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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 HALF YEAR 2013 BUSINESS UPDATE**

This announcement is made by the Company on a voluntary basis. The Company hereby provides its 2013 first half year (“1H2013”) operations update to its shareholders and potential investors.

#### **SUMMARY**

The operation performance of the Group for 1H2013 has progressed well and on track in meeting our targets established at the beginning of the year. Thanks to the increased production from Emir-Oil in Kazakhstan and the Kongnan project in Tianjin, China, the average daily operated oil and gas production for 1H2013 increased by 16.7% to 26,926 barrels of oil equivalent per day, as compared to the same period in 2012. The average daily net oil and gas production increased by 7.4% to 15,183 barrels of oil equivalent per day, which is in line with the guidance as published per our 2012 annual report. The following table provides an overview of the Company’s key operation metrics and product prices for the 1H2013. Additional details about the Company’s operating results by area are provided in the table at the end of this announcement.

	<b>1H2013</b>	<b>1H2012</b>	<b>% Change</b>	<b>2013 Guidance</b>
Average Daily Operated Production (barrels of oil equivalent/day)	26,926	23,078	16.7%	
Average Daily Net Production (barrels of oil equivalent/day)	15,183	14,140	7.4%	
Average Daily Net Oil Production (barrels/day)	14,334	13,369	7.2%	14,300~15,400
Average Daily Net Gas production (Mscf/day)	5,096	4,624	10.2%	4,300~5,100
Average realized oil price (USD/barrel)	99.17	114.61	(13.5%)	
Average realized gas price (USD/Mscf)	1.43	1.15	24.3%	
Total Wells Drilled	109	253	(56.9%)	

*Notes:*

- (1) For reference purposes 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 (excludes production from non-operated Eagle Ford Shale asset held by White Hawk);
- (3) Net production includes entitlement from all assets operated by the Company (excludes the entitlement from non-operated Eagle Ford Shale asset held by White Hawk).

## **CHINA OPERATIONS**

### **Jilin Province (Daan, Moliqing and Miao 3)**

During 1H2013, gross oil production from Daan, Moliqing and Miao 3 oilfields in Jilin Province, Northeast China increased by 3.1% to 20,829 barrels per day (“BOPD”). Such production level has exceeded our internal expectations thanks to the strong performance of old wells (wells put into production before 2013) in these three projects. The net production attributed to the Company decreased by 12.7% to 9,823 BOPD compared to 1H2012 due to our scale back in capital expenditures in accordance with our 2013 budget. In particular, whilst 88 wells (including 2 horizontal wells) were drilled during 1H2013 (1H2012: 248 new wells drilled), our cost recovery oil from this region was lowered to about US\$61.08 million (1H2012: US\$148 million). That being said, the decrease in cost recovery oil in 1H2013 was partially offset by the increase in profit oil to approximately US\$110 million (1H2012: US\$73.90 million), translating into stronger free cash flow and EBITDA which can be utilized for the other assets’ development within the Group. Overall, our average daily net production for Northeast China projects is 9,823 barrels for 1H2013 approximates the top end of our 2013 guidance.

Since Daqing crude oil is a very physically settled spot market, we believe the Daqing oil price drop for 1H2013 was mainly due to the slowdown of the Chinese economy growth, higher domestic oil inventory and decrease in refinery demand. The average realized oil price (ie Daqing oil price FOB at Dalian port) for our Northeast China projects accordingly decreased by about US\$14.15/barrel to US\$105.46/barrel, compared to the peak Daqing oil price of US\$130.81 in 1H2012. Our management believes, however, that this is a temporary drop in Daqing oil price demand as consumption in China remains strong in the medium to longer term.

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

The National Development and Reform Commission (“NDRC”) issued a notice regarding adjustments to the natural gas price on June 28, 2013. In the near term, the tariff for commercial natural gas is raised with a ceiling tariff being established; in the longer term, this shall promote the transparency of the natural gas market regime in China, thereby encouraging investors to exploit and participate in the Chinese natural gas resources development.

In June 2013, Sino Gas & Energy Limited (“SGE”), our jointly controlled entity, entered into a pilot gas sales agreement (“Sales Agreement”) with China United Coalbed Methane Corporation Limited (“CUCBM”). Under this Sales Agreement, gas sales may commence as early as December 2013 with an initial price of approximately US\$7/Mcf. This Sales Agreement marks significant milestone to realize the underlying value for the Linxing project. In parallel, the preparation for the pilot test production plan for the Sanjiaobei project was also commenced.

