

# Pure China Energy

SINO Gas & Energy  
中澳煤层气能源  
An Emerging Clean Energy Company in China

## ANNUAL GENERAL MEETING & INVESTOR UPDATE

Stephen Lyons – Managing Director

Gavin Harper – Chairman

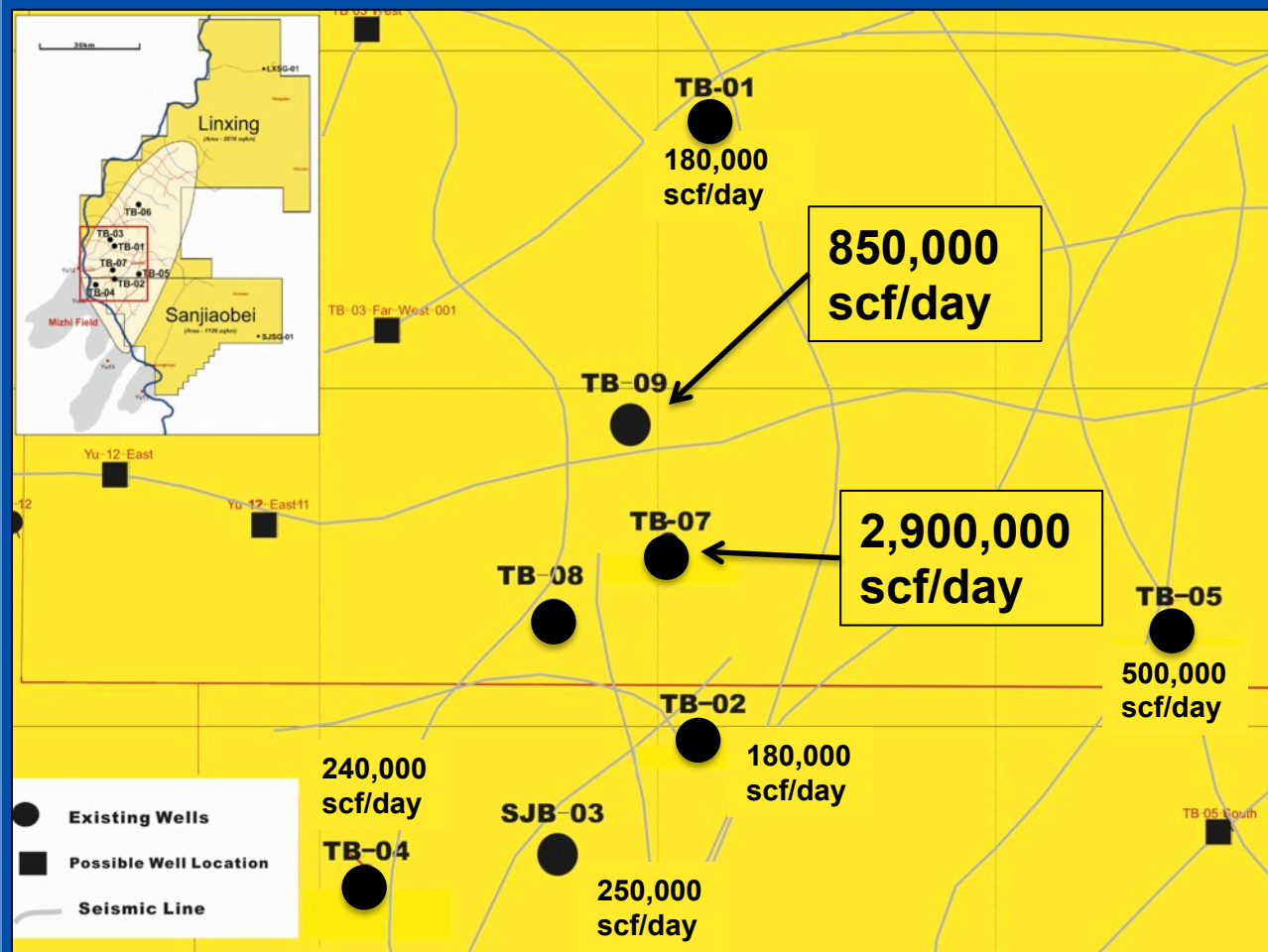
30 May 2011

Photo: TB09 Flow Test

# Significant Milestones achieved in the last 12 months

- Maiden **Reserves Certification**
- **62% increase** in independent project risked value to **US\$664m**
- First **CNG Pilot Gas** produced
- 2011 work program commenced with **immediate success**
  - TB09 - **850,000 scf/day** initial un-stimulated gas flow rate
- Significant progress towards ODP and **Commercial Development**

# Significant Commercial Gas Flow Rates Achieved<sup>1</sup>



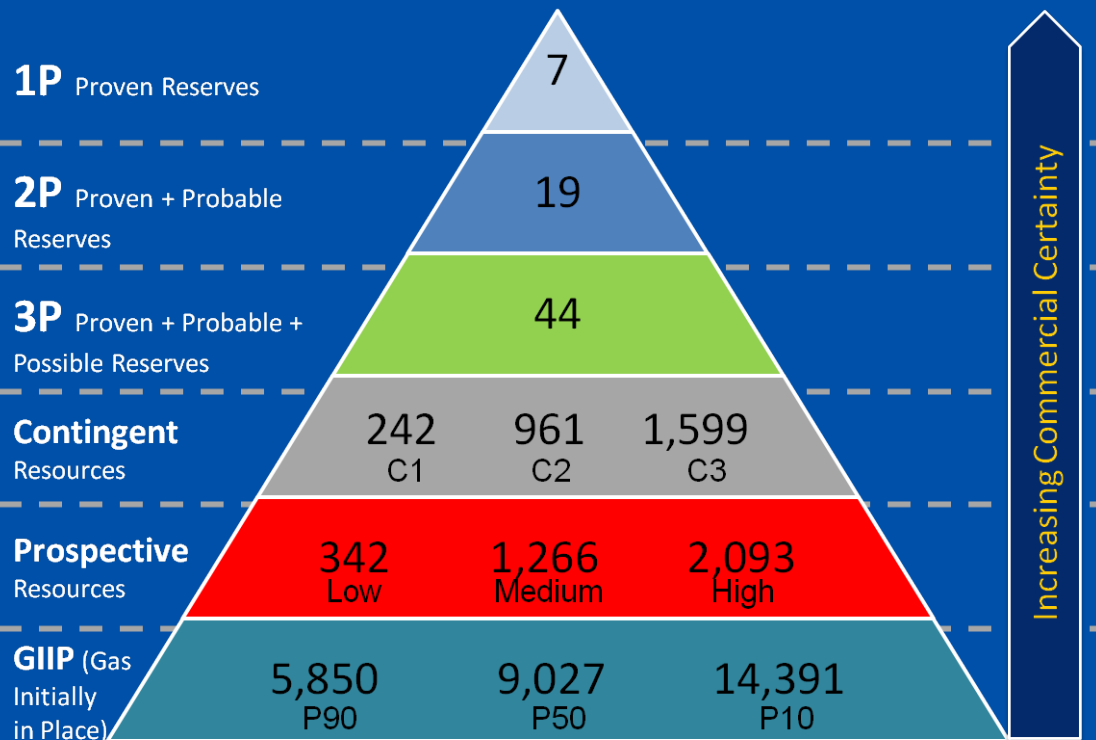
**Significant commercial rates**  
TB07 and TB09

