | Co Grs MMcf | Co Net MMcf | Price $/Mcf |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2018 | 1329 | 14071 | 2589.0 | 335.5 | 316.3 | 75.21 | 6140 | 362034 | 66614 | 43402 | 38762 | 1.76 |
| 2019 | 1325 | 13376 | 4882.2 | 759.6 | 717.8 | 70.77 | 6260 | 356619 | 130166 | 85767 | 76280 | 2.36 |
| 2020 | 1284 | 12149 | 4446.6 | 694.9 | 640.6 | 74.68 | 6196 | 345413 | 126421 | 83930 | 74201 | 2.99 |
| 2021 | 1266 | 11115 | 4057.1 | 648.7 | 595.4 | 78.90 | 6308 | 386785 | 141176 | 98716 | 88086 | 3.15 |
| 2022 | 1233 | 10116 | 3692.5 | 578.4 | 528.8 | 80.55 | 6322 | 398305 | 145381 | 104763 | 93929 | 3.51 |
| 2023 | 1174 | 9246 | 3374.8 | 525.5 | 483.0 | 82.24 | 5533 | 365658 | 133465 | 97186 | 86485 | 3.59 |
| 2024 | 1114 | 8409 | 3077.6 | 483.0 | 445.6 | 83.96 | 5245 | 417104 | 152660 | 110193 | 98758 | 3.72 |
| 2025 | 1044 | 7692 | 2807.4 | 445.5 | 412.0 | 85.71 | 4796 | 384133 | 140209 | 100271 | 89599 | 3.83 |
| 2026 | 1006 | 7072 | 2581.3 | 414.5 | 384.2 | 87.50 | 4611 | 344148 | 125614 | 88798 | 78939 | 3.94 |
| 2027 | 946 | 6566 | 2396.5 | 387.0 | 369.4 | 89.32 | 4277 | 301029 | 109875 | 77796 | 69091 | 4.04 |
| 2028 | 943 | 6136 | 2245.8 | 363.4 | 346.5 | 91.19 | 4150 | 271618 | 99412 | 70370 | 62133 | 4.15 |
| 2029 | 938 | 5755 | 2100.4 | 340.2 | 324.1 | 93.08 | 3817 | 246948 | 90136 | 63700 | 56072 | 4.23 |
| 2030 | 920 | 5353 | 1953.8 | 319.7 | 303.8 | 95.02 | 3751 | 225305 | 82236 | 58283 | 51174 | 4.32 |
| 2031 | 872 | 4920 | 1795.8 | 298.9 | 283.2 | 96.99 | 3659 | 202271 | 73829 | 52353 | 45954 | 4.42 |
| 2032 | 857 | 4592 | 1680.6 | 282.7 | 266.8 | 99.00 | 3259 | 184543 | 67543 | 48143 | 42208 | 4.52 |
| 2033 | 819 | 4220 | 1540.4 | 258.7 | 243.1 | 101.05 | 3181 | 164828 | 60162 | 43510 | 38057 | 4.62 |
| 2034 | 781 | 3950 | 1441.7 | 241.6 | 226.2 | 103.23 | 2040 | 143662 | 52437 | 38661 | 33740 | 4.72 |
| 2035 | 748 | 3675 | 1341.2 | 229.1 | 213.5 | 105.37 | 1801 | 131270 | 47913 | 35319 | 30773 | 4.83 |
| 2036 | 726 | 3457 | 1265.3 | 218.5 | 202.7 | 107.54 | 1761 | 119821 | 43855 | 32244 | 28064 | 4.92 |
| 2037 | 723 | 3262 | 1190.5 | 207.1 | 191.2 | 109.76 | 1738 | 103875 | 37914 | 28324 | 24710 | 5.04 |
| Sub Tot | | | 50460.5 | 8032.5 | 7494.3 | | | | 1927019 | 1361727 | 1207014 | |
| 31 Years | | | 12398.2 | 2155.5 | 1923.1 | | | | 388182 | 283651 | 247512 | |
| Total | | | 62858.7 | 10188.0 | 9417.4 | | | | 2315201 | 1645378 | 1454527 | |

| Year | Solution Gas Gross MMcf | Co Grs MMcf | Co Net MMcf | Price $/Mcf | Ethane Gross MBbl | Co Grs MBbl | Co Net MBbl | Price $/Bbl | Propane Gross MBbl | Co Grs MBbl | Co Net MBbl | Price $/Bbl |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2018 | 3265 | 430 | 440 | 1.99 | 153.4 | 16.9 | 15.9 | 5.73 | 308.9 | 120.4 | 93.9 | 22.00 |
| 2019 | 5763 | 772 | 783 | 2.62 | 289.3 | 31.7 | 29.7 | 7.29 | 591.3 | 244.6 | 192.1 | 22.43 |
| 2020 | 5097 | 735 | 737 | 3.29 | 271.2 | 29.0 | 27.1 | 8.99 | 549.3 | 229.6 | 174.1 | 27.52 |
| 2021 | 4532 | 701 | 695 | 3.51 | 252.7 | 26.2 | 24.5 | 9.58 | 678.4 | 365.7 | 306.2 | 30.64 |
| 2022 | 4023 | 627 | 616 | 3.87 | 236.3 | 23.8 | 22.3 | 10.48 | 741.7 | 450.6 | 387.6 | 31.92 |
| 2023 | 3630 | 569 | 558 | 3.98 | 221.2 | 21.7 | 20.3 | 10.75 | 692.9 | 422.0 | 363.5 | 32.88 |
| 2024 | 3265 | 523 | 510 | 4.09 | 207.1 | 19.8 | 18.5 | 11.00 | 1105.6 | 735.7 | 631.1 | 33.60 |
| 2025 | 2939 | 481 | 468 | 4.20 | 191.6 | 17.1 | 15.9 | 11.27 | 985.9 | 635.9 | 524.8 | 34.62 |
| 2026 | 2675 | 447 | 433 | 4.32 | 178.7 | 15.5 | 14.5 | 11.53 | 872.3 | 552.9 | 433.4 | 35.67 |
| 2027 | 2452 | 416 | 423 | 4.43 | 167.6 | 14.1 | 13.1 | 11.80 | 754.1 | 474.2 | 343.8 | 36.74 |
| 2028 | 2254 | 391 | 395 | 4.54 | 157.1 | 12.5 | 11.6 | 12.09 | 677.4 | 423.6 | 298.9 | 37.81 |
| 2029 | 2079 | 366 | 370 | 4.64 | 147.1 | 11.3 | 10.6 | 12.32 | 615.0 | 382.8 | 266.9 | 38.73 |
| 2030 | 1920 | 344 | 347 | 4.74 | 137.7 | 10.0 | 9.3 | 12.55 | 564.7 | 350.3 | 243.5 | 39.66 |
| 2031 | 1693 | 313 | 314 | 4.85 | 129.1 | 9.1 | 8.5 | 12.79 | 517.7 | 321.7 | 223.2 | 40.60 |
| 2032 | 1566 | 297 | 296 | 4.95 | 121.3 | 8.3 | 7.8 | 13.04 | 478.7 | 297.3 | 206.1 | 41.56 |
| 2033 | 1414 | 258 | 259 | 5.09 | 113.1 | 7.3 | 6.9 | 13.28 | 436.2 | 272.8 | 189.0 | 42.55 |
| 2034 | 1288 | 233 | 235 | 5.26 | 105.9 | 6.3 | 5.9 | 13.54 | 403.3 | 251.6 | 174.7 | 43.55 |
| 2035 | 1170 | 222 | 223 | 5.37 | 99.3 | 5.6 | 5.2 | 13.80 | 373.2 | 233.1 | 163.7 | 44.56 |
| 2036 | 1096 | 212 | 213 | 5.47 | 92.6 | 4.3 | 4.1 | 14.05 | 344.9 | 215.1 | 153.0 | 45.61 |
| 2037 | 1023 | 201 | 202 | 5.58 | 86.4 | 3.5 | 3.3 | 14.31 | 319.1 | 198.6 | 143.4 | 46.66 |
| Sub Tot | 53145 | 8538 | 8519 | | 3358.6 | 294.0 | 274.8 | | 12010.5 | 7178.4 | 5512.9 | |
| 31 Years | 8109 | 2115 | 2059 | | 1035.8 | 22.4 | 20.9 | | 3759.9 | 2349.4 | 1868.7 | |
| Total | 61254 | 10653 | 10578 | | 4394.4 | 316.4 | 295.7 | | 15770.4 | 9527.8 | 7381.6 | |

| Year | Heavy Oil Gr. Well Count | Gr. Daily Bbl/d | Gross MBbl | Co Grs MBbl | Co Net MBbl | Price $/Bbl | Bitumen Gr. Well Count | Gr. Daily Bbl/d | Gross MBbl | Co Grs MBbl | Co Net MBbl | Price $/Bbl |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2018 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2019 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2020 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2021 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2022 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2023 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2024 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2025 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2026 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2027 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2028 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2029 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2030 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2031 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2032 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2033 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2034 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2035 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2036 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2037 | - | - | - | - | - | - | - | - | - | - | - | - |
| Sub Tot | | | | | | | | | | | | |
| 31 Years | | | | | | | | | | | | |
| Total | | | | | | | | | | | | |

| Year | Sulphur Gross MLt | Co Grs MLt | Co Net MLt | Price $/Lt | Butane Gross MBbl | Co Grs MBbl | Co Net MBbl | Price $/Bbl | Pentane Plus Gross MBbl | Co Grs MBbl | Co Net MBbl | Price $/Bbl |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2018 | 112.3 | 81.6 | 67.6 | 68.91 | 200.8 | 87.3 | 66.3 | 39.35 | 356.8 | 190.6 | 128.1 | 79.00 |
| 2019 | 224.6 | 162.8 | 134.9 | 69.83 | 394.7 | 185.0 | 143.0 | 39.35 | 716.2 | 405.7 | 282.8 | 70.32 |
| 2020 | 226.2 | 164.9 | 136.8 | 70.93 | 371.0 | 176.0 | 133.8 | 45.27 | 683.7 | 391.2 | 270.7 | 73.53 |
| 2021 | 236.1 | 176.5 | 146.5 | 73.74 | 325.2 | 149.5 | 110.8 | 52.08 | 622.3 | 355.1 | 237.9 | 77.54 |
| 2022 | 219.1 | 167.4 | 138.9 | 74.74 | 294.5 | 134.0 | 96.8 | 53.35 | 593.8 | 347.4 | 226.0 | 79.69 |
| 2023 | 216.7 | 169.2 | 139.9 | 77.86 | 269.0 | 121.7 | 87.9 | 54.61 | 573.6 | 347.8 | 224.2 | 81.86 |
| 2024 | 195.8 | 151.9 | 125.6 | 79.01 | 246.7 | 111.4 | 80.6 | 55.89 | 554.5 | 345.6 | 221.6 | 83.96 |
| 2025 | 177.5 | 136.8 | 113.1 | 80.11 | 225.5 | 101.6 | 73.5 | 57.18 | 449.2 | 257.4 | 167.5 | 84.96 |
| 2026 | 161.3 | 124.2 | 102.8 | 81.32 | 207.9 | 93.5 | 67.7 | 58.48 | 377.5 | 200.3 | 132.1 | 86.03 |
| 2027 | 145.0 | 112.2 | 92.8 | 82.57 | 192.8 | 86.3 | 73.2 | 59.81 | 345.9 | 181.2 | 145.3 | 87.83 |
| 2028 | 135.5 | 104.5 | 86.5 | 83.94 | 179.0 | 79.7 | 67.6 | 61.17 | 318.8 | 165.2 | 132.4 | 89.68 |
| 2029 | 125.9 | 97.0 | 80.3 | 85.36 | 165.2 | 73.0 | 61.9 | 62.55 | 292.7 | 150.1 | 120.3 | 91.55 |
| 2030 | 114.6 | 89.3 | 74.0 | 86.60 | 153.2 | 67.3 | 57.0 | 63.95 | 269.9 | 136.9 | 109.7 | 93.47 |
| 2031 | 105.4 | 82.4 | 68.3 | 87.84 | 140.0 | 61.9 | 52.4 | 65.38 | 243.5 | 123.9 | 99.3 | 95.44 |
| 2032 | 96.7 | 76.4 | 63.3 | 89.20 | 130.0 | 57.5 | 48.7 | 66.85 | 225.1 | 114.4 | 91.6 | 97.43 |
| 2033 | 87.0 | 69.3 | 57.4 | 90.56 | 116.1 | 52.5 | 44.4 | 68.35 | 197.4 | 103.5 | 82.8 | 99.46 |
| 2034 | 79.5 | 63.1 | 52.4 | 92.49 | 107.4 | 48.3 | 40.8 | 69.87 | 176.1 | 91.7 | 73.3 | 101.63 |
| 2035 | 73.0 | 58.1 | 48.2 | 93.80 | 99.4 | 44.9 | 37.8 | 71.39 | 161.7 | 84.2 | 67.1 | 103.77 |
| 2036 | 67.9 | 53.9 | 44.7 | 95.35 | 90.4 | 40.3 | 33.9 | 73.19 | 145.3 | 74.0 | 58.7 | 105.84 |
| 2037 | 39.7 | 36.6 | 30.4 | 95.85 | 83.3 | 36.9 | 30.9 | 74.80 | 131.0 | 66.1 | 52.4 | 107.85 |
| Sub Tot | 2839.7 | 2178.0 | 1804.3 | | 3992.2 | 1808.7 | 1409.1 | | 7434.9 | 4132.2 | 2923.9 | |
| 31 Years | 340.0 | 313.3 | 261.7 | | 767.5 | 269.8 | 233.8 | | 1138.7 | 453.0 | 367.7 | |
| Total | 3179.7 | 2491.3 | 2065.9 | | 4759.7 | 2078.6 | 1642.9 | | 8573.6 | 4585.1 | 3291.6 | |

Canlin Energy Corporation
Project : 22299 - Report : H1
**Page : 1 of 1**

Price : 2018-06-30 SAL Prices - New C*
Scenario : SAL June Price
DB : CANLIN22299MY.vndl

Run By : CarolinH
Version : 16.2.0.45
Run Time : 18/09/24 07:43

Sproule

**Appendix C**
**Summary of Reserves and Net Present Values**

**Canlin Energy Corporation**
**Consolidated**
**Total Proved + Probable**

**Production Start : 2018-07-01**
**As Of Date : 2018-06-30**

| Year | Revenue: Oil | Revenue: Gas | Revenue: NGL | Revenue: Sulphur | Revenue: Royalty | Revenue: Other | Royalties: Crown | Royalties: Crown Adj | Royalties: Production | Royalties: Resource | Royalties: MinTax | Opex | Other Exp. | Operating Income |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | M$ | M$ | M$ | M$ | M$ | M$ | M$ | M$ | M$ | M$ | M$ | M$ | M$ | M$ |
| 2018 | 25233.6 | 77382.6 | 21238.1 | 5620.3 | 2595.8 | 17980.4 | 16370.6 | 5037.7 | 0.0 | 1341.1 | 164.4 | 77620.3 | 0.0 | 59592.2 |
| 2019 | 53760.1 | 204385.9 | 41521.4 | 11367.9 | 4451.5 | 31333.3 | 35912.5 | 10590.6 | 0.0 | 3781.8 | 290.2 | 155044.8 | 0.0 | 162381.5 |
| 2020 | 51897.4 | 253628.1 | 43313.5 | 11696.4 | 4207.6 | 27275.8 | 42779.9 | 11099.1 | 0.0 | 5328.1 | 314.5 | 151696.5 | 0.0 | 202999.0 |
| 2021 | 51180.5 | 313900.2 | 46775.0 | 13016.2 | 3815.7 | 24122.3 | 47468.2 | 12012.8 | 0.0 | 5301.5 | 305.1 | 167673.6 | 0.0 | 244074.3 |
| 2022 | 46595.2 | 370041.9 | 49464.5 | 12510.5 | 3453.9 | 21151.5 | 51666.7 | 12688.7 | 0.0 | 5562.2 | 275.6 | 171569.8 | 0.0 | 286831.9 |
| 2023 | 43214.8 | 351167.4 | 49226.8 | 13175.4 | 3094.8 | 18331.1 | 51379.1 | 12808.2 | 0.0 | 5305.2 | 238.5 | 170261.2 | 0.0 | 263834.6 |
| 2024 | 40553.5 | 412069.1 | 60172.1 | 12002.0 | 2765.7 | 15977.4 | 56707.1 | 14635.5 | 0.0 | 5280.4 | 212.9 | 172234.3 | 0.0 | 323740.6 |
| 2025 | 38183.1 | 386159.3 | 49883.4 | 10956.8 | 2447.1 | 12769.5 | 52488.5 | 14085.9 | 0.0 | 4997.0 | 193.3 | 162992.2 | 0.0 | 293814.2 |
| 2026 | 36267.6 | 351518.2 | 42595.0 | 10101.5 | 2226.8 | 11112.8 | 49438.4 | 13489.8 | 0.0 | 4503.0 | 179.8 | 152309.9 | 0.0 | 260880.7 |
| 2027 | 34565.2 | 316194.4 | 38668.1 | 9262.3 | 2048.3 | 9783.9 | 42393.7 | 12120.9 | 0.0 | 4010.1 | 167.6 | 146635.6 | 0.0 | 229436.1 |
| 2028 | 33138.9 | 293468.5 | 35858.0 | 8772.3 | 1880.6 | 8487.4 | 41271.7 | 11832.7 | 0.0 | 3768.7 | 156.7 | 140798.7 | 0.0 | 207442.6 |
| 2029 | 31665.8 | 271154.3 | 33270.0 | 8276.9 | 1751.5 | 7318.8 | 39225.0 | 11322.9 | 0.0 | 3466.9 | 145.2 | 136161.2 | 0.0 | 185762.0 |
| 2030 | 30372.2 | 253689.4 | 31116.8 | 7734.4 | 1630.5 | 6346.8 | 37327.8 | 10770.6 | 0.0 | 3259.5 | 135.6 | 133071.0 | 0.0 | 167866.8 |
| 2031 | 28986.1 | 232859.8 | 29046.4 | 7235.8 | 1480.8 | 5295.0 | 35142.5 | 10079.4 | 0.0 | 2729.3 | 126.4 | 123141.1 | 0.0 | 153844.0 |
| 2032 | 27987.2 | 218900.2 | 27454.8 | 6812.5 | 1358.7 | 4625.6 | 33558.7 | 9685.4 | 0.0 | 2554.8 | 118.1 | 119707.3 | 0.0 | 140885.6 |
| 2033 | 26143.4 | 202176.9 | 25592.8 | 6274.4 | 1201.1 | 3925.2 | 31599.0 | 9169.3 | 0.0 | 2383.3 | 109.3 | 111062.2 | 0.0 | 129329.4 |
| 2034 | 24938.6 | 183761.5 | 23740.1 | 5840.1 | 1111.3 | 3266.2 | 29482.4 | 8596.0 | 0.0 | 2212.1 | 101.9 | 100816.0 | 0.0 | 118641.5 |
| 2035 | 24143.9 | 171718.7 | 22407.4 | 5448.8 | 1023.3 | 2882.0 | 27983.9 | 8160.9 | 0.0 | 2057.7 | 94.2 | 96845.6 | 0.0 | 108803.5 |
| 2036 | 23495.3 | 159831.9 | 20658.5 | 5137.3 | 956.3 | 2552.5 | 26359.8 | 7730.6 | 0.0 | 1899.7 | 87.1 | 93398.6 | 0.0 | 98613.5 |
| 2037 | 22731.4 | 143822.1 | 19201.2 | 3512.2 | 874.3 | 2192.7 | 23409.5 | 6751.7 | 0.0 | 1798.4 | 80.3 | 83590.0 | 0.0 | 90207.4 |
| Sub Total | 695054.1 | 5167830.4 | 711203.9 | 174754.3 | 44375.7 | 236730.3 | 771964.9 | 212668.8 | 0.0 | 71540.7 | 3496.6 | 2666629.9 | 0.0 | 3728981.7 |
| 36 Years | 274668.3 | 1788012.5 | 223229.1 | 34489.0 | 5306.8 | 11716.6 | 296738.6 | 89426.3 | 0.0 | 11216.7 | 469.6 | 1190516.6 | 0.0 | 927906.9 |
| Total | 969722.4 | 6955842.9 | 934433.0 | 209243.2 | 49682.5 | 248446.8 | 1068703.5 | 302095.1 | 0.0 | 82757.4 | 3966.2 | 3857146.6 | 0.0 | 4656888.6 |

| Year | Other Capital | CEE | CDE | COGPE | Total Capital | Net Revenue | Cum. Net Revenue | AdValorem /Severance | Aband. & Reclaim. | Sask. Tax | Before Tax | BTax Cum. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | M$ | M$ | M$ | M$ | M$ | M$ | M$ | M$ | M$ | M$ | M$ | M$ |
| 2018 | 33123.5 | 0.0 | 30578.3 | 0.0 | 63701.8 | -4109.6 | -4109.6 | 0.0 | 0.0 | 1.0 | -4110.6 | -4110.6 |
| 2019 | 56998.0 | 0.0 | 93172.9 | 0.0 | 150171.0 | 12210.6 | 8101.0 | 0.0 | 0.0 | 2.5 | 12208.1 | 8097.5 |
| 2020 | 52466.0 | 0.0 | 46251.7 | 0.0 | 98717.7 | 104281.4 | 112382.3 | 0.0 | 0.0 | 3.0 | 104278.4 | 112375.9 |
| 2021 | 31581.9 | 0.0 | 182034.9 | 0.0 | 213616.8 | 30457.5 | 142839.9 | 0.0 | 0.0 | 3.0 | 30454.6 | 142830.4 |
| 2022 | 46615.8 | 0.0 | 83910.5 | 0.0 | 130526.3 | 156305.6 | 299145.5 | 0.0 | 0.0 | 3.1 | 156302.6 | 299133.0 |
| 2023 | 51633.7 | 0.0 | 76831.6 | 0.0 | 128465.3 | 135369.3 | 434514.9 | 0.0 | 176.1 | 2.9 | 135190.3 | 434323.3 |
| 2024 | 10276.3 | 0.0 | 125085.9 | 0.0 | 135362.3 | 188378.3 | 622893.2 | 0.0 | 14556.7 | 2.8 | 173818.8 | 608142.1 |
| 2025 | 4388.7 | 0.0 | 62722.0 | 0.0 | 67110.7 | 226703.5 | 849596.7 | 0.0 | 320.3 | 0.6 | 226382.5 | 834524.7 |
| 2026 | 271.4 | 0.0 | 0.0 | 0.0 | 271.4 | 260609.3 | 1110206.0 | 0.0 | 2339.0 | 0.4 | 258270.0 | 1092794.7 |
| 2027 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 229436.1 | 1339642.1 | 0.0 | 37776.3 | 0.4 | 191659.4 | 1284454.1 |
| 2028 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 207442.6 | 1547084.7 | 0.0 | 11024.0 | 0.3 | 196418.2 | 1480872.3 |
| 2029 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 185762.0 | 1732846.7 | 0.0 | 28741.2 | 0.3 | 157020.5 | 1637892.8 |
| 2030 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 167866.8 | 1900713.5 | 0.0 | 8105.4 | 0.3 | 159761.1 | 1797653.9 |
| 2031 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 153844.0 | 2054557.6 | 0.0 | 21396.9 | 0.3 | 132446.8 | 1930100.7 |
| 2032 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 140885.6 | 2195443.2 | 0.0 | 8741.6 | 0.3 | 132143.7 | 2062244.4 |
| 2033 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 129329.4 | 2324772.6 | 0.0 | 14012.9 | 0.0 | 115316.5 | 2177560.9 |
| 2034 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 118641.5 | 2443414.1 | 0.0 | 5108.3 | 0.0 | 113533.3 | 2291094.1 |
| 2035 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 108803.5 | 2552217.6 | 0.0 | 6347.3 | 0.0 | 102456.2 | 2393550.3 |
| 2036 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 98613.5 | 2650831.1 | 0.0 | 28504.6 | 0.0 | 70109.0 | 2463659.3 |
| 2037 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 90207.4 | 2741038.5 | 0.0 | 6179.9 | 0.0 | 84027.4 | 2547686.7 |
| Sub Total | 287355.3 | 0.0 | 700587.8 | 0.0 | 987943.2 | 2741038.5 | | 0.0 | 193330.5 | 21.2 | 2547686.7 | |
| 36 Years | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 927906.9 | | 0.0 | 266169.4 | 0.0 | 661737.5 | |
| Total | 287355.3 | 0.0 | 700587.8 | 0.0 | 987943.2 | 3668945.4 | | 0.0 | 459499.9 | 21.2 | 3209424.3 | |

Canlin Energy Corporation
Project : 22299 - Report : H2
**Page : 1 of 1**

Price : 2018-06-30 SAL Prices - New C*
Scenario : SAL June Price
DB : CANLIN22299MY.vndl

