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## **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 2014 OPERATIONS 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 2014 first quarter (“Current Period” or “1Q2014”) operations update to its shareholders and potential investors.

### **SUMMARY**

Our 1Q2014 operational performance is on track with the full year guidance in respect of the Group’s overall drilling and production. During the Current Period, the continued ramp up in production from Emir-Oil in Kazakhstan underpinned the increase in the Group’s daily net oil and gas production by 17.1% and 20.6% respectively, as compared to the same period in 2013.

Meanwhile, 56 gross wells were drilled during 1Q2014, compared with 44 during same period in 2013. Work on the new Central Processing Facility (“CPF”) for Emir-Oil is progressing and remains on schedule for the CPF to be operational by June 2015. Our Sino Gas project (“SGE”) in Shanxi Province, China has also made good progress on the 2014 work program, including seismic, drilling and well-testing. These Current Period operational results all demonstrate that we are on target to achieve the planned results in 2014.

The following table provides an overview of the Group's key operational metrics for 1Q2014. Additional details of our operating results by segment are provided in the table at the end of this announcement.

	<b>1Q2014</b>	<b>1Q2013</b>	<b>% Change</b>	<b>2014 Guidance</b>
Average Daily Operated Production (barrels of oil equivalent/day)	27,407	26,647	2.9%	
Average Daily Net Production (barrels of oil equivalent/day)	16,728	14,259	17.3%	
Average Daily Net Oil Production (barrels/day)	15,647	13,364	17.1%	15,300–16,300
Average Daily Net Gas production (Mcf/day)	6,480	5,373	20.6%	6,400–7,400
Average realized oil price (USD/barrel)	94.36	103.59	(8.9%)	
Average realized gas price (USD/Mcf)	1.41	1.68	(16.0%)	
Total Wells Drilled	56	44	27.3%	232

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) Gross production includes production from all assets operated by the Company.
- (3) Net production includes entitlement from all assets operated by the Company.

## **CHINA OPERATIONS**

### **Oil Projects (Jilin Province: Daan, Moliqing, Miao 3; Hebei Province: Kongnan)**

During the Current Period, the gross operated production for our four China oil projects, namely Daan, Moliqing, Miao 3 and Kongnan decreased by 6.7% to 20,646 BOPD, as compared to the same period in 2013; however, total net production allocated to the Group increased by 1.9% to 10,034 BOPD, which was in line with the annual guidance of 10,000~10,500 BOPD previously provided.

A total of 51 wells were drilled in 1Q2014 for the Daan, Moliqing and Miao 3 projects in Jilin province, China. Yet, 38 of these new wells were drilled during March, with only 25 of them having started production by March 31, 2014. Accordingly, these new wells are expected to have more material contribution to production after 1Q2014. Nevertheless, as a result of the strategic scale back in drilling capex during 2013, production contributed by the fewer wells drilled in 2013 accounted for the drop in average daily operated oil production by 8.5% to 18,822 BOPD at our Daan, Moliqing and Miao 3 projects, whilst total net production attributed to the Group only decreased slightly by 3.1% to 8,787 BOPD during Current Period.

During 1Q2014 we continued testing our new network fracturing or “Big Frac” technique on new wells in the Daan Field. We applied the Big Frac technique in 5 new Daan wells, and the early results are encouraging, with higher initial production rates in comparison to nearby wells completed using our historically traditional techniques.

During 1Q2014, 3 wells were drilled in the Kongnan project, which completes the entire drilling plan for 2014. Compared with same period in 2013, the average daily operated and net oil production for Kongnan project increased by 17.7% and 59.2% to 1,824 BOPD and 1,247 BOPD, respectively.

The average realized oil price (i.e. Daqing oil price FOB at Dalian port) for our Jilin province projects decreased by 8.3% to US\$103.89/bbl, comparing first quarter of 2014 to 2013. Average realized CINTA oil price for Kongnan Project slightly decreased by 3.6% to US\$104.93/barrel in the Current Period.

