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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)

INTERIM RESULTS FOR THE SIX MONTH ENDED JUNE 30, 2011

FINANCIAL SUMMARY

	Six month period ended June 30,	
	2011	2010
	Unaudited	Unaudited
	<i>RMB'000</i>	<i>RMB'000</i>
Total revenue	1,282,917	947,364
Profit from operations	512,282	360,164
EBITDA	743,694	628,179
Adjusted EBITDA	809,340	661,956
Net profit for the period	303,864	238,455
Basic earnings per share (<i>RMB per share</i>)	0.12	0.11
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	As at	
	June 30,	December 31,
	2011	2010
	Unaudited	Audited
	<i>RMB'000</i>	<i>RMB'000</i>
Property, plant and equipment	3,448,218	3,024,482
Cash and cash equivalents	1,873,546	680,033
Total assets	5,969,936	4,226,731
Total equity	2,170,834	1,959,931
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OPERATING SUMMARY

	Six month period ended June 30,	
	2011 Unaudited	2010 Unaudited
Sales volume (<i>barrels</i>)	1,821,820	1,808,680
Gross production volume (<i>barrels</i>)	3,303,239	3,274,530
Net production volume (<i>barrels</i>)	1,815,069	1,817,634
Daily net crude oil production (<i>barrels</i>)	10,028	10,042
Average realized oil price (<i>US\$ per barrel</i>)	107.63	76.72
Lifting cost (<i>US\$ per barrel</i>)	7.83	6.37
Development wells drilled (<i>Gross</i>)	263	179
Successful	262	179
Dry	1	0
Net capital expenditures (<i>RMB'000</i>)	<u>650,637</u>	<u>535,020</u>

BUSINESS REVIEW AND PROSPECTS

The oil and gas industry in China continued to grow during the first half of 2011. Global oil demand remains high to the benefit the industry including us, even amid signs of instability in the global economic recovery.

Production, nearly constant from the first half of 2010 to the first half of 2011, is increasing significantly as we move into the second half of 2011 in response to increased drilling activity. Our gross operated daily crude oil production increased by 0.9% from 18,091 barrel per day average in the first half of 2010 to 18,250 in the first half of 2011. Net production decreased by 0.1% from 10,042 barrels per day to 10,028.

High production of 18,091 gross barrels per day in the first half of 2010 was fueled by drilling 144 wells in the last part of 2009 and 179 wells in the first half of 2010. However in the second half of 2010 we only drilled 21 wells, so that gross production growth stalled with only 17,032 barrels per day for the second half of 2010. In the first half of 2011 we drilled 263 wells which has resulted in significant production growth during the first half to 18,250 barrels per day and which, together with the 204 wells we plan to drill in the second half of 2011, will result in continued production growth in the second half of 2011, assuming the oil price in the second half will be similar to the first half.

Of the RMB1.3 billion net investment budget originally planned for 2011, we have incurred RMB0.65 billion in the first half. This budget provided for drilling a total of 367 wells. We have now revised this budget to 467 wells, and RMB1.4 billion, in response to continued high oil prices.

During the first half of 2010, the Company drilled 179 development wells with net investment of RMB535.0 million, and during the first half of 2011, the Company drilled 263 development wells with net investment of RMB650.6 million, an increase of 84 wells and RMB115.6 million. We did not drill any exploration wells, and only one of the wells drilled in 2011 was a dry hole. We continued to drill infill wells on Daan adding 26 new infill wells during the first half of 2011 to the original six infill wells drilled in 2010. We plan to drill another 68 infill wells in the second half of 2011, 64 in the Daan oilfield and 4 in the Moliqing oilfield. At the end of the first half of 2011, the Company had 22 drilling rigs active in the Daan and Moliqing oilfields.

In the second half of 2011, the Company plans to continue drilling 204 more wells, unlike in 2010 when only 21 wells were drilled in the second half of the year. From this continued drilling we estimate full year gross operated production should average 18,900 barrels per day, or 10,400 net barrels per day using the same net interest for the second half of 2011 as the actual for the first half. So despite the slowdown in drilling in late 2010 and the effect it had on reducing production in the latter half of 2010 and 1st quarter of 2011, we expect full year 2011 net production to be approximately 11% over full year 2010.

