MIE HOLDINGS CORPORATION
MI 能 源 控 股 有 限 公 司
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 1555)

ANNOUNCEMENT
FIRST QUARTER 2016 BUSINESS UPDATE

This announcement is made by MIE Holdings Corporation (the "Company", together with the subsidiaries, the "Group") on a voluntary basis. The Company hereby provides its operation update for the first quarter 2016 ("Current Period" or "1Q2016") to its shareholders and potential investors.

SUMMARY

Our 1Q2016 operational performance reflects the FY2016 business plan and budget set forth and approved by the Board at the beginning of the year. Given the ongoing slump of global crude oil prices, the Group continues to focus on prudent control of operating costs and capital expenditures. Consistent with this approach, no new drilling was done in the China oil projects or Kazakhstan during 1Q2016, and consequently, as compared to 1Q2015, the Group's 1Q2016 average daily operated and net oil and gas production decreased by 8.6% and 7.0% respectively. The Group's average daily net oil production was 9,618 BOPD, which is within the 2016 annual guidance range, but down 9.8% compared to 1Q2015 due primarily to natural decline rate as no new development wells were drilled since 2H2014. Before we observed the recent rally in 2Q2016, the Group's average realized oil price was US$28.00/bbl, representing a decrease of 40.1% versus 1Q2015. The Group's average daily net gas production was 9,140 MSCF/day, which is below the 2016 annual guidance range, but up 15.9% compared to 1Q2015. The Group's average realized gas price (excluding SGE) was US$0.79/MSCF, representing a decrease of 29.2%. The following table provides an overview of the Group's key operational metrics for the Current Period. Additional details about the Group's operating results by segment can be found in the table at the end of this announcement.

	1Q2016	1Q2015	% Change	2016 Guidance
Average Daily Operated Production (barrels of oil equivalent/day)[1,2]	20,536	22,462	(8.6)%	
Average Daily Net Production (barrels of oil equivalent/day)[1,4]	11,141	11,977	(7.0)%	
Average Daily Net Oil Production (barrels/day)	9,618	10,662	(9.8)%	9,240–10,540
Average Daily Net Gas production (Mcf/day)[4]	9,140	7,889	15.9%	11,100–12,100
Average realized oil price (USD/barrel)	28.00	46.73	(40.1)%	
Average realized gas price (USD/Mcf)	0.79	1.12	(29.2)%	
Total Wells Drilled	2	—	—	23

Notes:

(1) For reference purpose only, barrels of oil equivalent is calculated using the conversion factor of 6 Mscf of natural gas being equivalent to one barrel of oil

(2) Operated Production means total production from all assets operated by the Group

(3) Net Production means entitled production from all assets operated by the Group

(4) Gas production and guidance figures do not include Sanjiaobei

CHINA OPERATIONS

Oil Projects (Jilin Province: Daan and Moliqing)

During 1Q2016, total gross operated production for our two China oil projects, Daan and Moliqing, decreased 12.8% to 14,933 BOPD, as compared to 1Q2015. Total net production allocated to the Group decreased by 12.9% to 6,160 BOPD, as a result of the strategic scale back of Capex and accordingly, no wells were drilled for the China oil projects in 1Q2016.

In line with the decline in global crude oil prices, as Brent and Daqing bottomed to approximately US$28/bbl and US$20/bbl respectively in January, the average realized oil price (i.e. Daqing oil price FOB at Dalian port) for our China oil projects decreased by 45.6% to US$26.71/bbl in 1Q2016 from US$49.09/bbl in 1Q2015.

Gas Projects (Shanxi Province: Linxing and Sanjiaobei)

During 1Q2016, total gross operated production for Sino Gas and Energy Limited (“SGE”) increased by 78.7% to 6,858 MSCF/day, as compared to 1Q2015. Total net production allocated to the Group (excluding Sanjiaobei production) increased by 139.2% to 3,230 MSCF/day. This net production allocation is below the 2016 annual guidance of 5,000 MSCF/day, but this is expected early in the year as production will increase when new wells are brought on production through the rest of the year.

For FY2016, a 21 well drilling campaign has been approved including 18 wells in Linxing and 3 wells in Sanjiaobei respectively. During 1Q2016, four wells were spudded in Linxing and two of these wells, LXDG-09 and LXDG-12, had completed drilling by the end of the quarter.

