

EQUITY RAISING PRESENTATION  
APRIL 2015

The background of the slide is a dark, blue-tinted photograph of an industrial facility, likely a coal gasification plant. A large, curved, metallic structure dominates the upper half of the image. In the lower-left foreground, a worker wearing a hard hat is partially visible. The overall tone is industrial and professional.

***“A Unique Opportunity to Invest in  
the China Energy Growth Story”***

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This Presentation contains summary information about **Sino Gas & Energy Holdings Limited (ASX: SEH, “Sino Gas”, “the Company”)**, its subsidiaries and their activities which is current as at the date of this Presentation. The information in this Presentation is of a general nature and does not purport to be complete nor does it contain all the information which a prospective investor may require in evaluating a possible investment in shares in Sino Gas & Energy Holdings Limited (New Shares) or that would be required in a prospectus or product disclosure statement prepared in accordance with the requirements of the Corporations Act. The historical information in this Presentation is, or is based upon, information that has been lodged with the Australian Securities Exchange (ASX) and released on ASX’s Market Announcements Platform. This Presentation should be read in conjunction with Sino Gas & Energy Holdings Limited’s other periodic and continuous disclosure announcements which are available at [www.sinogasenergy.com](http://www.sinogasenergy.com) or [www.asx.com.au](http://www.asx.com.au).

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# RESOURCES STATEMENT

The statements of resources in this release have been independently determined to Society of Petroleum Engineers (SPE) Petroleum Resource Management Systems (PRMS) standards by internationally recognised oil and gas consultants RISC Operations Pty Ltd (**RISC**) (announced 3 March 2015) using probabilistic estimation methods. These statements were not prepared to comply with the China Petroleum Reserves Office (PRO-2005) standards or the U.S. Securities and Exchange Commission regulations and have not been verified by SGE's PSC partners CNPC and CUCBM.

All resource figures quoted are unrisks mid-case unless otherwise noted. Sino Gas' attributable net Reserves & Resources assumes PSC partner back-in upon ODP approval and CBM Energy's option to acquire an interest of 5.25% in the Linxing PSC (by paying 7.5% of back costs) is exercised. Reserves & Resources are net of 4% in-field fuel for field compression and field operations. Reference point is defined to be at the field gate. No material changes have occurred in the assumptions and subsequent work program exploration and appraisal results have been in line with expectations.

Information on the Resources in this release is based on an independent evaluation conducted by RISC, a leading independent petroleum advisory firm. The evaluation was carried out by RISC under the supervision of Mr Peter Stephenson, RISC Partner, in accordance with the SPE-PRMS guidelines. Mr Stephenson has a M.Eng in Petroleum Engineering and 30 years of experience in the oil and gas industry. Mr. Stephenson is a member of the SPE and MICHemE and consents to the inclusion of this information in this release. RISC is independent with respect to Sino Gas in accordance with the Valmin Code, ASX listing rules and ASIC requirements.

## Sino Gas' Attributable Net Reserves & Resources as at 31 December 2014

SEH Attributable Net Reserves & Resources	1P Reserves (Bcf)	2P Reserves (Bcf)	3P Reserves (Bcf)	2C Contingent Resources (bcf)	P50 Prospective Resources (bcf)	EMV <sub>10</sub> (US\$m)
<b>31 December 2014</b> (Announced 3 March 2015)	350	448	557	739	649	\$3,076
<b>31 December 2013</b> (Announced 4 March 2014)	129	291	480	850	1,023	\$2,258
<b>Total 2014 Change (+/-%)</b>	<b>+54% (2P)</b>			<b>-13%</b>	<b>-37%</b>	<b>+36%</b>
Gross Project 31 December 2014	1,238	1,608	2,022	2,560	2,568	N/A

Contingent and Prospective Resources have not been risked for the risk of development and discovery. Contingent resources are the estimated quantities of petroleum that are discovered and may potentially be recovered contingent upon maturation and confirmation of development plans. Prospective resources are the estimated quantities of petroleum may potentially be recovered by the application of future development project(s) and relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration and appraisal is required to determine the existence of a significant quantity of potentially moveable hydrocarbons. EMV is the probability weighted net present value (NPV), including the range of project NPVs and the risk of the project not progressing. Project NPV<sub>10</sub> is based on a mid-case wellhead gas price of US\$9.76/Mscf and lifting costs (opex+capex) of ~US\$1.3/Mscf for mid-case Reserves, Contingent & Prospective Resources.

# EXECUTIVE SUMMARY

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- ≈ Two tranche Placement of fully paid ordinary shares in Sino Gas & Energy Holdings Limited (“Sino Gas”) to institutional and sophisticated investors in Australia and certain other jurisdictions to raise A\$80 million (approximately US\$62 million) at a price of A\$0.16 per share
  - An unconditional placement of approximately 202 million shares to raise approximately A\$32 million under Sino Gas’ 15% placement capacity
  - A conditional placement of approximately 298 million shares to raise approximately A\$48 million, subject to shareholder approval at an Extraordinary General Meeting (EGM) of Sino Gas shareholders, expected to be held on 4 June 2015
- ≈ It is expected that a Share Purchase Plan (SPP) will be offered, under which eligible Sino shareholders may each apply to subscribe for up to A\$15,000 of Sino Gas shares. The price of the SPP is the same as the Placement price
- ≈ Director support in the Placement expected and their applications for new shares under the Placement will be subject to shareholder approval at the EGM
- ≈ The Offer funds Sino Gas materially towards Overall Development Plan (ODP) approval, funds continued exploration activity and working capital and provides flexibility to repay debt
- ≈ The Offer also strengthens Sino Gas’ balance sheet and provides a position of financial strength for commercial dealings and general corporate purposes
- ≈ Sino Gas expects ODP to be reached in 2017 and production from its two PSCs to be over 50 MMscf/d (2016 target exit)
- ≈ Euroz Securities Limited and RBC Capital Markets are Joint Lead Managers to the Placement



# EQUITY RAISING OVERVIEW

## OFFER SIZE

- ≈ A\$80 million, representing approximately 32% of Sino Gas' existing shares on issue

## OFFER STRUCTURE

- ≈ Two tranche Placement of new shares to institutional and sophisticated investors
- ≈ Tranche 1: An unconditional placement of approximately 202 million shares to raise approximately A\$32 million under Sino Gas' existing 15% placement capacity
- ≈ Tranche 2: A conditional placement of approximately 298 million shares to raise approximately A\$48 million (subject to shareholder approval at an Extraordinary General Meeting (EGM), expected to be held on 4 June 2015)
- ≈ Share Purchase Plan (SPP) to eligible Sino Gas shareholders

## USE OF FUNDS

- ≈ Funds Company materially towards ODP including the aggressive build out of production, continued exploration activity, working capital and flexibility to repay debt. Provides a position of financial strength for commercial dealings and general corporate purposes