The Company's revenue increased by RMB335.5 million, or 35.4%, from RMB947.4 million for the six-month period ended June 30, 2010 to RMB1,282.9 million for the six-month period ended June 30, 2011. Revenue for the six-month period ended June 30, 2011 is equivalent to 71.1% of the revenue for the full year in 2010.

The Company's EBITDA increased by approximately RMB115.5 million, or 18.4%, from approximately RMB628.2 million for the six-month ended June 30, 2010 to approximately RMB743.7 million for the six-month ended June 30, 2011. EBITDA for the six-month period ended June 30, 2011 is equivalent to 64.0% of EBITDA for the full year in 2010.

The Company's net profit increased by RMB65.4 million, or 27.4% from RMB238.5 million for the six-month period ended June 30, 2010 to RMB303.9 million for the six-month period ended June 30, 2011. Net profit for the six-month period ended June 30, 2011 is equivalent to 72.2% of net profit for the full year in 2010.

For the six-month period ended June 30, 2011, the Company's basic and diluted earnings per share were RMB0.12 and RMB0.11 respectively.

The average realized oil price was US\$107.63 per barrel for the first half of 2011 compared to an average realized oil price was US\$76.72 per barrel for the first half of 2010, an increase of US\$30.91, or 40.3%. We sell our oil to PetroChina at the Daqing spot price published in Platt's Oilgram Price Report which moves closely with Brent. For the first half of 2011 the Daqing spot price averaged US\$109.07 which was US\$2.17 less than Brent's US\$111.24 and US\$11.38 more than WTI's US\$97.69.

Lifting cost per barrel was US\$7.83 per barrel for the first half of 2011 compared to lifting costs of US\$6.37 per barrel for the first half of 2010. The increase is mainly due to (i) the increase in number of productive wells resulted in the increase in repair and maintenance cost, materials, electricity and fuel consumptions (As at June 30, 2011, we operated 1,832 productive wells, and as at June 30, 2010, we operated 1,592 productive wells); (ii) we performed more technical analysis in first half of 2011 to stabilize and improve production level; (iii) we increased our employee's salaries in the first half of 2011; and (iv) Renminbi appreciated significantly since the first half of 2010.

Given the higher average realized oil price, the increase in budgeted wells and investment for the full year 2011 compared to 2010, the continued drilling of 204 more wells in the second half of 2011 (compared to only 21 wells drilled in the second half of 2010), we expect that the second half results will be even stronger than the first half's results assuming the average realized oil price for the second half of 2011 will be similar to the first half's.

On May 12, 2011, the Company issued US\$400,000,000 9.75% senior notes (the "Notes") due 2016. The Notes 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. The net proceeds of the issuance of the Notes amounted to approximately US\$390 million. A portion of the proceeds from the issuance of the Notes was used to repay in full the US\$200 million loan from CITIC Bank. The remaining proceeds will be used to finance the Company's acquisition of Emir-Oil, LLC from BMB Munai, Inc. and for working capital and general corporate purposes. The Notes were listed on the Singapore Exchange Securities Trading Limited on May 13, 2011.

On February 14, 2011, we entered into a purchase agreement with BMB Munai, Inc. pursuant to which we conditionally agreed to acquire all the issued and outstanding participation interests of Emir-Oil, LLC, an oil and natural gas exploration and production company in the Republic of Kazakhstan. Our pending acquisition of Emir-Oil, LLC is conditional upon fulfillment or waiver of a number of closing conditions. The major outstanding condition not yet satisfied is the execution and registration of the production contracts of Kariman, Dolinnoe and Aksaz with the competent authority. Emir-Oil, LLC has completed direct negotiations for the production contracts with the Ministry of Oil and Gas ("MOG") which has in principle approved the production contracts, subject to approvals from a few other ministries. The production contracts are now going through the required process to obtain final approvals from other different ministries, after which Emir-Oil, LLC will be able to enter into and duly register the production contracts with the MOG.

