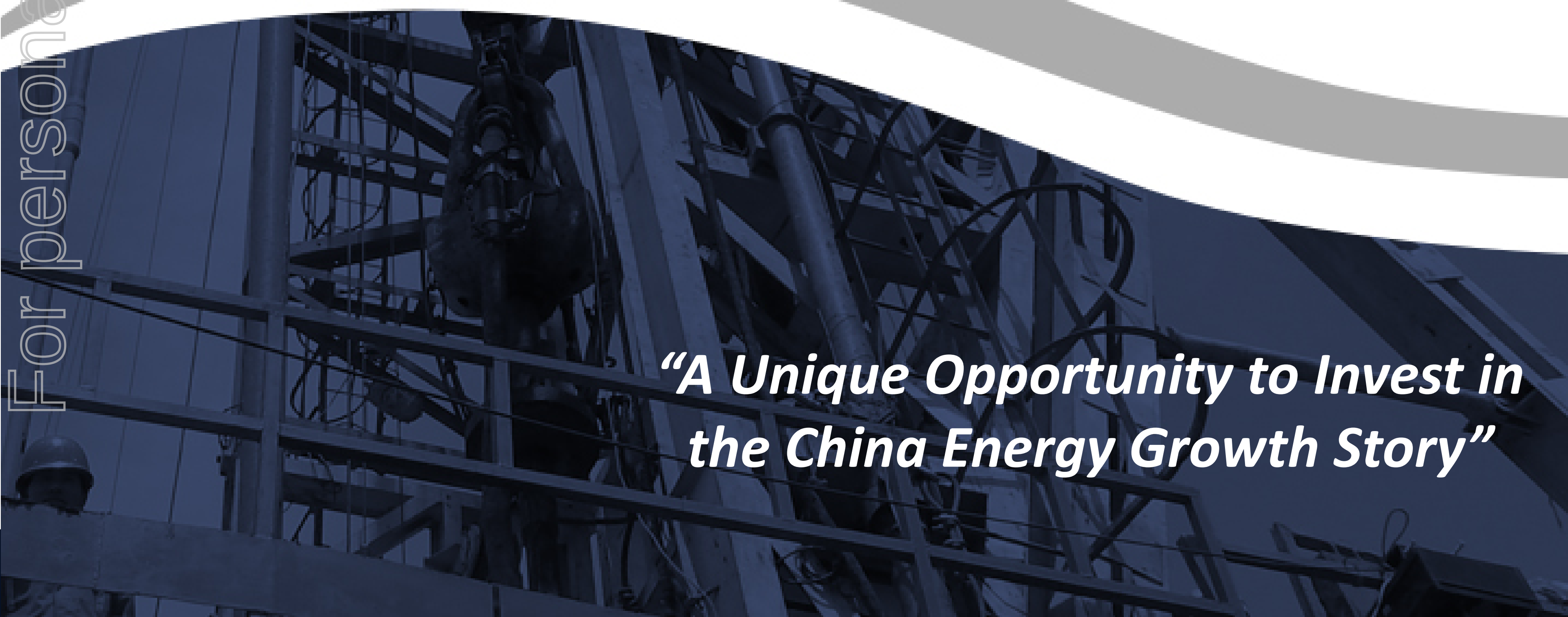
# 2015 ANNUAL GENERAL MEETING
# MAY 2015

SINO Gas & Energy
中澳煤层气能源





# DISCLAIMER



Sino Gas & Energy Holdings Limited (ASX:SEH, "Sino Gas", "the Company") holds a 49% interest in Sino Gas & Energy Limited (SGE) through a strategic partnership with MIE Holdings Corporation ("MIE" SEHK: 1555) to develop two blocks held under Production Sharing Contracts (PSCs) with CNPC and CUCBM. SGE has been established in Beijing since 2005 and is the operator of the Sanjiaobei and Linxing PSCs in Shanxi province.

Certain statements included in this release constitute forward looking information. This information is based upon a number of estimates and assumptions made on a reasonable basis by the Company in light of its experience, current conditions and expectations of future developments, as well as other factors that the Company believes are appropriate in the circumstances. While these estimates and assumptions are considered reasonable, they are inherently subject to business, economic, competitive, political and social uncertainties and contingencies.

