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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)**

### **ISSUANCE OF US\$400,000,000 9.75% SENIOR NOTES DUE 2016**

Reference is made to the announcement of the Company dated April 26, 2011 in relation to the proposed issue of senior notes.

On May 5, 2011, the Company and the Subsidiary Guarantors entered into the Purchase Agreement with Merrill Lynch International, Deutsche Bank AG, Singapore Branch and UBS AG, Hong Kong Branch in connection with the issuance of the Notes.

The proposed issue of the Notes is being undertaken to finance the Company's acquisition of Emir-Oil, LLC from BMB Munai, Inc. or other acquisitions, to repay MI Energy Corporation's credit facility with CITIC Ka Wah Bank Limited (subsequently renamed as CITIC Bank International Limited) and CITIC Bank Guangzhou, and for working capital and general corporate purposes. The estimated net proceeds of the issuance of the Notes, after deduction of underwriting fees, discounts and commissions and other estimated expenses payable in connection with the issuance of the Notes, will amount to approximately US\$390 million.

**As closing under the Purchase Agreement is subject to the fulfillment of a number of conditions precedent as set forth therein, the offer and issue of the Notes may or may not be completed. Shareholders and potential investors should exercise caution when dealing in the shares of the Company.**

Reference is made to the announcement of the Company dated April 26, 2011 in relation to the proposed issue of senior notes.

The Board is pleased to announce that on May 5, 2011, MIE Holdings Corporation (the “Company”) and the Subsidiary Guarantors (as defined below) entered into a purchase agreement with Merrill Lynch International (“Merrill Lynch”), Deutsche Bank AG, Singapore Branch (“Deutsche Bank”) and UBS AG, Hong Kong Branch (“UBS”) in connection with the issuance of the US\$400,000,000 9.75% senior notes due 2016 (the “Notes”) by the Company.

## **THE PURCHASE AGREEMENT**

**Date:** May 5, 2011

### **Parties to the Purchase Agreement**

- (a) the Company as the issuer;
- (b) MI Energy Corporation, MIE New Ventures Limited, Palaeontol Cooperatief U.A., and Palaeontol B.V. (the “Subsidiary Guarantors”);
- (c) Merrill Lynch;
- (d) Deutsche Bank; and
- (e) UBS.

In relation to the offer and sale of the Notes, Merrill Lynch is the sole global coordinator, Merrill Lynch and Deutsche Bank are the joint bookrunners and joint lead managers and UBS is the lead co-manager.

The Notes will only be offered (i) in the United States to qualified institutional buyers in reliance on the exemption from the registration requirements under Rule 144A of the U.S. Securities Act of 1933, as amended (the “Securities Act”), and (ii) outside the United States to non-U.S. persons in compliance on Regulation S under the Securities Act. None of the Notes will be offered to the public in Hong Kong and none of the Notes will be placed to any connected persons of the Company.

### **Principal terms of the Notes**

#### *Notes offered*

Subject to certain conditions to completion, the Company will issue the Notes in the aggregate principal amount of US\$400,000,000 which will mature on May 12, 2016, unless earlier redeemed pursuant to the terms thereof.

#### *Offering Price*

The offering price of the Notes will be 100% of the principal amount of the Notes.

### *Interest*

The Notes will bear interest at a rate of 9.75% per annum, payable semi-annually in arrears on May 12 and November 12 of each year, commencing on November 12, 2011.

### *Ranking of the Notes*

The Notes are (1) general senior obligations of the Company, (2) senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes; (3) at least *pari passu* in right of payment with all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law); (4) guaranteed by certain of the Subsidiary Guarantors on a senior basis, subject to the limitations; (5) guaranteed by certain of the Subsidiary Guarantors on a senior subordinated basis, subject to the limitations; (6) effectively subordinated to all existing and future obligations of the non-guarantor subsidiaries; and (7) effectively subordinated in right of payment to certain secured debt of the Subsidiary Guarantors permitted to be incurred under the indenture governing the Notes to the extent of any security other than the collateral.

After the pledge by the Company and each subsidiary of the Company (a “Subsidiary Guarantor Pledgor”) that will provide pledges over the stock of certain subsidiaries and subject to certain limitations, the Notes and each guarantee given by the Subsidiary Guarantors will (1) be entitled to a first priority lien on the collateral pledged by the Subsidiary Guarantor Pledgor (subject to any permitted liens); and (2) rank effectively senior in right of payment to unsecured obligations of such Subsidiary Guarantor Pledgor with respect to the value of the collateral pledged by such Subsidiary Guarantor Pledgor securing such guarantee (subject to any priority rights of such unsecured obligations pursuant to applicable law). On the original issue date of the Notes, none of the capital stock of the Subsidiary Guarantors will be pledged.

### *Events of default*

The following events are defined as events of default under the indenture governing the Notes:

- (a) default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise;
- (b) default in the payment of interest on any Note when the same becomes due and payable, and such default continues for a period of 30 days;
- (c) default in the performance or breach of the provisions of certain covenants, the failure by the Company to make or consummate an offer to purchase in a prescribed manner, or the failure by the Company to create, or cause certain of its subsidiaries to create, a first priority lien on the collateral (subject to any permitted collateral liens) in accordance with a certain covenant;
- (d) the Company or certain of its subsidiaries defaults in the performance of or breaches any other covenant or agreement in the indenture governing the Notes or under the Notes and such default or breach continues for a period of 30 consecutive days after written notice of such default or breach to the Company by the trustee or the holders of 25% or more in aggregate principal amount of the Notes;

