
SINO Gas & Energy
中澳煤层气能源
An Emerging Clean Energy Company in China
London Investor Update
November 2011

Investment Highlights

Sino Gas & Energy is moving efficiently from exploration to production

- Large gas projects located in the Ordos Basin, Shanxi Province China
- Total independently verified Reserves, Contingent & Prospective Resources of 2.9Tcf – will be updated at year end[1]
- Substantial work program planned for 2012 to increase reserves and prepare Overall Development Plan (ODP)
- A number of existing wells to be on early Pilot production during 2012 – cash flow
- Gas sales agreement being established
- Based on estimated production profiles Sino Gas's share of annual revenue likely to exceed $US400 million
- Partnering with cooperative Chinese majors (CNPC/Petrochina & CUCBM/CNOOC) under international standard Production Sharing Contracts (PSCs)
- End Oct 11 cash of A$4.8 million. Additional A$2.4 million due from underwritten Share Purchase Plan and placement following shareholder approvals 5 Dec 11
- Strategic partner being sought at asset level to fund operations to ODP

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

Project Overview

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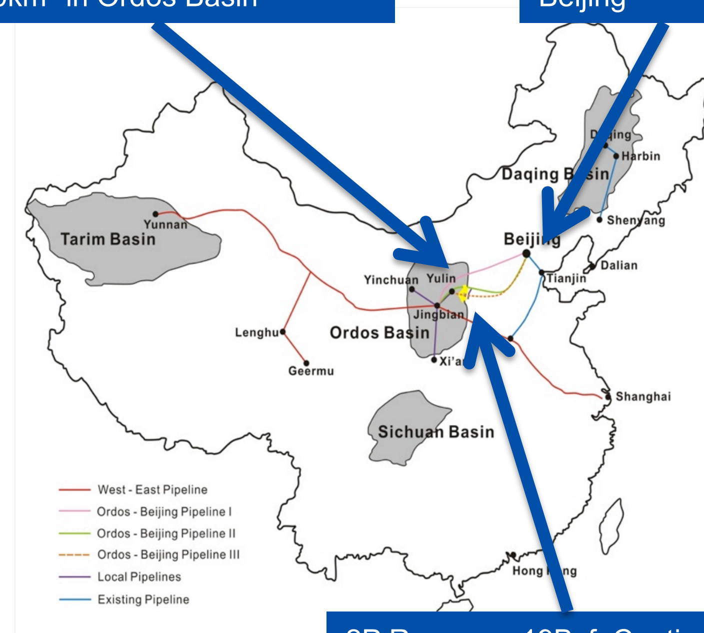
- Operating in Beijing since 2005
- Gas assets acquired from Chevron farm-in in 2006
- Largest foreign acreage in key Ordos Basin
- 6 years of asset de-risking, now focusing on development
- 2.9 Tcf[1] independently verified Reserves, Contingent & Prospective Resources – and growing
- Strong market and supportive government policy