Overall, SGE has drilled total of 13 vertical wells for 1H2013, bringing our total wells drilled under these two PSC projects to 40 as of June 30, 2013. In addition, SGE completed the fracture stimulation of 10 vertical wells. On the China Reserve Report (“CRR”) front, SGE is also on track to commence the CRR preparation for Sanjiaobei in 2Q2013, whilst the CRR for partial of Linxing East shall be finalized in 3Q2013.

### **Tianjin City (Kongnan)**

During 1H2013, the average daily operated production and the average net production attributed to the Group was 1,563 BOPD and 931 BOPD respectively; average realized CINTA oil price was US\$106.94/barrel. Two wells were successfully drilled and put into production in accordance with our original budget. To further exploit the upside potential of this asset, we are looking to drill few additional wells for 2H2013. We anticipate that drilling activities for Kongnan project will be completed by 3Q2013 and such new wells being put into production to contribute additional revenue and cashflow to the Group.

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

The average daily oil production for Emir-Oil increased by 63.6% from 2,112 BOPD in 1H2012 to 3,454 BOPD in 1H2013. Such 1H2013 oil production level was below the low-end of our 2013 guidance of range of 3,800 BOPD to 4,400 BOPD. This was mainly due to the lower demand (limited to 3.9–4.5 MMscf gas per day) from our local gas buyer in Aktau City during the production of oil. Since associated gas can be flared within a limited quota and for a limited period, a few of our wells at Aksaz and Dolinnoe oilfields with high Gas-

Oil Ratio were temporarily shut down. However, average daily oil production from July 1 to July 20 has risen to 4,393 BOPD, and once peaked at 4,914 BOPD on July 20. If the local demand for sales can sustain at current level, we are optimistic that our 2H2013 production can catch up with the short fall in 1H2013 and achieve the overall 2013 guidance.

The overall average realized oil price for Emir-Oil was US\$79.04/barrel for 1H2013. The average realized export (after deducting export sales discount of US\$20.51/barrel) and domestic oil price was US\$85.66/barrel and US\$41.98/barrel respectively, compared to US\$89.64/barrel (export) and US\$53.87/barrel (domestic) realized for 1H2012.

The average gas production was 4,795 Mscf/day for the 1H2013, a mild increase of 3.7% compared to 4,624 Mscf/day over same period 2012. Average realized gas price was US\$1.35/Mcf for 1H2013, an increase of 17.4% compared to US\$1.15/Mcf for 1H2012.

As of June 30, 2013, Emir-Oil operated a total of 35 wells, of which 16 wells were producing (including two exploration wells, North Kariman-2 and Yessen-1; see below for further details) and 13 wells were being shut-in or to be repaired. Also, 6 wells are waiting to be put into production and 3 wells are being drilled, including the exploration well North Kariman-1. During 1H2013, Emir-Oil completed the drilling of 5 new development wells.

On the exploration front, as mentioned, we received approval for trial production of our successful exploration well North Kariman-2 (NK-2) in April, allowing us to produce oil through 2014. NK-2 was officially put into production in the same month with average daily oil production since July approximates 350 BOPD. We also successfully completed the acid fracture stimulation of the Yessen-1 exploration well, and during the test period, the average daily production was approximately 200 BOPD. We plan to use the same stimulation procedure on another reservoir layer in the Yessen-1 well in 2H2013. In the Borly-2 exploration well, testing of the first reservoir layer was completed and we anticipate the second reservoir layer being tested soon.

With the anticipated overall ramp up in Emir's production, the current capacity (6,480 BOPD and 5.25 MMscf/day) for our existing oil & gas central processing facility ("CPF") was identified as a potential bottleneck. As mentioned in our 2012 Annual Report, we plan to build a new CPF with oil processing capacity of 12,000 BOPD and gas processing capacity of 21 MMscf/day. Currently we expect construction to commence in early 2014, and this new CPF being put into operation by late 2014.

## **USA OPERATIONS (CONDOR AND WHITE HAWK)**

As of June 30, 2013, the Company operated 3 horizontal wells in a Colorado Niobrara asset, through our 80% owned subsidiary, Condor Energy Technology LLC ("Condor"), and had an approximate 4% non-operating working interest in 3 wells in a Texas Eagle Ford Shale asset, through our 50% owned joint venture White Hawk Petroleum LLC ("White Hawk").