Run By : CarolinH
Version : 16.2.0.45
Run Time : 18/09/24 07:43

Sproule

Appendix C
Summary of Reserves and Net Present Values

Canlin Energy Corporation
Consolidated
Total Proved

Production Start : 2018-07-01
As Of Date : 2018-06-30

| | Lt Med Oil | Heavy Oil | Bitumen | Synthetic | Tight Oil | Solution Gas | Non-Assoc Assoc Gas | CBM | Shale Gas | Ethane | Propane | Butane | Pentane Plus | Total NGL | Sulphur | Equiv. Oil |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | MBbl | MBbl | MBbl | MBbl | MBbl | MMcf | MMcf | MMcf | MMcf | MBbl | MBbl | MBbl | MBbl | MBbl | MLt | MBoe |
| Gross | 47761.2 | 0.0 | 0.0 | 0.0 | 0.0 | 46529 | 1569864 | 0 | 0 | 3591.7 | 10250.3 | 3726.8 | 6642.4 | 24211.2 | 2143.0 | 341371.3 |
| Co. Gr. | 7678.3 | 0.0 | 0.0 | 0.0 | 0.0 | 8248 | 1094992 | 0 | 0 | 268.4 | 5685.2 | 1636.8 | 3558.6 | 11148.9 | 1667.6 | 202700.5 |
| Co. Net | 7151.8 | 0.0 | 0.0 | 0.0 | 0.0 | 8060 | 973601 | 0 | 0 | 251.0 | 4491.5 | 1288.7 | 2539.3 | 8570.6 | 1384.6 | 179332.5 |

| Year | Oil Comp. Gross | Gas Comp. Gross | BOE Comp. Gross | Oil Revenue | Gas Revenue | Other Revenue | Total Revenue | Total Crown | Non-Crown | Total Royalty | Royalty | Opex | Other Exp. | Total Expenses | Total Capital | Aband. & Reclaim. | BTax Cash Flow |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | bbl/d | Mcf/d | boe/d | M$ | M$ | M$ | M$ | M$ | M$ | M$ | % | M$ | M$ | M$ | M$ | M$ | M$ |
| 2018 | 1775.2 | 231588 | 42489.9 | 24565.7 | 75245.6 | 45667.2 | 145478.6 | 10886.3 | 1305.6 | 12191.9 | 8.4 | 76485.8 | 0.0 | 76485.8 | 61191.8 | 0.0 | -4391.0 |
| 2019 | 1736.5 | 223163 | 41091.1 | 44895.8 | 192362.8 | 83300.9 | 320559.5 | 23264.9 | 3584.2 | 26849.1 | 8.4 | 149929.5 | 0.0 | 149929.5 | 114248.7 | 0.0 | 29532.2 |
| 2020 | 1566.2 | 210671 | 38699.9 | 42811.6 | 230998.0 | 79676.6 | 353486.2 | 27831.3 | 4917.7 | 32749.0 | 9.3 | 145948.1 | 0.0 | 145948.1 | 74500.1 | 0.0 | 100289.0 |
| 2021 | 1452.7 | 233095 | 42443.5 | 41839.8 | 268734.6 | 78212.9 | 388787.3 | 29964.3 | 4804.8 | 34769.1 | 8.9 | 152824.3 | 0.0 | 152824.3 | 173338.3 | 0.0 | 27855.6 |
| 2022 | 1317.7 | 233745 | 42509.5 | 38749.1 | 299725.7 | 75686.1 | 414160.9 | 31651.5 | 4911.3 | 36562.9 | 8.8 | 151921.6 | 0.0 | 151921.6 | 83427.1 | 0.0 | 142249.2 |
| 2023 | 1205.1 | 212722 | 38767.2 | 36180.5 | 280217.9 | 71593.6 | 387992.0 | 31226.8 | 4440.0 | 35666.8 | 9.2 | 149171.1 | 0.0 | 149171.1 | 24159.7 | 330.0 | 178664.3 |
| 2024 | 1108.1 | 203034 | 37013.8 | 34057.2 | 276287.6 | 67964.4 | 378309.2 | 29973.3 | 4258.2 | 34231.4 | 9.0 | 143044.7 | 0.0 | 143044.7 | 67468.4 | 8190.6 | 125374.0 |
| 2025 | 1017.4 | 185940 | 33802.1 | 31832.6 | 259872.0 | 57076.9 | 348781.5 | 27915.5 | 3894.6 | 31810.1 | 9.1 | 132804.5 | 0.0 | 132804.5 | 46711.2 | 36358.0 | 101097.8 |
| 2026 | 943.8 | 163181 | 29708.4 | 30149.3 | 234572.2 | 49998.0 | 314719.5 | 25688.0 | 3405.6 | 29093.6 | 9.2 | 121682.0 | 0.0 | 121682.0 | 0.0 | 1608.5 | 162335.4 |
| 2027 | 878.3 | 143323 | 26144.9 | 28639.4 | 211476.6 | 45070.0 | 285186.1 | 19626.4 | 3011.1 | 22637.5 | 7.9 | 117299.4 | 0.0 | 117299.4 | 0.0 | 10469.6 | 134779.6 |
| 2028 | 803.5 | 127821 | 23340.2 | 26822.3 | 194173.7 | 40877.4 | 261873.4 | 18766.2 | 2784.7 | 21550.8 | 8.2 | 112590.3 | 0.0 | 112590.3 | 0.0 | 29126.3 | 98606.0 |
| 2029 | 734.9 | 109989 | 20162.6 | 24994.7 | 170647.5 | 36190.2 | 231832.4 | 17177.4 | 2244.4 | 19421.8 | 8.4 | 101644.7 | 0.0 | 101644.7 | 0.0 | 23268.5 | 87497.4 |
| 2030 | 688.6 | 99075 | 18181.6 | 23907.1 | 157205.7 | 32613.5 | 213726.3 | 16136.8 | 2055.5 | 18192.3 | 8.5 | 98176.2 | 0.0 | 98176.2 | 0.0 | 20672.4 | 76685.4 |
| 2031 | 645.8 | 85773 | 15828.7 | 22885.5 | 139464.3 | 28263.9 | 190613.7 | 14467.7 | 1899.2 | 16366.9 | 8.6 | 87912.4 | 0.0 | 87912.4 | 0.0 | 7080.6 | 79253.9 |
| 2032 | 605.8 | 73289 | 13618.1 | 21971.6 | 121921.0 | 25299.9 | 169192.4 | 13351.0 | 1682.4 | 15033.5 | 8.9 | 77017.7 | 0.0 | 77017.7 | 0.0 | 7044.4 | 70096.8 |
| 2033 | 569.2 | 66566 | 12388.7 | 21014.1 | 112898.0 | 22890.0 | 156802.1 | 12385.4 | 1567.2 | 13952.6 | 8.9 | 72180.6 | 0.0 | 72180.6 | 0.0 | 6543.3 | 64114.8 |
| 2034 | 531.9 | 60563 | 11279.9 | 20040.5 | 104923.0 | 20830.8 | 145794.3 | 11543.3 | 1453.8 | 12997.2 | 8.9 | 69685.0 | 0.0 | 69685.0 | 0.0 | 30774.6 | 32337.6 |
| 2035 | 500.5 | 52069 | 9708.9 | 19250.6 | 92799.4 | 16962.7 | 129012.7 | 10060.4 | 1012.0 | 11072.5 | 8.6 | 61614.2 | 0.0 | 61614.2 | 0.0 | 3033.5 | 53292.5 |
| 2036 | 471.5 | 45827 | 8590.6 | 18558.3 | 83452.9 | 15122.2 | 117133.4 | 9231.1 | 762.4 | 9993.5 | 8.5 | 56493.3 | 0.0 | 56493.3 | 0.0 | 36617.5 | 14029.1 |
| 2037 | 444.7 | 42414 | 7957.9 | 17816.4 | 78656.4 | 14088.1 | 110560.9 | 8635.1 | 724.3 | 9359.4 | 8.5 | 56094.2 | 0.0 | 56094.2 | 0.0 | 15411.9 | 29695.3 |
| Sub Total | | | | 570982.0 | 3585635.0 | 907385.3 | 5064002.3 | 389782.9 | 54719.1 | 444502.0 | | 2134519.5 | 0.0 | 2134519.5 | 645045.3 | 236529.7 | 1603395.0 |
| 36 Years | | | | 127984.1 | 768208.9 | 121789.0 | 1017982.1 | 79640.7 | 4695.2 | 84336.0 | | 525272.3 | 0.0 | 525272.3 | 0.0 | 159186.6 | 249187.3 |
| Total | | | | 698966.1 | 4353843.9 | 1029174.4 | 6081984.3 | 469423.7 | 59414.3 | 528837.9 | | 2659791.7 | 0.0 | 2659791.7 | 645045.3 | 395716.2 | 1852582.3 |
| Discount | 5% | | | 439839.1 | 2695356.1 | 701714.5 | 3836909.7 | 295468.7 | 40926.2 | 336394.9 | | 1629443.4 | 0.0 | 1629443.4 | 558947.7 | 163766.2 | 1148352.3 |
| Discount | 10% | | | 314787.9 | 1919858.0 | 533639.4 | 2768285.3 | 212955.9 | 30727.0 | 243682.9 | | 1161036.4 | 0.0 | 1161036.4 | 491702.2 | 85437.6 | 786423.6 |
| Discount | 12% | | | 282512.5 | 1715805.9 | 487418.8 | 2485737.2 | 191153.2 | 27861.3 | 219014.5 | | 1040236.5 | 0.0 | 1040236.5 | 468875.6 | 68341.5 | 689267.1 |
| Discount | 15% | | | 245177.6 | 1475815.3 | 431803.6 | 2152796.4 | 165461.6 | 24392.4 | 189854.0 | | 899721.1 | 0.0 | 899721.1 | 438192.0 | 50255.1 | 574772.9 |
| Discount | 18% | | | 217017.1 | 1291485.0 | 388038.7 | 1896540.8 | 145683.1 | 21654.5 | 167337.6 | | 792968.2 | 0.0 | 792968.2 | 411166.6 | 37933.4 | 487134.2 |
| Discount | 20% | | | 201839.9 | 1190918.1 | 363720.8 | 1756478.8 | 134869.6 | 20133.1 | 155002.7 | | 735137.6 | 0.0 | 735137.6 | 394897.8 | 31820.6 | 439619.3 |
| Discount | 25% | | | 172496.6 | 994363.2 | 315135.6 | 1481995.4 | 113668.6 | 17100.5 | 130769.1 | | 622830.7 | 0.0 | 622830.7 | 359345.7 | 21201.2 | 347848.3 |

| Reserve Life | Reserve Half Life | Reserve Life Index | Before Tax Payout | First Year Co Gr. Operating Costs |
|---|---|---|---|---|
| 50.5 years | 6.0 years | 13.0 | 1.1 years | $/BOE 9.88 |

Canlin Energy Corporation
Project : 22299 - Report : H4
**Page : 1 of 1**

Price : 2018-06-30 SAL Prices - New C*
Scenario : SAL June Price
DB : CANLIN22299MY.vndl

Run By : CarolinH
Version : 16.2.0.45
Run Time : 18/09/24 07:43

Appendix C
Production and Price Forecast

Canlin Energy Corporation
Consolidated
Total Proved

Production Start : 2018-07-01
As Of Date : 2018-06-30

| Year | Light & Medium Oil Gr. Well | Gr. Daily | Gross | Co Grs | Co Net | Price | Gas Gr. Well | Gr. Daily | Gross | Co Grs | Co Net | Price |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Count | Bbl/d | MBbl | MBbl | MBbl | $/Bbl | Count | Mcf/d | MMcf | MMcf | MMcf | $/Mcf |
| 2018 | 1324 | 13707 | 2522.0 | 326.6 | 307.5 | 75.21 | 5961 | 352028 | 64773 | 42191 | 37687 | 1.76 |
| 2019 | 1317 | 12568 | 4587.3 | 633.8 | 601.2 | 70.83 | 5987 | 337822 | 123305 | 80719 | 71759 | 2.36 |
| 2020 | 1291 | 11186 | 4094.0 | 573.2 | 536.7 | 74.69 | 6083 | 317681 | 116271 | 76457 | 67575 | 2.99 |
| 2021 | 1243 | 10015 | 3655.4 | 530.3 | 493.9 | 78.91 | 5349 | 337294 | 123112 | 84488 | 75216 | 3.16 |
| 2022 | 1178 | 8978 | 3277.0 | 481.0 | 446.8 | 80.56 | 5351 | 324819 | 118559 | 84784 | 75765 | 3.51 |
| 2023 | 1092 | 7966 | 2907.6 | 439.8 | 408.5 | 82.26 | 5021 | 293477 | 107119 | 77159 | 68651 | 3.61 |
| 2024 | 1027 | 7185 | 2629.6 | 405.6 | 377.6 | 83.97 | 4533 | 290389 | 106282 | 73867 | 65967 | 3.72 |
| 2025 | 948 | 6445 | 2352.5 | 371.4 | 346.3 | 85.72 | 4162 | 264626 | 96589 | 67474 | 60094 | 3.83 |
| 2026 | 927 | 5921 | 2161.1 | 344.5 | 321.8 | 87.52 | 3828 | 233082 | 85075 | 59195 | 52579 | 3.94 |
| 2027 | 909 | 5433 | 1983.1 | 320.6 | 307.2 | 89.34 | 3609 | 203590 | 74310 | 51972 | 46363 | 4.04 |
| 2028 | 877 | 4934 | 1806.0 | 294.1 | 281.1 | 91.21 | 3490 | 181314 | 66361 | 46481 | 41240 | 4.15 |
| 2029 | 853 | 4423 | 1614.2 | 268.2 | 255.7 | 93.19 | 3411 | 152003 | 55481 | 39880 | 35363 | 4.25 |
| 2030 | 795 | 4018 | 1466.5 | 251.3 | 238.7 | 95.12 | 2916 | 136871 | 49958 | 35912 | 31781 | 4.34 |
| 2031 | 745 | 3710 | 1354.3 | 235.7 | 223.1 | 97.09 | 2862 | 117147 | 42759 | 31072 | 27480 | 4.45 |
| 2032 | 742 | 3372 | 1234.1 | 221.7 | 208.2 | 99.09 | 1807 | 97719 | 35765 | 26602 | 23416 | 4.54 |
| 2033 | 582 | 2993 | 1092.3 | 207.8 | 193.1 | 101.14 | 1579 | 88910 | 32452 | 24088 | 21215 | 4.64 |
| 2034 | 542 | 2758 | 1006.8 | 194.1 | 179.6 | 103.23 | 1538 | 80924 | 29537 | 21909 | 19309 | 4.74 |
| 2035 | 530 | 2565 | 936.4 | 182.7 | 168.4 | 105.38 | 1340 | 70240 | 25638 | 18820 | 16650 | 4.88 |
| 2036 | 509 | 2333 | 853.8 | 172.6 | 158.3 | 107.55 | 1165 | 62205 | 22767 | 16598 | 14719 | 4.97 |
| 2037 | 485 | 2121 | 774.2 | 162.3 | 148.2 | 109.77 | 1058 | 57565 | 21011 | 15316 | 13615 | 5.08 |
| Sub Tot | | | 42308.3 | 6617.3 | 6201.9 | | | | 1397125 | 974984 | 866444 | |
| 31 Years | | | 5452.9 | 1061.1 | 949.8 | | | | 172738 | 120008 | 107157 | |
| Total | | | 47761.2 | 7678.3 | 7151.8 | | | | 1569864 | 1094992 | 973601 | |

| Year | Solution Gas Gross | Co Grs | Co Net | Price | Ethane Gross | Co Grs | Co Net | Price | Propane Gross | Co Grs | Co Net | Price |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | MMcf | MMcf | MMcf | $/Mcf | MBbl | MBbl | MBbl | $/Bbl | MBbl | MBbl | MBbl | $/Bbl |
| 2018 | 3173 | 421 | 429 | 1.99 | 150.9 | 16.6 | 15.6 | 5.73 | 297.0 | 113.9 | 88.3 | 22.10 |
| 2019 | 5494 | 735 | 742 | 2.62 | 281.8 | 30.7 | 28.7 | 7.30 | 556.4 | 224.8 | 174.9 | 22.59 |
| 2020 | 4702 | 649 | 648 | 3.31 | 260.6 | 27.7 | 25.9 | 9.00 | 507.5 | 208.0 | 156.7 | 27.66 |
| 2021 | 4054 | 591 | 582 | 3.54 | 239.6 | 24.7 | 23.1 | 9.58 | 597.0 | 312.9 | 260.5 | 30.73 |
| 2022 | 3539 | 533 | 519 | 3.90 | 221.2 | 22.2 | 20.7 | 10.49 | 639.8 | 379.8 | 327.2 | 31.98 |
| 2023 | 3098 | 484 | 468 | 4.01 | 203.5 | 19.4 | 18.2 | 10.75 | 591.1 | 354.6 | 305.0 | 32.93 |
| 2024 | 2750 | 444 | 426 | 4.12 | 187.8 | 17.2 | 16.0 | 11.00 | 637.5 | 361.5 | 312.6 | 33.85 |
| 2025 | 2342 | 394 | 375 | 4.24 | 171.6 | 14.9 | 14.0 | 11.27 | 598.4 | 339.6 | 270.1 | 34.82 |
| 2026 | 2112 | 366 | 347 | 4.36 | 158.5 | 13.1 | 12.3 | 11.53 | 550.3 | 312.3 | 235.3 | 35.84 |
| 2027 | 1904 | 341 | 340 | 4.47 | 146.9 | 11.8 | 11.0 | 11.80 | 478.9 | 270.5 | 206.0 | 36.90 |
| 2028 | 1685 | 301 | 300 | 4.61 | 136.0 | 10.3 | 9.6 | 12.09 | 428.2 | 242.5 | 181.7 | 37.97 |
| 2029 | 1492 | 267 | 266 | 4.75 | 125.2 | 9.2 | 8.6 | 12.32 | 381.2 | 218.4 | 159.8 | 38.88 |
| 2030 | 1316 | 250 | 249 | 4.85 | 116.2 | 8.3 | 7.8 | 12.56 | 344.9 | 197.9 | 142.9 | 39.83 |
| 2031 | 1188 | 235 | 233 | 4.96 | 107.1 | 7.2 | 6.7 | 12.79 | 315.9 | 181.2 | 131.0 | 40.76 |
| 2032 | 999 | 222 | 217 | 5.06 | 99.3 | 6.2 | 5.8 | 13.04 | 289.1 | 166.4 | 120.4 | 41.71 |
| 2033 | 800 | 209 | 200 | 5.16 | 92.1 | 5.6 | 5.2 | 13.29 | 262.0 | 152.2 | 110.7 | 42.69 |
| 2034 | 732 | 196 | 188 | 5.26 | 83.5 | 3.7 | 3.4 | 13.50 | 239.6 | 139.3 | 102.0 | 43.66 |
| 2035 | 674 | 185 | 177 | 5.37 | 77.0 | 2.9 | 2.7 | 13.72 | 215.0 | 123.1 | 91.5 | 44.35 |
| 2036 | 603 | 175 | 167 | 5.48 | 71.1 | 2.2 | 2.1 | 13.95 | 198.3 | 114.2 | 85.9 | 45.37 |
| 2037 | 536 | 165 | 157 | 5.59 | 65.6 | 2.0 | 1.9 | 14.21 | 182.1 | 105.5 | 80.5 | 46.43 |
| Sub Tot | 43193 | 7164 | 7029 | | 2995.5 | 256.0 | 239.4 | | 8310.3 | 4518.8 | 3543.0 | |
| 31 Years | 3336 | 1084 | 1031 | | 596.2 | 12.4 | 11.6 | | 1940.1 | 1166.4 | 948.5 | |
| Total | 46529 | 8248 | 8060 | | 3591.7 | 268.4 | 251.0 | | 10250.3 | 5685.2 | 4491.5 | |

| Year | Heavy Oil Gr. Well | Gr. Daily | Gross | Co Grs | Co Net | Price | Bitumen Gr. Well | Gr. Daily | Gross | Co Grs | Co Net | Price |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Count | Bbl/d | MBbl | MBbl | MBbl | $/Bbl | Count | Bbl/d | MBbl | MBbl | MBbl | $/Bbl |
| 2018 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2019 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2020 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2021 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2022 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2023 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2024 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2025 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2026 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2027 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2028 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2029 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2030 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2031 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2032 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2033 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2034 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2035 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2036 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2037 | - | - | - | - | - | - | - | - | - | - | - | - |
| Sub Tot | | | | | | | | | | | | |
| 31 Years | | | | | | | | | | | | |
| Total | | | | | | | | | | | | |

| Year | Sulphur Gross | Co Grs | Co Net | Price | Butane Gross | Co Grs | Co Net | Price | Pentane Plus Gross | Co Grs | Co Net | Price |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | MLt | MLt | MLt | $/Lt | MBbl | MBbl | MBbl | $/Bbl | MBbl | MBbl | MBbl | $/Bbl |
| 2018 | 110.4 | 80.3 | 66.5 | 68.91 | 193.8 | 83.6 | 63.2 | 39.40 | 337.4 | 175.4 | 117.7 | 78.83 |
| 2019 | 211.8 | 153.1 | 126.9 | 70.21 | 371.6 | 170.8 | 130.9 | 39.45 | 661.1 | 362.3 | 251.0 | 70.22 |
| 2020 | 200.8 | 145.5 | 120.6 | 71.55 | 342.8 | 160.0 | 120.7 | 45.36 | 619.6 | 344.2 | 237.0 | 73.43 |
| 2021 | 192.4 | 143.1 | 118.7 | 73.91 | 296.8 | 135.2 | 100.5 | 52.13 | 556.1 | 308.8 | 208.0 | 77.40 |
| 2022 | 178.6 | 134.4 | 111.5 | 74.93 | 264.7 | 119.6 | 88.1 | 53.40 | 515.5 | 294.0 | 194.8 | 79.52 |
| 2023 | 169.8 | 130.0 | 107.9 | 77.39 | 236.6 | 106.6 | 77.3 | 54.66 | 488.4 | 288.9 | 187.2 | 81.72 |
| 2024 | 148.7 | 114.3 | 94.9 | 78.59 | 213.6 | 95.8 | 69.5 | 55.92 | 462.7 | 281.9 | 181.3 | 83.84 |
| 2025 | 131.7 | 101.3 | 84.1 | 79.54 | 192.2 | 85.9 | 62.3 | 57.20 | 377.0 | 214.6 | 139.6 | 85.06 |
| 2026 | 120.2 | 92.2 | 76.5 | 80.82 | 174.4 | 77.6 | 56.2 | 58.49 | 317.4 | 169.2 | 111.3 | 86.32 |
| 2027 | 106.7 | 83.2 | 69.1 | 81.93 | 159.1 | 70.6 | 60.5 | 59.82 | 285.8 | 150.5 | 121.3 | 88.14 |
| 2028 | 98.5 | 76.6 | 63.6 | 83.31 | 144.0 | 64.2 | 55.0 | 61.18 | 256.4 | 134.3 | 108.3 | 90.00 |
| 2029 | 84.1 | 67.8 | 56.3 | 84.80 | 125.4 | 57.6 | 49.4 | 62.58 | 211.3 | 114.8 | 92.8 | 91.92 |
| 2030 | 76.8 | 61.8 | 51.3 | 86.23 | 111.5 | 50.9 | 43.7 | 64.17 | 186.9 | 100.8 | 81.5 | 93.80 |
| 2031 | 47.0 | 42.4 | 35.3 | 86.78 | 101.7 | 46.3 | 39.8 | 65.59 | 166.8 | 89.2 | 72.2 | 95.55 |
| 2032 | 41.6 | 38.0 | 31.6 | 87.88 | 91.9 | 42.1 | 36.0 | 67.06 | 144.8 | 77.2 | 62.2 | 97.44 |
| 2033 | 36.4 | 33.5 | 27.8 | 89.10 | 81.6 | 37.9 | 32.3 | 68.55 | 128.9 | 69.1 | 55.6 | 99.51 |
| 2034 | 33.1 | 30.4 | 25.3 | 90.68 | 73.8 | 34.1 | 29.0 | 70.04 | 116.3 | 61.7 | 49.6 | 101.55 |
| 2035 | 28.5 | 26.4 | 22.0 | 93.14 | 60.3 | 24.1 | 21.6 | 71.17 | 93.5 | 43.5 | 36.3 | 106.24 |
| 2036 | 24.6 | 22.8 | 19.1 | 94.77 | 55.2 | 22.2 | 19.8 | 72.73 | 83.2 | 37.5 | 31.4 | 108.19 |
| 2037 | 22.7 | 21.1 | 17.7 | 96.46 | 50.3 | 20.4 | 18.1 | 74.34 | 75.9 | 34.3 | 28.6 | 110.37 |
| Sub Tot | 2064.4 | 1598.2 | 1326.6 | | 3341.3 | 1505.5 | 1173.8 | | 6084.7 | 3352.2 | 2367.6 | |
| 31 Years | 78.6 | 69.4 | 58.1 | | 385.5 | 131.3 | 114.9 | | 557.7 | 206.4 | 171.7 | |
| Total | 2143.0 | 1667.6 | 1384.6 | | 3726.8 | 1636.8 | 1288.7 | | 6642.4 | 3558.6 | 2539.3 | |

Canlin Energy Corporation
Project : 22299 - Report : H1
**Page : 1 of 1**

Price : 2018-06-30 SAL Prices - New C*
Scenario : SAL June Price
DB : CANLIN22299MY.vndl

Run By : CarolinH
Version : 16.2.0.45
Run Time : 18/09/24 07:43

Sproule

Appendix C
Summary of Reserves and Net Present Values

Canlin Energy Corporation
Consolidated
Total Proved

Production Start : 2018-07-01
As Of Date : 2018-06-30

| Year | Revenue | | | | | | Royalties | | | | | | | Operating |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Oil | Gas | NGL | Sulphur | Royalty | Other | Crown | Crown Adj | Production | Resource | MinTax | Opex | Other Exp. | Income |
| | M$ | M$ | M$ | M$ | M$ | M$ | M$ | M$ | M$ | M$ | M$ | M$ | M$ | M$ |
| 2018 | 24565.7 | 75245.6 | 19731.7 | 5531.3 | 2463.3 | 17940.9 | 15639.2 | 4896.8 | 0.0 | 1304.6 | 144.0 | 76485.8 | 0.0 | 56801.8 |
| 2019 | 44895.8 | 192362.8 | 37485.1 | 10749.4 | 4121.0 | 30945.5 | 32997.4 | 9975.1 | 0.0 | 3581.7 | 242.7 | 149929.5 | 0.0 | 143783.4 |
| 2020 | 42811.6 | 230998.0 | 38536.6 | 10408.8 | 3767.7 | 26963.5 | 37643.9 | 10055.6 | 0.0 | 4914.8 | 243.0 | 145948.1 | 0.0 | 174792.0 |
| 2021 | 41839.8 | 268734.6 | 40802.9 | 10579.2 | 3270.2 | 23560.6 | 40019.8 | 10273.7 | 0.0 | 4802.0 | 218.2 | 152824.3 | 0.0 | 201196.8 |
| 2022 | 38749.1 | 299725.7 | 42142.8 | 10072.6 | 2870.8 | 20599.9 | 41670.3 | 10228.6 | 0.0 | 4908.5 | 209.8 | 151921.6 | 0.0 | 225679.2 |
| 2023 | 36180.5 | 280217.9 | 41322.4 | 10058.9 | 2435.1 | 17777.1 | 41173.2 | 10133.3 | 0.0 | 4438.1 | 186.9 | 149171.1 | 0.0 | 203156.0 |
| 2024 | 34057.2 | 276287.6 | 41419.1 | 8984.5 | 2128.5 | 15432.3 | 39450.9 | 9647.6 | 0.0 | 4257.8 | 170.0 | 143044.7 | 0.0 | 201033.3 |
| 2025 | 31832.6 | 259872.0 | 35161.6 | 8056.6 | 1843.1 | 12015.6 | 37178.4 | 9416.6 | 0.0 | 3894.3 | 153.7 | 132804.5 | 0.0 | 184167.3 |
| 2026 | 30149.3 | 234572.2 | 30487.9 | 7453.4 | 1635.8 | 10420.9 | 34355.5 | 8807.4 | 0.0 | 3405.2 | 139.9 | 121682.0 | 0.0 | 163944.2 |
| 2027 | 28639.4 | 211476.6 | 27614.7 | 6817.5 | 1473.7 | 9164.0 | 27017.2 | 7518.3 | 0.0 | 3010.8 | 127.5 | 117299.4 | 0.0 | 145249.4 |
| 2028 | 26822.3 | 194173.7 | 25351.6 | 6382.6 | 1313.9 | 7829.3 | 25993.1 | 7343.1 | 0.0 | 2784.5 | 116.2 | 112590.3 | 0.0 | 127732.4 |
| 2029 | 24994.7 | 170647.5 | 22766.6 | 5748.1 | 1128.3 | 6547.3 | 23923.2 | 6849.9 | 0.0 | 2244.4 | 104.0 | 101644.7 | 0.0 | 110765.9 |
| 2030 | 23907.1 | 157205.7 | 20702.2 | 5329.3 | 990.5 | 5591.5 | 22493.8 | 6451.3 | 0.0 | 2055.5 | 94.3 | 98176.2 | 0.0 | 97357.7 |
| 2031 | 22885.5 | 139464.3 | 19039.2 | 3683.2 | 885.2 | 4656.3 | 20107.8 | 5726.0 | 0.0 | 1899.2 | 85.9 | 87912.4 | 0.0 | 86334.4 |
| 2032 | 21971.6 | 121921.0 | 17363.7 | 3336.8 | 676.0 | 3923.4 | 18474.3 | 5202.0 | 0.0 | 1682.4 | 78.7 | 77017.7 | 0.0 | 77141.2 |
| 2033 | 21014.1 | 112898.0 | 16038.8 | 2982.5 | 446.9 | 3421.9 | 17160.0 | 4846.9 | 0.0 | 1567.2 | 72.3 | 72180.6 | 0.0 | 70658.1 |
| 2034 | 20040.5 | 104923.0 | 14788.6 | 2756.0 | 388.0 | 2898.3 | 15968.3 | 4491.9 | 0.0 | 1453.8 | 67.0 | 69685.0 | 0.0 | 63112.2 |
| 2035 | 19250.6 | 92799.4 | 11829.8 | 2458.2 | 339.5 | 2335.2 | 13988.5 | 3990.1 | 0.0 | 1012.0 | 62.0 | 61614.2 | 0.0 | 56326.0 |
| 2036 | 18558.3 | 83452.9 | 10888.5 | 2163.9 | 262.5 | 1807.4 | 12762.2 | 3584.1 | 0.0 | 762.4 | 53.1 | 56493.3 | 0.0 | 50646.6 |
| 2037 | 17816.4 | 78656.4 | 10223.0 | 2032.9 | 231.7 | 1600.5 | 11885.6 | 3299.7 | 0.0 | 724.3 | 49.2 | 56094.2 | 0.0 | 45107.2 |
| Sub Total | 570982.0 | 3585635.0 | 523696.5 | 125585.8 | 32671.5 | 225431.5 | 529902.4 | 142737.9 | 0.0 | 54703.7 | 2618.5 | 2134519.5 | 0.0 | 2484985.3 |
| 36 Years | 127984.1 | 768208.9 | 106108.3 | 7227.6 | 562.5 | 7890.6 | 111086.3 | 31649.4 | 0.0 | 4695.2 | 203.8 | 525272.3 | 0.0 | 408373.9 |
| Total | 698966.1 | 4353843.9 | 629804.8 | 132813.4 | 33234.0 | 233322.1 | 640988.7 | 174387.3 | 0.0 | 59399.0 | 2822.3 | 2659791.7 | 0.0 | 2893359.2 |

