# MIE 2014 Annual Results Presentation

## March 2015

MIE Holdings Corporation

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# Agenda

1. **MIE Group update and highlights**
   - MIE group assets overview
   - Significant reserves base
   - Large resources inventory
   - Production growth potential
   - Company strategy
   - 2014 results highlights
   - 2015 operational guidance

2. **Group assets update**
   - China oilfields (Jilin assets)
   - SGE (Linxing and Sanjiaobei)
   - Emir-Oil (Aksaz, Dolinnoe, Emir, Kariman, and prospects)
   - US asset (Condor Energy)

3. **Financial update**
   - 2014 financial performance summary
   - Financial analysis

4. **Appendix**

# MIE Group update and highlights

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# MIE Group update and highlights

## MIE group assets overview

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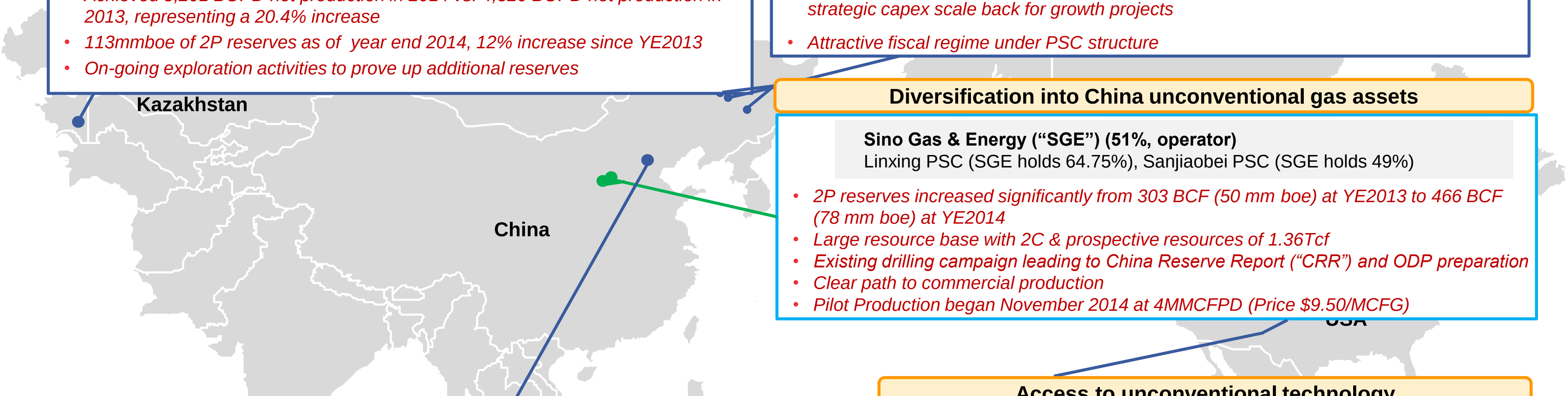
**Independent onshore upstream oil and gas company in China, growing domestically and globally**




### Significant near-term production growth

**Emir-Oil (ADEK contract area) (100%, operator)**
Aksaz, Dolinnoe, Emir, Kariman, and prospects

- *Achieved 5,201 BOPD net production in 2014 vs. 4,320 BOPD net production in 2013, representing a 20.4% increase*
- *113mmboe of 2P reserves as of year end 2014, 12% increase since YE2013*
- *On-going exploration activities to prove up additional reserves*

### Major cash flow contributor

**Oilfields in Jilin (90%, operator)**
Daan PSC, Moliqing PSC

- *Net production 8,863 BOPD in 2014, about flat compared to 8,931 BOPD in 2013 due to strategic capex scale back for growth projects*
- *Attractive fiscal regime under PSC structure*

### Diversification into China unconventional gas assets

**Sino Gas & Energy ("SGE") (51%, operator)**
Linxing PSC (SGE holds 64.75%), Sanjiaobei PSC (SGE holds 49%)

- *2P reserves increased significantly from 303 BCF (50 mm boe) at YE2013 to 466 BCF (78 mm boe) at YE2014*
- *Large resource base with 2C & prospective resources of 1.36Tcf*
- *Existing drilling campaign leading to China Reserve Report ("CRR") and ODP preparation*
- *Clear path to commercial production*
- *Pilot Production began November 2014 at 4MMCFPD (Price $9.50/MCFG)*

### Divestment of minor asset with good valuations

**Pan-China Resources (100%, operator)**

- *Kongnan block within Dagang oilfield divested in 4Q2014 for US$83 mm, represents US$16/bbl of 2P reserves)*

**Miao 3 PSC (90%, operator)**

- *Divested in 4Q2014 at US$21 mm, represents US$37/bbl of 2P reserve*

### Access to unconventional technology

**Condor Energy (100%(1), operator)**
Condor Energy: 61.25%-100% working interest covering 7,039(1) net acres in the Niobrara Shale oil trend, Colorado

- *Oil and gas production, with access to horizontal drilling and fracturing technologies used in developing shale oil and gas*
- *Condor has a total of 5 horizontal wells with lateral lengths 4,000-8,100ft and 16-33 frac stages*
- *MIE acquired final 20% Condor, effective January 1,2015*

Oil asset    Gas asset

*(1) As of 3 Jan, 2015*

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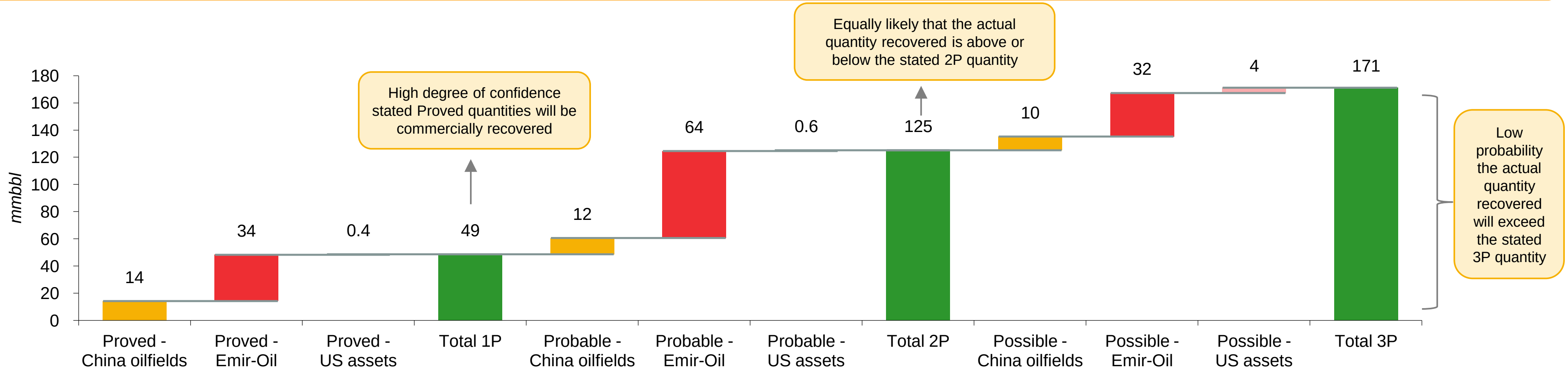
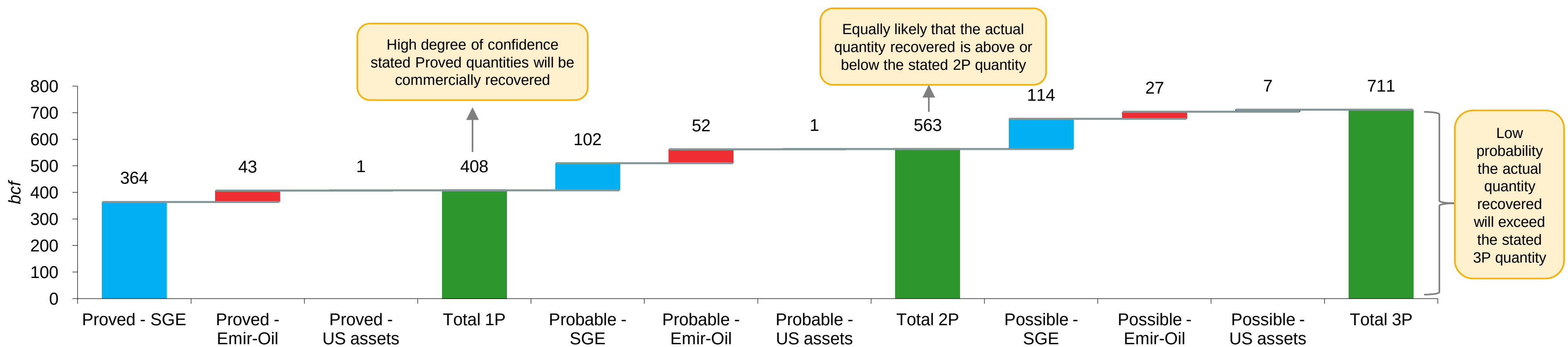
# MIE Group update and highlights

## Significant reserve base

### Total oil reserves breakdown (as of Dec 2014)




### Total gas reserves breakdown (as of Dec 2014)



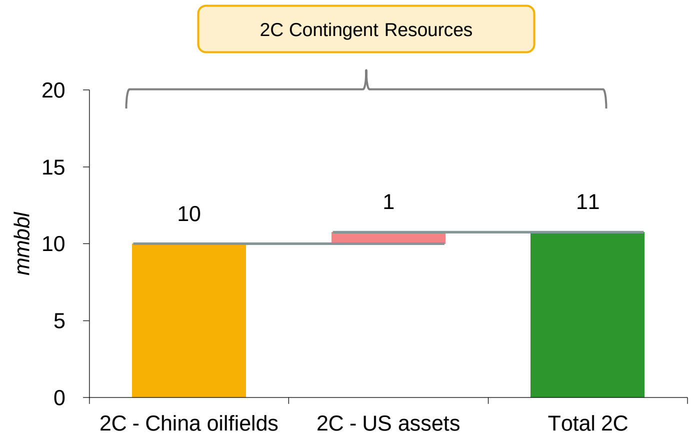

*Source: Company announcements*

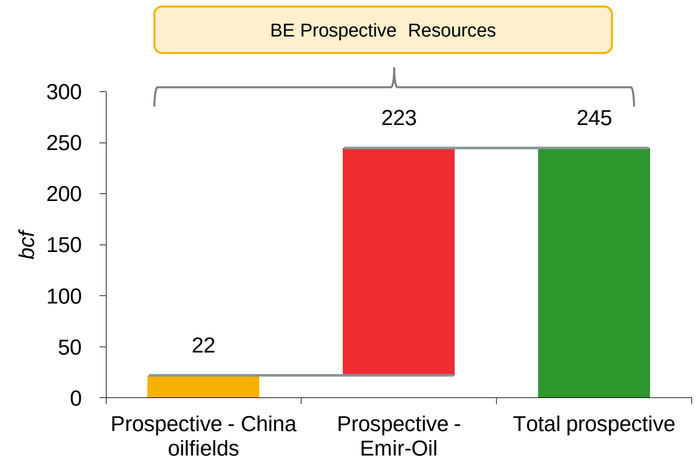
***Based on the yearend 2014 reserves estimates reviewed by the independent consultants, NPV10 of the Group's Net 2P Oil & Gas reserves is approximately US$4.0 billion. China Oilfields NPV10: US$0.8 billion; SGE net share NPV10: US$1.6 billion; Emir-Oil NPV10: US$1.6 billion***

# MIE Group update and highlights

## Large resource inventory provides significant upside to existing reserves

### Total oil resources breakdown (as of Dec 2014)




### Total gas resources breakdown (as of Dec 2014)

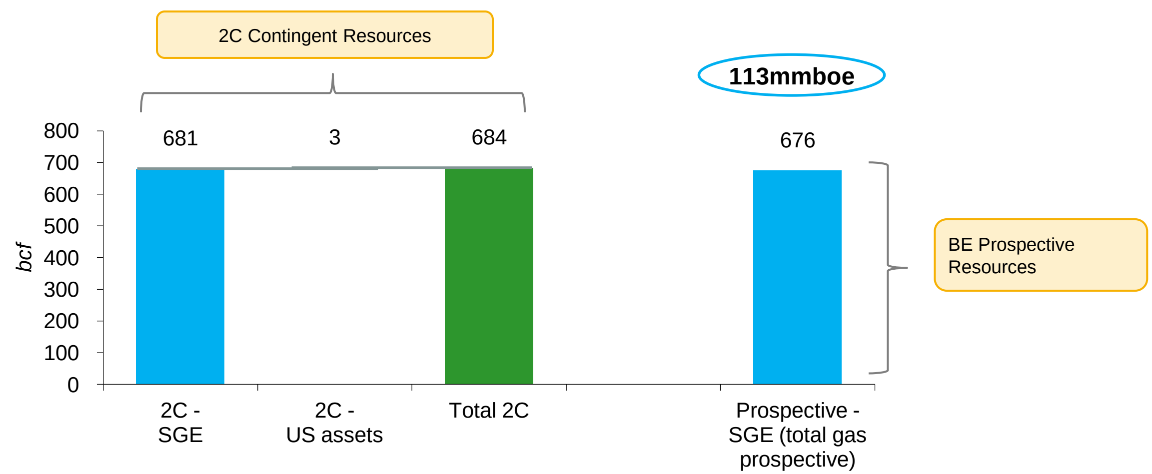
**PRMS Resources**

**Contingent:** Quantities estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable due to one or more contingencies

**Prospective:** Quantities of petroleum which are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations.

**Uncertainty Range**

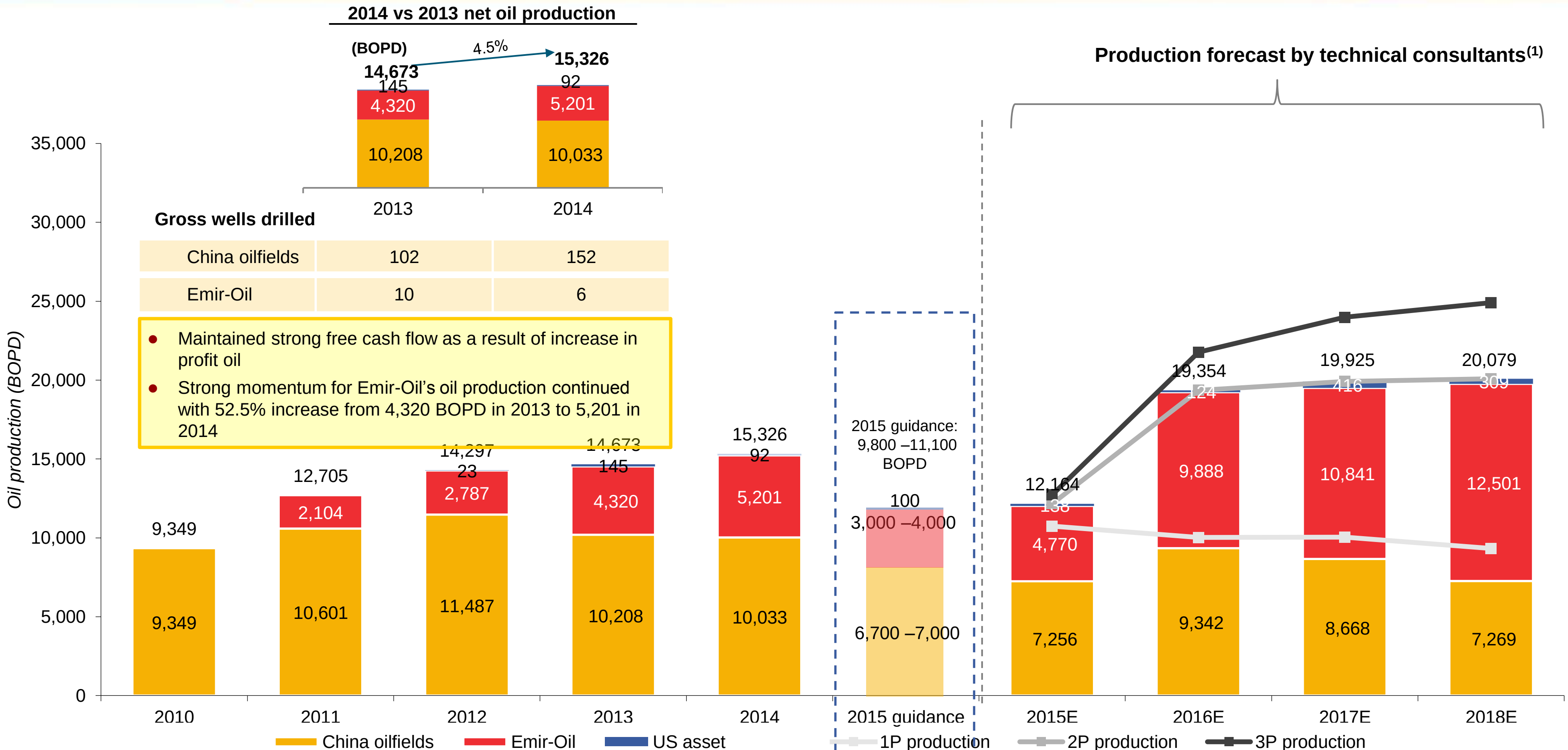
| Case | Low Estimate | Best Estimate | High Estimate |
|---|---|---|---|
| Contingent | 1C | 2C | 3C |
| Prospective | LE | BE | HE |