## PRICING

- ≈ A\$0.16 per share
- ≈ 11.1% discount to last traded price on 20 April 2015
- ≈ 10.7% discount to the 5 day VWAP on 20 April 2015

## RANKING

- ≈ Ranking pari passu with existing shares from allotment

## JOINT LEAD MANAGERS

- ≈ Euroz Securities Limited and RBC Capital Markets

# INDICATIVE TIMETABLE

Placement Opens	Tuesday, 21 April 2015
Placement Closes	Wednesday, 22 April 2015
Settlement Date For Issue Of New Shares Under Tranche 1	Tuesday, 28 April 2015
Allotment Of New Shares For Tranche 1	Wednesday, 29 April 2015
Extraordinary General Meeting To Approve Tranche 2	Thursday, 4 June 2015
Settlement Date For Issue Of New Shares Under Tranche 2	Friday, 5 June 2015
Allotment Of New Shares For Tranche 2	Tuesday, 9 June 2015

Note: Dates and times are indicative only, and may change without notice at the absolute discretion of the JLMs and Sino Gas. All time references are to Australian Eastern Standard Time (AEST).



# SHARE PURCHASE PLAN (SPP) DETAILS

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- ≈ Non-underwritten Share Purchase Plan (SPP) to eligible Australian and New Zealand shareholders for up to A\$15,000 worth of shares per shareholder
- ≈ Price of A\$0.16 per share, equal to price of shares issued under the Placement
- ≈ Subscription may be subject to scaleback
- ≈ The record date for the SPP is 22 April 2015
- ≈ The SPP is not subject to shareholder approval
- ≈ All new shares issued under the SPP will rank pari passu with existing ordinary shares in the Company
- ≈ Use of proceeds the same as the Placement
- ≈ Further information in relation to the SPP will be provided to eligible Sino Gas shareholders in due course

# USE OF PROCEEDS

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- ≈ Fund the Company's expenditure requirements materially towards ODP (Overall Development Plan)
  - Aggressive build out of production through drilling, and existing and new central gathering stations with targeted gross YE16 production of 50 MMscf/d (exit rate)
  - Continued exploration activity
- ≈ Flexibility to repay debt
- ≈ Provide a position of financial strength for the Company's commercial dealings and general corporate purposes

# COMPANY SNAPSHOT

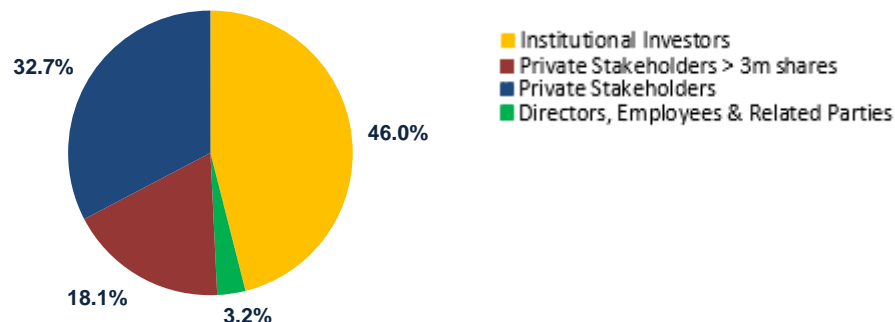
## Corporate Information - as at 20 April 2015

ASX Listed (S&P ASX 300)	SEH
Share Price	A\$0.18
Issued Shares	1,544m
Market Cap	A\$278/US\$217m
Cash Balance (Mar 31, 2015)	US\$22.4m
Drawn/undrawn debt facilities	US\$10/40m
<i>Headquarters in Beijing</i>	

## 12 Month Share Price Performance



## Share Register – March 2015



## Top Shareholders – Mar 2015

	Shares (m)	%
FIL Investment Management	153.5	9.9%
Kinetic Investment Partners	99.1	6.4%
Commonwealth Bank of Australia	97.3	6.3%
SG Hiscock	54.0	3.5%
JP Morgan Asset Management	37.8	2.4%

# A UNIQUE CHINA GAS INVESTMENT OPPORTUNITY

## Attractive market dynamics

- ≈ **Strong demand outlook:** Government target to double nat gas % of energy mix by 2020<sup>1</sup>
- ≈ **Robust gas prices:** Average China city-gate ~US\$11/mcf effective 1 April 2015
- ≈ **Supportive policy:** Government policy prioritising unconventional gas production

## Large scale / low cost resource

- ≈ **Substantial scale:** Project gross 1.6 tcf 2P & 2.6 tcf 2C in the prolific Ordos Basin<sup>2</sup>
- ≈ **Significant upside:** 2.6 tcf gross prospective resource<sup>2</sup> with ongoing exploration
- ≈ **Low cost supply:** Competitively positioned on the China gas supply cost curve

## Pathway to commercialisation

- ≈ **Pilot Production:** First pipeline gas sales achieved in December 2014
- ≈ **Gas Sales:** Initial sales at up to c.US\$9.60/Mscf
- ≈ **Market Access:** Adjacent to existing infrastructure with ready access to key markets

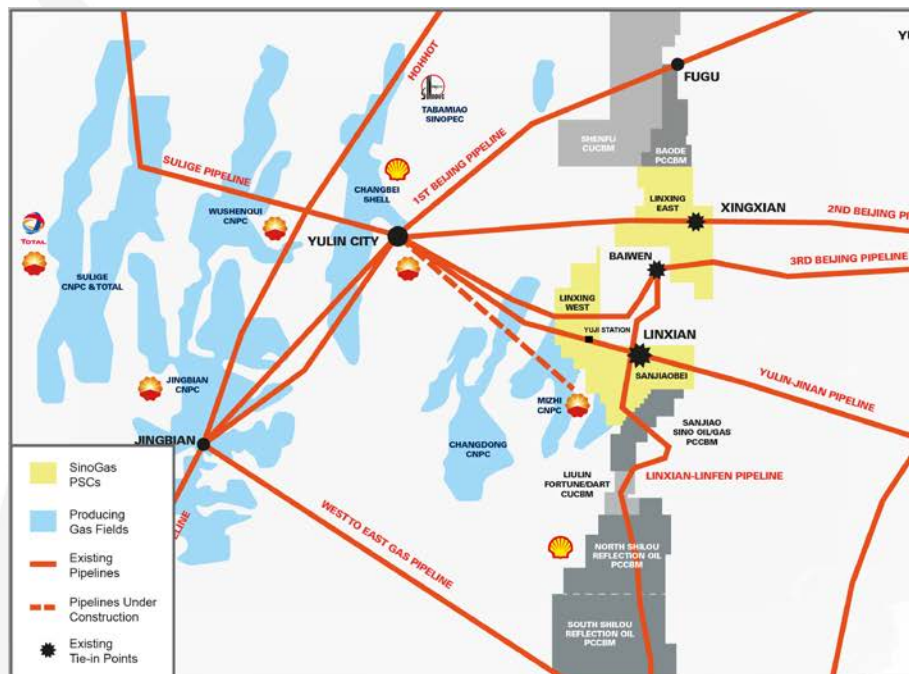
## Strong partners

- ≈ **SOEs:** Tier 1 PSC partners (CNPC & CNOOC) with established unconventional operations in the Ordos Basin
- ≈ **MIE:** Strategic JV partner with proven track record of operating PSCs in China