| Year | Other Capital | CEE | CDE | COGPE | Total Capital | Net Revenue | Cum. Net Revenue | AdValorem /Severance | Aband. & Reclaim. | Sask. Tax | Before Tax | BTax Cum. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | M$ | M$ | M$ | M$ | M$ | M$ | M$ | M$ | M$ | M$ | M$ | M$ |
| 2018 | 32763.5 | 0.0 | 28428.3 | 0.0 | 61191.8 | -4390.0 | -4390.0 | 0.0 | 0.0 | 1.0 | -4391.0 | -4391.0 |
| 2019 | 53147.4 | 0.0 | 61101.3 | 0.0 | 114248.7 | 29534.7 | 25144.7 | 0.0 | 0.0 | 2.4 | 29532.2 | 25141.3 |
| 2020 | 51267.7 | 0.0 | 23232.4 | 0.0 | 74500.1 | 100291.9 | 125436.6 | 0.0 | 0.0 | 2.9 | 100289.0 | 125430.3 |
| 2021 | 27761.4 | 0.0 | 145577.0 | 0.0 | 173338.3 | 27858.4 | 153295.0 | 0.0 | 0.0 | 2.8 | 27855.6 | 153285.9 |
| 2022 | 4557.4 | 0.0 | 78869.8 | 0.0 | 83427.1 | 142252.1 | 295547.1 | 0.0 | 0.0 | 2.9 | 142249.2 | 295535.1 |
| 2023 | 10932.6 | 0.0 | 13227.1 | 0.0 | 24159.7 | 178996.3 | 474543.4 | 0.0 | 330.0 | 2.0 | 178664.3 | 474199.4 |
| 2024 | 5580.8 | 0.0 | 61887.5 | 0.0 | 67468.4 | 133565.0 | 608108.4 | 0.0 | 8190.6 | 0.4 | 125374.0 | 599573.4 |
| 2025 | 3230.5 | 0.0 | 43480.7 | 0.0 | 46711.2 | 137456.1 | 745564.5 | 0.0 | 36358.0 | 0.3 | 101097.8 | 700671.2 |
| 2026 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 163944.2 | 909508.7 | 0.0 | 1608.5 | 0.3 | 162335.4 | 863006.6 |
| 2027 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 145249.4 | 1054758.1 | 0.0 | 10469.6 | 0.3 | 134779.6 | 997786.2 |
| 2028 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 127732.4 | 1182490.5 | 0.0 | 29126.3 | 0.2 | 98606.0 | 1096392.2 |
| 2029 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 110765.9 | 1293256.4 | 0.0 | 23268.5 | 0.0 | 87497.4 | 1183889.6 |
| 2030 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 97357.7 | 1390614.2 | 0.0 | 20672.4 | 0.0 | 76685.4 | 1260575.0 |
| 2031 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 86334.4 | 1476948.6 | 0.0 | 7080.6 | 0.0 | 79253.9 | 1339828.9 |
| 2032 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 77141.2 | 1554089.8 | 0.0 | 7044.4 | 0.0 | 70096.8 | 1409925.6 |
| 2033 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 70658.1 | 1624747.9 | 0.0 | 6543.3 | 0.0 | 64114.8 | 1474040.5 |
| 2034 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 63112.2 | 1687860.1 | 0.0 | 30774.6 | 0.0 | 32337.6 | 1506378.1 |
| 2035 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 56326.0 | 1744186.1 | 0.0 | 3033.5 | 0.0 | 53292.5 | 1559670.6 |
| 2036 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 50646.6 | 1794832.8 | 0.0 | 36617.5 | 0.0 | 14029.1 | 1573699.7 |
| 2037 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 45107.2 | 1839940.0 | 0.0 | 15411.9 | 0.0 | 29695.3 | 1603395.0 |
| Sub Total | 189241.2 | 0.0 | 455804.1 | 0.0 | 645045.3 | 1839940.0 | | 0.0 | 236529.7 | 15.3 | 1603395.0 | |
| 36 Years | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 408373.9 | | 0.0 | 159186.6 | 0.0 | 249187.3 | |
| Total | 189241.2 | 0.0 | 455804.1 | 0.0 | 645045.3 | 2248313.9 | | 0.0 | 395716.2 | 15.3 | 1852582.3 | |

Canlin Energy Corporation
Project : 22299 - Report : H2
**Page : 1 of 1**

Price : 2018-06-30 SAL Prices - New C*
Scenario : SAL June Price
DB : CANLIN22299MY.vndl

Run By : CarolinH
Version : 16.2.0.45
Run Time : 18/09/24 07:43

Sproule

Appendix C
Summary of Reserves and Net Present Values

Canlin Energy Corporation
Consolidated
Proved Developed Producing

Production Start : 2018-07-01
As Of Date : 2018-06-30

| | Lt Med Oil | Heavy Oil | Bitumen | Synthetic | Tight Oil | Solution Gas | Non-Assoc Assoc Gas | CBM | Shale Gas | Ethane | Propane | Butane | Pentane Plus | Total NGL | Sulphur | Equiv. Oil |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | MBbl | MBbl | MBbl | MBbl | MBbl | MMcf | MMcf | MMcf | MMcf | MBbl | MBbl | MBbl | MBbl | MBbl | MLt | MBoe |
| Gross | 47252.5 | 0.0 | 0.0 | 0.0 | 0.0 | 46149 | 1032208 | 0 | 0 | 3587.8 | 5400.5 | 3492.4 | 5433.6 | 17914.4 | 1838.3 | 244893.1 |
| Co. Gr. | 7184.9 | 0.0 | 0.0 | 0.0 | 0.0 | 7906 | 671356 | 0 | 0 | 265.1 | 1956.3 | 1428.4 | 2416.4 | 6066.2 | 1400.5 | 126461.3 |
| Co. Net | 6719.1 | 0.0 | 0.0 | 0.0 | 0.0 | 7737 | 593415 | 0 | 0 | 248.0 | 1513.5 | 1105.6 | 1713.0 | 4580.1 | 1161.8 | 111491.2 |

| Year | Oil Comp. Gross | Gas Comp. Gross | BOE Comp. Gross | Oil Revenue | Gas Revenue | Other Revenue | Total Revenue | Total Crown | Non-Crown | Total Royalty | Royalty | Opex | Other Exp. | Total Expenses | Total Capital | Aband. & Reclaim. | BTax Cash Flow |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | bbl/d | Mcf/d | boe/d | M$ | M$ | M$ | M$ | M$ | M$ | M$ | % | M$ | M$ | M$ | M$ | M$ | M$ |
| 2018 | 1682.7 | 227340 | 41614.7 | 23282.7 | 73732.5 | 44843.4 | 141858.6 | 10770.5 | 1298.5 | 12069.0 | 8.5 | 76110.5 | 0.0 | 76110.5 | 0.0 | 0.0 | 53679.0 |
| 2019 | 1540.7 | 209515 | 38334.6 | 39842.7 | 179980.9 | 77578.5 | 297402.0 | 22098.8 | 3468.5 | 25567.3 | 8.6 | 147130.3 | 0.0 | 147130.3 | 0.0 | 0.0 | 124704.4 |
| 2020 | 1396.1 | 188847 | 34514.6 | 38174.7 | 206313.6 | 70788.7 | 315277.0 | 25362.6 | 4444.9 | 29807.5 | 9.5 | 140986.3 | 0.0 | 140986.3 | 0.0 | 0.0 | 144483.2 |
| 2021 | 1284.1 | 166952 | 30471.0 | 36992.7 | 194212.9 | 61267.5 | 292473.2 | 23316.1 | 4460.1 | 27776.2 | 9.5 | 132621.0 | 0.0 | 132621.0 | 0.0 | 0.0 | 132076.0 |
| 2022 | 1189.3 | 149486 | 27330.6 | 34979.7 | 192250.6 | 55218.2 | 282448.5 | 23017.6 | 4620.0 | 27637.7 | 9.8 | 128096.2 | 0.0 | 128096.2 | 0.0 | 0.0 | 126714.6 |
| 2023 | 1103.4 | 132769 | 24334.6 | 33134.5 | 175255.1 | 49422.0 | 257811.6 | 20999.0 | 4199.0 | 25197.9 | 9.8 | 120792.4 | 0.0 | 120792.4 | 0.0 | 252.3 | 111569.0 |
| 2024 | 1025.7 | 119450 | 21925.9 | 31528.7 | 162163.7 | 44526.9 | 238219.3 | 19319.8 | 3856.6 | 23176.5 | 9.7 | 114754.9 | 0.0 | 114754.9 | 0.0 | 8190.6 | 92097.4 |
| 2025 | 949.5 | 104232 | 19209.7 | 29711.5 | 144792.1 | 38419.3 | 212922.9 | 17470.1 | 3473.8 | 20943.9 | 9.8 | 105787.2 | 0.0 | 105787.2 | 0.0 | 36638.7 | 49553.1 |
| 2026 | 887.6 | 92848 | 17164.7 | 28355.9 | 132570.6 | 34849.4 | 195775.9 | 16089.9 | 3065.7 | 19155.5 | 9.8 | 97761.8 | 0.0 | 97761.8 | 0.0 | 1570.7 | 77287.8 |
| 2027 | 830.4 | 83867 | 15537.8 | 27079.6 | 122943.7 | 31774.1 | 181797.4 | 11215.8 | 2715.3 | 13931.1 | 7.7 | 95367.3 | 0.0 | 95367.3 | 0.0 | 10371.7 | 62127.3 |
| 2028 | 763.6 | 75691 | 14038.1 | 25494.3 | 114219.9 | 28946.9 | 168661.0 | 10559.3 | 2518.6 | 13077.9 | 7.8 | 92570.9 | 0.0 | 92570.9 | 0.0 | 28988.7 | 34023.4 |
| 2029 | 703.6 | 63593 | 11883.4 | 23933.7 | 98132.3 | 25290.6 | 147356.6 | 9246.4 | 2003.0 | 11249.4 | 7.6 | 82506.3 | 0.0 | 82506.3 | 0.0 | 23041.5 | 30559.4 |
| 2030 | 661.1 | 56417 | 10575.4 | 22953.0 | 88956.1 | 22451.9 | 134361.0 | 8531.3 | 1832.1 | 10363.4 | 7.7 | 78611.0 | 0.0 | 78611.0 | 0.0 | 20018.3 | 25368.3 |
| 2031 | 621.4 | 47441 | 8988.0 | 22021.5 | 76633.4 | 19099.4 | 117754.3 | 7395.7 | 1691.5 | 9087.2 | 7.7 | 69632.8 | 0.0 | 69632.8 | 0.0 | 6883.6 | 32150.7 |
| 2032 | 584.0 | 39504 | 7577.1 | 21182.2 | 65141.3 | 17067.0 | 103390.5 | 6839.3 | 1489.8 | 8329.1 | 8.1 | 61624.2 | 0.0 | 61624.2 | 0.0 | 6964.3 | 26473.0 |
| 2033 | 549.6 | 36094 | 6934.2 | 20292.9 | 60605.1 | 15390.4 | 96288.3 | 6445.2 | 1390.0 | 7835.2 | 8.1 | 58127.9 | 0.0 | 58127.9 | 0.0 | 5895.1 | 24419.1 |
| 2034 | 517.1 | 33010 | 6345.3 | 19487.3 | 56559.3 | 13955.3 | 90001.8 | 6101.6 | 1290.4 | 7392.0 | 8.2 | 56967.0 | 0.0 | 56967.0 | 0.0 | 30863.3 | -5220.4 |
| 2035 | 487.1 | 26963 | 5208.9 | 18737.6 | 47720.7 | 10518.1 | 76976.4 | 5070.4 | 862.6 | 5933.0 | 7.7 | 49698.8 | 0.0 | 49698.8 | 0.0 | 3033.5 | 18311.0 |
| 2036 | 459.5 | 18112 | 3680.0 | 18088.9 | 33033.0 | 8418.7 | 59540.6 | 3946.8 | 626.0 | 4572.8 | 7.7 | 36069.4 | 0.0 | 36069.4 | 0.0 | 35542.7 | -16644.3 |
| 2037 | 433.7 | 16888 | 3433.7 | 17376.7 | 31344.7 | 7785.6 | 56507.0 | 3808.3 | 597.6 | 4405.9 | 7.8 | 36300.4 | 0.0 | 36300.4 | 0.0 | 15144.6 | 656.0 |
| Sub Total | | | | 532650.8 | 2256561.4 | 677611.7 | 3466823.9 | 257604.6 | 49904.0 | 307508.6 | | 1781516.7 | 0.0 | 1781516.7 | 0.0 | 233399.8 | 1144388.0 |
| 34 Years | | | | 124910.2 | 169832.7 | 44391.8 | 339134.8 | 26673.8 | 2861.3 | 29535.1 | | 273554.5 | 0.0 | 273554.5 | 0.0 | 111334.7 | -75289.5 |
| Total | | | | 657561.1 | 2426394.1 | 722003.5 | 3805958.6 | 284278.4 | 52765.3 | 337043.6 | | 2055071.2 | 0.0 | 2055071.2 | 0.0 | 344734.5 | 1069098.5 |
| Discount | 5% | | | 409269.5 | 1694750.4 | 527027.0 | 2631046.9 | 198845.7 | 37215.3 | 236061.0 | | 1352507.4 | 0.0 | 1352507.4 | 0.0 | 154557.0 | 887916.3 |
| Discount | 10% | | | 290452.0 | 1284723.9 | 415632.8 | 1990808.7 | 152070.9 | 28235.9 | 180306.9 | | 994896.3 | 0.0 | 994896.3 | 0.0 | 82604.7 | 732998.2 |
| Discount | 12% | | | 259981.3 | 1169242.0 | 383771.4 | 1812994.7 | 138971.7 | 25672.6 | 164644.3 | | 899143.2 | 0.0 | 899143.2 | 0.0 | 66432.2 | 682773.0 |
| Discount | 15% | | | 224877.8 | 1029400.6 | 344778.5 | 1599057.0 | 123107.5 | 22549.6 | 145657.1 | | 786132.4 | 0.0 | 786132.4 | 0.0 | 49148.7 | 618117.5 |
| Discount | 18% | | | 198525.1 | 919003.1 | 313598.9 | 1431127.1 | 110553.3 | 20070.7 | 130624.1 | | 699153.6 | 0.0 | 699153.6 | 0.0 | 37265.9 | 564082.7 |
| Discount | 20% | | | 184374.7 | 857638.5 | 296083.2 | 1338096.4 | 103552.3 | 18688.3 | 122240.6 | | 651634.2 | 0.0 | 651634.2 | 0.0 | 31335.5 | 532885.4 |
| Discount | 25% | | | 157137.8 | 735223.7 | 260659.2 | 1153020.6 | 89511.1 | 15922.8 | 105433.9 | | 558516.3 | 0.0 | 558516.3 | 0.0 | 20970.9 | 468099.2 |

| Reserve Life | Reserve Half Life | Reserve Life Index | First Year Co Gr. Operating Costs |
|---|---|---|---|
| 48.5 years | 3.6 years | 8.1 | $/BOE 10.16 |

Canlin Energy Corporation
Project : 22299 - Report : H4
**Page : 1 of 1**

Price : 2018-06-30 SAL Prices - New C*
Scenario : SAL June Price
DB : CANLIN22299MY.vndl

Run By : CarolinH
Version : 16.2.0.45
Run Time : 18/09/24 07:43

Sproule

**Appendix C**
**Production and Price Forecast**

**Canlin Energy Corporation**
**Consolidated**
**Proved Developed Producing**

**Production Start : 2018-07-01**
**As Of Date : 2018-06-30**

| Year | Light & Medium Oil Gr. Well | Gr. Daily | Gross | Co Grs | Co Net | Price | Gas Gr. Well | Gr. Daily | Gross | Co Grs | Co Net | Price |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Count | Bbl/d | MBbl | MBbl | MBbl | $/Bbl | Count | Mcf/d | MMcf | MMcf | MMcf | $/Mcf |
| 2018 | 1324 | 13611 | 2504.5 | 309.6 | 291.4 | 75.20 | 5859 | 346653 | 63784 | 41430 | 36971 | 1.76 |
| 2019 | 1313 | 12367 | 4513.8 | 562.3 | 537.3 | 70.85 | 5861 | 319260 | 116530 | 75774 | 67197 | 2.35 |
| 2020 | 1287 | 11011 | 4029.9 | 511.0 | 484.3 | 74.71 | 5762 | 287497 | 105224 | 68508 | 60287 | 2.98 |
| 2021 | 1237 | 9842 | 3592.2 | 468.7 | 440.2 | 78.93 | 4975 | 255112 | 93116 | 60388 | 52990 | 3.18 |
| 2022 | 1172 | 8846 | 3228.8 | 434.1 | 407.7 | 80.58 | 4952 | 227321 | 82972 | 54062 | 47260 | 3.52 |
| 2023 | 1086 | 7861 | 2869.3 | 402.7 | 377.6 | 82.27 | 4620 | 201770 | 73646 | 48002 | 42028 | 3.61 |
| 2024 | 1021 | 7099 | 2598.3 | 375.4 | 351.7 | 83.99 | 4109 | 181589 | 66462 | 43296 | 37981 | 3.71 |
| 2025 | 942 | 6375 | 2326.7 | 346.6 | 324.5 | 85.73 | 3728 | 158572 | 57879 | 37668 | 33066 | 3.80 |
| 2026 | 921 | 5862 | 2139.7 | 324.0 | 303.5 | 87.52 | 3399 | 142102 | 51867 | 33538 | 29525 | 3.91 |
| 2027 | 903 | 5383 | 1964.9 | 303.1 | 291.4 | 89.35 | 3182 | 127335 | 46477 | 30283 | 26907 | 4.01 |
| 2028 | 871 | 4893 | 1790.8 | 279.5 | 267.9 | 91.22 | 3069 | 114632 | 41955 | 27413 | 24330 | 4.12 |
| 2029 | 849 | 4390 | 1602.4 | 256.8 | 245.3 | 93.20 | 2991 | 92752 | 33854 | 22953 | 20487 | 4.22 |
| 2030 | 791 | 3989 | 1456.0 | 241.3 | 229.5 | 95.13 | 2491 | 81173 | 29628 | 20349 | 18144 | 4.31 |
| 2031 | 741 | 3685 | 1345.0 | 226.8 | 214.9 | 97.10 | 2438 | 66932 | 24430 | 17087 | 15254 | 4.42 |
| 2032 | 738 | 3349 | 1225.8 | 213.7 | 200.9 | 99.10 | 1394 | 54651 | 20002 | 14242 | 12643 | 4.50 |
| 2033 | 578 | 2972 | 1084.9 | 200.6 | 186.6 | 101.15 | 1169 | 50015 | 18256 | 12971 | 11513 | 4.59 |
| 2034 | 539 | 2743 | 1001.2 | 188.8 | 174.7 | 103.24 | 1131 | 45785 | 16712 | 11857 | 10526 | 4.69 |
| 2035 | 527 | 2552 | 931.3 | 177.8 | 164.0 | 105.38 | 1035 | 38270 | 13969 | 9661 | 8629 | 4.84 |
| 2036 | 507 | 2321 | 849.4 | 168.2 | 154.3 | 107.55 | 948 | 28271 | 10347 | 6458 | 5839 | 4.97 |
| 2037 | 483 | 2110 | 770.2 | 158.3 | 144.6 | 109.77 | 942 | 26328 | 9610 | 6003 | 5430 | 5.07 |
| Sub Tot | | | 41825.1 | 6149.3 | 5792.1 | | | | 976720 | 641942 | 567008 | |
| 29 Years | | | 5427.4 | 1035.6 | 927.0 | | | | 55488 | 29414 | 26407 | |
| Total | | | 47252.5 | 7184.9 | 6719.1 | | | | 1032208 | 671356 | 593415 | |

| Year | Solution Gas Gross | Co Grs | Co Net | Price | Ethane Gross | Co Grs | Co Net | Price | Propane Gross | Co Grs | Co Net | Price |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | MMcf | MMcf | MMcf | $/Mcf | MBbl | MBbl | MBbl | $/Bbl | MBbl | MBbl | MBbl | $/Bbl |
| 2018 | 3150 | 400 | 409 | 1.99 | 150.8 | 16.5 | 15.5 | 5.74 | 293.1 | 110.4 | 84.9 | 22.25 |
| 2019 | 5453 | 699 | 709 | 2.62 | 281.3 | 30.3 | 28.4 | 7.35 | 526.8 | 197.7 | 149.6 | 23.20 |
| 2020 | 4659 | 610 | 611 | 3.30 | 260.0 | 27.3 | 25.5 | 9.06 | 469.8 | 175.9 | 127.5 | 28.43 |
| 2021 | 4008 | 549 | 542 | 3.53 | 239.2 | 24.4 | 22.8 | 9.63 | 418.8 | 157.4 | 113.5 | 31.90 |
| 2022 | 3503 | 500 | 488 | 3.90 | 220.9 | 21.9 | 20.5 | 10.53 | 376.9 | 142.0 | 102.1 | 33.36 |
| 2023 | 3069 | 458 | 443 | 4.01 | 203.3 | 19.3 | 18.0 | 10.79 | 338.0 | 127.9 | 91.8 | 34.33 |
| 2024 | 2726 | 422 | 406 | 4.11 | 187.6 | 17.0 | 15.9 | 11.04 | 305.7 | 115.6 | 82.8 | 35.31 |
| 2025 | 2322 | 376 | 358 | 4.24 | 171.4 | 14.8 | 13.9 | 11.30 | 275.8 | 104.1 | 74.5 | 36.30 |
| 2026 | 2095 | 351 | 333 | 4.36 | 158.3 | 13.0 | 12.2 | 11.57 | 250.9 | 94.4 | 67.4 | 37.31 |
| 2027 | 1890 | 328 | 328 | 4.47 | 146.8 | 11.7 | 10.9 | 11.84 | 229.3 | 86.1 | 71.9 | 38.34 |
| 2028 | 1672 | 290 | 289 | 4.61 | 135.9 | 10.2 | 9.5 | 12.12 | 207.8 | 78.4 | 65.5 | 39.39 |
| 2029 | 1482 | 259 | 258 | 4.75 | 125.1 | 9.1 | 8.5 | 12.35 | 183.0 | 70.4 | 59.0 | 40.32 |
| 2030 | 1308 | 243 | 242 | 4.86 | 116.1 | 8.2 | 7.7 | 12.60 | 164.1 | 62.6 | 52.6 | 41.33 |
| 2031 | 1181 | 229 | 227 | 4.96 | 107.0 | 7.1 | 6.6 | 12.83 | 150.0 | 57.0 | 47.9 | 42.27 |
| 2032 | 993 | 217 | 211 | 5.06 | 99.3 | 6.1 | 5.7 | 13.08 | 136.3 | 51.9 | 43.5 | 43.23 |
| 2033 | 794 | 204 | 195 | 5.16 | 92.0 | 5.5 | 5.2 | 13.33 | 121.4 | 46.8 | 39.2 | 44.20 |
| 2034 | 726 | 192 | 183 | 5.26 | 83.5 | 3.6 | 3.4 | 13.56 | 109.8 | 41.9 | 35.0 | 45.15 |
| 2035 | 669 | 181 | 173 | 5.37 | 76.9 | 2.8 | 2.6 | 13.78 | 94.8 | 32.9 | 28.3 | 45.20 |
| 2036 | 600 | 171 | 164 | 5.48 | 71.1 | 2.2 | 2.0 | 14.03 | 86.6 | 30.3 | 26.1 | 46.20 |
| 2037 | 532 | 161 | 154 | 5.59 | 65.5 | 2.0 | 1.8 | 14.29 | 78.6 | 27.7 | 24.0 | 47.25 |
| Sub Tot | 42834 | 6842 | 6725 | | 2992.0 | 253.2 | 236.8 | | 4817.8 | 1811.2 | 1387.0 | |
| 29 Years | 3316 | 1063 | 1012 | | 595.8 | 12.0 | 11.2 | | 582.7 | 145.0 | 126.5 | |
| Total | 46149 | 7906 | 7737 | | 3587.8 | 265.1 | 248.0 | | 5400.5 | 1956.3 | 1513.5 | |

| Year | Heavy Oil Gr. Well | Gr. Daily | Gross | Co Grs | Co Net | Price | Bitumen Gr. Well | Gr. Daily | Gross | Co Grs | Co Net | Price |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Count | Bbl/d | MBbl | MBbl | MBbl | $/Bbl | Count | Bbl/d | MBbl | MBbl | MBbl | $/Bbl |
| 2018 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2019 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2020 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2021 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2022 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2023 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2024 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2025 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2026 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2027 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2028 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2029 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2030 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2031 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2032 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2033 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2034 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2035 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2036 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2037 | - | - | - | - | - | - | - | - | - | - | - | - |

| Year | Sulphur Gross | Co Grs | Co Net | Price | Butane Gross | Co Grs | Co Net | Price | Pentane Plus Gross | Co Grs | Co Net | Price |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | MLt | MLt | MLt | $/Lt | MBbl | MBbl | MBbl | $/Bbl | MBbl | MBbl | MBbl | $/Bbl |
| 2018 | 110.3 | 80.2 | 66.5 | 68.90 | 190.2 | 80.2 | 60.0 | 39.52 | 330.1 | 168.6 | 111.4 | 78.94 |
| 2019 | 204.0 | 148.5 | 123.0 | 70.12 | 344.1 | 145.4 | 107.2 | 39.89 | 605.3 | 310.9 | 203.1 | 70.64 |
| 2020 | 186.5 | 135.7 | 112.4 | 71.38 | 308.2 | 130.3 | 93.7 | 45.90 | 533.7 | 268.2 | 173.1 | 73.64 |
| 2021 | 162.7 | 120.8 | 100.1 | 72.57 | 275.7 | 116.9 | 83.8 | 52.51 | 436.6 | 198.2 | 129.7 | 76.06 |
| 2022 | 147.6 | 109.6 | 90.8 | 73.86 | 248.7 | 105.6 | 75.6 | 53.72 | 393.8 | 178.3 | 116.5 | 77.77 |
| 2023 | 135.0 | 100.0 | 82.9 | 75.20 | 223.5 | 95.1 | 67.9 | 54.97 | 355.2 | 160.3 | 104.6 | 79.53 |
| 2024 | 123.8 | 91.7 | 76.0 | 76.56 | 202.3 | 85.9 | 61.2 | 56.22 | 321.8 | 144.6 | 94.2 | 81.32 |
| 2025 | 110.8 | 82.2 | 68.2 | 77.65 | 182.4 | 77.2 | 55.0 | 57.49 | 287.4 | 128.0 | 83.4 | 83.17 |
| 2026 | 101.9 | 75.4 | 62.6 | 79.08 | 165.6 | 69.9 | 49.6 | 58.78 | 261.1 | 115.6 | 75.2 | 85.06 |
| 2027 | 90.3 | 68.1 | 56.5 | 80.19 | 151.2 | 63.6 | 54.5 | 60.11 | 237.7 | 104.8 | 86.2 | 86.98 |
| 2028 | 83.5 | 63.0 | 52.3 | 81.65 | 136.9 | 57.8 | 49.5 | 61.46 | 214.9 | 94.9 | 78.0 | 88.92 |
| 2029 | 71.4 | 56.0 | 46.4 | 83.26 | 118.9 | 51.8 | 44.4 | 62.88 | 175.4 | 80.7 | 66.6 | 90.88 |
| 2030 | 65.7 | 51.4 | 42.6 | 84.80 | 105.5 | 45.6 | 39.1 | 64.50 | 153.6 | 70.3 | 58.0 | 92.75 |
| 2031 | 38.2 | 34.2 | 28.4 | 85.02 | 96.2 | 41.5 | 35.5 | 65.92 | 137.3 | 62.3 | 51.5 | 94.47 |
| 2032 | 33.7 | 30.6 | 25.4 | 86.07 | 87.0 | 37.7 | 32.2 | 67.39 | 120.7 | 54.1 | 44.5 | 96.37 |
| 2033 | 30.6 | 27.7 | 23.0 | 87.65 | 77.1 | 33.8 | 28.8 | 68.88 | 107.4 | 48.5 | 39.8 | 98.50 |
| 2034 | 27.9 | 25.2 | 21.0 | 89.31 | 69.7 | 30.3 | 25.7 | 70.39 | 97.0 | 43.4 | 35.4 | 100.56 |
| 2035 | 23.7 | 21.7 | 18.1 | 91.90 | 56.4 | 20.6 | 18.5 | 71.57 | 76.1 | 26.9 | 23.6 | 106.43 |
| 2036 | 13.5 | 11.8 | 9.9 | 93.77 | 51.6 | 18.9 | 17.0 | 73.13 | 67.3 | 22.5 | 19.9 | 108.31 |
| 2037 | 12.5 | 10.9 | 9.2 | 95.50 | 46.9 | 17.3 | 15.5 | 74.75 | 61.5 | 20.6 | 18.2 | 110.53 |
| Sub Tot | 1773.6 | 1344.7 | 1115.2 | | 3138.3 | 1325.5 | 1014.9 | | 4973.9 | 2301.9 | 1612.9 | |
| 29 Years | 64.7 | 55.7 | 46.6 | | 354.1 | 102.9 | 90.7 | | 459.8 | 114.5 | 100.0 | |
| Total | 1838.3 | 1400.5 | 1161.8 | | 3492.4 | 1428.4 | 1105.6 | | 5433.6 | 2416.4 | 1713.0 | |