Gas Development Projects of 3,000km^2 in Ordos Basin

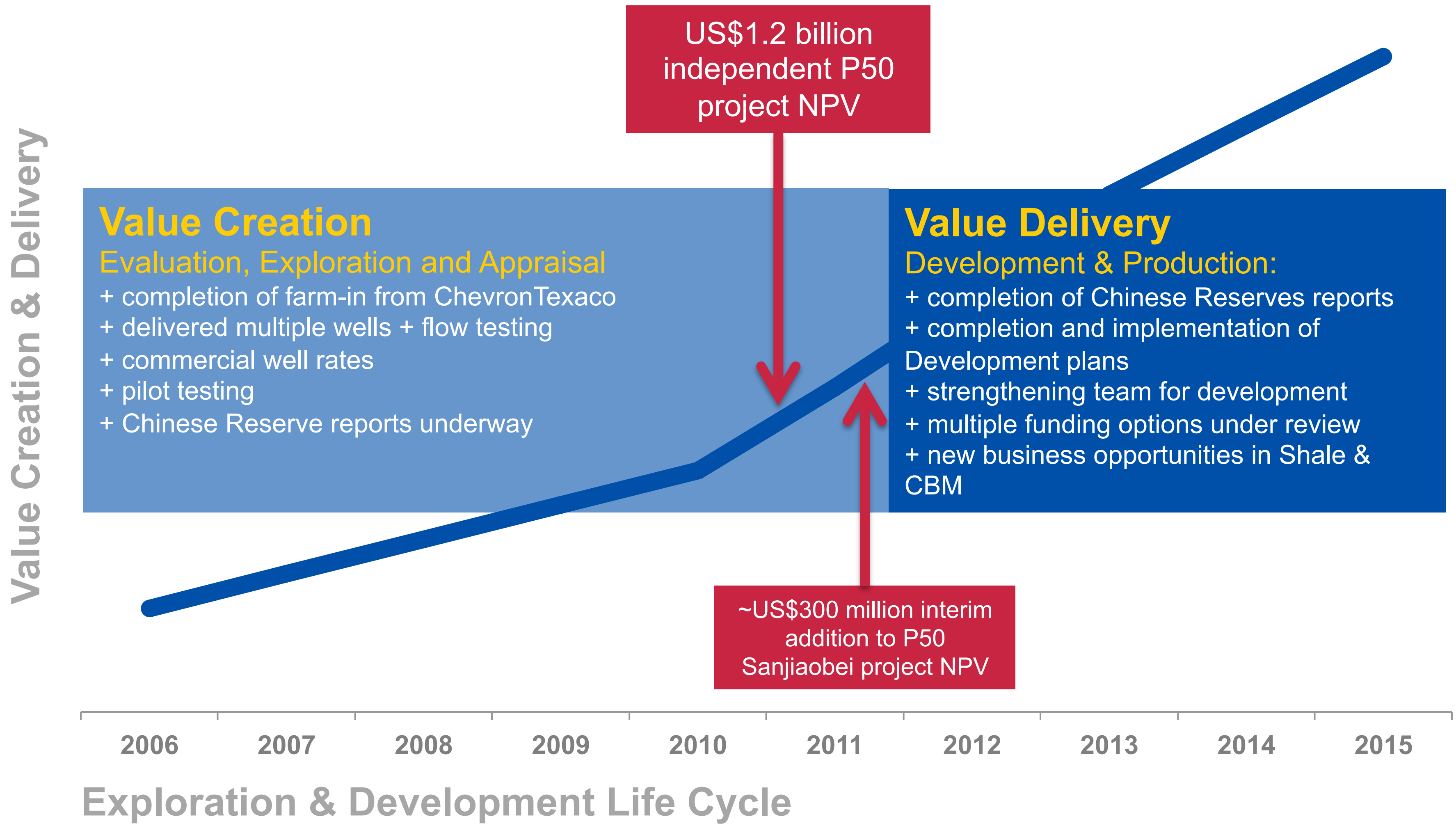
Head Office - Beijing



2P Reserves 19Bcf, Contingent + Prospective Resources of 2.9Tcf[1]

1 - Stated Reserves and Resources are mid case and 100% - refer Resource Statements and exclude East Linxing CBM Resources

