

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Persta Resources Inc., you should at once hand this circular with the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

This circular is for your information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the shares or other securities of Persta Resources Inc.

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PERSTA RESOURCES INC.

(incorporated under the laws of Alberta with limited liability)

(HK stock code: 3395)

**Suite 3600, 888-3rd Street SW,
Calgary, Alberta T2P 5C5,
Canada**

**Telephone: 1-403-355-6623
Fax: 1-403-440-1206**

**CONNECTED TRANSACTION IN RELATION TO
PROPOSED ISSUE OF NEW SHARES TO A CONNECTED PERSON
UNDER SPECIFIC MANDATE**

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



**NOTICE OF MEETING
and
MANAGEMENT INFORMATION CIRCULAR
and
PROXY STATEMENT**

with respect to the

Special Meeting of Shareholders

to be held on June 22, 2022 at **10:00 a.m.** (Calgary time)/June 23, 2022 at **00:00 a.m.**
(Hong Kong time) at Suite 3600, 888-3rd Street SW, Calgary, Alberta T2P 5C5, Canada

Dated: June 2, 2022

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Persta Resources Inc.

(incorporated under the laws of Alberta with limited liability)

(Stock Code: 3395)

**NOTICE OF SPECIAL MEETING
OF SHAREHOLDERS TO BE HELD ON JUNE 22, 2022
AT 10:00 A.M. (CALGARY TIME)/
JUNE 23, 2022 AT 00:00 A.M. (Hong Kong time)**

NOTICE IS HEREBY GIVEN that a special meeting (the “**Meeting**”) of the holders (the “**Shareholders**”) of common shares (the “**Common Shares**”) of Persta Resources Inc. (“**Persta**” or the “**Company**”) will be held at Suite 3600, 888-3rd Street SW, Calgary, Alberta T2P 5C5, Canada, on June 22, 2022 at 10:00 a.m. (Calgary time)/June 23, 2022 at 00:00 a.m. (Hong Kong time) for the following purposes:

1. to consider, and if thought advisable, approve, confirm and ratify the subscription agreement dated May 5, 2022 entered into between the Company and 大連永力石油化工有限公司 (Dalian Yongli Petrochemical Ltd.*) (the “**Subscriber**”), pursuant to which the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for, 17,000,000 new Common Shares at HK\$1.00 per Common Share (the “**Subscription Shares**”) (a copy of the Subscription Agreement having been produced to this Meeting and marked “A” and initialed by the chairman of this Meeting for identification purpose), and the transactions contemplated thereunder, as more particularly described in the accompanying management information circular (the “**Circular**”);
2. conditional upon the Stock Exchange granting the listing of and permission to deal in the Subscription Shares on the Stock Exchange, to consider, and if thought advisable, pass, with or without variation, an ordinary resolution granting the board of directors of the Company a specific mandate from the Shareholders approving the allotment and issuance of the Subscription Shares (the “**Specific Mandate**”), provided that the Specific Mandate shall be in addition to, and shall not prejudice nor revoke any existing or such other general or specific mandates which may from time to time be granted to the directors of the Company prior to the Meeting; and
3. to transact such further or other business as may properly come before the Meeting or any adjournment or adjournments thereof.

The Circular which provides additional information relating to the matters to be dealt with at the Meeting will be despatched to Shareholders on or before June 2, 2022.

An explanatory statement as required by the Rules Governing the Listing of Securities on The Stock Exchange (the “**Listing Rules**”), providing the requisite information regarding the grant of the Specific Mandate reasonably necessary to enable the Shareholders to make an informed decision on whether to vote for or against the resolution relating to the Specific Mandate at the Meeting is set forth in the Circular.

Only Shareholders of record as at 4:30 p.m. (Hong Kong time) and 2:30 a.m. (Calgary time) on June 10, 2022 (the “**Record Date**”) will be entitled to vote at the Meeting, unless that Shareholder has transferred any Common Shares subsequent to that date and the transferee Shareholder, not later than 10 days before the Meeting, establishes ownership of the Common Shares and demands that the transferee’s name be included on the list of Shareholders entitled to vote at the Meeting, in which case such transferee shall be entitled to vote such Common Shares at the Meeting. To ensure that there is no risk that any of the Common Shares will be voted twice, the transferee must provide written evidence to the Company including, without limitation, providing properly endorsed certificates evidencing the transfer of such Common Shares or having otherwise established ownership of such Common Shares, written evidence of the identification of the relevant transferor and written evidence that the relevant transferor has not exercised and will not exercise their right to vote either by proxy or in person at the Meeting. The Company may refuse the demand by a transferee to be included in the list of Shareholders entitled to vote at the Meeting if the transferee cannot demonstrate to the Company with sufficient certainty that the relevant Common Shares have not already been voted by proxy or will be voted by the relevant transferor at the Meeting.

Shareholders who receive the Circular and other accompanying Meeting materials from the Company’s branch share registrar in Hong Kong, being Computershare Hong Kong Investor Services Limited, and who are unable to be present at the Meeting are requested to date and sign the form of proxy enclosed in the Circular and return it to Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, in the enclosed envelope provided for that purpose, so that it is received during regular business hours no later than 48 hours (excluding Saturdays, Sundays and public holidays in Hong Kong) prior to the time of the Meeting, or any adjournment thereof. If a Shareholder is registered as a member of the Company on the register of members in Hong Kong on the Record Date, such Shareholder’s records are currently maintained on the Hong Kong register and such Shareholder’s proxy should be deposited in accordance with the instructions set out in this paragraph.

Shareholders who receive the Circular and other accompanying Meeting materials from the Company’s principal share registrar in Canada, being Computershare Trust Company of Canada, and who are unable to be present at the Meeting, are requested to date and sign the form of proxy enclosed in the Circular and return it to Computershare Trust Company of Canada, Proxy Department, 100 University Avenue, 8th Floor, Toronto, Ontario M5J 2Y1, Canada, in the envelope provided for that purpose, so that it is received no later than 48 hours (excluding Saturdays, Sundays and holidays in Canada) prior to the time of the Meeting or any adjournment thereof. Registered shareholders may submit their voting instructions online at www.investorvote.com or by phone at 1-866-732-VOTE (8683) (toll free within North America) or 1-312-588-4290 (outside North America). Shareholders are cautioned that the use of mail to

transmit proxies is at each Shareholder's risk. If a Shareholder acquired its Common Shares prior to the Record Date and is registered as a Shareholder on the register of Shareholders in Canada on the Record Date, such Shareholder's records are currently maintained on the Canadian register and such Shareholder's proxy should be deposited in accordance with the instructions set out in this paragraph.

In order to be valid, your proxy or voting instructions must be received in each case no later than 48 hours (excluding Saturdays, Sundays and holidays) before the Meeting or any adjournment thereof.

DATED at Calgary, Alberta, as of June 2, 2022.

BY ORDER OF THE BOARD

Signed: “Yongtan Liu”
Yongtan Liu
Chairman of the Board

LETTER FROM THE BOARD



PERSTA RESOURCES INC.

(incorporated under the laws of Alberta with limited liability)

(Stock Code: 3395)

Executive Directors

Mr. Yongtan Liu (*Chairman*)

Mr. Pingzai Wang (*Chief Executive Officer*)

Independent Non-Executive Directors

Mr. Richard Dale Orman

Mr. Peter David Robertson

Mr. Larry Grant Smith

Registered Office

15th Floor, Bankers Court

850-2nd Street SW

Calgary, Alberta T2P 0R8

Canada

Principal Place of Business in Hong Kong

Room 1901, 19/F

Lee Garden One

33 Hysan Avenue

Causeway Bay

Hong Kong

June 2, 2022

To: the Shareholders

Dear Sirs/Mesdames,

**(1) CONNECTED TRANSACTIONS IN RELATION TO
PROPOSED ISSUE OF NEW SHARES TO A CONNECTED PERSON
UNDER SPECIFIC MANDATE; AND
(2) NOTICE OF SPECIAL MEETING**

INTRODUCTION

Reference is made to the announcement of the Company dated May 5, 2022 in relation to, among other things, the entering into of the Subscription Agreement.

The purpose of this Circular is to provide the Shareholders with, among other things: (i) a letter from the Board containing further details of the Subscription Agreement and the transactions contemplated thereunder; (ii) a letter of advice from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to both the Independent Board Committee and the Independent Shareholders; (iv) a notice convening the Meeting; and (v) other information as required under the Listing Rules.

DEFINITIONS

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

“ ABCA ”	<i>Business Corporations Act</i> (Alberta), as amended, supplemented or as otherwise modified from time to time;
“ associate ”	has the meaning ascribed to it under the Listing Rules;
“ Board ”	the board of Directors;
“ C\$ ”	Canadian dollars, the lawful currency of Canada;
“ Canada ”	Canada, its territories, its possessions and all areas subject to its jurisdiction;
“ CCJGSA ”	長春市吉星車用氣有限公司 (Changchun City Jixing Gas Service for Auto Co. Ltd.*), a company incorporated under the laws of PRC with limited liability and owned as to 66.70% and 33.30% by Mr. Liu and Ms. Zhang Lijun (Mr. Liu’s spouse), respectively;
“ Circular ”	this management information circular;
“ Company ”	Persta Resources Inc., a company incorporated with limited liability under the laws of Alberta on 11 March 2005, the shares of which are listed on the Main Board of the Stock Exchange;
“ Completion ”	completion of the Subscription pursuant to the Subscription Agreement;
“ Common Share(s) ”	the common share(s) of no par value in the capital of the Company;
“ connected person(s) ”	has the meaning ascribed to it under the Listing Rules;
“ Dalian Yongli ” or “ Subscriber ”	大連永力石油化工有限公司 (Dalian Yongli Petrochemical Ltd.*), a company incorporated under the laws of PRC with limited liability;

“Dalian Yongli Subscription Agreement” or “Last Financing”	the subscription agreement dated July 8, 2021 entered into between the Company and Dalian Yongli in relation to the subscription of new Common Shares by Dalian Yongli (as amended and supplemented by the amended and restated subscription agreement dated July 20, 2021 entered into between the Company and Dalian Yongli and the amended and restated subscription agreement dated September 3, 2021 entered into between the Company and Dalian Yongli);
“Director(s)”	the director(s) of the Company;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	the independent committee of the Board, comprising Mr. Richard Dale Orman, Mr. Peter David Robertson and Mr. Larry Grant Smith, being the independent non-executive Directors, established to advise the Independent Shareholders on the Subscription Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate);
“Independent Financial Adviser” or “Dakin”	Dakin Capital Limited, a licensed corporation licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription pursuant to the Subscription Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate);
“Independent Shareholders”	the Shareholders other than the Subscriber and its associates;
“Independent Third Party(ies)”	person(s) who or company(ies) together with its/their ultimate beneficial owner(s) which, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, is/are third party(ies) independent of the Company and its connected person(s) in accordance with the Listing Rules;
“Jixing”	Jixing Gas Holdings Limited, a company incorporated under the laws of the British Virgin Islands;
“Last Trading Day”	May 4, 2022, being the last full trading day for the Common Shares immediately prior to the entering into of the Subscription Agreement;

“Latest Practicable Date”	May 31, 2022, being the last practicable date for ascertaining certain information contained in this Circular;
“Listing Committee”	has the meaning ascribed to it under the Listing Rules;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or as otherwise modified from time to time;
“Meeting”	the special meeting of the Shareholders to be held on June 22, 2022, or any adjournment thereof, and convened for the Independent Shareholders to, among others, consider and, if thought fit, (i) approve the Subscription Agreement and the transactions contemplated thereunder; and (ii) grant the Specific Mandate to the Directors;
“Mr. Liu”	Mr. Yongtan Liu, an executive Director and chairman of the Board;
“PRC”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Shareholder(s)”	the holder(s) of the Common Share(s);
“Specific Mandate”	the specific mandate to be sought at the Meeting to allot and issue the Subscription Shares to the Subscriber as contemplated under the Subscription Agreement;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscription”	the subscription of the Subscription Shares by the Subscriber pursuant to the Subscription Agreement;
“Subscription Price”	the subscription price of HK\$1.00 per Subscription Share;
“Subscription Shares”	17,000,000 new Common Shares to be allotted and issued by the Company to the Subscriber pursuant to the Subscription Agreement;
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules;

“**Trading Day(s)**” the day(s) on which the Stock Exchange is open for trading and the Common Shares are freely available for trading; and

“**%**” per cent.

