Overseas Energy Holdings Limited

SEL 5/2005 Annual Report

December 2015

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Abstract

Overseas Energy Holdings Limited (OEHL) has developed an independent theory of oil accumulation on Tasmania. The proposition that underlies the acquisition of the SEL and the exploration activities that OEHL has carried out is that oil has migrated from the proven Bass Basin source rock through deep fissures or fractures into shallower Tasmania Basin reservoirs. To identify locations where these fissures may contain commercial quantities of hydrocarbons, OEHL has correlated regional and local geology with fracture and fault systems found onshore Tasmania.

During the first 5 years of exploration in SEL 5/2005, OEHL conducted extensive research and various geological surveys over the whole of the license area. Data derived from seismic and other geological work, including knowledge derived from shallow boreholes was extensively reviewed by the Company's management and a number of highly prospective areas identified.

OEHL's plan is to drill a number of exploration wells as a precursor to further seismic and other types of investigation of the hydrocarbon potential of Northern Tasmania. OEHL drilled exploration well Westwood 1 from October 2009 to January 2010 approximately 12.5 kilometres southwest of Launceston. The well was planned to be drilled to a total depth of 2,000m but did not achieve the reservoir target due to unexpectedly difficult geology and drilling conditions.

OEHL surrendered approximately 55% of the SEL 5/2005 license acreage so as to focus on exploration of priority prospective locations. It has since carried out gravimetric and seismic surveys to provide further data to support the drilling of additional exploration wells.

During 2013 OEHL, building on the 2011/2 Gravimetric Survey with its associated Interpretation Report, conducted a targeted Seismic Survey over key prospective areas. The resulting interpretation of the results enabled a Competent Persons Report to be produced. The Processing and Interpretation of the seismic results by the initial G&G sub-contractor was unsatisfactory. As a result a second round of processing and interpretation by CAPD was necessary but has yielded much clearer results from the seismic survey. The final interpretation report was received in November 2012 and the consequent Competent Persons Report became available later on in 2013.

The contents of the Seismic Interpretation and the Competent Persons Report have backed-up the proposed exploration-drilling programme for which the necessary investment funding which was sought all throughout 2014-2015, while a new report was commissioned in mid-2015 to determine new Exploration Licence coordinates for OEH.

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Introduction

An Extension License for SEL 5/2005 for a further 5 years was granted in September 2010 over a total of 6,885 km^2 of Northern Tasmania as set out in the License. OEHL is the sole participant in SEL 5/2005.

This report covers the period from 1st September 2010 to 31st December 2015.

The license territory encompasses the districts of Wellington, Russell, Lincoln, Devon, Dorset, Westmorland, Cornwall and Glamorgan in northern Tasmania and is shown in figure 1 below.