## Experienced team / well financed

- ≈ **Strong board and management:** Experienced team with strong technical and commercial expertise
- ≈ **Financing:** Pro-forma US\$84m cash<sup>3</sup> - materially funds to ODP

# SIGNIFICANT ASSETS IN THE PROLIFIC ORDOS BASIN



## The most productive natural gas basin in China:

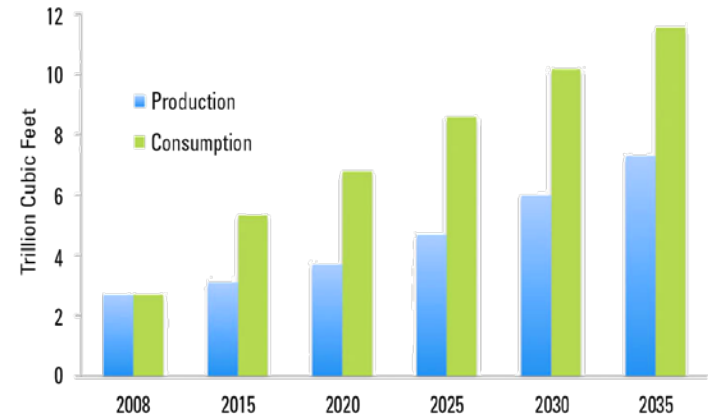
- Unconventional gas production of over 3bcf/day
- Ready access to key demand centres with multiple tie-in points
- Sino Gas' ~3,000km<sup>2</sup> acreage is located approx. 500km from Beijing



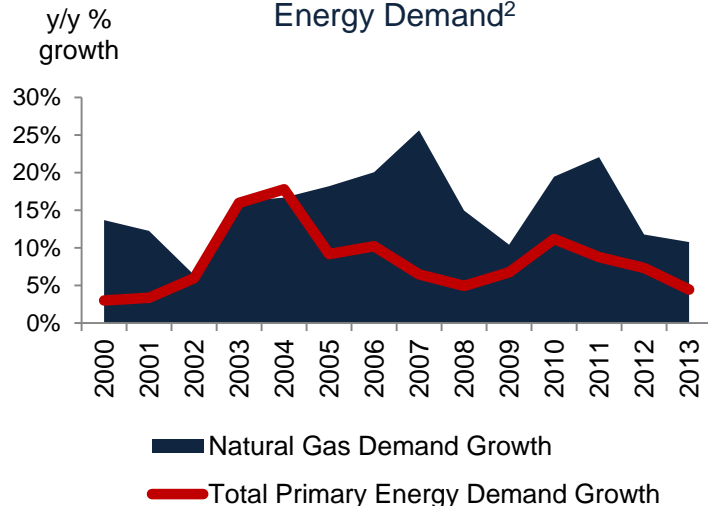
# CHINA GAS PRICING

- Gas prices in China set by the NDRC
- Chinese government policy remains **highly supportive** of natural gas, targeting more than doubling of gas as share of energy mix by 2020
- Availability of gas supply** seen as one of the biggest impediments to increasing natural gas' share in the energy mix
- Post 1 April 2015, **weighted average city-gate prices in China ~US\$11/mcf**, flat to down 5% from previous blended average price of “existing” and “incremental” gas
- Shanxi province city-gate gas price ~US\$11.80/mcf
- Sino Gas' gas sales agreements up to ~US\$9.60/mcf

China Domestic Market Outlook<sup>1</sup>



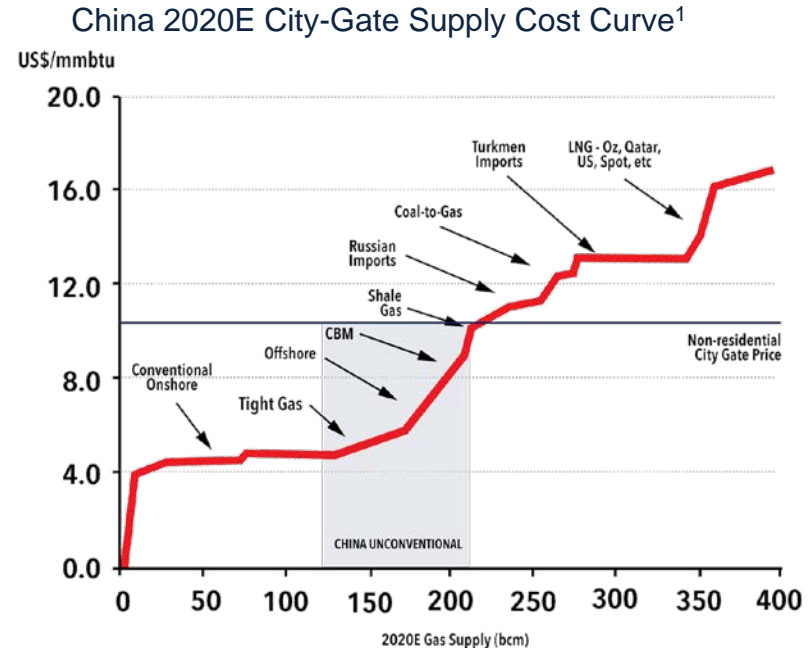
Gas Demand Growing Faster than Total Energy Demand<sup>2</sup>





# SINO GAS ATTRACTIVELY POSITIONED ON COST CURVE

- Rapid expansion of gas demand pushes volumes higher on the cost curve
- Conventional gas cheapest source of supply but in structural decline
- Imports (both pipeline and LNG) and shale gas at high end of cost of supply
- Sino Gas' assets highly cost competitive with est. capex + opex of US\$1.30/mcf<sup>2</sup>



# LARGE SCALE ASSETS WITH SIGNIFICANT UPSIDE

## Size & Scale: 1.6 tcf 2P and 2.6 tcf 2C gross<sup>1</sup>

SEH net: 448 bcf 2P + 739 bcf 2C<sup>1</sup>

## 2014 1P Reserves +166%, 2P Reserves +54%

## Attractive Geology with Stacked Multiple Pay-Zones

## Surrounded by Substantial Existing Production

Ordos Basin currently produces over 3Bcf/day from conventional and tight gas reservoirs

