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

Building a Significant Gas Business in China

TB04 – flow testing operation

RIU Good Oil Conference

Perth, Western Australia

Stephen Lyons – Managing Director

6 – 7 September 2011

Sino Gas is building a Significant Gas Business in China

- ASX listed company with our heart in China
- Large scale gas assets in China's Ordos Basin the 2nd largest gas basin in China
- Exploration success has driven large scale resources: 2P Reserves 19Bcf, Contingent + Prospective Resources of 1.9Tcf
- 6 years of successful exploration & appraisal has significantly de-risked the assets – now focusing on Development
- Sino Gas is leveraged to the world's fastest growing energy market - China

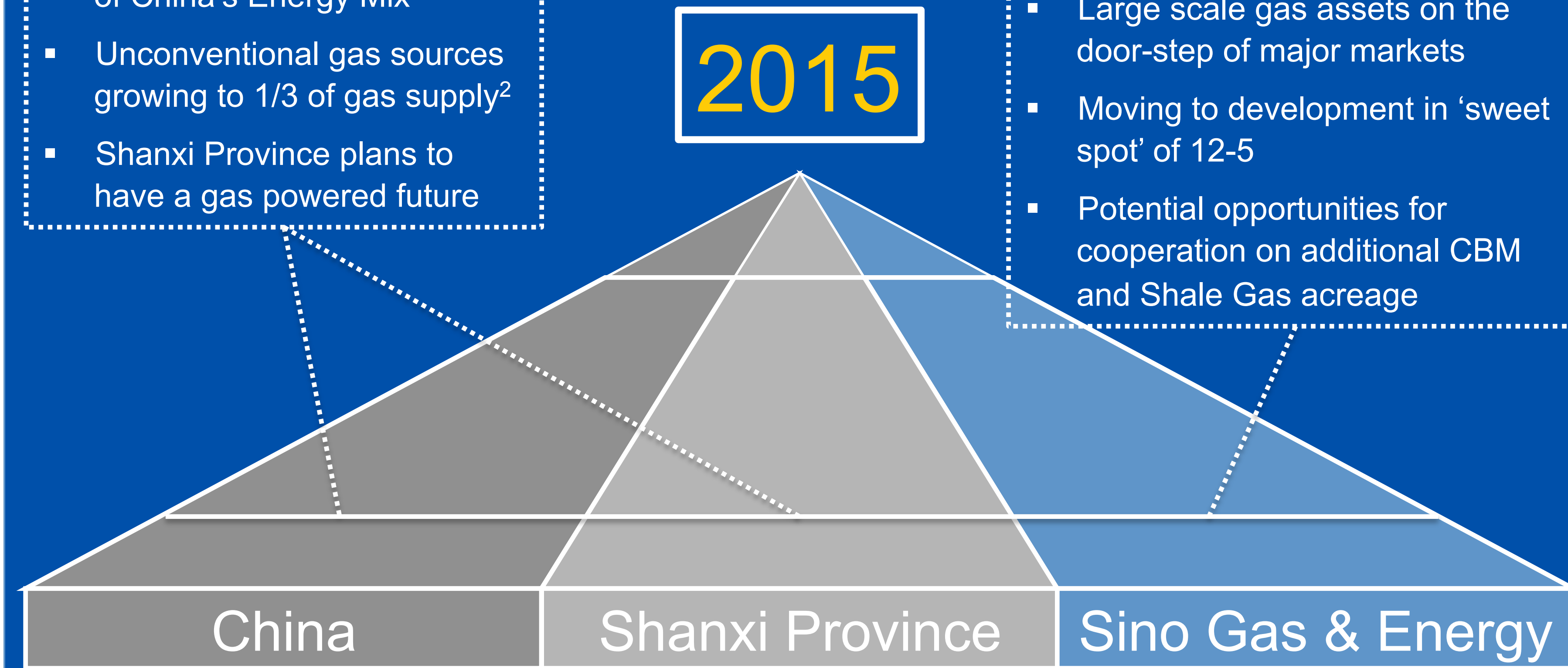
Our strategy benefits from China's 12th 5-year plan (12-5)

China's 12-5 Plans

- Natural Gas to grow to 8.3% of China's Energy Mix[1]
- Unconventional gas sources growing to 1/3 of gas supply[2]
- Shanxi Province plans to have a gas powered future

Sino Gas's Opportunity

- Demonstrated exploration success
- Large scale gas assets on the door-step of major markets
- Moving to development in 'sweet spot' of 12-5
- Potential opportunities for cooperation on additional CBM and Shale Gas acreage



(1) *International Energy Agency, June 2011*
(2) *Bernstein Research, Dec 2010*

Improving returns for producers driving the development of CBM in China

CHINADAILY

CHINA DAILY 中国日報 CHINADAILYUSA.COM THURSDAY, SEPTEMBER 1, 2011 | PAGE 13

Duties lifted on imports of equipment for CBM

Move will reduce costs, improve profits for domestic producers

By ZHOU YAN
CHINA DAILY

BEIJING — China will waive import duties for the fast-growing imports of equipment for coalbed methane (CBM) exploration and development projects during the 12th Five-Year Plan (2011-2015), making it the country's first exemption in the sector.