### **Gas Projects (Shanxi Province Linxing and Sanjiaobei)**

The extensive drilling and seismic program in 2013 significantly enhanced the reserve, resource and value of the Linxing and Sanjiaobei projects. Following on the achievements carried forward from 2013, our joint venture investment SGE will carry out a more intensive drilling schedule in 2014, with up to 59 wells to be drilled on the two PSCs, which would double the total well counts of 58 operated by SGE as at the yearend 2013. For 1Q2014, 7 new wells were spud in the Linxing and Sanjiaobei projects, and fracturing and flow testing was conducted on 6 wells. Also, approximately 286 km of seismic was acquired, which completes the seismic data acquisition for the purpose of preparing the China Reserve Reports (CRR) for both projects. We are now waiting the final approval of the CRR for the Linxing East block, and our work continues on CRRs for Sanjiaobei (targeting submission 3Q2014) and Linxing West (targeting submission 4Q2014).

On the pilot gas sales front, both the Linxing and Sanjiaobei projects are preparing for the start of pipeline sales of gas in the second half this year, with good progress made on engineering design of facilities, equipment orders and construction bidding for the gas processing station.

### **KAZAKHSTAN OPERATIONS (EMIR-OIL)**

The strong momentum for Emir-Oil’s production continued in 1Q2014, with average daily oil production increased by 62.5% from 3,375 BOPD in 1Q2013 to 5,485 BOPD in 1Q2014.

The overall average realized oil price for Emir-Oil was US\$75.92/barrel for 1Q2014. The average realized export price (after deducting export sales and marketing commission of US\$22.75/barrel) was US\$85.08/barrel, whilst the average realized domestic oil price was US\$38.94/barrel, compared to US\$84.41/barrel (export) and US\$38.63/barrel (domestic) realized for 1Q2013. Despite the mild increase in both realized export and domestic sales price in 1Q2014, the lower overall average realized oil price for Emir-Oil was due to the lower export:domestic sales mix (80:20 for 1Q2014, compared to 91:9 for 1Q2013).

The average gas production of Emir-oil was 6,138 Mcf/day during Current Period, representing an increase of 21.0% compared to 5,071 Mcf/day for the same period of 2013. Average realized gas price was US\$1.19/Mcf for 1Q2014, a decrease of 12.7% compared to US\$1.36/Mcf for 1Q2013.

As of March 31, 2014, Emir-Oil operated a total of 41 wells, of which 25 wells were producing and 14 wells were shut-in, or to be repaired. Also, 2 new wells were awaiting to be put into production. In 1Q2014, 2 new wells were drilled by Emir-Oil, including 1 development well and 1 exploration well.

Regarding the extension of the exploration contract, Emir-Oil has submitted its formal application to the Ministry of Oil and Gas (“MOG”). On the Central Processing Facility (“CPF”), final approval from the Kazakhstan government in respect of the commencement of the construction is expected to be received in 2Q2014. In the meantime, other preparatory work continues including the design of skid-mounted facilities, other surface facilities, the new oil pipeline (25 km) and gas pipeline (40 km), with a goal of having the new CPF and pipelines operational by June 2015.

#### **USA OPERATIONS (CONDOR)**

There were no drilling activities during 1Q2014 in US and currently the Group operates 5 horizontal wells in the Niobrara project through our subsidiary, Condor. The average daily net oil and gas production was 128 BOPD and 342 Mcf/day respectively, and average realized oil and gas price was US\$83.93/barrel and US\$6.48/Mcf, respectively during the Current Period.

#### **GENERAL MATTERS**

Shareholders and potential investors of the shares 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 audit adjustments and inconsistent with the final results. Shareholders and potential investors of the Company should exercise caution when dealing in the shares of the Company.