Exploration risks dealt with – now transitioning to Development



Indicative Sino Gas Project Lifecycle

Delivering Large scale independently verified gas Reserves & Resources

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13 Bcf
2P Reserves

747 Bcf
Mid Case Contingent

663 Bcf
Mid Case Prospective

324 Bcf
Mid case Contingent & Prospective Resources – Shallow CBM Resources

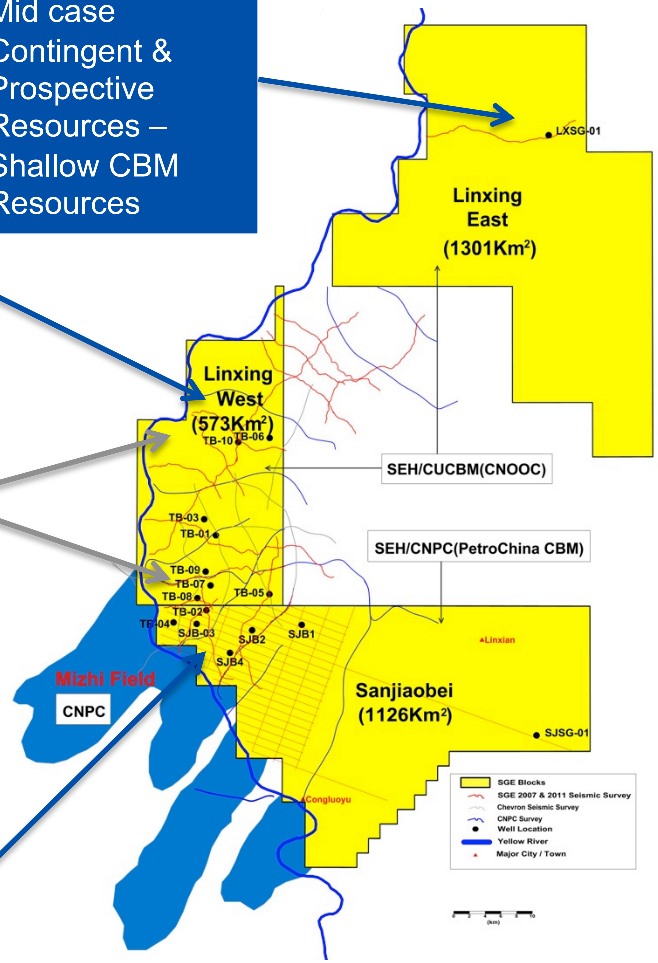
Current WIP

- Flow testing new gas discovery well SJB1
- Trial production on TB04
- Drilling SJB 2, site preparation for SJB4
- Drilling TB10

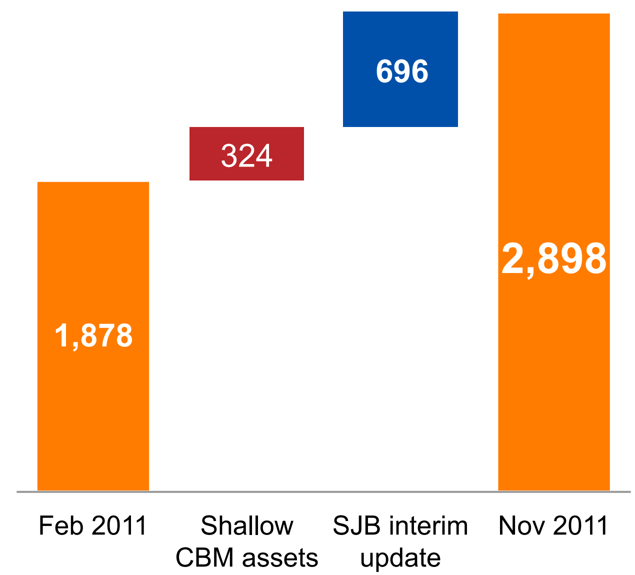
8 Bcf
2P Reserves

389 Bcf
Mid Case Contingent

754 Bcf
Mid Case Prospective



Nov 11 – 2011 Work Program drives interim 153% upgrade in Sanjiaobei Resource[1]



Reserves + Contingent + Prospective Resources (100%, Mid Case)

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

Acreage located in Ordos Basin: Producing fields, large markets and established infrastructure