Canlin Energy Corporation
Project : 22299 - Report : H1
**Page : 1 of 1**

Price : 2018-06-30 SAL Prices - New C*
Scenario : SAL June Price
DB : CANLIN22299MY.vndl

Run By : CarolinH
Version : 16.2.0.45
Run Time : 18/09/24 07:43

Sproule

Appendix C
Summary of Reserves and Net Present Values

Canlin Energy Corporation
Consolidated
Proved Developed Producing

Production Start : 2018-07-01
As Of Date : 2018-06-30

| Year | Revenue | | | | | | Royalties | | | | | | | Operating |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Oil | Gas | NGL | Sulphur | Royalty | Other | Crown | Crown Adj | Production | Resource | MinTax | Opex | Other Exp. | Income |
| | M$ | M$ | M$ | M$ | M$ | M$ | M$ | M$ | M$ | M$ | M$ | M$ | M$ | M$ |
| 2018 | 23282.7 | 73732.5 | 19032.7 | 5526.0 | 2463.3 | 17821.4 | 15467.7 | 4841.1 | 0.0 | 1297.5 | 144.0 | 76110.5 | 0.0 | 53680.0 |
| 2019 | 39842.7 | 179980.9 | 32570.9 | 10410.6 | 4114.5 | 30482.5 | 31331.5 | 9475.4 | 0.0 | 3466.1 | 242.7 | 147130.3 | 0.0 | 124706.8 |
| 2020 | 38174.7 | 206313.6 | 30981.9 | 9684.2 | 3747.1 | 26375.5 | 34354.1 | 9233.9 | 0.0 | 4442.1 | 242.4 | 140986.3 | 0.0 | 144486.1 |
| 2021 | 36992.7 | 194212.9 | 26473.3 | 8764.5 | 3238.2 | 22791.6 | 31390.4 | 8287.7 | 0.0 | 4457.3 | 213.4 | 132621.0 | 0.0 | 132078.8 |
| 2022 | 34979.7 | 192250.6 | 24507.3 | 8096.5 | 2845.6 | 19768.9 | 30430.7 | 7619.5 | 0.0 | 4617.2 | 206.4 | 128096.2 | 0.0 | 126717.5 |
| 2023 | 33134.5 | 175255.1 | 22579.4 | 7521.9 | 2414.7 | 16906.1 | 27600.1 | 6786.0 | 0.0 | 4197.0 | 184.9 | 120792.4 | 0.0 | 111823.3 |
| 2024 | 31528.7 | 162163.7 | 20855.4 | 7021.3 | 2110.8 | 14539.3 | 25272.4 | 6121.4 | 0.0 | 3856.3 | 168.8 | 114754.9 | 0.0 | 100288.4 |
| 2025 | 29711.5 | 144792.1 | 19035.1 | 6385.9 | 1827.7 | 11170.6 | 22680.3 | 5363.3 | 0.0 | 3473.5 | 153.2 | 105787.2 | 0.0 | 86192.1 |
| 2026 | 28355.9 | 132570.6 | 17613.8 | 5964.8 | 1621.8 | 9648.9 | 20765.8 | 4815.7 | 0.0 | 3065.4 | 139.8 | 97761.8 | 0.0 | 78858.8 |
| 2027 | 27079.6 | 122943.7 | 16383.4 | 5463.7 | 1461.9 | 8465.0 | 15107.8 | 4019.5 | 0.0 | 2715.0 | 127.5 | 95367.3 | 0.0 | 72499.2 |
| 2028 | 25494.3 | 114219.9 | 15207.1 | 5142.1 | 1304.3 | 7293.3 | 14255.5 | 3812.4 | 0.0 | 2518.5 | 116.2 | 92570.9 | 0.0 | 63012.3 |
| 2029 | 23933.7 | 98132.3 | 13546.5 | 4659.6 | 1118.6 | 5965.8 | 12501.8 | 3359.4 | 0.0 | 2003.0 | 104.0 | 82506.3 | 0.0 | 53600.9 |
| 2030 | 22953.0 | 88956.1 | 12148.2 | 4356.1 | 963.8 | 4983.8 | 11498.6 | 3061.6 | 0.0 | 1832.1 | 94.3 | 78611.0 | 0.0 | 45386.6 |
| 2031 | 22021.5 | 76633.4 | 11118.4 | 2910.8 | 860.6 | 4209.7 | 9822.8 | 2513.0 | 0.0 | 1691.5 | 85.9 | 69632.8 | 0.0 | 39034.3 |
| 2032 | 21182.2 | 65141.3 | 10070.5 | 2632.7 | 669.8 | 3694.0 | 9004.2 | 2243.6 | 0.0 | 1489.8 | 78.7 | 61624.2 | 0.0 | 33437.3 |
| 2033 | 20292.9 | 60605.1 | 9252.4 | 2431.1 | 440.9 | 3266.0 | 8463.6 | 2090.7 | 0.0 | 1390.0 | 72.3 | 58127.9 | 0.0 | 30314.3 |
| 2034 | 19487.3 | 56559.3 | 8432.7 | 2253.0 | 382.3 | 2887.3 | 7987.4 | 1952.8 | 0.0 | 1290.4 | 67.0 | 56967.0 | 0.0 | 25642.9 |
| 2035 | 18737.6 | 47720.7 | 5859.2 | 1989.7 | 334.0 | 2335.2 | 6672.5 | 1664.1 | 0.0 | 862.6 | 62.0 | 49698.8 | 0.0 | 21344.6 |
| 2036 | 18088.9 | 33033.0 | 5249.7 | 1104.5 | 257.1 | 1807.4 | 4834.9 | 941.1 | 0.0 | 626.0 | 53.1 | 36069.4 | 0.0 | 18898.4 |
| 2037 | 17376.7 | 31344.7 | 4913.0 | 1045.5 | 226.6 | 1600.5 | 4645.0 | 885.9 | 0.0 | 597.6 | 49.2 | 36300.4 | 0.0 | 15800.7 |
| Sub Total | 532650.8 | 2256561.4 | 325830.8 | 103364.3 | 32403.5 | 216013.0 | 344086.8 | 89088.2 | 0.0 | 49888.7 | 2605.9 | 1781516.7 | 0.0 | 1377803.1 |
| 34 Years | 124910.2 | 169832.7 | 30192.5 | 5746.3 | 562.5 | 7890.6 | 31408.6 | 4938.6 | 0.0 | 2861.3 | 203.8 | 273554.5 | 0.0 | 36045.2 |
| Total | 657561.1 | 2426394.1 | 356023.2 | 109110.6 | 32966.0 | 223903.6 | 375495.4 | 94026.7 | 0.0 | 52749.9 | 2809.7 | 2055071.2 | 0.0 | 1413848.3 |

| Year | Other Capital | CEE | CDE | COGPE | Total Capital | Net Revenue | Cum. Net Revenue | AdValorem /Severance | Aband. & Reclaim. | Sask. Tax | Before Tax | BTax Cum. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | M$ | M$ | M$ | M$ | M$ | M$ | M$ | M$ | M$ | M$ | M$ | M$ |
| 2018 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 53680.0 | 53680.0 | 0.0 | 0.0 | 1.0 | 53679.0 | 53679.0 |
| 2019 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 124706.8 | 178386.9 | 0.0 | 0.0 | 2.4 | 124704.4 | 178383.4 |
| 2020 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 144486.1 | 322872.9 | 0.0 | 0.0 | 2.9 | 144483.2 | 322866.6 |
| 2021 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 132078.8 | 454951.7 | 0.0 | 0.0 | 2.8 | 132076.0 | 454942.6 |
| 2022 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 126717.5 | 581669.2 | 0.0 | 0.0 | 2.9 | 126714.6 | 581657.2 |
| 2023 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 111823.3 | 693492.4 | 0.0 | 252.3 | 2.0 | 111569.0 | 693226.2 |
| 2024 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 100288.4 | 793780.8 | 0.0 | 8190.6 | 0.4 | 92097.4 | 785323.6 |
| 2025 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 86192.1 | 879972.9 | 0.0 | 36638.7 | 0.3 | 49553.1 | 834876.6 |
| 2026 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 78858.8 | 958831.7 | 0.0 | 1570.7 | 0.3 | 77287.8 | 912164.4 |
| 2027 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 72499.2 | 1031330.9 | 0.0 | 10371.7 | 0.3 | 62127.3 | 974291.7 |
| 2028 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 63012.3 | 1094343.2 | 0.0 | 28988.7 | 0.2 | 34023.4 | 1008315.1 |
| 2029 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 53600.9 | 1147944.1 | 0.0 | 23041.5 | 0.0 | 30559.4 | 1038874.5 |
| 2030 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 45386.6 | 1193330.7 | 0.0 | 20018.3 | 0.0 | 25368.3 | 1064242.8 |
| 2031 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 39034.3 | 1232365.0 | 0.0 | 6883.6 | 0.0 | 32150.7 | 1096393.5 |
| 2032 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 33437.3 | 1265802.3 | 0.0 | 6964.3 | 0.0 | 26473.0 | 1122866.4 |
| 2033 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 30314.3 | 1296116.6 | 0.0 | 5895.1 | 0.0 | 24419.1 | 1147285.6 |
| 2034 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 25642.9 | 1321759.5 | 0.0 | 30863.3 | 0.0 | -5220.4 | 1142065.2 |
| 2035 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 21344.6 | 1343104.1 | 0.0 | 3033.5 | 0.0 | 18311.0 | 1160376.2 |
| 2036 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 18898.4 | 1362002.5 | 0.0 | 35542.7 | 0.0 | -16644.3 | 1143731.9 |
| 2037 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 15800.7 | 1377803.1 | 0.0 | 15144.6 | 0.0 | 656.0 | 1144388.0 |
| Sub Total | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1377803.1 | | 0.0 | 233399.8 | 15.3 | 1144388.0 | |
| 34 Years | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 36045.2 | | 0.0 | 111334.7 | 0.0 | -75289.5 | |
| Total | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1413848.3 | | 0.0 | 344734.5 | 15.3 | 1069098.5 | |

Canlin Energy Corporation
Project : 22299 - Report : H2
**Page : 1 of 1**

Price : 2018-06-30 SAL Prices - New C*
Scenario : SAL June Price
DB : CANLIN22299MY.vndl

Run By : CarolinH
Version : 16.2.0.45
Run Time : 18/09/24 07:43

Sproule

Appendix C
Summary of Reserves and Net Present Values

Canlin Energy Corporation
Consolidated
Proved Developed Non-Producing

Production Start : 2018-07-01
As Of Date : 2018-06-30

| | Lt Med Oil | Heavy Oil | Bitumen | Synthetic | Tight Oil | Solution Gas | Non-Assoc Assoc Gas | CBM | Shale Gas | Ethane | Propane | Butane | Pentane Plus | Total NGL | Sulphur | Equiv. Oil |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | MBbl | MBbl | MBbl | MBbl | MBbl | MMcf | MMcf | MMcf | MMcf | MBbl | MBbl | MBbl | MBbl | MBbl | MLt | MBoe |
| Gross | 107.8 | 0.0 | 0.0 | 0.0 | 0.0 | 166 | 39613 | 0 | 0 | 0.4 | 10.7 | 8.6 | 201.1 | 220.8 | 125.6 | 6958.6 |
| Co. Gr. | 92.7 | 0.0 | 0.0 | 0.0 | 0.0 | 129 | 30884 | 0 | 0 | 0.1 | 4.1 | 3.6 | 190.2 | 198.1 | 91.8 | 5459.5 |
| Co. Net | 78.1 | 0.0 | 0.0 | 0.0 | 0.0 | 122 | 26172 | 0 | 0 | 0.1 | 3.1 | 2.8 | 115.0 | 120.9 | 76.5 | 4581.4 |

| Year | Oil Comp. Gross | Gas Comp. Gross | BOE Comp. Gross | Oil Revenue | Gas Revenue | Other Revenue | Total Revenue | Total Crown | Non-Crown | Total Royalty | Royalty | Opex | Other Exp. | Total Expenses | Total Capital | Aband. & Reclaim. | BTax Cash Flow |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | bbl/d | Mcf/d | boe/d | M$ | M$ | M$ | M$ | M$ | M$ | M$ | % | M$ | M$ | M$ | M$ | M$ | M$ |
| 2018 | 74.2 | 239 | 114.3 | 1028.3 | 87.1 | 11.1 | 1126.6 | 55.0 | 0.0 | 55.0 | 4.9 | 97.9 | 0.0 | 97.9 | 60.3 | 0.0 | 913.3 |
| 2019 | 67.7 | 2207 | 443.6 | 1731.2 | 1745.8 | 488.1 | 3965.1 | 552.3 | 0.3 | 552.6 | 13.9 | 793.3 | 0.0 | 793.3 | 701.8 | 0.0 | 1917.4 |
| 2020 | 42.3 | 2506 | 512.6 | 1140.3 | 2581.6 | 1869.5 | 5591.4 | 1092.5 | 8.4 | 1100.8 | 19.7 | 1167.4 | 0.0 | 1167.4 | 3597.6 | 0.0 | -274.4 |
| 2021 | 28.7 | 18081 | 3246.0 | 814.2 | 17325.9 | 7629.7 | 25769.8 | 4219.4 | 7.6 | 4227.0 | 16.4 | 11697.6 | 0.0 | 11697.6 | 1097.3 | 0.0 | 8748.0 |
| 2022 | 20.6 | 15260 | 2807.0 | 595.5 | 16512.1 | 8747.0 | 25854.6 | 4852.6 | 7.5 | 4860.1 | 18.8 | 10586.1 | 0.0 | 10586.1 | 0.0 | 0.0 | 10408.5 |
| 2023 | 15.4 | 12007 | 2043.0 | 453.2 | 13383.3 | 1891.4 | 15728.0 | 1919.5 | 6.3 | 1925.8 | 12.2 | 8134.9 | 0.0 | 8134.9 | 0.0 | 77.7 | 5589.6 |
| 2024 | 11.8 | 8620 | 1451.0 | 356.2 | 9809.7 | 722.8 | 10888.7 | 1155.1 | 5.0 | 1160.1 | 10.7 | 6556.2 | 0.0 | 6556.2 | 0.0 | 0.0 | 3172.4 |
| 2025 | 9.1 | 6641 | 1117.8 | 279.6 | 7791.5 | 579.3 | 8650.4 | 914.5 | 3.6 | 918.1 | 10.6 | 5374.6 | 0.0 | 5374.6 | 0.0 | -280.7 | 2638.4 |
| 2026 | 6.5 | 4975 | 836.6 | 204.9 | 6025.3 | 503.3 | 6733.5 | 702.5 | 3.1 | 705.6 | 10.5 | 3876.7 | 0.0 | 3876.7 | 0.0 | 37.8 | 2113.5 |
| 2027 | 5.4 | 4120 | 692.9 | 172.6 | 5137.8 | 468.4 | 5778.9 | 603.6 | 2.7 | 606.3 | 10.5 | 3453.7 | 0.0 | 3453.7 | 0.0 | 97.9 | 1621.0 |
| 2028 | 4.5 | 3325 | 559.4 | 147.8 | 4286.3 | 436.6 | 4870.7 | 486.2 | 2.3 | 488.5 | 10.0 | 3015.2 | 0.0 | 3015.2 | 0.0 | 431.5 | 935.5 |
| 2029 | 0.8 | 2560 | 428.1 | 26.6 | 3360.5 | 350.4 | 3737.6 | 359.7 | 1.8 | 361.5 | 9.7 | 2768.6 | 0.0 | 2768.6 | 0.0 | 227.0 | 380.5 |
| 2030 | 0.7 | 2051 | 343.1 | 24.2 | 2750.2 | 294.7 | 3069.1 | 292.5 | 1.6 | 294.1 | 9.6 | 2393.0 | 0.0 | 2393.0 | 0.0 | 654.1 | -272.2 |
| 2031 | 0.7 | 1265 | 211.9 | 22.0 | 1732.9 | 149.8 | 1904.7 | 189.9 | 1.4 | 191.3 | 10.0 | 1522.0 | 0.0 | 1522.0 | 0.0 | 197.0 | -5.6 |
| 2032 | 0.6 | 878 | 147.1 | 20.1 | 1223.8 | 126.6 | 1370.5 | 154.1 | 1.2 | 155.3 | 11.3 | 1133.4 | 0.0 | 1133.4 | 0.0 | 25.2 | 56.6 |
| 2033 | 0.5 | 282 | 47.5 | 18.2 | 393.0 | 15.8 | 426.9 | 44.9 | 1.1 | 46.0 | 10.8 | 358.2 | 0.0 | 358.2 | 0.0 | 507.8 | -485.1 |
| 2034 | 0.5 | 15 | 3.0 | 16.5 | 22.6 | 5.8 | 44.9 | 1.8 | 1.0 | 2.7 | 6.1 | 29.1 | 0.0 | 29.1 | 0.0 | 379.2 | -366.2 |
| 2035 | 0.4 | 7 | 1.6 | 12.7 | 11.9 | 5.6 | 30.1 | 0.7 | 0.9 | 1.6 | 5.3 | 19.1 | 0.0 | 19.1 | 0.0 | 0.0 | 9.4 |
| 2036 | 0.0 | 4 | 0.6 | 0.0 | 6.1 | 5.3 | 11.4 | 0.0 | 0.5 | 0.5 | 4.6 | 5.3 | 0.0 | 5.3 | 0.0 | 407.8 | -402.2 |
| 2037 | 0.0 | 0 | 0.0 | 0.0 | 0.0 | 5.1 | 5.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 64.7 | -59.6 |
| Sub Total | | | | 7064.4 | 94187.2 | 24306.3 | 125557.9 | 17596.8 | 56.2 | 17653.0 | | 62982.2 | 0.0 | 62982.2 | 5456.9 | 2827.0 | 36638.9 |
| 31 Years | | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | 0.0 | 0.0 | 0.0 | 0.0 | 543.9 | -543.9 |
| Total | | | | 7064.4 | 94187.2 | 24306.3 | 125557.9 | 17596.8 | 56.2 | 17653.0 | | 62982.2 | 0.0 | 62982.2 | 5456.9 | 3370.9 | 36094.9 |
| Discount 5% | | | | 6129.9 | 71239.8 | 19805.9 | 97175.7 | 13951.9 | 42.0 | 13993.9 | | 47031.1 | 0.0 | 47031.1 | 4912.1 | 1641.8 | 29596.8 |
| Discount 10% | | | | 5438.6 | 55559.4 | 16445.3 | 77443.2 | 11336.9 | 32.7 | 11369.6 | | 36302.8 | 0.0 | 36302.8 | 4447.4 | 846.3 | 24477.1 |
| Discount 12% | | | | 5210.4 | 50669.2 | 15333.7 | 71213.2 | 10493.9 | 29.9 | 10523.8 | | 32989.7 | 0.0 | 32989.7 | 4280.5 | 658.4 | 22760.7 |
| Discount 15% | | | | 4908.0 | 44433.6 | 13862.4 | 63203.9 | 9395.9 | 26.4 | 9422.3 | | 28789.8 | 0.0 | 28789.8 | 4048.0 | 458.0 | 20485.9 |
| Discount 18% | | | | 4645.2 | 39258.1 | 12588.3 | 56491.6 | 8462.0 | 23.5 | 8485.5 | | 25326.2 | 0.0 | 25326.2 | 3834.7 | 323.4 | 18521.8 |
| Discount 20% | | | | 4488.4 | 36284.0 | 11831.3 | 52603.8 | 7914.8 | 21.8 | 7936.6 | | 23345.5 | 0.0 | 23345.5 | 3702.2 | 258.4 | 17361.1 |
| Discount 25% | | | | 4148.5 | 30151.5 | 10204.1 | 44504.1 | 6758.2 | 18.4 | 6776.6 | | 19284.5 | 0.0 | 19284.5 | 3401.1 | 151.3 | 14890.8 |

| Reserve Life | Reserve Half Life | Reserve Life Index | First Year Co Gr. Operating Costs |
|---|---|---|---|
| 19.5 years | 4.3 years | 329.0 | $/BOE 5.06 |

Canlin Energy Corporation
Project : 22299 - Report : H4
**Page : 1 of 1**

Price : 2018-06-30 SAL Prices - New C*
Scenario : SAL June Price
DB : CANLIN22299MY.vndl

Run By : CarolinH
Version : 16.2.0.45
Run Time : 18/09/24 07:43

Appendix C
Production and Price Forecast

Canlin Energy Corporation
Consolidated
Proved Developed Non-Producing

Production Start : 2018-07-01
As Of Date : 2018-06-30

| Year | Light & Medium Oil | | | | | | Gas | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Gr. Well | Gr. Daily | Gross | Co Grs | Co Net | Price | Gr. Well | Gr. Daily | Gross | Co Grs | Co Net | Price |
| | Count | Bbl/d | MBbl | MBbl | MBbl | $/Bbl | Count | Mcf/d | MMcf | MMcf | MMcf | $/Mcf |
| 2018 | 2 | 93 | 14.2 | 13.6 | 13.0 | 75.36 | 1 | 251 | 46 | 24 | 23 | 1.98 |
| 2019 | 2 | 73 | 26.7 | 24.7 | 19.5 | 70.10 | 11 | 4511 | 1647 | 773 | 644 | 2.15 |
| 2020 | 2 | 47 | 17.3 | 15.5 | 11.6 | 73.59 | 23 | 5464 | 2000 | 897 | 733 | 2.80 |
| 2021 | 2 | 33 | 12.1 | 10.5 | 8.4 | 77.61 | 36 | 22386 | 8171 | 6586 | 5700 | 2.62 |
| 2022 | 2 | 24 | 8.9 | 7.5 | 6.4 | 79.11 | 35 | 18947 | 6916 | 5560 | 4679 | 2.96 |
| 2023 | 2 | 19 | 6.8 | 5.6 | 5.0 | 80.67 | 33 | 14965 | 5462 | 4375 | 3681 | 3.05 |
| 2024 | 2 | 15 | 5.4 | 4.3 | 4.0 | 82.28 | 28 | 10497 | 3842 | 3149 | 2665 | 3.11 |
| 2025 | 2 | 12 | 4.3 | 3.3 | 3.1 | 84.04 | 25 | 8172 | 2983 | 2419 | 2041 | 3.21 |
| 2026 | 2 | 9 | 3.2 | 2.4 | 2.3 | 86.23 | 20 | 5835 | 2130 | 1812 | 1529 | 3.32 |
| 2027 | 2 | 7 | 2.7 | 2.0 | 1.9 | 87.95 | 18 | 4823 | 1760 | 1501 | 1265 | 3.41 |
| 2028 | 2 | 6 | 2.3 | 1.6 | 1.6 | 89.73 | 13 | 3942 | 1443 | 1214 | 1028 | 3.52 |
| 2029 | 1 | 2 | 0.8 | 0.3 | 0.3 | 86.60 | 12 | 2999 | 1095 | 934 | 794 | 3.60 |
| 2030 | 1 | 2 | 0.7 | 0.3 | 0.3 | 88.53 | 10 | 2394 | 874 | 748 | 635 | 3.67 |
| 2031 | 1 | 2 | 0.6 | 0.2 | 0.2 | 90.50 | 9 | 1574 | 575 | 461 | 388 | 3.75 |
| 2032 | 1 | 1 | 0.5 | 0.2 | 0.2 | 92.51 | 7 | 1160 | 425 | 321 | 265 | 3.81 |
| 2033 | 1 | 1 | 0.5 | 0.2 | 0.2 | 94.56 | 6 | 445 | 162 | 102 | 86 | 3.82 |
| 2034 | 1 | 1 | 0.4 | 0.2 | 0.2 | 96.65 | 3 | 80 | 29 | 5 | 6 | 3.96 |
| 2035 | 1 | 1 | 0.3 | 0.1 | 0.1 | 98.79 | 2 | 61 | 22 | 2 | 4 | 4.51 |
| 2036 | - | - | - | - | - | - | 2 | 52 | 19 | 1 | 3 | 4.60 |
| 2037 | - | - | - | - | - | - | 1 | 41 | 15 | - | 1 | 5.16 |
| Total | | | 107.8 | 92.7 | 78.1 | | | | 39613 | 30884 | 26172 | |

| Year | Solution Gas | | | | Ethane | | | | Propane | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Gross | Co Grs | Co Net | Price | Gross | Co Grs | Co Net | Price | Gross | Co Grs | Co Net | Price |
| | MMcf | MMcf | MMcf | $/Mcf | MBbl | MBbl | MBbl | $/Bbl | MBbl | MBbl | MBbl | $/Bbl |
| 2018 | 21 | 20 | 19 | 1.98 | - | - | - | - | 0.0 | 0.0 | 0.0 | 17.72 |
| 2019 | 37 | 32 | 30 | 2.62 | 0.1 | 0.0 | 0.0 | 5.48 | 1.7 | 0.7 | 0.5 | 19.15 |
| 2020 | 24 | 20 | 19 | 3.30 | 0.1 | 0.0 | 0.0 | 8.23 | 2.4 | 0.9 | 0.6 | 25.15 |
| 2021 | 17 | 14 | 13 | 3.50 | 0.1 | 0.0 | 0.0 | 8.81 | 1.8 | 0.7 | 0.5 | 28.58 |
| 2022 | 13 | 10 | 9 | 3.85 | 0.0 | 0.0 | 0.0 | 8.86 | 1.3 | 0.5 | 0.4 | 29.24 |
| 2023 | 10 | 8 | 7 | 3.93 | 0.0 | 0.0 | 0.0 | 7.08 | 1.0 | 0.3 | 0.2 | 29.27 |
| 2024 | 9 | 6 | 6 | 4.01 | 0.0 | 0.0 | 0.0 | 7.33 | 0.8 | 0.3 | 0.2 | 30.21 |
| 2025 | 7 | 5 | 5 | 4.10 | 0.0 | 0.0 | 0.0 | 7.60 | 0.6 | 0.2 | 0.2 | 31.21 |
| 2026 | 6 | 4 | 4 | 4.20 | 0.0 | 0.0 | 0.0 | 7.87 | 0.4 | 0.1 | 0.1 | 32.18 |
| 2027 | 5 | 3 | 3 | 4.29 | 0.0 | 0.0 | 0.0 | 8.14 | 0.2 | 0.1 | 0.1 | 33.22 |
| 2028 | 4 | 3 | 3 | 4.39 | 0.0 | 0.0 | 0.0 | 8.43 | 0.1 | 0.1 | 0.1 | 34.28 |
| 2029 | 2 | 1 | 1 | 4.11 | 0.0 | 0.0 | 0.0 | 8.66 | 0.2 | 0.1 | 0.1 | 35.10 |
| 2030 | 2 | 1 | 1 | 4.20 | 0.0 | 0.0 | 0.0 | 8.90 | 0.1 | 0.1 | 0.1 | 36.03 |
| 2031 | 2 | 1 | 1 | 4.29 | 0.0 | 0.0 | 0.0 | 9.14 | 0.1 | 0.1 | 0.1 | 36.97 |
| 2032 | 2 | 1 | 1 | 4.38 | 0.0 | 0.0 | 0.0 | 9.39 | 0.0 | 0.0 | 0.0 | 37.94 |
| 2033 | 1 | 1 | 1 | 4.47 | - | - | - | - | 0.0 | 0.0 | 0.0 | 40.09 |
| 2034 | 1 | 1 | 1 | 4.56 | - | - | - | - | 0.0 | 0.0 | 0.0 | 41.09 |
| 2035 | 1 | 0 | 0 | 4.66 | - | - | - | - | 0.0 | 0.0 | 0.0 | 42.11 |
| 2036 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2037 | - | - | - | - | - | - | - | - | - | - | - | - |
| Total | 166 | 129 | 122 | | 0.4 | 0.1 | 0.1 | | 10.7 | 4.1 | 3.1 | |