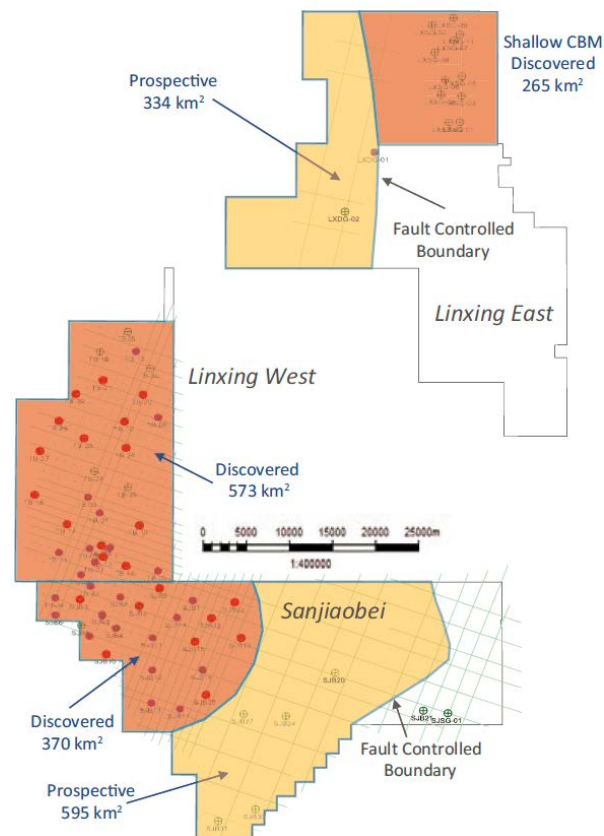
## Commercialisation

First pilot pipeline sales achieved, continuing to ramp up production

## Cost Competitive Resource base

Capex + Opex estimated to be c.US\$1.30/Mscf<sup>2</sup>

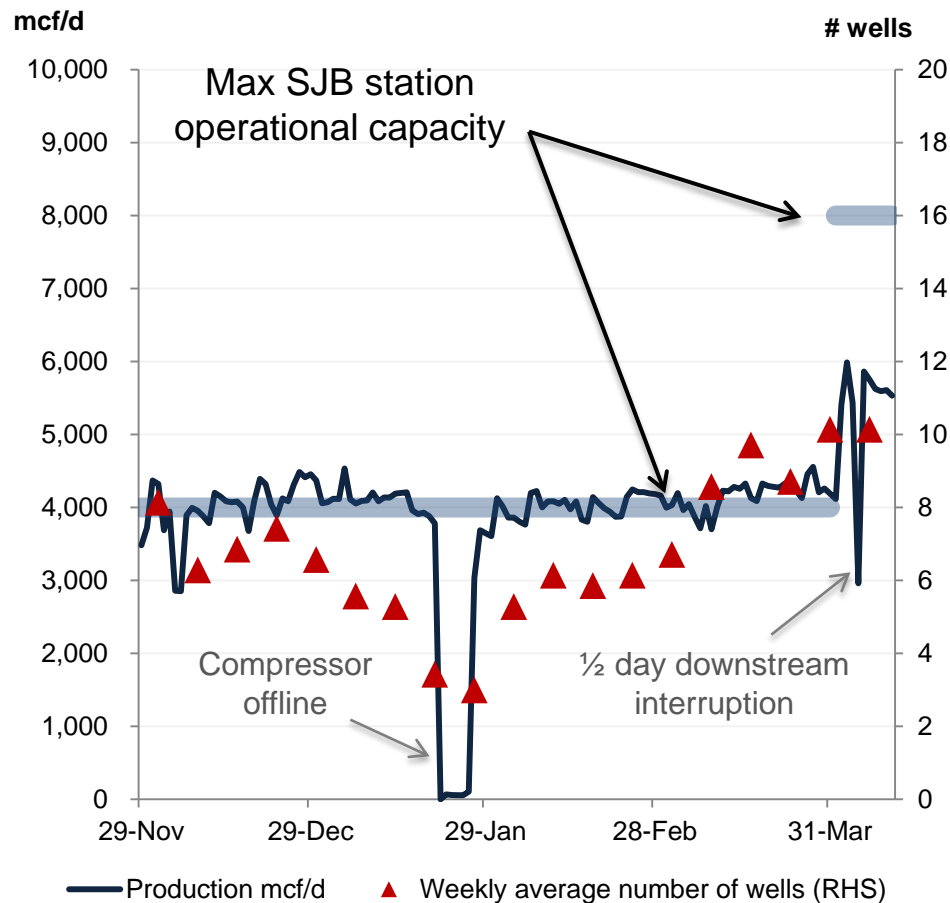
## Project and Drilling Overview



# RESULTS OF PILOT PRODUCTION TO DATE

- Second SJB compressor/separator recently brought online, increasing production from ~4 MMscf/d to ~6 MMscf/d, further increases to capacity of ~8 MMscf/d anticipated shortly
- Production has been constrained by processing capacity
- Excellent uptime recorded with only 1 significant downtime incident
- Larger Linxing station (~17 MMscf/d capacity) due online mid-year
- Ramping up production towards total installed capacity of 25 MMscf/d by year end

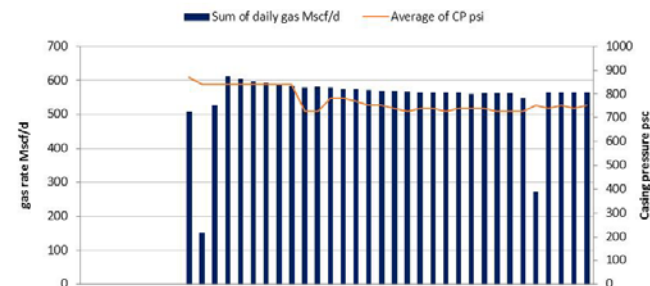
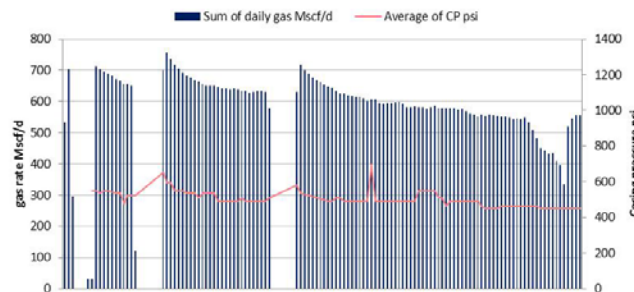
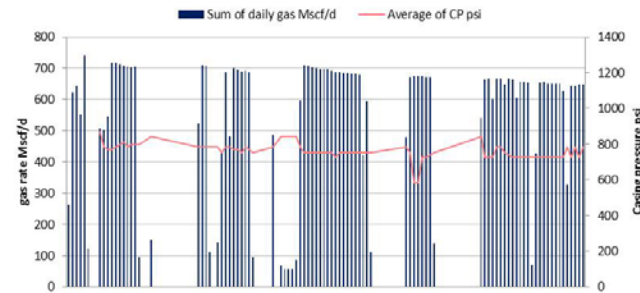
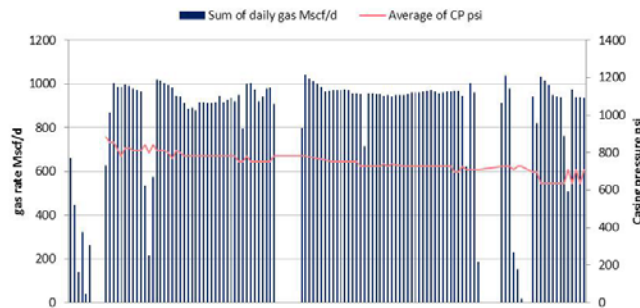
**Production since December largely at max available processing capacity**