For the purpose of illustration only and unless otherwise specified, conversion of C\$ to HK\$ in this circular is based on the exchange rate of C\$0.162 to HK\$1.00. Such conversion should not be construed as a representation that any amount has been, could have been, or may be exchanged at this or any other rate.

Certain figures set out in this Circular have been subject to rounding adjustments. Accordingly, figures shown as the 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.

* *For identification purpose only.*

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(HK stock code: 3395)

MANAGEMENT INFORMATION CIRCULAR AND PROXY STATEMENT

GENERAL PROXY MATTERS

Solicitation of Proxies by Management

This management information circular (the “**Circular**”) is furnished in connection with the solicitation of proxies by the management of the Company for use at the Meeting to be held at Suite 3600, 888-3rd Street SW, Calgary, Alberta T2P 5C5, Canada, on June 22, 2022, at 10:00 a.m. (Calgary time)/June 23, 2022, at 00:00 a.m. (Hong Kong time), and any adjournment thereof. This Circular contains information as at the Latest Practicable Date unless otherwise noted. All references to “\$” in this Circular refer to the lawful currency of Canada, unless otherwise noted.

Only Shareholders of record as at 4:30 p.m. (Hong Kong time) and 2:30 a.m. (Calgary time) on June 10, 2022 (the “**Record Date**”) will be entitled to vote at the Meeting, unless that Shareholder has transferred any Common Shares subsequent to that date and the transferee Shareholder, not later than 10 days before the Meeting, establishes ownership of the Common Shares and demands that the transferee’s name be included on the list of Shareholders entitled to vote at the Meeting, in which case such transferee shall be entitled to vote such Common Shares at the Meeting. To ensure that there is no risk that any of the Common Shares will be voted twice, the transferee must provide written evidence to the Company including, without limitation, providing properly endorsed certificates evidencing the transfer of such Common Shares or having otherwise established ownership of such Common Shares, written evidence of the identification of the relevant transferor and written evidence that the relevant transferor has not exercised and will not exercise their right to vote either by proxy or in person at the Meeting. The Company may refuse the demand by a

transferee to be included in the list of Shareholders entitled to vote at the Meeting if the transferee cannot demonstrate to the Company with sufficient certainty that the relevant Common Shares have not already been voted by proxy or will be voted by the relevant transferor at the Meeting.

Registered Shareholders are invited to attend the Meeting and vote their Common Shares at the Meeting. Shareholders can also appoint a proxy holder (who need not be a Shareholder) to attend and vote at the Meeting on the Shareholder's behalf and to convey a Shareholder's voting instructions. Solicitations of proxies will be primarily by mail, but some proxies may be solicited personally or by telephone, facsimile transmission or other electronic means by our officers, directors or employees at a nominal cost. The cost of solicitation will be borne by the Company.

Registered Shareholders who receive this Circular and other accompanying Meeting materials from the Company's branch share registrar in Hong Kong, being Computershare Hong Kong Investor Services Limited, and who are unable to be present at the Meeting are requested to date and sign the enclosed form of proxy and return it to Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, in the enclosed envelope provided for that purpose, so that it is received during regular business hours no later than 48 hours (excluding Saturdays, Sundays and holidays in Hong Kong) prior to the time of the Meeting, or any adjournment thereof. If a Shareholder is registered as a member of the Company on the register of members in Hong Kong on the Record Date, such Shareholder's records are currently maintained on the Hong Kong register and such Shareholder's proxy should be deposited in accordance with the instructions set out in this paragraph.

Registered Shareholders who receive this Circular and other accompanying Meeting materials from the Company's principal share registrar in Canada, being Computershare Trust Company of Canada, and who are unable to be present at the Meeting, are requested to date and sign the enclosed form of proxy and return it to Computershare Trust Company of Canada, Proxy Department, 100 University Avenue, 8th Floor, Toronto, Ontario M5J 2Y1, Canada, in the enclosed envelope provided for that purpose, so that it is received no later than 48 hours (excluding Saturdays, Sundays and holidays in Canada) prior to the time of the Meeting or any adjournment thereof. Registered shareholders may submit their voting instructions online at www.investorvote.com or by phone at 1-866-732-VOTE (8683) (toll free within North America) or 1-312-588-4290 (outside North America). Shareholders are cautioned that the use of mail to transmit proxies is at each Shareholder's risk. If a Shareholder acquired its Common Shares prior to the Record Date and is registered as a Shareholder on the register of Shareholders in Canada on the Record Date, such Shareholder's records are currently maintained on the Canadian register and such Shareholder's proxy should be deposited in accordance with the instructions set out in this paragraph.

The individuals named in the enclosed form of proxy are officers of the Company (the "**Management Designees**"). **A Shareholder wishing to appoint some other person (who need not be a shareholder of the Company) to represent him or her at the Meeting has the right to do so, either by inserting that person's name in the blank space provided in the form of proxy and striking out the names of the Management Designees, or by completing another form of proxy, or by using the internet at www.investorvote.com or the telephone by calling 1-866-732-8683 (toll free within North America) or 1-312-588-4290 (outside North America).**

If you vote your proxy using the internet or the telephone, do not send back the form of proxy.

Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the Meeting or any adjournment thereof if they so wish.

Advice to Beneficial Holders of Common Shares

The information set forth in this section is of significant importance to you if you do not hold your Common Shares in your own name. Only proxies deposited by Shareholders whose names appear on our records as the registered holders of Common Shares can be recognized and acted upon at the meeting. If Common Shares are listed in your account statement provided by your broker, then in almost all cases those Common Shares will not be registered in your name on our records. Such Common Shares will likely be registered under the name of your broker or an agent of that broker.

Only registered holders of Common Shares or the persons they validly appoint as their proxies are permitted to vote at the Meeting. However, in many cases, Common Shares beneficially owned by a person (a “**Non-Registered Holder**”) are registered either: (i) in the name of an intermediary (an “**Intermediary**”) (including banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered RRSPs, RRIFFs, RESPs and similar plans) that the Non-Registered Holder deals with in respect of the Common Shares; or (ii) in the name of a clearing agency (such as the Canadian Depository for Securities Limited) of which the Intermediary is a participant.

If you do not hold your Common Shares in your own name, you may give permission to your broker or other intermediary to release your name and address to us so that we can send proxy related materials to you directly. Alternatively, you may instruct your broker or other intermediary who holds your Common Shares to not provide your name and address to us, in which case, your broker or other intermediary is required to send such materials to you. We currently do not provide proxy related materials directly to beneficial Shareholders and we assume the costs associated with the delivery of meeting materials to beneficial Shareholders.

Applicable regulatory policy requires your broker to seek voting instructions from you in advance of the Meeting. Every broker has its own mailing procedures and provides its own return instructions, which you should carefully follow in order to ensure that your Common Shares are voted at the Meeting. Often, the form of proxy supplied by your broker is identical to the form of proxy provided to registered Shareholders. However, its purpose is limited to instructing the registered Shareholder how to vote on your behalf.

In Canada, most brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions Inc. (“**Broadridge**”). Broadridge mails a voting instruction form in lieu of a proxy provided by the Company. The voting instruction form will name the same persons as the Company’s proxy to represent you at the Meeting. You have the right to appoint a person (who need not be a Beneficial Shareholder of the Company), other than the persons designated in the voting instruction form, to represent you at the Meeting. To exercise this right, you should insert the name of the desired representative in the blank space provided in the voting instruction form. The completed voting instruction form must then be returned to Broadridge by mail or

facsimile or given to Broadridge by phone or over the internet, in accordance with Broadridge's instructions. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Common Shares to be represented at the Meeting. If you receive a voting instruction form from Broadridge, you cannot use it to vote Common Shares directly at the Meeting. The voting instruction form must be completed and returned to Broadridge, in accordance with its instructions, well in advance of the Meeting in order to have the Common Shares voted.

Although you may not be recognized directly at the Meeting for the purposes of voting Common Shares registered in the name of your broker, you may attend the Meeting as a proxyholder for the registered Shareholder and vote your Common Shares in that capacity. If you wish to attend the Meeting and vote your own Common Shares, you must do so as proxyholder for the registered Shareholder. To do this, you should enter your own name in the blank space on the applicable form of proxy provided to you and return the document to your broker or the agent of such broker in accordance with the instructions provided by such broker well in advance of the Meeting.

The Canadian Securities Administrators have adopted a "notice-and-access" regime for shareholder meetings that permits issuers to send a reduced package of meeting materials to shareholders, together with the document required to cast their vote. We have elected not to use the "notice-and-access" regime for the Meeting and paper copies of such materials will be sent to all of our Shareholders.

Revocation of Proxy

A Shareholder who has submitted a proxy may revoke it at any time prior to the exercise thereof. In addition to revocation in any other manner permitted by law, a Shareholder who has given a proxy may revoke it by:

- (a) executing a proxy bearing a later date or by executing a valid notice of revocation, either of the foregoing to be executed by the Shareholder or by such person's authorized attorney in writing or, if such person is a corporation, under its corporate seal by an officer or attorney duly authorized, and by delivering the proxy bearing a later date to the Company's principal share register in Canada, being Computershare Trust Company of Canada at Proxy Department, 100 University Avenue, 8th Floor, Toronto, Ontario M5J 2Y1, Canada, in the enclosed envelope provided for that purpose, so that it is received no later than 48 hours (excluding Saturdays, Sundays or holidays in Canada) prior to the time of the Meeting or any adjournment thereof. Registered shareholders may also use the internet site at www.investorvote.com to transmit their voting instructions or vote by phone at 1-866-732-VOTE (8683) (toll free within North America) or 1-312-588-4290 (outside North America), or the Company's branch share registrar in Hong Kong, being Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, as applicable, at least 48 hours (excluding Saturdays, Sundays or holidays in Hong Kong) prior to the time of the Meeting or any adjournment thereof, at which the proxy is to be used, or to the chairman of the Meeting on the day of the Meeting or any reconvening thereof, or in any other manner provided by law; or

(b) personally attending the Meeting and voting such person's Common Shares at the Meeting.

A revocation of a proxy will not affect a matter on which a vote is taken before the revocation.

Persons Making the Solicitation

This solicitation is made on behalf of the Company's management. We will bear the costs incurred in the preparation and mailing of the form of proxy, notice of annual general and special meeting, and this Circular. In addition to mailing forms of proxy, proxies may be solicited by personal interviews, or by other means of communication, by our directors, officers or employees who will not be remunerated therefor.

Exercise of Discretion by Proxyholders

The Common Shares represented by proxy in favor of management nominees will be voted on any poll taken at the Meeting. Where you specify a choice with respect to any matter to be acted upon, the Common Shares will be voted or withheld from voting on any poll in accordance with the specification so made. If you do not provide instructions, your Common Shares will be voted in favor of the matters to be acted upon as set out herein. The persons appointed under the form of proxy which we have furnished are conferred with discretionary authority with respect to amendments or variations of those matters specified in the form of proxy and notice of annual general and special meeting and with respect to any other matters which may properly be brought before the Meeting or any adjournment thereof. At the time of printing this Circular, we know of no such amendment, variation or other matter.

Voting by Poll

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. The Company will announce the results of the poll in the manner prescribed in Rule 13.39(5) of the Listing Rules.

Counting the Votes

The Company's principal share registrar, Computershare Trust Company of Canada, and the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, will count and tabulate the proxies for Common Shares. This is done independently of the Company to preserve confidentiality in the voting process. Proxies are referred to the Company only in cases where a Shareholder clearly intends to communicate with management or when it is necessary to do so to meet the requirements of applicable law.

VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES

Voting Securities

The Company's authorized share structure consists of an unlimited number of Common Shares without par value and an unlimited number of preferred shares. As at the Record Date, the Company had 432,886,520 fully paid and non-assessable Common Shares and no preferred shares outstanding. Each Common Share carries the right to one vote at meetings of Shareholders.

Quorum

By-Law Number Two of the Company provides that if at least two persons present as registered Shareholders or as proxyholders for registered Shareholders, together of which is entitled to vote at such meeting, holding or representing in the aggregate not less than five per cent of the total number of Common Shares carrying the right to vote at such meeting, a quorum for the purposes of conducting a shareholders' meeting is constituted.