The Board of Directors (the "Board") of the Company is pleased to announce the unaudited interim condensed consolidated statement of comprehensive income of the Company and its subsidiaries (collectively the "Group") for the six months ended June 30, 2011, together with the comparative figures for the corresponding period in 2010, the unaudited interim condensed

consolidated statement of financial position of the Group as at June 30, 2011 together with audited comparative figures as at December 31, 2010, as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

		Six months ended	
		June 30, 2011	June 30, 2010
		Unaudited	Unaudited
	<i>Note</i>	RMB'000	RMB'000
Revenue	6	1,282,917	947,364
Operating expenses			
Purchases, services and other		(70,857)	(61,546)
Employee compensation costs	7	(110,540)	(57,596)
Depreciation, depletion and amortization		(231,412)	(268,015)
Distribution expenses		(14,890)	(15,183)
Administrative expenses		(35,044)	(25,283)
Taxes other than income taxes	8	(295,434)	(148,617)
Other losses	9	(12,458)	(10,960)
Total operating expenses		(770,635)	(587,200)
Profit from operations		512,282	360,164
Finance income	10	32,479	7,260
Finance costs	10	(101,485)	(40,246)
Finance cost — net		(69,006)	(32,986)
Profit before income tax		443,276	327,178
Income tax expense	11	(139,412)	(88,723)
Net profit for the period		303,864	238,455
Other comprehensive income			
Currency translation difference		(20,100)	(1,646)
Other comprehensive income for the period, net of tax		(20,100)	(1,646)
Total comprehensive income for the period		283,764	236,809
Net profit attributable to the equity holders of the Company		303,864	238,455
Earnings per share, Basic (expressed in RMB per share)	12	0.12	0.11
Earnings per share, Diluted (expressed in RMB per share)	12	0.11	0.11

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(UNAUDITED)**

		As at	
		June 30, 2011	December 31, 2010
	Note	Unaudited RMB'000	Audited RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		3,448,218	3,024,482
Intangible asset		4,605	1,677
Derivative financial instruments	13	7,760	20,285
Trade and other receivables		90,833	24,212
		<u>3,551,416</u>	<u>3,070,656</u>
Current assets			
Inventories		41,322	36,664
Derivative financial instruments	13	7,116	11,168
Trade and other receivables		496,536	398,294
Pledged deposits		—	29,916
Cash and cash equivalents		1,873,546	680,033
		<u>2,418,520</u>	<u>1,156,075</u>
TOTAL ASSETS		<u>5,969,936</u>	<u>4,226,731</u>
EQUITY			
Capital and reserves attributable to equity holders of the Group			
Ordinary shares	14	17,599	17,588
Share premium		828,644	826,477
Other reserves		92,413	91,919
Retained earnings			
— Proposed final dividend		—	77,933
— Others		1,232,178	946,014
Total equity		<u>2,170,834</u>	<u>1,959,931</u>

		As at	
		June 30, 2011	December 31, 2010
	<i>Note</i>	Unaudited <i>RMB'000</i>	Audited <i>RMB'000</i>
LIABILITIES			
Non-current liabilities			
Asset retirement obligations		11,470	9,270
Deferred tax liabilities — net		15,994	8,694
Trade and other payables	15	125,404	137,598
Borrowings	16	2,524,589	1,191,862
		<u>2,677,457</u>	<u>1,347,424</u>
Current liabilities			
Trade and other payables	15	1,039,402	775,137
Current income tax liabilities		82,243	44,898
Borrowings	16	—	99,341
		<u>1,121,645</u>	<u>919,376</u>
Total liabilities		<u>3,799,102</u>	<u>2,266,800</u>
TOTAL EQUITY AND LIABILITIES		<u>5,969,936</u>	<u>4,226,731</u>
Net current assets		<u>1,296,875</u>	<u>236,699</u>
Total assets less current liabilities		<u>4,848,291</u>	<u>3,307,355</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. GENERAL INFORMATION

The Company was incorporated by Far East Energy Limited (“FEEL”), a company incorporated in Hong Kong with limited liability, on March 20, 2008. The Company is listed on the Stock Exchange of Hong Kong Limited. MI Energy Corporation (“MIE”), a wholly owned subsidiary of the Company, is a limited liability company incorporated in Cayman Islands and domiciled in the People’s Republic of China (“PRC” or “China”).