*Source: Company announcements*

# MIE Group update and highlights

## Further production growth potential from existing asset base




**Gross wells drilled**

| | 2013 | 2014 |
|---|---|---|
| China oilfields | 102 | 152 |
| Emir-Oil | 10 | 6 |

- Maintained strong free cash flow as a result of increase in profit oil
- Strong momentum for Emir-Oil's oil production continued with 52.5% increase from 4,320 BOPD in 2013 to 5,201 in 2014

**Gross wells drilled (forecast wells drilled based on 2P reserves)**

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 guidance | 2015E | 2016E | 2017E | 2018E |
|---|---|---|---|---|---|---|---|---|---|---|
| China oilfields | 200 | 466 | 431 | 102 | 151 | 0 | 66 | 181 | 89 | 45 |
| Emir-Oil | na | na | 8 | 10 | 6 | 3 | 8 | 5 | 6 | 12 |
| US assets | na | na | 3 | 2 | 0 | 0 | 4 | 6 | 20 | 0 |
| **Total** | **200** | **466** | **442** | **114** | **165** | **3** | **78** | **192** | **115** | **57** |

(1) Production forecast (2015E-2018E) is the forecast of independent technical consultants as of 2014 year end, and does not necessarily represent management forecast
(2) Production for China oilfields excludes PCR and Miao 3 starting from 2015

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# MIE Group update and highlights
## Company strategy

### Optimize development of two new core assets

**Emir-Oil**

- Ramp up production - remove gas market bottleneck
- Complete new O&G processing facilities
- Lower export oil transport costs differential
- Reserve enhancement through exploration drilling

**SGE**

- Undertake pilot production gas sales
- Exploration & Development drilling and well testing
- Reservoir Assessment
- Reserve & Resource Additions
- Expedite CRR and ODP

### Optimize existing mature assets

- Leverage favorable PSC terms – reallocate free cash flow amongst Group's assets
- Extend production plateau thru advanced tech application
- Divest mature minor assets with good valuations

### Expand operational & technological capability

- Evident in our new projects globally
- Substantial advancement since 2010 IPO, when we were pure oil developer in China
- Horizontal well drilling and multi-stage fracturing
- Significant enhancement in the Group's total net 2p reserves and NPV

### Upgrade current portfolio

- Divesting non-core assets from current portfolio
- Replacing with better quality assets in politically stable environment (e.g. North America)
- A joint venture to be setup with China Oil & Gas Group Ltd (00603.HK) to develop the upstream, midstream and downstream natural gas business
- Co-invest in Canadian International Oil Corp (CIOC) with Canadian-China Global Resources Fund (CCGRF)

# MIE Group update and highlights

## Efficient allocation of resources to be prudent in low crude oil price environment

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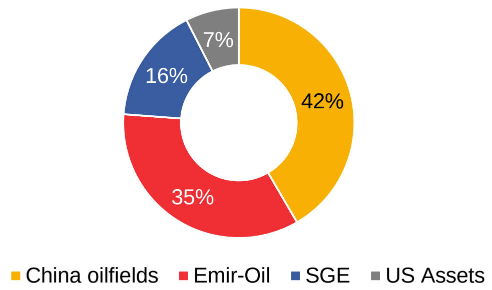
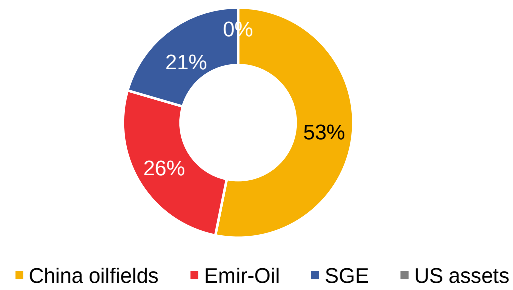
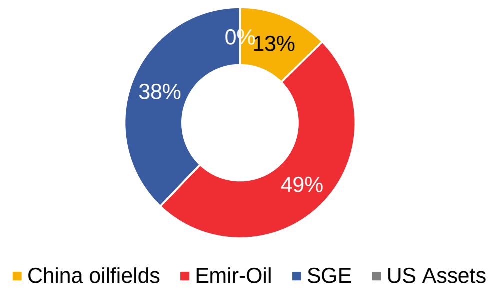
**FY2013 capex: US$242m**

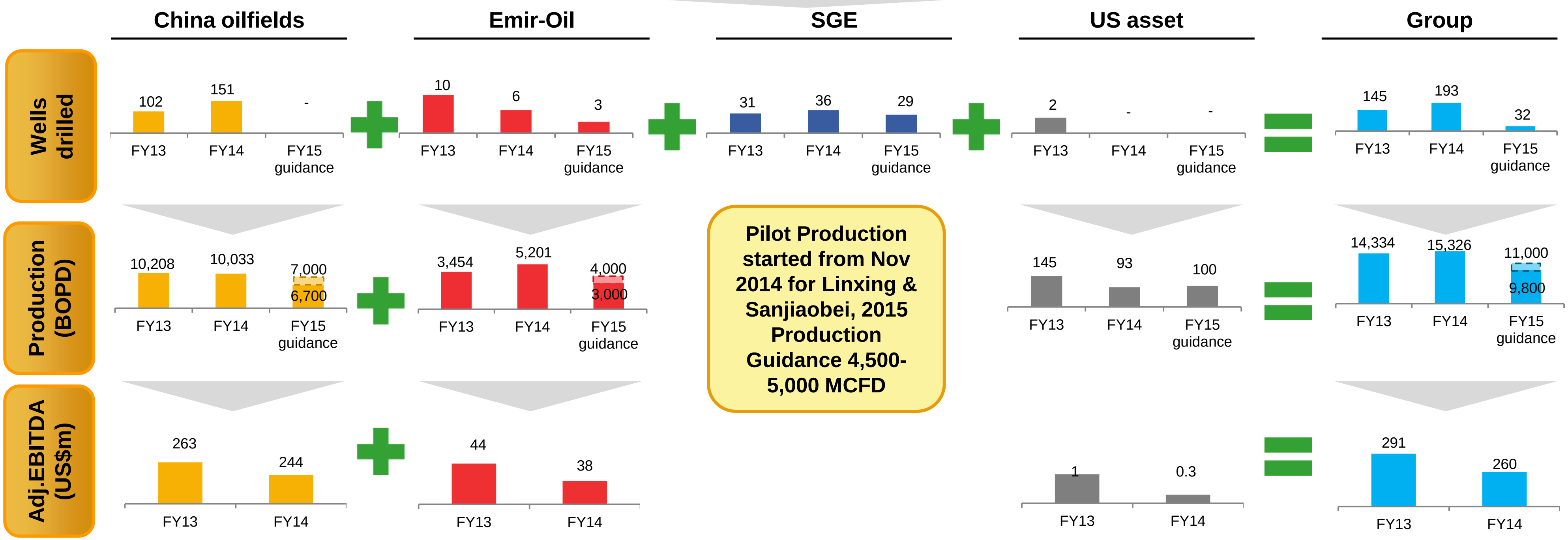



**FY2014 capex: US$205m**




**FY2015 capex guidance: US$103m[(1)]**




*(1) Represents management guidance*

*Note: Adj. EBITDA refers to EBITDA adjusted to exclude non-cash items such as share-based compensation expense, loss on impairment, withholding tax from intercompany loans, and any other non-recurring items such as disposal gains and losses, acquisition expense, and geological and geophysical expenses, etc.*

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# MIE Group update and highlights

## Operational highlights

- Group net oil production of 15,326 BOPD, an increase of 4.5% compared to same period in FY2013 and within full year guidance range of 15,300 – 16,300 BOPD
- Emir-Oil recorded significant increase reaching 5,201 BOPD, representing a 20.4% growth from FY2013

**Emir-Oil**

- Construction of Central Processing Facility (CPF) started in Nov 2014
- 2P Reserves for oil increased by 11% to 97.9mmbbl

**SGE**

- Pilot production gas sales started in Nov 2014
- Current production level 4mmcf/day with selling price of US$9.5-9.6/mscf
- 2P reserve and NPV10 increased by 54.1% and 56.7% to 467BCF and US$1.6 billion, respectively
- Encouraging gas flow test results for vertical and horizontal wells, with 2014 well test results showing marked improvement over 2013

## Financial highlights

- FY2014 average oil price realised down by US$10.9/bbl or 11.2% to US$86.2bbl compared to FY2013
- FY2014 Revenue was US$485.4mm, representing a 7.7% decrease from that in FY2013
- EBITDA maintained at US$267.9mm, representing a 2.8% decrease from that in FY2013
- Successful issue of US$500mm 5-year Notes at coupon rate 7.50% in April
- Drewdown unsecured facility of US$35 mm with Deutsche Bank in Nov 2014
- Completed full US$90 million cash call obligations into SGE for 51% equity interest in SGE, and an additional US$25 million shareholder’s loan to SGE
- Divested Pan-China Resources & Miao 3 at consideration of US$83 mm and US$21 mm, respectively

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# MIE Group update and highlights

## 2015 operational guidance

| | # Gross Wells | | Net Capex (US$M) | | Net Production | | |
|---|---|---|---|---|---|---|---|
| | 2014 Actual | 2015 guidance | 2014 Actual | 2015 guidance | 2014 Actual | 2015 guidance | Commentary |
| **China Oilfields** | 151 | - | 109 | **13** | 10,033 BOPD | 6,700-7,000 BOPD | • No wells will be drilled under current low oil price outlook; minimal Capex for converting development wells to injection wells and other surface engineering |
| **SGE** | 36 | 29 | 42 | **51** | 191 MCFD | 4,500-5,000 MCFD | • Based on 51% of US$99 mm SGE budget approved by the Board in Jan 2015, including 8 exploration wells, 21 development wells and US$9.2 mm seismic expenses not capitalized by the Group.<br>• Significant ramp up of pilot production with LX CGS operates in 2H2015 |
| **Emir-Oil** | 6 | 3 | 54 | **39** | 5,201 BOPD<br>5,881 MCFD | 3,000-4,000 BOPD<br>5,000 MCFD | • 2015 Capex includes completion work for 1 exploration well, 2 development wells, all spudded in 2014;<br>• 2015 Capex for CPF US$19 mm |
| **USA** | - | - | - | **-** | 92 BOPD<br>209 MCFD | 100 BOPD<br>100 MCFD | |
| **MIE Total** | **193** | **32** | **205** | **103** | **Total: 16,373 BOED**<br>**Oil: 15,326 BOPD**<br>**Gas: 6,280 MCFD** | **Total:11,400-12,783 BOED**<br>**Oil:9,800-11,100 BOPD**<br>**Gas:9,600-10,100 MCFD** | • Represents a 22-31% yoy decrease (without PCR & Miao 3 in 2014) of oil production. |

# Group assets update

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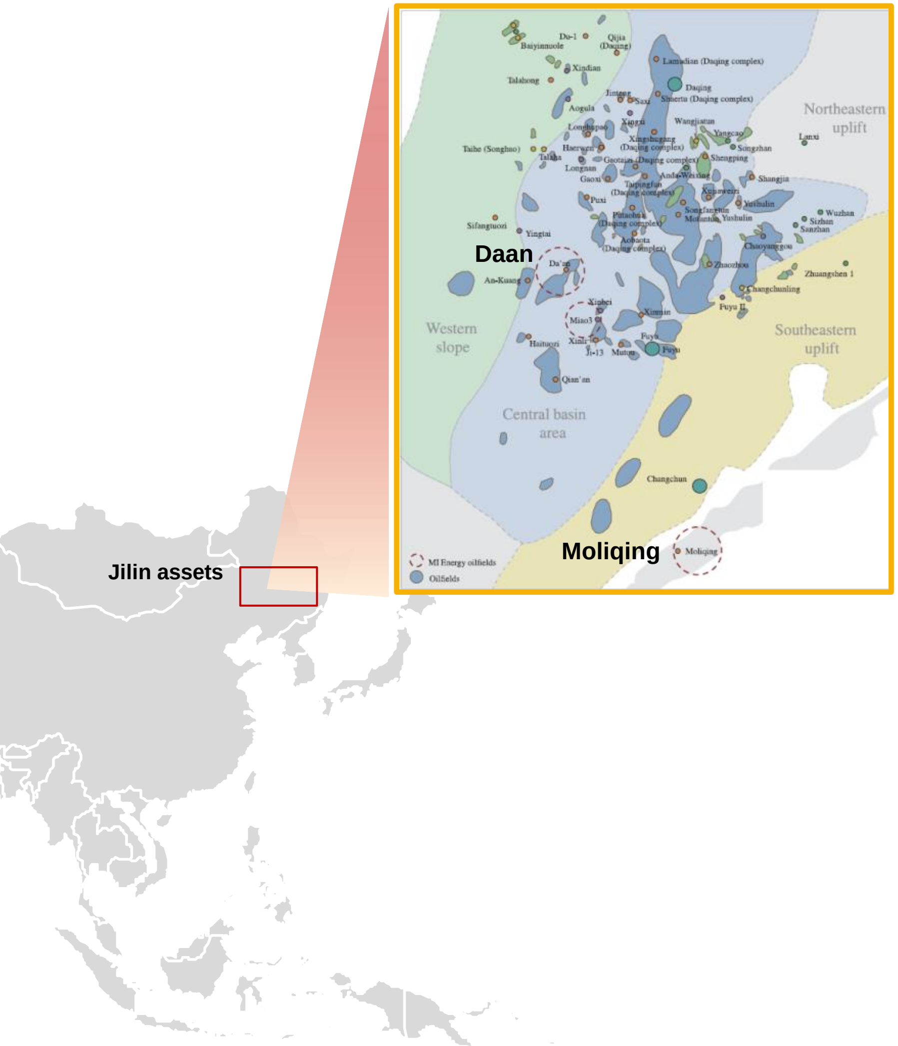
# Group assets update