**Longer term commercial rate**  
> 125,000 scf/day<sup>2</sup>

**Further Potential**  
Testing multiple zones  
+ frac high rate wells

# Exploration Success – Driving Large Reserves & Resources<sup>1</sup>

Feb 11 - Independent Reserves / Resources Audit  
(Bcf, 100% project)



**9Tcf**  
Gas Initially in Place (GIIP)

**19Bcf**  
2P Reserves associated with Pilot ~ 1-2% of acreage

**2.2Tcf**  
Mid Case Contingent & Prospective Resources

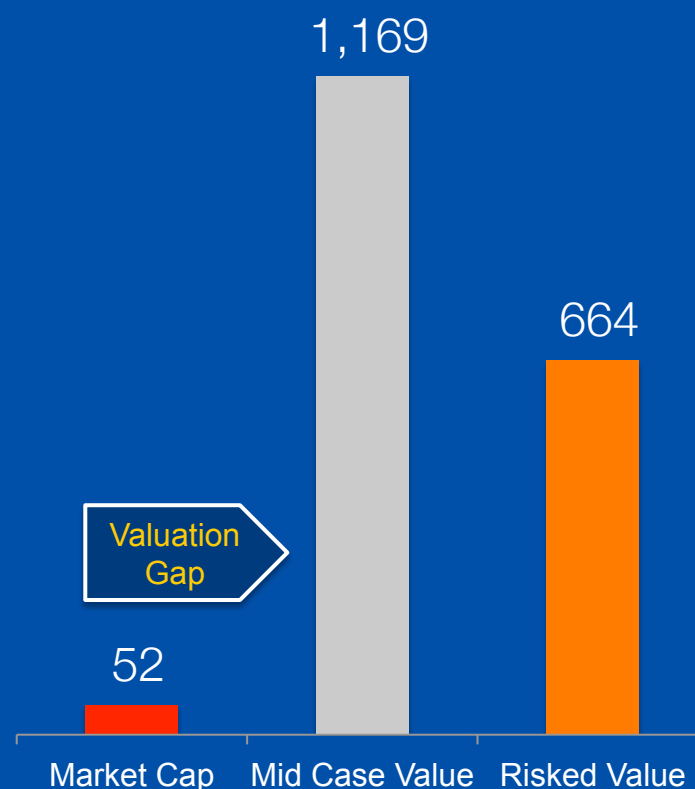
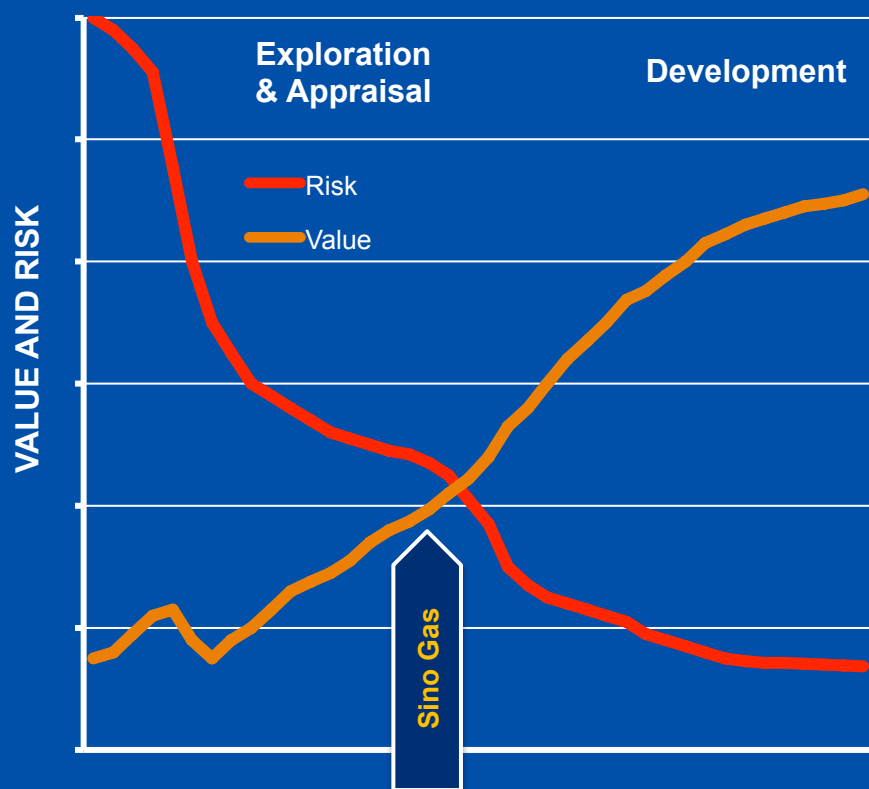
- 5 years of exploration success
- 2010 appraisal program delivered Reserves off Pilot program