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This presentation should be read in conjunction with the most recent Annual Financial Report, the half year financial statements together with any ASX announcements made by the Company in accordance with its continuous disclosure obligations arising under the *Corporations Act 2001 (Cth)*.

# 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 (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 unrisked mid-case unless otherwise noted. Sino Gas' attributable net Reserves & Resources assumes PSC partner back-in upon ODP approval, CBM Energy's option to acquire an interest of 5.25% in the Linxing PSC (by paying 7.5% of back costs) is exercised, and MIE fulfil funding obligations under the strategic partnership agreement. 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 Operations Pty Ltd (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)[1] | $EMV_{10}$ (US$m)[2] |
|---|---|---|---|---|---|---|
| **31 December 2014** (Announced 3 March 2015) | 350 | 448 | 557 | 739 | 649 | $3,076 |
| **31 December 2013** (Announced 4 March 2014) | 129 | 291 | 480 | 850 | 1,023 | $2,258 |
| Total 2014 Change (+/-%) | +54% (2P) | | | -13% | -37% | +36% |
| Gross Project 31 December 2014 | 1,238 | 1,608 | 2,022 | 2,560 | 2,568 | N/A |

Note 1. The estimated quantities of petroleum may potentially be recovered by the application of future development project(s) 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.

Note 2. EMV is the probability weighted net present value (NPV), including the range of project NPVs and the risk of the project not progressing. Project NPV10 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.

# COMPANY SNAPSHOT

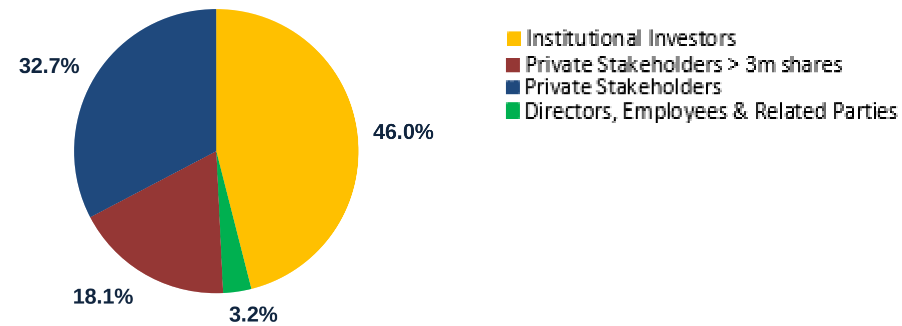


## Corporate Information - as at 8 May 2015

| | |
|---|---|
| ASX Listed (S&P ASX 300) | SEH |
| Share Price | A$0.165 |
| Issued Shares[1] | 1,745m |
| Market Cap[2] | US$225m |
| Pro-forma Cash Balance (Mar 31, 2015)[2,3] | US$85m |
| Drawn/undrawn debt facilities | US$10/40m |

*Headquarters in Beijing*

## Share Register – March 2015




## 12 Month Share Price Performance to 8 May 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% |

*1. Includes Tranche 1 shares issued 29 April 2015. Excludes conditional Tranche 2 shares subject to approval at the GM (approximately 298 million shares) and any participation in SPP*
*2. Exchange rate AUD /USD 1.28*
*3. 31 March 2015 cash plus Placement proceeds before costs assuming approval of Tranche 2 at the GM, excluding potential SPP proceeds*



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# JAN 2014 – MAY 2015 COMPANY HIGHLIGHTS