Particularly noteworthy well test results were achieved at Linxing East well LXDG-08, which had the highest well test rate ever for a vertical well in the SGE project. The LXDG-08 well tested at a rate of 2.7 MMSCF/day from a single un-fracked reservoir zone, and the well is interpreted to have the potential to produce over 3 MMSCF/day at standard operating pressures.

During 1Q2016, SGE received US$10 million for pilot gas sold from the Linxing PSC from December 2014 to late February 2016. Future gas sales receipts will be received monthly. Leveraging on the successful resolution of pilot gas sales allocation with CUCBM for Linxing PSC, progress is being made on discussions with our PSC partner PCCBM regarding the final pilot gas sales allocation for Sanjiaobei PSC.

On 26 April 2016, the Company entered into a sale and purchase agreement with China New Energy Mining Limited for the sale of its 100% stake in Asia Gas & Energy Ltd ("Asia Gas") and the assignment and transfer of Asia Gas shareholder's loans, at a total consideration of US$220 million (before adjustment) and US$60,000 per month for the period after 31 December 2015 until the completion date. The Company is currently preparing its circular for submission to the Stock Exchange of Hong Kong Limited for their vetting and its extraordinary general meeting ("EGM") will be convened thereafter, where no shareholders are required to abstain from voting. The long-stop date of the transaction is 120th day after the signing date and upon completion, the Group is expected to record an unaudited gain of approximately US$62 million from the disposal.

KAZAKHSTAN OPERATIONS (EMIR-OIL)

In this continuing period of low oil prices, Emir-Oil maintains a two-part strategy to: (1) drill no new development wells; and (2) shut-in existing wells characterized by relatively high operating cost and low productivity. As a result, during 1Q2016, average daily oil production for Emir-Oil decreased to 3,408 BOPD, which is down 3.1% as compared to 1Q2015, and slightly below the 2016 annual guidance range of 3,600~4,200 BOPD. The average gas production of Emir-oil decreased 8.9% to 5,843 MSCF/day during Current Period, which is also below the 2016 annual guidance of 6,000–7,000MSCF/day.

As of 31 March 2016, Emir-Oil operated a total of 50 wells, of which 15 wells were producing, these being Emir-Oil's most efficient and cost-effective wells, and no new development wells were drilled in 1Q2016. The two exploration wells planned for 2016 are expected to commence drilling in the second half of the year.

Under the new sales agreement with our Kazakhstan export oil marketing company, Euro-Asian Oil SA, the benchmark price for Emir-Oil's export sales is now Brent (ICE) and the commission is around US$8/bbl. Under the previous agreement, the benchmark price was Urals (RCMB) and commission payable was around US$5/barrel. The increase in commission is expected to be offset by the expected decrease in distribution expenses. As such, an overall net gain of approximately US$2-3/barrel is expected to be enjoyed from this new sales agreement with Euro-Asian Oil in FY2016, as compared to the previous export sales agreement. Average realized oil price for Emir-Oil was US$29.90/barrel in 1Q2016 with export sales comprising 100% of total sales volumes. Average realized gas price was US$0.75/MSCF for 1Q2016, a decrease of 31.6% compared to US$1.10/MSCF for 1Q2015.

On 5 March 2016, the Company entered into a sale and purchase agreement with Reach Energy Berhad ("REB") for the sale of 60% stake in Palaeontol B.V. (holding company of Emir-Oil) and the assignment and transfer of 60% of shareholder's loans in Palaeontol B.V. from the Company, at a total cash consideration of US$154.9 million (subject to adjustments), based on the total enterprise value (100%) of US$308 million. The Company has submitted its circular to the Stock Exchange of Hong Kong Limited for their vetting and EGM will be convened thereafter where no shareholders are required to abstain from voting. Meanwhile, REB is also preparing its shareholders circular and expects to submit its draft circular to Securities Commission Malaysia before the end of May. The long-stop date of the transaction is six months after the signing date and upon completion, the Group is expected to record an unaudited loss of approximately US$83.8 million from the disposal.

USA OPERATIONS (CONDOR)

There were no drilling activities during 1Q2016 in the US. The Group's subsidiary, Condor Energy Technology LLC, operates 5 horizontal wells in the Niobrara project. For 1Q2016, the average daily net oil and gas production was 49 BOPD and 68 MSCF/day, respectively, and average realized oil and gas price was US$29.14/bbl and US$1.39/MSCF, respectively.