Principal Holders

To the knowledge of the Directors and executive officers of the Company, as at the Latest Practicable Date, the only persons who beneficially own, control or direct, directly or indirectly, Common Shares carrying 10% or more of the votes attached to the Common Shares entitled to be voted at the Meeting are as follows:

Name of Shareholder	Number of Common Shares	% of Common Shares
Aspen Investment Holdings Ltd. ⁽¹⁾	181,194,306	41.86%
Dalian Yongli Petrochemicals Ltd.	115,000,000	26.57%
HKSCC Nominees Limited ⁽²⁾	269,609,826 ⁽³⁾	62.28%

Notes:

- (1) Aspen Investment Holdings Ltd. ("**Aspen**") holds 181,194,306 Common Shares and is owned as to approximately 80.78% by 吉林省弘原經貿集團有限公司 (Ji Lin Hong Yuan Trade Group Limited*) ("**JLHY**") and 19.22% by 長春市麗源投資有限公司 (Changchun Liyuan Investment Co., Ltd.*) ("**Liyuan**"). JLHY is held as to 60% and 40% by Mr. Yuan Jing ("**Mr. Jing**") and Mr. Guang Jing (being Mr. Jing's brother), respectively. Liyuan is held as to approximately 98%, 1% and 1% by JLHY, Zhou Li Mei and Jing Yue Li, respectively.
- (2) HKSCC Nominees Limited is a subsidiary of the HKEX and its principal business is to act on behalf of other corporate or individual shareholders. All shares of Hong Kong listed companies, which are deposited into HKEX's Central Clearing and Settlement System, are registered in the name of HKSCC Nominees Limited.
- (3) Includes Common Shares held by Aspen, which have been transferred from the Canadian share register to the Hong Kong share register and have been deposited in HKEX's Central Clearing and Settlement System.

INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON

Other than as disclosed below or elsewhere in this Circular, none of the Directors or executive officers of the Company, no proposed nominee for election as a director of the Company, none of the persons who have been Directors or executive officers of the Company since the commencement of the Company's last completed financial year and no associate or affiliate of any of the foregoing persons has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting.

As at the Latest Practicable Date, the Subscriber held 115,000,000 Common Shares, representing approximately 26.57% of the issued and outstanding Common Shares, and was directly wholly-owned by Mr. Zhang Zhong (張鐘). The Subscriber and its associates, who together hold 115,000,000 Common Shares, shall abstain from voting on the relevant resolution(s) to approve the Subscription Agreement and the transactions contemplated thereunder at the Meeting.

Other than the aforesaid Shareholders, to the best knowledge, belief and information of the Directors, having made all reasonable enquiries, no Shareholder is required under the Listing Rules to abstain from voting on the resolutions at the Meeting.

No Directors have or may be perceived to have a material interest in the Subscription or are required to abstain from voting on the relevant Board resolutions under the requirements of the Listing Rules.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

As at the date of this Circular, no Common Shares have been reserved for issuance under any equity compensation plans of the Company.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

For the purposes of this Circular, “**informed person**” means:

- (i) a director or executive officer of the Company;
- (ii) a director or executive officer of a person or company that is itself an informed person or subsidiary of the Company;
- (iii) any person or company who beneficially owns, directly or indirectly, voting securities of the Company or who exercises control or direction over voting securities of the Company, or a combination of both, carrying more than 10% of the voting rights attached to all outstanding voting securities of the Company, other than voting securities held by the person or company as underwriter in the course of a distribution; and
- (iv) the Company if it has purchased, redeemed or otherwise acquired any of its own securities, for so long as it holds any of its securities.

Other than as disclosed herein, none of the Directors or executive officers of the Company, nor any person who beneficially owns directly or indirectly or exercises control or direction over securities carrying more than 10% of the voting rights attaching to the Common Shares in the capital of the Company, nor any known associate or affiliate of these persons, had any material interest, direct or indirect in any transaction within the three years before the date hereof which has materially affected the Company, or in any proposed transaction which has materially affected or would materially affect the Company.

BACKGROUND TO THE SUBSCRIPTION

The principal terms of the Subscription Agreement are set out below.

Date of the Subscription Agreement

May 5, 2022 (after trading hours)

Parties

The Company and Dalian Yongli

As at the Latest Practicable Date, the Subscriber was interested in 115,000,000 Common Shares, representing approximately 26.57% of the issued share capital of the Company, and was directly wholly-owned by Mr. Zhang Zhong (張鐘). The Subscriber is principally engaged in the sales and trading of petroleum and natural gas products. Other than being a substantial shareholder of the Company, to the best knowledge, information and belief of the Board and after making all reasonable enquiries, the Subscriber and its ultimate beneficial owner are third parties independent of and not connected with the Company and its connected persons.

Subscription Shares

Pursuant to the Subscription Agreement, the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for, 17,000,000 Subscription Shares at the Subscription Price of HK\$1.00 per Subscription Share. Each Subscription Share has no par value.

The Subscription Shares represent (i) approximately 3.93% of the issued and outstanding Common Shares as at the Latest Practicable Date; and (ii) approximately 3.78% of the total number of issued and outstanding Common Shares as enlarged by the allotment and issue of the Subscription Shares (assuming that there are no other changes in the share capital of the Company between the date of the Subscription Agreement and the date of Completion).

SUBSCRIPTION PRICE

The Subscription Price of HK\$1.00 per Subscription Share represents:

- (1) a premium of approximately 122% to the closing price of HK\$0.450 per Common Share as quoted on the Stock Exchange on the Last Trading Day;

- (2) a premium of approximately 122% to the average closing price of HK\$0.450 per Common Share as for the last five consecutive trading days up to and including the Last Trading Day;
- (3) a premium of 25% to the price of HK\$0.80 per Share, being the price per Common Share of the Company’s last equity placings of 16 million Common Shares and 20 million Common Shares completed on December 3, 2021 and December 13, 2021 respectively (the “**Last Financing Price**”); and
- (4) a premium of approximately 82% to the closing price of HK\$0.550 per Common Share as at the Latest Practicable Date.

The Subscription Price was determined after arm’s length negotiations between the Company and the Subscriber after considering, among other things, the Company’s past performance and future prospects and in particular, the market performance and liquidity of the Common Shares.

Year-to-date from January 1, 2022 to the Last Trading Day, the Stock Exchange has been opened for trading for a total of 81 days. Over this period, a total of 1.39 million Common Shares were traded on 32 days and no trades were executed on 49 days. This low level of liquidity is reflected in the 20% Bid-Ask Spread on the Last Trading Day (bid price of HK\$0.355 per Common Share, ask price of HK\$0.445 per Common Share).

The Company and the Subscriber acknowledged that the conditional placing of 17,000,000 Subscription Shares would represent more than 12.2 times the number of Common Shares traded in the prevailing market year-to-date, and determined that the Last Financing Price, where a total of 36 million Common Shares were issued at a price of HK\$0.80 per Common Share, was the appropriate reference for the Subscription Price. Subsequent to the signing of the Last Financing in June 2021, there has been a significant increase in the Company’s revenues and reduction of net loss for the year ended December 31, 2021 compared to the year ended December 31, 2020 (as detailed in the Company’s announcement of annual results for the year ended December 31, 2021), and record quarterly revenues and net income generated by the Company for the three months ended March 31, 2022 (as detailed in the Company’s announcement of quarterly results for the three months ended March 31, 2022). Given the materially improved financial performance by the Company since the Last Financing, the Company and the Subscriber agreed that a 25% premium to the Last Financing Price per Common Share was appropriate.

Ranking of the Subscription Shares

The Subscription Shares, when issued and fully paid, will rank *pari passu* in all respects among themselves and with all the Common Shares in issue at the time of allotment and issue of the Subscription Shares.

Conditions

Pursuant to the Subscription Agreement, Completion is conditional upon, among other things, satisfaction of the following conditions:

- (1) the passing by the Independent Shareholders at the Meeting of resolutions approving the Subscription Agreement and the grant of the Specific Mandate for the allotment and issue of the Subscription Shares;
- (2) the Company having obtained all necessary approvals and consents (if any) in relation to the Subscription and the transactions contemplated thereunder;
- (3) the Listing Committee granting the approval for the listing of, and permission to deal in, the Subscription Shares (and such approval not subsequently revoked prior to the date of Completion);
- (4) all necessary consents, filings, approvals and registrations from or with any relevant governmental or regulatory authorities required to be obtained or completed by the Subscriber that are necessary for the Subscriber to consummate the Subscription having been obtained or completed; and
- (5) delivery by the Subscriber to the Company of evidence satisfactory to the Company, in its sole discretion, that the Subscriber has sufficient funds available to subscribe the Subscription Shares.

Pursuant to the Subscription Agreement, in the event that any of the above conditions under the Subscription Agreement has not been fulfilled on or before June 30, 2022 (or such other date as may be determined by the Company in its sole discretion), the Subscription Agreement shall terminate with immediate effect pursuant to its terms, and the parties thereto shall be released and discharged from their respective obligations under the Subscription Agreement (except for their accrued right or obligation at the date of termination and the respective surviving clauses).

As at the date of this Circular, none of the conditions set forth above has been fulfilled.

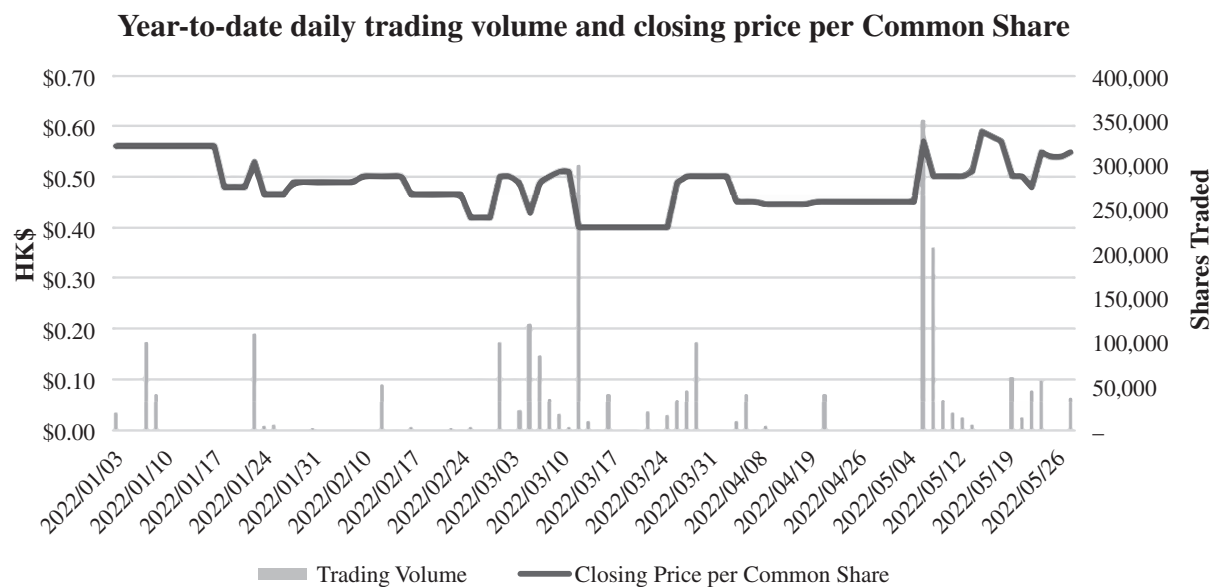
Completion

Subject to fulfillment of the conditions of the Subscription Agreement, Completion shall take place within 14 days after satisfaction of the conditions set out above, or such other date as the Company and the Subscriber may agree in writing. The Subscriber shall pay to the Company the subscription amount of HK\$17,000,000 in full in immediately available funds by wire transfer for the subscription of the Subscription Shares upon Completion.

The Company and the Subscriber have agreed that the Subscriber will pay for the Subscription in C\$ using the exchange rate of the higher of (i) C\$0.162 to HK\$1.00, and (ii) the HK\$ to C\$ exchange rate as quoted by the Bank of Canada for the five days preceding the payment for the Subscription Shares.

YEAR-TO-DATE COMMON SHARE TRADING DATA

The following graph summarizes the daily trading volume and closing price per Common Share for the period beginning January 1, 2022 and up to the Latest Practicable Date:



Source: Website of the Stock Exchange

This graph illustrates a general positive correlation between prevailing trading volume and price, where the market price of the Common Shares typically increased as the trading volume increased. This relationship is common in equity instruments which do not trade on a daily basis, demonstrating limited depth in the market of the Common Shares, which is further illustrated by the significant 20% Bid-Ask Spread on the Last Trading Day. The Company and the Subscriber acknowledged that the conditional placing of 17 million Common Shares would significantly exceed the number of Common Shares traded in the prevailing market, and determined that the Subscription Price should incorporate the general positive correlation between the prevailing trading volume and the Common Share price.

APPLICATION FOR LISTING

The Company will apply to the Listing Committee for the listing of, and permission to deal in, the Subscription Shares on the Main Board of the Stock Exchange.