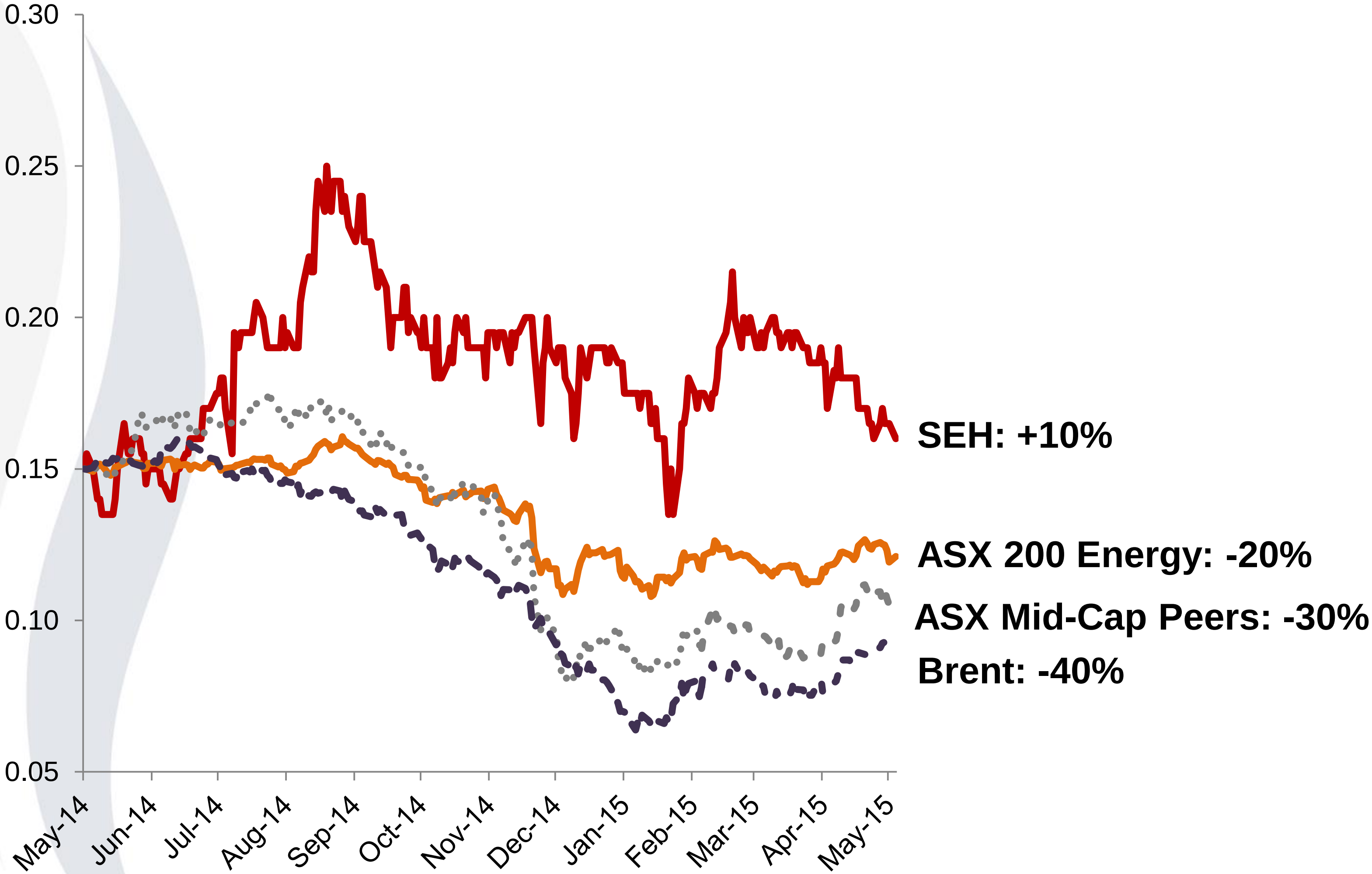


- First pilot pipeline gas sales from the Sanjiaobei central gathering facility in December 2014
- Substantial reserve/resource maturation with 54% increase in net 2P reserves, 171% increase in net 1P reserves in 2014[1]
- Substantial progress made on construction of Linxing central gathering facility ahead of planned start-up in mid-2015
- Contracted gas price increased 35% from 2013 Gas Sales Agreement to ~US$9.50-US$9.60/Mscf
- 36 wells drilled, 40 wells tested with substantial improvements in well test results observed in 2014
- First two horizontals tested at excellent rates of 4.9 MMscf/d and 3.7 MMscf/d
- Balance sheet significantly improved with A$80m placement (A$48m subject to approval) and SPP in April/May 2015
- Excellent occupational health and safety record maintained with over 1 million incident free man hours recorded in 2014



*1 – Refer to Resource Statement on slide 3 for full disclosure*

# SEH SHARE PRICE VS PEERS, OIL (LAST 12 MONTHS)






*Source: FactSet, Rolling 12 months to 8 May 2015*
*China Unconventional Peers include: Leyshon Energy, Green Dragon Gas, MIE Holdings, Far East Energy, Sino Oil & Gas*
*ASX Mid-Cap Peers include: Horizon Oil, AWE, Drillsearch, Karoon, Senex, Sundance*