# INDIVIDUAL WELLS PERFORMING STRONGLY

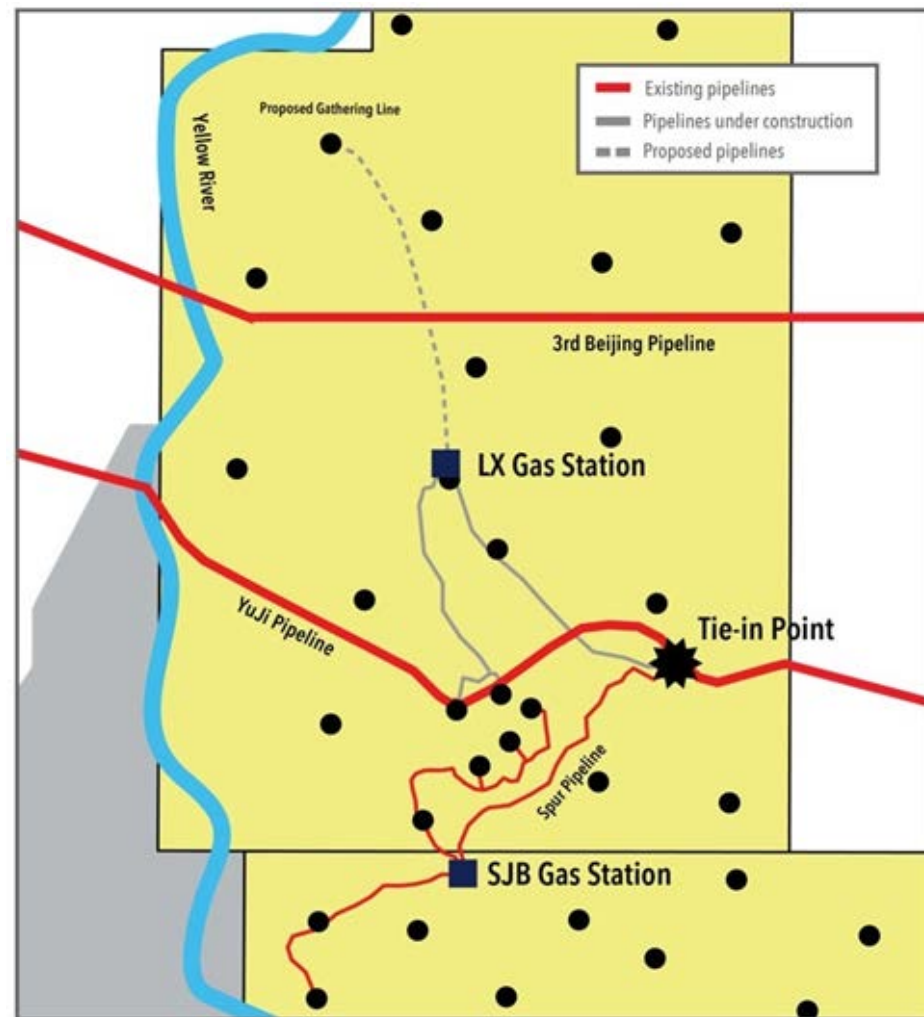
- Well capacity has been in excess of processing capacity, necessitating wells to be cycled on/off. All wells offline for 5 days due to compressor outage
- Well performance has been slightly better than average expected given the heterogeneous nature of the reservoir
- Some wells remain on plateau and some show moderate declines