POLICY

The move aims to support the development of the gas, the Ministry of Finance said on its website recently.

The duty-free list mainly targets equipment, instruments, components and parts imported by China United Coalbed Methane Corp and its partners, the ministry's statement said.

China United is the country's major CBM explorer and developer. It is jointly owned by the State-owned China National Coal Group and China National Offshore Oil Corp Ltd.

"It's the first time for the country to launch such policies for the industry," said Zhou Xiujie, an energy analyst at the CIC Industry Research Center.

He said the move would cut costs and boost profits for domestic CBM gas producers, which have borne relatively high exploration costs and use immature technologies to support their growth.

CBM is a type of natural gas extracted from coal deposits. It has become an emerging clean fuel that is increasingly tapped in Australia, Canada and the United States.

China's reserves of the unconventional natural gas rank third in the world after Russia and Canada at 37 trillion cubic meters (cu m), accounting for 13 percent of the world's total, according to Sun Maoyuan, commissioner of the National Energy Commission.

Sun said that the 12th Five-Year Plan (2011-2015) provisions for the development and use of CBM, which haven't been officially released, show that China aims to achieve 20 billion to 40 billion cu m production of the fuel by the end of 2015.

China is stepping up efforts to diversify its energy sources to cut emissions. Clean natural gas is listed among the primary alternative resources for China, where coal accounts for about 70 percent of total energy consumption.

Industry experts have forecast that as China's surging demand for natural gas outpaces domestic output, the foreign-dependency ratio for the fuel could reach as high as 50 percent by 2020. Therefore, China has to step up exploration of unconventional natural gas, including CBM and shale gas.

The country's CBM industry will have "breakthrough" development in the future, but that will require trillions of yuan in investment, Sun said.

Since China's geological conditions differ from those of other countries that have the most sophisticated exploration technologies, the nation still has far to go before it can widely use the gas commercially, said Dong Weiguo, a senior researcher at the Beijing Research Institute of Coal Chemistry.

At present, most underground reserves of CBM in China are used for electricity generation, but it can be difficult to connect these generating sources to the grid, Dong said.

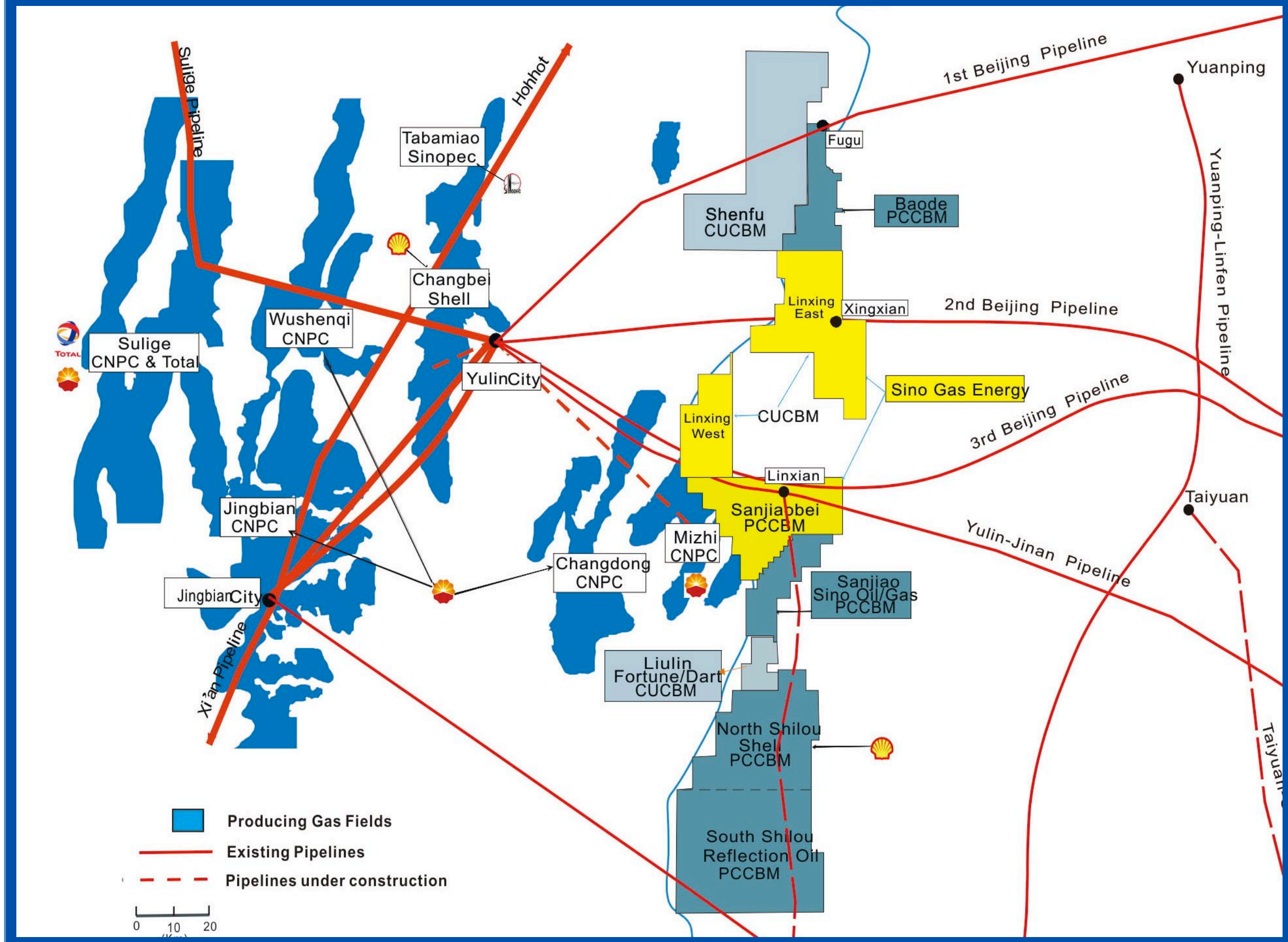
"We anticipate that broad commercial use of the gas cannot be realized until 2020, when the license confusion is tackled and technologies are more developed," Zhou said.