# A UNIQUE CHINA GAS INVESTMENT OPPORTUNITY



**Attractive market dynamics**

- **Strong demand outlook:** Government target to double nat gas % of energy mix by 2020[1]
- **Robust gas prices:** Average China city-gate ~US$11/Mscf 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[2]
- **Significant upside:** 2.6 tcf gross prospective resource[2] 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:** Contracted wellhead gas prices c.US$9.50-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[3] - materially funds to ODP

*1 – Source: 2020 Energy Development Strategy Action Plan release November 2014*
*2 – Refer to Resource Statement on slide 3 for full disclosure*
*3 – March 31, 2015 cash plus Placement proceeds before costs, excluding potential SPP proceeds, Exchange rate AUD to USD 1.28*



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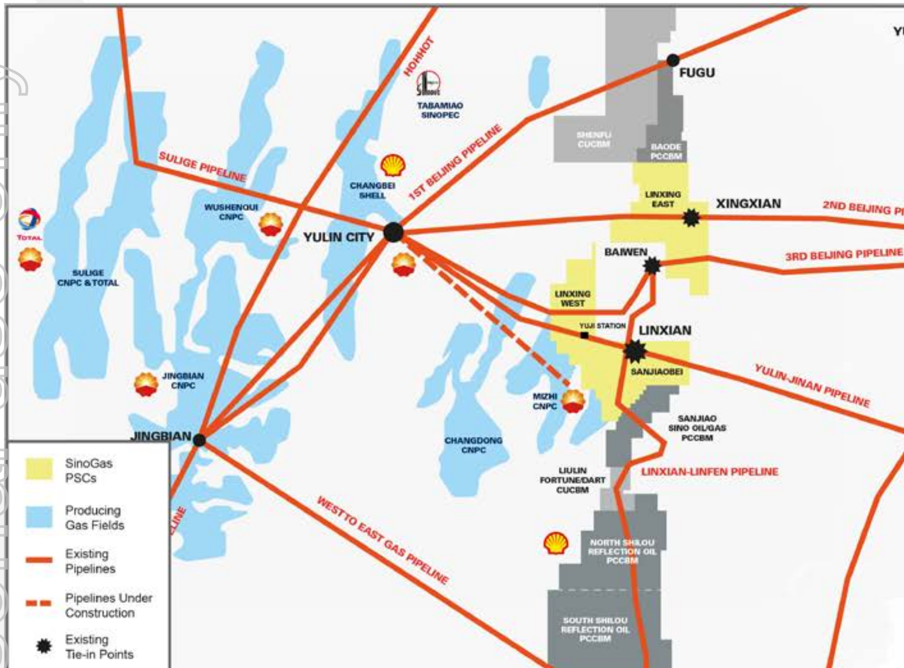
# SIGNIFICANT ASSETS IN THE PROLIFIC ORDOS BASIN