## Selection of daily production from wells with significant production history



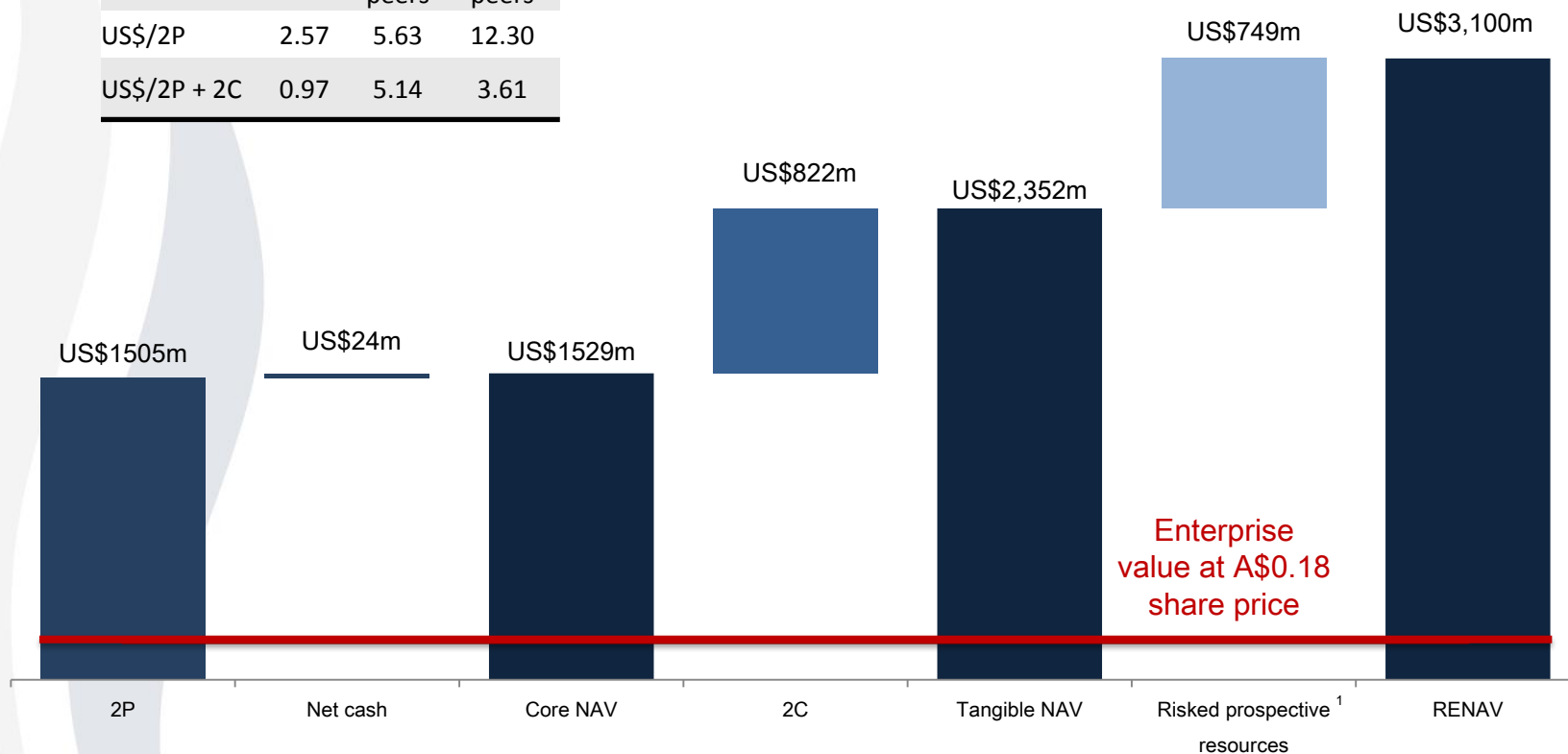
# FORWARD DEVELOPMENT PROGRAM

- ≈ 2015: Increasing production towards ~25 MMscf/d
  - 20+ vertical development wells
  - 3 horizontal wells
  - 8 additional exploration wells
  - Installing additional processing capacity for 2016 expansion
- ≈ 2016: Anticipated exit rate ~50 MMscf/d
  - 50+ wells, further expansion of processing facilities for 2017 expansion
- ≈ 2017: Anticipate ODP reached, moving to full field development and aggressive ramp up in production as we begin move towards field production plateau in the coming years



# CLOSING THE VALUE GAP THROUGH DELIVERY

Current trading metrics <sup>2</sup>			
	SEH	China peers	Aus list peers
US\$/2P	2.57	5.63	12.30
US\$/2P + 2C	0.97	5.14	3.61





# 2014 - 2015 PRIORITIES

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## ≈ Q4 2014

- ✓ Second horizontal well test results October
- ✓ Sanjiaobei gas sales agreement December
- ✓ **Pilot gas from Sanjiaobei central gathering station** December
- ✓ Submit CRRs to partners for SJB and LXW December
- ✓ Linxing East seismic and exploration drilling October - December

## ≈ Q1 2015

- ✓ Independent Reserve & Resource update March
- ✓ Gas Sales Agreement Linxing March
- ✓ Infield development drilling and testing Ongoing

## ≈ Q2 2015

- ✓ Sanjiaobei second compressor online April
- **Pilot gas from Linxing central gathering station** June - July

## ≈ Q3/Q4 2015

- Submission of ODP on Linxing East August
- CRR approvals expected August – December
- Production exit rate ~25 MMscf/d (gross) December

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## United Kingdom

Neither the information in this document nor any other document relating to the offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended ("FSMA")) has been published or is intended to be published in respect of the New Shares. This document is issued on a confidential basis to "qualified investors" (within the meaning of section 86(7) of FSMA) in the United Kingdom, and the New Shares may not be offered or sold in the United Kingdom by means of this document, any accompanying letter or any other document, except in circumstances which do not require the publication of a prospectus pursuant to section 86(1) FSMA. This document should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA) received in connection with the issue or sale of the New Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of FSMA does not apply to the Company.

In the United Kingdom, this document is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 ("FPO"), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated (together "relevant persons"). The investments to which this document relates are available only to, and any invitation, offer or agreement to purchase will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

# INTERNATIONAL OFFER RESTRICTIONS

## New Zealand

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (the "FMC Act"). The New Shares are not being offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) other than to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

## European Economic Area – Germany

The information in this document has been prepared on the basis that all offers of New Shares will be made pursuant to an exemption under the Directive 2003/71/EC ("Prospectus Directive"), as amended and implemented in Member States of the European Economic Area (each, a "Relevant Member State"), from the requirement to produce a prospectus for offers of securities.

An offer to the public of New Shares has not been made, and may not be made, in a Relevant Member State except pursuant to one of the following exemptions under the Prospectus Directive as implemented in that Relevant Member State:

- to any legal entity that is authorized or regulated to operate in the financial markets or whose main business is to invest in financial instruments;
- to any legal entity that satisfies two of the following three criteria: (i) balance sheet total of at least €20,000,000; (ii) annual net turnover of at least €40,000,000 and (iii) own funds of at least €2,000,000 (as shown on its last annual unconsolidated or consolidated financial statements);
- to any person or entity who has requested to be treated as a professional client in accordance with the EU Markets in Financial Instruments Directive (Directive 2004/39/EC, "MiFID"); or
- to any person or entity who is recognised as an eligible counterparty in accordance with Article 24 of the MiFID.

## Canada (British Columbia, Ontario and Quebec provinces)

This document constitutes an offering of New Shares only in the Provinces of British Columbia, Ontario and Quebec (the "Provinces") and to those persons to whom they may be lawfully distributed in the Provinces, and only by persons permitted to sell such New Shares. This document is not, and under no circumstances is to be construed as, an advertisement or a public offering of securities in the Provinces. This document may only be distributed in the Provinces to persons that are "accredited investors" within the meaning of NI 45-106 – Prospectus and Registration Exemptions, of the Canadian Securities Administrators.

No securities commission or similar authority in the Provinces has reviewed or in any way passed upon this document, the merits of the New Shares or the offering of New Shares and any representation to the contrary is an offence.

# INTERNATIONAL OFFER RESTRICTIONS

## Canada (British Columbia, Ontario and Quebec provinces) continued

No prospectus has been, or will be, filed in the Provinces with respect to the offering of New Shares or the resale of such securities. Any person in the Provinces lawfully participating in the offer will not receive the information, legal rights or protections that would be afforded had a prospectus been filed and receipted by the securities regulator in the applicable Province. Furthermore, any resale of the New Shares in the Provinces must be made in accordance with applicable Canadian securities laws which may require resales to be made in accordance with exemptions from dealer registration and prospectus requirements. These resale restrictions may in some circumstances apply to resales of the New Shares outside Canada and, as a result, Canadian purchasers should seek legal advice prior to any resale of the New Shares.

The Company, and the directors and officers of the Company, may be located outside Canada, and as a result, it may not be possible for Canadian purchasers to effect service of process within Canada upon the Company or its directors or officers. All or a substantial portion of the assets of the Company and such persons may be located outside Canada, and as a result, it may not be possible to satisfy a judgment against the Company or such persons in Canada or to enforce a judgment obtained in Canadian courts against the Company or such persons outside Canada.

Any financial information contained in this document has been prepared in accordance with Australian Accounting Standards and also comply with International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board. Unless stated otherwise, all dollar amounts contained in this document are in Australian dollars.

### *Statutory rights of action for damages or rescission*

Securities legislation in certain of the Provinces may provide purchasers with, in addition to any other rights they may have at law, rights of rescission or to damages, or both, when an offering memorandum that is delivered to purchasers contains a misrepresentation. These rights and remedies must be exercised within prescribed time limits and are subject to the defenses contained in applicable securities legislation. Prospective purchasers should refer to the applicable provisions of the securities legislation of their respective Province for the particulars of these rights or consult with a legal adviser.