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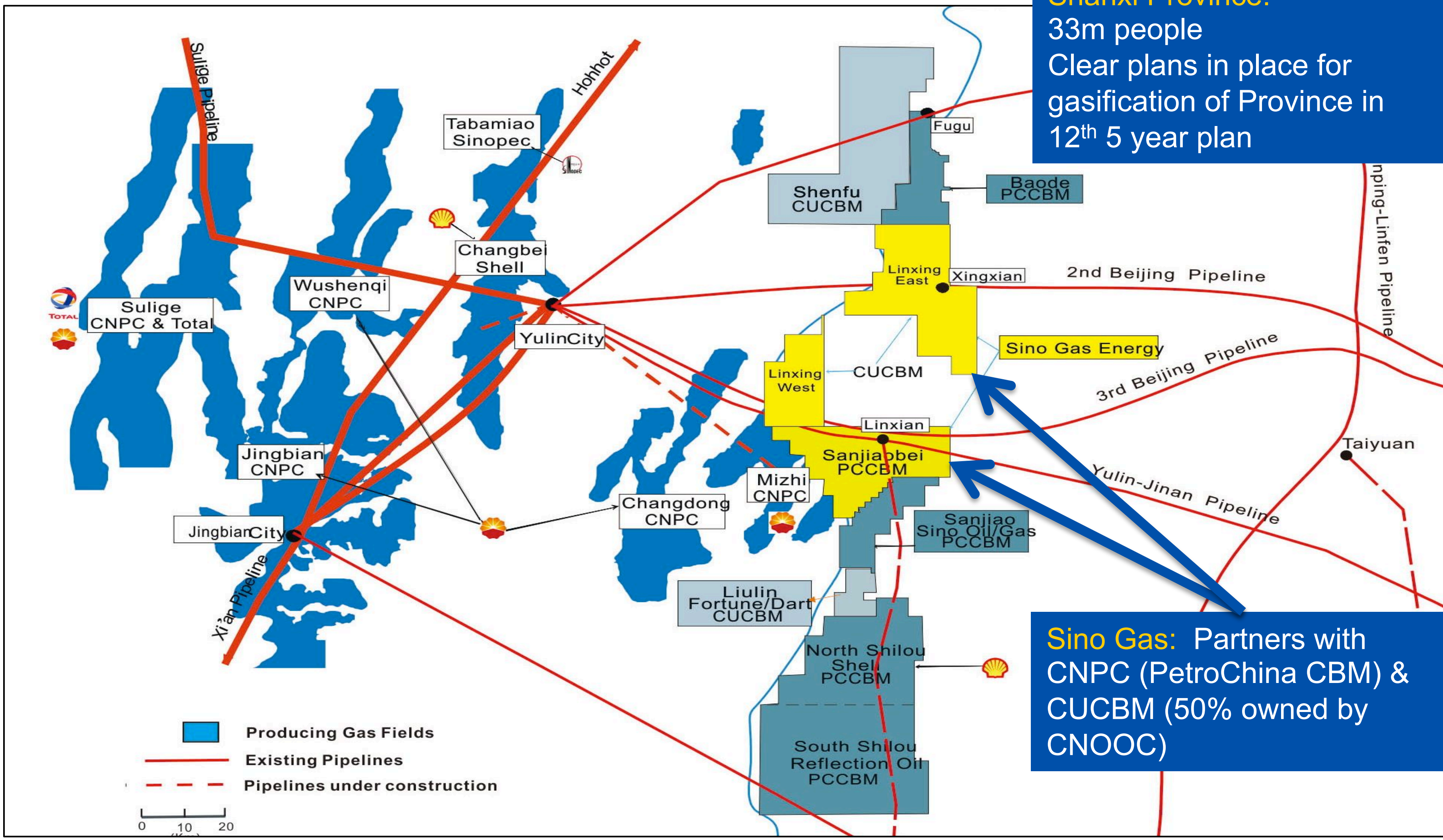

Shanxi Province:
33m people
Clear plans in place for gasification of Province in 12th 5 year plan

Sino Gas: Partners with CNPC (PetroChina CBM) & CUCBM (50% owned by CNOOC)

Attractive project economics

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US$1.2bn Project Value

- Sino Gas share, NPV10, P50 independent Project Value (Risked Value US$664m) – being updated end 2011
- Review underway to accelerate development: horizontal wells, pad drilling, multi-stage completions and shallow CBM development potential

Gas Prices in China

Potential upside to import parity pricing

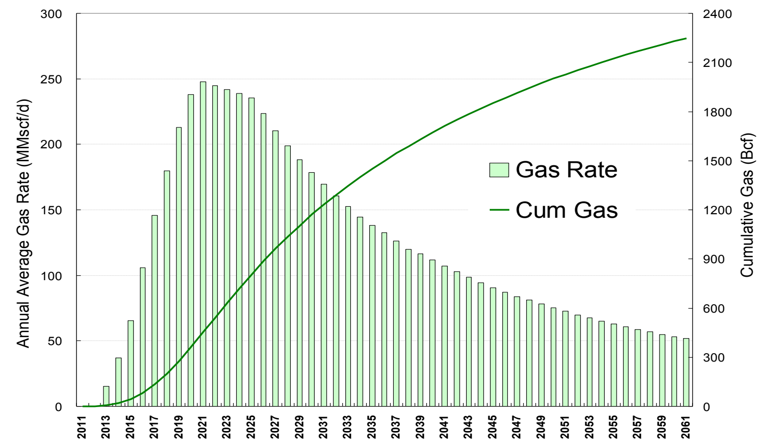
Robust Well Head gas price ~US$7/Mscf[2]

Projects generate ~ 40% IRRs

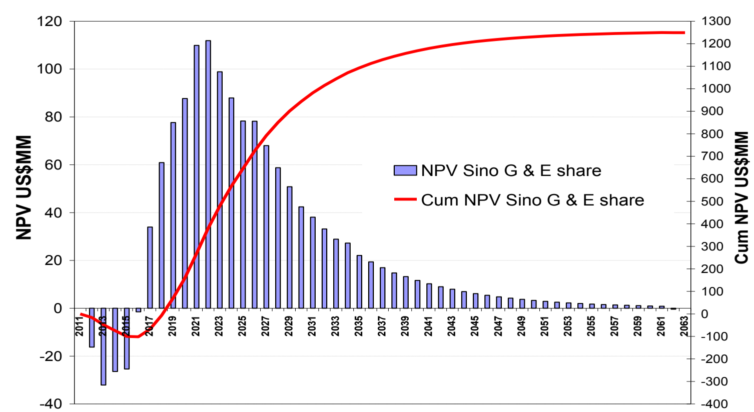
Profit ~US$4.5/ Mscf

Lifting costs ~ US$2.5/ Mscf

Indicative Production profile of Linxing & Sanjiaobei PSC's[1]