INFORMATION CONCERNING THE COMPANY

The Company is principally engaged in natural gas and crude oil exploration and production, with a focus on natural gas resources. The Company focuses on long-term growth through acquisition, exploration, development and production in the Western Canadian Sedimentary Basin of its significant holdings of natural gas leases in the Western Canadian Sedimentary Basin region.

REASONS FOR ENTERING INTO THE SUBSCRIPTION AGREEMENT AND USE OF PROCEEDS

The Company is principally engaged in natural gas and crude oil exploration and production, with a focus on natural gas. The Company focuses on long-term growth through acquisition, exploration, development and production in the Western Canadian Sedimentary Basin.

The global impact of COVID-19 has resulted in significant volatility in global stock markets and has created a great deal of uncertainty in the global economy. As detailed in the 2021 Results Announcement, on March 11, 2022, the Company and a lender agreed to restructure a loan agreement (the “**2022 Restructuring**”). Under the terms of the 2022 Restructuring, the Company is obligated to make a principal payment of C\$2.5 million on or before June 30, 2022, a principal payment of C\$2.5 million on or before December 31, 2022, and a C\$1.0 million principal payment on or before March 31, 2023.

The gross proceeds of the Subscription are expected to be HK\$17 million. The Company estimates it will incur total costs of approximately HK\$0.5 million in respect of the Subscription. After deducting the related expenses, the net proceeds of the Subscription will amount to approximately HK\$16.5 million (approximately C\$2.5 million). The net Subscription Price, after deducting the related expenses, is estimated to be approximately HK\$0.97 per Subscription Share. The Company intends to apply the net proceeds of the Subscription to satisfy the C\$2.5 million principal payment pursuant to the 2022 Restructuring.

The Company has considered alternative financing options and engaged in discussions with potential investors and underwriters in Canada, the United States of America and the PRC. In the course of these discussions, the Company explored and considered the feasibility of alternative financing options prior to agreeing to enter into the Subscription Agreement. Options considered by the Company included equity financings, open offer and pre-emptive share issuances and debt financings. Given the price performance of the Common Shares and uncertainty in the global capital markets, the Company was unable to engage an underwriter to arrange new equity, open offer, rights issue or bond offerings.

Both an open offer or rights issue would allow the Shareholders to participate in the subscription of new Common Shares to be issued by the Company, and would allow Shareholders to maintain their respective pro rata shareholdings in the Company. Given that both an open offer and rights issue would require approval from the relevant authorities and would involve, among other things, the preparation and filing of a prospectus, and the printing and handling of application forms, the Company considered that the relatively small size of the financing required did not warrant an open offer or a rights issue, as it would incur additional time and significant costs. Additionally, the Company was unable to find an underwriter willing to underwrite any Common Shares not subscribed for, without providing a discount on the price of such Common Shares which would not be in the best interests of the Company and the Shareholders as a whole.

In relation to debt financing, further borrowings would create additional interest burden for the Company and the due diligence and negotiation process with the relevant banks may be lengthy, and debt financing would also increase the debt-to-equity ratio of the Company.

While the Company has considered placing the Subscription Shares to Independent Third Parties, given that the Subscriber is engaged in the non-storage operations of natural gas, gasoline, diesel, tar, kerosene, 1,2-xylene, methyl butyl ether, coal tar and methanol which the Company considers strategic to its existing business operations, the Directors consider that the Subscription (i) will open up further collaboration opportunities between the Company and the Subscriber as the Directors believe that the Subscriber will have a stronger interest (from the perspective of preserving and/or increasing the Subscriber's investment in the Company in the future) following the completion of the Subscription; and (ii) represents a valuable opportunity for the Subscriber to increase its interest in the Company which reflects the confidence of the Subscriber in the long-term prospects of the Company. Therefore, the Directors are of the view that placing with the Subscriber would reinforce the Company's strategic alliance with the Subscriber and provide an efficient means of raising capital for the Company's present needs on terms which are favorable to the Company. Accordingly, the Company has entered into the Subscription Agreement with the Subscriber to provide the Company with further capital.

Having considered the above, the Board is of the view that (i) the Subscription Agreement is entered into upon normal commercial terms following arm's length negotiations between the Company and the Subscriber; (ii) the terms of the Subscription Agreement are on normal commercial terms and are fair and reasonable; and (iii) the Subscription is in the interests of the Company and the Shareholders as a whole.

Contemplated transactions

As at the Latest Practicable Date, other than the entering into of the Subscription Agreement, the Company has not entered into, or contemplated entering into, any other arrangements, agreements or understandings (whether formal or informal and whether express or implied) with the Subscriber. However, the Company periodically engages in considering acquisition or disposal activities. The Company will review its business plan from time to time and may consider potential business expansion and investment opportunities. Should such opportunities arise in the future, the Company will make the relevant announcement in accordance with the Listing Rules if and when applicable.

FUNDRAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS

Save for the fundraising activity mentioned below, the Company has not conducted any equity fund raising activities in the past twelve months immediately preceding the Latest Practicable Date.

<u>Date of announcement</u>	<u>Event</u>	<u>Net proceeds</u>	<u>Intended use of proceeds</u>	<u>Actual use of proceeds as at the date of this Circular</u>
September 3, 2021, September 30, 2021, October 28, 2021 and December 5, 2021 (Hong Kong time).	Issue of new Common Shares under general mandate.	The gross proceeds and net proceeds from the issuance of the new Common Shares amounted to HK\$12.8 million and HK\$12.5 million, respectively.	The net proceeds from the issue of the new Common Shares was intended to be applied towards the Company's subordinated debt.	All of the net proceeds were applied towards the Company's subordinated debt.
June 9, 2021, June 10, 2021, July 21, 2021, September 3, 2021, October 18, 2021, October 28, 2021, December 7, 2021, January 31, 2022, February 28, 2022, March 31, 2022 and April 29, 2022 (Hong Kong time)	Issue of new Common Shares under specific mandate.	The gross proceeds from the issuance of the new Common Shares to Dalian Yongli amounted to gross proceeds of HK\$44 million. On December 10, 2021, the Company completed the first tranche of 20 million Common Shares for gross and net proceeds of HK\$16 million. The second and final tranche of 35 million Common Shares closed on April 29, 2022 for gross proceeds of HK\$28 million and net proceeds of HK\$26.5 million.	The Company intended to apply the net proceeds from the issue of new Common Shares towards financing the drilling of new wells at the Basing area, partial repayment of the Company's subordinated debt, for additional working capital of the Company and other general corporate purposes.	Approximately HK\$16 million from the first tranche was applied towards financing the drilling of new wells at the Basing area. Approximately HK\$16 million from the second tranche was applied towards partial repayment of the Company's subordinated debt, and approximately HK\$10.5 million for additional working capital of the Company and other general corporate purposes.

IMPLICATIONS OF THE LISTING RULES

As at the Latest Practicable Date, the Subscriber was interested in 115,000,000 Common Shares, representing approximately 26.57% of the issued share capital of the Company. As the Subscriber is a substantial Shareholder, the Subscriber is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the entry into of the Subscription Agreement and the transactions contemplated thereunder (including the Subscription and the issue of the Subscription Shares under the Specific Mandate) constitute connected transactions of the Company under Chapter 14A of the Listing Rules and are subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As at the Latest Practicable Date, 112,499,047 Common Shares were held by the public (within the meanings of the Listing Rules), representing approximately 25.99% of the issued and outstanding Common Shares. Immediately upon completion of the Subscription, approximately 25.01% of the issued share capital of the Company will be held by the public. Accordingly, the Company will continue to satisfy the minimum public float requirement of 25% as set out in Rule 8.08(1)(a) of the Listing Rules following completion of the Subscription Agreement.

EFFECT OF THE SUBSCRIPTION ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the Company has 432,886,520 Common Shares in issue. Set out below is a table illustrates the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after the allotment and issue of the Subscription Shares (assuming there is no change in the issued share capital of the Company between the Latest Practicable Date and the completion of the Subscription and allotment and issue of the Subscription Shares save for the allotment and issue of the Subscription Shares):

	Immediately before issuance of the Subscription Shares		Immediately upon issuance of the Subscription Shares	
	<i>No. of Common Shares</i>	<i>Approximate percentage (%) (Note 5)</i>	<i>No. of Common Shares</i>	<i>Approximate percentage (%) (Note 5)</i>
Non-public Shareholders				
Aspen Investment Holdings Ltd. (Note 1)	181,194,306	41.86	181,194,306	40.28
Dalian Yongli (Note 2)	115,000,000	26.57	132,000,000	29.34
Jixing (Note 3)	23,600,000	5.45	23,600,000	5.25
Mr. Pingzai Wang (Note 4)	593,167	0.14	593,167	0.13
Subtotal	<u>320,387,473</u>	<u>74.01</u>	<u>337,387,473</u>	<u>74.99</u>
Other Shareholders				
Public Shareholders	<u>112,499,047</u>	<u>25.99</u>	<u>112,499,047</u>	<u>25.01</u>
Total	<u>432,886,520</u>	<u>100.00</u>	<u>449,886,520</u>	<u>100.00</u>

Notes:

- Aspen Investment Holdings Ltd. holds 181,194,306 Common Shares and is owned as to approximately 80.78% by 吉林省弘原經貿集團有限公司 (Ji Lin Hong Yuan Trade Group Limited*) (“**JLHY**”) and 19.22% by 長春市麗源投資有限公司 (Changchun Liyuan Investment Co., Ltd.*) (“**Liyuan**”). JLHY is held as to 60% and 40% by Mr. Yuan Jing (“**Mr. Jing**”) and Mr. Guang Jing (being Mr. Jing’s brother), respectively. Liyuan is held as to approximately 98%, 1% and 1% by JLHY, Zhou Li Mei and Jing Yue Li, respectively.
- Dalian Yongli is directly wholly-owned by Mr. Zhang Zhong (張鐘).
- Jixing is directly wholly-owned by CCJGSA, which is directly owned as to 66.70% and 33.30% by Mr. Liu and Ms. Zhang Lijun (Mr. Liu’s spouse), respectively.
- Mr. Pingzai Wang (“**Mr. Wang**”) is an executive Director and holds 440,000 Common Shares. Ms. Wang Li (“**Ms. Wang**”), the spouse of Mr. Wang, holds 153,167 Common Shares. Accordingly, Mr. Wang is deemed, or taken to be, interested in the Common Shares which Ms. Wang is interested in for the purposes of the SFO.
- Certain percentage figures in this table have been subject to rounding adjustments to the nearest 2 decimal places. Accordingly, the aggregate of the percentage figures in the above table may not add up to 100%.

GENERAL

The Subscription Shares will be allotted and issued pursuant to the Specific Mandate proposed to be obtained from the Independent Shareholders at the Meeting.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Richard Dale Orman, Mr. Peter David Robertson and Mr. Larry Grant Smith, has been formed to advise the Shareholders on the Subscription Agreement and the transactions contemplated thereunder.

Shareholders and potential investors should note that the Subscription is subject to the fulfillment of the condition(s) as set out in the Subscription Agreement, and that the Subscription may or may not proceed to Completion. Shareholders and potential investors are reminded to exercise caution when dealing in the Common Shares.

MATTERS TO BE CONSIDERED

1. Specific Mandate to Issue the Subscription Shares

At the Meeting, the Shareholders will be asked to consider and, if deemed advisable, to pass, with or without variation, an ordinary resolution granting the Board the Specific Mandate.

At the Meeting, the Shareholders will be asked to pass the following ordinary resolutions:

“BE IT HEREBY RESOLVED as an ordinary resolution that:

- (a) the Subscription Agreement entered into between the Company and the Subscriber dated May 5, 2022, in relation to the subscription of 17,000,000 new Common Shares at HK\$1.00 per Common Share (a copy of the Subscription Agreement having been marked Exhibit “A” and initialed by the chairman of the Meeting for identification purpose), and the transactions contemplated under the Subscription Agreement, be and are hereby approved, ratified and confirmed;
- (b) conditional upon the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Subscription Shares, the Directors be and are hereby granted the Specific Mandate to exercise the powers of the Company for the allotment and issue of the Subscription Shares pursuant to the terms of the Subscription Agreement, provided that the Specific Mandate shall be in addition to, and shall not prejudice nor revoke any existing or such other general or specific mandates which may from time to time be granted to the directors of the Company prior to the Meeting; and
- (c) any Directors and officers of the Company be and are hereby authorized to do such acts and things, to sign and execute all such further documents (in case of execution of documents under seal, to do so by any two Directors or any Director together with the secretary of the Company) and to take such steps as he/she may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the issuance of the Subscription Shares or

any transactions contemplated thereunder and all other matters incidental thereto or in connection therewith, and to agree to and make such variations, amendments or waivers of any of the matters relating thereto or in connection therewith.”