The following is a summary of the statutory rights of rescission or to damages, or both, available to purchasers in Ontario. In Ontario, every purchaser of the New Shares purchased pursuant to this document (other than (a) a "Canadian financial institution" or a "Schedule III bank" (each as defined in NI 45-106), (b) the Business Development Bank of Canada or (c) a subsidiary of any person referred to in (a) or (b) above, if the person owns all the voting securities of the subsidiary, except the voting securities required by law to be owned by the directors of that subsidiary) shall have a statutory right of action for damages and/or rescission against the Company if this document or any amendment thereto contains a misrepresentation. If a purchaser elects to exercise the right of action for rescission, the purchaser will have no right of action for damages against the Company. This right of action for rescission or damages is in addition to and without derogation from any other right the purchaser may have at law. In particular, Section 130.1 of the Securities Act (Ontario) provides that, if this document contains a misrepresentation, a purchaser who purchases the New Shares during the period of distribution shall be deemed to have relied on the misrepresentation if it was a misrepresentation at the time of purchase and has a right of action for damages or, alternatively, may elect to exercise a right of rescission against the Company, provided that (a) the Company will not be liable if it proves that the purchaser purchased the New Shares with knowledge of the misrepresentation; (b) in an action for damages, the Company is not liable for all or any portion of the damages that the Company proves does not represent the depreciation in value of the New Shares as a result of the misrepresentation relied upon; and (c) in no case shall the amount recoverable exceed the price at which the New Shares were offered.

# INTERNATIONAL OFFER RESTRICTIONS

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## Canada (British Columbia, Ontario and Quebec provinces) continued

Section 138 of the Securities Act (Ontario) provides that no action shall be commenced to enforce these rights more than (a) in the case of any action for rescission, 180 days after the date of the transaction that gave rise to the cause of action or (b) in the case of any action, other than an action for rescission, the earlier of (i) 180 days after the purchaser first had knowledge of the fact giving rise to the cause of action or (ii) three years after the date of the transaction that gave rise to the cause of action. These rights are in addition to and not in derogation from any other right the purchaser may have.

*Certain Canadian income tax considerations.* Prospective purchasers of the New Shares should consult their own tax adviser with respect to any taxes payable in connection with the acquisition, holding or disposition of the New Shares as any discussion of taxation related matters in this document is not a comprehensive description and there are a number of substantive Canadian tax compliance requirements for investors in the Provinces.

*Language of documents in Canada.* Upon receipt of this document, each investor in Canada hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the New Shares (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. Par la réception de ce document, chaque investisseur canadien confirme par les présentes qu'il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d'achat ou tout avis) soient rédigés en anglais seulement.



# KEY RISKS

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## Introduction

There are a number of risks, both specific to the Company and of a general nature, which may, either individually or in combination, affect the future operational and financial performance of the Company and the value of its shares.

The risks set out below are not, and should not be considered to be, an exhaustive list of all the risks relevant to an investment in the Company. The Company, however, considers that these risks represent key risks to an investment in the Company. Additional risks and uncertainties that the Company is unaware of, or that the Company considers to be immaterial, may also become key risks that can adversely affect the Company's operational and financial performance in the future. These key investment risks are general in nature and regard has not been had to the investment objectives, financial situation, tax position or particular needs of any investor.

Before investing, or increasing any investment, in the Company, participants should consider whether this investment is suitable for them having regard to the risk factors set out below, publicly available information, your investment objectives, and personal financial and other circumstances. You should consult your professional adviser if you have any doubts about an investment in the Company.

## Key Investment Risks

**Stock Market Fluctuations:** The value of the Company's shares will be determined by the stock market and will be subject to a range of factors beyond the Company's control. These factors include, but are not limited to, the demand for, and availability of the Company's shares, movements in interest rates, exchange rates, and rates of inflation, fluctuations in the Australian and international stocks markets, changes in fiscal, monetary and regulatory policies, and general domestic and international and economic activity.

**Fluctuations in Gas Prices:** The Company's revenues are primarily dependent on the volume of gas sold and the price of gas sold. Gas prices are subject to a variety of factors beyond the Company's control. Future price declines in the market value of gas may adversely impact on the Company's profit margins, asset values, future development of current projects and planned future production, which may in turn adversely impact the price of its shares.

**Exchange Rate Fluctuations:** Exchange rate fluctuations affect the Company's profitability. The Company reports its financial results and maintains its accounts in United States dollars, whilst revenues from gas sales are expected to be received in Yuan. The Company operates in China where the principal currency is the Yuan. Foreign exchange rates are impacted by a number of factors beyond the Company's control. If the Yuan or any other non-US dollar currency in which expenses are incurred appreciates in value against the US dollar then the Company's financial results may be adversely affected due to potential lower US dollar receipts available to cover its costs. The Company has a debt facility denominated in United States dollars and has raised equity in Australian dollars.

# KEY RISKS

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**Financing Considerations:** The Company may need to raise additional debt or equity funds in the future to fund its exploration, development and production activities. There is no assurance that the Company will be able to obtain additional debt or equity funding when required, or that the terms associated with that funding will be acceptable to the Company and this may have a material adverse effect on the Company.

**Changes to Taxation:** Changes to corporate income tax, value added tax (VAT), import duties, property tax, excise tax, withholding tax or any other applicable taxation legislation or policies in China or other jurisdictions where the Company operates may adversely affect the Company's financial profitability, net assets and cash flow.

**Dependence on Key Personnel:** Retaining and recruiting qualified personnel is critical to the Company's success. If the Company cannot retain and attract qualified personnel it could adversely affect the Company's current exploration, development and production operations and its future growth plans.

**Retention of key business relationships:** The Company relies on strategic relationships with other entities such as suppliers and partners and also on good relationships with regulatory and governmental departments. Any circumstance, which causes the early termination or non-renewal of one or more of these key business alliances or contracts, could adversely impact the Company.

**Regulatory Regime and Security of Tenure:** There is a risk that PSC's, environmental consents and any other land use or development approvals may not be granted, obtained or renewed, may be granted, obtained or renewed on terms that are not satisfactory to the Company, or may be obtained granted or renewed but not within the timeframes anticipated by the Company. This could have a material adverse effect on the Company's operations and financial performance.

**Production Costs and Reserve Estimates:** No assurance can be given that the Company will achieve its production and costs estimates. These estimates are subject to a number of factors, many of which cannot be foreseen and are beyond the Company's control.