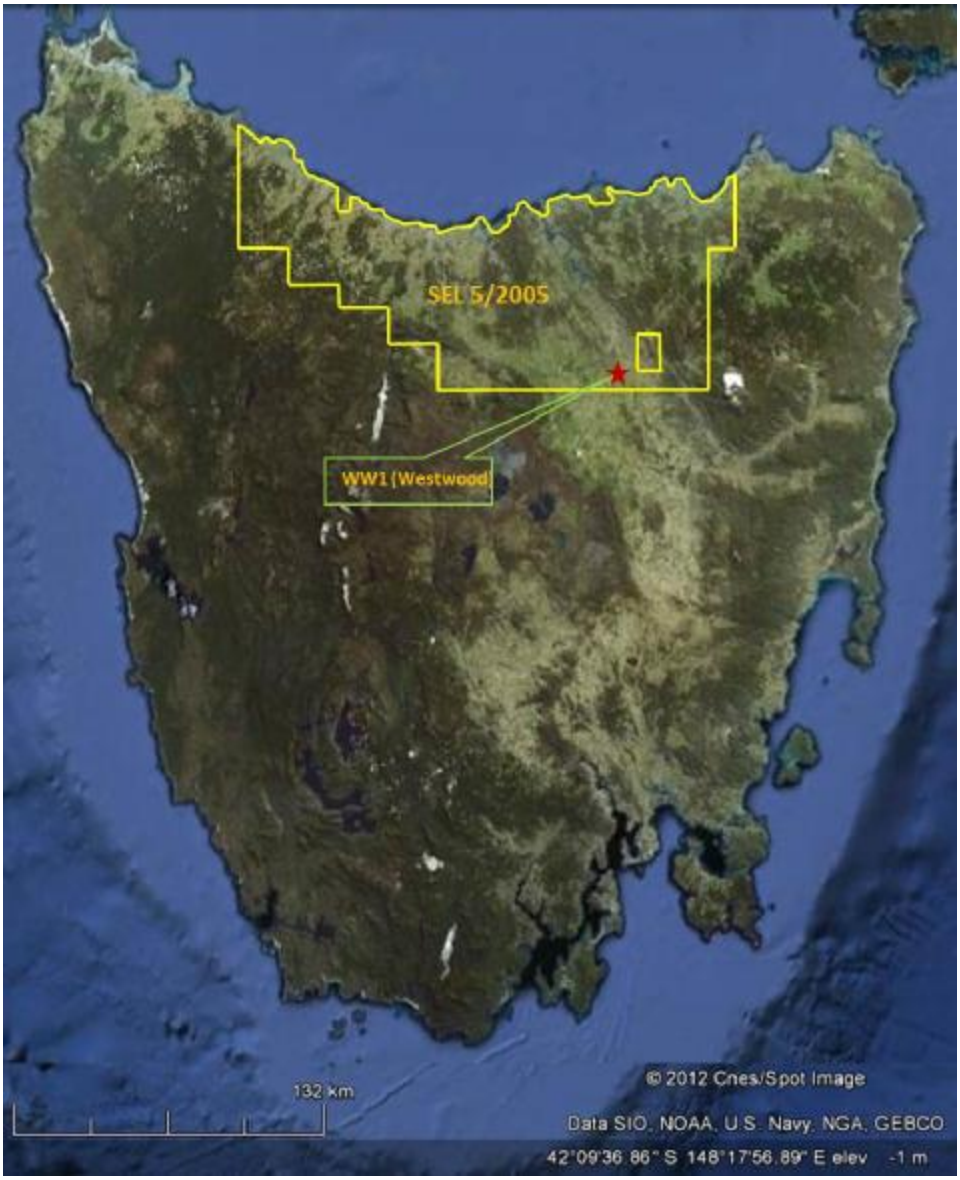

Figure 1: SEL 5/2005, showing the location of Well Westwood #1

Review of Previous Work

Very little or no petroleum exploration was carried out in Tasmania prior to OEHL's efforts in their current tenement. The previously drilled wells were mostly stratigraphic wells and drilled to depths less than 1,000m.

Great South Land Minerals Limited carried out a 2D regional seismic survey over north central Tasmania from March to June 2001. The survey area is shown in Figure 2.