## China oilfields

| Jilin assets (Daan, Moliqing) | |
|---|---|
| **Ownership** | 90% |
| **Total wells drilled in 2014** | 146 |
| **Gross wells (as of Dec 2014)** | 2,609 |
| **Total area** | |
| Daan | 253km$^2$ |
| Moliqing | 72km$^2$ |
| | |
| **PSC terms expiry** | |
| Daan | 2024 |
| Moliqing | 2028 |




**Reserves & resources summary (as of Dec 2014)**

| | Jilin (mmbbl) |
|---|---|
| 1P reserves | 14 |
| 2P reserves | 26 |
| 3P reserves | 36 |
| | |
| 2C resources | 10 |
| Prospective resources | 22 |
| | |
| **Total reserves & resources(1)** | **68** |

*(1) Total 2P Reserves+2C Contingent Resources+ Prospective Resources*

**China oilfields:**

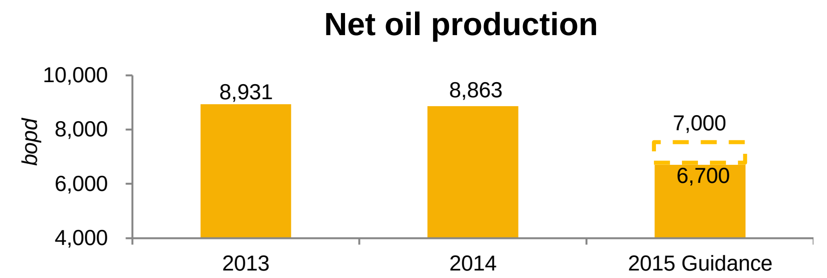
- Group major cash flow contributor which accounts for 90.4% of group adj. EBITDA in FY2013 and 94.1% in FY2014
- Significant reserve base with long production track record
- Cost effective operations supported by advanced technologies and experienced management and technical team
- Favourable PSC structure with effective recovery of capex and operating costs
- Receives (Daqing) international oil price for Jilin oilfields

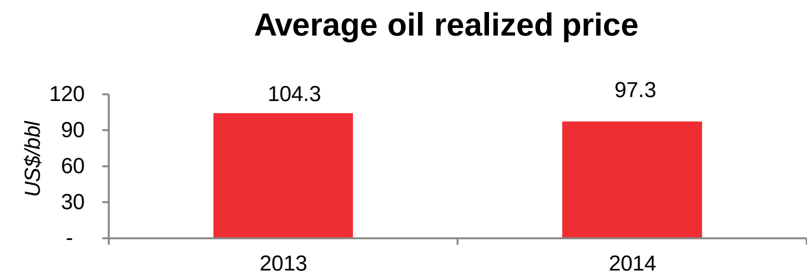
# Group asset update
## China oilfields

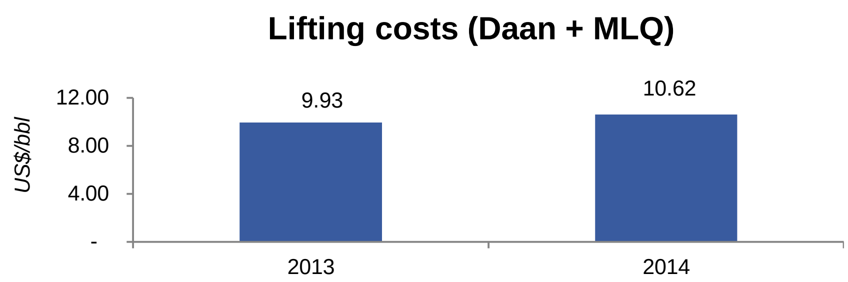
### Operation update

**Jilin assets (Daan and Moliqing)**

- Gross production decreased by 3.2% to 18,854 BOPD
- Net production of 8,863 BOPD (FY2013: 8,931 BOPD)
  - Decreased production due to continued strategic capex scale-back for 2014
  - Profit oil translated into strong free cash flow and EBITDA
- 146 wells drilled
- Strong performance of old wells
- Average realized oil price of US$97.3/bbl in FY2014 (from US$104.3/bbl in FY2013)

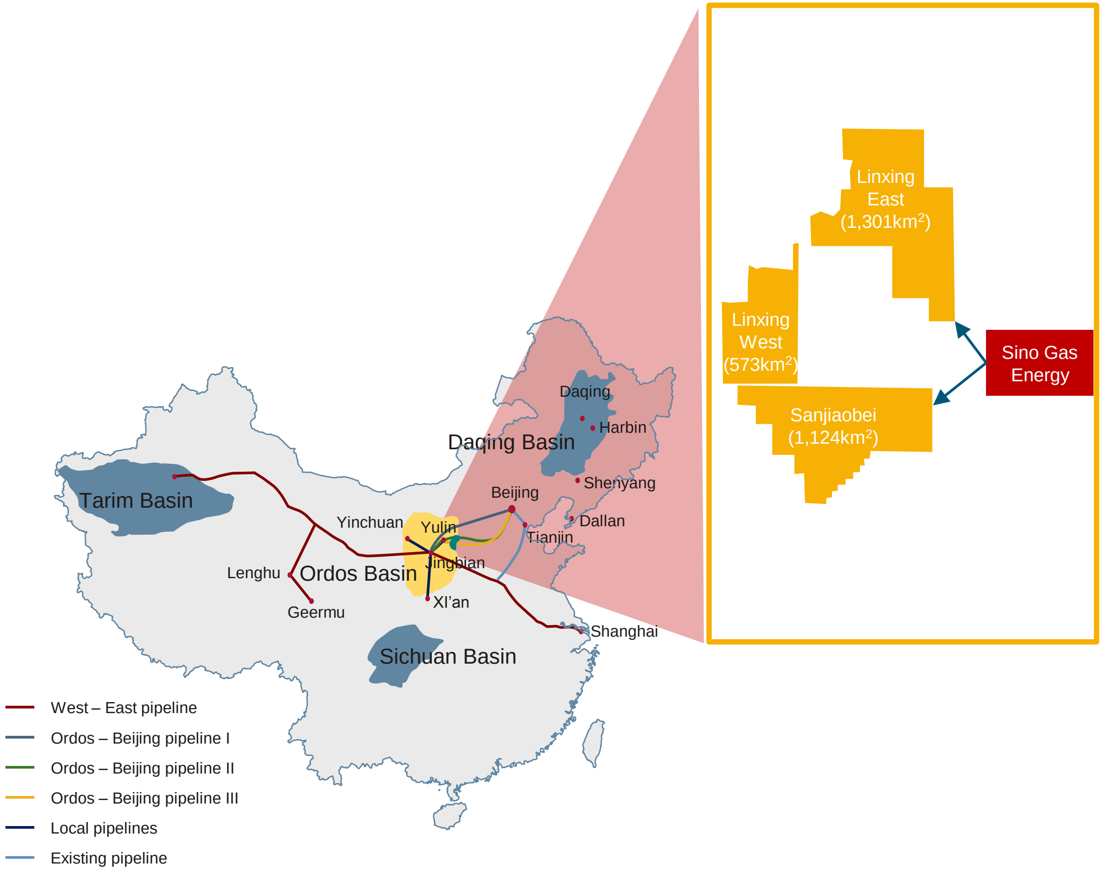


# Group asset update

## SGE: Linxing & Sanjiaobei




| SGE assets | |
|---|---|
| **Ownership (through SGE)** | Linxing: 64.75%<br>Sanjiaobei: 49% |
| **Gross wells (as of Dec 2014)** | 94 |
| **Area** | |
| Linxing East | 1,301km$^2$ |
| Linxing West | 573km$^2$ |
| Sanjiaobei | 1,124km$^2$ |
| **PSC terms expiry** | |
| Linxing | 2028 |
| Sanjiaobei | 2033 |
| **Exploration period expiry** | |
| Linxing | Aug 2016 |
| Sanjiaobei | Aug 2015 |

| MIE's net share of Reserves & resources summary (bcf) (as of Dec 2014) | |
|---|---|
| 1P reserves | 364 |
| 2P reserves | 467 |
| 3P reserves | 580 |
| 2C resources | 681 |
| Prospective resources | 676 |
| **Total reserves & resources[(1)]** | **1,824** |

(1) Total 2P Reserves+2C Contingent Resources+ Prospective Resources

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# Group asset update

## SGE: Linxing & Sanjiaobei

### Operation update

- 2014 Drilling Program: 19 wells drilled and 18 wells fracc'd
- First horizontal well TB-1H and the new vertical well TB-26 in Linxing block have achieved encouraging test results. TB-1H: flow testing resulted in a gas flow rate of 4.93 MMCF/day (c.140,000 cubic meters per day) with stable tubing head pressure of 2,008 psi (14MPa). TB-26: gas flow rate of 1.20 MMCF/day (c.34,000 cubic meters per day) with stable tubing head pressure of 1,740 psi (12MPa)
- 2P reserve increased by 54.1% yoy

### Pilot production sale agreement

- Pilot production into pipeline began Nov 2014
  - Gas price: US$9.5/mcf (RMB2.1/cubic meter), the gas is sold to the local customer in Shanxi province
  - 2nd GSA signed with SX Guohua, an independent wholesale and a subsidiary of Sinopec, at US$9.6/mcf(RMB2.13/cubic meter) in Feb 2015
  - New Sanjiaobei central gathering station(CGS) with capacity of 7mmcf/day
  - 16 wells in Linxing & Sanjiaobei connected to CGS and producing 4 mmcf/day
  - Work continues on Linxing CGS, with scheduled completion mid 2015 (capacity 17 mmcf/day)

### Clear path to commercial production

| | Development timeline | status |
|---|---|---|
| 1 | CRR for Linxing East | **Approved!** |
| 2 | Updated independent reserves and reserves assessment (2014) | **Completed in Mar 2015** |
| 3 | 2014 drilling program | ☑ |
| 4 | Pilot pipeline gas sales | ☑ |
| 5 | Preparation of ODP (Linxing East) | **To be completed in 2015** |
| 6 | CRR (Linxing West, Sanjiaobei) | **Submitted and to be approved in 2015** |
| 7 | ODP preparation & submission (Linxing West, Sanjiaobei) | **Commence after CRR** |

**Commercial production**

#### MIE value add

- Operational experience in China
- ODP and contract process experience
- Horizontal drilling experience in US

# Group asset update

## SGE: Linxing & Sanjiaobei

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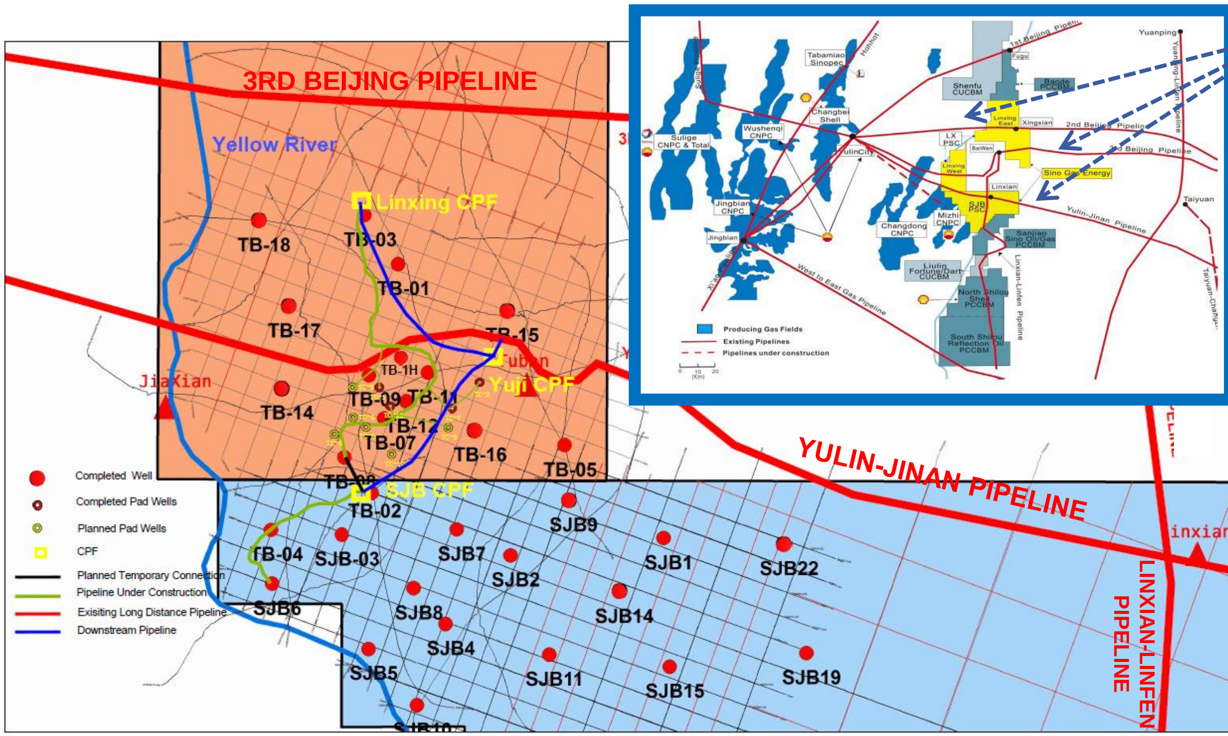
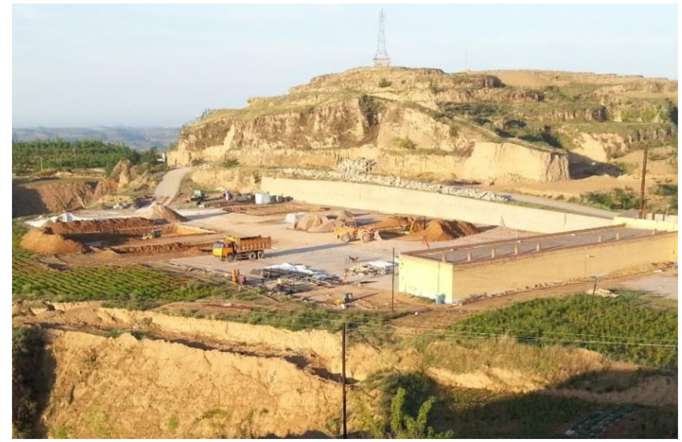
**Well-established infrastructure in Ordos Basin**




**Multiple gas pipelines with existing tie-in points will provide market access for Sino Gas' pipeline quality gas**



*Linxing: Pipeline construction site. Gas gathering pipeline design has been completed*

- Key transcontinental gas transport hub
- Above ground infrastructure with ample spare capacity
- Existing and planned demand far exceeds supply
- Shanxi Province alone (population ~ 35 million) underpins demand