The Company and its subsidiaries’ (“the Group”) principal business is to engage in the development, production and sale of crude oil through MIE’s production sharing projects in PRC. The Group has entered into a purchase agreement to acquire an oil and natural gas exploration and production company in the Republic of Kazakhstan (Note 17) as part of its plan to expand its operation beyond PRC.

On August 6, 2010, MI Energy (Kazakhstan) Corporation was incorporated in the Cayman Islands as an investment holding company with limited liability, and became a wholly owned subsidiary of the Company. On August 11, 2010, MI Energy (Kazakhstan) Corporation further allotted and issued 9,999 ordinary shares to the Company. On October 14, 2010, the name of MI Energy (Kazakhstan) Corporation was changed to MIE New Ventures Corporation.

On February 8, 2011, Palaeontol Coöperatief U.A. was incorporated in the Netherlands as a cooperative with no liability with 99% held by MIE New Ventures Corporation and 1% held by MIE. On February 11, 2011, Palaeontol B.V. was incorporated in the Netherlands as an investment holding company with limited liability and wholly owned by Palaeontol Coöperatief U.A.. The authorized share capital of the Palaeontol B.V. is 90,000 euros and is divided into 90,000 ordinary shares of one euro each.

On June 3, 2011, Gobi Energy Limited was incorporated in the Cayman Islands as an investment holding company with limited liability and a wholly owned subsidiary of the Company. On June 21, 2011, Gobi Energy Limited further allotted and issued 99 ordinary shares to the Company.

On June 3, 2011, Riyadh Energy Limited was incorporated in the Cayman Islands as an investment holding company with limited liability and a wholly owned subsidiary of the Company. On June 21, 2011, Riyadh Energy Limited further allotted and issued 99 ordinary shares to the Company.

This interim condensed consolidated financial information was approved for issue on August 15, 2011. This interim condensed consolidated financial information has been reviewed, not audited.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

This condensed consolidated interim financial information as at and for the six months ended June 30, 2011 has been prepared in accordance with IAS 34, ‘Interim financial reporting’. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements as at and for the year ended December 31, 2010, which have been prepared in accordance with IFRSs as issued by the International Accounting Standard Board (“IASB”).

(b) Accounting policies

Except as described below, the accounting policies applied are consistent with those described in the annual financial statements for the year ended December 31, 2010.

Exceptional items are disclosed and described separately in the financial information where it is necessary to provide further understanding of the financial performance of the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Accounting policies (Continued)

(i) Change in accounting estimates

The cost of oil and gas properties is amortized at the field level based on the unit of production method. Unit of production rates were previously based on proved developed producing oil reserves estimated to be recoverable from existing facilities based on the current terms of the respective production agreements.

From January 1, 2011, the Group has applied the unit of production rates based on proved and probable developed producing oil reserves estimated to be recoverable from existing facilities based on current terms of the respective production agreements. The change in estimate is due to management's view that inclusion of probable developed producing reserve will be more reflective of the reserve base available to the Company from its investment in the oil properties. The change resulted in increase of net profit by RMB81 million for the six months ended June 30, 2011. It is impracticable to estimate the amount of impact for future years.

(ii) New and amended standards adopted by the Group:

- Revised IAS 24, 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. The revised IAS 24 is required to be applied from January 1, 2011.
- IAS 1 (Amendment) 'Presentation of financial statements', effective for periods beginning on or after January 1, 2011. The amendment removes the requirement for each item of other comprehensive income to be presented separately in the statement of changes in equity.
- IAS 34 (Amendment) 'Interim financial reporting', effective for periods beginning on or after January 1, 2011. The amendment emphasises the existing disclosure principles in IAS 34 and adds further guidance to illustrate how to apply these principles.
- IFRS 7 (Amendment) 'Financial instruments: disclosures', effective for periods beginning on or after January 1, 2011. The amendment clarifies the nature and extent of risks arising from financial instruments.