Indicative Cashflow profile of Linxing & Sanjiaobei PSC's[1] – (before gas sales from Pilot Development)



1 – Indicative Project Production & Cashflow profiles generated by RISC (Feb 2011) – refer Resource Statement. Excludes East Linxing CBM Resources

2 – Inclusive of RMB 0.2/m3 subsidy. Mooted to double in 12th 5 year plan

Attractive project economics

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Key Performance Indicators

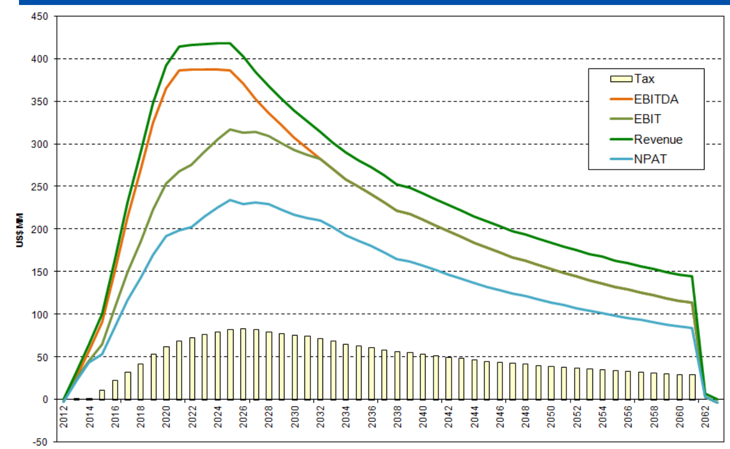
Indicative Five Year Results Overview – Sino Gas share

Results (US$MM)	2012E	2013E	2014E	2015E	2016E
Sales Revenue	-	33.4	65.1	100.7	165.8
EBITDA	(2.6)	27.5	57.7	90.7	152.5
EBIT	(2.6)	25.1	45.7	65.3	108.9
Tax	-	2.1	2.1	11.6	22.5
NPAT	(2.6)	22.9	43.6	53.8	86.4

Above analysis excludes Pilot Development Revenue

Indicative Gas Sales Revenue and Operating Costs of Linxing and Sanjiaobei PSC's[1]

Indicative Revenue, EBITDA, EBIT, Tax and NPAT profiles of Linxing & Sanjiaobei PSC's[1]



1 – Indicative Project Revenue, Costs & Earnings profiles modified based on RISC (Feb 2011) – refer Resource Statement. Excludes East Linxing CBM Resources