- (e) there occurs with respect to any indebtedness of the Company or certain of its subsidiaries having an outstanding principal amount of US\$10.0 million or more in the aggregate for all such indebtedness of all such persons, whether such indebtedness now exists or shall hereafter be created, (i) an event of default that has caused the holder thereof to declare such indebtedness to be due and payable prior to its stated maturity and/or (ii) a failure to pay principal of when the same becomes due;
- (f) one or more final judgments or orders for the payment of money are rendered against the Company or certain of its subsidiaries and are not paid or discharged, and there is a period of 60 consecutive days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against all such persons to exceed US\$10.0 million (in excess of amounts which the Company's insurance carriers have agreed to pay under applicable policies) during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;
- (g) certain events of bankruptcy or insolvency described in the indenture governing the Notes with respect to the Company or any of its significant subsidiaries or certain subsidiaries;
- (h) any Subsidiary Guarantor denies or disaffirms its obligations under its guarantee or, except as permitted by the indenture governing the Notes, any such guarantee is determined to be unenforceable or invalid or shall for any reason cease to be in full force and effect;
- (i) any default by the Company or any Subsidiary Guarantor Pledgor in the performance of any of its obligations under the security documents or the indenture governing the Notes, which adversely affects the enforceability, validity, perfection or priority of the applicable lien on the collateral or which adversely affects the condition or value of the collateral, taken as a whole, in any material respect; or
- (j) the Company or any Subsidiary Guarantor Pledgor denies or disaffirms its obligations under any security document or, other than in accordance with the indenture governing the Notes and the security documents, any security document ceases to be or is not in full force and effect or the collateral agent or the trustee, as the case may be, ceases to have a first priority security interest in the collateral (subject to any permitted collateral liens).

If an event of default (other than an event of default in the case of bankruptcy or insolvency) occurs and is continuing, the trustee or the holders of at least 25% in aggregate principal amount of the Notes, then outstanding may declare the principal of, premium, if any, and accrued and unpaid interest on the Notes to be immediately due and payable.

#### *Covenants*

The Notes, the indenture governing the Notes and the guarantees provided by the Subsidiary Guarantors will limit the Company's ability and the ability of certain of its subsidiaries to, among other things (and subject to certain qualifications and exceptions):

- (a) incur additional indebtedness and issue preferred stock;
- (b) make investments or other restricted payments;
- (c) pay dividends or make other distributions or repurchase or redeem capital stock;

- (d) guarantee indebtedness;
- (e) enter into certain transactions with affiliates;
- (f) create liens;
- (g) enter into sale and leaseback transactions;
- (h) sell assets;
- (i) enter into agreements that restrict certain of the Company's subsidiaries' ability to pay dividends;
- (j) issue and sell capital stock of certain of the Company's subsidiaries;
- (k) effect a consolidation or merger; and
- (l) engage in different business activities.

*Optional Redemption*

The Notes may be redeemed in the following circumstances:

- (1) At any time on or after May 12, 2014, the Company may redeem the Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below, plus accrued and unpaid interest, if any, to (but excluding) the redemption date, if redeemed during the 12-month period commencing on May 12 of any year set forth below:

<b>Period</b>	<b>Redemption Price</b>
2014	104.8750%
2015	102.4375%

- (2) At any time prior to May 12, 2014, the Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes, plus the applicable premium as of, and accrued and unpaid interest, if any, to (but excluding) the redemption date.
- (3) In addition, at any time prior to May 12, 2014, the Company may redeem up to 35% of the aggregate principal amount of the Notes with the net cash proceeds of one or more sales of common stock of the Company in an equity offering at a redemption price of 109.75% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but excluding) the redemption date, provided that at least 65% of the aggregate principal amount of the Notes issued on the original issue date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related equity offering.

**As closing under the Purchase Agreement is subject to the fulfillment of a number of conditions precedent as set forth therein, the offer and issue of the Notes may or may not be completed. Shareholders and potential investors should exercise caution when dealing in the shares of the Company.**

## **Proposed use of proceeds**

The issuance of the Notes is being undertaken by the Company (i) to finance the acquisition by the Company of Emir-Oil, LLC from BMB Munai, Inc. (further details of which are set out in the announcement of the Company dated February 15, 2011 and the circular published and dispatched to the Company's shareholders on April 19, 2011) or other acquisitions; (ii) to repay in full MI Energy Corporation's credit facility with CITIC Ka Wah Bank Limited (subsequently renamed as CITIC Bank International Limited) and CITIC Bank Guangzhou; and (iii) for working capital and general corporate purposes. The estimated net proceeds of the issuance of the Notes, after deduction of underwriting fees, discounts and commissions and other estimated expenses payable in connection with the issuance of the Notes, will amount to approximately US\$390 million.

The Company will carefully evaluate the market conditions and its developments plans, and may reallocate the use of proceeds in case of changes in market conditions and other circumstances.

## **Listing**

Application has been made to the Singapore Exchange Securities Trading Limited and approval in-principle has been received for listing of the Notes. Admission of the Notes to the Singapore Exchange Securities Trading Limited is not to be taken as an indication of the merits of the Company, its subsidiaries or the Notes. No listing of the Notes has been sought in Hong Kong.

The Notes have been rated "B+" by Standard & Poor's Rating Services and "B" by Fitch Inc.

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

Hong Kong, May 6, 2011

*As at the date of this announcement, our executive Directors are Mr. Zhang Ruilin (Chairman), Mr. Zhao Jiangwei, Mr. Forrest L. Dietrich and Mr. Allen Mak, our non-executive Director is Mr. Wang Sing, Mr. Stephen Cheuk Kin Law (alternate to Mr. Wang Sing) and our independent non-executive Directors are Mr. Mei Jianping, Mr. Jeffrey W. Miller and Mr. Cai Rucheng.*