Significant further potential with ~ 70% of acreage still to be appraised

# Significant de-risking – Driving Large Valuations

Maturing gas resources: reducing risk, generating value

Sino Gas Share of Independent Project Values (\$US millions)<sup>1</sup>

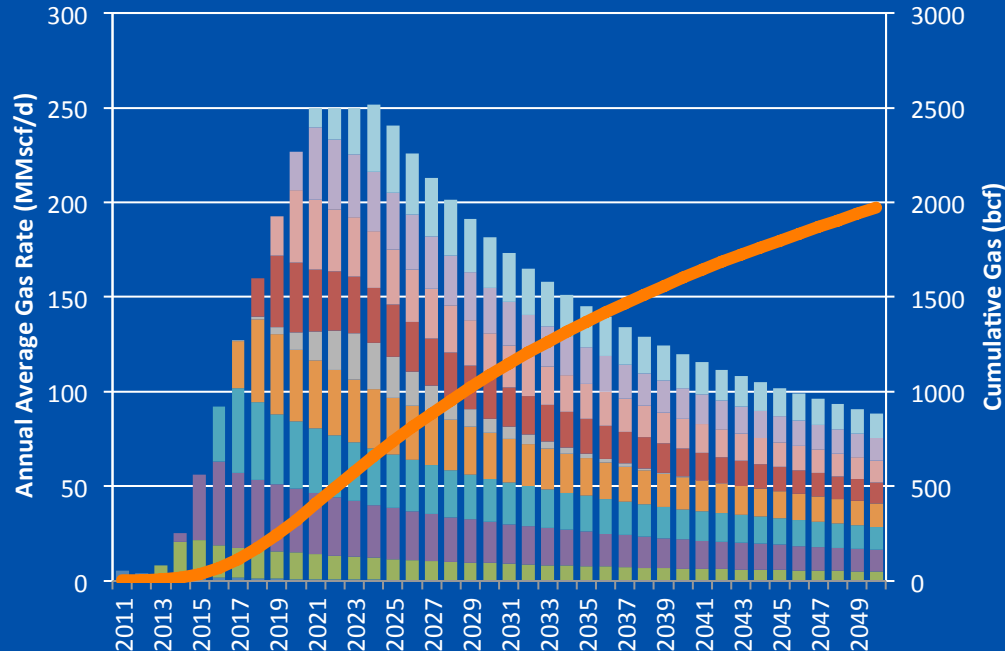


# Developing a substantial Gas Field – in Phases

## Indicative Phased Development illustrations<sup>1</sup>

### Gas Delivery Profile

100% project – phases shown as different colours



Each phase ~ infill drilling & further exploration  
Phasing reduces risk & enables learning & new technology application

### Phased Development

- Current Pilot ~ feeds into 1<sup>st</sup> phase
- 1<sup>st</sup> phase ~ 50+ wells with gas sold to local network

# 2011 Pilot Program - Update

## Delivered:

- Joint Gas Marketing Agreements with PCCBM and CUCBM
- 1<sup>st</sup> Gas into CNG tanker
- Pilot team in place

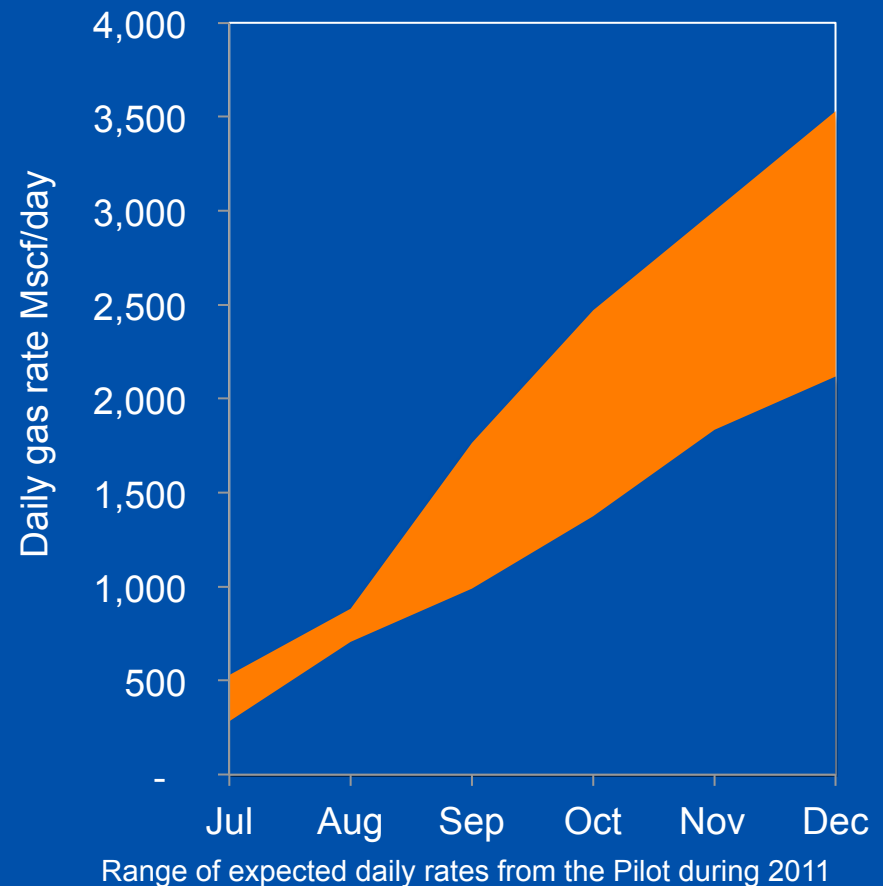
## Current Status:

- Concluding sales arrangements with CUCBM & PCCBM
- Initial focus - gathering data for Reserves Report then continuous gas delivery for sales

## Future Focus:

- Expand Pilot gas production
- Pipeline access for Pilot gas

## Moving to Increase Pilot Gas Rates<sup>1</sup>

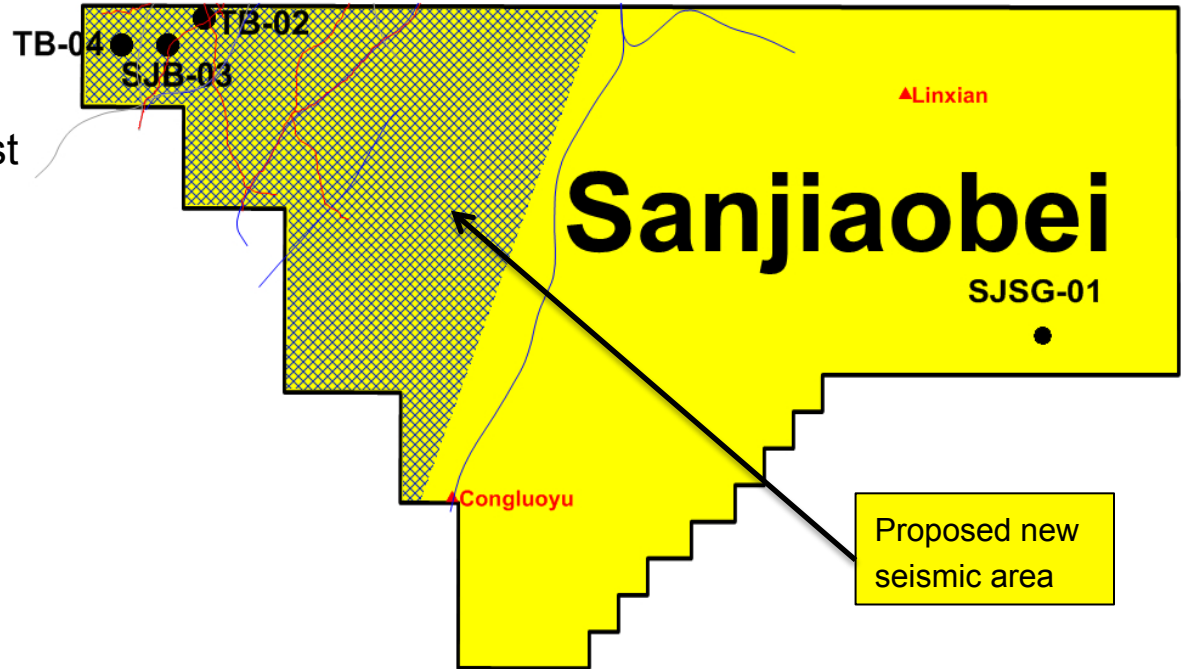




# 2011 Well & Seismic Program

## 2011 Well Program

- Linxing implementation – post flow testing: 1 - 2 wells
- Sanjiaobei implementation – post seismic: 3 wells