| Year | Heavy Oil | | | | | | Bitumen | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Gr. Well | Gr. Daily | Gross | Co Grs | Co Net | Price | Gr. Well | Gr. Daily | Gross | Co Grs | Co Net | Price |
| | Count | Bbl/d | MBbl | MBbl | MBbl | $/Bbl | Count | Bbl/d | MBbl | MBbl | MBbl | $/Bbl |
| 2018 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2019 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2020 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2021 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2022 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2023 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2024 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2025 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2026 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2027 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2028 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2029 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2030 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2031 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2032 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2033 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2034 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2035 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2036 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2037 | - | - | - | - | - | - | - | - | - | - | - | - |
| Total | | | | | | | | | | | | |

| Year | Sulphur | | | | Butane | | | | Pentane Plus | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Gross | Co Grs | Co Net | Price | Gross | Co Grs | Co Net | Price | Gross | Co Grs | Co Net | Price |
| | MLt | MLt | MLt | $/Lt | MBbl | MBbl | MBbl | $/Bbl | MBbl | MBbl | MBbl | $/Bbl |
| 2018 | 0.1 | 0.1 | 0.0 | 89.40 | 0.0 | 0.0 | 0.0 | 33.94 | 0.1 | 0.1 | 0.0 | 78.97 |
| 2019 | 7.4 | 4.2 | 3.5 | 73.66 | 1.3 | 0.6 | 0.4 | 37.35 | 3.2 | 1.6 | 1.1 | 71.22 |
| 2020 | 8.9 | 5.1 | 4.2 | 75.05 | 1.8 | 0.7 | 0.5 | 43.95 | 19.7 | 17.7 | 10.8 | 78.53 |
| 2021 | 25.2 | 18.4 | 15.3 | 82.88 | 1.4 | 0.6 | 0.4 | 50.55 | 74.7 | 73.0 | 43.9 | 82.30 |
| 2022 | 21.3 | 15.4 | 12.9 | 83.84 | 1.0 | 0.4 | 0.3 | 51.21 | 89.1 | 87.8 | 52.8 | 84.04 |
| 2023 | 17.1 | 12.5 | 10.4 | 85.17 | 0.8 | 0.3 | 0.2 | 51.88 | 10.1 | 9.0 | 5.5 | 85.54 |
| 2024 | 9.3 | 7.3 | 6.0 | 88.30 | 0.6 | 0.3 | 0.2 | 53.15 | 1.0 | 0.3 | 0.3 | 78.62 |
| 2025 | 7.4 | 5.8 | 4.8 | 89.28 | 0.5 | 0.2 | 0.1 | 54.42 | 0.8 | 0.2 | 0.2 | 80.44 |
| 2026 | 6.4 | 5.1 | 4.2 | 90.27 | 0.3 | 0.1 | 0.1 | 55.72 | 0.6 | 0.1 | 0.1 | 82.24 |
| 2027 | 5.9 | 4.7 | 3.9 | 91.68 | 0.2 | 0.1 | 0.1 | 57.05 | 0.4 | 0.1 | 0.1 | 84.14 |
| 2028 | 5.5 | 4.3 | 3.6 | 93.12 | 0.1 | 0.1 | 0.1 | 58.41 | 0.3 | 0.1 | 0.1 | 86.06 |
| 2029 | 4.2 | 3.5 | 2.9 | 94.60 | 0.2 | 0.1 | 0.1 | 59.79 | 0.2 | 0.0 | 0.1 | 87.76 |
| 2030 | 3.3 | 2.9 | 2.4 | 96.09 | 0.1 | 0.1 | 0.1 | 61.20 | 0.2 | 0.0 | 0.0 | 89.71 |
| 2031 | 1.8 | 1.4 | 1.1 | 97.62 | 0.1 | 0.1 | 0.1 | 62.63 | 0.2 | 0.0 | 0.0 | 91.68 |
| 2032 | 1.6 | 1.2 | 1.0 | 99.17 | 0.1 | 0.0 | 0.0 | 64.11 | 0.1 | 0.0 | 0.0 | 93.74 |
| 2033 | 0.1 | 0.1 | 0.1 | 100.75 | 0.0 | 0.0 | 0.0 | 66.24 | 0.1 | 0.0 | 0.0 | 100.02 |
| 2034 | - | - | - | - | 0.0 | 0.0 | 0.0 | 67.77 | 0.1 | 0.0 | 0.0 | 102.12 |
| 2035 | - | - | - | - | 0.0 | 0.0 | 0.0 | 69.32 | 0.1 | 0.0 | 0.0 | 104.27 |
| 2036 | - | - | - | - | 0.0 | - | 0.0 | 72.46 | 0.1 | - | 0.0 | 107.35 |
| 2037 | - | - | - | - | 0.0 | - | 0.0 | 74.08 | 0.1 | - | 0.0 | 109.58 |
| Total | 125.6 | 91.8 | 76.5 | | 8.6 | 3.6 | 2.8 | | 201.1 | 190.2 | 115.0 | |

Canlin Energy Corporation
Project : 22299 - Report : H1
**Page : 1 of 1**

Price : 2018-06-30 SAL Prices - New C*
Scenario : SAL June Price
DB : CANLIN22299MY.vndl

Run By : CarolinH
Version : 16.2.0.45
Run Time : 18/09/24 07:43

Sproule

Appendix C
Summary of Reserves and Net Present Values

Canlin Energy Corporation
Consolidated
Proved Developed Non-Producing

Production Start : 2018-07-01
As Of Date : 2018-06-30

| Year | Revenue: Oil | Revenue: Gas | Revenue: NGL | Revenue: Sulphur | Revenue: Royalty | Revenue: Other | Royalties: Crown | Royalties: Crown Adj | Royalties: Production | Royalties: Resource | Royalties: MinTax | Opex | Other Exp. | Operating Income |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | M$ | M$ | M$ | M$ | M$ | M$ | M$ | M$ | M$ | M$ | M$ | M$ | M$ | M$ |
| 2018 | 1028.3 | 87.1 | 5.8 | 5.3 | 0.0 | 0.0 | 58.4 | 3.3 | 0.0 | 0.0 | 0.0 | 97.9 | 0.0 | 973.6 |
| 2019 | 1731.2 | 1745.8 | 151.7 | 308.9 | 6.5 | 21.0 | 747.6 | 195.2 | 0.0 | 0.3 | 0.0 | 793.3 | 0.0 | 2619.1 |
| 2020 | 1140.3 | 2581.6 | 1441.4 | 381.5 | 20.5 | 26.0 | 1352.0 | 260.2 | 0.0 | 8.4 | 0.6 | 1167.4 | 0.0 | 3323.1 |
| 2021 | 814.2 | 17325.9 | 6062.6 | 1525.2 | 17.9 | 24.0 | 4470.1 | 251.2 | 0.0 | 7.6 | 0.5 | 11697.6 | 0.0 | 9845.2 |
| 2022 | 595.5 | 16512.1 | 7413.6 | 1294.5 | 16.8 | 22.0 | 5093.5 | 241.3 | 0.0 | 7.5 | 0.4 | 10586.1 | 0.0 | 10408.5 |
| 2023 | 453.2 | 13383.3 | 794.1 | 1061.7 | 14.7 | 21.0 | 2109.3 | 190.1 | 0.0 | 6.3 | 0.3 | 8134.9 | 0.0 | 5667.3 |
| 2024 | 356.2 | 9809.7 | 50.0 | 640.7 | 13.0 | 19.0 | 1197.6 | 42.7 | 0.0 | 5.0 | 0.2 | 6556.2 | 0.0 | 3172.4 |
| 2025 | 279.6 | 7791.5 | 37.2 | 513.5 | 11.5 | 17.0 | 952.9 | 38.5 | 0.0 | 3.6 | 0.1 | 5374.6 | 0.0 | 2357.7 |
| 2026 | 204.9 | 6025.3 | 19.0 | 457.7 | 10.6 | 16.0 | 710.9 | 8.4 | 0.0 | 3.1 | 0.0 | 3876.7 | 0.0 | 2151.2 |
| 2027 | 172.6 | 5137.8 | 17.0 | 428.6 | 8.8 | 14.0 | 608.9 | 5.3 | 0.0 | 2.7 | 0.0 | 3453.7 | 0.0 | 1718.9 |
| 2028 | 147.8 | 4286.3 | 15.2 | 402.5 | 6.8 | 12.0 | 490.9 | 4.7 | 0.0 | 2.3 | 0.0 | 3015.2 | 0.0 | 1367.1 |
| 2029 | 26.6 | 3360.5 | 10.9 | 329.4 | 7.2 | 3.0 | 363.8 | 4.0 | 0.0 | 1.8 | 0.0 | 2768.6 | 0.0 | 607.5 |
| 2030 | 24.2 | 2750.2 | 9.8 | 278.0 | 6.8 | 0.0 | 296.4 | 3.9 | 0.0 | 1.6 | 0.0 | 2393.0 | 0.0 | 382.0 |
| 2031 | 22.0 | 1732.9 | 8.7 | 134.5 | 6.5 | 0.0 | 193.6 | 3.7 | 0.0 | 1.4 | 0.0 | 1522.0 | 0.0 | 191.3 |
| 2032 | 20.1 | 1223.8 | 3.4 | 116.9 | 6.3 | 0.0 | 157.4 | 3.3 | 0.0 | 1.2 | 0.0 | 1133.4 | 0.0 | 81.8 |
| 2033 | 18.2 | 393.0 | 0.0 | 9.7 | 6.0 | 0.0 | 47.9 | 3.1 | 0.0 | 1.1 | 0.0 | 358.2 | 0.0 | 22.7 |
| 2034 | 16.5 | 22.6 | 0.0 | 0.0 | 5.7 | 0.0 | 2.1 | 0.3 | 0.0 | 1.0 | 0.0 | 29.1 | 0.0 | 13.0 |
| 2035 | 12.7 | 11.9 | 0.0 | 0.0 | 5.5 | 0.0 | 0.8 | 0.0 | 0.0 | 0.9 | 0.0 | 19.1 | 0.0 | 9.4 |
| 2036 | 0.0 | 6.1 | 0.0 | 0.0 | 5.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.5 | 0.0 | 5.3 | 0.0 | 5.6 |
| 2037 | 0.0 | 0.0 | 0.0 | 0.0 | 5.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 5.1 |
| Sub Total | 7064.4 | 94187.2 | 16040.8 | 7888.8 | 181.7 | 195.0 | 18854.1 | 1259.3 | 0.0 | 56.2 | 2.0 | 62982.2 | 0.0 | 44922.7 |
| 31 Years | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total | 7064.4 | 94187.2 | 16040.8 | 7888.8 | 181.7 | 195.0 | 18854.1 | 1259.3 | 0.0 | 56.2 | 2.0 | 62982.2 | 0.0 | 44922.7 |

| Year | Other Capital | CEE | CDE | COGPE | Total Capital | Net Revenue | Cum. Net Revenue | AdValorem /Severance | Aband. & Reclaim. | Sask. Tax | Before Tax | BTax Cum. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | M$ | M$ | M$ | M$ | M$ | M$ | M$ | M$ | M$ | M$ | M$ | M$ |
| 2018 | 0.0 | 0.0 | 60.3 | 0.0 | 60.3 | 913.3 | 913.3 | 0.0 | 0.0 | 0.0 | 913.3 | 913.3 |
| 2019 | 0.0 | 0.0 | 701.8 | 0.0 | 701.8 | 1917.4 | 2830.7 | 0.0 | 0.0 | 0.0 | 1917.4 | 2830.7 |
| 2020 | 311.6 | 0.0 | 3286.0 | 0.0 | 3597.6 | -274.4 | 2556.2 | 0.0 | 0.0 | 0.0 | -274.4 | 2556.2 |
| 2021 | 1097.3 | 0.0 | 0.0 | 0.0 | 1097.3 | 8748.0 | 11304.2 | 0.0 | 0.0 | 0.0 | 8748.0 | 11304.2 |
| 2022 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 10408.5 | 21712.7 | 0.0 | 0.0 | 0.0 | 10408.5 | 21712.7 |
| 2023 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 5667.3 | 27380.0 | 0.0 | 77.7 | 0.0 | 5589.6 | 27302.3 |
| 2024 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 3172.4 | 30552.4 | 0.0 | 0.0 | 0.0 | 3172.4 | 30474.7 |
| 2025 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 2357.7 | 32910.1 | 0.0 | -280.7 | 0.0 | 2638.4 | 33113.1 |
| 2026 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 2151.2 | 35061.3 | 0.0 | 37.8 | 0.0 | 2113.5 | 35226.5 |
| 2027 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1718.9 | 36780.2 | 0.0 | 97.9 | 0.0 | 1621.0 | 36847.6 |
| 2028 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1367.1 | 38147.3 | 0.0 | 431.5 | 0.0 | 935.5 | 37783.1 |
| 2029 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 607.5 | 38754.8 | 0.0 | 227.0 | 0.0 | 380.5 | 38163.6 |
| 2030 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 382.0 | 39136.8 | 0.0 | 654.1 | 0.0 | -272.2 | 37891.5 |
| 2031 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 191.3 | 39328.1 | 0.0 | 197.0 | 0.0 | -5.6 | 37885.9 |
| 2032 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 81.8 | 39409.9 | 0.0 | 25.2 | 0.0 | 56.6 | 37942.4 |
| 2033 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 22.7 | 39432.6 | 0.0 | 507.8 | 0.0 | -485.1 | 37457.4 |
| 2034 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 13.0 | 39445.7 | 0.0 | 379.2 | 0.0 | -366.2 | 37091.2 |
| 2035 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 9.4 | 39455.1 | 0.0 | 0.0 | 0.0 | 9.4 | 37100.6 |
| 2036 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 5.6 | 39460.7 | 0.0 | 407.8 | 0.0 | -402.2 | 36698.4 |
| 2037 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 5.1 | 39465.8 | 0.0 | 64.7 | 0.0 | -59.6 | 36638.9 |
| Sub Total | 1408.9 | 0.0 | 4048.0 | 0.0 | 5456.9 | 39465.8 | | 0.0 | 2827.0 | 0.0 | 36638.9 | |
| 31 Years | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | 0.0 | 543.9 | 0.0 | -543.9 | |
| Total | 1408.9 | 0.0 | 4048.0 | 0.0 | 5456.9 | 39465.8 | | 0.0 | 3370.9 | 0.0 | 36094.9 | |

Canlin Energy Corporation
Project : 22299 - Report : H2
**Page : 1 of 1**

Price : 2018-06-30 SAL Prices - New C*
Scenario : SAL June Price
DB : CANLIN22299MY.vndl

Run By : CarolinH
Version : 16.2.0.45
Run Time : 18/09/24 07:43

Sproule

**Appendix C**
**Summary of Reserves and Net Present Values**

**Canlin Energy Corporation**
**Consolidated**
**Proved Undeveloped**

**Production Start : 2018-10-01**
**As Of Date : 2018-06-30**

| | Lt Med Oil | Heavy Oil | Bitumen | Synthetic | Tight Oil | Solution Gas | Non-Assoc Assoc Gas | CBM | Shale Gas | Ethane | Propane | Butane | Pentane Plus | Total NGL | Sulphur | Equiv. Oil |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | MBbl | MBbl | MBbl | MBbl | MBbl | MMcf | MMcf | MMcf | MMcf | MBbl | MBbl | MBbl | MBbl | MBbl | MLt | MBoe |
| Gross | 400.8 | 0.0 | 0.0 | 0.0 | 0.0 | 214 | 498042 | 0 | 0 | 3.5 | 4839.1 | 225.8 | 1007.7 | 6076.1 | 179.1 | 89519.6 |
| Co. Gr. | 400.8 | 0.0 | 0.0 | 0.0 | 0.0 | 214 | 392751 | 0 | 0 | 3.2 | 3724.7 | 204.7 | 952.0 | 4884.6 | 175.4 | 70779.7 |
| Co. Net | 354.6 | 0.0 | 0.0 | 0.0 | 0.0 | 202 | 354014 | 0 | 0 | 2.9 | 2974.9 | 180.4 | 711.3 | 3869.5 | 146.4 | 63259.9 |

| Year | Oil Comp. Gross | Gas Comp. Gross | BOE Comp. Gross | Oil Revenue | Gas Revenue | Other Revenue | Total Revenue | Total Crown | Non-Crown | Total Royalty | Royalty | Opex | Other Exp. | Total Expenses | Total Capital | Aband. & Reclaim. | BTax Cash Flow |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | bbl/d | Mcf/d | boe/d | M$ | M$ | M$ | M$ | M$ | M$ | M$ | % | M$ | M$ | M$ | M$ | M$ | M$ |
| 2018 | 36.6 | 8020 | 1521.8 | 254.7 | 1426.1 | 812.7 | 2493.4 | 60.8 | 7.1 | 67.9 | 2.7 | 277.4 | 0.0 | 277.4 | 61131.5 | 0.0 | -58983.3 |
| 2019 | 128.2 | 11441 | 2312.9 | 3321.9 | 10636.1 | 5234.4 | 19192.4 | 613.8 | 115.4 | 729.2 | 3.8 | 2005.8 | 0.0 | 2005.8 | 113547.0 | 0.0 | -97089.5 |
| 2020 | 127.8 | 19318 | 3672.7 | 3496.5 | 22102.9 | 7018.4 | 32617.8 | 1376.2 | 464.4 | 1840.6 | 5.6 | 3794.4 | 0.0 | 3794.4 | 70902.5 | 0.0 | -43919.7 |
| 2021 | 139.9 | 48063 | 8726.5 | 4032.9 | 57195.9 | 9315.6 | 70544.3 | 2428.8 | 337.1 | 2765.9 | 3.9 | 8505.6 | 0.0 | 8505.6 | 172241.1 | 0.0 | -112968.3 |
| 2022 | 107.8 | 68999 | 12371.9 | 3173.8 | 90963.0 | 11720.9 | 105857.8 | 3781.4 | 283.8 | 4065.1 | 3.8 | 13239.3 | 0.0 | 13239.3 | 83427.1 | 0.0 | 5126.2 |
| 2023 | 86.3 | 67946 | 12389.6 | 2592.8 | 91579.5 | 20280.1 | 114452.4 | 8308.4 | 234.7 | 8543.1 | 7.5 | 20243.9 | 0.0 | 20243.9 | 24159.7 | 0.0 | 61505.7 |
| 2024 | 70.6 | 74964 | 13636.9 | 2172.3 | 104314.1 | 22714.7 | 129201.1 | 9498.3 | 396.5 | 9894.9 | 7.7 | 21733.7 | 0.0 | 21733.7 | 67468.4 | 0.0 | 30104.2 |
| 2025 | 58.8 | 75066 | 13474.6 | 1841.5 | 107288.5 | 18078.3 | 127208.3 | 9530.9 | 417.3 | 9948.1 | 7.8 | 21642.6 | 0.0 | 21642.6 | 46711.2 | 0.0 | 48906.3 |
| 2026 | 49.7 | 65359 | 11707.2 | 1588.5 | 95976.3 | 14645.3 | 112210.1 | 8895.7 | 336.8 | 9232.5 | 8.2 | 20043.5 | 0.0 | 20043.5 | 0.0 | 0.0 | 82934.2 |
| 2027 | 42.5 | 55335 | 9914.1 | 1387.2 | 83395.1 | 12827.5 | 97609.8 | 7807.0 | 293.1 | 8100.1 | 8.3 | 18478.4 | 0.0 | 18478.4 | 0.0 | 0.0 | 71031.3 |
| 2028 | 35.3 | 48806 | 8742.8 | 1180.2 | 75667.6 | 11493.9 | 88341.7 | 7720.7 | 263.7 | 7984.4 | 9.0 | 17004.2 | 0.0 | 17004.2 | 0.0 | -294.0 | 63647.1 |
| 2029 | 30.4 | 43836 | 7851.0 | 1034.4 | 69154.6 | 10549.2 | 80738.2 | 7571.2 | 239.6 | 7810.8 | 9.7 | 16369.8 | 0.0 | 16369.8 | 0.0 | 0.0 | 56557.5 |
| 2030 | 26.8 | 40607 | 7263.1 | 929.9 | 65499.4 | 9866.9 | 76296.2 | 7312.9 | 221.9 | 7534.8 | 9.9 | 17172.2 | 0.0 | 17172.2 | 0.0 | 0.0 | 51589.2 |
| 2031 | 23.8 | 37067 | 6628.7 | 841.9 | 61098.1 | 9014.7 | 70954.7 | 6882.1 | 206.3 | 7088.4 | 10.0 | 16757.5 | 0.0 | 16757.5 | 0.0 | 0.0 | 47108.8 |
| 2032 | 21.2 | 32907 | 5893.9 | 769.2 | 55555.9 | 8106.2 | 64431.4 | 6357.7 | 191.4 | 6549.0 | 10.2 | 14260.2 | 0.0 | 14260.2 | 0.0 | 54.9 | 43567.3 |
| 2033 | 19.1 | 30190 | 5407.0 | 703.0 | 51900.0 | 7483.9 | 60086.9 | 5895.3 | 176.1 | 6071.4 | 10.1 | 13694.5 | 0.0 | 13694.5 | 0.0 | 140.3 | 40180.7 |
| 2034 | 14.2 | 27538 | 4931.6 | 536.7 | 48341.2 | 6869.8 | 55747.6 | 5440.0 | 162.5 | 5602.5 | 10.0 | 12689.0 | 0.0 | 12689.0 | 0.0 | -467.9 | 37924.1 |
| 2035 | 13.0 | 25099 | 4498.5 | 500.3 | 45066.8 | 6439.1 | 52006.2 | 4989.3 | 148.6 | 5137.9 | 9.9 | 11896.3 | 0.0 | 11896.3 | 0.0 | 0.0 | 34972.0 |
| 2036 | 11.9 | 27711 | 4910.0 | 469.4 | 50413.7 | 6698.2 | 57581.3 | 5284.3 | 135.9 | 5420.2 | 9.4 | 20418.5 | 0.0 | 20418.5 | 0.0 | 667.0 | 31075.7 |
| 2037 | 11.0 | 25526 | 4524.3 | 439.6 | 47311.7 | 6297.4 | 54048.8 | 4826.8 | 126.8 | 4953.5 | 9.2 | 19793.8 | 0.0 | 19793.8 | 0.0 | 202.6 | 29098.8 |
| Sub Total | | | | 31266.8 | 1234886.4 | 205467.3 | 1471620.5 | 114581.6 | 4758.8 | 119340.4 | | 290020.6 | 0.0 | 290020.6 | 639588.4 | 302.9 | 422368.2 |
| 36 Years | | | | 3073.9 | 598376.2 | 77397.2 | 678847.3 | 52966.9 | 1834.0 | 54800.9 | | 251717.7 | 0.0 | 251717.7 | 0.0 | 47308.0 | 325020.7 |
| Total | | | | 34340.7 | 1833262.6 | 282864.5 | 2150467.8 | 167548.5 | 6592.8 | 174141.3 | | 541738.4 | 0.0 | 541738.4 | 639588.4 | 47610.9 | 747388.9 |
| Discount | 5% | | | 24439.6 | 929365.9 | 154881.6 | 1108687.1 | 82671.1 | 3668.9 | 86340.0 | | 229904.8 | 0.0 | 229904.8 | 554035.5 | 7567.4 | 230839.2 |
| Discount | 10% | | | 18897.4 | 579574.7 | 101561.4 | 700033.4 | 49548.1 | 2458.4 | 52006.5 | | 129837.3 | 0.0 | 129837.3 | 487254.8 | 1986.6 | 28948.3 |
| Discount | 12% | | | 17320.8 | 495894.8 | 88313.7 | 601529.3 | 41687.5 | 2158.8 | 43846.3 | | 108103.7 | 0.0 | 108103.7 | 464595.1 | 1250.9 | -16266.7 |
| Discount | 15% | | | 15391.8 | 401981.1 | 73162.7 | 490535.6 | 32958.2 | 1816.4 | 34774.5 | | 84799.0 | 0.0 | 84799.0 | 434144.0 | 648.5 | -63830.4 |
| Discount | 18% | | | 13846.8 | 333223.8 | 61851.5 | 408922.1 | 26667.7 | 1560.3 | 28228.0 | | 68488.4 | 0.0 | 68488.4 | 407331.9 | 344.1 | -95470.3 |
| Discount | 20% | | | 12976.7 | 296995.6 | 55806.3 | 365778.6 | 23402.5 | 1423.0 | 24825.5 | | 60157.9 | 0.0 | 60157.9 | 391195.6 | 226.7 | -110627.1 |
| Discount | 25% | | | 11210.3 | 228988.0 | 44272.3 | 284470.6 | 17399.4 | 1159.3 | 18558.7 | | 45029.9 | 0.0 | 45029.9 | 355944.6 | 79.1 | -135141.7 |

| Reserve Life | Reserve Half Life | Reserve Life Index | Before Tax Payout | First Year Co Gr. Operating Costs |
|---|---|---|---|---|
| 50.3 years | 8.3 years | 209.3 | 9.9 years | $/BOE 2.30 |

Canlin Energy Corporation
Project : 22299 - Report : H4
**Page : 1 of 1**

Price : 2018-06-30 SAL Prices - New C*
Scenario : SAL June Price
DB : CANLIN22299MY.vndl

