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PetroAsian Energy Holdings Limited

中亞能源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 850)

(Warrant Code: 344)

UPDATE ON THE DISCLOSEABLE TRANSACTION FOR THE ACQUISITION OF 51% PARTICIPATING INTERESTS AND 52.96% PAYING INTERESTS IN KSAR HADADA PERMIT: ENTERING INTO OF THE SERVICE AGREEMENT WITH BGP INC., CHINA NATIONAL PETROLEUM CORPORATION

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules.

Reference is made to the Announcements. In the Announcements, the Company has announced, among other matters, that: (1) on or about 8 June 2009, the Group, Petroceltic Ksar Hadada Limited and Independent Resources (Ksar Hadada) Limited have entered into the Agreement pursuant to which the Group has agreed to acquire 51% of the Participating Interests and 52.96% of the Paying Interests in Ksar Hadada Permit; (2) on or about 25 September 2009, the Group has received from Blackwatch, an independent subsurface technical review report of the Ksar Hadada Permit; and (3) on or about 22 October 2009, the Company and the Contractor entered into the Service Agreement pursuant to which the Contractor will provide the Evaluation Service and the Consultancy Service to the Group.

The Board wishes to announce that on or about 15 March 2010, the Group has received from Blackwatch an update of the independent technical review report of the Ksar Hadada Permit. Apart from the independent subsurface technical review of the Ksar Hadada Permit, Blackwatch has also conducted an economic valuation of the Ksar Hadada Permit.

As shown in such report, the unrisks net present value (i.e. the discounted cashflow resulting from a successful outcome) of the assets of the Ksar Hadada Permit has been valued at US\$847 million (equivalent to approximately HK\$6,606.6 million) by using a discounted cashflow methodology. Also, as shown in such report, the estimated monetary value of the assets of the Ksar Hadada Permit have been valued at approximately US\$220 million (equivalent to approximately HK\$1,716 million) by using a discounted cashflow methodology based on the technical chances of success of the five prospects in the Ksar Hadada Permit ranging from 10% to 40% with key risk of reservoir efficiency and subsidiary risk to seal integrity away from the drilled areas.

Shareholders and potential investors shall note that the Completion is still subject to the satisfaction or waiver of the conditions precedent described in the Announcements and Completion may or may not occur. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules.

Reference is made to the announcements (together, the “**Announcements**”) of the Company dated 8 June 2009, 15 June 2009, 25 September 2009 and 22 October 2009, respectively. In the Announcements, the Company has announced, among other matters, that: (1) on or about 8 June 2009, the Group, Petroceltic Ksar Hadada Limited and Independent Resources (Ksar Hadada) Limited have entered into the Agreement pursuant to which the Group has agreed to acquire 51% of the Participating Interests and 52.96% of the Paying Interests in Ksar Hadada Permit; (2) on or about 25 September 2009, the Group has received from Blackwatch, an independent subsurface technical review report of the Ksar Hadada Permit; and (3) on or about 22 October 2009, the Company and the Contractor entered into the Service Agreement pursuant to which the Contractor will provide the Evaluation Service and the Consultancy Service to the Group.

Definitions used in the Announcements shall, unless the context otherwise requires, have the same meanings when used in this announcement.

The Board wishes to announce that on or about 15 March 2010, the Group has received from Blackwatch an update of the independent technical review report of the Ksar Hadada Permit. Apart from the independent subsurface technical review of the Ksar Hadada Permit, Blackwatch has also conducted an economic valuation of the Ksar Hadada Permit.

As shown in such report, the unrisks net present value (i.e. the discounted cashflow resulting from a successful outcome) of the assets of the Ksar Hadada Permit has been valued at US\$847 million (equivalent to approximately HK\$6,606.6 million) by using a discounted cashflow methodology. Also, as shown in such report, the estimated monetary value of the assets of the Ksar Hadada Permit have been valued at approximately US\$220 million (equivalent to approximately HK\$1,716 million) by using a discounted cashflow methodology based on the technical chances of success of the five prospects in the Ksar Hadada Permit ranging from 10% to 40% with key risk of reservoir efficiency and subsidiary risk to seal integrity away from the drilled areas. By a letter dated 17 March 2010, the auditors of the Company has confirmed to the Company that the valuation report made by Blackwatch, so far the calculations are concerned, has been properly complied by Blackwatch on the basis of the assumptions prescribed in such report.

Each of the five prospects, except for South Salah, has been valued assuming a stand-alone development with no other production from the licence. South Salah, due to its size is assumed to be developed as a satellite to one of the other larger prospects. It is also assumed that each prospect would be awarded a 30-year development permit.

In performing the valuation, it has been assumed that crude oil produced from the Ksar Hadada licence will be sold on a FOB basis at Brent prices plus 5%. Any crude required to be sold on the local market is assumed to receive an equivalent price. A base Brent price of US\$75/bbl has been assumed with low and high sensitivities run at US\$55/bbl and US\$95/bbl.

All gas production is assumed to be sold to the local market at a price linked to the oil price. For the purposes of this evaluation, the gas price in US\$/mcf is assumed to be 10% of the oil price in US\$/bbl.

The Board will further update the Shareholders and the investing public from time to time on any major development of the Acquisition.

By order of the Board
PetroAsian Energy Holdings Limited
Poon Sum
Chairman

Hong Kong, 17 March 2010

As at the date of this statement, the Board comprises (i) three executive Directors, namely Mr. Poon Sum, Mr. Wong Kwok Leung and Mr. Poon Wai Kong; and (ii) three independent non-executive Directors, namely Mr Chan Kam Ching, Paul, Mr. Chan Shu Kin and Mr. Cheung Kwan Hung.