## 2011 Seismic Program

- Target area to be covered by close spaced 2D seismic
- Assists reserves report + enables planning for horizontal wells
- Further seismic under consideration for Linxing



# 2011 & 2012 Work Programs<sup>1</sup> focused on Pilot production and delivering reserves & development approvals

## Linxing & Sanjiaobei PSC combined

Activity	2011										2012											
	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Pilot Program																						
Testing Program: TB09, TB03, TB06, TB08 + new wells																						
Seismic data acquisition																						
New wells (up to 5 in 2011)																						
Chinese Reserves Report																						
ODP & long lead items																						
Phase 1 pre- development																						

# Strengthening our 1st Class China Team

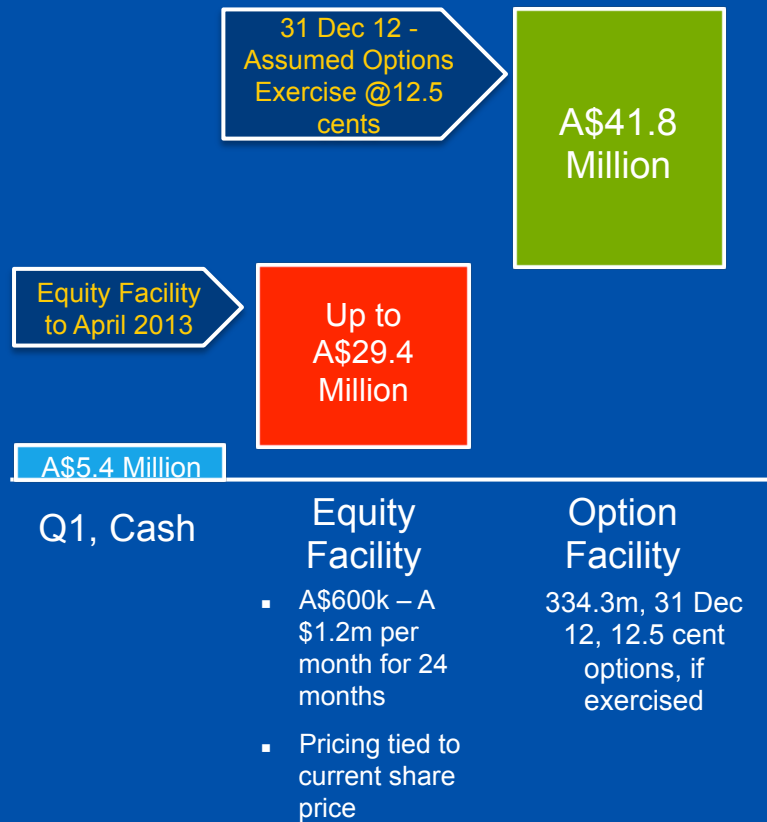
In Country Team driving exploration success



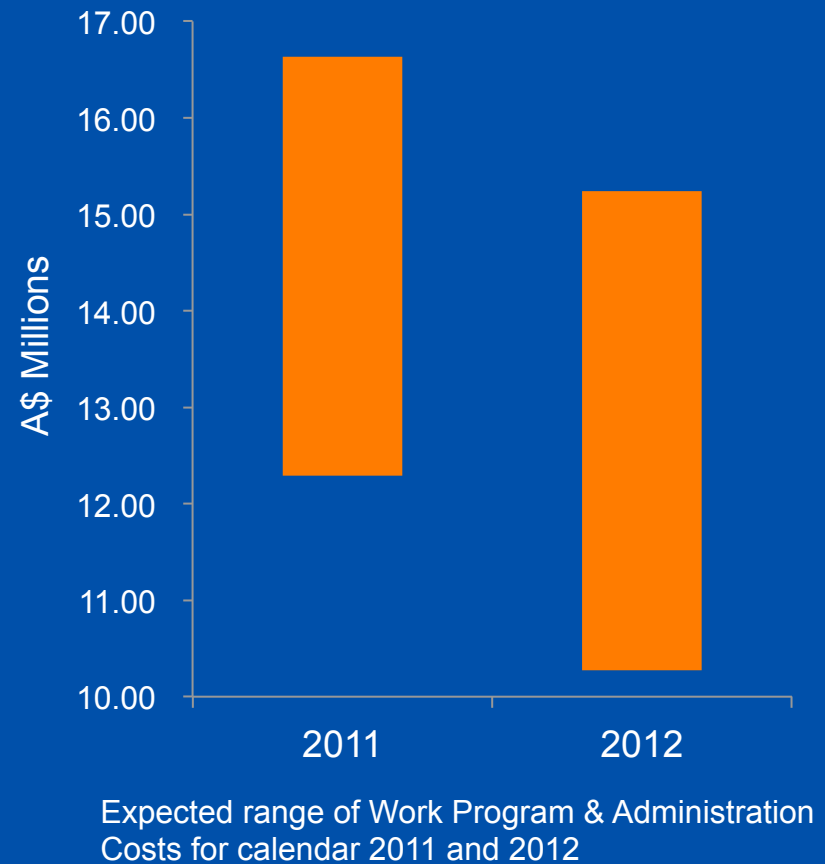
- Multifunctional, largely Chinese Team
- Substantial oil & gas and China experience
- Managing Director & Key Staff reside in Beijing
- 20+ staff in Beijing & site offices
- Strong safety culture