Clear path to Production & Revenue

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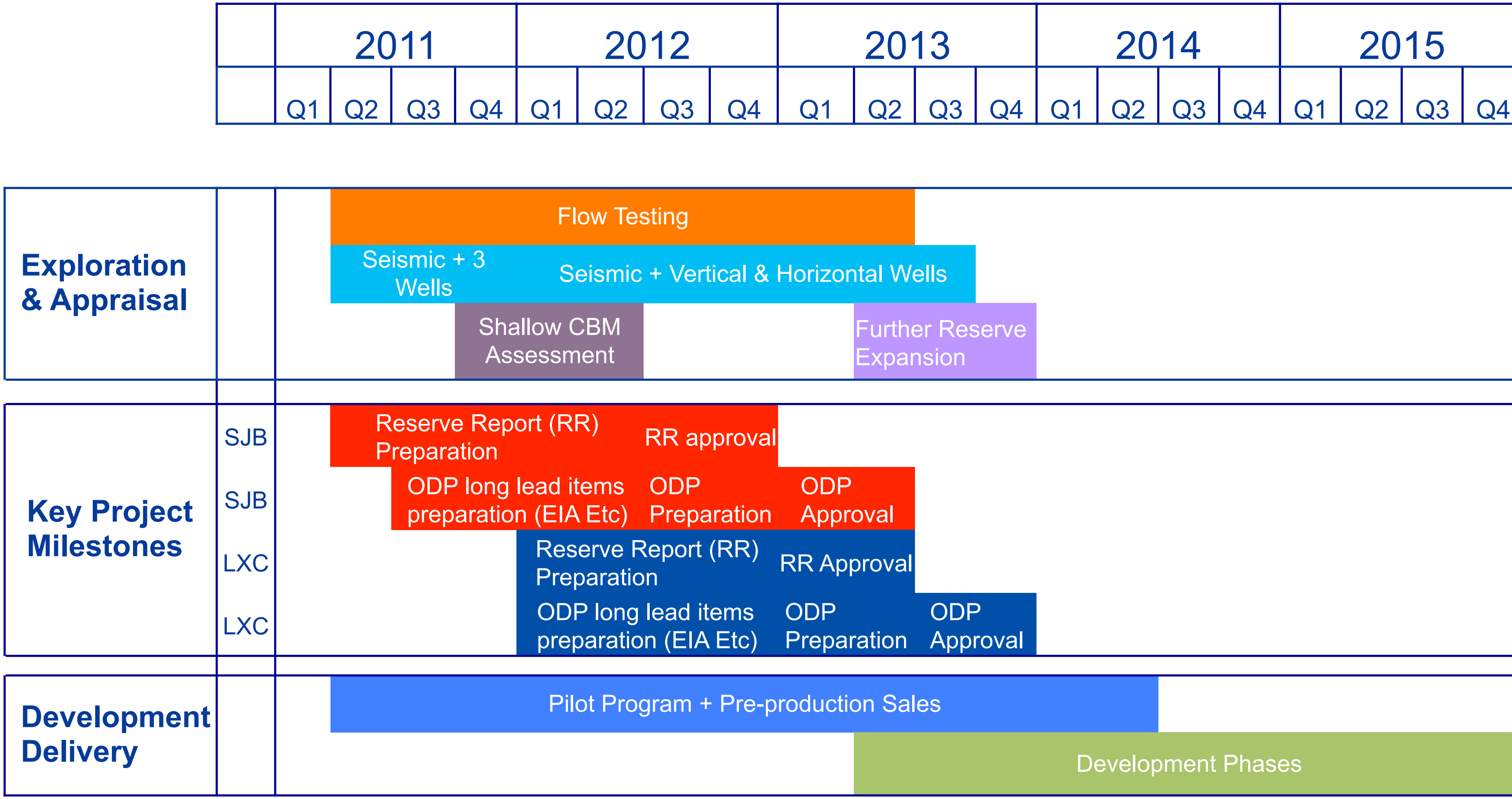

SJB – Sanjiaobei PSC, LXC – Linxing PSC, ODP refers to Overall Development Plan
Program timing is indicative only and reflects best estimates at the current time

Sino Gas's Indicative 2012 – Work Program + Objectives

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	2012 Work Program				Resource Base Growth		Key Project Milestones	
Project	**Cost US$**	**Seismic (km's)**	**Drilling (No of wells)**	**Frac/ Test (No of tests)**	**Current Audited SPE Reserves/ Resource[1]**	**Success Case Additional Internal Estimates SPE Reserves/ Resource[1]**	**China Reserves Report**	**Pilot Development & Gas Sales**
Sanjiaobei	**$11m**	110	6-7 + horizontal being reviewed	10	1,151 Bcf	200 Bcf	Yes (approval)	Yes (TB04 then other wells)
Linxing West	**$9m**	200	5	8	1,423 Bcf	200 Bcf	Yes (prepared)	Yes (TB07,TB08,TB09, then other wells)
Linxing East (Deep)	**$2m**	100	1	1	Nil	800 Bcf	No	No
Linxing East (Shallow)	**$3m**	60	5	3	324 Bcf	N/A	Yes (approval)	Yes (to be defined)
	~US $25m				**2,898 Bcf**	**1,200 Bcf**		

1 – Comprises mid case 100% Reserves, Contingent Resources and Prospective Resources - refer Resource Statements. East Linxing CBM Resources assessed by NSAI in 2008. Program timing is indicative only and reflects best estimates at the current time