**Appendix: Operation data comparison between 1Q2014 and 1Q2013**

Items	1Q2014	1Q2013	Increased/ (decreased)	Increased/ (decreased) %	2014 Guidance
<b>1. Crude Oil: Production &amp; Realized Price</b>					
<b>1.1. Average daily operated production (barrels)</b>	<b>26,309</b>	<b>25,722</b>	<b>587</b>	<b>2.3%</b>	
China Oil Projects (Daan/Moliqing/ Miao 3/Kongnan)	20,646	22,124	(1,478)	(6.7%)	
Kazakhstan (Emir-Oil)	5,485	3,375	2,110	62.5%	
US (Condor)	178	223	(45)	(20.1%)	
<b>1.2. Average daily net production (barrels)</b>	<b>15,647</b>	<b>13,364</b>	<b>2,284</b>	<b>17.1%</b>	<b>15,300–16,300</b>
China Oil Projects (Daan/Moliqing/ Miao 3/Kongnan)	10,034	9,850	185	1.9%	10,000–10,500
Kazakhstan (Emir-Oil)	5,485	3,375	2,110	62.5%	5,200–5,600
US (Condor)	128	139	(11)	(7.9%)	100–200
<b>1.3. Average realized price (US\$/bbl)</b>	<b>94.36</b>	<b>103.59</b>	<b>(9.23)</b>	<b>(8.9%)</b>	
China Oil Projects (Daan/Moliqing/ Miao 3/Kongnan)	104.02	112.89	(8.87)	(7.9%)	
Kazakhstan (Emir-Oil)	75.92	80.51	(4.59)	(5.7%)	
US (Condor)	83.93	93.99	(10.06)	(10.7%)	
<b>2. Natural Gas: Production &amp; Realized Price</b>					
<b>2.1. Average daily operated production (MCF)</b>	<b>6,586</b>	<b>5,553</b>	<b>1,034</b>	<b>18.6%</b>	
China Gas Projects (Lixin/Sanjaobei)	—	—	—		
Kazakhstan (Emir-Oil)	6,138	5,071	1,067	21.0%	
US (Condor)	448	482	(33)	(6.9%)	
<b>2.2. Average daily net production (MCF)</b>	<b>6,480</b>	<b>5,373</b>	<b>1,107</b>	<b>20.6%</b>	<b>6,400–7,400</b>
China Gas Projects (Lixin/Sanjaobei)	—	—	—		1,000–1,500
Kazakhstan (Emir-Oil)	6,138	5,071	1,067	21.0%	5,000–5,400
US (Condor)	342	301	40	13.4%	400–500

Items	1Q2014	1Q2013	Increased/ (decreased)	Increased/ (decreased) %	2014 Guidance
<b>2.3. Average realized price (US\$/MCF)</b>	<b>1.41</b>	<b>1.68</b>	<b>(0.27)</b>	<b>(16.0%)</b>	
China Gas Projects (Lixin/Sanjaobei)	—	—	—		
Kazakhstan (Emir-Oil)	1.19	1.36	(0.17)	(12.7%)	
US (Condor)	6.48	8.94	(2.46)	(27.5%)	
<b>3. Total wells drilled</b>	<b>56</b>	<b>44</b>	<b>12</b>	<b>27.3%</b>	<b>232</b>
China Oil Projects (Daan/Moliqing/ Miao 3/Kongnan)	54	37	17	45.9%	163
China Gas Projects (Lixin/Sanjaobei)	—	4	(4)		59
Kazakhstan (Emir-Oil)	2	3	(1)	(33.3%)	8
US (Condor)	—	—	—		2

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

Hong Kong, 9 May, 2014

*As at the date of this announcement, the Board comprises (1) the executive Directors namely Mr. Zhang Ruilin, Mr. Zhao Jiangwei, Mr. Tao Tak Yin Dexter and Mr. Andrew Harper; (2) the non-executive Director namely Mr. Wang Sing (Mr. Hung Leung is alternate to Mr. Wang Sing); and (3) the independent non-executive Directors namely Mr. Mei Jianping, Mr. Jeffrey W. Miller and Mr. Cai Rucheng.*