Overall, Condor's production ramped up rapidly in 1H2013 as a result of the 2 new horizontal wells drilled in late 2012 with average net oil production of 125 BOPD. Our 2013 major work, the drilling of 2 additional horizontal wells in the Niobrara project, has commenced in 1H2013.

## 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 the final audit adjustments and inconsistent with the final result. Further, the updates contain or will contain certain target which may or may not materialize. Shareholders and potential investors of the Company should exercise caution when dealing in the shares of the Company.

### Appendix: Operation data comparison between 1H2013 and 1H2012

Item	1H2013	1H2012	Increased/ (decreased)	Increased/ (decreased) %	2013 Guidance
<b>1. Crude Oil: Production &amp; Realized Price</b>					
<b>1.1. Average daily operated production (barrels)</b>	<b>26,047</b>	<b>22,307</b>	<b>3,740</b>	<b>16.8%</b>	
China, Jilin (Daan/Moliqing/Miao 3)	20,829	20,195	634	3.1%	
China, Tianjin (Kongnan)	1,563		1,563		
Kazakhstan (Emir-Oil)	3,454	2,112	1,342	63.6%	
US (Condor)	201		201		
<b>1.2. Average daily net production (barrels)</b>	<b>14,334</b>	<b>13,369</b>	<b>965</b>	<b>7.2%</b>	<b>14,300~15,400</b>
China, Jilin (Daan/Moliqing/Miao 3)	9,823	11,257	(1,434)	(12.7%)	9,300~9,800
China, Tianjin (Kongnan)	931		931		900
Kazakhstan (Emir-Oil)	3,454	2,112	1,342	63.6%	3,800~4,400
US (Condor)	125		125		300
<b>1.3. Average realized price (US\$/bbl)</b>	<b>99.17</b>	<b>114.61</b>	<b>(15.44)</b>	<b>(13.5%)</b>	
China, Jilin (Daan/Moliqing/Miao 3)	105.46	119.61	(14.15)	(11.8%)	
China, Tianjin (Kongnan)	106.94		106.94		
Kazakhstan (Emir-Oil)	79.04	87.81	(8.77)	(10.0%)	
US (Condor)	90.15		90.15		

Item	1H2013	1H2012	Increased/ (decreased)	Increased/ (decreased) %	2013 Guidance
<b>2. Natural Gas: Production &amp; Realized Price</b>					
<b>2.1. Average daily operated production(Mcf)</b>	<b>5,275</b>	<b>4,624</b>	<b>651</b>	<b>14.1%</b>	
China, Shanxi (Linxing/Sanjaobei)					
Kazakhstan (Emir-Oil)	4,795	4,624	171	3.7%	
US (Condor)	481		481		
<b>2.2. Average daily net production(Mcf)</b>	<b>5,096</b>	<b>4,624</b>	<b>472</b>	<b>10.2%</b>	<b>4,300~5,100</b>
China, Shanxi (Linxing/Sanjaobei)					100~300
Kazakhstan (Emir-Oil)	4,795	4,624	171	3.7%	4,200~4,800
US (Condor)	301		301		
<b>2.3. Average realized price (US\$/Mcf)</b>	<b>1.43</b>	<b>1.15</b>	<b>0.28</b>	<b>24.3%</b>	
China, Shanxi (Linxing/Sanjaobei)					
Kazakhstan (Emir-Oil)	1.35	1.15	0.20	17.4%	
US (Condor)	6.54		6.54		
<b>3. Total Wells Drilled</b>	<b>109</b>	<b>253</b>	<b>(144)</b>	<b>(56.9%)</b>	<b>138</b>
China, Jilin (Daan/Moliqing/Miao 3)	88	248	(160)	(64.5%)	95
China, Tianjin (Kongnan)	3		3		2
China, Shanxi (Linxing/Sanjaobei)	13		13		25
Kazakhstan (Emir-Oil)	5	4	1	25.0%	11
US (Condor)		1	(1)		5

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

Hong Kong, July 28, 2013

*As at the date of this announcement, the Board comprises (1) the executive directors namely Mr. Zhang Ruilin, Mr. Zhao Jiangwei, Mr. Dexter Tak-Yin Tao and Mr. Andrew Sherwood 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.*