(iii) New standards, amendments and interpretations not yet effective for the financial year beginning January 1, 2011 and not early adopted:

- IFRS 9, 'Financial instruments', issued in December 2009. This addresses the classification and measurement of financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until January 1, 2013 but is available for early adoption.

The Group is in the process of reviewing the impact of the above standard and do not expect it to have a material impact on the Group's or Company's financial statements at the current stage.

3. SEGMENT INFORMATION

The Group operates as a single operating segment. The single operating segment is consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors.

4. EQUITY DISTRIBUTIONS

A dividend in respect of the year ended December 31, 2010 of HK\$0.035 per share, amounting to a total dividend of HK\$92,474,690 (RMB76,842,000) was approved at the annual general meeting on May 6, 2011 and was paid on May 27, 2011.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are regularly evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The critical estimates and judgements remain unchanged from those reported in the annual financial statements for the year ended December 31, 2010, except as described below.

The Group classified its Proved Reserves into Proved Developed Producing Reserves and Proved Undeveloped Reserves. Probable reserves are also classified into Probable Developed Producing Reserves and Probable Undeveloped Reserves. Prior to January 1, 2011, Proved Developed Producing Reserves was used for the calculation of unit-of-production depreciation, depletion and amortization recorded in the Group's consolidated financial information for property, plant and equipment related to oil and gas production activities. From January 1, 2011, the Group has applied the unit of production rates based on Proved and Probable Developed Producing Reserves. An increase/decrease in Proved and Probable Developed Producing Reserves will decrease/increase depreciation, depletion and amortization charges (assuming constant production) and increase/reduce net profit. Proved and Probable Reserve estimates are subject to revision, either upward or downward based on new information, such as from development drilling and production activities or from changes in economic factors, including product prices, contract terms or development plans.

6. REVENUE

The Group's revenue relates to the sale of crude oil in one geographical location, China. All revenue is realized through the sale of the Group's share of crude oil to PetroChina pursuant to the PSC.

7. EMPLOYEE COMPENSATION COSTS

Included in employee compensation costs are share based compensation expenses of RMB49,573,000 (2010: RMB19,749,000).

8. TAXES OTHER THAN INCOME TAXES

	Six months ended June 30,	
	2011	2010
	RMB'000	RMB'000
Special oil levy	289,363	148,617
Others	6,071	—
	<u>295,434</u>	<u>148,617</u>

Taxes other than income taxes mainly represent a special oil levy which is paid or payable by petroleum enterprises for the sales of domestic crude oil at a rate variable based on the oil prices.

9. OTHER LOSSES

	Six months ended June 30,	
	2011	2010
	RMB'000	RMB'000
Loss on oil put option	(16,073)	(14,028)
Others	3,615	3,068
	<u>(12,458)</u>	<u>(10,960)</u>

The loss of the oil put option for the six months ended June 30, 2010 and 2011 is a non-cash loss due to the change in fair value of the unrealized portion of the oil put option (Note 13).

10. FINANCE COST — NET

	Six months ended June 30,	
	2011	2010
	RMB'000	RMB'000
Finance income		
Interest income	1,735	53
Exchange gain	30,744	7,207
	<u>32,479</u>	<u>7,260</u>
Finance cost		
Interest expense	(91,851)	(40,220)
Others	(9,634)	(26)
	<u>(101,485)</u>	<u>(40,246)</u>
Finance costs — net	<u>(69,006)</u>	<u>(32,986)</u>

11. INCOME TAX EXPENSE

The Company is an exempted company incorporated in the Cayman Islands. Under the laws of Cayman Islands, the Company is not subject to tax on income or capital gain.

Corporate income tax for its operation in China is provided on the basis of statutory profit for financial reporting purposes as defined by the PRC tax authorities, adjusted for income and expense items which are not assessable or deductible for income tax purposes. In accordance with the relevant PRC income tax rules and regulations, the PRC corporate income tax rate applicable to the Group is 25% for six months ended June 30, 2010 and 2011.

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate applied for the six months ended June 30, 2011 is 31% (the estimated tax rate for the six months ended June 30, 2010 was 27%). The increase in average annual tax rate is mainly due to higher non-deductible expenses relating to share based compensation expenses (Note 7) and interest expenses for the Notes (Note 16).

12. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the six month period.

	Six months ended June 30,	
	2011	2010
	RMB'000	RMB'000
Profit attributable to equity holders of the Company	303,864	238,455
Adjustment for:		
Dividends entitled by Series A preferred shares	—	(49,281)
Dividends entitled by Series B preferred shares	—	(22,125)
	<u>303,864</u>	<u>167,049</u>
Weighted average number of ordinary shares (<i>thousands</i>)	<u>2,641,726</u>	<u>1,541,202</u>
Earnings per share, Basic (<i>RMB per share</i>)	<u>0.12</u>	<u>0.11</u>

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Prior to the Company's Global Offering on December 14, 2010, the Company had two categories of dilutive potential ordinary shares: convertible preferred shares and share options. The convertible preferred shares were assumed to be converted into ordinary shares. For share options, a calculation is performed to determine the number of ordinary shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to the weighted average number of outstanding share options. Subsequent to the Company's Global Offering, the Company only has share options outstanding which are potentially dilutive. The number of ordinary shares calculated above for basic earning per share is increased by the number of ordinary shares that would have been issued assuming the exercise of the share options and conversion of preferred shares at the date later of beginning of the relevant period or the date of issue.

	Six months ended June 30,	
	2011	2010
	RMB'000	RMB'000
Net profit attributable to equity holders of the Company	<u>303,864</u>	<u>238,455</u>
Profit used to determine diluted earnings per share	<u>303,864</u>	<u>238,455</u>
Weighted average number of ordinary shares in issue (<i>thousands</i>)	2,641,726	1,541,202
Adjustments for:		
— Assumed conversion of convertible preferred shares (<i>thousands</i>)	—	658,800
— Share options (<i>thousands</i>)	<u>18,418</u>	<u>13,676</u>
Weighted average number of diluted potential ordinary shares for diluted earnings per share (<i>thousands</i>)	<u>2,660,144</u>	<u>2,213,678</u>
Earnings per share, Diluted (<i>RMB per share</i>)	<u>0.11</u>	<u>0.11</u>

14. SHARE CAPITAL (Continued)

(a) Issued and fully paid ordinary shares

The details of the issued and fully paid ordinary share capital of the Company for the relevant periods are as follows:

	As at	
	June 30, 2011 <i>RMB'000</i>	December 31, 2010 <i>RMB'000</i>
Issued and fully paid:		
At January 1, 2010		
96,356,270 ordinary shares at US\$0.001 each		659
At March 10, 2010		
Cancellation of ordinary shares		
18,212,560 ordinary shares at US\$0.001 each		(124)
At December 14, 2010		
Conversion of 25,101,220 Series A preferred shares to 25,101,220 ordinary shares at US\$0.001 each		171
Conversion of 36,425,120 Series B preferred shares to 18,212,560 ordinary shares at US\$0.001 each		124
Capitalization issuance of 2,078,542,510 ordinary shares at US\$0.001 each to shareholders registered on November 23, 2010		13,822
Issuance of 441,334,000 ordinary shares at US\$0.001 each during Global Offering		<u>2,936</u>
At December 31, 2010		<u>17,588</u>
2,641,334,000 ordinary shares at US\$0.001 each		
At January 1, 2011		
2,641,334,000 ordinary shares at US\$0.001 each	17,588	
At April 27, 2011		
Issue of 800,000 ordinary shares at US\$0.001 each for exercise of employee stock option		5
At June 8, 2011		
Issue of 900,800 ordinary shares at US\$0.001 each for exercise of employee stock option		6
		<u>6</u>
At June 30, 2011		
2,643,034,800 ordinary shares at US\$0.001 each	17,599	
		<u>17,599</u>

15. TRADE AND OTHER PAYABLES

	As at	
	June 30, 2011 <i>RMB'000</i>	December 31, 2010 <i>RMB'000</i>
Non-current	125,404	137,598
Current	1,039,402	775,137
	<u>1,164,806</u>	<u>912,735</u>

At December 31, 2010 and June 30, 2011, the ageing analysis of the trade and other payable based on invoice date is as follows:

	As at	
	June 30, 2011 <i>RMB'000</i>	December 31, 2010 <i>RMB'000</i>
< 6 months	780,250	608,245
6 months – 1 year	293,647	212,457
1 – 2 years	51,699	50,232
2 – 3 years	26,339	35,305
> 3 years	12,871	6,496
Total	<u>1,164,806</u>	<u>912,735</u>

16. BORROWINGS

(a) Summary of borrowings

	As at	
	June 30, 2011 <i>RMB'000</i>	December 31, 2010 <i>RMB'000</i>
Bank borrowings		
Non-current	—	1,191,862
Current	—	99,341
		<u>1,291,203</u>
Senior Notes	2,524,589	—
Total borrowings	<u>2,524,589</u>	<u>1,291,203</u>

16. BORROWINGS (Continued)

(a) Summary of borrowings (Continued)

Senior Notes

On May 12, 2011, the Company issued US\$400,000,000 9.75% senior notes (the “Notes”) due 2016. The Notes 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. The 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, amounted to approximately US\$390 million. A portion of the proceeds from the issuance of the Notes was used to repay in full MIE’s credit facility with CITIC Bank. The remaining proceeds will be used to finance the Company’s acquisition of Emir-Oil, LLC from BMB Munai, Inc. and for working capital and general corporate purposes. The Notes were listed on the Singapore Exchange Securities Trading Limited on May 13, 2011.

The Notes are general obligation of the Company and senior in right of payment to any existing and future obligations of the Company and its subsidiaries expressly subordinated in right of payment to the Notes.

The Notes and the guarantees provided by the certain subsidiaries will limit the ability of the Company and certain of its subsidiaries to, among other things (and subject to certain qualifications and exceptions), incur additional indebtedness and issue preferred stock, make investment etc.

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 to the redemption date, if redeemed during the 12-month period commencing on May 12 of any year set forth below:

Period	Redemption Price
2014	104.8750%
2015	102.4375%

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 to the redemption date.

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 to 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.

16. BORROWINGS (Continued)

- (b) The effective interest rates at the dates of the consolidated statements of financial position are as follows:

	As at	
	June 30, 2011	December 31, 2010
Effective interest rates on the bank borrowings	—	5.85%
Effective interest rates on the Senior Notes	<u>10.91%</u>	<u>—</u>

- (c) The exposure of the Group's borrowings as at December 31, 2010 and June 30, 2011 are as follows:

	As at	
	June 30, 2011	December 31, 2010
	RMB'000	RMB'000
< 1 year	—	99,341
1 – 2 years	—	529,816
2 – 5 years	<u>2,524,589</u>	<u>662,046</u>
Total	<u>2,524,589</u>	<u>1,291,203</u>

The fair value of the current and non-current portions of borrowings approximates their carrying amounts.

- (d) The borrowings are denominated in US dollars.

17. COMMITMENTS AND CONTINGENCIES

(a) Commitments

At June 30, 2011, capital expenditures contracted for at the balance sheet date but not recognized in the balance sheet is nil (December 31, 2010: nil). The Group has operating lease commitment related to its non-cancellation operating lease for offices. The future aggregate minimum lease payment under the operating lease are as follows:

	As at	
	June 30, 2011 RMB'000	December 31, 2010 RMB'000
<1 year	5,204	1,296
1 – 2 year	3,452	1,500
2 – 5 year	6,805	—
	<u>15,461</u>	<u>2,796</u>

In addition, the Group has entered into a purchase agreement to acquire an entity in Kazakhstan. On February 14, 2011, Palaeontol B.V. (“the Purchaser”) a wholly-owned subsidiary of the Company, entered into a participation interests purchase agreement with BMB Munai, Inc (“the Seller”), which is a Nevada corporation listed on the American Stock Exchange and an independent third party, pursuant to which the Purchaser conditionally agree to acquire all rights, titles and interests relating to the issued and outstanding participation interests of Emir-Oil LLC (“Target Company”) and the intercompany loans made by the Seller to the Target Company for an aggregate consideration of US\$170 million (subject to adjustment). This transaction has not been completed at the date of this report.