China's Favorable Policies[2]

- Subsidies on gas prices currently RMB 0.2/m^3 (US\$0.83/Mscf) – set to double[1]
- Duties lifted on CBM equipment imports – China Daily 1 Sep 11
- Full VAT rebate + no resource tax on CBM
- CBM priority pipeline connection over conventional gas
- Higher prices for electricity generated from CBM

(1) As quoted in Bernstein Research on CBM Sector citing the 12th 5 Year Plan – 20 July 11
(2) As quoted in UBS Investment Research "China Oil and Gas Sector" – Dec 11

Large Gas Assets & Markets in the Ordos Basin, China



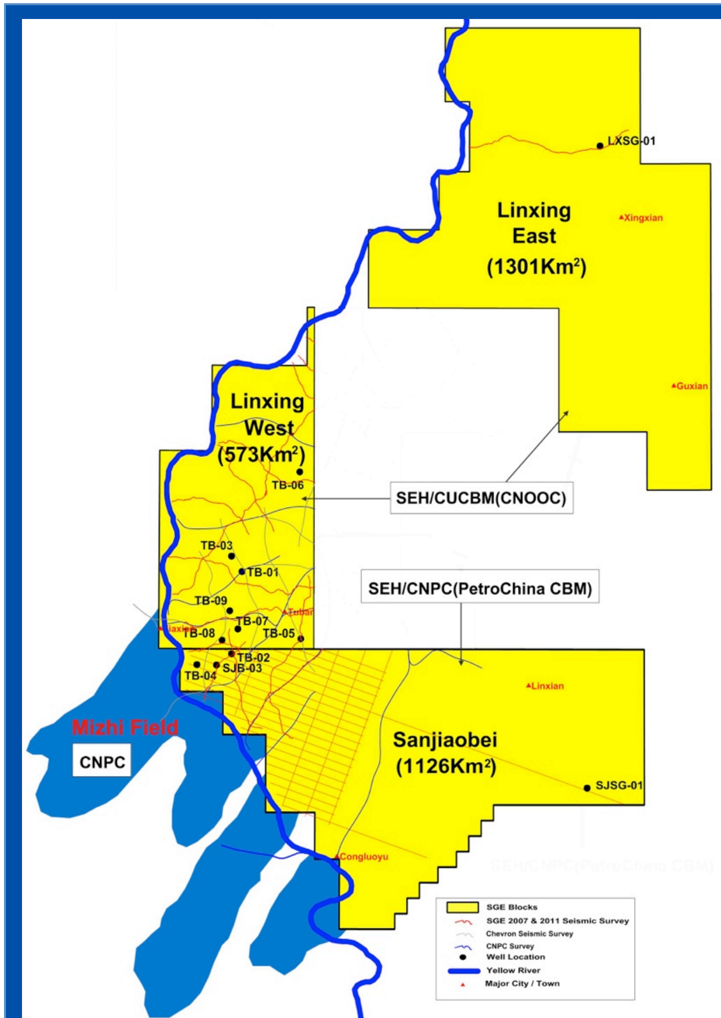
Ordos Basin China

- China's 2nd largest gas basin
- Key gas transport hub
- Substantial unconventional gas resources
- Growing pipeline network