Run By : CarolinH
Version : 16.2.0.45
Run Time : 18/09/24 07:43

Sproule

Appendix C
Production and Price Forecast

Canlin Energy Corporation
Consolidated
Proved Undeveloped

Production Start : 2018-10-01
As Of Date : 2018-06-30

| Year | Light & Medium Oil | | | | | | Gas | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Gr. Well | Gr. Daily | Gross | Co Grs | Co Net | Price | Gr. Well | Gr. Daily | Gross | Co Grs | Co Net | Price |
| | Count | Bbl/d | MBbl | MBbl | MBbl | $/Bbl | Count | Mcf/d | MMcf | MMcf | MMcf | $/Mcf |
| 2018 | 1 | 37 | 3.4 | 3.4 | 3.2 | 75.58 | 104 | 10251 | 943 | 736 | 693 | 1.93 |
| 2019 | 2 | 128 | 46.8 | 46.8 | 44.4 | 71.02 | 214 | 14051 | 5128 | 4172 | 3917 | 2.55 |
| 2020 | 4 | 128 | 46.8 | 46.8 | 40.7 | 74.77 | 317 | 24720 | 9048 | 7052 | 6554 | 3.13 |
| 2021 | 4 | 140 | 51.1 | 51.1 | 45.4 | 78.99 | 352 | 59797 | 21826 | 17514 | 16526 | 3.26 |
| 2022 | 4 | 108 | 39.4 | 39.4 | 32.7 | 80.64 | 364 | 78551 | 28671 | 25162 | 23826 | 3.61 |
| 2023 | 4 | 86 | 31.5 | 31.5 | 25.9 | 82.32 | 368 | 76743 | 28011 | 24782 | 22942 | 3.69 |
| 2024 | 4 | 71 | 25.9 | 25.9 | 22.0 | 84.03 | 396 | 98303 | 35979 | 27422 | 25321 | 3.80 |
| 2025 | 4 | 59 | 21.5 | 21.5 | 18.7 | 85.78 | 409 | 97882 | 35727 | 27386 | 24987 | 3.92 |
| 2026 | 4 | 50 | 18.1 | 18.1 | 16.1 | 87.57 | 409 | 85145 | 31078 | 23845 | 21525 | 4.02 |
| 2027 | 4 | 43 | 15.5 | 15.5 | 13.9 | 89.39 | 409 | 71432 | 26073 | 20188 | 18191 | 4.13 |
| 2028 | 4 | 35 | 12.9 | 12.9 | 11.7 | 91.25 | 408 | 62740 | 22963 | 17855 | 15882 | 4.24 |
| 2029 | 3 | 30 | 11.1 | 11.1 | 10.1 | 93.14 | 408 | 56252 | 20532 | 15993 | 14082 | 4.32 |
| 2030 | 3 | 27 | 9.8 | 9.8 | 8.9 | 95.07 | 415 | 53304 | 19456 | 14815 | 13002 | 4.42 |
| 2031 | 3 | 24 | 8.7 | 8.7 | 7.9 | 97.04 | 415 | 48641 | 17754 | 13524 | 11837 | 4.52 |
| 2032 | 3 | 21 | 7.8 | 7.8 | 7.1 | 99.05 | 406 | 41908 | 15338 | 12039 | 10508 | 4.61 |
| 2033 | 3 | 19 | 7.0 | 7.0 | 6.4 | 101.10 | 404 | 38450 | 14034 | 11015 | 9616 | 4.71 |
| 2034 | 2 | 14 | 5.2 | 5.2 | 4.7 | 103.20 | 404 | 35059 | 12797 | 10047 | 8777 | 4.81 |
| 2035 | 2 | 13 | 4.7 | 4.7 | 4.3 | 105.34 | 303 | 31909 | 11647 | 9157 | 8017 | 4.92 |
| 2036 | 2 | 12 | 4.4 | 4.4 | 4.0 | 107.51 | 215 | 33882 | 12401 | 10139 | 8877 | 4.97 |
| 2037 | 2 | 11 | 4.0 | 4.0 | 3.6 | 109.73 | 115 | 31196 | 11387 | 9314 | 8184 | 5.08 |
| Sub Tot | | | 375.3 | 375.3 | 331.7 | | | | 380792 | 302158 | 273264 | |
| 31 Years | | | 25.5 | 25.5 | 22.8 | | | | 117251 | 90594 | 80750 | |
| Total | | | 400.8 | 400.8 | 354.6 | | | | 498042 | 392751 | 354014 | |

| Year | Solution Gas | | | | Ethane | | | | Propane | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Gross | Co Grs | Co Net | Price | Gross | Co Grs | Co Net | Price | Gross | Co Grs | Co Net | Price |
| | MMcf | MMcf | MMcf | $/Mcf | MBbl | MBbl | MBbl | $/Bbl | MBbl | MBbl | MBbl | $/Bbl |
| 2018 | 1 | 1 | 1 | 2.10 | 0.1 | 0.1 | 0.0 | 2.04 | 3.8 | 3.6 | 3.4 | 17.33 |
| 2019 | 4 | 4 | 3 | 2.76 | 0.4 | 0.4 | 0.4 | 3.64 | 27.9 | 26.4 | 24.8 | 18.12 |
| 2020 | 19 | 19 | 18 | 3.45 | 0.5 | 0.4 | 0.4 | 5.35 | 35.2 | 31.3 | 28.5 | 23.42 |
| 2021 | 29 | 29 | 27 | 3.68 | 0.3 | 0.3 | 0.3 | 5.64 | 176.4 | 154.8 | 146.5 | 29.56 |
| 2022 | 23 | 23 | 21 | 4.05 | 0.2 | 0.2 | 0.2 | 6.60 | 261.6 | 237.3 | 224.7 | 31.17 |
| 2023 | 18 | 18 | 17 | 4.15 | 0.2 | 0.2 | 0.2 | 6.89 | 252.1 | 226.4 | 213.0 | 32.15 |
| 2024 | 15 | 15 | 14 | 4.25 | 0.2 | 0.1 | 0.1 | 7.16 | 331.0 | 245.7 | 229.6 | 33.16 |
| 2025 | 13 | 13 | 12 | 4.37 | 0.1 | 0.1 | 0.1 | 7.43 | 322.1 | 235.3 | 195.4 | 34.17 |
| 2026 | 11 | 11 | 10 | 4.48 | 0.1 | 0.1 | 0.1 | 7.71 | 299.0 | 217.8 | 167.9 | 35.20 |
| 2027 | 9 | 9 | 9 | 4.59 | 0.1 | 0.1 | 0.1 | 7.98 | 249.3 | 184.3 | 134.0 | 36.23 |
| 2028 | 8 | 8 | 8 | 4.70 | 0.1 | 0.1 | 0.1 | 8.26 | 220.3 | 164.1 | 116.1 | 37.29 |
| 2029 | 7 | 7 | 7 | 4.79 | 0.1 | 0.1 | 0.1 | 8.49 | 198.0 | 148.0 | 100.7 | 38.20 |
| 2030 | 6 | 6 | 6 | 4.89 | 0.1 | 0.1 | 0.1 | 8.42 | 180.7 | 135.2 | 90.3 | 39.13 |
| 2031 | 6 | 6 | 5 | 5.00 | 0.1 | 0.1 | 0.1 | 8.65 | 165.8 | 124.1 | 83.0 | 40.07 |
| 2032 | 5 | 5 | 5 | 5.10 | 0.1 | 0.1 | 0.1 | 9.39 | 152.8 | 114.5 | 76.9 | 41.03 |
| 2033 | 5 | 5 | 4 | 5.20 | 0.1 | 0.1 | 0.1 | 9.64 | 140.5 | 105.4 | 71.6 | 42.02 |
| 2034 | 4 | 4 | 4 | 5.30 | 0.1 | 0.1 | 0.1 | 9.90 | 129.8 | 97.4 | 67.0 | 43.02 |
| 2035 | 4 | 4 | 4 | 5.41 | 0.1 | 0.1 | 0.0 | 10.17 | 120.2 | 90.2 | 63.2 | 44.04 |
| 2036 | 3 | 3 | 3 | 5.51 | 0.1 | 0.1 | 0.0 | 10.44 | 111.7 | 83.9 | 59.8 | 45.08 |
| 2037 | 3 | 3 | 3 | 5.63 | 0.1 | 0.0 | 0.0 | 10.71 | 103.5 | 77.8 | 56.5 | 46.13 |
| Sub Tot | 193 | 193 | 182 | | 3.1 | 2.7 | 2.5 | | 3481.7 | 2703.4 | 2152.9 | |
| 31 Years | 20 | 20 | 19 | | 0.5 | 0.4 | 0.4 | | 1357.4 | 1021.3 | 822.0 | |
| Total | 214 | 214 | 202 | | 3.5 | 3.2 | 2.9 | | 4839.1 | 3724.7 | 2974.9 | |

| Year | Heavy Oil | | | | | | Bitumen | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Gr. Well | Gr. Daily | Gross | Co Grs | Co Net | Price | Gr. Well | Gr. Daily | Gross | Co Grs | Co Net | Price |
| | Count | Bbl/d | MBbl | MBbl | MBbl | $/Bbl | Count | Bbl/d | MBbl | MBbl | MBbl | $/Bbl |
| 2018 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2019 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2020 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2021 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2022 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2023 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2024 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2025 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2026 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2027 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2028 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2029 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2030 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2031 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2032 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2033 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2034 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2035 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2036 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2037 | - | - | - | - | - | - | - | - | - | - | - | - |
| Sub Tot | | | | | | | | | | | | |
| 31 Years | | | | | | | | | | | | |
| Total | | | | | | | | | | | | |

| Year | Sulphur | | | | Butane | | | | Pentane Plus | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Gross | Co Grs | Co Net | Price | Gross | Co Grs | Co Net | Price | Gross | Co Grs | Co Net | Price |
| | MLt | MLt | MLt | $/Lt | MBbl | MBbl | MBbl | $/Bbl | MBbl | MBbl | MBbl | $/Bbl |
| 2018 | - | - | - | - | 3.6 | 3.3 | 3.2 | 36.64 | 7.1 | 6.7 | 6.3 | 75.96 |
| 2019 | 0.4 | 0.4 | 0.4 | 68.45 | 26.2 | 24.8 | 23.2 | 36.93 | 52.6 | 49.8 | 46.7 | 67.57 |
| 2020 | 5.4 | 4.7 | 4.0 | 72.58 | 32.8 | 29.1 | 26.5 | 42.97 | 66.2 | 58.3 | 53.1 | 70.87 |
| 2021 | 4.4 | 4.0 | 3.3 | 72.90 | 19.7 | 17.7 | 16.2 | 49.68 | 44.8 | 37.5 | 34.4 | 74.94 |
| 2022 | 9.7 | 9.4 | 7.8 | 72.83 | 15.0 | 13.5 | 12.3 | 50.89 | 32.6 | 27.9 | 25.5 | 76.54 |
| 2023 | 17.8 | 17.5 | 14.6 | 84.35 | 12.3 | 11.2 | 9.2 | 52.12 | 123.1 | 119.6 | 77.1 | 84.37 |
| 2024 | 15.6 | 15.4 | 12.8 | 86.08 | 10.7 | 9.6 | 8.0 | 53.36 | 139.9 | 137.0 | 86.8 | 86.51 |
| 2025 | 13.5 | 13.3 | 11.1 | 87.00 | 9.4 | 8.5 | 7.1 | 54.62 | 88.8 | 86.3 | 56.0 | 87.89 |
| 2026 | 11.9 | 11.7 | 9.8 | 87.91 | 8.4 | 7.6 | 6.5 | 55.91 | 55.7 | 53.5 | 36.0 | 89.06 |
| 2027 | 10.6 | 10.4 | 8.7 | 88.90 | 7.6 | 6.9 | 5.9 | 57.23 | 47.6 | 45.6 | 35.0 | 90.82 |
| 2028 | 9.5 | 9.3 | 7.8 | 89.93 | 6.9 | 6.3 | 5.4 | 58.58 | 41.2 | 39.3 | 30.2 | 92.62 |
| 2029 | 8.5 | 8.3 | 6.9 | 91.03 | 6.3 | 5.7 | 4.9 | 59.96 | 35.7 | 34.1 | 26.2 | 94.39 |
| 2030 | 7.7 | 7.5 | 6.3 | 92.16 | 5.8 | 5.2 | 4.5 | 61.36 | 33.2 | 30.5 | 23.4 | 96.22 |
| 2031 | 7.0 | 6.8 | 5.7 | 93.39 | 5.4 | 4.8 | 4.2 | 62.78 | 29.3 | 26.9 | 20.7 | 98.08 |
| 2032 | 6.3 | 6.2 | 5.2 | 94.68 | 4.9 | 4.4 | 3.8 | 64.26 | 24.0 | 23.1 | 17.7 | 99.96 |
| 2033 | 5.7 | 5.6 | 4.7 | 96.00 | 4.5 | 4.1 | 3.5 | 65.74 | 21.4 | 20.5 | 15.8 | 101.90 |
| 2034 | 5.2 | 5.2 | 4.3 | 97.38 | 4.2 | 3.8 | 3.3 | 67.27 | 19.2 | 18.4 | 14.1 | 103.89 |
| 2035 | 4.8 | 4.7 | 4.0 | 98.79 | 3.9 | 3.5 | 3.0 | 68.82 | 17.3 | 16.6 | 12.7 | 105.93 |
| 2036 | 11.1 | 11.1 | 9.3 | 95.84 | 3.6 | 3.3 | 2.8 | 70.40 | 15.8 | 15.0 | 11.5 | 108.01 |
| 2037 | 10.2 | 10.1 | 8.5 | 97.49 | 3.4 | 3.1 | 2.6 | 72.02 | 14.3 | 13.6 | 10.4 | 110.13 |
| Sub Tot | 165.2 | 161.7 | 135.0 | | 194.5 | 176.3 | 156.2 | | 909.8 | 860.1 | 639.7 | |
| 31 Years | 13.9 | 13.7 | 11.4 | | 31.3 | 28.4 | 24.2 | | 97.9 | 91.9 | 71.7 | |
| Total | 179.1 | 175.4 | 146.4 | | 225.8 | 204.7 | 180.4 | | 1007.7 | 952.0 | 711.3 | |

Canlin Energy Corporation
Project : 22299 - Report : H1
**Page : 1 of 1**

Price : 2018-06-30 SAL Prices - New C*
Scenario : SAL June Price
DB : CANLIN22299MY.vndl

Run By : CarolinH
Version : 16.2.0.45
Run Time : 18/09/24 07:43

Sproule

Appendix C
Summary of Reserves and Net Present Values

Canlin Energy Corporation
Consolidated
Proved Undeveloped

Production Start : 2018-10-01
As Of Date : 2018-06-30

| Year | Revenue | | | | | | Royalties | | | | | | | Operating |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Oil | Gas | NGL | Sulphur | Royalty | Other | Crown | Crown Adj | Production | Resource | MinTax | Opex | Other Exp. | Income |
| | M$ | M$ | M$ | M$ | M$ | M$ | M$ | M$ | M$ | M$ | M$ | M$ | M$ | M$ |
| 2018 | 254.7 | 1426.1 | 693.2 | 0.0 | 0.0 | 119.5 | 113.1 | 52.4 | 0.0 | 7.1 | 0.0 | 277.4 | 0.0 | 2148.2 |
| 2019 | 3321.9 | 10636.1 | 4762.5 | 29.9 | 0.0 | 442.0 | 918.3 | 304.5 | 0.0 | 115.4 | 0.0 | 2005.8 | 0.0 | 16457.4 |
| 2020 | 3496.5 | 22102.9 | 6113.3 | 343.1 | 0.0 | 562.0 | 1937.8 | 561.5 | 0.0 | 464.4 | 0.0 | 3794.4 | 0.0 | 26982.8 |
| 2021 | 4032.9 | 57195.9 | 8267.0 | 289.5 | 14.1 | 745.0 | 4159.4 | 1734.8 | 0.0 | 337.1 | 4.3 | 8505.6 | 0.0 | 59272.8 |
| 2022 | 3173.8 | 90963.0 | 10222.0 | 681.6 | 8.4 | 809.0 | 6146.1 | 2367.7 | 0.0 | 283.8 | 3.0 | 13239.3 | 0.0 | 88553.3 |
| 2023 | 2592.8 | 91579.5 | 17948.9 | 1475.4 | 5.8 | 850.0 | 11463.7 | 3157.1 | 0.0 | 234.7 | 1.7 | 20243.9 | 0.0 | 85665.4 |
| 2024 | 2172.3 | 104314.1 | 20513.7 | 1322.5 | 4.6 | 874.0 | 12980.9 | 3483.5 | 0.0 | 396.5 | 1.0 | 21733.7 | 0.0 | 97572.5 |
| 2025 | 1841.5 | 107288.5 | 16089.2 | 1157.2 | 3.8 | 828.0 | 13545.2 | 4014.8 | 0.0 | 417.3 | 0.5 | 21642.6 | 0.0 | 95617.5 |
| 2026 | 1588.5 | 95976.3 | 12855.1 | 1030.9 | 3.4 | 756.0 | 12878.9 | 3983.3 | 0.0 | 336.8 | 0.1 | 20043.5 | 0.0 | 82934.2 |
| 2027 | 1387.2 | 83395.1 | 11214.2 | 925.2 | 3.0 | 685.0 | 11300.5 | 3493.5 | 0.0 | 293.1 | 0.0 | 18478.4 | 0.0 | 71031.3 |
| 2028 | 1180.2 | 75667.6 | 10129.2 | 837.9 | 2.8 | 524.0 | 11246.7 | 3526.0 | 0.0 | 263.7 | 0.0 | 17004.2 | 0.0 | 63353.1 |
| 2029 | 1034.4 | 69154.6 | 9209.1 | 759.1 | 2.5 | 578.4 | 11057.7 | 3486.5 | 0.0 | 239.6 | 0.0 | 16369.8 | 0.0 | 56557.5 |
| 2030 | 929.9 | 65499.4 | 8544.2 | 695.1 | 19.9 | 607.7 | 10698.8 | 3385.9 | 0.0 | 221.9 | 0.0 | 17172.2 | 0.0 | 51589.2 |
| 2031 | 841.9 | 61098.1 | 7912.1 | 638.0 | 18.0 | 446.7 | 10091.4 | 3209.3 | 0.0 | 206.3 | 0.0 | 16757.5 | 0.0 | 47108.8 |
| 2032 | 769.2 | 55555.9 | 7289.7 | 587.2 | 0.0 | 229.4 | 9312.6 | 2955.0 | 0.0 | 191.4 | 0.0 | 14260.2 | 0.0 | 43622.2 |
| 2033 | 703.0 | 51900.0 | 6786.4 | 541.7 | 0.0 | 155.9 | 8648.5 | 2753.2 | 0.0 | 176.1 | 0.0 | 13694.5 | 0.0 | 40321.1 |
| 2034 | 536.7 | 48341.2 | 6355.8 | 503.0 | 0.0 | 11.0 | 7978.8 | 2538.8 | 0.0 | 162.5 | 0.0 | 12689.0 | 0.0 | 37456.2 |
| 2035 | 500.3 | 45066.8 | 5970.6 | 468.5 | 0.0 | 0.0 | 7315.3 | 2326.0 | 0.0 | 148.6 | 0.0 | 11896.3 | 0.0 | 34972.0 |
| 2036 | 469.4 | 50413.7 | 5638.8 | 1059.4 | 0.0 | 0.0 | 7927.3 | 2643.0 | 0.0 | 135.9 | 0.0 | 20418.5 | 0.0 | 31742.6 |
| 2037 | 439.6 | 47311.7 | 5310.0 | 987.5 | 0.0 | 0.0 | 7240.6 | 2413.8 | 0.0 | 126.8 | 0.0 | 19793.8 | 0.0 | 29301.4 |
| Sub Total | 31266.8 | 1234886.4 | 181825.0 | 14332.6 | 86.2 | 9223.5 | 166961.5 | 52390.5 | 0.0 | 4758.8 | 10.6 | 290020.6 | 0.0 | 1062259.5 |
| 36 Years | 3073.9 | 598376.2 | 75915.9 | 1481.4 | 0.0 | 0.0 | 79677.7 | 26710.8 | 0.0 | 1834.0 | 0.0 | 251717.7 | 0.0 | 372328.7 |
| Total | 34340.7 | 1833262.6 | 257740.8 | 15814.0 | 86.2 | 9223.5 | 246639.3 | 79101.3 | 0.0 | 6592.8 | 10.6 | 541738.4 | 0.0 | 1434588.1 |

| Year | Other Capital | CEE | CDE | COGPE | Total Capital | Net Revenue | Cum. Net Revenue | AdValorem /Severance | Aband. & Reclaim. | Sask. Tax | Before Tax | BTax Cum. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | M$ | M$ | M$ | M$ | M$ | M$ | M$ | M$ | M$ | M$ | M$ | M$ |
| 2018 | 32763.5 | 0.0 | 28368.0 | 0.0 | 61131.5 | -58983.3 | -58983.3 | 0.0 | 0.0 | 0.0 | -58983.3 | -58983.3 |
| 2019 | 53147.4 | 0.0 | 60399.5 | 0.0 | 113547.0 | -97089.5 | -156072.9 | 0.0 | 0.0 | 0.0 | -97089.5 | -156072.9 |
| 2020 | 50956.1 | 0.0 | 19946.4 | 0.0 | 70902.5 | -43919.7 | -199992.6 | 0.0 | 0.0 | 0.0 | -43919.7 | -199992.6 |
| 2021 | 26664.1 | 0.0 | 145577.0 | 0.0 | 172241.1 | -112968.3 | -312960.9 | 0.0 | 0.0 | 0.0 | -112968.3 | -312960.9 |
| 2022 | 4557.4 | 0.0 | 78869.8 | 0.0 | 83427.1 | 5126.2 | -307834.7 | 0.0 | 0.0 | 0.0 | 5126.2 | -307834.7 |
| 2023 | 10932.6 | 0.0 | 13227.1 | 0.0 | 24159.7 | 61505.7 | -246329.0 | 0.0 | 0.0 | 0.0 | 61505.7 | -246329.0 |
| 2024 | 5580.8 | 0.0 | 61887.5 | 0.0 | 67468.4 | 30104.2 | -216224.8 | 0.0 | 0.0 | 0.0 | 30104.2 | -216224.8 |
| 2025 | 3230.5 | 0.0 | 43480.7 | 0.0 | 46711.2 | 48906.3 | -167318.5 | 0.0 | 0.0 | 0.0 | 48906.3 | -167318.5 |
| 2026 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 82934.2 | -84384.4 | 0.0 | 0.0 | 0.0 | 82934.2 | -84384.4 |
| 2027 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 71031.3 | -13353.1 | 0.0 | 0.0 | 0.0 | 71031.3 | -13353.1 |
| 2028 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 63353.1 | 50000.0 | 0.0 | -294.0 | 0.0 | 63647.1 | 50294.0 |
| 2029 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 56557.5 | 106557.5 | 0.0 | 0.0 | 0.0 | 56557.5 | 106851.5 |
| 2030 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 51589.2 | 158146.7 | 0.0 | 0.0 | 0.0 | 51589.2 | 158440.7 |
| 2031 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 47108.8 | 205255.5 | 0.0 | 0.0 | 0.0 | 47108.8 | 205549.5 |
| 2032 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 43622.2 | 248877.7 | 0.0 | 54.9 | 0.0 | 43567.3 | 249116.8 |
| 2033 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 40321.1 | 289198.7 | 0.0 | 140.3 | 0.0 | 40180.7 | 289297.5 |
| 2034 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 37456.2 | 326655.0 | 0.0 | -467.9 | 0.0 | 37924.1 | 327221.7 |
| 2035 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 34972.0 | 361627.0 | 0.0 | 0.0 | 0.0 | 34972.0 | 362193.7 |
| 2036 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 31742.6 | 393369.6 | 0.0 | 667.0 | 0.0 | 31075.7 | 393269.4 |
| 2037 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 29301.4 | 422671.1 | 0.0 | 202.6 | 0.0 | 29098.8 | 422368.2 |
| Sub Total | 187832.4 | 0.0 | 451756.0 | 0.0 | 639588.4 | 422671.1 | | 0.0 | 302.9 | 0.0 | 422368.2 | |
| 36 Years | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 372328.7 | | 0.0 | 47308.0 | 0.0 | 325020.7 | |
| Total | 187832.4 | 0.0 | 451756.0 | 0.0 | 639588.4 | 794999.8 | | 0.0 | 47610.9 | 0.0 | 747388.9 | |

Canlin Energy Corporation
Project : 22299 - Report : H2
**Page : 1 of 1**

Price : 2018-06-30 SAL Prices - New C*
Scenario : SAL June Price
DB : CANLIN22299MY.vndl

Run By : CarolinH
Version : 16.2.0.45
Run Time : 18/09/24 07:43

Sproule

Appendix C
Summary of Reserves and Net Present Values

Canlin Energy Corporation
Consolidated
Total Probable

Production Start : 2018-07-01
As Of Date : 2018-06-30

| | Lt Med Oil | Heavy Oil | Bitumen | Synthetic | Tight Oil | Solution Gas | Non-Assoc Assoc Gas | CBM | Shale Gas | Ethane | Propane | Butane | Pentane Plus | Total NGL | Sulphur | Equiv. Oil |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | MBbl | MBbl | MBbl | MBbl | MBbl | MMcf | MMcf | MMcf | MMcf | MBbl | MBbl | MBbl | MBbl | MBbl | MLt | MBoe |
| Gross | 15097.5 | 0.0 | 0.0 | 0.0 | 0.0 | 14725 | 745337 | 0 | 0 | 802.7 | 5520.1 | 1032.9 | 1931.2 | 9286.9 | 1036.7 | 151061.4 |
| Co. Gr. | 2509.7 | 0.0 | 0.0 | 0.0 | 0.0 | 2405 | 550387 | 0 | 0 | 48.0 | 3842.6 | 441.8 | 1026.6 | 5359.0 | 823.7 | 100000.7 |
| Co. Net | 2265.6 | 0.0 | 0.0 | 0.0 | 0.0 | 2518 | 480926 | 0 | 0 | 44.7 | 2890.0 | 354.2 | 752.3 | 4041.2 | 681.3 | 86880.8 |