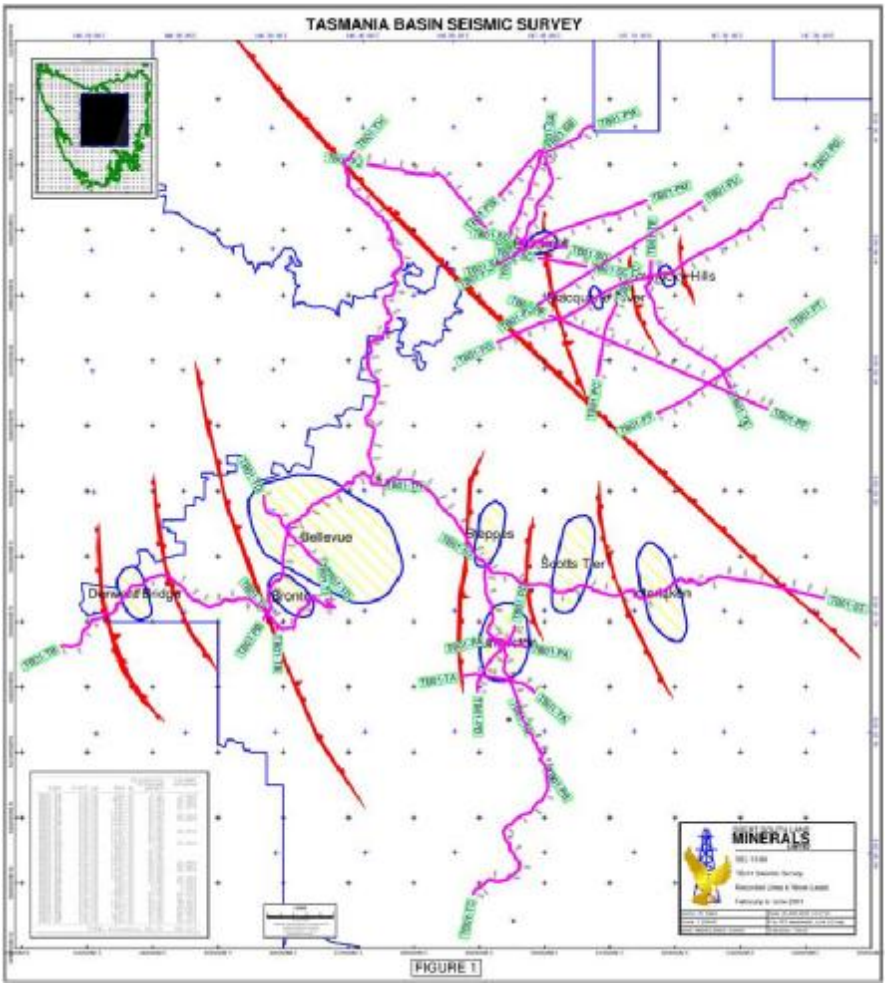

Figure 2: GSLM Regional 2D Seismic Survey (from GSLM SEL 13/1998 2002 Annual Report)

In 1995 the Australian Geological Survey Organization (AGSO) carried out a program of deep seismic profiling. The survey was designated AGSO 148 and was carried out offshore, around Tasmania. Fifteen lines were shot and are shown in figure 3.

During their tenure in the current tenement, OEHL reviewed the theories for oil accumulation in sedimentary basins in Tasmania. Onshore Tasmania is believed to have two sedimentary rock successions prospective for hydrocarbons:

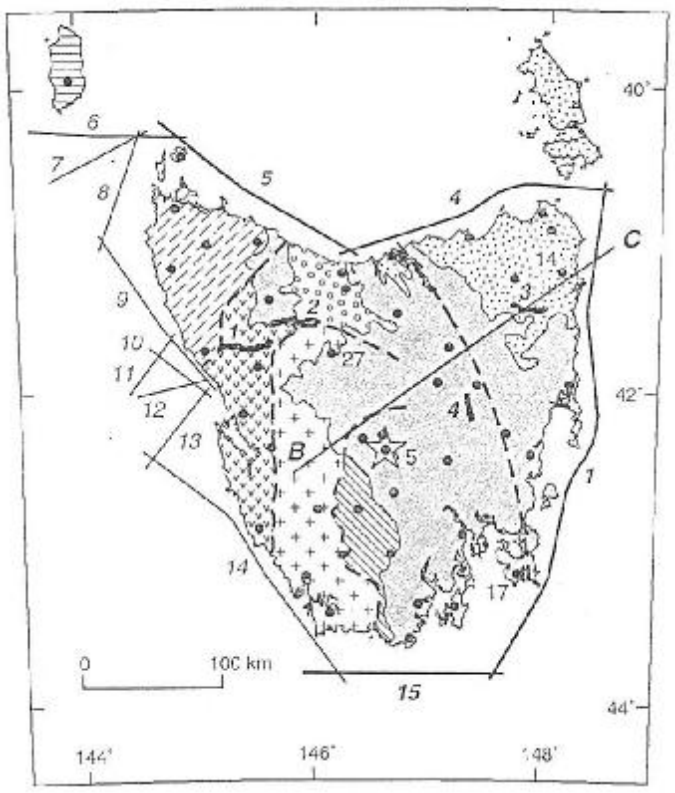

Figure 3: AGSO 148

a. The Parmeener Supergroup, a flat-lying Carboniferous to Triassic succession that comprises the sedimentary fill of the Tasmania Basin. Marine sandstone and fractured limestone are the best potential reservoirs of the Upper Parmeener Supergroup while the Lower Freshwater Sequence, the Liffey Group, Mersey Coal Measures and Perolenna Coal Measures in northern Tasmania are believed to be the main potential reservoirs in the Lower Parmeener Supergroup.
b. In the Wurawina Supergroup, a folded Ordovician carbonate source (the Gordon Limestone) is believed to have charged lower Palaeozoic reservoirs and sub-Dolerite traps.

In addition to the above discussed theories for hydrocarbon accumulation in Tasmania, OEHL argues that deep fissures formed during the Palaeocene, when Tasmania was separating from Australia, which in turn created migratory pathways for charging older but shallower traps in the Tasmania Basin with the oil generated in the Bass Basin.

OEHL's belief is that the movement of hydrocarbon fluids into and within the Tasmania Basin was assisted by the pre-existing network of major faults. These faults were mainly the result of Cambrian and Devonian orogenesis and predated oil and gas formation in the Bass Basin.

OEHL postulates that during or since the separation of Tasmania and Australia hydrocarbons migrated through the earlier created fractures into the older but shallower reservoirs of the Tasmanian Basin possibly via the Chat Accommodation Zone.

Activity During the Report Period

An Extension License for SEL 5/2005 for a further 5 years was granted in September 2010 over a total of 6,885 km^2 of Northern Tasmania as set out in the original License Agreement.

In early 2011 OEHL received permission to conduct a gravity survey of the central portion of the Block and appointed Dynamic Satellite Surveys Pty Ltd. (DSS) to conduct the work. The work was completed early in February and the final report received in May 2011.

Figure 4: DSS Technicians Collecting Gravity Data

The conclusion of the report was that there were a number of clear gravimetric anomalies showing a high degree of correlation with the geological work previously undertaken. The main purpose of the gravity survey was to assist in defining a seismic programme by providing further evidence as to the optimum locations for that survey. It was considered that such refinement would also reduce the disruption to the general public, which tend to arise from wide-area speculative surveys.

Accordingly, based on the Report submitted by DSS, a proposal with recommendations for a Seismic Acquisition Survey was prepared by MX Consulting Limited on 14th June 2011. A variety of options as to the number of line kilometres to be acquired were proposed, but all variants included the most prospective sites so far identified at Bass Highway, Weymouth Road and Westwood.

After raising a further AUD $1.2 million from shareholders an international tender was issued to invite various seismic contractors to bid for the work. At the same time Bartels Consulting of Hobart (Tas.) was approached to generate the necessary information and approvals for the Seismic Survey from the MRT.

The tender results were disappointing. Although costs were broadly in line with expectation the earliest firm starting date offered was February 2012. After

negotiation agreement was eventually reached with Terrex Seismic of Brisbane who offered to bring the programme forward if at all possible.

Walcott & Associates Pty Ltd. was appointed as OEHL's project manager for the duration of the on-site programme. The approval from the MRT was received and the full seismic acquisition programme was achieved between December 2011 and end January 2012. The survey was conducted without any major incidents and was professionally managed by the Project Manager and the contractors.

The raw stacks were provided to DownUnder Geosolutions (DUG) who embarked on the Processing phase. Regular progress reports were received from DUG and a number of conference calls were held with OEHL's technical staff. After 4 months, and over 6 weeks behind schedule, it became increasingly apparent that the complexities of the task were beyond the capacity and technical resources of this company. However, a final settlement, where DUG and Terrex admitted their results were not satisfactory, was not reached until the end of July 2012.

Figure 5: Terrex Seismic Vibro-seis Equipment in SEL 5/2005

A new Interpretation and Processing tender was therefore issued and the contract awarded to C-A Petrol Danişmanlik Hiz. San. Tic. Ltd. Şti of Ankara Turkey (CAPD), who planned to report by the end of October 2012. This company was selected on the basis of both its recent relevant experience (CAPD Senior Geoscientist worked in Tasmania in 2007) and the technical and computing resources that it had available.