The Company's operations are subject to operating risks that could result in insufficient production and increased costs and, as a result, one or more PSC's becoming unprofitable or uneconomic. These risks include (among other things) inaccurate Gas Reserves and Resources estimates, failing to locate sufficient gas, failing to achieve sufficient flow rates, losing key personnel, unforeseen geological operating difficulties, unexpected maintenance or mechanical failures, industrial and environmental accidents or disputes, unforeseen difficulties associated with infrastructure, changes to applicable laws and regulations, or adverse weather conditions. Estimating Gas Reserves and Resources is a subjective process and the accuracy of any Gas Reserve or Resource estimate is a function of the interpretation and extrapolation of a limited amount of geological data (including seismic). There can be no assurance that these estimates will be accurate. Any material reduction in estimates of Gas Reserves or Resources, or the Company's ability to extract these Gas Reserves, could materially and adversely affect the Company's financial and operational performance. Further, certain of the results received by the Company are preliminary and may be subject to revision.

# KEY RISKS

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**Project development and operating risks:** If the Company achieves exploration success that leads to a decision to develop production operation, the development and ongoing production from such operations may be adversely affected by various factors, including failure to achieve predicted well production flow rates, mechanical failure or plant breakdown; unanticipated reservoir problems, adverse weather conditions, industrial and environmental accidents, industrial disputes, delays due to government actions, infrastructure availability and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment.

**Environmental Impact:** The Company could be subject to claims due to environmental damage arising out of current or former activities at sites that the Company owns or operates. This could subject the Company to potential liability and have an adverse effect on the Company's financial and operational performance.

**Regulations in China:** All of the Company's activities are conducted in China. The Company's operations are subject to government laws, regulations and policies governing (among other things) economic plans, taxation, exploration, production, exports, labour standards, occupational health and safety, environmental protection, foreign investment, foreign contractor participation in production sharing contracts and the treatment of exploration and development of CBM and natural gas resources. Any future changes in these laws, regulations or policies may adversely affect the Company's operations. Further, the Company's business may be affected by applicable political reforms.

# CONTACTS

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**For more information, please contact:**

Investor Relations

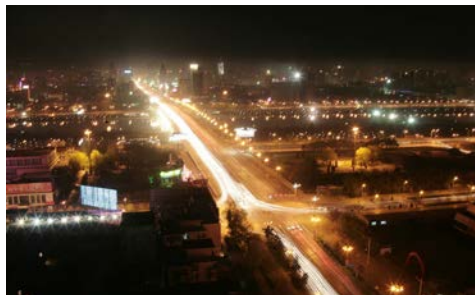
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can be found on our website:

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# APPENDIX A: MATERIAL RESERVE MATURATION IN 2014

## 1P Reserves: +166%, 2P Reserves: +51%<sup>1</sup>

- Additional wells and tests maturing resources to reserves
- 2P Reserves 1,608 bcf gross, Sino Gas share 448 bcf (75 mmboe)

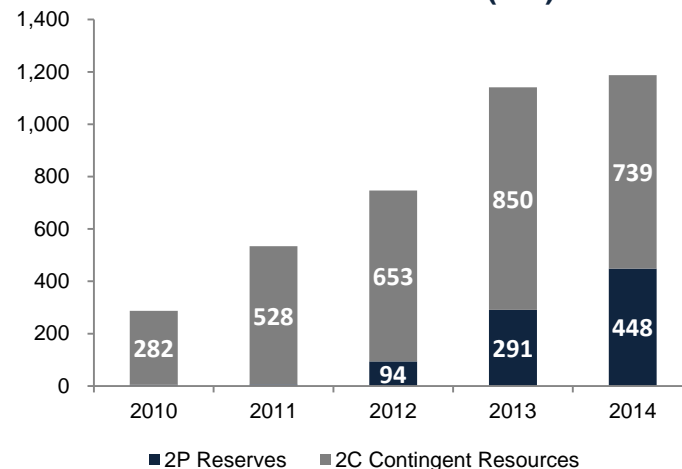
## Discovered mid-case resources (2P + unrisked 2C): +4%<sup>1</sup>

- 2C Resources 2,560 bcf (down 13% due to maturation to 2P), Sino Gas share at 739 bcf (198 mmboe)

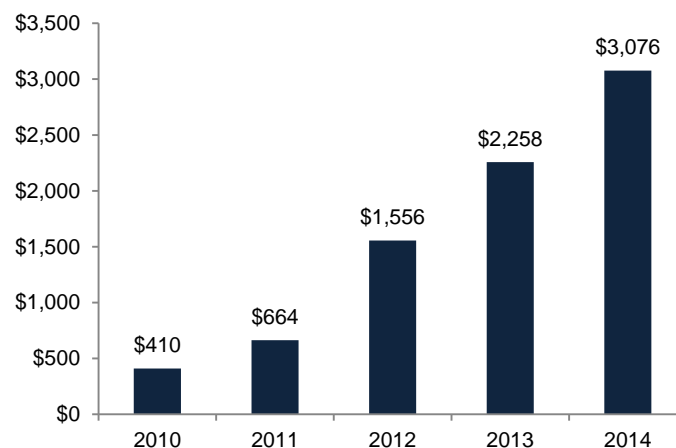
## Sino Gas' share of EMV increased 36% to US\$3.1 billion, 49% of which in reserves (29% in 2013)<sup>2</sup>

- Reserves EMV: US\$1.5 billion (+130%)
- Discovered EMV (Reserves + risked Contingent Resources): US\$2.3 billion (+65%)
- Total EMV (Reserves + risked Contingent Resources + risked Prospective Resources (US\$3.1 billion (+36%))

Sino Gas net 2P + 2C (bcf)<sup>1</sup>



Sino Gas Independent EMV (US\$m)<sup>2</sup>



## APPENDIX B: STRONG STRATEGIC PARTNERSHIPS

### MIE (MIE Holdings Corporation)

- Strategic Partner with a proven track record of working under Chinese regulatory system
- Successful execution of three ODP approvals in China
- Other operations in Kazakhstan, USA & China
- 400+ wells drilled per year in China for the last two years

### SGE

- PSC Operator partnered with major State Owned Enterprises (SOE) with extensive field development experience

### CUCBM

- The original SOE formed to develop the CBM industry in China
- Now 70% owned by CNOOC

### CNPC

- China's largest oil and gas producer with an extensive international presence
- Strong focus on the development of unconventional gas in China





## APPENDIX C: KEY CHINESE REGULATORY APPROVALS



## APPENDIX D: CHINA POLICY HIGHLY SUPPORTIVE OF NATURAL GAS

### China pushing for increased adoption of natural gas

- Cleaner, more affordable energy source

### 12<sup>th</sup> 5 year Plan:

- Aims to increase natural gas share of energy mix from 4.4% (2011) to 7.5% (2015)

### 2020 Energy Development Strategy Action Plan:

- Plans for natural gas share to continue to grow to over 10% of energy mix by 2020

### Air Pollution Prevention and Control Action Plan (2013):

- Expected to encourage adoption of natural gas over coal, especially in three core major metropolitan control areas

### Comprehensive policies being enacted to secure the necessary supply

- Domestic price reform
- Securing long term imports (Pipeline, LNG)