# Financial Capacity to Fund Strong Growth

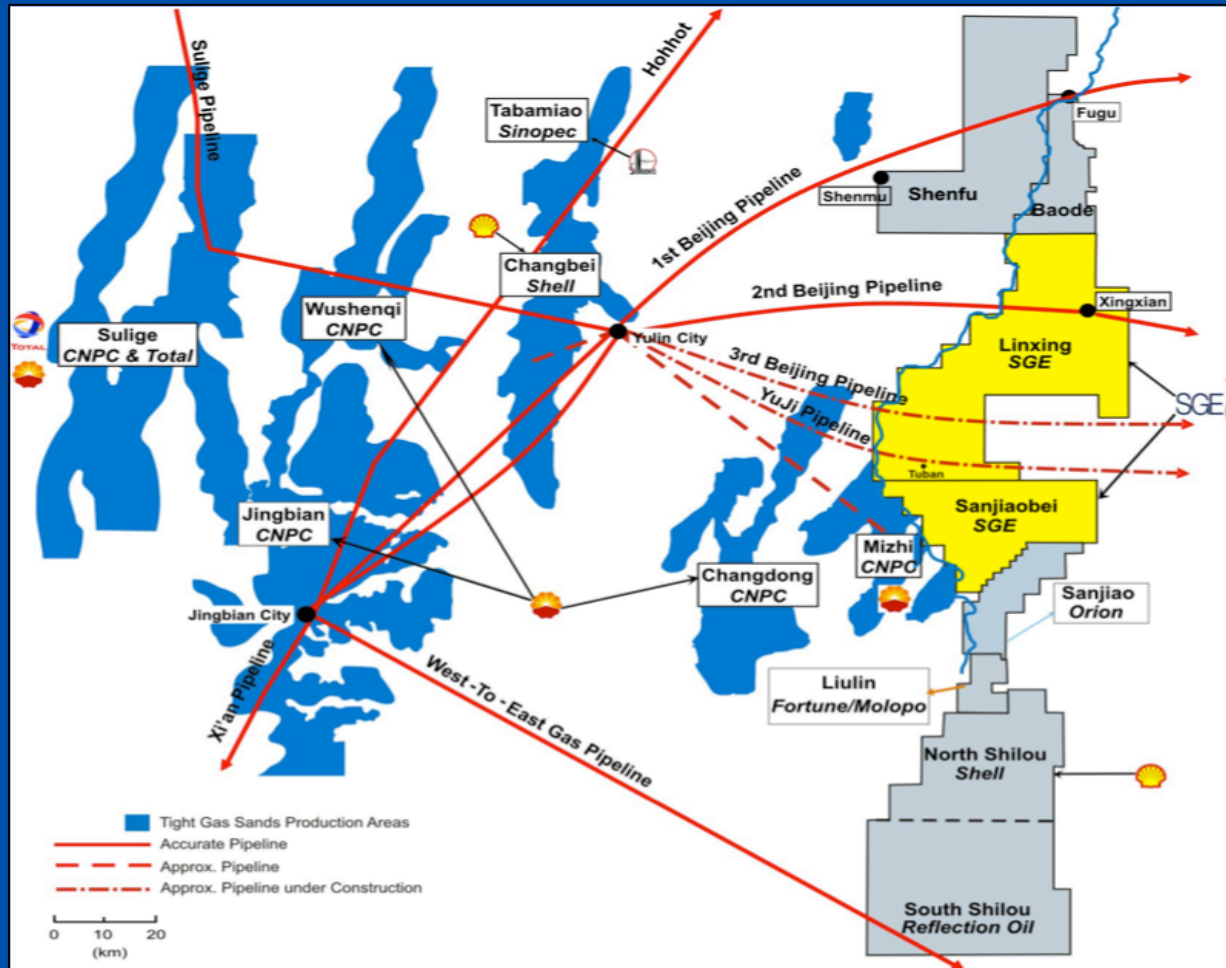
## Debt Free with Flexible Finance Facilities



## Work Program & Administration Costs <sup>1</sup>



# Large Gas Assets & Markets on our Doorstep



## Ordos Basin China

- China's 2<sup>nd</sup> largest gas basin and growing
- Key gas transport hub in North China
- Substantial unconventional gas assets

## Sino Gas

- Operator on 2 PSC's
- >3,700km<sup>2</sup> – one of the largest foreign company holdings
- Adjacent to producing gas fields & major population centers

# Positioned to fill Shanxi Province's Gas powered future

**33**million  
Population of Shanxi Province

**70%**  
of Shanxi Province's Cities &  
Towns to be supplied with  
Natural Gas by 2015<sup>1</sup>

## Ordos Basin:

- Shanxi & Shaanxi Provinces in North China

## Shanxi Province:

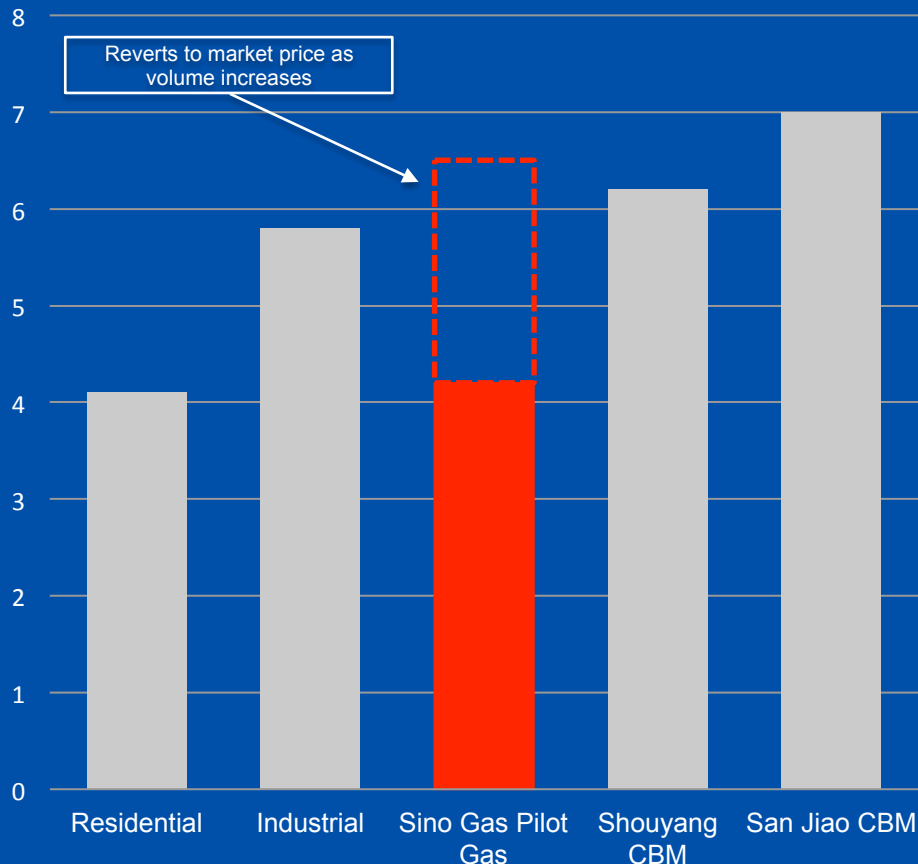
- China's "Coal Central" - massive Clean Energy challenges
- by 2015 will have a pipeline network linking gas fields to cities