Sino Gas & Energy

- Operator on 2 PSC's
- Partners with CNPC (PetroChina CBM) and CUCBM (50% owned by CNOOC)
- 3,000 km^2 – one of the largest foreign company holdings
- Substantial gas demand on our doorstep in Shanxi Province

Successfully working with Chinese Oil & Gas Majors



Linxing PSC (~ 65% following partner back-in from CUCBM)

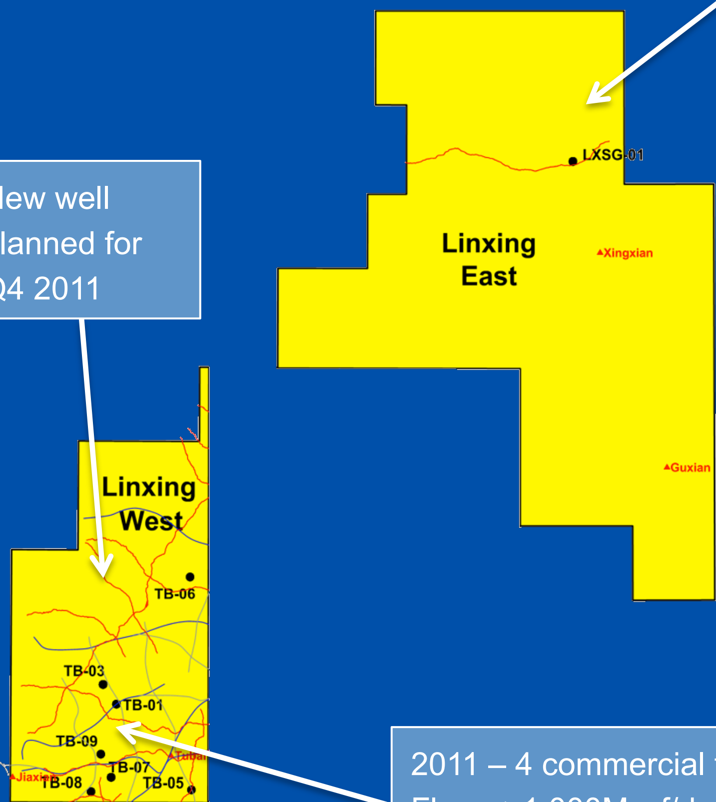
- Partner for 6 years with CUCBM (now 50% owned by CNOOC)
- CNOOC recently announced strong strategic focus on unconventional gas opportunities in China
- PSC's exploration period recently extended to Aug 2013
- Potential future cooperation with CUCBM on new CBM and Shale Gas opportunities

Sanjiaobei PSC (49% following partner back-in from CNPC/PetroChina)

- Following China industry restructure, partner for 3 years with CNPC with the PSC implemented by PetroChina CBM
- PetroChina CBM are a key part of China's 5 year plan for unconventional gas development

Stated Reserves and Resources are mid case and 100% - refer Resource Statements

Linxing PSC ~ 65% following partner back-in from CUCBM (50% owned by CNOOC)



Increased focus on Linxing East shallow CBM – 324 Bcf of mid case Contingent & Prospective Resources