**UNLESS DIRECTED OTHERWISE, THE MANAGEMENT DESIGNEES NAMED IN
THE ACCOMPANYING INSTRUMENT OF PROXY INTEND TO VOTE FOR
THE RESOLUTION APPROVING THE SPECIFIC MANDATE.**

2. Other Matters

Management of the Company is not aware of any other matters to come before the Meeting other than as referred to in the notice of the Meeting. Should any other matters properly come before the Meeting, the Common Shares represented by proxies solicited hereby will be voted on such matters in accordance with the best judgment of the person voting such proxy.

This Circular is being provided to Shareholders in English and Chinese. In case of any inconsistency, the English version shall prevail.

RECOMMENDATION

Your attention is drawn to the letter of recommendation from the Independent Board Committee set out on page A-1 of this Circular and the letter from Dakin set out on page B-1 of this Circular, which contains, among other matters, its advice to the Independent Board Committee and the Independent Shareholders in connection with the Subscription Agreement and the transactions contemplated thereunder and the principal factors considered by it in arriving at its recommendation.

The Independent Board Committee, having taken into account the advice of Dakin, is of the opinion that the terms of the Subscription Agreement are fair and reasonable so far as the Independent Shareholders are concerned and the Subscription is in the interests of the Company and the Shareholders as a whole and recommend the Independent Shareholders to vote in favor of the ordinary resolution to be proposed at the Meeting to approve the Subscription Agreement and the transactions contemplated thereunder.

The Directors (including the independent non-executive Directors) consider that the terms of the Subscription Agreement are fair and reasonable so far as the Independent Shareholders are concerned and the Subscription is in the interests of the Company and the Shareholders as a whole, and also that the Specific Mandate is in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend the Independent Shareholders to vote in favor of the ordinary resolution to be proposed at the Meeting to approve the Subscription Agreement and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the Schedules to this Circular.

Copy of the Subscription Agreement will be available for inspection during normal business hours on any weekdays (except public holidays) at the principal place of business of the Company in Hong Kong at Room 1901, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong from the date of this Circular up to and including the date of the Meeting and will be available for inspection at the Meeting.

Additional information relating to the Company may be found under the profile of the Company on SEDAR at www.sedar.com. Additional financial information is provided in the Company's audited financial statements and related management's discussion and analysis for the financial year ended December 31, 2021, which can be found under the profile of the Company on SEDAR at www.sedar.com. Shareholders may also request information from the Company by contacting the Company's Chief Executive Officer at Suite 3600, 888-3rd Street S.W., Calgary, Alberta, Canada T2P 5C5.

Documents affecting the rights of securityholders, along with other information relating to the Company, can be found on the Company's website at www.persta.ca.

The auditor of the Company is BDO Limited. BDO Limited was appointed as the auditor of the Company on March 26, 2021.

BOARD OF DIRECTORS APPROVAL

The contents of this Circular and the sending thereof to the Shareholders of the Company have been approved by the Board.

BY ORDER OF THE BOARD

Signed: "Yongtan Liu"

Yongtan Liu
Chairman of the Board

Calgary, Alberta
Canada
June 2, 2022

SCHEDULE “A”

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



Persta Resources Inc.

(incorporated under the laws of Alberta with limited liability)

(Stock Code: 3395)

June 2, 2022

To: the Shareholders

Dear Sirs/Mesdames,

**CONNECTED TRANSACTIONS IN RELATION TO
PROPOSED ISSUE OF NEW SHARES TO A CONNECTED PERSON
UNDER SPECIFIC MANDATE**

We refer to the circular of the Company dated June 2, 2022 (the “**Circular**”) of which this letter forms part. Capitalized terms used in this letter shall have the same meanings as defined in the Circular.

We have been appointed by the Board to advise the Independent Shareholders as to whether the terms of the Subscription Agreement are fair and reasonable so far as the Company and the Independent Shareholders are concerned and whether the entering into of the Subscription is in the interests of the Company and the Shareholders as a whole. Dakin has been appointed as the Independent Financial Adviser to advise us and you in this respect.

We have considered the various details of the Subscription, in particular, the reasons for the Subscription and the effect thereof. We have also reviewed the advice given by Dakin on the terms of the Subscription Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate) as set out in their letter reproduced on page B-1 of the Circular.

Having considered the information set out in the letter from the Board and taking into account the advice from Dakin, we consider that the terms of the Subscription Agreement are on normal commercial terms and are fair and reasonable so far as the Company and the Independent Shareholders are concerned, and the Subscription is in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend you to vote in favor of the ordinary resolution to be proposed at the Meeting to approve the Subscription Agreement and the transactions contemplated thereunder.

Yours faithfully,
Mr. Richard Dale Orman
Mr. Peter David Robertson
Mr. Larry Grant Smith
Independent Board Committee

SCHEDULE “B”

LETTER FROM DAKIN

Set out below is the text of a letter received from Dakin, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription for the purpose of inclusion in this Circular.



2 June 2022

*To: the Independent Board Committee and the Independent Shareholders
of Persta Resources Inc.*

Dear Sirs,

CONNECTED TRANSACTION IN RELATION TO PROPOSED ISSUE OF NEW SHARES TO A CONNECTED PERSON UNDER SPECIFIC MANDATE

INTRODUCTION

We refer to our appointment as the independent financial adviser (the “**Independent Financial Adviser**”) to the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription pursuant to the Subscription Agreement (including the grant of the Specific Mandate for allotment and issue of the Subscription Shares), details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the Circular of the Company to the Shareholders dated 2 June 2022, of which this letter forms part. Unless otherwise stated, capitalised terms used in this letter shall have the same meanings as defined in the Circular.

On 5 May 2022 (after trading hours), the Company and Dalian Yongli entered into the Subscription Agreement, pursuant to which the Company has conditionally agreed to allot and issue, and Dalian Yongli has conditionally agreed to subscribe for, 17,000,000 Subscription Shares at the Subscription Price of HK\$1.00 per Subscription Share. Each Subscription Share has no par value. Details of the Subscription Agreement are contained in the Letter from the Board of the Circular.

The Subscription is subject to various conditions set out under the paragraph headed “Conditions” in the Letter from the Board. The Subscription Shares represent (i) approximately 3.93% of the issued and outstanding Common Shares as at the Latest Practicable Date; and (ii) approximately 3.78% of the total number of issued and outstanding Common Shares as enlarged by the allotment and issue of the Subscription Shares and assuming there will be no other changes in the issued share capital of the Company between the Latest Practicable Date and the date of Completion.

As stated in the Letter from the Board, (a) the gross proceeds and net proceeds from the Subscription are expected to be HK\$17 million (approximately C\$2.76 million) and HK\$16.5 million (approximately C\$2.5 million) respectively; and (b) the Company intends to apply the net proceeds from the Subscription, (after deduction of the related expenses to be incurred in relation to the Subscription) towards satisfying the C\$2.5 million principal payment pursuant to the loan restructuring agreement signed between the Company and its lender on 11 March 2022.

As at the Latest Practicable Date, Dalian Yongli is interested in 115,000,000 Common Shares, representing approximately 26.57% of the issued share capital of the Company. As Dalian Yongli is a substantial Shareholder of the Company, Dalian Yongli is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the entering into of the Subscription Agreement and the transactions contemplated thereunder (including the Subscription and the issue of the Subscription Shares under the Specific Mandate) constitute connected transactions of the Company under Chapter 14A of the Listing Rules and are subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. No Directors have or may be perceived to have a material interest in the Subscription or are required to abstain from voting on the relevant Board resolutions under the requirements of the Listing Rules.

The Company will seek approval from the Independent Shareholders in respect of the Subscription Agreement, the transactions contemplated thereunder and the grant of the Specific Mandate for allotment and issue of the Subscription Shares by way of a poll at the Meeting. In accordance with the Listing Rules, Dalian Yongli and its respective associates, who together hold 115,000,000 Common Shares shall abstain from voting on the resolution(s) to be proposed at the Meeting to approve the Subscription Agreement, the transactions contemplated thereunder and the grant of the Specific Mandate for allotment and issue of the Subscription Shares. Save as Dalian Yongli and its respective associates, to the best of the knowledge, information and belief of the Directors, no other Shareholder has a material interest in the transactions contemplated under the Subscription Agreement and will be required to abstain from voting on the resolution(s) to approve the Subscription Agreement, the transactions contemplated thereunder and the grant of the Specific Mandate for allotment and issue of the Subscription Shares at the Meeting.

The Independent Board Committee, comprising all the three independent non-executive Directors, namely Mr. Richard Dale Orman, Mr. Larry Grant Smith and Mr. Peter David Robertson, has been formed to advise the Independent Shareholders on whether the terms of the Subscription Agreement, the transactions contemplated thereunder and the grant of the Specific Mandate for allotment and issue of the Subscription Shares are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote, taking into account the recommendation of the Independent Financial Adviser.

OUR INDEPENDENCE

We, Dakin Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. Our appointment as the Independent Financial Adviser has been approved by the Independent Board Committee. During the past two years immediately preceding and up to the date of our appointment as the Independent

Financial Adviser, we have issued a letter of advice as an independent financial adviser dated 17 September 2021 in respect of a connected transaction of the Company. Save for the above engagement and this appointment as the Independent Financial Adviser in respect of the Subscription, there were no other engagements between the Company and Dakin during the past two years immediately preceding and up to the date of our appointment as the Independent Financial Adviser. Apart from normal professional fees for our services to the Company in connection with the above engagement and this appointment as the Independent Financial Adviser, no other arrangements exist whereby we have received/will receive any fees and/or benefits from the Company. During the past two years immediately preceding and up to the Latest Practicable Date, we were not aware of any relationships or interests between us and the Company, or its substantial Shareholders, Directors, chief executive, or any of their respective associates. We are independent under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respects of the fairness and reasonableness of the terms of the Subscription Agreement, the transactions contemplated thereunder and the grant of the Specific Mandate for allotment and issue of the Subscription Shares.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the accuracy of the statements, information, opinions and representations contained or referred to in the Circular and the information and representations provided to us by the Company, the Directors and the management of the Company. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have assumed that all information, representations and opinions contained or referred to in the Circular, which have been provided by the Company, the Directors and the management of the Company and for which they are solely and wholly responsible, were true and accurate at the time when they were made and continue to be true up to the Latest Practicable Date.

The Directors collectively and individually accept full responsibility, including 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 the Circular are accurate and complete in all material respects and not misleading or deceptive, and there are no other facts the omission of which would make any statement in the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company or associates, nor have we considered the taxation implication on the Company or the Shareholders as a result of the Subscription Agreement and the transactions contemplated thereunder. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the fairness and reasonableness of the terms of the Subscription Agreement, the transactions contemplated thereunder and the grant of the Specific Mandate for allotment and issue of the Subscription Shares and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion to the Independent Board Committee and the Independent Shareholders in respect of the fairness and reasonableness of the terms of the Subscription Agreement, the transactions contemplated thereunder and the grant of the Specific Mandate for allotment and issue of the Subscription Shares, we have considered the following principal factors and reasons:

1. Background and financial information of the Company

As stated in the Letter from the Board, the Company is principally engaged in natural gas and crude oil exploration and production, with a focus on natural gas resources. The Company focuses on long-term growth through acquisition, exploration, development and production in the Western Canadian Sedimentary Basin.

The table below is the general financial information of the Company for the financial years ended 31 December 2020 and 2021 which are extracted from the Company’s annual report for the year ended 31 December 2021 (the “**Annual Report**”).