(b) Contingencies

On August 28, 2000, MIE entered into a PSC with Sinopec for exploration and development of Luojiayi 64 block at Shengli oilfield in Shandong Province. In 2000, MIE began the trial-development phase of its operations at Luojiayi 64 block at Shengli and drilled a dry hole. The project has been suspended since the end of 2004. In April 2005, MIE requested an extension from Sinopec to restart the project at Shengli. On September 27, 2006, MIE received a letter from Sinopec denying the request to restart the project and seeking to terminate the PSC on the grounds that the extension period of the trial-development phase had expired and MIE had not met its investment commitment of at least US\$2 million under the PSC. MIE has invested RMB23.1 million into Luojiayi Block 64 prior to December 31, 2003 and believes its investment in the project at Luojiayi 64 block at Shengli oilfield had met the required commitment amount under the PSC. The PSC with Sinopec has not been formally terminated and the dispute has not entered any judicial proceedings.

DIVIDEND

The Board has resolved that no interim dividend will be paid for the six months ended June 30, 2011.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed the internal control and financial reporting matters, including reviewing the unaudited interim results. The interim results for the six months ended June 30, 2011 are unaudited, but have been reviewed by PricewaterhouseCoopers in accordance with International Standard on Review Engagement 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” (“ISRE 2410”) issued by the International Auditing and Assurance Standards Board (“IAASB”).

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company and/or any of its subsidiaries did not purchase, sell or redeem any of the Company’s listed securities for the six months ended June 30, 2011.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The net proceeds from the global offering, after deducting the relevant costs of the global offering, were approximately RMB503.8 million (without taking into account the partial exercise of the over-allotment option). As at the date of this interim result announcement, the Company does not anticipate any change to its plan on the use of proceeds stated in the prospectus of the Company dated December 1, 2010.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with the code provisions as set out in the Code on Corporate Governance Practices (the “CG Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”) throughout the six months ended June 30, 2011, except for the Code Provision A.2.1 stated below, which in opinion of the Directors is not appropriate to follow. The Company has also put in place certain recommended best practices as set out in the CG Code.

Code Provision A.2.1

Code Provision A.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual.

Mr. Zhang Ruilin currently holds the offices of Chairman and Chief Executive Officer of the Company. This constitutes a deviation from Code Provision A.2.1. The reason for such deviation is set out below.

The Company is engaged in the oil and gas exploration and production business which is different from integrated oil companies engaging in both upstream and downstream operations. In light of this, the Board considers that the interest of the Company's oil and gas exploration and production business is best served when strategic planning decisions are made and implemented by the same person. The Nomination Committee of the Company has also agreed that it is in the best interest of the Company that the roles of the Chairman of the Board and Chief Executive Officer be performed by the same individual to provide the Group with strong and consistent leadership and allow for efficient business planning and decisions. In this respect, the Company does not currently propose to designate another person as the Chief Executive Officer of the Company. However, the Company will continue to review the effectiveness of the Group's corporate governance structure and consider whether any changes, including the separation of the roles of Chairman and Chief Executive Officer, are necessary.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules and applied the same to the directors and the employees who are likely to be in possession of unpublished price-sensitive information of the Company.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the six months ended June 30, 2011. In addition, no incident of non-compliance of the Model Code by the employees was noted by the Company.

MISCELLANEOUS

The Directors are of the opinion that there have been no material changes to the information published in its annual report for the year ended December 31, 2010, other than those disclosed in this interim results announcement.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The electronic version of this interim results announcement is published on the websites of the Company (<http://www.mienergy.com.cn/>), Hong Kong Exchange and Clearing Limited (www.hkexnews.hk) and Singapore Exchange Securities and Trading Limited (www.sgx.com). An interim report for the six months ended June 30, 2011 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders of the Company and published on the said websites in due course.

By Order of the Board
Zhang Ruilin
Chairman

Hong Kong, August 15, 2011

As at the date of this announcement, the Board comprises (1) the executive directors namely Mr Zhang Ruilin, Mr Zhao Jiangwei, Mr Forrest Lee Dietrich and Mr Allen Mak; (2) the non-executive director namely Mr Wang Sing (Mr Law Cheuk Kin, Stephen 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.