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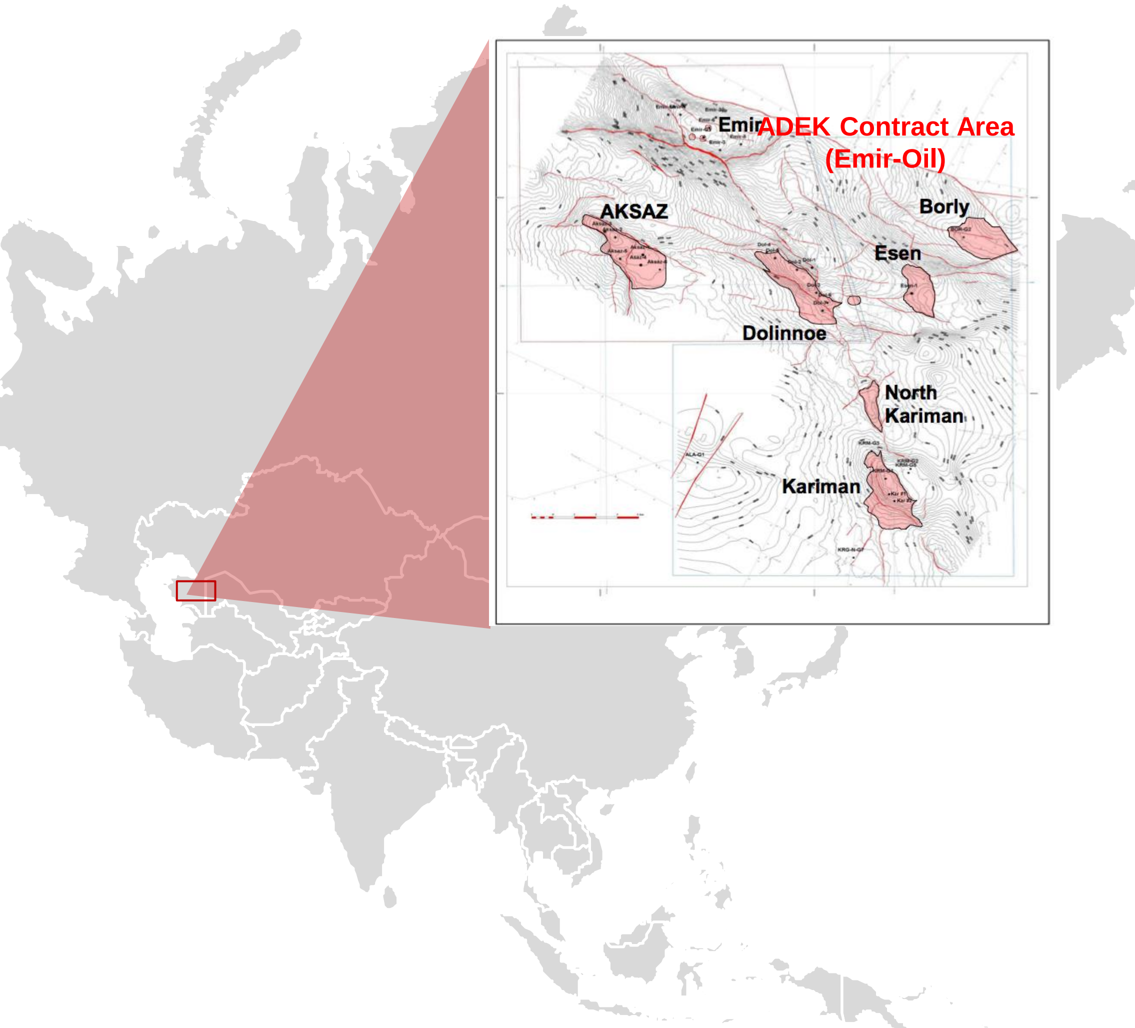
# Group asset update

## Emir-Oil




| Emir-Oil (Aksaz, Dolinnoe, Emir, Kariman) | |
|---|---|
| **Ownership** | 100% |
| **ADEK contract area** | 850km$^2$ |
| **Gross wells (as of 2014)** | 45 |
| **Exploration license expiry** | Jan 2017 |
| **Production license expiry** | |
| Aksaz | 2036 |
| Dolinnoe | 2036 |
| Emir | 2030 |
| Kariman | 2036 |

| Reserves & resources summary (as of Dec 2014) | Oil (mmbbl) | Gas (bcf) |
|---|---|---|
| 1P reserves | 34 | 43 |
| 2P reserves | 98 | 95 |
| 3P reserves | 130 | 122 |
| 2C resources | - | - |
| Prospective resources | 223 | - |
| **Total reserves & resources(1)** | **321** | **95** |

(1) Total 2P Reserves + 2C Contingent Resources + Prospective Resources

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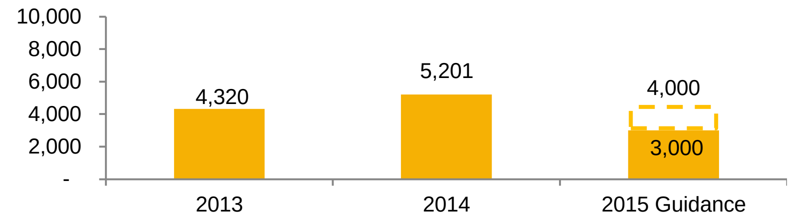
# Group asset update

## Emir-Oil

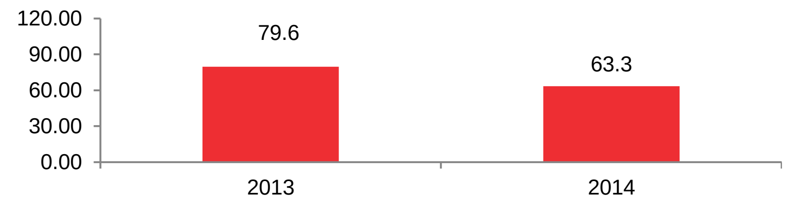
### Operation update

- Oil production increased by 20.4% to 5,201 BPOD compared to 4,320 BPOD in 2013
- Average realized price: US$63.3/bbl (2013: US$79.6/bbl)
  - Export: US$70.6/bbl (2013: US$87.8/bbl)
  - Domestic: US$39.7/bbl (2013:US$41.6/bbl)
  - Export:domestic sales mix: 76:24 (2013: 82:18)
  - Transportation discount US$21.0/bbl (2013: US$20.8/bbl)
- Lifting costs continued to decrease, from US$5.18/bbl to US$4.85/bbl as production ramps up
- CPF construction work was kicked off in Nov 2014
- Completion of CPF defer to 2016 due to low oil price outlook

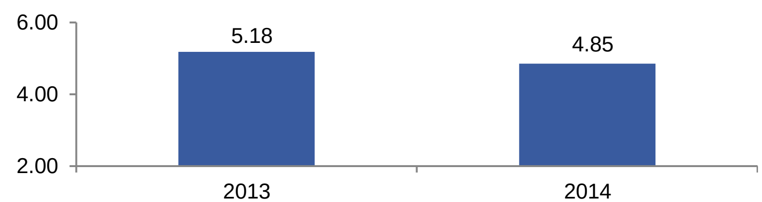
**Net oil production**




**Average oil realized price[1]**




**Lifting costs**




(1) Weighted average of Emir-Oil's export and domestic oil sales

# Group asset update

## Emir-Oil

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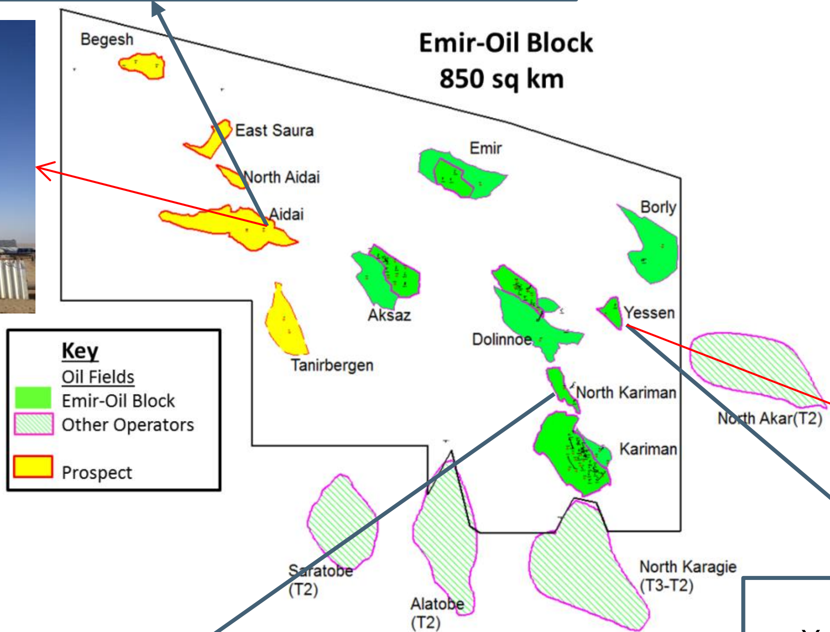
### Exploration activities

- Exploration well Aidai-1 spudded in July 2014 with planned TD 5,200m. Currently drilling just above objective.




- YE2014 Reserve Report estimated the following Resources
  - Unrisked Prospective Resources: 223 mmbbls (Best Estimate)
- Interpretation of merged 3D seismic data covering entire exploration block and producing fields completed
- Appraisal drilling completed at Emir-5 and Dolinnoe-12, waiting for KZ government's approval for testing

- Extend pilot production permit for North Kariman-2 to YE2016
- 1 appraisal wells in progress for western area of North Kariman

- Yessen-2 deviated well had encouraging test results (400-600 BOPD)

***Extended the ADEK exploration contract to Jan 2017***

MIE Holdings Corporation

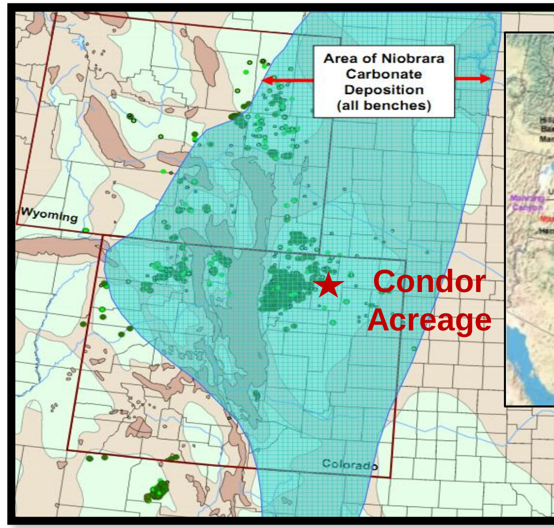
# Group asset update
## US asset (Condor Energy)

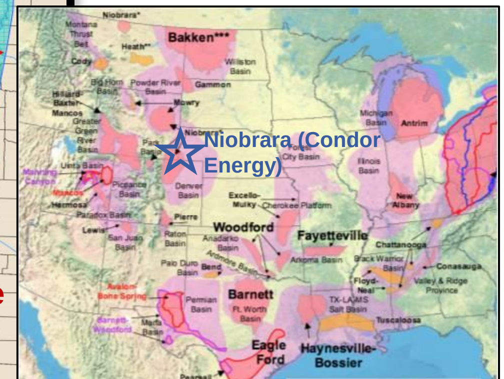
| Condor Energy | |
|---|---|
| Ownership | 100%[1] |
| Net acreage | 7,039 acres[1] |
| Gross wells (horizontal) | 5 |

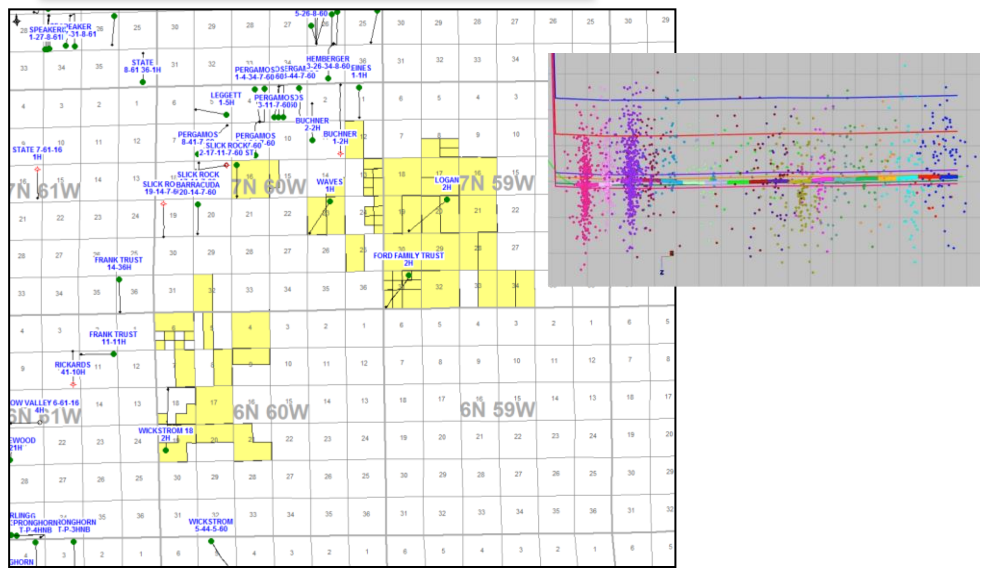
### Operation update

**Condor Energy**

- As of Dec 2014, MIE operated 5 horizontal wells in a Colorado Niobrara asset through Condor Energy
    - No drilling activities during 2014 in the US
- For FY2014, the average daily net oil and gas production was 92 BOPD and 209 Mcf/day, respectively
- Average realized oil and gas price was US$83.1/barrel and US$6.4/Mcf, respectively
- Operational and technological expertise gained from the drilling of 5 horizontal wells is being applied to Group's other existing assets
- MIE acquired remaining 20% of Condor effective January 1, 2015




(1) As of 1 Jan, 2015

# Financial update

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# Financial update

## Financial performance summary

| (In US$ million) | FY2013 China | FY2013 Emir-Oil | FY2013 USA | FY2013 Corp & Others | FY2013 Total | FY2014 China | FY2014 Emir-Oil | FY2014 USA | FY2014 Corp & Others | FY2014 Total | 2014 vs 2013(%) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Revenue** | **394.8** | **126.4** | **4.8** | **-** | **526.0** | **360.8** | **121.5** | **3.2** | **-** | **485.4** | **-7.7%** |
| **Segment operating result** | **133.9** | **27.3** | **(1.8)** | **(18.3)** | **141.2** | **107.7** | **18.4** | **(4.2)** | **(20)** | **101.9** | **-27.8%** |
| *Margin* | *33.9%* | *21.6%* | *-37.3%* | *na* | *26.8%* | *29.8%* | *15.2%* | *-133.0%* | *na* | *21.0%* | *-5.8ppts* |
| **Profit before income tax** | **133.5** | **24.0** | **(1.6)** | **(82.4)** | **73.5** | **145.1** | **24.0** | **(24.3)** | **(106.2)** | **38.5** | **-47.6%** |
| **Net profit for the year** | **101.9** | **27.3** | **(1.6)** | **(82.4)** | **45.2** | **117.4** | **16.8** | **(24.3)** | **(106.2)** | **3.7[2]** | **-91.9%** |
| *Margin* | *25.8%* | *21.6%* | *-33%* | *na* | *8.6%* | *32.6%* | *13.8%* | *-771.6%* | *na* | *0.8%* | *-7.8ppts* |
| **EBITDA** | **262.3** | **40.1** | **1.4** | **(28.3)** | **275.5** | **279.6** | **34.3** | **(20.8)** | **(25.1)** | **267.9** | **-2.8%** |
| *Margin* | *66.4%* | *31.7%* | *29.8%* | *na* | *52.4%* | *77.5%* | *28.2%* | *-660.4%* | *na* | *55.2%* | *+2.8ppts* |
| **Adjusted EBITDA[1]** | **263.3** | **44.5** | **1.5** | **(18.0)** | **291.2** | **244.4** | **37.7** | **(0.3)** | **(22.1)** | **259.6** | **-10.9%** |
| *Margin* | *66.7%* | *35.2%* | *31.2%* | *na* | *55.4%* | *67.7%* | *31.0%* | *-8.7%* | *na* | *53.5%* | *-1.9ppts* |