New well planned for Q4 2011

2011 – 4 commercial tests. Flows >1,000Mscf/day on 2 wells

1,874 km^2
Extensive exploration on Linxing West

13 Bcf
2P Reserves

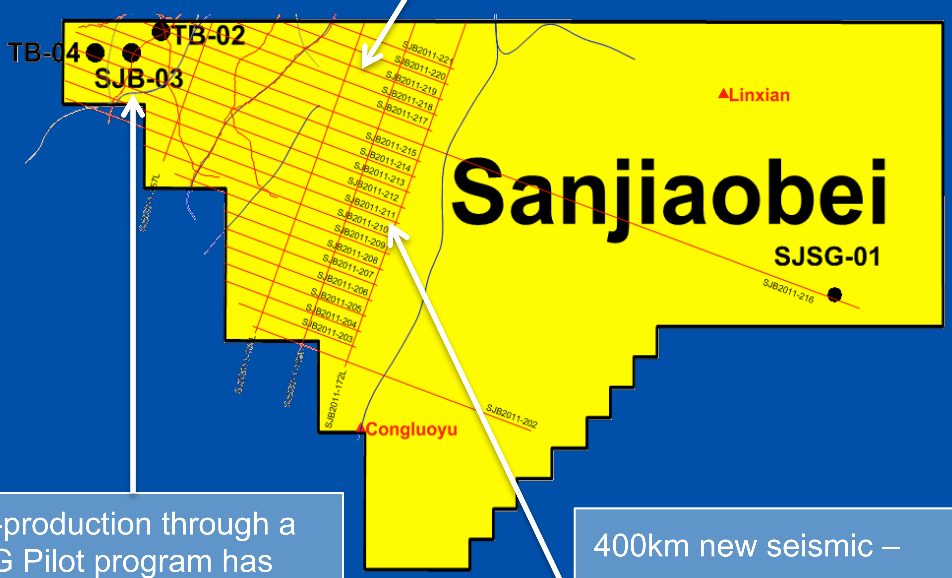
747 Bcf
Mid Case Contingent Resources

663 Bcf
Mid Case Prospective Resources

Stated Reserves and Resources are mid case and 100% - refer Resource Statements.
East Linxing CBM Resources assessed by NSAI in 2008

Sanjiaobei PSC – 49% following partner back-in from CNPC/PetroChina

Preparations underway for "spudding" of new well SJB1



Pre-production through a CNG Pilot program has commenced

Focus is on implementing 24/7 operation with gas sales to local markets

400km new seismic – success case expands resource area from $90km^2$ to $400km^2$

1,126 km²

6 Bcf
2P Reserves

158 Bcf
Mid Case Contingent Resources

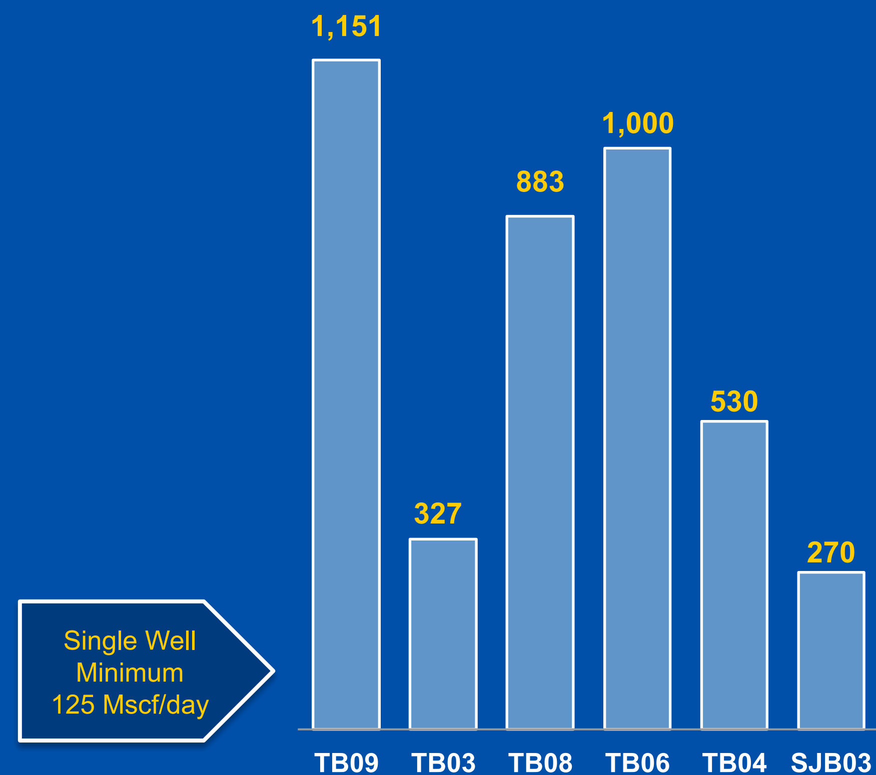
291 Bcf
Mid Case Prospective Resources

Stated Reserves and Resources are mid case and 100% - refer Resource Statements.
East Linxing CBM Resources assessed by NSAI in 2008

Achieving significant commercial gas flows

- Further well-rate potential from additional un-tested "pay zones" + stimulation
- Current "well-head" gas prices US$6.50 Mscf - US$7.0Mscf; additional subsidy of ~14% (US$0.83/Mscf) being reported in the 12-5[1]

2011 Well Testing Program delivering gas rates well above commerciality threshold[2]



(1) As quoted in Bernstein Research on CBM Sector citing the 12th 5 Year Plan – 20 July 11
(2) As estimated by RISC on an assumed 15% return on investment. Refer Resources Statements