Summary of the consolidated financial results and position of the Company

	For the year ended 31 December 2020 (audited) C\$’000	For the year ended 31 December 2021 (audited) C\$’000
Financial performance		
Revenue		
Commodity sales from production	13,269	21,480
Trading revenue	8	(11)
Other income	213	48
Royalty expense	(751)	(2,663)
Total net revenue	12,739	18,854
(Loss)/Income from operations	(16,585)	246
Finance expenses	(5,266)	(5,055)
Loss before taxes/Loss and comprehensive loss	(21,851)	(4,809)

	As at 31 December 2020 (audited) C\$'000	As at 31 December 2021 (audited) C\$'000
Financial position		
Non-current assets	41,127	49,594
Current assets	3,539	3,388
Total assets	44,666	52,982
Non-current liabilities	(6,028)	(21,840)
Current liabilities	(33,477)	(26,128)
Total liabilities	(39,505)	(47,968)
Net current liabilities	(29,938)	(22,740)
Net assets	5,161	5,014

Annual results of the Company

As stated in the Annual Report, the Company's revenue consists of commodity sales from production of natural gas, crude oil, natural gas liquids ("NGLs"), condensate, natural gas trading, over-riding royalty payments and income generated from source outside normal operations such as rental income and subsidies. The Company's revenue of commodity sales from production increased from approximately C\$13.3 million for the year ended 31 December 2020 ("FY2020") to approximately C\$21.5 million for the year ended 31 December 2021 ("FY2021"), representing an increase of approximately 61.9%. As stated in the Annual Report, such increase of revenue of commodity sales from production was mainly due to the combined effect of (i) the increase in price of natural gas, crude oil, NGLs and condensate; which was offset by (ii) the decrease in daily production of natural gas and NGLs. The net revenue of natural gas trading remained stable for FY2020 and FY2021, reflecting the small quantities of gas which was traded in both years.

The Company's royalty expense increased from approximately C\$0.8 million for FY2020 to approximately C\$2.7 million for FY2021, representing an increase of approximately 2.5 times. As stated in the Annual Report, effective royalty rates can differ from the base rates if the production qualifies for any cost allowance which offset the base amount payable. In June 2021, the Company received a gas cost allowance (the "GCA") credit of C\$0.6 million following a government re-assessment of the 2020 royalties paid by the Company from the government. In June 2020, the Company's GCA credit was C\$1 million, which resulted in a recovery of royalties in both years. As a result of these credits, the Company's effective royalty rate for FY2021 was 12%, compared to 6% for FY2020.

The Company's other income decreased from approximately C\$0.2 million for FY2020 to approximately C\$48,000 for FY2021, representing a decrease of approximately 77.5%. According to the Annual Report, the decrease in other income was mainly attributable to payroll subsidies received from the government of Canada for COVID-19 relief in 2020. Therefore, the Company's net revenue for FY2021 was approximately C\$18.9 million, representing an increase of approximately 48.0% as compared to that of approximately C\$12.7 million for FY2020.

The Company recorded an income from operations of approximately C\$0.2 million for FY2021, as compared with a loss from operations approximately C\$16.6 million for FY2020. According to the management of the Company, such improvement was mainly due to (i) the impairment recovery of property, plant and equipment of approximately C\$4.3 million for FY2021 (impairment loss of property, plant and equipment of approximately C\$5.4 million for FY2020); (ii) the decrease in impairment losses and write-offs of exploration and evaluation assets from approximately C\$4.3 million for FY2020 to approximately C\$0.3 million for FY2021; and partially offset by the increase in operating costs from approximately C\$10.9 million for FY2020 to approximately C\$14.4 million for FY2021.

The Company's finance expenses decreased from approximately C\$5.3 million for FY2020 to approximately C\$5.1 million for FY2021. Pursuant to the Annual Report, such decrease in finance expenses was mainly attributable to the decrease in commitment charges and accretion expenses.

The Company's loss for the year narrowed down from approximately C\$21.9 million for FY2020 to approximately C\$4.8 million for FY2021. As stated in the Annual Report, such improvement was primarily attributable to higher impairment losses and write-offs incurred of approximately C\$9.7 million for FY2020 (impairment recovery and write-offs of approximately C\$4.3 million for FY2021).

Financial position of the Company

As at 31 December 2021, the Company had total assets of approximately C\$53.0 million (including non-current assets of approximately C\$49.6 million and current assets of approximately C\$3.4 million) and total liabilities of approximately C\$48.0 million (including non-current liabilities of approximately C\$21.9 million and current liabilities of approximately C\$26.1 million). The net assets of the Company remained stable as at 31 December 2020 and 2021.

According to the Annual Report, as at 31 December 2021, the Company had a working capital deficiency of C\$22.7 million and has fully drawn C\$20 million on its subordinated debt, which is subject to certain covenants and matures on 15 May 2023. As at 31 December 2021, the Company was in compliance with all covenants associated with the subordinated debt. On 30 November 2021, the Company paid an aggregate of C\$4.38 million, comprised of a C\$2.2 million principal payment on or before 31 August 2021 and a C\$2.2 million principal payment on or before 30 September 2021 and all accrued interest as of the same date and the lender confirmed the loan interest would revert to 12% and no further additional 2% per annum

interest charge (the “**PIK interest**”) would be incurred. On 11 March 2022, the Company and lender agreed to restructure the loan agreement (the “**2022 Restructuring**”). Under the terms of the 2022 Restructuring, financial covenants in respect of net debt to total proved reserves and net debt (net debt is defined as the consolidated debt of the Company, less cash held, and excluding debt defined as capital payables) to trailing twelve months earnings before interest, taxes and depreciation (“**TTM EBITDA**” which is defined as the annualized earnings before deduction of interest expenses/income, income taxes, depletion and depreciation, write-offs, unrealized hedging gains/losses and share-based compensation for the four most recent fiscal quarters) have been waived for the remainder of the loan term. The Company is obligated to make a principal payment of C\$2.5 million on or before 30 June 2022, a principal payment of C\$2.5 million on or before 31 December 2022 and a principal payment of C\$1.0 million on or before 31 March 2023.

Given that (i) the Company was in a working capital deficiency of C\$22.7 million as at 31 December 2021; and (ii) the Company has to make a C\$2.5 million principal payment on or before 30 June 2022 to meet the obligation of the principal payment in accordance with the 2022 Restructuring, we are of the view and concur with the Directors’ view that the Company has immediate funding need to improve its financial position and repay part of the outstanding principal amount of the subordinated debt.

2. Background of Dalian Yongli and commercial rationale for the Subscription

Dalian Yongli Petrochemical Ltd.

Dalian Yongli is a company incorporated under the laws of the PRC with limited liability and is directly wholly-owned by Mr. Zhang Zhong (張鐘). Dalian Yongli is principally engaged in the sales and trading of petroleum and natural gas products. Other than being a substantial Shareholder of the Company, to the best knowledge, information and belief of the Board and after making all reasonable enquiries, Dalian Yongli and its ultimate beneficial owner are third parties independent of and not connected with the Company and its connected persons.

Commercial rationale of the Subscription

According to the Company’s annual report 2020 and the Annual Report, we noted that there was an increasing trend in the Company’s gearing ratio, which is defined as net debt as a percentage of total capital (“**Gearing Ratio**”), of 56%, 87% and 90% as at 31 December 2019, 31 December 2020 and 31 December 2021 respectively. Pursuant to the Company’s annual report 2020 and the Annual Report, we also noted that the Company’s interest expenses in relation to the subordinated debt increased from approximately C\$3.0 million for the year ended 31 December 2019 (“**FY2019**”) to approximately C\$3.7 million for FY2020 and further increased to approximately C\$3.9 million for FY2021. According to the Annual Report, the PIK interest will not be payable when the outstanding loan balance is not greater than C\$20 million. Furthermore, as advised by the management of the Company, (i) the Company’s Gearing Ratio reduced from 99% as at 30 June 2021 to 90% as at 31 December 2021 after the completion of the issue of new Common Shares under general mandate on 3 December 2021 and the completion of the first tranche of subscription of 20,000,000 new Common Shares

under the Last Financing on 13 December 2021; and (ii) the Company's outstanding loan balance of subordinated debt would be C\$17.5 million after the Completion and principal payment of C\$2.5 million on or before 30 June 2022 pursuant to the 2022 Restructuring.

Taking into account (i) the reasons for and benefits of the Subscription as mentioned in the paragraph headed "3. Reasons for and benefits of the issue of the Subscription Shares" below in this letter; (ii) the Subscription would decrease the interest expenses of the Company given that the PIK interest payments will not be payable when the outstanding loan balance is not greater than C\$20 million; (iii) the Subscription Price is fair and reasonable as analyzed in the paragraph headed "4. Principal terms of the Subscription Agreement" below in this letter; and (iv) other financing alternative may not be feasible as analyzed in the paragraph headed "5. Other financing alternatives" below in this letter, we concur with the view of the Directors that the Subscription would broaden the Company's capital base, lower its Gearing Ratio and reduce the interest expenses of the Company.

3. Reasons for and benefits of the issue of the Subscription Shares

As stated in the Letter from the Board, the global impact of the outbreak of COVID-19 has resulted in significant volatility in global stock markets and has created a great deal of uncertainty in the global economy. According to the Annual Report, on 11 March 2022, the Company and lender agreed to restructure the loan agreement. Under the terms of the 2022 Restructuring, the Company is obligated to make a principal payment of C\$2.5 million on or before 30 June 2022, a principal payment of C\$2.5 million on or before 31 December 2022 and a principal payment of C\$1.0 million on or before 31 March 2023.

As advised by the Directors, the allotment and issue of the Subscription Shares is an appropriate means of raising immediate funding to satisfy the 30 June 2022 principal payment obligation pursuant to the 2022 Restructuring. The gross proceeds of the Subscription are expected to be HK\$17 million (approximately C\$2.76 million). The Company estimates it will incur total costs of approximately HK\$0.5 million in respect of the Subscription. After deducting the related expenses, the net proceeds of the Subscription will amount to approximately HK\$16.5 million (approximately C\$2.5 million). The net Subscription Price, after deducting the related expenses, is estimated to be approximately HK\$0.97 per Subscription Share. The Company intends to apply the net proceeds of the Subscription to satisfy the C\$2.5 million principal payment pursuant to the 2022 Restructuring.

Having considered the above, we are of the view and concur with the view of the Directors that (i) the allotment and issue of the Subscription Shares is an appropriate means of raising additional capital for the business operations of the Company; (ii) the terms of the Subscription Agreement (including the Subscription Price) are on normal commercial terms and are fair and reasonable; and (iii) the Subscription is in the interests of the Company and the Shareholders as a whole.

4. Principal terms of the Subscription Agreement

Pursuant to the Subscription Agreement, the Company has conditionally agreed to allot and issue, and Dalian Yongli has conditionally agreed to subscribe for, 17,000,000 Subscription Shares at the Subscription Price of HK\$1.00 per Subscription Share. Each Subscription Share has no par value. The Subscription is subject to various conditions set out under the paragraph headed “Conditions” in the Letter from the Board. The Subscription Shares represent (i) approximately 3.93% of the issued and outstanding Common Shares as at the Latest Practicable Date; and (ii) approximately 3.78% of the total number of issued and outstanding Common Shares as enlarged by the allotment and issue of the Subscription Shares and assuming there will be no other changes in the issued share capital of the Company between the Latest Practicable Date and the date of Completion. Please refer to the paragraph headed “Background to the Subscription” in the Letter from the Board for further details of the Subscription Agreement.