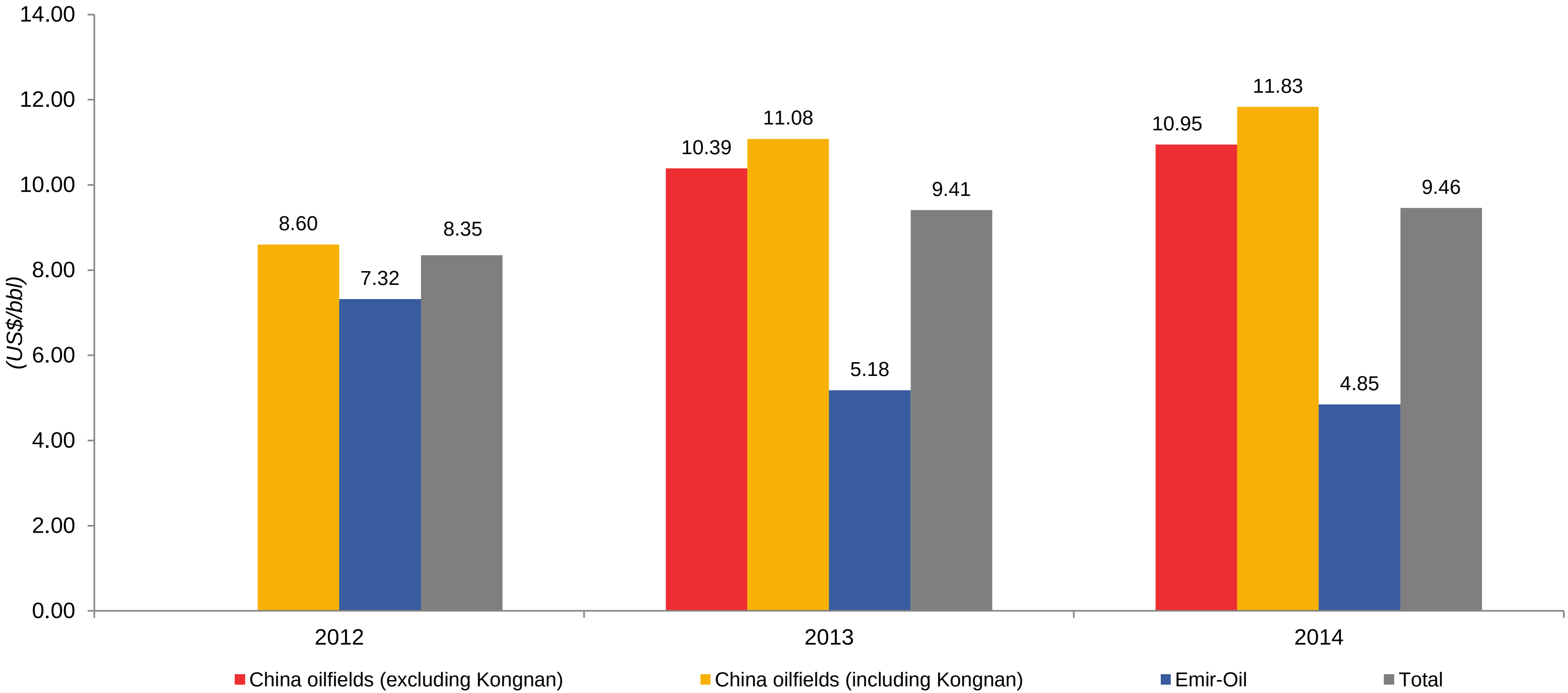
(1) *Adj. EBITDA refers to EBITDA adjusted to exclude non-cash items such as share-based compensation expense, loss on impairment, withholding tax from intercompany loans, and any other non-recurring items such as disposal gains and losses, acquisition expense, and geological and geophysical expenses, etc.*

(2) *Includes an one-off finance costs of RMB155 million (US$25.2 million) regarding 2016 Notes redemption premium and certain unwinding of non-cash discounts / upfront-fees regarding the 2016 Notes.*

# Financial update

## Lifting costs analysis of China assets and Emir-Oil

### Lifting cost per barrel (1)




(1) Lifting costs includes directly controllable costs to produce a barrel of oil. Other production costs such as safety fee, environment expenses, technical & research expense and overhead have not been included since they are not directly attributable to the production of a barrel of oil

(2) Lifting cost for Miao 3 in FY13 and FY14 was US$23.93/bbl and US$24.15/bbl, respectively

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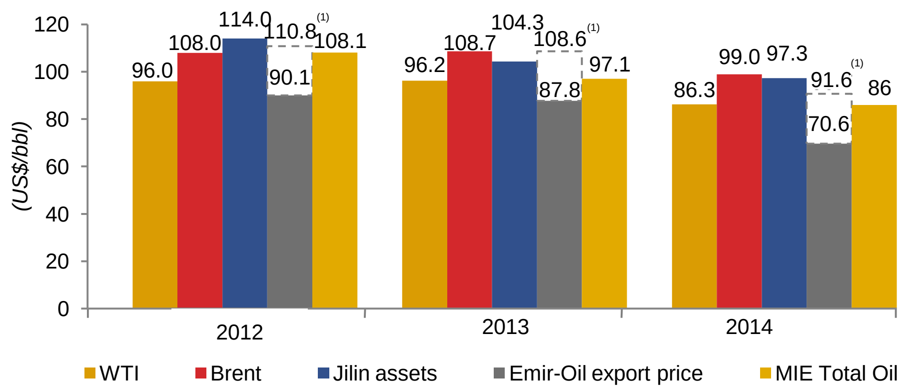
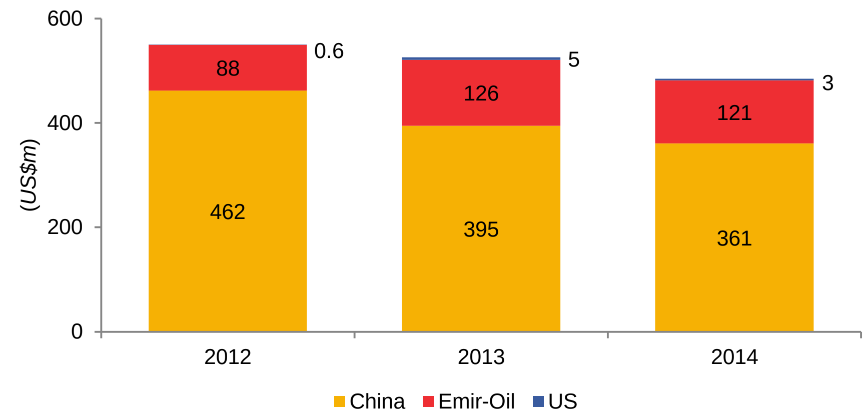
# Historical financials

## Key sales related statistics

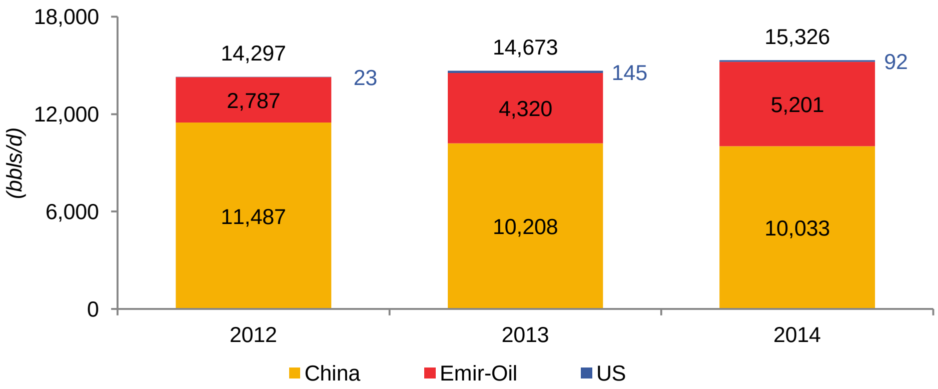
### Average realized oil price



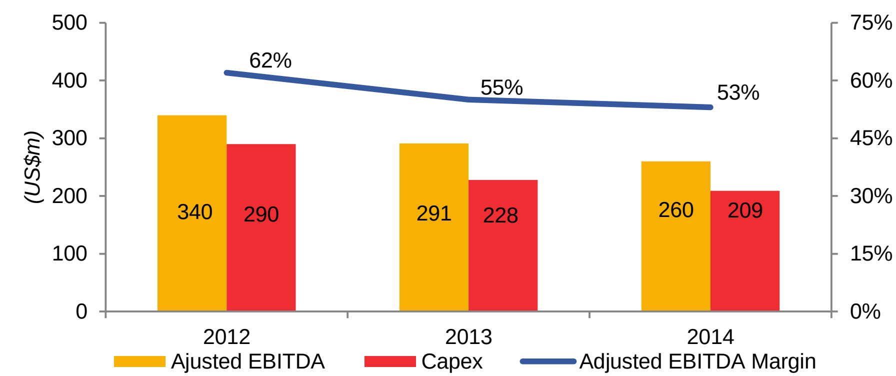

### Revenue breakdown by region




### Average daily net oil production breakdown by region




### Adj. EBITDA and Capex(2)




(1) Emir-Oil average realized export oil price before transportation costs and marketing commissions borne by customer, Titan Oil
(2) Capex for this charts refers to the cash used for purchase of PPE in the cashflow statement

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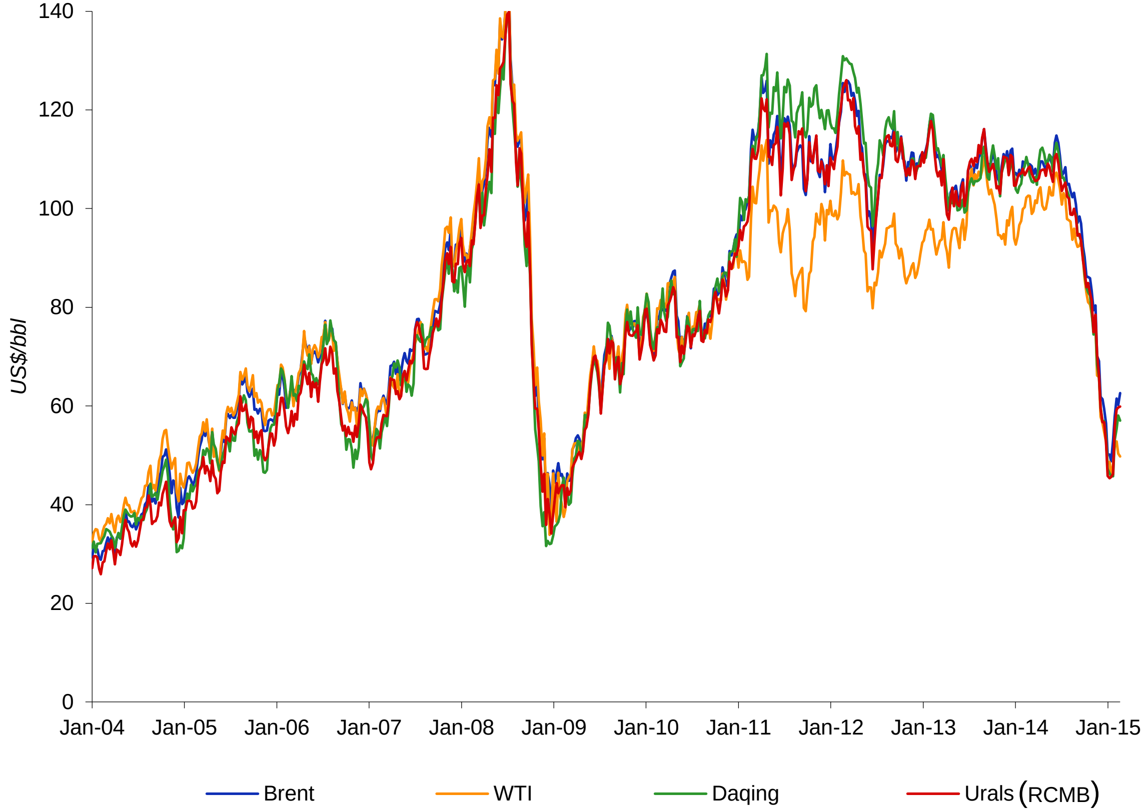
# Financial update
## Oil price performance