## Sino Gas:

- Big opportunity as the challenge is gas supply

# Robust & Increasing Gas Prices

CBM Well-head prices vs Conventional in China (US\$/mcf)<sup>1</sup>



- Well head gas prices ~ US\$6.8Mscf under longer term contract
- Lifting costs between US\$2Mscf - US\$3Mscf
- CBM prices guided by natural gas prices<sup>2</sup>
- NDRC raised gas prices by 25% (May 2010)<sup>3</sup>
- Government incentives<sup>4</sup> for CBM in China:
  - No resource tax
  - The central government provides a RMB0.2m<sup>3</sup> (US\$0.83Mscf) subsidy for CBM producers
  - Priority connection to gas pipelines

Sources:

1. & 4. UBS Investment Research – China Oil and Gas Sector Published on December 16, 2010
2. Natural Gas Price Rise to Stimulate China CBM Industry, Published by AsiaPulseNews Jun 7, 2010
3. China raises gas prices 25%, cuts gasoline rates, China Daily, June 1, 2010

# Sino Gas: Investment Highlights

## Unconventional Gas Assets in China

- + The world's fastest growing energy market
- + China demand underpinned by move to clean energy

## Demonstrated Success

- + 2010 Work Program delivered maiden Reserves & commercial flow rates
- + Immediate success in 2011 with TB09's substantial commercial rate
- + In-Country Team driving business

## Strategic Acreage

- + Assets in the key proven Ordos Basin
- + One of the largest foreign company holdings
- + Access to growing infrastructure

## Investment Theme

- + Exposure into a pure China energy play



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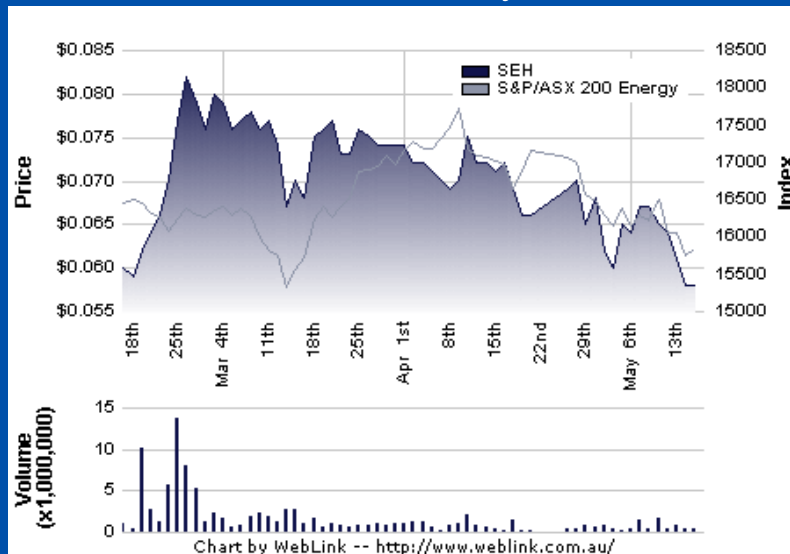
## Resource Statements

The statements of resources in this presentation where referenced are based on estimates prepared by RISC Pty Ltd or as otherwise noted.

# Appendix 1

## Sino Gas Corporate Snapshot

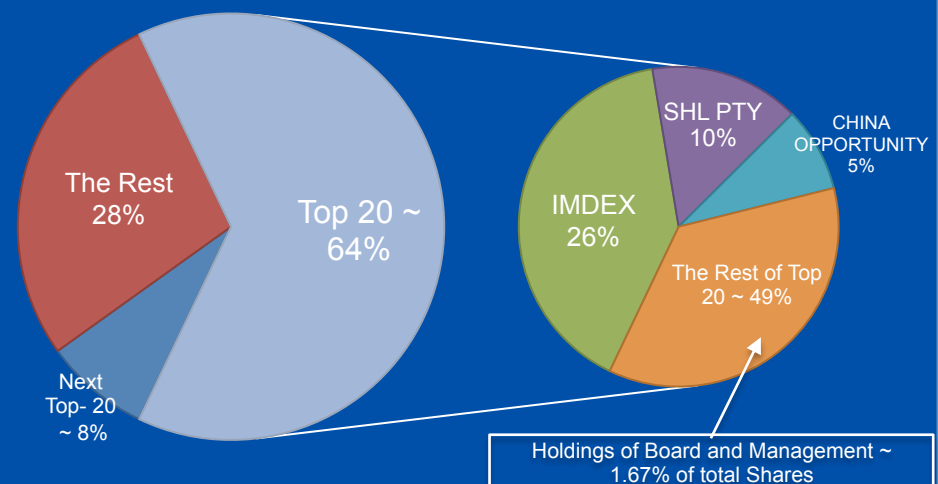
### Share Price Performance / Key Metrics



Share price	~ \$0.05
Market capitalisation	~ \$49 million
Issued capital	958.3 million
Options	334.3 million @ 12.5c – 31 Dec 12
Options	54.8 million – various terms
Performance Rights	Milestones: Pilot gas sales Chinese Reserves Report, ODP: 19.25 million Directors 7.2 million Key Staff

- Sino Gas formed – Q3 2005
- Farmed into Chevron PSC's in 2006
- Australian Stock Exchange (ASX) Listed – Sep 2009

### Significant Shareholders Analysis



# Appendix 1

## Board of Directors and Senior Management

Name and Position	Background
Directors	
Gavin Harper <i>Chairman</i>	<ul style="list-style-type: none"> <li>■ Chairman of the board since January 2011</li> <li>■ Involved with Sino Gas in various capacities since 2006</li> <li>■ Has over 36 years experience in the oil and gas industry in a variety of leadership roles – largely with Chevron</li> <li>■ A founder Director of Plantation Energy Limited</li> </ul>
Stephen Lyons <i>Managing Director</i>	<ul style="list-style-type: none"> <li>■ Managing Director since May 2008</li> <li>■ Foundation shareholder in Sino Gas, part of the 2006 farm-in team, based in Beijing since 2006</li> <li>■ Qualified Chartered Accountant and Member of the Australian Institute of Chartered Accountants and Institute of Company Directors</li> <li>■ Has an audit, corporate services and banking background</li> <li>■ He has held a number of executive positions with Australian ASX Listed companies, the Australian operations of a Swiss based multinational and private companies</li> </ul>
John Chandler <i>Non-Executive Director</i>	<ul style="list-style-type: none"> <li>■ Has over 30 years commercial, corporate and business experience as a lawyer</li> <li>■ Was appointed to the SGEH Board April 2008</li> <li>■ He has been a partner in major law firms including Freehills, KPMG Legal and Deacons, and now practices on his own with a focus on the oil and gas industry and corporate governance</li> </ul>
Bernie William Ridgeway <i>Non-Executive Director</i>	<ul style="list-style-type: none"> <li>■ Involved with SGE (and then SGEH) since formation</li> <li>■ Qualified Chartered Accountant, a Member of the Institute of Chartered Accountants in Australia and a Member of the Australian Institute of Company Directors</li> <li>■ Managing Director of Imdex Limited (ASX:IMD), an Australian ASX listed company</li> </ul>
Harry Spindler <i>Company Secretary</i>	<ul style="list-style-type: none"> <li>■ Joined Sino Gas &amp; Energy as Company Secretary in October 2010</li> <li>■ A member of the Institute of Chartered Accountants in Australia and a member of the Financial Services Institute of Australia</li> <li>■ Has worked on high profile restructuring engagements in mining and assists in advising a number of ASX listed mining companies</li> </ul>