A world class team based in China

490,000

Incident free hours worked during 2011

30

Employees in Beijing and site locations… and growing

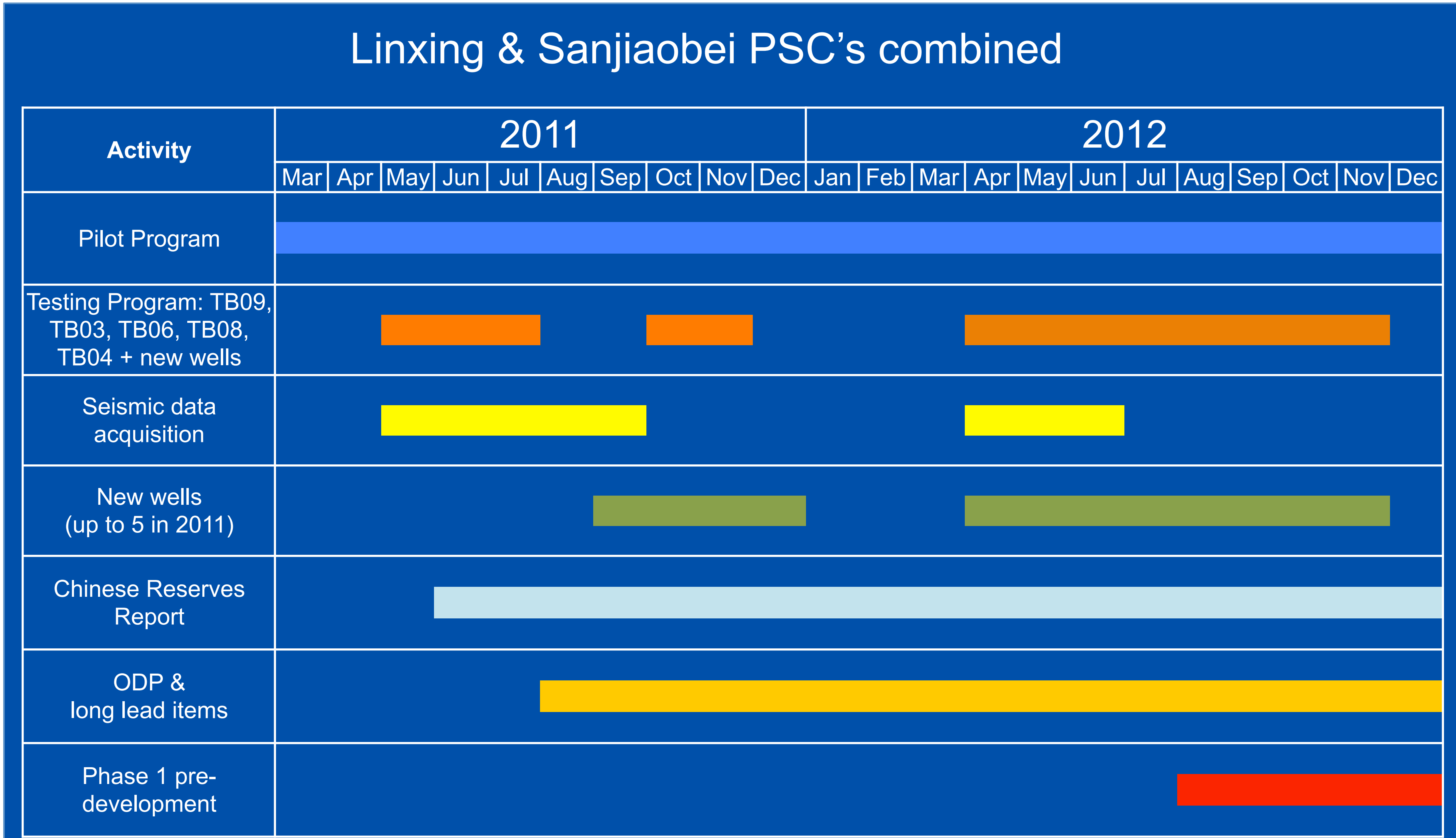
All key subsurface and operations functions now internalised