On 24th November 2012 OEHL received the Seismic Reprocessing, Interpretation and Resource Evaluation Report from CAPD.

The ensuing Competent Persons Report estimated the resource potential of the Block SEL 5/2005 to be 290 million barrels of oil in-place and 81.7 million barrels of recoverable oil, in case the resource is oil and 142 billion cubic feet of gas in-place and 121.5 billion cubic feet of recoverable gas in case the resource is gas. The report went on to state that "with additional exploration work such as more seismic

data acquisition and exploration well drilling in the area in the years to come, these resource estimate values could change greatly upwards."

The conclusion of the Competent Persons Report is thus highly encouraging and forms a clear base from which to launch a further round of capital raising.

As a result the focus moved to fund raising. An updated Information Memorandum was prepared and circulated to selected potential investors during the first quarter 2013 and then again in the fourth quarter 2014. In the period March 2013 to June 2015 contact was made with financial intermediaries in London, Toronto, New York, Beijing and Hong Kong. During June and July 2013 a trip was made to Australia (Sydney, Brisbane and Melbourne) to meet brokers and investment bankers where a number of leads are still reviewing the opportunity.

On December 2014, an agreement was signed with Penatrada Ltd (London), a marketing and investment advisor specializing in Far East, to assist in locating a potential investor.

A further initiative was launched jointly with OEHL/Penatrada in September 2014 focussing on investors in Hong Kong, Singapore and Malaysia. A potential investor was eventually identified in July 2015 who has recently presented OEHL with a Letter of Intent. (See Appendix).

OEHL Strategy for Beyond 2015

The objectives for beyond 2015 are:

a. To secure new investment to fund a comprehensive exploration programme. The cost of bringing the all necessary drilling equipment to Tasmania and having it continuously available throughout the drilling period, whether required or not, is a major cost factor. The result is that onshore exploration in Tasmania is extremely expensive by international standards. This fact and the perception of the difficulties of operating in Tasmania are significant barriers to raising funding for a frontier exploration province. However, despite the world economic situation there is enough encouragement to believe that investors will be identified with the appetite to manage the perceived risks.

b. Subject to identifying and securing investors, a AUD$20 million exploration programme is planned to drill up to 3 exploration wells with the necessary accompanying seismic. The programme provides for a four-month period, subject to receipt of the necessary permissions being available to facilitate that programme.

The main reasons given by potential investors to date for declining to invest fall into two broad categories; (1) there are mainland opportunities with a much lower perceived risk profile, to which is sometimes added a concern about environmental issues which are associated with Natural Resource activity in Tasmania, and (2) the conventional geological wisdom that precludes the presence of commercial quantities of oil being found. It is apparently common currency among virtually all Australian petro geologists that Tasmania is not highly prospective and that there are many more promising areas to explore. Mitigation includes the available transport and port infrastructure which would enable a discovery to be profitable at much lower oil prices than in many other areas.

These perceptions are not easily surmountable even though in OEHL's belief they are incorrect, and in spite of oil seeps at surface.

Irrespective of the general belief it remains OEHL's position that this is an attractive opportunity and that there is a high likelihood of being able to make a commercial discovery. To this end all OEHL's financial and other resources are now being put towards finalising the next round of exploration funding.

c. As OEHL neared the expiration date of SEL 5/2005 and no clear financing was materializing, it became evident that following the surrender of the original 5/2005 licence, OEHL had to re-apply for the new standard Exploration Licences over areas that held the greatest geologic interest.