| Year | Oil Comp. Gross | Gas Comp. Gross | BOE Comp. Gross | Oil Revenue | Gas Revenue | Other Revenue | Total Revenue | Total Crown | Non-Crown | Total Royalty | Royalty | Opex | Other Exp. | Total Expenses | Total Capital | Aband. & Reclaim. | BTax Cash Flow |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | bbl/d | Mcf/d | boe/d | M$ | M$ | M$ | M$ | M$ | M$ | M$ | % | M$ | M$ | M$ | M$ | M$ | M$ |
| 2018 | 48.2 | 6625 | 1292.2 | 667.9 | 2136.9 | 1767.4 | 4572.3 | 610.9 | 36.5 | 647.4 | 14.2 | 1134.5 | 0.0 | 1134.5 | 2510.0 | 0.0 | 280.4 |
| 2019 | 344.7 | 13928 | 2880.5 | 8864.2 | 12023.1 | 5373.2 | 26260.6 | 2347.1 | 200.1 | 2547.2 | 9.7 | 5115.3 | 0.0 | 5115.3 | 35922.2 | 0.0 | -17324.2 |
| 2020 | 332.6 | 20656 | 4009.8 | 9085.9 | 22630.1 | 6816.8 | 38532.7 | 4164.0 | 413.4 | 4577.3 | 11.9 | 5748.4 | 0.0 | 5748.4 | 24217.6 | 0.0 | 3989.3 |
| 2021 | 324.5 | 39280 | 7185.6 | 9340.7 | 45165.6 | 9516.2 | 64022.5 | 5796.1 | 499.6 | 6295.8 | 9.8 | 14849.3 | 0.0 | 14849.3 | 40278.4 | 0.0 | 2599.0 |
| 2022 | 267.0 | 54995 | 9817.4 | 7846.2 | 70316.2 | 10894.3 | 89056.6 | 7602.0 | 653.9 | 8256.0 | 9.3 | 19648.1 | 0.0 | 19648.1 | 47099.2 | 0.0 | 14053.4 |
| 2023 | 234.6 | 55098 | 9811.3 | 7034.3 | 70949.5 | 12234.6 | 90218.4 | 7582.6 | 868.1 | 8450.6 | 9.4 | 21090.1 | 0.0 | 21090.1 | 104305.6 | -153.9 | -43474.0 |
| 2024 | 211.6 | 99468 | 18035.4 | 6496.3 | 135781.5 | 22952.8 | 165230.6 | 12311.2 | 1025.0 | 13336.3 | 8.1 | 29189.6 | 0.0 | 29189.6 | 67893.9 | 6366.1 | 48444.8 |
| 2025 | 203.1 | 90095 | 16196.7 | 6350.5 | 126287.3 | 18979.9 | 151617.7 | 10680.4 | 1102.9 | 11783.3 | 7.8 | 30187.8 | 0.0 | 30187.8 | 20399.5 | -36037.6 | 125284.8 |
| 2026 | 191.8 | 81326 | 14540.2 | 6118.3 | 116946.0 | 16038.2 | 139102.5 | 10440.3 | 1097.8 | 11538.1 | 8.3 | 30627.9 | 0.0 | 30627.9 | 271.4 | 730.5 | 95934.6 |
| 2027 | 181.9 | 70958 | 12699.6 | 5925.8 | 104717.9 | 14692.5 | 125336.1 | 10814.0 | 999.4 | 11813.3 | 9.4 | 29336.2 | 0.0 | 29336.2 | 0.0 | 27306.7 | 56879.9 |
| 2028 | 189.5 | 65513 | 11735.7 | 6316.6 | 99294.8 | 14120.9 | 119732.3 | 10829.5 | 984.4 | 11813.9 | 9.9 | 28208.4 | 0.0 | 28208.4 | 0.0 | -18102.2 | 97812.2 |
| 2029 | 197.2 | 65534 | 11714.4 | 6671.1 | 100506.8 | 14427.0 | 121604.9 | 10869.9 | 1222.8 | 12092.7 | 9.9 | 34516.5 | 0.0 | 34516.5 | 0.0 | 5472.7 | 69523.0 |
| 2030 | 187.2 | 61546 | 11010.7 | 6465.1 | 96483.7 | 14215.1 | 117163.9 | 10556.1 | 1204.2 | 11760.3 | 10.0 | 34894.8 | 0.0 | 34894.8 | 0.0 | -12567.0 | 83075.8 |
| 2031 | 173.0 | 58519 | 10454.0 | 6100.6 | 93395.5 | 14794.1 | 114290.3 | 10721.8 | 830.4 | 11552.2 | 10.1 | 35228.7 | 0.0 | 35228.7 | 0.0 | 14316.4 | 53192.9 |
| 2032 | 166.6 | 59060 | 10517.2 | 6015.7 | 96979.2 | 14951.8 | 117946.7 | 10640.3 | 872.7 | 11513.0 | 9.8 | 42689.6 | 0.0 | 42689.6 | 0.0 | 1697.2 | 62046.9 |
| 2033 | 139.6 | 53347 | 9500.6 | 5129.4 | 89278.9 | 14129.6 | 108537.8 | 10153.6 | 816.1 | 10969.7 | 10.1 | 38881.6 | 0.0 | 38881.6 | 0.0 | 7469.7 | 51201.6 |
| 2034 | 130.0 | 45995 | 8232.1 | 4898.1 | 78838.5 | 13127.0 | 96863.6 | 9445.0 | 758.3 | 10203.2 | 10.5 | 31131.0 | 0.0 | 31131.0 | 0.0 | -25666.3 | 81195.7 |
| 2035 | 127.3 | 45302 | 8155.1 | 4893.3 | 78919.2 | 14798.8 | 98611.3 | 9856.8 | 1045.7 | 10902.5 | 11.1 | 35231.4 | 0.0 | 35231.4 | 0.0 | 3313.8 | 49163.7 |
| 2036 | 125.5 | 42850 | 7697.9 | 4937.0 | 76379.0 | 14182.4 | 95498.4 | 9485.2 | 1137.3 | 10622.5 | 11.1 | 36905.3 | 0.0 | 36905.3 | 0.0 | -8112.9 | 56079.8 |
| 2037 | 122.7 | 35736 | 6470.4 | 4915.1 | 65165.7 | 11692.3 | 81773.1 | 8103.0 | 1074.1 | 9177.1 | 11.2 | 27495.8 | 0.0 | 27495.8 | 0.0 | -9232.0 | 54332.1 |
| Sub Total | | | | 124072.2 | 1582195.4 | 259704.8 | 1965972.4 | 173009.7 | 16842.8 | 189852.6 | | 532110.4 | 0.0 | 532110.4 | 342897.8 | -43199.1 | 944291.7 |
| 36 Years | | | | 146684.1 | 1019803.6 | 152952.4 | 1319440.2 | 128141.3 | 6521.5 | 134662.7 | | 665244.4 | 0.0 | 665244.4 | 0.0 | 106982.8 | 412550.2 |
| Total | | | | 270756.3 | 2601999.1 | 412657.2 | 3285412.6 | 301151.0 | 23364.3 | 324515.3 | | 1197354.8 | 0.0 | 1197354.8 | 342897.8 | 63783.7 | 1356842.0 |
| Discount | 5% | | | 119599.8 | 1223480.5 | 199177.1 | 1542257.5 | 137177.1 | 12050.7 | 149227.8 | | 473671.2 | 0.0 | 473671.2 | 280250.7 | -2533.3 | 641632.2 |
| Discount | 10% | | | 70415.8 | 708323.2 | 118847.7 | 897586.8 | 78254.0 | 7228.7 | 85482.7 | | 242216.7 | 0.0 | 242216.7 | 233048.1 | -7403.5 | 344238.4 |
| Discount | 12% | | | 60248.8 | 591064.5 | 100468.3 | 751781.7 | 65203.1 | 6077.9 | 71281.0 | | 195095.2 | 0.0 | 195095.2 | 217448.2 | -7152.9 | 275106.9 |
| Discount | 15% | | | 49652.3 | 463763.6 | 80441.8 | 593857.7 | 51235.5 | 4810.2 | 56045.7 | | 146962.0 | 0.0 | 146962.0 | 196871.4 | -6376.5 | 200352.9 |
| Discount | 18% | | | 42389.3 | 374031.0 | 66255.1 | 482675.4 | 41527.6 | 3908.4 | 45436.0 | | 115122.8 | 0.0 | 115122.8 | 179162.7 | -5524.3 | 148476.7 |
| Discount | 20% | | | 38697.5 | 328104.6 | 58959.7 | 425761.8 | 36604.2 | 3445.3 | 40049.5 | | 99538.1 | 0.0 | 99538.1 | 168709.4 | -4990.1 | 122453.7 |
| Discount | 25% | | | 31922.0 | 244730.8 | 45620.7 | 322273.4 | 27739.0 | 2604.1 | 30343.1 | | 72516.1 | 0.0 | 72516.1 | 146470.1 | -3845.8 | 76789.3 |

| Reserve Life | Reserve Half Life | Reserve Life Index | Before Tax Payout | First Year Co Gr. Operating Costs |
|---|---|---|---|---|
| 50.5 years | 11.8 years | 262.2 | 5.9 years | $/BOE 4.95 |

Canlin Energy Corporation
Project : 22299 - Report : H4
**Page : 1 of 1**

Price : 2018-06-30 SAL Prices - New C*
Scenario : SAL June Price
DB : CANLIN22299MY.vndl

Run By : CarolinH
Version : 16.2.0.45
Run Time : 18/09/24 07:43

**Appendix C**
**Production and Price Forecast**

**Canlin Energy Corporation**
**Consolidated**
**Total Probable**

**Production Start : 2018-07-01**
**As Of Date : 2018-06-30**

| Year | Light & Medium Oil Gr. Well | Gr. Daily | Gross | Co Grs | Co Net | Price | Gas Gr. Well | Gr. Daily | Gross | Co Grs | Co Net | Price |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Count | Bbl/d | MBbl | MBbl | MBbl | $/Bbl | Count | Mcf/d | MMcf | MMcf | MMcf | $/Mcf |
| 2018 | 6 | 364 | 67.0 | 8.9 | 8.7 | 75.25 | 179 | 10005 | 1841 | 1211 | 1075 | 1.75 |
| 2019 | 12 | 808 | 294.9 | 125.8 | 116.6 | 70.45 | 279 | 18797 | 6861 | 5047 | 4522 | 2.36 |
| 2020 | 34 | 963 | 352.6 | 121.7 | 103.9 | 74.65 | 114 | 27732 | 10150 | 7473 | 6626 | 2.99 |
| 2021 | 66 | 1101 | 401.7 | 118.4 | 101.5 | 78.87 | 959 | 49491 | 18064 | 14228 | 12870 | 3.15 |
| 2022 | 55 | 1138 | 415.4 | 97.5 | 82.0 | 80.50 | 971 | 73486 | 26822 | 19979 | 18164 | 3.50 |
| 2023 | 82 | 1280 | 467.2 | 85.6 | 74.4 | 82.14 | 512 | 72181 | 26346 | 20027 | 17834 | 3.53 |
| 2024 | 87 | 1224 | 448.0 | 77.4 | 68.0 | 83.89 | 712 | 126715 | 46378 | 36326 | 32791 | 3.73 |
| 2025 | 96 | 1246 | 454.9 | 74.1 | 65.8 | 85.66 | 634 | 119506 | 43620 | 32797 | 29504 | 3.84 |
| 2026 | 79 | 1151 | 420.2 | 70.0 | 62.3 | 87.42 | 783 | 111066 | 40539 | 29603 | 26359 | 3.94 |
| 2027 | 37 | 1132 | 413.3 | 66.4 | 62.2 | 89.23 | 668 | 97438 | 35565 | 25824 | 22728 | 4.04 |
| 2028 | 66 | 1202 | 439.8 | 69.4 | 65.4 | 91.07 | 660 | 90304 | 33051 | 23888 | 20893 | 4.14 |
| 2029 | 85 | 1332 | 486.2 | 72.0 | 68.4 | 92.69 | 406 | 94945 | 34655 | 23821 | 20709 | 4.20 |
| 2030 | 125 | 1335 | 487.2 | 68.3 | 65.1 | 94.64 | 835 | 88434 | 32278 | 22370 | 19393 | 4.29 |
| 2031 | 127 | 1209 | 441.4 | 63.1 | 60.1 | 96.63 | 797 | 85124 | 31070 | 21282 | 18474 | 4.37 |
| 2032 | 115 | 1220 | 446.6 | 61.0 | 58.6 | 98.67 | 1452 | 86824 | 31777 | 21542 | 18792 | 4.49 |
| 2033 | 237 | 1228 | 448.1 | 50.9 | 50.0 | 100.68 | 1602 | 75918 | 27710 | 19422 | 16842 | 4.58 |
| 2034 | 239 | 1191 | 434.9 | 47.4 | 46.6 | 103.23 | 502 | 62738 | 22899 | 16752 | 14432 | 4.69 |
| 2035 | 218 | 1109 | 404.8 | 46.4 | 45.1 | 105.35 | 461 | 61030 | 22276 | 16498 | 14123 | 4.77 |
| 2036 | 217 | 1124 | 411.6 | 45.9 | 44.5 | 107.51 | 596 | 57616 | 21088 | 15646 | 13345 | 4.87 |
| 2037 | 238 | 1141 | 416.4 | 44.8 | 43.0 | 109.73 | 680 | 46310 | 16903 | 13007 | 11095 | 4.99 |
| Sub Tot | | | 8152.2 | 1415.2 | 1292.3 | | | | 529894 | 386743 | 340570 | |
| 31 Years | | | 6945.2 | 1094.5 | 973.3 | | | | 215443 | 163644 | 140355 | |
| Total | | | 15097.5 | 2509.7 | 2265.6 | | | | 745337 | 550387 | 480926 | |

| Year | Solution Gas Gross | Co Grs | Co Net | Price | Ethane Gross | Co Grs | Co Net | Price | Propane Gross | Co Grs | Co Net | Price |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | MMcf | MMcf | MMcf | $/Mcf | MBbl | MBbl | MBbl | $/Bbl | MBbl | MBbl | MBbl | $/Bbl |
| 2018 | 92 | 8 | 11 | 1.95 | 2.6 | 0.4 | 0.3 | 5.66 | 12.0 | 6.4 | 5.6 | 20.23 |
| 2019 | 269 | 37 | 40 | 2.62 | 7.6 | 1.0 | 0.9 | 6.97 | 34.9 | 19.8 | 17.2 | 20.54 |
| 2020 | 395 | 87 | 89 | 3.13 | 10.6 | 1.3 | 1.2 | 8.77 | 41.8 | 21.6 | 17.4 | 26.12 |
| 2021 | 478 | 109 | 113 | 3.35 | 13.1 | 1.5 | 1.4 | 9.50 | 81.3 | 52.7 | 45.7 | 30.09 |
| 2022 | 484 | 94 | 98 | 3.71 | 15.1 | 1.7 | 1.5 | 10.40 | 101.9 | 70.8 | 60.4 | 31.57 |
| 2023 | 532 | 84 | 91 | 3.81 | 17.7 | 2.3 | 2.1 | 10.72 | 101.8 | 67.4 | 58.4 | 32.62 |
| 2024 | 515 | 79 | 85 | 3.92 | 19.3 | 2.6 | 2.4 | 10.98 | 468.1 | 374.1 | 318.5 | 33.35 |
| 2025 | 598 | 87 | 93 | 4.01 | 20.0 | 2.1 | 1.9 | 11.29 | 387.4 | 296.2 | 254.8 | 34.39 |
| 2026 | 563 | 81 | 86 | 4.13 | 20.2 | 2.3 | 2.2 | 11.55 | 321.9 | 240.6 | 198.1 | 35.45 |
| 2027 | 547 | 75 | 83 | 4.24 | 20.6 | 2.2 | 2.1 | 11.78 | 275.2 | 203.7 | 137.8 | 36.52 |
| 2028 | 570 | 90 | 96 | 4.31 | 21.1 | 2.2 | 2.0 | 12.08 | 249.2 | 181.0 | 117.2 | 37.59 |
| 2029 | 587 | 99 | 103 | 4.32 | 21.9 | 2.1 | 1.9 | 12.31 | 233.9 | 164.4 | 107.1 | 38.52 |
| 2030 | 603 | 94 | 98 | 4.43 | 21.5 | 1.6 | 1.5 | 12.53 | 219.8 | 152.4 | 100.6 | 39.44 |
| 2031 | 504 | 78 | 81 | 4.54 | 22.0 | 1.9 | 1.8 | 12.80 | 201.8 | 140.6 | 92.2 | 40.39 |
| 2032 | 567 | 74 | 80 | 4.64 | 22.0 | 2.1 | 2.0 | 13.03 | 189.5 | 130.9 | 85.7 | 41.37 |
| 2033 | 614 | 49 | 59 | 4.81 | 21.0 | 1.8 | 1.6 | 13.26 | 174.2 | 120.6 | 78.3 | 42.38 |
| 2034 | 557 | 37 | 47 | 5.23 | 22.3 | 2.7 | 2.5 | 13.58 | 163.7 | 112.3 | 72.7 | 43.40 |
| 2035 | 497 | 37 | 47 | 5.34 | 22.3 | 2.7 | 2.5 | 13.89 | 158.2 | 110.0 | 72.2 | 44.80 |
| 2036 | 493 | 37 | 47 | 5.43 | 21.5 | 2.1 | 2.0 | 14.16 | 146.6 | 100.9 | 67.1 | 45.87 |
| 2037 | 487 | 37 | 45 | 5.55 | 20.8 | 1.5 | 1.4 | 14.43 | 137.0 | 93.1 | 62.9 | 46.93 |
| Sub Tot | 9951 | 1374 | 1490 | | 363.1 | 38.1 | 35.4 | | 3700.2 | 2659.6 | 1969.8 | |
| 31 Years | 4773 | 1031 | 1028 | | 439.6 | 10.0 | 9.3 | | 1819.9 | 1183.0 | 920.2 | |
| Total | 14725 | 2405 | 2518 | | 802.7 | 48.0 | 44.7 | | 5520.1 | 3842.6 | 2890.0 | |

| Year | Heavy Oil Gr. Well | Gr. Daily | Gross | Co Grs | Co Net | Price | Bitumen Gr. Well | Gr. Daily | Gross | Co Grs | Co Net | Price |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Count | Bbl/d | MBbl | MBbl | MBbl | $/Bbl | Count | Bbl/d | MBbl | MBbl | MBbl | $/Bbl |
| 2018 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2019 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2020 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2021 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2022 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2023 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2024 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2025 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2026 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2027 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2028 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2029 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2030 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2031 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2032 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2033 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2034 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2035 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2036 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2037 | - | - | - | - | - | - | - | - | - | - | - | - |
| Sub Tot | | | | | | | | | | | | |
| 31 Years | | | | | | | | | | | | |
| Total | | | | | | | | | | | | |

| Year | Sulphur Gross | Co Grs | Co Net | Price | Butane Gross | Co Grs | Co Net | Price | Pentane Plus Gross | Co Grs | Co Net | Price |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | MLt | MLt | MLt | $/Lt | MBbl | MBbl | MBbl | $/Bbl | MBbl | MBbl | MBbl | $/Bbl |
| 2018 | 1.9 | 1.3 | 1.1 | 68.60 | 7.0 | 3.7 | 3.1 | 38.25 | 19.3 | 15.2 | 10.4 | 80.92 |
| 2019 | 12.8 | 9.7 | 8.0 | 63.78 | 23.1 | 14.2 | 12.1 | 38.12 | 55.1 | 43.3 | 31.9 | 71.16 |
| 2020 | 25.4 | 19.4 | 16.1 | 66.33 | 28.2 | 16.0 | 13.1 | 44.40 | 64.1 | 47.0 | 33.7 | 74.28 |
| 2021 | 43.7 | 33.4 | 27.8 | 73.02 | 28.5 | 14.3 | 10.4 | 51.55 | 66.3 | 46.3 | 29.9 | 78.52 |
| 2022 | 40.5 | 33.0 | 27.4 | 73.96 | 29.9 | 14.5 | 8.7 | 52.94 | 78.3 | 53.4 | 31.2 | 80.58 |
| 2023 | 46.9 | 39.2 | 32.0 | 79.44 | 32.4 | 15.1 | 10.6 | 54.29 | 85.2 | 58.9 | 37.0 | 82.54 |
| 2024 | 47.1 | 37.6 | 30.7 | 80.30 | 33.1 | 15.5 | 11.1 | 55.71 | 91.8 | 63.7 | 40.3 | 84.48 |
| 2025 | 45.7 | 35.5 | 29.0 | 81.73 | 33.3 | 15.7 | 11.3 | 57.06 | 72.2 | 42.8 | 27.9 | 84.44 |
| 2026 | 41.1 | 32.0 | 26.2 | 82.77 | 33.5 | 15.8 | 11.5 | 58.41 | 60.1 | 31.1 | 20.9 | 84.48 |
| 2027 | 38.3 | 29.0 | 23.7 | 84.41 | 33.7 | 15.7 | 12.7 | 59.78 | 60.1 | 30.7 | 24.0 | 86.30 |
| 2028 | 37.0 | 27.9 | 22.9 | 85.67 | 35.0 | 15.5 | 12.6 | 61.14 | 62.4 | 30.9 | 24.1 | 88.30 |
| 2029 | 41.9 | 29.2 | 24.0 | 86.68 | 39.8 | 15.4 | 12.5 | 62.44 | 81.5 | 35.2 | 27.5 | 90.34 |
| 2030 | 37.8 | 27.5 | 22.7 | 87.43 | 41.7 | 16.4 | 13.3 | 63.29 | 83.0 | 36.2 | 28.3 | 92.56 |
| 2031 | 58.4 | 39.9 | 33.0 | 88.98 | 38.2 | 15.5 | 12.6 | 64.78 | 76.8 | 34.7 | 27.1 | 95.15 |
| 2032 | 55.2 | 38.4 | 31.8 | 90.49 | 38.1 | 15.4 | 12.7 | 66.29 | 80.3 | 37.2 | 29.4 | 97.40 |
| 2033 | 50.6 | 35.8 | 29.6 | 91.93 | 34.4 | 14.7 | 12.1 | 67.85 | 68.5 | 34.5 | 27.3 | 99.38 |
| 2034 | 46.4 | 32.7 | 27.1 | 94.18 | 33.6 | 14.3 | 11.8 | 69.48 | 59.8 | 29.9 | 23.7 | 101.79 |
| 2035 | 44.5 | 31.7 | 26.2 | 94.35 | 39.1 | 20.9 | 16.3 | 71.66 | 68.2 | 40.7 | 30.8 | 101.14 |
| 2036 | 43.3 | 31.0 | 25.6 | 95.77 | 35.2 | 18.1 | 14.1 | 73.75 | 62.1 | 36.5 | 27.3 | 103.42 |
| 2037 | 17.0 | 15.6 | 12.7 | 95.03 | 33.0 | 16.5 | 12.8 | 75.38 | 55.1 | 31.8 | 23.8 | 105.13 |
| Sub Tot | 775.3 | 579.8 | 477.7 | | 650.8 | 303.3 | 235.3 | | 1350.1 | 780.0 | 556.3 | |
| 31 Years | 261.4 | 243.9 | 203.6 | | 382.1 | 138.5 | 118.9 | | 581.1 | 246.6 | 196.0 | |
| Total | 1036.7 | 823.7 | 681.3 | | 1032.9 | 441.8 | 354.2 | | 1931.2 | 1026.6 | 752.3 | |

Canlin Energy Corporation
Project : 22299 - Report : H1
**Page : 1 of 1**

Price : 2018-06-30 SAL Prices - New C*
Scenario : SAL June Price
DB : CANLIN22299MY.vndl

Run By : CarolinH
Version : 16.2.0.45
Run Time : 18/09/24 07:43

**Appendix C**
**Summary of Reserves and Net Present Values**

**Canlin Energy Corporation**
**Consolidated**
**Total Probable**

**Production Start : 2018-07-01**
**As Of Date : 2018-06-30**

| Year | Revenue: Oil | Revenue: Gas | Revenue: NGL | Revenue: Sulphur | Revenue: Royalty | Revenue: Other | Royalties: Crown | Royalties: Crown Adj | Royalties: Production | Royalties: Resource | Royalties: MinTax | Opex | Other Exp. | Operating Income |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | M$ | M$ | M$ | M$ | M$ | M$ | M$ | M$ | M$ | M$ | M$ | M$ | M$ | M$ |
| 2018 | 667.9 | 2136.9 | 1506.4 | 89.0 | 132.5 | 39.5 | 731.4 | 140.9 | 0.0 | 36.5 | 20.4 | 1134.5 | 0.0 | 2790.4 |
| 2019 | 8864.2 | 12023.1 | 4036.4 | 618.6 | 330.6 | 387.8 | 2915.1 | 615.5 | 0.0 | 200.0 | 47.5 | 5115.3 | 0.0 | 18598.1 |
| 2020 | 9085.9 | 22630.1 | 4776.9 | 1287.7 | 439.9 | 312.3 | 5136.0 | 1043.5 | 0.0 | 413.3 | 71.5 | 5748.4 | 0.0 | 28207.1 |
| 2021 | 9340.7 | 45165.6 | 5972.0 | 2437.1 | 545.4 | 561.7 | 7448.4 | 1739.2 | 0.0 | 499.5 | 86.9 | 14849.3 | 0.0 | 42877.6 |
| 2022 | 7846.2 | 70316.2 | 7321.7 | 2437.8 | 583.2 | 551.6 | 9996.4 | 2460.2 | 0.0 | 653.7 | 65.7 | 19648.1 | 0.0 | 61152.7 |
| 2023 | 7034.3 | 70949.5 | 7904.4 | 3116.5 | 659.7 | 554.0 | 10205.9 | 2674.9 | 0.0 | 867.1 | 51.6 | 21090.1 | 0.0 | 60678.6 |
| 2024 | 6496.3 | 135781.5 | 18753.0 | 3017.5 | 637.3 | 545.1 | 17256.2 | 4987.9 | 0.0 | 1022.5 | 42.9 | 29189.6 | 0.0 | 122707.3 |
| 2025 | 6350.5 | 126287.3 | 14721.8 | 2900.2 | 604.0 | 753.9 | 15310.1 | 4669.3 | 0.0 | 1102.7 | 39.6 | 30187.8 | 0.0 | 109646.9 |
| 2026 | 6118.3 | 116946.0 | 12107.1 | 2648.2 | 591.0 | 691.9 | 15082.9 | 4682.4 | 0.0 | 1097.7 | 39.9 | 30627.9 | 0.0 | 96936.5 |
| 2027 | 5925.8 | 104717.9 | 11053.4 | 2444.7 | 574.6 | 619.8 | 15376.5 | 4602.6 | 0.0 | 999.3 | 40.1 | 29336.2 | 0.0 | 84186.6 |
| 2028 | 6316.6 | 99294.8 | 10506.4 | 2389.7 | 566.8 | 658.1 | 15278.6 | 4489.6 | 0.0 | 984.3 | 40.5 | 28208.4 | 0.0 | 79710.2 |
| 2029 | 6671.1 | 100506.8 | 10503.4 | 2528.8 | 623.2 | 771.5 | 15301.8 | 4473.1 | 0.0 | 1222.5 | 41.2 | 34516.5 | 0.0 | 74996.1 |
| 2030 | 6465.1 | 96483.7 | 10414.7 | 2405.1 | 640.0 | 755.3 | 14834.1 | 4319.3 | 0.0 | 1203.9 | 41.3 | 34894.8 | 0.0 | 70509.1 |
| 2031 | 6100.6 | 93395.5 | 10007.2 | 3552.6 | 595.7 | 638.7 | 15034.7 | 4353.4 | 0.0 | 830.1 | 40.4 | 35228.7 | 0.0 | 67509.6 |
| 2032 | 6015.7 | 96979.2 | 10091.1 | 3475.8 | 682.7 | 702.2 | 15084.4 | 4483.5 | 0.0 | 872.4 | 39.3 | 42689.6 | 0.0 | 63744.4 |
| 2033 | 5129.4 | 89278.9 | 9554.1 | 3291.8 | 754.3 | 529.4 | 14439.0 | 4322.4 | 0.0 | 816.1 | 37.0 | 38881.6 | 0.0 | 58671.3 |
| 2034 | 4898.1 | 78838.5 | 8951.5 | 3084.1 | 723.3 | 368.0 | 13514.1 | 4104.1 | 0.0 | 758.3 | 34.9 | 31131.0 | 0.0 | 55529.3 |
| 2035 | 4893.3 | 78919.2 | 10577.6 | 2990.6 | 683.7 | 546.8 | 13995.4 | 4170.8 | 0.0 | 1045.7 | 32.2 | 35231.4 | 0.0 | 52477.5 |
| 2036 | 4937.0 | 76379.0 | 9770.0 | 2973.4 | 693.8 | 745.2 | 13597.6 | 4146.5 | 0.0 | 1137.3 | 34.0 | 36905.3 | 0.0 | 47966.9 |
| 2037 | 4915.1 | 65165.7 | 8978.3 | 1479.3 | 642.5 | 592.2 | 11524.0 | 3452.1 | 0.0 | 1074.1 | 31.1 | 27495.8 | 0.0 | 45100.1 |
| Sub Total | 124072.2 | 1582195.4 | 187507.4 | 49168.4 | 11704.2 | 11324.8 | 242062.5 | 69930.9 | 0.0 | 16836.9 | 878.1 | 532110.4 | 0.0 | 1243996.4 |
| 36 Years | 146684.1 | 1019803.6 | 117120.8 | 27261.4 | 4744.3 | 3826.0 | 185652.3 | 57776.9 | 0.0 | 6521.5 | 265.8 | 665244.4 | 0.0 | 519533.1 |
| Total | 270756.3 | 2601999.1 | 304628.2 | 76429.8 | 16448.5 | 15150.8 | 427714.8 | 127707.7 | 0.0 | 23358.4 | 1143.9 | 1197354.8 | 0.0 | 1763529.4 |

| Year | Other Capital | CEE | CDE | COGPE | Total Capital | Net Revenue | Cum. Net Revenue | AdValorem /Severance | Aband. & Reclaim. | Sask. Tax | Before Tax | BTax Cum. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | M$ | M$ | M$ | M$ | M$ | M$ | M$ | M$ | M$ | M$ | M$ | M$ |
| 2018 | 360.0 | 0.0 | 2150.0 | 0.0 | 2510.0 | 280.4 | 280.4 | 0.0 | 0.0 | 0.0 | 280.4 | 280.4 |
| 2019 | 3850.6 | 0.0 | 32071.6 | 0.0 | 35922.2 | -17324.1 | -17043.7 | 0.0 | 0.0 | 0.1 | -17324.2 | -17043.8 |
| 2020 | 1198.3 | 0.0 | 23019.3 | 0.0 | 24217.6 | 3989.4 | -13054.3 | 0.0 | 0.0 | 0.1 | 3989.3 | -13054.4 |
| 2021 | 3820.5 | 0.0 | 36457.9 | 0.0 | 40278.4 | 2599.1 | -10455.1 | 0.0 | 0.0 | 0.1 | 2599.0 | -10455.5 |
| 2022 | 42058.4 | 0.0 | 5040.7 | 0.0 | 47099.2 | 14053.6 | 3598.4 | 0.0 | 0.0 | 0.2 | 14053.4 | 3597.9 |
| 2023 | 40701.1 | 0.0 | 63604.5 | 0.0 | 104305.6 | -43627.0 | -40028.5 | 0.0 | -153.9 | 1.0 | -43474.0 | -39876.1 |
| 2024 | 4695.5 | 0.0 | 63198.4 | 0.0 | 67893.9 | 54813.4 | 14784.8 | 0.0 | 6366.1 | 2.5 | 48444.8 | 8568.7 |
| 2025 | 1158.2 | 0.0 | 19241.3 | 0.0 | 20399.5 | 89247.4 | 104032.2 | 0.0 | -36037.6 | 0.3 | 125284.8 | 133853.5 |
| 2026 | 271.4 | 0.0 | 0.0 | 0.0 | 271.4 | 96665.1 | 200697.4 | 0.0 | 730.5 | 0.1 | 95934.6 | 229788.0 |
| 2027 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 84186.6 | 284884.0 | 0.0 | 27306.7 | 0.1 | 56879.9 | 286667.9 |
| 2028 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 79710.2 | 364594.2 | 0.0 | -18102.2 | 0.2 | 97812.2 | 384480.1 |
| 2029 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 74996.1 | 439590.3 | 0.0 | 5472.7 | 0.3 | 69523.0 | 454003.2 |
| 2030 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 70509.1 | 510099.4 | 0.0 | -12567.0 | 0.3 | 83075.8 | 537078.9 |
| 2031 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 67509.6 | 577609.0 | 0.0 | 14316.4 | 0.3 | 53192.9 | 590271.8 |
| 2032 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 63744.4 | 641353.4 | 0.0 | 1697.2 | 0.3 | 62046.9 | 652318.8 |
| 2033 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 58671.3 | 700024.7 | 0.0 | 7469.7 | 0.0 | 51201.6 | 703520.4 |
| 2034 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 55529.3 | 755554.0 | 0.0 | -25666.3 | 0.0 | 81195.7 | 784716.1 |
| 2035 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 52477.5 | 808031.5 | 0.0 | 3313.8 | 0.0 | 49163.7 | 833879.8 |
| 2036 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 47966.9 | 855998.4 | 0.0 | -8112.9 | 0.0 | 56079.8 | 889959.6 |
| 2037 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 45100.1 | 901098.5 | 0.0 | -9232.0 | 0.0 | 54332.1 | 944291.7 |
| Sub Total | 98114.1 | 0.0 | 244783.8 | 0.0 | 342897.8 | 901098.5 | | 0.0 | -43199.1 | 5.9 | 944291.7 | |
| 36 Years | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 519533.1 | | 0.0 | 106982.8 | 0.0 | 412550.2 | |
| Total | 98114.1 | 0.0 | 244783.8 | 0.0 | 342897.8 | 1420631.6 | | 0.0 | 63783.7 | 5.9 | 1356842.0 | |

Canlin Energy Corporation
Project : 22299 - Report : H2
**Page : 1 of 1**

Price : 2018-06-30 SAL Prices - New C*
Scenario : SAL June Price
DB : CANLIN22299MY.vndl

Run By : CarolinH
Version : 16.2.0.45
Run Time : 18/09/24 07:43

Sproule

## Appendix D – Representation Letter

The Representation Letter has been included as Appendix D; it was prepared by Officers of the Company and confirms the accuracy, completeness and availability of all data requested by Sproule and or otherwise furnished to Sproule during the course of our evaluation of the Company's assets, herein reported on.