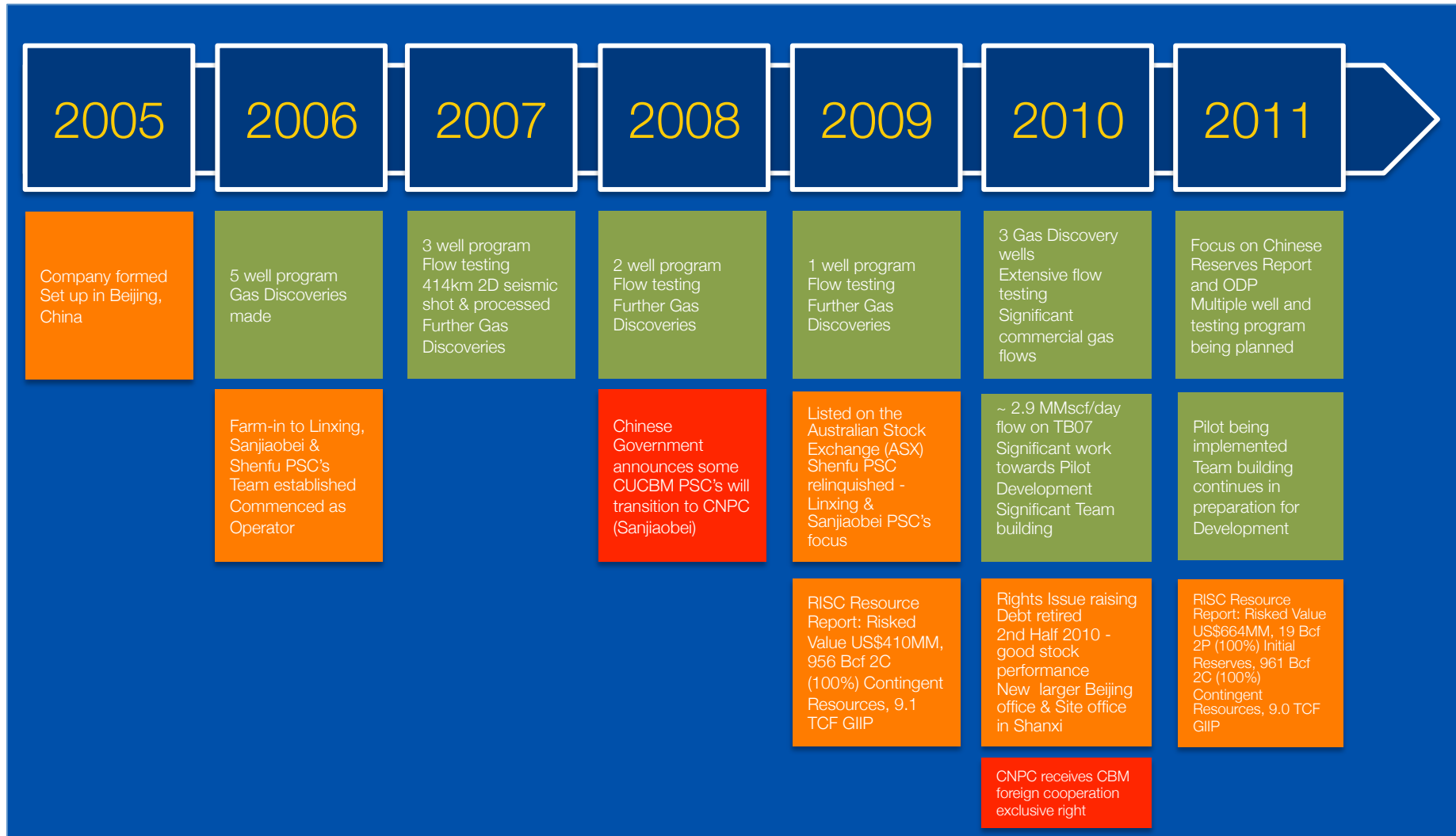
# Appendix 1

## Board of Directors and Senior Management (cont'd)

Name and Position	Background
Senior Management	
Frank Fu <i>Chief Operating Officer</i>	<ul style="list-style-type: none"> <li>■ Joined Sino Gas &amp; Energy as COO in August 2010</li> <li>■ Leads Sino Gas's Operations &amp; Sub-surface team</li> <li>■ Has an 18 year career in oil, gas and Coal Bed Methane (CBM), including the last 14 years with Phillips and ConocoPhillips both in China and the USA</li> <li>■ Has had extensive CBM operational experience in Shanxi Province, including on Sino Gas's acreage</li> </ul>
Billy Chen <i>Production Facility Engineering Supervisor</i>	<ul style="list-style-type: none"> <li>■ Joined Sino Gas &amp; Energy as Production Facility Engineering Supervisor in October 2010</li> <li>■ Leads Pilot Development activity</li> <li>■ Has a 12 year career with ConocoPhillips prior to joining Sino Gas &amp; Energy</li> <li>■ Significant experience in the design, installation and commissioning of gas and oil gathering and processing systems</li> </ul>
Zherong Gao <i>Chief Geologist</i>	<ul style="list-style-type: none"> <li>■ Joined Sino Gas &amp; Energy as Chief Geologist in February 2011</li> <li>■ Previously worked as Senior Geoscientist in Geomodeling Technology Corporation (Canada) and extensive experience in China's Ordos Basin</li> <li>■ Has over 20 years experience working in a variety of geological disciplines and challenging projects in North America, Asia, and Europe</li> </ul>
Xiaoguang Wu <i>Senior Well Engineer</i>	<ul style="list-style-type: none"> <li>■ Joined Sino Gas &amp; Energy as Senior Well Engineer in December 2010</li> <li>■ 8 years working for Schlumberger as a Field Service Supervisor and Project Coordinator under Well Service Segment, including extensive flow testing experience</li> <li>■ Around 500 offshore and onshore jobs in various well operations, such as Loss Circulation, horizontal, HTHP</li> </ul>
Tina Du <i>Finance &amp; Administration Manager</i>	<ul style="list-style-type: none"> <li>■ Joined Sino Gas &amp; Energy in October 2006</li> <li>■ Responsible for all Finance including PSC level accounting, partner liaison, audit and tax issues</li> <li>■ Foundation member of Finance Team involved in setting up PSC Accounting Operations in China</li> <li>■ JMC Financial Representative</li> <li>■ CIMA qualified (Chartered Institute of Management Accountants)</li> </ul>