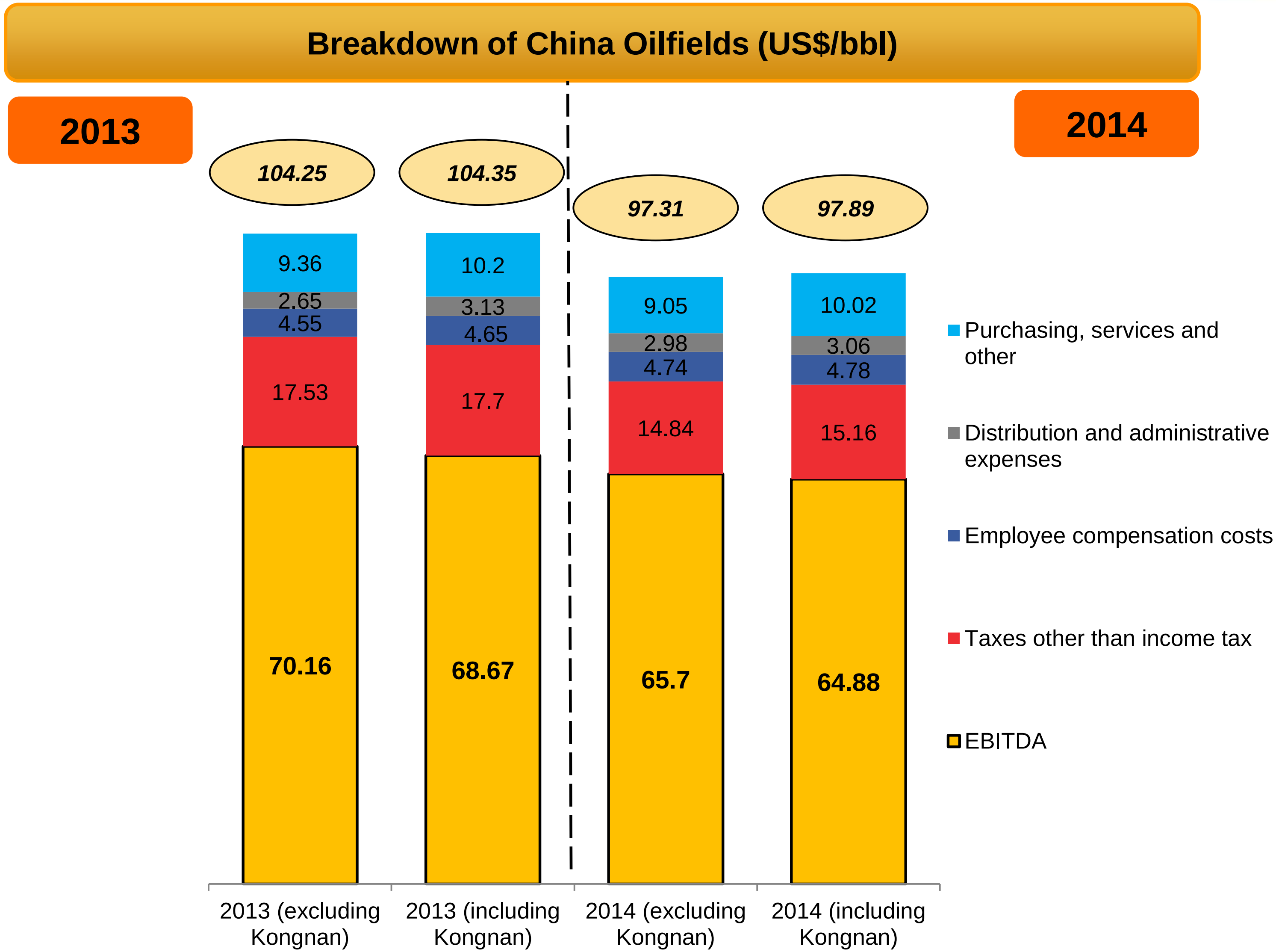



| Oil price (US$/bbl) | 2013 | 2014 | 2014 vs 2013 |
|---|---|---|---|
| **Jilin assets** | | | |
| Avg. realised oil price | 104.3 | 97.3 | (6.7%) |
| Avg. Daqing price | 104.1 | 94.1 | (9.6%) |
| **Emir-Oil (export)** | | | |
| Avg. realized export oil price | 87.8 | 70.6 | (19.6%) |
| Transportation & marketing costs | 20.8 | 21.0 | 1.1% |
| Avg. realized export oil price pre transportation costs & marketing costs | 108.6 | 91.6 | (15.6%) |
| Brent average price | 108.7 | 99.0 | (8.9%) |
| **US asset** | | | |
| Avg. realised oil price | 91.5 | 83.1 | (9.2%) |
| Avg WTI price | 96.2 | 86.3 | (10.3%) |

*Source: Bloomberg*

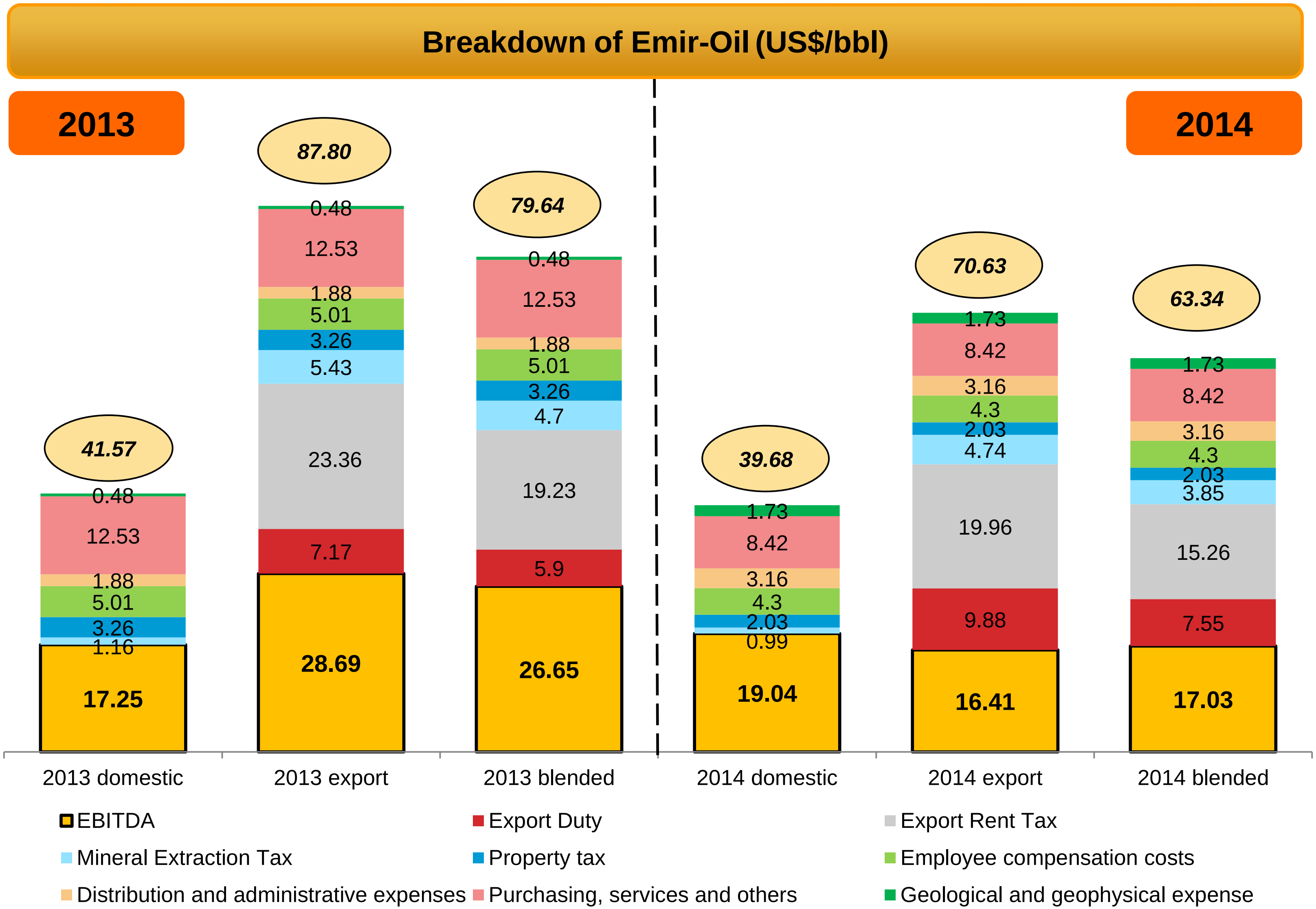
# Financial update

## EBITDA breakdown analysis of China assets



# Financial update

## EBITDA breakdown analysis of Emir-Oil assets



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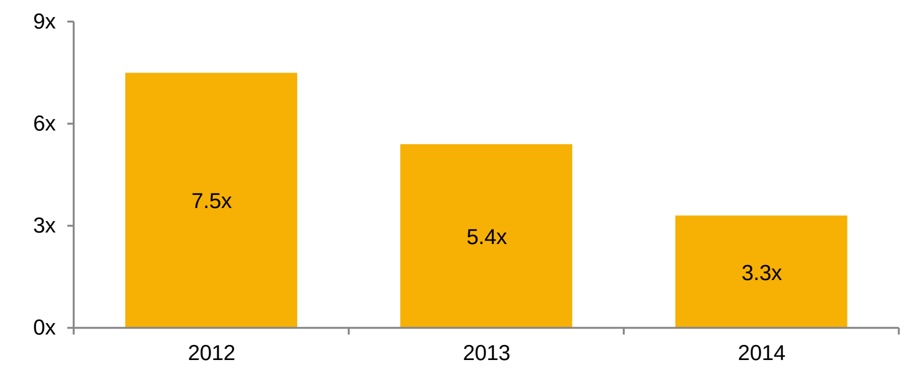
# Financial update

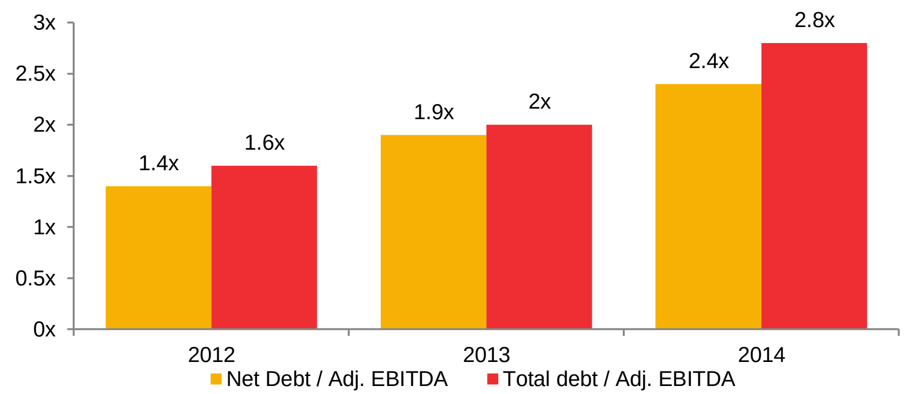
## Cash flow statement and key credit statistics

| For the period ended Dec 31<br>(In US$ million) | 2013 | 2014 |
|---|---|---|
| ***Cash Flow Statement*** | | |
| *Cash generated from operations* | 286 | 270 |
| *Interest paid* | (48) | (53) |
| *Income tax paid* | (43) | (25) |
| **Net cash generated from operations** | **195** | **192** |
| *Purchase of PP&E* | (228) | (214) |
| *Cash call by SGE* | (29) | (71) |
| *Disposal of M3 and PCR* | 0 | 94 |
| *Purchase of AFS Securities* | 0 | (12) |
| *Others* | 1 | (8)[1] |
| **Net cash used in investing activities** | **(256)** | **(213)** |
| *Proceeds from borrowings/bonds* | 218 | 553 |
| *Repayments of borrowings/bonds* | (161) | (422) |
| *Others* | (22) | (43) |
| **Net cash from financing activities** | **35** | **88** |
| **Net increase/(decrease) in cash** | **(31)** | **67** |
| ***Capitalization Table*** | | |
| **Cash Positions** | **45** | **112** |
| *Short-term Debt* | 10 | 55 |
| *Long-term Debt* | 582 | 679 |
| **Total Debt** | **592** | **734** |
| **Net Debt** | **548** | **622** |
| **Total Equity** | **600** | **580** |
| **Total Capitalization** | **1,148** | **1,202** |

### Adj. EBITDA / net interest expense[(2)]




### Net Debt and total debt / Adj. EBITDA




(1) *Includes mainly increase of restricted cash*

(2) *2014 net interest expenses includes one-off finance expenses of approximately RMB120 millions call premium for the early redemption of the US$400 millions 9.75% senior notes due 2016, and also approximately RMB35M unamortized issuance costs of the 2016 Notes charged to profit and loss account as a result of the redemption as an one-off expense*

# Appendix

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# Key milestones

**Dec 2010**
IPO on SEHK raised net proceeds of HK$750m

**Sep 2011**
Completed the Emir-Oil acquisition for US$160m (2P reserves: 92mmboe)

**Nov 2011**
Formed a JV (Condor Energy) with 80% interest, to acquire a shale project in Niobrara (Colorado, USA)

**Feb 2013**
US$200m Senior Notes issued due 2018

**Sept 2013**
Emir-Oil successfully drilled the first horizontal well Kariman-113 in Kazakhstan

**Nov 2014**
Completed the sale of PCR for US$83m

**Dec 2014**
Completed the sale of Miao 3 for US$21 m

2010 | 1H 11 | 2H 11 | 1H 12 | 2H 12 | 1H 13 | 2H 13 | 1Q 14 | 2Q 14 | 3Q 14 | 4Q 14

**May 2011**
US$400m Senior Notes issued due 2016

**Jul 2012**
MIEH acquired 51% interest in SGE for US$100m, unconventional gas projects in Ordos Basin, China (2C: 970Bcf; prospective: 1,799Bcf)

**Dec 2012**
Acquired PCR for US$39.6m after adjustment, producing oil assets in China (2P reserves of 2.5mmbbl)

**Apr 2014**
US$500m Senior Notes issued due 2019

**Nov 2014**
US$35m unsecured 1-year loan drewdown from DB(interest rate: LIBOR+3.5%)

**Nov 2014**
SGE started pilot production & pipeline sales of gas from LX & SJB (sales price: US$9.5/mcf)

**Nov 2014**
Emir-Oil started to construct the Central Processing Facility (CPF)

Financial Activities | Corporate Events

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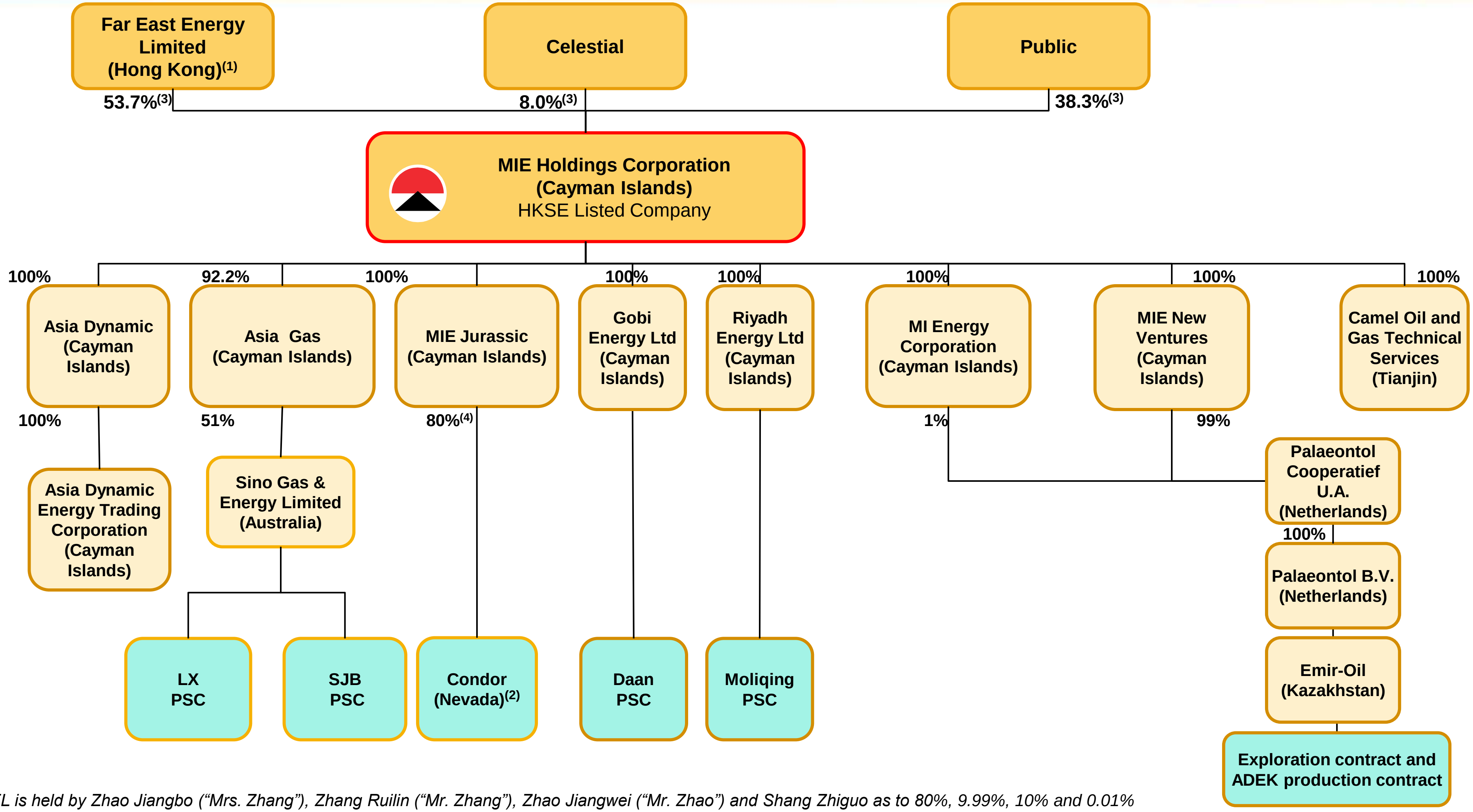
# Corporate and shareholding structure (31 Dec, 2014)