To this effect OEHL secured the services of Dr. S. Turgut, an eminent exploration geologist with previous experience in Tasmania, to delineate 3 new exploration areas to coincide with the new applications. This project was completed in August 2015 and produced maps and coordinates for three specific exploration

areas, which form the basis for the continued interest exhibited by OEHL. A summarized graphical view of these areas is shown below:

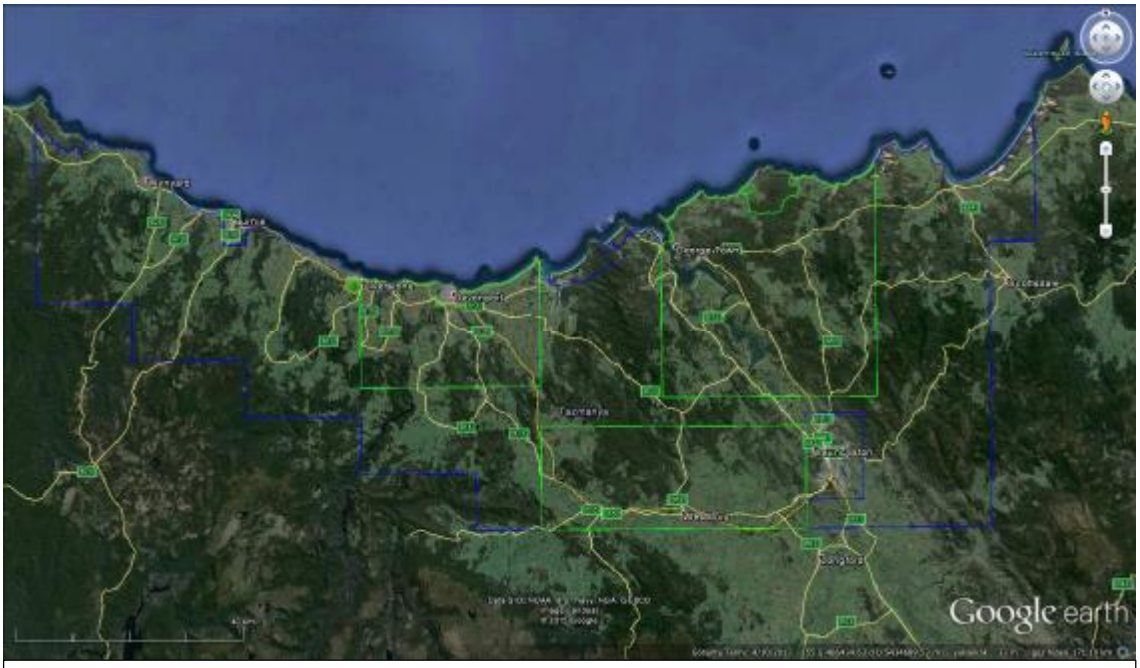

Figure 6: Areas for Exploration Permit Applications No. 1, 2 and 3

Risk Factors

The main issues facing a successful implementation of the Strategy are:

I) Funding

The world capital markets are less stressed than in the recent past but raising capital on almost any terms for higher risk ventures is still testing. However the worldwide connections of OEHL give a level of confidence that the funding will be attracted on acceptable terms.

II) Availability of Contractors

Availability of suitably qualified and resourced drilling and exploration contractors is an issue in attracting competitive tenders. The level of exploration activity in Australia continues to put exploration in Tasmania at a disadvantage from a point of view of cost and timing. Inevitably OEHL's programme will not be considered as attractive as many on the Mainland and thus it is harder to secure the leading contractors on acceptable terms. Moreover, the experience with the Westwood 1 well emphasises how important 'correct equipment' is to ensure that the well can reach its "Target Depth" without significant deviation and in an acceptable time frame.

Figure 7: Hunt Energy Rig 3 at Westwood #1 Location

III) Drilling Approvals

Although the regulatory and approval regime in Tasmania is clearly supportive of exploration efforts there are political and other factors that can have a material impact on investor perception and therefore on timing.

Environmental Protection

Overseas Energy Holdings Limited (OEH) is committed to conducting its business with the desire to protect the natural environment. The company planned and managed its operations to ensure minimum impact on the environment and indeed in all its projects has achieved these objectives. OEH is committed to meet all industry environmental standards and obligations. In applying this policy, activities ensuing will be governed by the APPEA Code of Practice and the Environmental Management Plan.

The Company committed to undertake a rehabilitation program to restore land disturbed by exploration activities and to respond quickly and effectively if accidental pollution or environmental damage occurs.

Consequently OEHL carried out a 'botanical survey', aquifer protection, ecological, noise assessment and heritage assessment studies prior to drilling operations at Westwood 1. OEHL was in full compliance with the recommendations of each study during the whole of drilling operations.