# Appendix 1

## Our Successful track record in China



# Appendix 1

## Partners in the Ordos with Bold Strategic Ambitions

### Linxing PSC - CUCBM

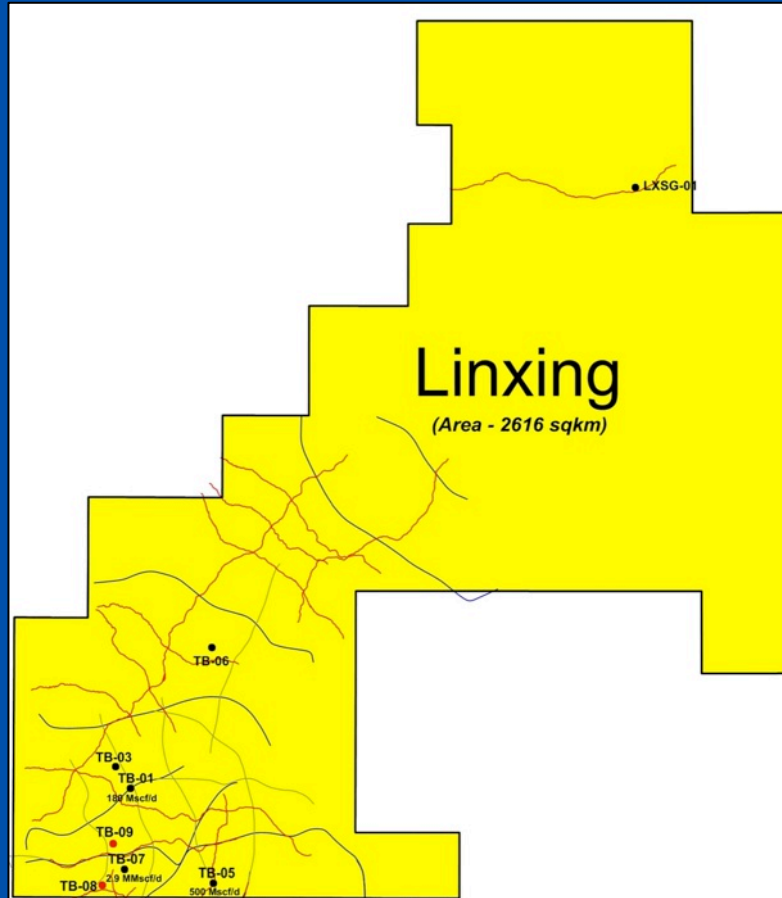
- CUCBM (50% owned by CNOOC)
- CNOOC expanding unconventional gas interests onshore China
- CNOOC recent Australian acquisition and large USA shale gas acquisition
- Strong cooperation with CUCBM over 5 years

### Sanjiaobei PSC – CNPC

- PSC is being transferred from CUCBM to CNPC
- CNPC – implemented by subsidiary PetroChina Coal Bed Methane (PCCBM)
- CNPC recently received CBM foreign cooperation exclusive right
- CNPC are a key part of the 12-5 (12<sup>th</sup> 5 year plan)
- Strong 2010 operating and partner support from PCCBM

# Appendix 1

## Linxing PSC (~65% interest following partner back-in)



Sino Gas's Linxing PSC showing well penetrations, flow testing results and seismic lines

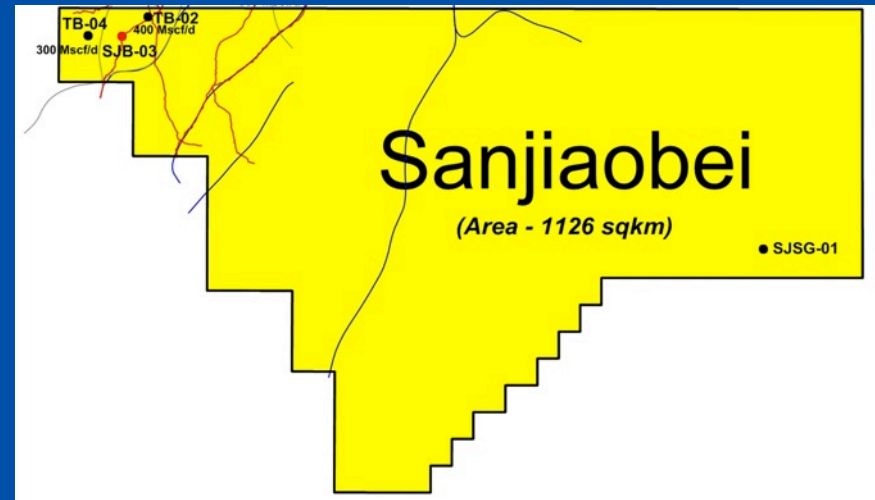
- 2,616km<sup>2</sup> Ordos Basin China
- Sino Gas operator since 2006
- Chinese Partner CUCBM (now owned 50% by CNOOC)
- CNOOC – expanding interests in unconventional gas assets on-shore China
- Since 2006, extensive exploration & appraisal:
  - 7 Gas Discovery Wells (2 new wells Q4, 2010) – multiple gas pay zones in many wells
  - Extensive flow testing on 3 wells – commercial gas flows (generally only from single zones)
  - Significant commercial gas flow ~ 2,900,000 scf/day on TB07
- Pilot Development underway
- 2011 plans focus on Pilot, Chinese Reserves Reports and ODP preparation
- Feb 11 – Certified Reserves, Contingent & Prospective Resource of 1.7Tcf (Mid Case, 100%)



# Appendix 1

## Sanjiaobei PSC (49% interest following partner back-in)

- 1,126km<sup>2</sup> Ordos Basin China – adjacent to Linxing PSC
- Sino Gas operator since 2006
- Chinese Partner CNPC following transfer from CUCBM – administered by PetroChina CBM (PCCBM)
- PCCBM is a key part of China's targets under the 12<sup>th</sup> 5 year plan
- Since 2006, extensive exploration & appraisal:
  - 3 Gas Discovery Wells (1 new well Q4, 2010) – multiple gas pay zones in many wells
  - Flow testing on 2 wells – commercial gas flows
- Pilot Development underway
- 2011 plans focus on expanding Discovery Area, Pilot, Chinese Reserves Reports and ODP preparation
- Feb 11 – Certified Reserves, Contingent & Prospective Resource of 455 Bcf (Mid Case, 100%)



*Sino Gas's Sanjiaobei PSC showing well penetrations, flow testing results and seismic lines*

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