Leadership

Managing Director & key staff all based in Beijing

Significant Board involvement + China Strategic Consultant in place

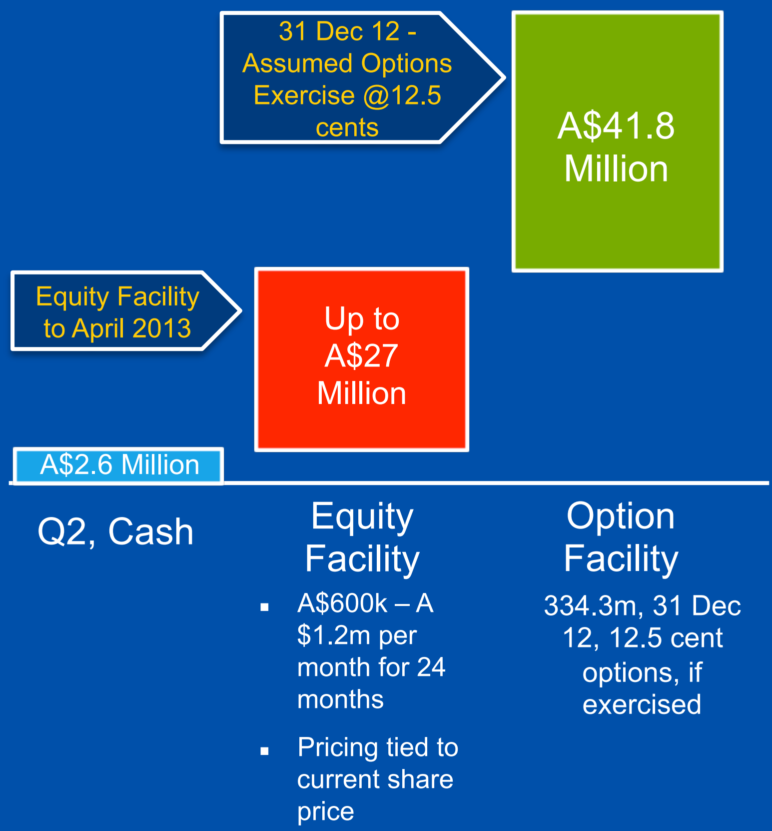
2011 & 2012 Work Programs[1] focused on Pilot production and delivering Reserves & Development approvals



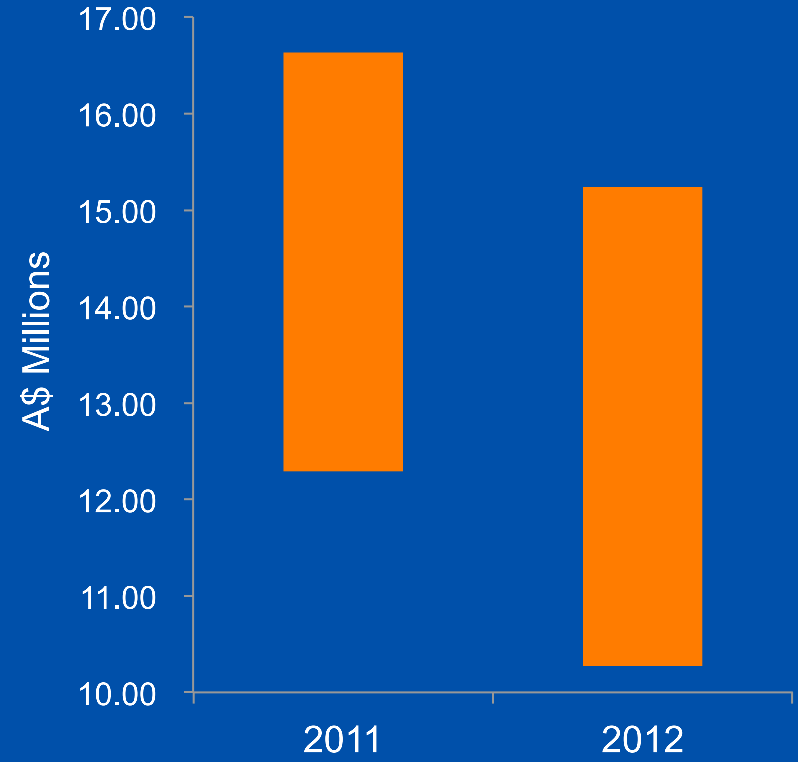
(1) Program timing is indicative only and reflects best estimates at the current time

Financial capacity to fund Strong Growth

Debt Free with Flexible Finance Facilities



Work Program & Administration Costs [1]



Expected range of Work Program & Administration Costs for calendar 2011 and 2012

(1) Costing is indicative only and reflects best estimates at the current time

Valuation benchmarks

Current Share Price ~5.5cents

Implied Value per Share (A ¢)[1]

	Implied Value per Share (A ¢)	Comments
Broker Price Target	13	▪ Patersons report (3 Aug 11) ▪ Based on NPV of 13¢
Trading Comps (EV / 2P)	10 – 17	▪ Chinese and Australian gas peers ▪ EV / 2P range of 4.9 – 8.6 A$m/ bcf
Trading Comps (EV / GIIP)	14 – 28	▪ Chinese and Australian gas peers ▪ EV / GIIP range of 0.09 – 0.18 A $m/bcf
Transaction Comps (EV / 2P + 2C)	36 – 81	▪ Precedent CSG Asia Pacific transactions with 2C reserves ▪ Average EV / (2P+2C) range of 0.4 – 0.8 $/bcf
RISC "Risked" Resource Evaluation[2]	39 – 69	▪ Lower end – Contingent Resources ▪ Upper end – Contingent + Prospective Resources