We have reviewed the following terms of the Subscription Agreement. In order to assess the fairness and reasonableness of the Subscription Price, we have compared with reference to (i) the recent price performance of the Common Shares; (ii) the trading liquidity of the Common Shares; and (iii) the market comparables analysis, as follows:

4.1 *The Subscription Price*

The Subscription Price of HK\$1.00 per Subscription Share represents:

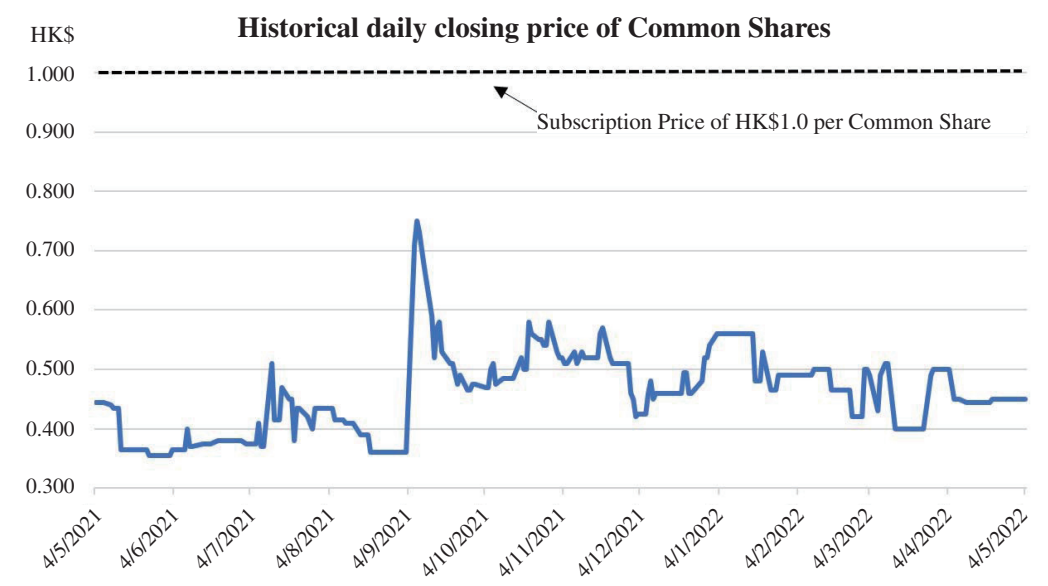
- (1) a premium of approximately 122% to the closing price of HK\$0.450 per Common Share as quoted on the Stock Exchange on the Last Trading Day;
- (2) a premium of approximately 122% to the average closing price of HK\$0.450 per Common Share as for the last 5 consecutive trading days up to and including the Last Trading Day;
- (3) a premium of approximately 122% to the average closing price of HK\$0.450 per Common Share as for the last 10 consecutive trading days up to and including the Last Trading Day;
- (4) a premium of approximately 123% to the average closing price of HK\$0.449 per Common Share as for the last 30 consecutive trading days up to and including the Last Trading Day;
- (5) a premium of approximately 122% to the average closing price of HK\$0.450 per Common Share as for the last 45 consecutive trading days up to and including the Last Trading Day;
- (6) a premium of 25% to the price of HK\$0.80 per Common Share, being the price per Common Share of the Company’s last equity placings of 16,000,000 Common Shares and 20,000,000 Common Shares completed on 3 December 2021 and 13 December 2021 respectively; and

- (7) a premium of approximately 82% to the closing price of HK\$0.550 per Common Share as at the Latest Practicable Date.

As stated in the Letter from the Board, the Subscription Price was determined after arm’s length negotiations between the Company and Dalian Yongli after considering, among other things, the Company’s past performance and future prospects and in particular, the market performance and liquidity of the Common Shares.

4.2 *Historical performance of Common Share price*

The historical closing prices of the Common Shares for the period from 4 May 2021, being the preceding twelve-month from the date of the Subscription Agreement (the “**Review Period**”), are plotted below against the Subscription Price.



Source: Website of the Stock Exchange

During the Review Period, the closing price of Common Shares was on a sideways trend throughout the majority of the Review Period. It is noted there were two surges of the closing price of Common Shares during the Review Period. The first surge started from the closing price of Common Shares of HK\$0.37 on 9 July 2021 to the closing price of Common Shares of HK\$0.51 on 12 July 2021 (the “**First Surge**”), since then the closing price of Common Shares was on a general decreasing trend from 13 July 2021 to 3 September 2021. The second surge started from the closing price of Common Shares of HK\$0.36 on 3 September 2021 to the closing price of Common Shares of HK\$0.71 on 6 September 2021 (the “**Second Surge**”). We have reviewed the announcements published by the Company at the relevant time and advised by the management of the Company, save and except for the publication of the Company’s announcement of audited results for the year ended 31 December 2020 in the First Surge and the publication of the Company’s announcement of proposed issue of new Common Shares under general mandate in the Second Surge, nothing has come to the Directors’ and our attention that

any of the announcements made by the Company may be price sensitive. The closing price of Common Shares ranged between HK\$0.355 and HK\$0.75, with an average of approximately HK\$0.46 during the Review Period.

The Subscription Price of HK\$1.00 (i) represents a premium of approximately 117% over the average closing price of Common Shares of approximately HK\$0.46 during the Review Period; and (ii) is higher than all the closing prices of Common Shares during the Review Period.

4.3 *Trading volume of Common Shares*

Set out below are the average daily trading volumes of the Common Shares during the Review Period.

	Average daily trading volumes during the period/month <i>(Common Shares)</i>	Percentage of average daily trading volumes over the issued Common Shares of the Company as at period/month end <i>(approximate %)</i>
2021		
From 4 May 2021 to 31 May 2021	3,263	0.001
June	11,857	0.003
July	87,381	0.024
August	10,000	0.003
September	1,425,721	0.394
October	56,167	0.016
November	57,045	0.016
December	29,136	0.007
2022		
January	13,476	0.003
February	3,471	0.001
March	41,435	0.010
April	5,278	0.001
From 1 May 2022 to 5 May 2022	—	—

Source: Website of the Stock Exchange

As illustrated above, the percentage of average daily trading volumes over the issued Common Shares of the Company as at month end ranged from nil to approximately 0.394% during the Review Period. We noted that there is the highest percentage of average daily trading volumes over the issued Common Shares of the Company as at the month ended 30 September 2021 during the Review Period, which is mainly due to the Second Surge as mentioned in the sub-paragraph headed “4.2 Historical performance of Common Share price” above in this paragraph. Save and except of the Second Surge, we considered that the percentage of average daily trading volumes over the issued Common Shares of the Company as at month end during the Review Period were low compared with the number of Subscription Shares.

4.4 *Comparable analysis of the Subscription Price*

In assessing whether the Subscription Price is fair and reasonable, we carried out a comparable analysis on the issue of new shares to connected persons (the “**Shares Issue Comparables**”) as announced by companies listed on the Main Board of the Stock Exchange (excluding those (i) issue of A shares by issuers incorporated in the PRC; and (ii) issuers which have prolonged suspension of trading of shares over twelve months) from 4 November 2021, being the precedent six months from the date of the Subscription Agreement. We consider that the period is representative because it demonstrates the recent market sentiments and practice prior to the date of the Subscription Agreement. We also consider that the Shares Issue Comparables are meaningful, fair and representative for reflecting the recent market environment regarding subscription of new shares by connected persons.

Based on the aforesaid selection criteria, we have identified an exhaustive list of 8 Shares Issue Comparables, details of which are set out below:

No.	Name of company	Stock code	Date of initial announcement	Premium/ (Discount) of subscription price over/(to) closing price per share on the last trading day prior to/on the date of relevant announcement/ agreement (%)	Premium/ (Discount) of subscription price over/(to) average closing price per share on the last 5 trading days prior to/on the date of relevant announcement/ agreement (%)
1.	Lingbao Gold Group Company Ltd.	3330	11 November 2021	(12.40)	(10.90)
2.	iDreamSky Technology Holdings Limited	1119	28 November 2021	(9.34)	(8.07)
3.	Wealthking Investments Limited	1140	31 December 2021	15.00	21.37
4.	Zall Smart Commerce Group Ltd.	2098	18 January 2022	13.64	12.11
5.	China Ruyi Holdings Limited (formerly known as HengTen Networks Group Limited)	136	25 January 2022	9.17	8.70
6.	Towngas Smart Energy Company Limited	1083	18 March 2022	(14.39)	(19.85)
7.	JD Logistics, Inc.	2618	25 March 2022	(9.96)	(13.74)
8.	Jinxin Fertility Group Limited	1951	13 April 2022	11.30	7.62
			Mean	0.38	(0.35)
			Median	(0.09)	(0.23)
			Maximum	15.00	21.37
			Minimum	(14.39)	(19.85)
	The Subscription Agreement	3395	5 May 2022	122.22	122.22

Source: Website of the Stock Exchange

As indicated in the above table, we noted that (i) the premium of approximately 122.22% represented by the Subscription Price over the closing price per Common Share on the Last Trading Day (4 May 2022) is higher than that of the Shares Issue Comparables, which ranges from a discount of approximately 14.39% to a premium of approximately 15.00%; and (ii) the premium of approximately 122.22% represented by the Subscription Price over the average closing price per Common Share on the last five trading days up to and including the Last Trading Day (4 May 2022) is higher than that of the Shares Issue Comparables, which ranges from a discount of approximately 19.85% to a premium of approximately 21.37%.

In addition, we have taken into account the following factors:

- (i) the Subscription Price of HK1.00 per Subscription Share represents a premium over the highest closing price of Common Shares of HK\$0.75 throughout the Review Period;
- (ii) the Company was in loss-making position for FY2019, FY2020 and FY2021; and
- (iii) the Subscription Price of HK1.00 per Subscription Share represents an implied price-to-book ratio of approximately 8.8x, which is higher than the price-to-book ratio for China CBM Group Company Limited (8270.HK) of approximately 0.8x based on the close price of their share as at the Latest Practicable Date, the only one listed company on the Stock Exchange principally engaged in natural gas exploration and production with market capitalization of less than HK\$1 billion.

Based on the above, we are of the view that the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned, and in the interest of the Company and Shareholders as a whole.

4.5 *Other terms of the Subscription Agreement*

Furthermore, we have also reviewed other terms of the Subscription Agreement, including, among others, the conditions precedent, and nothing has come to our attention that they are not on normal commercial terms. Please refer to the paragraph headed “Conditions” in the Letter from the Board for further details of the conditions precedent.

Having considered (i) the reasons for and benefits of the issue of the Subscription Shares as mentioned above in this letter; and (ii) the comparable analysis on the Subscription Price as analyzed in the Shares Issue Comparables, we are of the view that the Subscription Agreement are on normal commercial terms and the terms of the Subscription are fair and reasonable.

5. Other financing alternatives

As advised by the Directors, other financing alternatives, including debt financing and other forms of equity financing such as rights issue, open offer and placing of new shares to Independent Third Parties, have been considered.

Debt financing

As stated in the Annual Report, the Company is evaluating alternative debt providers to assume the loan secured against the value of the Company's reserves and assets which mature in May 2023. As advised by the management of the Company, as at 5 May 2022 (the date of the Subscription Agreement), no alternative debt providers were identified to assume the loan secured against the value of the Company's reserves and assets which mature in May 2023. According to the management of the Company, further borrowing would create additional interest expenses for the Company and the due diligence and negotiation process with the relevant banks/financial institutions may be lengthy, and debt financing would also increase the Company's Gearing Ratio which has increased from 56% as at 31 December 2019 to 90% as at 31 December 2021. As mentioned in the paragraph headed "1. Background and financial information of the Company" above in this letter, the Company was in net current liabilities position of approximately C\$22.7 million as at 31 December 2021.

In light of this, we have obtained the facility letter and the restructuring agreement dated 11 March 2022 signed between the Company and the lender. Under the terms of the 2022 Restructuring, financial covenants in respect of net debt to total proved reserves and net debt to TTM EBITDA have been waived for the remainder of the loan term. The Company is obligated to make a principal payment of C\$2.5 million on or before 30 June 2022, a principal payment of C\$2.5 million on or before 31 December 2022 and a principal payment of C\$1.0 million on or before 31 March 2023. We concur with the Directors' view that the Company has immediate funding needs to improve its financial position and repay part of the outstanding principal amount of the subordinated debt as required pursuant to the 2022 Restructuring.

Therefore, the Directors are of the view that there is a near term funding need in the form of new equity for a cumulative amount equal to or greater than C\$2.5 million on or before 30 June 2022 to meet the 30 June 2022 principal repayment obligation under the 2022 Restructuring, instead of incurring further debt financing.

Other forms of equity financing

We are advised by the Directors that although both open offer and rights issue would allow the Shareholders to participate in the subscription of new Common Shares and maintain their respective pro-rata shareholdings in the Company, it would incur additional costs such as underwriting commission, documentation costs of filing of a prospectus and the printing and handling of application forms and other professional fees of approximately three to four times than that of the Subscription and take a relatively longer timeframe of more than three months from the dispatch of the circular to commencement of dealing in the offer shares or rights shares (as the case may be) when compared to the Subscription of normally one month from the dispatch of the circular pertaining to an issue of Common Shares under Specific Mandate to dealing in the new Common Shares.

As stated in the Letter from the Board, while the Company has considered placing the Subscription Shares to Independent Third Parties, given that Dalian Yongli is engaged in the non-storage operations of natural gas, gasoline, diesel, tar, kerosene, 1,2-xylene, methyl butyl ether, coal tar and methanol which the Company considers strategic to its existing business operations, the Directors consider that the Subscription (i) will open up further collaboration opportunities between the Company and Dalian Yongli as the Directors believe that Dalian Yongli will have a stronger interest (from the perspective of preserving and/or increasing Dalian Yongli's investment in the Company in the future) following the completion of the Subscription; and (ii) represents a valuable opportunity for Dalian Yongli to increase its interest in the Company which reflects the confidence of Dalian Yongli in the long-term prospects of the Company. Therefore, the Directors are of the view that placing with Dalian Yongli would reinforce the Company's strategic alliance with Dalian Yongli and provide an efficient means of raising capital for the Company's present needs as mentioned in the paragraph headed "2. Background of Dalian Yongli and commercial rationale for the Subscription" above in this letter. Furthermore, as advised by the Directors, given the price performance of the Common Shares and uncertainty in the global capital markets, the Company was unable to engage an underwriter to arrange rights issue, open offer and placing of new shares to Independent Third Parties. As such, the Directors are of the view that rights issue, open offer and placing of new shares to Independent Third Parties may not be the most appropriate methods for its fund raising exercise and is comparatively less advantageous than the Subscription.