*(1) FEEL is held by Zhao Jiangbo ("Mrs. Zhang"), Zhang Ruilin ("Mr. Zhang"), Zhao Jiangwei ("Mr. Zhao") and Shang Zhiguo as to 80%, 9.99%, 10% and 0.01% respectively. FEEL holds 53.7% interests in MIEH through its wholly owned subsidiaries. Mr. Zhang, MIEH's executive director, chairman and chief executive officer, Mr. Zhao, MIEH's executive director and senior vice president and Mrs. Zhang are the controlling shareholders of FEEL*

*(2) Condor's working Interests in their assets vary from project to project and from well to well*

*(3) 17 mm shares had been repurchased and canceled by the Company in 2014*

*(4) Increased to 100% since 1st Jan, 2015*

MIE Holdings Corporation

# Strong cash flow supported by PSC structure

## Jilin assets oil allocation under PSCs

| | 2013 | 2014 |
|---|---|---|
| Net:Gross | 46%[2] | 47%[2] |

| | |
|---|---|
| **Production** | |
| **VAT** | 5% of the total gross production |
| **Royalty** | Calculated at progressive ad valorem rates, ranging from zero to 12.5% based on the annual production of individual project |
| **Operating Cost Recovery Oil** | Operating costs borne by foreign contractors[1] (i.e. MIE) in the range of 48% to 80% |
| **Pilot-test and Development Cost Recovery Oil** | 80% of production allocated to foreign contractors[1] (i.e. MIE) for the recovery of pilot-test and development costs, until ALL pilot-test and development costs incurred are recovered |
| **Profit-Sharing Oil** | Remaining oil production allocated 48% to foreign contractors[1] (i.e. MIE) |

**Oil produced is fully allocated to foreign contractors[1] (i.e. MIE) to recover ALL Opex and Capex, after which it is allocated 48% of oil production as profit-sharing oil**

(1) *Foreign contractors include MIE (90%) and GOC (10%)*

(2) *Net:Gross ratio calculated based on production volume*

MIE Holdings Corporation

# China Special Levy (Windfall Tax) Calculation

| | New Regime effective from 2015/1/1 | | | | Old Regime | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Oil Price | Threshold | Tax Rate | Windfall Tax | Effective Tax Rate | Threshold | Tax Rate | Windfall Tax | Effective Tax Rate | Saved Windfall Tax |
| 40 | 65 | 0% | -- | 0.00% | 55 | 0% | -- | 0.00% | -- |
| 45 | 65 | 0% | -- | 0.00% | 55 | 0% | -- | 0.00% | -- |
| 50 | 65 | 0% | -- | 0.00% | 55 | 0% | -- | 0.00% | -- |
| 55 | 65 | 0% | -- | 0.00% | 55 | 20% | -- | 0.00% | -- |
| 60 | 65 | 0% | -- | 0.00% | 55 | 20% | 1.00 | 1.67% | 1.00 |
| 65 | 65 | 20% | -- | 0.00% | 55 | 25% | 2.25 | 3.46% | 2.25 |
| 70 | 65 | 20% | 1.00 | 1.43% | 55 | 30% | 3.75 | 5.36% | 2.75 |
| 75 | 65 | 25% | 2.25 | 3.00% | 55 | 35% | 5.50 | 7.33% | 3.25 |
| 80 | 65 | 30% | 3.75 | 4.69% | 55 | 40% | 7.50 | 9.38% | 3.75 |
| 85 | 65 | 35% | 5.50 | 6.47% | 55 | 40% | 9.50 | 11.18% | 4.00 |
| 90 | 65 | 40% | 7.50 | 8.33% | 55 | 40% | 11.50 | 12.78% | 4.00 |
| 100 | 65 | 40% | 11.50 | 11.50% | 55 | 40% | 15.50 | 15.50% | 4.00 |
| 110 | 65 | 40% | 15.50 | 14.09% | 55 | 40% | 19.50 | 17.73% | 4.00 |
| 120 | 65 | 40% | 19.50 | 16.25% | 55 | 40% | 23.50 | 19.58% | 4.00 |
| 130 | 65 | 40% | 23.50 | 18.08% | 55 | 40% | 27.50 | 21.15% | 4.00 |
| 140 | 65 | 40% | 27.50 | 19.64% | 55 | 40% | 31.50 | 22.50% | 4.00 |
| 150 | 65 | 40% | 31.50 | 21.00% | 55 | 40% | 35.50 | 23.67% | 4.00 |

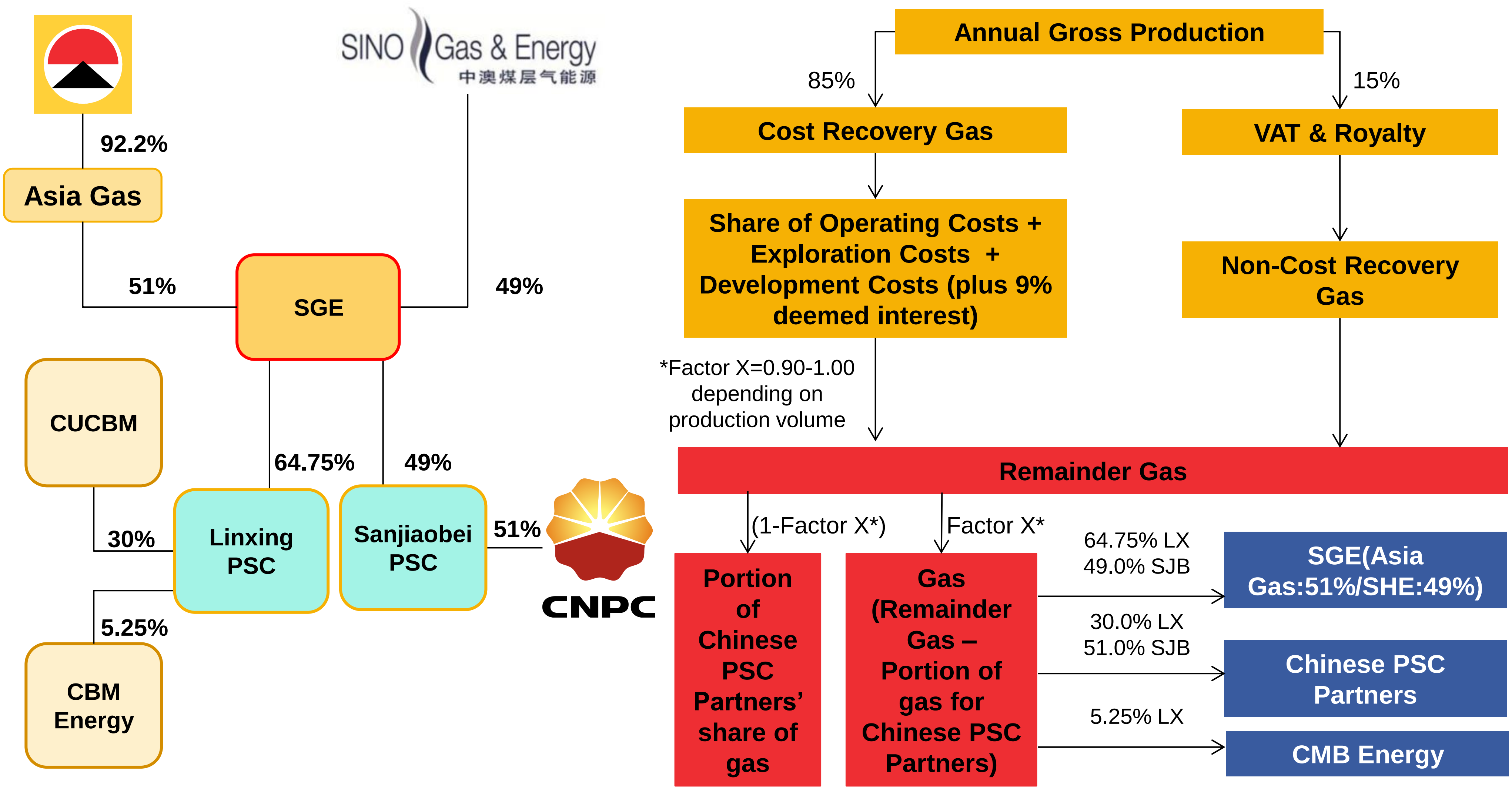
MIE Holdings Corporation

# Jilin assets - sales and marketing

| | |
|---|---|
| **Sole customer** | PetroChina has been MIE's sole customer. Selling to PetroChina is MIE's choice, not obligation<br><br>MIE believes PetroChina is the best customer given they make timely payments |
| **Process** | MIE transports all crude oil produced from oilfields through their pipelines or by truck to the delivery points designated by PetroChina |
| **Transportation and sales costs** | US$1.24 per barrel (RMB52 / ton) as stipulated in the sales contract |
| **Price of crude oil sold** | Determined each month according to the price of Daqing crude oil published in PlattsOilgram, for the previous month<br>The average sales prices per barrel of oil in 2010, 2011, 2012, 2013 and 2014 were US$78.0, US$110.0, US$113.5, US$104.3 and US$97.3 respectively |
| **Billing and payment** | All invoice is issued to PetroChina within 5 days after the end of each month, who pays MIE within 20 days of invoice<br><br>Invoice amount = Daqing crude oil price x volume of crude oil attributable to foreign contractors for the month |

**The sales agreement and PSC structure ensures that PetroChina purchases 100% of crude oil produced each year, with no volume restraint, subject to the approval of the production amounts by the joint management committee**

# SGE ownership & PSC structure



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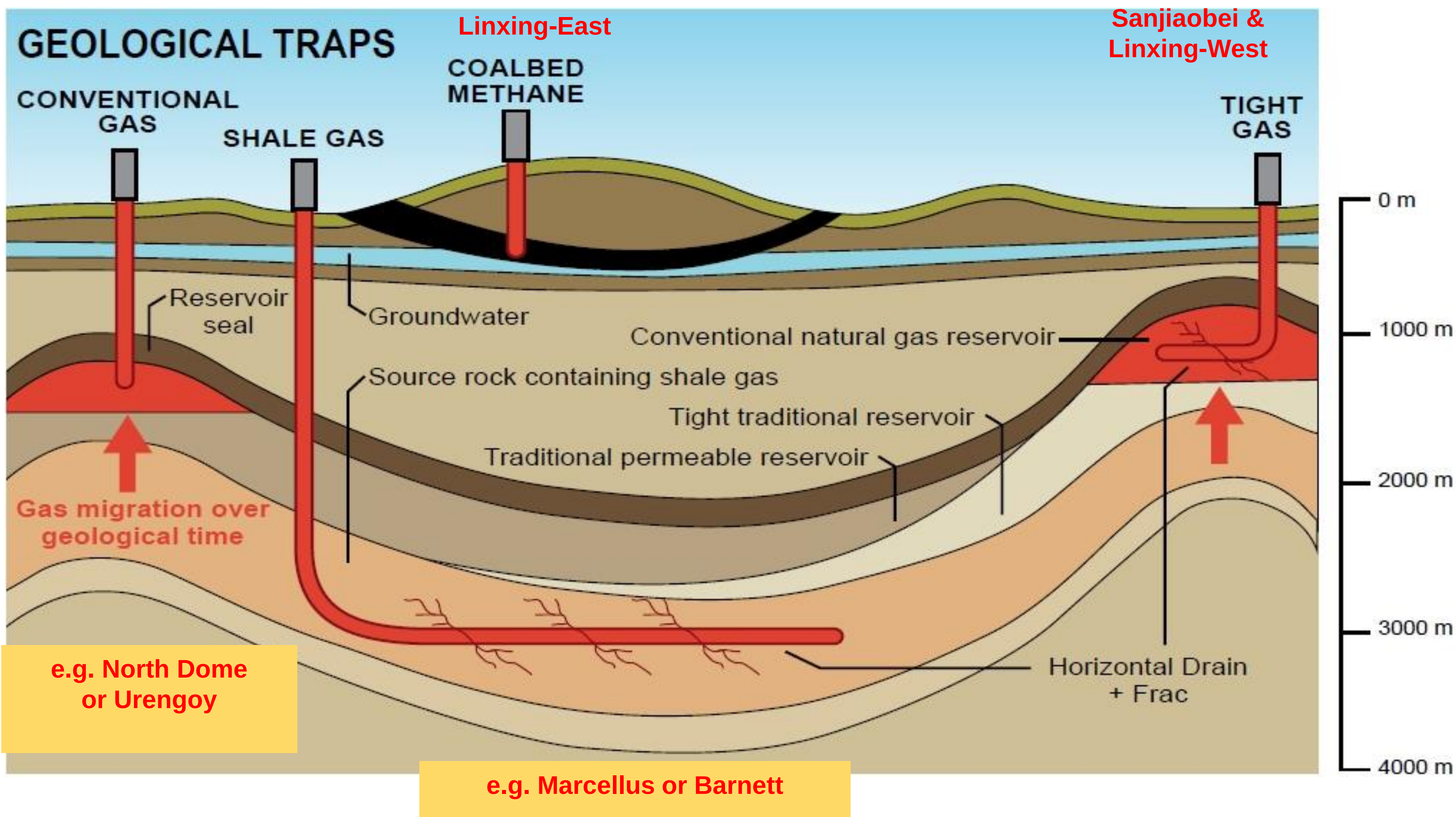
# China's favourable government policies and incentives for unconventional gas

| | |
|---|---|
| **Gas pricing Policies** | • NDRC implementing a pilot program to test a more market-based gas pricing system to replace the existing "cost-plus" system<br>• Unconventional gas will move toward import parity netback pricing<br>• On 10 July, 2013 NDRC raised non-residential natural gas price to RMB1.95/cm (c.US$8.90/Mcfg)<br>• On 12 Aug, 2014 NDRC further increased non-residential natural gas price to RMB2.47/cm (c. US$11.25/Mcfg)<br>• On 28 Feb, 2015 NDRC lowered non-residential natural gas price to RMB2.15/cm (c. US$9.78/Mcfg) to stimulated higher consumption demand |
| **Gas pipelines** | • China's natural gas pipelines are under-developed<br>Vast potential of commercializing unconventional gas is hindered by pipeline infrastructure obstacles<br>• Government has given priority to unconventional gas over conventional gas for pipelines connection |
| **Government Subsidies** | • Government subsidy of RMB0.40/cm for shale gas from 2012-2015(1)<br>• Government subsidy of RMB0.20/cm for CBM, which is expected to increase to RMB0.60/cm<br>• VAT Tax refund and accelerated depreciation |
| **Permits** | • Foreign companies have been allowed a majority stake in unconventional gas projects<br>• Overall Development Plans ("ODP") is a key milestone toward commercial production |
| **Environmental consideration** | • The 12th 5-yr plan aims to reduce 1) by 17% carbon dioxide emissions by 2015, and 2) the weighting of fossil energy, which signaling promotion of clean energy<br>• Non-conventional gas is considered an important energy source to tackle China's environmental concerns |