Experienced Board and Management Team

Gavin Harper Executive Chairman	36+ years oil & gas experience, including extensive experience in Asia
Peter Mills Director	29 years oil & gas experience, technical and project development specialist; MD of Eureka Energy – Texas Shale Play
John Chandler Director	Lawyer with 30+ years experience in Asia focused on energy, resources and corporate governance
Bernie Ridgeway Director	Sino Gas founder and formation shareholder; MD of Imdex with extensive Australian and international corporate experience
Stephen Lyons Managing Director (Beijing based)	6 years with Sino Gas in Beijing, Chartered Accountant with extensive international corporate experience, formation shareholder in Sino Gas
Frank Fu Chief Operations Officer (Beijing based)	18+ years in oil, gas and CBM – the last 14 with Phillips and ConocoPhillips
Colin Heseltine China Strategic Consultant	40+ years senior diplomatic experience, mainly in Asia with a particular focus on China

Managing Development Risks

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Chinese PSCs

- High 'degree of fit' of projects with China's 12th 5 year plan
- 30/35 year Government approved PSCs
- China has 30+ year history of PSC operations with foreign companies

Resource definition

- All wells on Linxing & Sanjiaobei PSCs' gas discoveries – demonstrated resource/reserve growth
- Multiple wells delivering substantial commercial gas flows
- New seismic program driving resource expansion
- Offset gas fields in production

Project delivery

- Strong working relationships with key stakeholders
- 6 year track record of operatorship in China with history of project delivery
- Respected for technical capabilities – ranked as a "Top Operator" by Chinese Partners
- Chinese COO & team have delivered multiple significant offshore and onshore ODPs

Project monetisation

- Strategic 3,000km^2 asset position in key Chinese gas producing basin
- >US$1.2bn NPV P50 project value delivered to date – expected to increase
- Maximum asset equity interest retained
- Farm out to strategic partner at asset level

Funding Sources

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Multiple funding sources under review

A$6 million (gross) Placement & Share Purchase Plan (SPP)

- A$3.6 million raised end Oct - A$0.4 million following shareholder approval 5 Dec 11
- SPP: A$2 million underwritten – oversubscriptions can be accepted. Maximum A$15,000 per shareholder. Closes 25 Nov 11
- Equity Facility suspended + all amounts outstanding repaid

Strategic Initiatives

- Farm out to strategic partner at asset level
- Merrill Lynch appointed to advise on possible strategic opportunities
- Equity based alternatives: cornerstone investor, placement, option exercise (12.5 cents end 2012) would bring in A$41.2 million
- Pilot Development revenue

Forward activity will create multiple value triggers

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Multiple field & project activities underway

Multiple continuing operations

- 2 new wells being drilled – SJB2, TB10
- Multiple flow tests underway – SJB1, TB04

Reserves/Resources Upgrades in progress

- Linxing & Sanjiaobei PSCs will be independently re-assessed at year end
- 2012 path to Development to deliver growing reserves / resources

Development approvals

- Pilots, pre-production activities & gas sales – multiple options being progressed
- Chinese Reserve Report underway on Sanjiaobei PSC, should start shortly on Linxing PSC
- Progress on track towards Overall Development Plan (ODP)

Substantial gas assets in 2nd largest gas producing basin in China

- Uniquely placed to leverage growing demand for clean energy in China
  - experienced Board and Management Team
  - partnering with Chinese majors under international standard PSCs
  - 2.9Tcf[1] of independently verified gas Reserves and Contingent and Prospective Resources – set for upgrade off 2011 Work Program
  - multi-well commercial gas flows – several >1,000,000 scf/day
  - clear path to production and revenue
  - effectively managing potential risks
- Well placed to grow shareholder value given significant value upside and attractive project economics

1 - Stated Reserves and Resources are mid case and 100% - refer Resource Statements and exclude East Linxing CBM Resources