After considering (i) the Company's intended use of proceeds from the Subscription as discussed in the paragraph headed "3. Reasons for and benefits of the issue of the Subscription Shares" above in this letter; (ii) debt financing which would incur additional interest expenses to the Company, lead to lengthy due diligence and negotiations process with the relevant banks/financial institutions and increase the Company's Gearing Ratio which has already increased from 56% as at 31 December 2019 to 90% as at 31 December 2021; (iii) there is a near term funding need in the form of new equity for a cumulative amount equal to or greater than C\$2.5 million on or before 30 June 2022 to meet the principal repayment obligation under the 2022 Restructuring; (iv) higher costs and relatively longer timeframe in the case of open offer or rights issue; and (v) placing with Dalian Yongli would reinforce the Company's strategic alliance with Dalian Yongli and provide an efficient means of raising capital for the Company's present needs, we are of the view and concur with the Directors' view that the Subscription will broaden the Company's capital base, lower the Company's Gearing Ratio and meet the 30 June 2022 principal repayment obligation under the 2022 Restructuring.

6. Potential dilution effect on the shareholding of the Company

As set out in the table showing the change in shareholding structure of the Company in the paragraph headed “Effect of the Subscriptions on the shareholding structure of the Company” in the Letter from the Board, the shareholding in the Company held by existing public Shareholders would be diluted from approximately 25.99% as at the Latest Practicable Date to approximately 25.01% immediately upon Completion (assuming there will be no other changes in the issued share capital of the Company between the Latest Practicable Date and the date of Completion).

Taking into account (i) the loss-making position of the Company for FY2019, FY2020 and FY2021 and the net current liabilities position of the Company as at 31 December 2021; (ii) other financing alternatives may not be feasible as analyzed in the paragraph headed “5. Other financing alternatives” above in this letter; (iii) there is a near term funding need in the form of new equity for a cumulative amount equal to or greater than C\$2.5 million on or before 30 June 2022 to meet the 30 June 2022 principal repayment obligation under the 2022 Restructuring; (iv) the Subscription will broaden the capital base of the Company; and (v) the terms of the Subscription are fair and reasonable as mentioned in paragraph headed “4. Principal terms of the Subscription Agreement” above in this letter, we consider that the potential dilution effect on the shareholding of existing public Shareholders in the Company is acceptable.

7. Financial effect of the Subscription

Net assets and gearing

According to the Annual Report, the Company’s current liabilities exceeded its current assets by approximately C\$22.7 million as at 31 December 2021. Pursuant to the Annual Report, the Company’s net assets were approximately C\$5.0 million as at 31 December 2021 and the Gearing Ratio of the Company was approximately 90%. Upon allotment and issue of the Subscription Shares and the receipt of net proceeds from the Subscription, the Company’s assets and equity will increase and Gearing Ratio will decrease. Assuming that there is no material change on the asset position of the Company from 31 December 2021 to completion of the Subscription, the Company’s net assets will increase when compared with that of 31 December 2021.

Working capital

As stated in the Letter from the Board, the fund raised from the Subscription will be applied for satisfying the C\$2.5 million principal payment due on or before 30 June 2022 pursuant to the 2022 Restructuring, and thus working capital of the Company will be improved. Shareholders should be noted that the aforementioned analysis are for illustrative purpose only and does not purport to represent how the financial performance and financial position of the Company would be upon Completion.

RECOMMENDATION

Having taken into consideration of the above factors and reasons, we are of the view and concur with the view of the management of the Company that the terms of the Subscription Agreement, the transactions contemplated thereunder and the grant of the Specific Mandate for allotment and issue of the Subscription Shares are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend (i) the Independent Board Committee to advise the Independent Shareholders; and (ii) the Independent Shareholders, to vote in favour of the relevant resolution(s) at the Meeting to approve the Subscription Agreement, the transactions contemplated thereunder and the grant of the Specific Mandate for allotment and issue of the Subscription Shares.

Yours faithfully,
For and on behalf of
Dakin Capital Limited
Tam Kin Fong
Managing Director

Note: Mr. Tam Kin Fong is a responsible officer of Dakin Capital Limited, which is licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has been active in the field of corporate finance advisory for over 20 years, and has been involved in and completed various corporate finance advisory transactions.

SCHEDULE “C”

GENERAL INFORMATION

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

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Common Shares, underlying Common Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO), or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (iii) which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Interest in Common Shares of the Company

<u>Name of Director</u>	<u>Capacity/Nature of interest</u>	<u>Number of Common Shares</u>	<u>Approximate percentage of issued share capital (%) (Note 3)</u>
Mr. Liu Yongtan (Note 1)	Security interest, interest in controlled corporation and interest of spouse	181,194,306	41.86
	Interest in controlled corporation and interest of spouse	23,600,000	5.45
Mr. Pingzai Wang (Note 2)	Beneficial owner and interest of spouse	2,093,167	0.48

Notes:

1. Jixing holds 23,600,000 Common Shares and is owned as to 100% by CCJGSA which is owned as to 66.70% and 33.30% by Mr. Liu and Ms. Zhang Lijun (Mr. Liu's spouse), respectively. CCJGSA also has an interest in 181,194,306 Common Shares as security interests.
2. Mr. Pingzai Wang holds a total of 1,500,000 stock options and 440,000 Common Shares of the Company. Ms. Li Wang holds 153,167 Common Shares. Ms. Li Wang is the spouse of Mr. Pingzai Wang. Accordingly, Mr. Pingzai Wang is deemed, or taken to be, interested in the Common Shares which Ms. Li Wang is interested in for the purposes of the SFO.
3. The approximate percentage of the Company's issued share capital was calculated on the basis of 432,886,520 Common Shares in issue as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company had any interest or short position in the Common Shares, underlying Common Shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provision of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register of the Company referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange.

3. INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to the Directors and the chief executive of the Company, the persons (other than the Directors and chief executives of the Company) who had an interest or short position in the Common Shares or underlying Common Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

<u>Name of substantial shareholders</u>	<u>Capacity/Nature of interest</u>	<u>Number of Common Shares held</u>	<u>Approximate percentage of issued share capital (%)</u> <i>(Note 5)</i>
Aspen Investment Holdings Ltd. (“Aspen”) <i>(Note 1)</i>	Beneficial owner	181,194,306	41.86%
吉林省弘原經貿集團有限公司 (Ji Lin Hong Yuan Trade Group Limited*) (“JLHY”) <i>(Note 1)</i>	Interest in controlled corporation	181,194,306	41.86%

<u>Name of substantial shareholders</u>	<u>Capacity/Nature of interest</u>	<u>Number of Common Shares held</u>	<u>Approximate percentage of issued share capital (%)</u> <i>(Note 5)</i>
長春市麗源投資有限公司 (Changchun Liyuan Investment Co., Ltd.*) (“ Liyuan ”) <i>(Note 1)</i>	Interest in controlled corporation	181,194,306	41.86%
Yuan Jing (“ Mr. Jing ”) <i>(Note 1)</i>	Interest in controlled corporation	181,194,306	41.86%
Guang Jing <i>(Note 1)</i>	Interest in controlled corporation	181,194,306	41.86%
Jixing <i>(Note 2)</i>	Beneficial owner	23,600,000	5.45%
CCJGSA <i>(Note 2)</i>	Security interest Interest in controlled corporation	181,194,306 23,600,000	41.86% 5.45%
Zhang Lijun (“ Ms. Zhang ”) <i>(Notes 2 and 3)</i>	Security interest, interest in controlled corporation and interest of spouse Interest in controlled corporation and interest of spouse	181,194,306 23,600,000	41.86% 5.45%
Dalian Yongli <i>(Note 4)</i>	Beneficial owner	115,000,000	26.57%
Zhang Zhong <i>(Note 4)</i>	Interest in controlled corporation	115,000,000	26.57%

Notes:

- Aspen Investment Holdings Ltd. holds 181,194,306 Common Shares and is owned as to approximately 80.78% by JLHY and 19.22% by Liyuan. JLHY is held as to 60% and 40% by Mr. Jing and Mr. Guang Jing (being Mr. Jing’s brother), respectively. Liyuan is held as to approximately 98%, 1% and 1% by JLHY, Zhou Li Mei and Jing Yue Li, respectively.
- Jixing is owned as to 100% by CCJGSA which is owned as to 66.70% and 33.30% by Mr. Liu and Ms. Zhang (Mr. Liu’s spouse), respectively. CCJGSA also has an interest in 181,194,306 Common Shares as security interest. Ms. Zhang is the spouse of Mr. Liu.
- Ms. Zhang is the spouse of Mr. Liu. Accordingly, Ms. Zhang is deemed, or taken to be, interested in the Common Shares which Mr. Liu is interested in for the purposes of the SFO.

4. Zhang Zhong holds 100% of the equity interest in Dalian Yongli and is therefore deemed to be interested in all the Common Shares in which Dalian Yongli is interested in under the SFO.
5. The approximate percentage of the Company's issued share capital was calculated on the basis of 432,886,520 Common Shares in issue as at the Latest Practicable Date.

* *For identification purpose only*

Save as disclosed above, as at the Latest Practicable Date, the Directors and chief executives of the Company were not aware of any person (other than the Directors and chief executives of the Company) who had an interest or short position in the Common Shares or underlying Common Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were recorded in the register required to be kept by the Company under section 336 of the SFO.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, there was no existing or proposed service contract between any of the Directors and the Company other than service contracts that are expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

5. DIRECTORS' INTERESTS IN ASSETS, CONTRACTS OR ARRANGEMENTS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which have acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, the Company since December 31, 2021, being the date of which the latest published audited financial statements of the Company were made up.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract, save for service contracts, or arrangement entered into by the Company which contract or arrangement was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Company.

6. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at the Latest Practicable Date, none of the Directors had interests in the businesses (other than those businesses where the Directors were appointed as directors to represent the interests of the Company) which are considered to compete or are likely to compete, either directly or indirectly, with the businesses of the Company.

7. QUALIFICATIONS AND CONSENT OF EXPERT

The following is the qualification of the expert who has given its opinions or advice which are contained in this Circular:

<u>Name</u>	<u>Qualification</u>
Dakin Capital Limited	a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, Dakin Capital Limited did not have any direct or indirect interest in any asset which had been acquired or disposed of by, or leased to, the Company, or was proposed to be acquired or disposed of by, or leased to the Company, since December 31, 2021, being the date to which the latest published audited financial statements of the Company were made up; and was not beneficially interested in the share capital of the Company and had any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Company.

Dakin Capital Limited has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its letter and reference to its name in the form and context in which they respectively appear.

The letter and recommendation given by Dakin Capital Limited is given as of the date of this Circular for incorporation herein.

8. 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 Company since December 31, 2021, being the date of which the latest published audited financial statements of the Company were made up.

9. LITIGATION

As at the Latest Practicable Date, the Company is not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company.

10. GENERAL

- (1) The registered office of the Company is at 15th Floor, Bankers Court, 850-2nd Street SW, Calgary, Alberta T2P 0R8, Canada.
- (2) The headquarters and principal place of business of the Company in Canada is at Suite 3600, 888-3rd Street SW Calgary, Alberta T2P 5C5 Canada.
- (3) The principal place of business of the Company in Hong Kong is at Room 1901, 19/F Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong.

- (4) The branch share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.
- (5) The joint company secretaries of the Company are Mr. Jesse Meidl, the Company’s chief financial officer and a Chartered Accountant with the Chartered Professional Accountants of Canada, and Ms. Chau Hing Ling, a fellow of The Chartered Governance Institute and the Hong Kong Institute of Chartered Secretaries.

11. DOCUMENTS ON DISPLAY

The following documents will be display on the website of the Stock Exchange at www.hkex.com.hk and on the website of the Company at www.persta.ca from the date of this circular up to the date of the Meeting be convened:

- (1) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out in this Circular;
- (2) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out in this Circular;
- (3) the consent letter as referred to in the paragraph headed “7. Qualifications and Consent of Expert” in this schedule;
- (4) the Subscription Agreement; and
- (5) this Circular.