(1) Based on undiluted current number of shares on issue of 970.4million

(2) RISK independent reserves and resources valuation – refer Resource Statements

Sino Gas is building a Significant Gas Business in China: Key Investment Highlights

- Large scale gas assets in China's Ordos Basin
- Exploration success has driven large scale resources: 2P Reserves 19Bcf, Contingent + Prospective Resources of 1.9Tcf
- 6 years of successful exploration & appraisal has significantly de-risked the assets – now focusing on Development
- Moving to commercialisation of large gas assets in high demand markets with attractive gas prices
- Further upside on large PSC holdings + potential additional co-operation with Chinese partners

Disclaimer & Resource Statements

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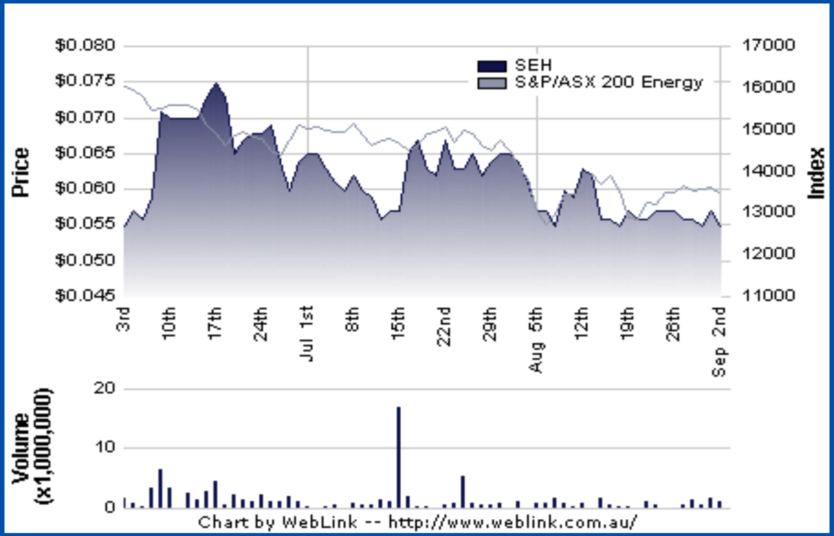
Resource Statements

The statements of resources in this Release have been independently determined to Society of Petroleum Engineers (SPE) Petroleum Resource Management Systems (SPE PRMS) standards by internationally recognized oil and gas consultants RISC Pty Ltd, except as otherwise noted. All resource figures quoted are mid case - 100%.

Appendix 1
Sino Gas Corporate Snapshot

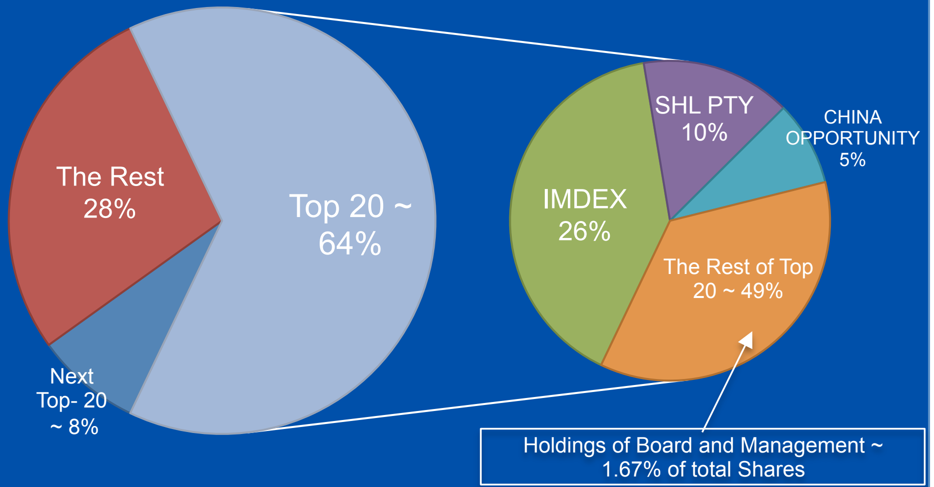
Share Price Performance / Key Metrics



Share price	~ A$5.5c (2 Sep 2011)
Market capitalisation	~ A$54 million
Issued capital	970.4 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



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