Disclaimer & Resource Statements

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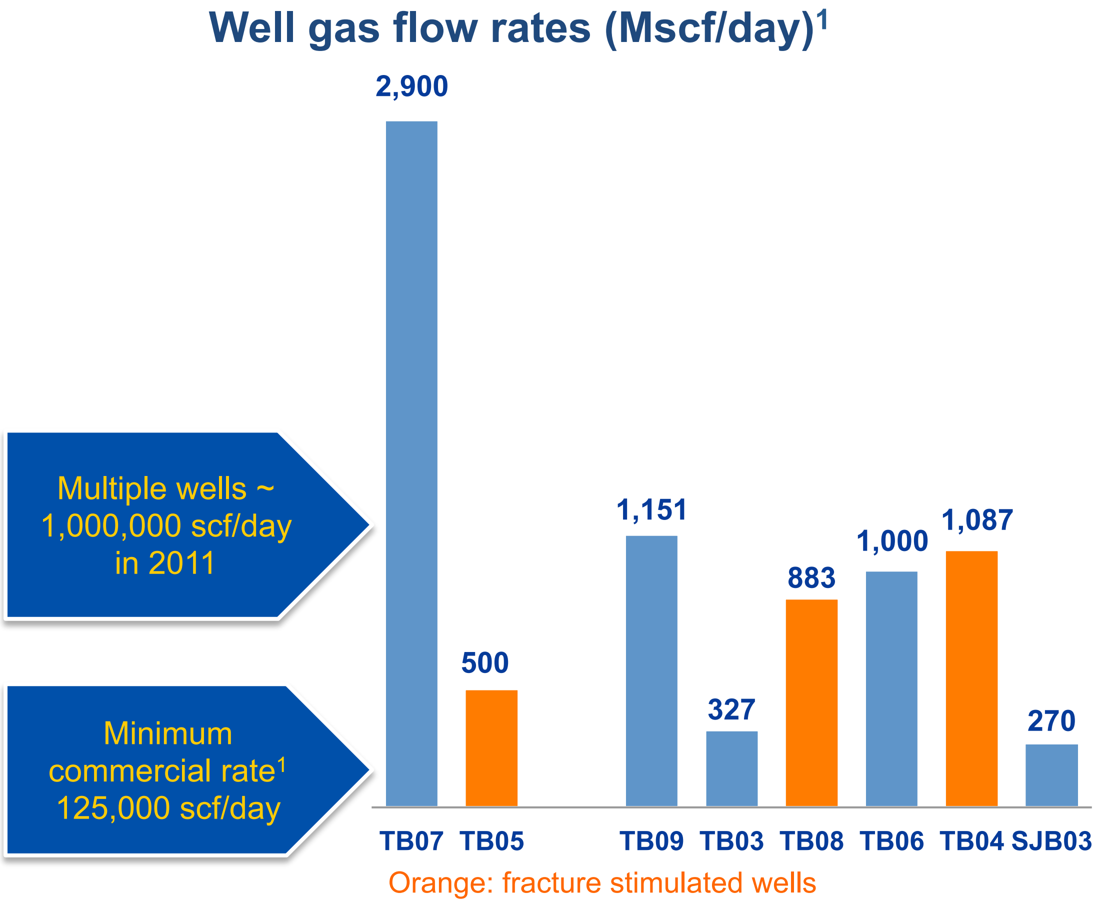
Resource Statements

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

Substantial gas flow rates achieved across multiple wells



- Significant further potential from additional untested "pay zones" + fracture stimulation + horizontal drilling

Individual well economics	
EUR	~ 2Bcf gas
Drilling Cost	US$800,000
Stimulation – single zone	US$350,000

1 - As estimated by RISC on an assumed 15% return on investment. Refer Resources Statements

Appendix
Partnering with Chinese majors under international standard PSCs

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Partnering with Chinese majors

- Linxing: China United Coal Bed Methane Company – 50% owned by CNOOC
- Sanjiaobei: CNPC – administrative partner being PetroChina Coal Bed Methane

Security

- PSCs approved at Chinese Ministry of Finance & Commerce
- 30+ year history of PSCs in China

Certainty

- 30-35 year PSC validity – 3 periods: exploration, development & production
- Favourable cost recovery mechanism for foreign partners

Sino Gas PSC Contract Interests[1]

PSC	Working Interest (Exploration)	Net Interests (Production)	Current Status
Linxing	Sino Gas 100%	Sino Gas 64.75% CUCBM 30.0% CBM Energy 5.25%(1)	Contract Expiry 2028 Exploration Period extended to 31 Aug 2013
Sanjiaobei	Sino Gas 100%	Sino Gas(2) 49.0% CNPC 51.0%	Contract Expiry 2033 Exploration Period expired 31 Aug 08 - renewal underway (2)

1 - CBM Energy hold an option to gain an interest of 5.25% at Development at a cost of 7.5% of the historical costs and expenses

2 - As a result of the Chinese ownership restructure, the Sanjiaobei PSC has only recently been transferred to CNPC. The Sanjiaobei PSC is administered by CNPC affiliate, PetroChina CBM (PCCBM). Sino Gas is working with PCCBM to extend the Exploration Period and to formalise the transfer of the interest from ChevronTexaco (for which Sino Gas & ChevronTexaco have signed a binding Deed of Assignment). These matters will be concluded at the time that formal approval is received from the Chinese MOFCOM.

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