Neither the ensuing gravimetric nor the seismic surveys have required any post operational remediation or other activity to comply with the terms of the permissions.

In the period 2010/5 there were no additional activities with any potential environmental impact within the license Block.

Conclusions

OEHL has identified eight drilling locations to date within the SEL 5/2005. Westwood 1, which was the first ever purpose drilled oil & gas exploration well in Tasmania, did not reach its target depth and thus was unable to confirm the OEHL theory of oil migration into Tasmania.

OEHL is planning its next three wells based on the results of the Seismic Interpretation Report. OEHL is pleased to note that the Seismic Interpretation Report has confirmed four areas of particular interest including Bass Highway 1, on the coast in north central Tasmania and Weymouth Road 1, Batman Bridge and the Westwood area as highly prospective Drilling these locations will enable the widest capture of geological information in the key areas of the tenement.

Bass Highway 1 is proposed as a coastal exploration well site in north central Tasmania due to its proximity to the prognosed hydraulic connections to the Bass Basin. There is little geological information for this area of the basin, especially at depth.

The objectives of the Bass Highway 1 site are to:

1. Confirm the anticipated stratigraphic column based on the gravimetric survey and Westwood 1 well log.
2. Investigate presence of potential hydrocarbon bearing formations in the Parmeener Super group;
3. Investigate presence of potential hydrocarbon bearing formations in the Gordon Limestone or intercept and confirm existence of an oil saturated fracture system.

The objectives of the Weymouth Road 1 site are to:

1. Intersect an oil saturated fracture system in early Ordovician formations at approximately 3,000m.
2. Intersect the secondary hydrocarbon play located within the Gordon Group limestone if present;
3. Define any tertiary targets intersected by the well;
4. Delineate the oil source rocks within the intersected lithology.

Westwood and Batman Bridge are both prospective sites based on the seismic interpretation report and lie on the prognosed trap fault that runs roughly northwest-southeast through the block.

The encounter of trace hydrocarbons during drilling any of the first 3 wells will immediately trigger a limited size, 3D seismic survey to be shot, in order to perform in-depth reservoir analysis over the surrounding subsurface area.

Expenditure

OEHL expenditures for exploration activities on SEL 5/2005 are shown in the following table (AUD$):

Table 1: OEHL Expenditures.

		to 12/2009	to 12/2010	to 12/2011	to 12/2012	to 12/2013	to 12/2014	to 9/2015	**Total**
Geoscientific Costs	Geology	113,300	11,280	3,000	19,932				**1,202,119**
	Geophysics	237,668							**237,668**
	Drilling	3,423,630							**4,988,768**
Land Access Costs									**50,000**
Rehabilitation Costs									**165,176**
Feasability Study Costs			64,651					8,552	**93,156**
Other Costs				1,306	685	44,436			**140,879**
Administration Costs		377,460	7,593	431	2,062	4,444			**687,030**
Total Costs		4,152,058	83,524	4,737	22,679	48,880		8,552	**7,564,786**
Pre Dec-2009 Costs		1,695,468							
Cumulative Costs since 2005		5,847,526	8,036,177	8,206,896	9,146,372	9,203,545	9,251,702	**9,260,254**	

These are the costs that correspond to the quarterly returns submitted to the MRT.

Appendices

A. Preliminary Letter on Interest for the Financing of the Next 3 Wells + 3D Seismic

中国出口信用保险公司

Letter of Interest

To Everbright Mining & Mineral Corporation :

As per the request by Everbright Mining & Mineral Corporation, this refers to the application for a credit facility for the project of Oil-gas Exploration in Northern Tasmania, Australia. Our preliminary review of the project indicates that SINOSURE may be available in your transaction for the amount 20 million USD.

This letter of Interest is only to show our interest in this project, and is not an offer or a legally binding commitment. It may not be relied upon or enforced in any court or tribunal. Our final decision depends on the integrated survey of the project.

China Export & Credit Insurance Corporation

Guangdong Branch

Nov. 29th, 2015

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