**MIE Holdings Corporation**
*a value added oil & gas partner*

September 28, 2018

Sproule Associates Limited
900, 140 – 4th Avenue SW
Calgary, AB T2P 3N3

Dear Sir:

Regarding the evaluation of our Company's oil and gas reserves and independent appraisal of the economic value of these reserves (the "Original Report") for the year ended December 31, 2017, (the "Effective Date"), we herein confirm, to the best of our knowledge and belief after due inquiry, as of the Effective Date and, as applicable, as of today, the following representations and information made available to you during the conduct of the Reserves Evaluation:

1. We (the Client) have made available to you (the Evaluator) certain records, information, and data relating to the evaluated properties that we confirm is, with the exception of immaterial items, complete and accurate as of the Effective Date of the Reserves Evaluation, including, where applicable, the following:

   - accounting, financial, tax, and contractual data;
   - asset ownership and related encumbrance information;
   - details concerning product marketing, transportation, and processing arrangements;
   - all technical information including geological, engineering, and production and test data;
   - estimates of future abandonment and reclamation costs, excluding adjustments for salvage, for developed and undeveloped wells and material dedicated facilities, both existing and planned.

2. We confirm that all financial and accounting information provided to you is, both on an individual entity basis and in total, entirely consistent with that reported by our Company for public disclosure and audit purposes.

3. We confirm that our Company has satisfactory title to all of the assets, whether tangible, intangible, or otherwise, for which accurate and current ownership information has been provided.

Hong Kong
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Sun Hung Kai Centre, 30 Harbour Road,
Wan Chai, Hong Kong
Phone (852) 2511 0028 • Fax (852) 2511 1983

CHINA
Suite 1501, Block C, Grand Place
5 Hui Zhong Road, Chaoyang District
Beijing 100101 P.R. China
Phone 86 (10) 5123 8111 • Fax 86 (10) 5123 8223

**MIE Holdings Corporation**
*a value added oil & gas partner*

4. With respect to all information provided to you regarding product marketing, transportation, and processing arrangements, we confirm that we have disclosed to you all anticipated changes, terminations, and additions to these arrangements that could reasonably be expected to have a material effect on the evaluation of our Company's reserves and future net revenues.

5. With the possible exception of items of an immaterial nature, we confirm the following as of the Effective Date:

   - For all operated properties that you have evaluated, no changes have occurred or are reasonably expected to occur to the operating conditions or methods that have been used by our Company over the past twelve (12) months, except as disclosed to you. In the case of non-operated properties, we have advised you of any such changes of which we have been made aware.
   - All regulatory approvals, permits, and licenses required to allow continuity of future operations and production from the evaluated properties are in place and, except as disclosed to you, there are no directives, orders, penalties, or regulatory rulings in effect or expected to come into effect relating to the evaluated properties.
   - Except as disclosed to you, the producing trend and status of each evaluated well or entity in effect throughout the three-month period preceding the Effective Date are consistent with those that existed for the same well or entity immediately prior to this three-month period.
   - Except as disclosed to you, we have no plans or intentions related to the ownership, development, or operation of the evaluated properties that could reasonably be expected to materially affect the production levels or recovery of reserves from the evaluated properties.
   - If material changes of an adverse nature occur in the Company's operating performance subsequent to the Effective Date and prior to the report date, we will inform you of such material changes prior to requesting your approval for any public disclosure of any reserves information.

Between the Effective Date and the date of this letter nothing has come to our attention that has materially affected or could materially affect our reserves and the economic value of these reserves that has not been disclosed to you.

Hong Kong
Room 21-26, 5/F
Sun Hung Kai Centre, 30 Harbour Road,
Wan Chai, Hong Kong
Phone (852) 2511 0028 • Fax (852) 2511 1983

CHINA
Suite 1501, Block C, Grand Place
5 Hui Zhong Road, Chaoyang District
Beijing 100101 P.R. China
Phone 86 (10) 5123 8111 • Fax 86 (10) 5123 8223

**MIE Holdings Corporation**
*a value added oil & gas partner*

We confirm that the Mechanical Update, as of June 30, 2018:

i.) incorporates all of the assumptions and data used in the Original Report, with adjustments to capital expenditures which were forecast, but not incurred, for the period between January 1 and June 30, 2018,
ii.) that utilizes the forecast production trends which were provided at year end 2017 and adjusted for estimated production thereof to the period ended June 30, 2018, and
iii.) recognizes all assets sold with an effective date prior to the date of the Mechanical Update.

We are not aware of any matter that would result in a material difference between the actual values and those forecasted and represented in the Mechanical Update.

Yours very truly,
**MIE Holdings Corporation**

SIGNATURE

梅黎明(Leon Mei)
NAME

Vice President
TITLE

Hong Kong
Room 21-26, 5/F
Sun Hung Kai Centre, 30 Harbour Road,
Wan Chai, Hong Kong
Phone (852) 2511 0028 • Fax (852) 2511 1983

CHINA
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## 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 the chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations, within the meaning of Part XV of the SFO, which will have 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 he/she is taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in the Listing Rules, were detailed as follows:

| Name of Director | Name of corporation | Capacity/Nature of interest | Number of ordinary shares (including options to be exercised) | Approximate total percentage of interest in the corporation |
|---|---|---|---|---|
| Mr. Zhang Ruilin | Our Company | Interest of controlled corporation *(Note 2)* | 1,577,095,234 (L) | 53.67% |
| | | Interest of controlled corporation *(Note 3)* | 88,521,234 (S) | 3.01% |
| | | Beneficial owner *(Note 4)* | 7,987,000 (L) | 0.27% |
| Mr. Zhao Jiangwei | Our Company | Interest of controlled corporation *(Note 2)* | 1,577,095,234 (L) | 53.67% |
| | | Interest of controlled corporation *(Note 3)* | 88,521,234 (S) | 3.01% |
| | | Beneficial owner *(Note 4)* | 10,987,000 (L) | 0.37% |

| Name of Director | Name of corporation | Capacity/Nature of interest | Number of ordinary shares (including options to be exercised) | Approximate total percentage of interest in the corporation |
|---|---|---|---|---|
| Mr. Zhang Ruilin | FEEL | Interest of controlled corporation *(Note 2)* | 8,999 | 9.99% |
| Mr. Zhao Jiangwei | FEEL | Interest of controlled corporation *(Note 2)* | 9,000 | 10.00% |
| Mr. Mei Jianping | Our Company | Beneficial owner | 2,067,933 (L) | 0.07% |
| Mr. Jeffrey Willard Miller | Our Company | Beneficial owner | 2,611,333 (L) | 0.09% |
| Ms. Xie Na | Our Company | Beneficial owner | 800,000 (L) | 0.03% |
| Mr. Guo Yanjun | Our Company | Beneficial owner | 800,000 (L) | 0.03% |

*Notes:*

(1) The letter "L" denotes the person's long position in the shares of the Company. The letter "S" denotes the person's short position in the shares of the Company.

(2) FEEL is held by Ms. Zhao Jiangbo ("Mrs. Zhang"), Mr. Zhang Ruilin ("Mr. Zhang") and Mr. Zhao Jiangwei ("Mr. Zhao") as to 80%, 9.99% and 10%, respectively. On May 24, 2013, 72,000 shares in FEEL were issued to Mrs. Zhang, 399,070,000 shares in the Company were transferred from FEEL to Champion International Energy Limited ("Champion"), 399,070,000 shares in the Company were transferred from FEEL to Orient International Energy Limited ("Orient"), 475,000,000 shares in the Company were transferred from FEEL to New Sun International Energy Limited ("New Sun") and 141,460,000 shares in the Company were transferred from FEEL to Power International Energy Limited ("Power"). Each of Champion, Orient, New Sun and Power is a wholly owned subsidiary of Sunrise Glory Holdings Limited, which is itself a wholly-owned subsidiary of FEEL. Mrs. Zhang, Mr. Zhang and Mr. Zhao have entered into an Acting-in-Concert Agreement under which they agreed to act in concert in relation to all matters that require the decisions of the shareholders of FEEL. Pursuant to the Acting-in-Concert Agreement, if a unanimous opinion in relation to the matters that require action in concert is unable to be reached, Mr. Zhang shall be allowed to vote on his, Mrs. Zhang's and Mr. Zhao's shares.

The long interests which FEEL, Mr. Zhang and Mr. Zhao have in the 1,577,095,234 shares in the Company include (i) the beneficial interests which FEEL has (and in the case of Mr. Zhang and Mr. Zhao, the indirect beneficial interests which they have (through their shareholdings in FEEL)) in the 1,469,600,000 shares in the Company held by FEEL through its subsidiaries, (ii) the 7,887,000 share options granted to Mr. Zhang, (iii) the 7,887,000 share options granted to Mr. Zhao, (iv) the put option granted by FEEL, Mr. Zhang and Mr. Zhao, pursuant to a put and call option agreement, over the 88,521,234 shares in the Company held by Mr. Ho Chi Sing through Celestial Energy Limited ("Celestial"), as further described in note (3) below, (v) the 100,000 shares owned by Mr. Zhang himself, and (vi) the 3,100,000 shares owned by Mr. Zhao himself.

(3) The Company was informed on November 8, 2014 that TPG Star Energy Ltd. and Celestial had entered into a sale and purchase agreement pursuant to which Celestial had acquired and TPG Star Energy Ltd. has sold 211,855,234 ordinary shares in the Company.

On November 8, 2014, FEEL, Mr. Zhang, Mr. Zhao, Mrs. Zhang and Celestial entered into a put and call option agreement in relation to certain of shares (the "PCA"), pursuant to which the parties to the PCA have agreed to grant each other certain rights in relation to their shares, and Section 317(1)(a) of the SFO applies. Mr. Ho Chi Sing is the sole shareholder of Celestial.

In particular, Mr. Ho Chi Sing, through his holdings in Celestial, is beneficially interested in 211,855,234 shares in the Company. Pursuant to the abovementioned PCA, Mr. Ho Chi Sing and Celestial have been granted a put option to resell/put 211,855,234 shares to FEEL, Mr. Zhang and Mr. Zhao.

On January 6, 2017, FEEL, Mr. Zhang, Mr. Zhao, Mrs. Zhang (collectively, the "Controlling Shareholders") and Celestial entered into a letter agreement in relation to the put and call option. The Board was also informed that Great Harmony International Ltd ("Great Harmony") and Celestial have entered into a sale and purchase agreement pursuant to which Great Harmony has agreed to acquire (or procure its affiliate or other person or company designated by it to acquire) and Celestial has agreed to sell 211,855,234 ordinary shares in the Company.

On January 18, 2017, February 23, 2017 and March 7,2017, Celestial had ceased to have 53,334,000 shares, 40,000,000 shares and 30,000,000 shares in long and short positions, respectively.

On May 17, 2017, the Controlling Shareholders and Celestial entered into a second letter agreement in relation to the PCA. For further details, please refer to the Company's announcement dated May 17, 2017.

On November 30, 2017, the Controlling Shareholders and Celestial entered into the supplemental agreement to the second letter agreement in relation to the PCA. For further details, please refer to the Company's announcement dated November 30, 2017.

On April 14, 2018, the Controlling Shareholders and Celestial entered into the second supplemental agreement to the second letter agreement in relation to the PCA. For further details, please refer to the Company's announcement dated April 15, 2018.

(4) These interests represent interests in outstanding stock options under the Company's stock incentive compensation plan and the share option scheme. For further details, please refer to the section headed "Share Options". Mr. Zhang's interests includes the 100,000 shares held by himself. Mr. Zhao's interests includes the 3,100,000 shares held by himself.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had, any interests or short positions in the shares, underlying shares and debentures of the Company and the shares and debentures of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director or chief executive was taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange.

### (b) Substantial Shareholders' Interests and/or Short Positions in the Shares and Underlying Shares of the Company

As at the Latest Practicable Date, the following persons (other than the Directors, chief executive(s) or members of the Group) who had interests and/or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, which would be required, pursuant to Section 336 of the SFO, to be entered into the register referred to therein, were as follows:

| Name of interested | Party Capacity/ Nature of interest | Total number of shares (including options to be exercised) | Approximate percentage of interest in our Company |
|---|---|---|---|
| Ms. Zhao Jiangbo | Interest of controlled corporations *(Note 2)* | 1,577,095,234 (L)<br>88,521,234 (S) | 53.67%<br>3.01% |
| FEEL | Interest of controlled corporations *(Note 2)* | 1,577,095,234 (L)<br>88,521,234 (S) | 53.67%<br>3.01% |
| Ho Chi Sing | Interest of controlled corporation *(Note 3)* | 1,577,095,234 (L)<br>88,521,234 (S) | 53.67%<br>3.01% |
| Celestial Energy Limited ("**Celestial**") | Interest of controlled corporation *(Note 3)* | 1,577,095,234 (L)<br>88,521,234 (S) | 53.67%<br>3.01% |
| Billion Capital Shine Inc. | Person having a security interest in shares *(Note 4)* | 1,472,300,000 (L) | 50.10% |
| China Orient Asset Management (International) Holding Limited | Interest of controlled corporation *(Note 4)* | 1,472,300,000 (L) | 50.10% |
| Wise Leader Assets Ltd. | Interest of controlled corporation *(Note 4)* | 1,472,300,000 (L) | 50.10% |
| Dong Yin Development (Holdings) Limited | Interest of controlled corporation *(Note 4)* | 1,472,300,000 (L) | 50.10% |

| Name of interested | Party Capacity/ Nature of interest | Total number of shares (including options to be exercised) | Approximate percentage of interest in our Company |
|---|---|---|---|
| China Orient Asset Management Co., Ltd | Interest of controlled corporation *(Note 4)* | 1,472,300,000 (L) | 50.10% |
| Prudence Investment Management (Hong Kong) Limited | Investment manager | 586,216,896 (L) | 19.95% |
| Flying Investments Limited | Beneficial owner | 199,160,000 (L) | 6.78% |
| Fung Wing Nam Florence | Interest of controlled corporation | 199,160,000 (L) | 6.78% |
| Citigroup Inc. | Interest of controlled corporation | 153,226,808 (L)<br>8,713,911 (P) | 5.21%<br>0.29% |

*Notes:*

(1) The letter "L" denotes the person's long position in the shares of the Company. The letter "S" denotes the person's short position in the shares of the Company.

(2) FEEL is held by Mrs. Zhang, Mr. Zhang and Mr. Zhao as to 80%, 9.99% and 10%, respectively. On May 24, 2013, 72,000 shares in FEEL were issued to Mrs. Zhang, 399,070,000 shares in the Company were transferred from FEEL to Champion, 399,070,000 shares in the Company were transferred from FEEL to Orient, 475,000,000 shares in the Company were transferred from FEEL to New Sun and 141,460,000 shares in the Company were transferred from FEEL to Power. Each of Champion, Orient, New Sun and Power is a wholly-owned subsidiary of Sunrise Glory Holdings Limited, which is itself a wholly-owned subsidiary of FEEL. Mrs. Zhang, Mr. Zhang and Mr. Zhao have entered into an Acting-in-Concert Agreement under which they agreed to act in concert in relation to all matters that require the decisions of the shareholders of FEEL. Pursuant to the Acting- in-Concert Agreement, if a unanimous opinion in relation to the matters that require action in concert is unable to be reached, Mr. Zhang shall be allowed to vote on his, Mrs. Zhang's and Mr. Zhao's shares.

The long interests which FEEL, Mr. Zhang and Mr. Zhao have in the 1,577,095,234 shares in the Company include (i) the beneficial interests which FEEL has (and in the case of Mr. Zhang and Mr. Zhao, the indirect beneficial interests which they have (through their shareholdings in FEEL)) in the 1,469,600,000 shares in the Company held by FEEL through its subsidiaries, (ii) the 7,887,000 share options granted to Mr. Zhang, (iii) the 7,887,000 share options granted to Mr. Zhao, (iv) the put option granted by Controlling Shareholders pursuant to the PCA, over the 88,521,234 shares in the Company held by Mr. Ho Chi Sing through Celestial, as further described in note (3) below, (v) the 100,000 shares owned by Mr. Zhang himself, and (vi) the 3,100,000 shares owned by Mr. Zhao himself.

(3) The Company was informed on November 8, 2014 that TPG Star Energy Ltd. and Celestial had entered into the PCA pursuant to which Celestial had acquired and TPG Star Energy Ltd. has sold 211,855,234 ordinary shares in the Company.

On November 8, 2014, the Controlling Shareholders and Celestial entered into the PCA, pursuant to which the parties to the PCA have agreed to grant each other certain rights in relation to their shares, and section 317 (1) (a) of the SFO applies. Mr. Ho Chi Sing is the sole shareholder of the Celestial.

Pursuant to the abovementioned PCA, Mr. Ho Chi Sing and Celestial have been granted a put option to resell/put 211,855,234 shares to FEEL, Mr. Zhang and Mr. Zhao.

On January 6, 2017, the Controlling Shareholders and Celestial entered into the letter agreement in relation to the put and call option. The Board was also informed that Great Harmony and Celestial have entered into a sale and purchase agreement pursuant to which Great Harmony has agreed to acquire (or procure its affiliate or other person or company designated by it to acquire) and Celestial has agreed to sell 211,855,234 ordinary shares in the Company.

On January 18, 2017, February 23, 2017 and March 7, 2017, Celestial had ceased to have 53,334,000 shares, 40,000,000 shares and 30,000,000 shares in long and short positions, respectively.

On May 17, 2017, the Controlling Shareholders and Celestial entered into a second letter agreement in relation to PCA. For further details, please refer to the Company's announcement dated May 17, 2017.

On November 30, 2017, the Controlling Shareholders and Celestial entered into the supplemental agreement to the second letter agreement in relation to the PCA. For further details, please refer to the Company's announcement dated November 30, 2017.

On April 14, 2018, the Controlling Shareholders and Celestial entered into the second supplemental agreement to the second letter agreement in relation to the PCA. For further details, please refer to the Company's announcement dated April 15, 2018.

(4) Billion Capital Shine Inc. has a security interest in the 1,472,300,000 shares of the Company in which China Orient Asset Management (International) Holding Limited, Wise Leader Assets Ltd., Dong Yin Development (Holdings) Limited and China Orient Asset Management Co., Ltd., were deemed to be interested in by virtue of SFO because:

— Billion Capital Shine Inc. is 100% owned by China Orient Asset Management (International) Holding Limited;

— China Orient Asset Management (International) Holding Limited is 50% owned by Dong Yin Development (Holdings) Limited and 50% owned by Wise Leader Assets Ltd.;

— Wise Leader Assets Ltd. is 100% owned by Dong Yin Development (Holdings) Limited; and

— Dong Yin Development (Holdings) Limited is 100% owned by China Orient Asset Management Co., Ltd.

Saved as disclosed above, as at the Latest Practicable Date, no person (other than the Directors or the chief executive of our Company, whose interests have been disclosed in the above section headed "Directors' and Chief Executives' Interests and/or Short Positions in shares, Underlying Shares and Debentures of the Company or Any Associated Corporation") had an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by our Company pursuant to Section 336 of the SFO.

## 3. COMPETING INTERESTS

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

## 4. DIRECTORS' INTEREST IN CONTRACT OR ARRANGEMENT

As at the Latest Practicable Date, except for the subject assets under the Share Purchase Agreement, none of the Directors had any interest in any assets which have been, since 31 December 2017 (being the date to which the latest published audited financial statements of the Group were made up), 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.

As at the Latest Practicable Date, except for the Share Purchase Agreement, none of the Directors was materially interested in any contract or arrangement subsisting at the date of this circular, which is significant in relation to the business of the Group.

## 5. SERVICE CONTRACTS OF THE DIRECTORS

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

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

## 6. EXPERTS AND CONSENTS

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

| Name | Qualification |
|---|---|
| Sproule Associates Limited | Competent Person |
| PricewaterhouseCoopers | Certified Public Accountants |

Sproule Associates Limited and PricewaterhouseCoopers are referred to as the "Experts" hereinafter.

The Competent Person's Report from Sproule Associates Limited was given as of June 30, 2018 for incorporation in this circular.

As at the Latest Practicable Date, none of the Experts had any shareholding in any member of the Group, nor had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor had any direct or indirect interest in any assets which have been acquired or disposed of by, or leased to, any member of the Group or are proposed to be acquired or disposed of by, or leased to, any member of the Group since December 31, 2017, the date to which the latest published audited accounts of the Group was made up.

All of the Experts have given and have not withdrawn its written consent to the issue of this circular with the inclusion of its letter(s) or report(s) (as the case may be) and reference to its name in the form and context in which they respectively appear.

## 7. LITIGATION

As at the Latest Practicable Date, so far as the Directors are aware, no members of the Remaining 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 Remaining Group as at the Latest Practicable Date.

## 8. 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 Remaining Group within two years immediately preceding the issue of this circular and are material:

(a) a loan agreement dated December 16, 2016 entered between the Company, Boston-Power, Inc. and G-O Scale Capital Management Co., LLC, pursuant to which the Company agreed to provide a loan in the amount of US$30 million (equivalent to approximately HK$235.4 million) with interest of 9% per annum to Boston-Power, Inc.;

(b) a purchase and sale agreement dated May 29, 2017 entered into between CQR Partnership and Leucrotta Exploration Inc. for disposal of its interests in the Pouce Coupe area of Alberta and British Columbia, Canada in consideration of C$5,000,000 (equivalent to approximately HK$30,187,500);

(c) the partnership interest purchase and sale agreement (the "**PSA**") dated May 31, 2017 entered into between Direct Energy Resources Partnership ("**Direct Energy**") and an undisclosed body corporate ("**A Partner**") in relation to the sale and purchase of 100% of the interests of partner in CQ Energy Canada Partnership;

(d) the subscription agreement dated May 31, 2017 entered into between Canlin Energy Corporation ("**Canlin**"), CCGRF Gastown Limited, Maple Marathon Investments Limited, Mercuria Energy Netherlands BV and the Company in relation to the subscription of convertible preferred shares issued by Canlin;

(e) an amending agreement dated June 8, 2017 entered into between Direct Energy and A Partner for the purpose of amending the date and time for escrow release under the PSA;

(f) a sale and purchase agreement dated December 1, 2017 entered into between the Company and Pacific Energy Development (Asia) Co. Corp. in relation to the disposal of the entire issued share capital of Riyadh Energy Limited;

(g) a sale and purchase agreement dated December 21, 2017 entered into between Global Oil Corporation and MIE International Resources Limited in relation to the acquisition of 10% participating interests in the foreign contractors' entitlement and obligations under certain production sharing contracts for each of the Daan oilfield and the Moliqing oilfield;

(h) a share purchase agreement dated January 22, 2018 entered into between MIE Maple Investments Limited and Journey Energy Inc., ("**Journey**") in relation to Journey's acquisition of 12,700,000 issued and outstanding common shares in the capital of Journey;

(i) a placing agreement dated January 2018 pursuant to which the Company agreed to place a convertible bonds in the principal amount of up to HK$340,000,000 with an initial conversion price of HK$0.58 through placing agent;

(j) the agreement of purchase and sale dated March 23, 2018 entered into between Canlin Resources Partnership as vendor and a partnership formed pursuant to the laws of Alberta, Canada as purchaser in relation to the disposal of the certain petroleum and natural gas rights, the facilities and any and all tangible depreciable property and assets and certain miscellaneous interests located within the White Map Area;

(k) the Share Purchase Agreement dated September 24, 2018; and

(l) the agreement of purchase and sale dated October 16, 2018, entered into between Canlin Resources Partnership as vendor and a public company listed on the Toronto Stock Exchange as purchaser in relation to the disposal of right, title, estate and interest (whether absolute, contingent, legal or beneficial) in certain petroleum and natural gas rights, the tangibles and the miscellaneous interests located in northwestern Alberta, Canada.

## 9. MISCELLANEOUS

(a) The registered office of the Company is at P.O. Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands. The Beijing 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) As at the Latest Practicable Date, the Company had an authorised share capital of US$100,000,000 divided into 100,000,000,000 of US$0.001 each. As at the Latest Practicable Date, 2,938,596,793 ordinary shares were issued and fully paid.

(e) This circular is prepared in both English and Chinese. In the event of inconsistency, the English version shall prevail.

## 10. DOCUMENTS FOR INSPECTION

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

(a) the memorandum and articles of association of the Company;

(b) the audited consolidated accounts of the Group for each of the three financial years ended December 31, 2017;

(c) the review report of the Disposal Group, the text of which is set out in Appendix II to this circular;

(d) the report on unaudited pro forma financial information of the Remaining Group from PricewaterhouseCoopers, the text of which is set out in Appendix III of this circular;

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

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

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

(h) the written consents referred to in the paragraph headed "Experts and Consents" in this Appendix; and

(i) 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 13, 7/F, Nexxus Building, 77 Des Voeux Road Central, Hong Kong on Tuesday, November 20, 2018 at 10 a.m., for the purpose of considering and, if thought fit, passing with or without modification or amendment the following resolutions:

### ORDINARY RESOLUTIONS

"**THAT**:

(a) the share purchase agreement dated September 24, 2018 (the "**Share Purchase Agreement**") entered into between Far East Energy (as defined in the circular of the Company dated November 5, 2018) and the Company (copy of which is produced to the EGM 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 Share Purchase 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 Share 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, November 5, 2018

*Notes:*

(a) 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 websites of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.

(b) 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.

(c) 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 adjournment thereof. 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.

(d) 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.

(e) For determining the entitlement to attend and vote at the meeting, the register of members of the Company will be closed from Thursday, November 15, 2018 to Tuesday, November 20, 2018, 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, November 14, 2018.

(f) Time and dates in this notice are Hong Kong time and dates.

*As at the date of this notice, the Board comprises (1) the executive directors namely Mr. Zhang Ruilin and Mr. Zhao Jiangwei; (2) the non-executive directors namely Ms. Xie Na and Mr. Jiao Qisen; and (3) the independent non-executive directors namely Mr. Mei Jianping, Mr. Jeffrey Willard Miller and Mr. Guo Yanjun.*