(1) based on relevant policies set by Chinese government

# Understanding SGE Gas Reservoirs



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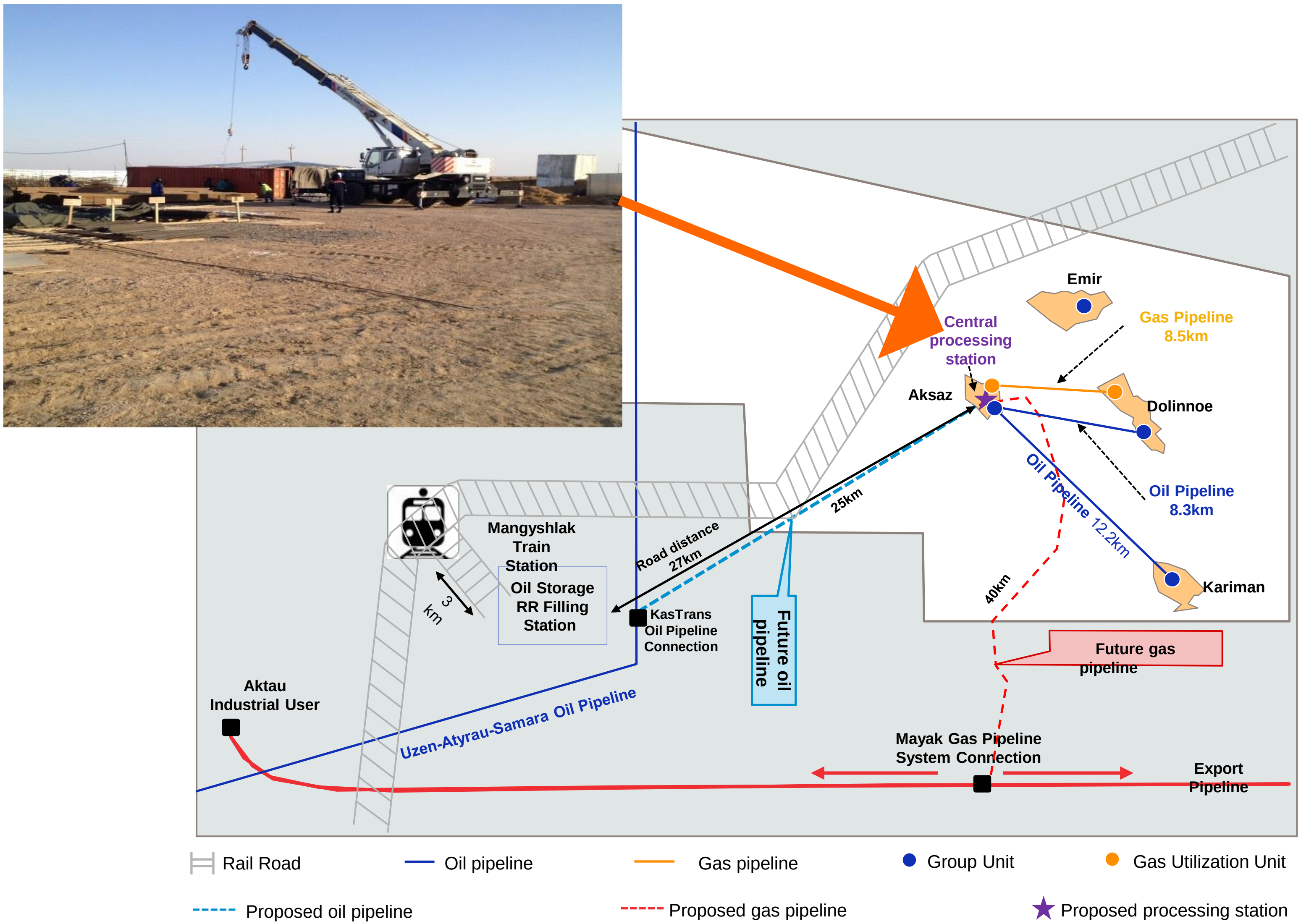
# Emir-Oil O&G marketing options

## Infrastructure Map




Note: The diagram is only a schematic diagram, not scaled in actual ratio

- Replace current rental facility, which has processing capacity:
  - 6480 BOPD
  - 5.25 mmcfgpd
- New oil and gas processing station
  - Processing capacity: oil 12,000bopd, gas 600,000m$^3$/d (21mmcfgpd)
  - FEED completed and the proposal had been approved by the government
  - Land rights already in place
  - Jan 2014: awarded China-listed Beijing Oil HBP the contract for skid-mounted oil and gas processing equipment
    - Signed in Feb 2014 and construction work has started
- New oil pipeline
  - Specification: length of 25km, diameter of 219mm
  - Transportation capacity: 2-4.5mmbbl p.a.(5,450-12,400BOPD)
  - Land rights already in place
  - Design underway
- New gas pipeline
  - Specification: length of 35km, diameter of 219mm
  - Transportation capacity: 300,000-600,000m$^3$/d(10.6-21.2 mmcfgpd)
  - Land rights agreement reached
  - Design underway
- The proposed facilities expected to be completed in 2016

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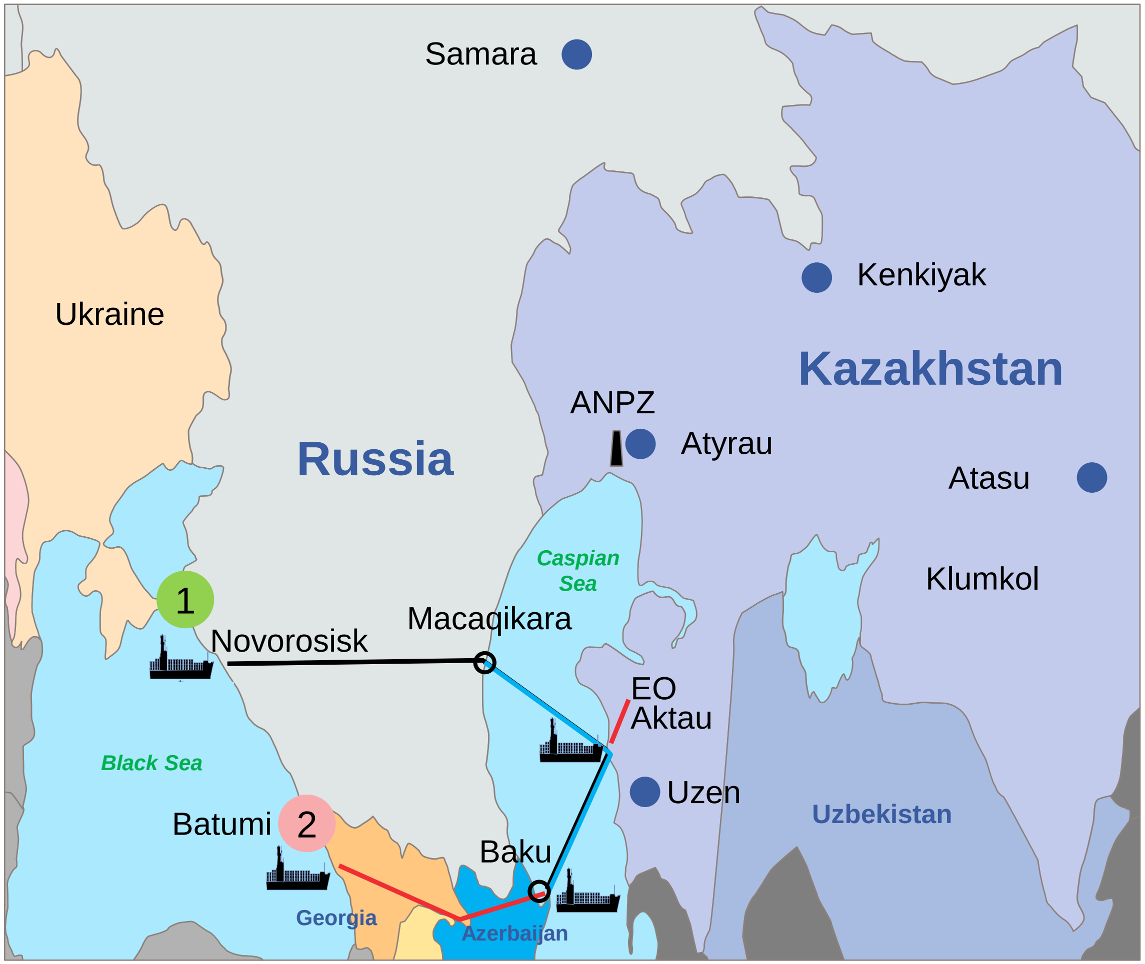
# Emir-Oil new sales route




1 **New route: Aktau - Makhachkala - Novorossik**

2 **Previous route: Aktau - Baku - Batumi**

Pipeline | Railway | Shipping

**Aktau Port**

Previous route → **Baku Port (Azerbaijan)** → **Batumi Port (Georgia)**

New route → **Makhachkala Port (Russia)** → **Novorossik Port (Russia)**

| **(US$/ton)** | **Previous route** | **New route** |
|---|---|---|
| Trcuks, railway and port fee (up to delivery to Aktau Port) | 36.3 | 36.3 |
| Insurance fee | 2.3 | 3.3 |
| Aktau-Makhachkala Freight Tariff | n.a. | 14.4 |
| Aktau-Baku-Batumi Freight Tariff | 61.5 | n.a. |
| Oil tankers related fees | 12.6 | 4.6 |
| Makhachkala-Novorossik Pipeline tariff and other related expenses | n.a. | 18.4 |
| **Total (Before Black Sea Freight)** | **112.8** | **76.9** |
| Sales discount | 7.1 | 9.5 |
| Black Sea Freight Tariff and related expenses | 17.3 | 9.4 |
| Finance expenses | 6.8 | 3.6 |
| Buyer commission | 1.5 | 1.4 |
| **Total cost/ton** | **145.4** | **100.8** |
| **Total cost/barrel**(1) | **19.4** | **14.0** |
| Brenchmark prices(2) | Brent | Urals (RCMB) |

(1) Conversion ratio between ton:barrel is 1:7.2 and 1:7.5 in new route and previous route, respectively

(2) Urals (RCMB) is usually lower than Brent, but sales related tax is also cheaper using Urals (RCMB). Netting all the differences, we expect to save US$2-3/bbl using the new route

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# Kazakhstan tax summary

| | |
|---|---|
| **Rent export tax** | Calculated based on the export sales price and ranges from as low as 0% if the export sales price is less than US$40 per barrel to as high as 32% if the export sales price per barrel exceeds US$190 |
| **Mineral extraction tax** | Depends on annual production output. The tax code currently provides for a 5% mineral extraction tax rate on production sold to the export market, and for domestic oil is calculated at 2.5% based on barrels of domestic oil multiplied by production cost per barrel multiplied by 120% |
| **Export duty** | In July 2010 the government issued a resolution that reenacted the export duty for several products, including crude oil. Emir Oil became subject to the export duty in September 2010. Effective in Apr 2013, the government of the Republic of Kazakhstan increased the fixed rate for the export duty from US$40 per ton to US$60 per ton. Effective in March 2014, the fixed rate for export duty further to US$80 per ton, or approximately US$10.53 per barrel exported |
| **Excess profit tax** | EPT is applicable as soon as the ratio of annual aggregate income to annual tax deductions exceeds a ratio of 1.25. Deductibles include costs and losses. EPT is structured to encourage operators to invest/develop in oil/gas fields. Emir Oil has never had to pay EPT |
| **Property tax** | Property tax is payable on oil and gas assets which have been granted a production license at a rate of 1.5% based on average balance of oil and gas properties |
| **Corporate income tax** | The Tax Code set the tax rate at 20%. Prior to 2009, corporate income tax rate was 30% |

MIE Holdings Corporation

# Kazakhstan tax summary (continued)

## 1. Export Duty 10.53 US$/bbl (US$80/ton effective Mar 2014)

## 2. Export Rent Tax

| Rate | 7% | 11% | 14% | 16% | 17% | 19% | 21% | 22% | 23% | 25% | 26% | 27% | 29% | 30% | 32% | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Oil Price | 40 | 50 | 60 | 70 | 80 | 90 | 100 | 110 | 120 | 130 | 140 | 150 | 160 | 170 | 190 | | |
| Oil Price | 50 | 60 | 70 | 80 | 90 | 100 | 110 | 120 | 130 | 140 | 150 | 160 | 170 | 180 | 500 | ERT | ERT % |
| 40 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | 0.0% |
| 50 | **3.50** | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | **3.50** | 7.0% |
| 60 | -- | **6.60** | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | **6.60** | 11.0% |
| 70 | -- | -- | **9.80** | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | **9.80** | 14.0% |
| 80 | -- | -- | -- | **12.80** | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | **12.80** | 16.0% |
| 90 | -- | -- | -- | -- | **15.30** | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | **15.30** | 17.0% |
| 100 | -- | -- | -- | -- | -- | **19.00** | -- | -- | -- | -- | -- | -- | -- | -- | -- | **19.00** | 19.0% |
| 110 | -- | -- | -- | -- | -- | -- | **23.10** | -- | -- | -- | -- | -- | -- | -- | -- | **23.10** | 21.0% |
| 120 | -- | -- | -- | -- | -- | -- | -- | **26.40** | -- | -- | -- | -- | -- | -- | -- | **26.40** | 22.0% |
| 130 | -- | -- | -- | -- | -- | -- | -- | -- | **29.90** | -- | -- | -- | -- | -- | -- | **29.90** | 23.0% |
| 140 | -- | -- | -- | -- | -- | -- | -- | -- | -- | **35.00** | -- | -- | -- | -- | -- | **35.00** | 25.0% |
| 150 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | **39.00** | -- | -- | -- | -- | **39.00** | 26.0% |
| 160 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | **43.20** | -- | -- | -- | **43.20** | 27.0% |
| 170 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | **49.30** | -- | -- | **49.30** | 29.0% |
| 180 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | **54.00** | -- | **54.00** | 30.0% |
| 190 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | **60.80** | **60.80** | 32.0% |
| 200 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | **64.00** | **64.00** | 32.0% |

## 3. Mineral Extraction Tax (Export Oil)

| Rate | | **5.0%** | **7.0%** | **8.0%** | **9.0%** | **10.0%** | **11.0%** | **12.0%** | **13.0%** | **15.0%** | **18.0%** |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Production | (thsd tons) | - | 250 | 500 | 1,000 | 2,000 | 3,000 | 4,000 | 5,000 | 7,000 | 10,000 |
| Production | (thsd tons) | 250 | 500 | 1,000 | 2,000 | 3,000 | 4,000 | 5,000 | 7,000 | 10,000 | |