OTHER MATTERS

In April 2016, the Company entered into two 4-way extendible hedge structure contracts with Citibank at zero-premium in respect of total 100,000bbl/month for the period from May–December 2016 (with extendible options by Citibank from Jan–Jun 2017). The put-spread for the hedges were US$30 and US$40/bbl, while the call-spread were approximately US$58 and US$68/bbl.

GENERAL MATTERS

Shareholders and potential investors of the Company should note that the Company prepared the summary preliminary operating and production price data based on the most current information available to management. Some numbers in the above mentioned updates may be subject to final review and audit adjustments and inconsistent with the final results. Shareholders and potential investors of the Company should exercise caution when dealing in the equities of the Company.

Appendix: Operational data comparison between 1Q2016 and 1Q2015

Items	1Q2016	1Q2015	Increased/ (decreased)	Increased/ (decreased) %	2016 Guidance
1. Crude Oil: Production & Realized Price					
1.1. Average daily operated production (barrels/day)	**18,405**	**20,728**	**(2,323)**	**(11.2%)**	
China oilfields (Daan/Moliqing)	14,933	17,119	(2,187)	(12.8%)	
Kazakhstan (Emir-Oil)	3,408	3,518	(109)	(3.1%)	
US (Condor)	64	91	(27)	(29.4%)	
1.2. Average daily net production (barrels/day)	**9,618**	**10,662**	**(1,044)**	**(9.8%)**	**9,240–10,540**
China oilfields (Daan/Moliqing)	6,160	7,075	(914)	(12.9%)	5,600–6,300
Kazakhstan (Emir-Oil)	3,408	3,518	(109)	(3.1%)	3,600–4,200
US (Condor)	49	69	(20)	(28.9%)	40
1.3. Average realized price (US$/bbl)	**28.00**	**46.73**	**(18.73)**	**(40.1%)**	
China oilfields (Daan/Moliqing)	26.71	49.09	(22.38)	(45.6%)	
Kazakhstan (Emir-Oil)	29.90	33.71	(3.80)	(11.3%)	
US (Condor)	29.14	36.14	(7.00)	(19.4%)	
2. Natural Gas: Production & Realized Price					
2.1. Average daily operated production (MSCF/day)	**12,785**	**10,407**	**2,378**	**22.8%**	
China, Shanxi (Linxing/ Sanjiaobei)	6,858	3,837	3,021	78.7%	
Kazakhstan (Emir-Oil)	5,843	6,412	(570)	(8.9%)	
US (Condor)	84	158	(74)	(46.6%)	
2.2. Average daily net production (MSCF/day)	**9,140**	**7,889**	**1,251**	**15.9%**	**11,100–12,100**
China, Shanxi (Linxing/ Sanjiaobei)[1]	3,230	1,350	1,880	139.2%	5,000
Kazakhstan (Emir-Oil)	5,843	6,412	(570)	(8.9%)	6,000–7,000
US (Condor)	68	127	(59)	(46.5%)	100
2.3. Average realized price (US$/MSCF)	**0.79**	**1.12**	**(0.33)**	**(29.2%)**	
China, Shanxi (Linxing/ Sanjiaobei)	—	—	—	—	
Kazakhstan (Emir-Oil)	0.75	1.10	(0.35)	(31.6%)	
US (Condor)	1.39	3.12	(1.73)	(55.5%)	

Items	1Q2016	1Q2015	Increased/ (decreased)	Increased/ (decreased) %	2016 Guidance
3. Total wells drilled	**2**	**—**	**—**	**—**	**23**
China oilfields (Daan/Moliqing)	—	—	—	—	—
China, Shanxi (Linxing/ Sanjiaobei)	2	—	2	—	21
Kazakhstan (Emir-Oil)	—	—	—	—	2
US (Condor)	—	—	—	—	—

[1] *Excludes Sanjiaobei production*

By Order of the Board of
MIE Holdings Corporation
Mr. Zhang Ruilin
Chairman

Hong Kong, 9 May 2016

As at the date of this announcement, the Board comprises (1) the executive Directors namely Mr. Zhang Ruilin, Mr. Zhao Jiangwei, Mr. Andrew Sherwood Harper, Mr. Tao Tak Yin Dexter and Mr. Tian Hongtao; (2) the non-executive Director namely Ms. Xie Na; and (3) the independent non-executive Directors namely Mr. Mei Jianping, Mr. Jeffrey W. Miller and Mr. Guo Yanjun.