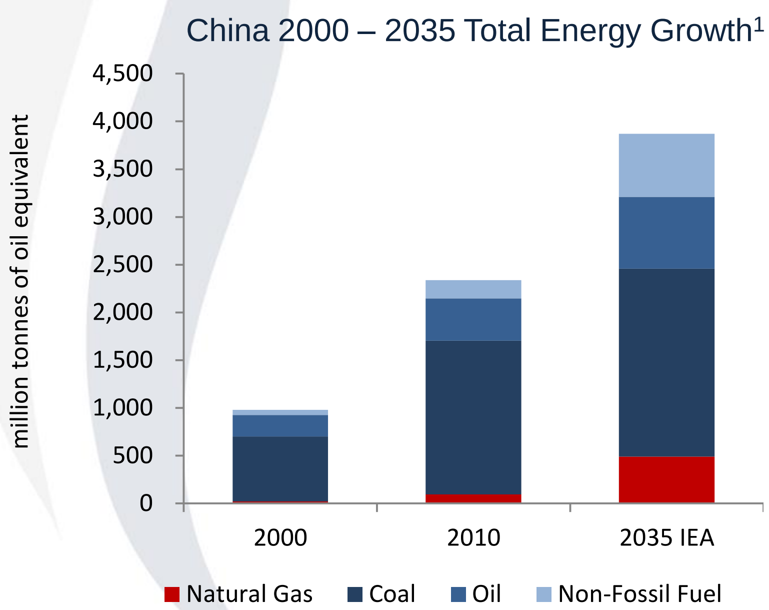

**The most productive natural gas basin in China:**

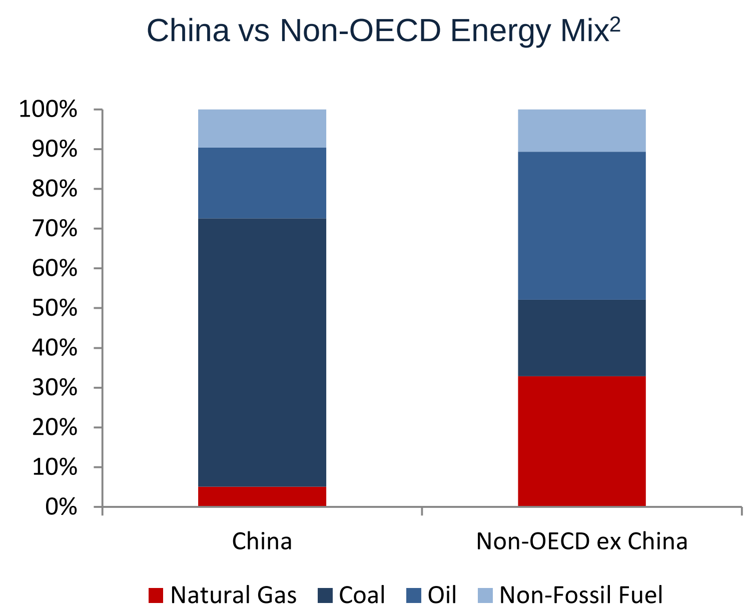
- Unconventional gas production of over 3 bcf/day
- Ready access to key demand centres with multiple tie-in points
- Sino Gas' ~3,000km$^2$ acreage is located approx. 500km from Beijing

# CHINA SNAPSHOT: LARGE, GROWING, CHANGING



- World's largest energy consumer with the fastest growing energy demand
- 22% of global primary energy demand
- Only 5% of global natural gas demand due to small share in energy mix
- Natural Gas fastest growing fossil fuel as it takes market share from oil and coal




*1 – Source: IEA World Energy Outlook 2012 & BP Statistical Review 2014*
*2 – Source: BP Statistical Review 2014*



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# RECENT FURTHER POLICY SUPPORT FOR NATURAL GAS…



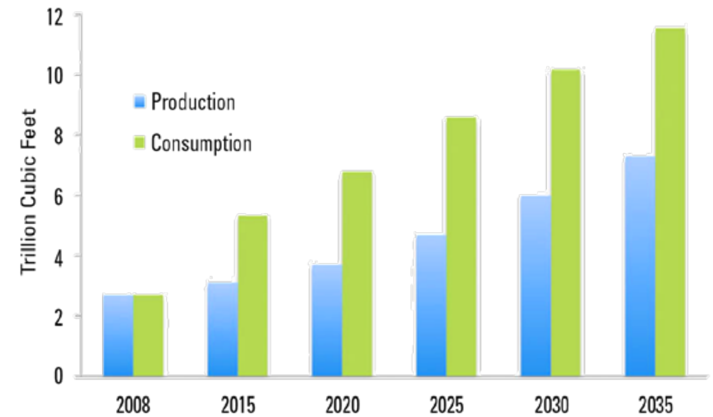
- November 2014: 2020 Energy Development Strategy Action Plan
  - Plans for natural gas share to continue to grow to over 10% of energy mix by 2020
- September 2014: c.20% increase in ‘existing’ industrial gas prices (based on 2012 demand) to RMB 2.35/m3 (~US$10.80/Mscf)
- Continued push to increase supply to the market with long awaited Russian pipeline gas deal finally agreed (May 2014), progress made on second contract (MOU November 2014, HoA May 2015)
- Continued implementation of the Air Pollution Prevention and Control Action Plan (first announced September 2013)

# …AND ROBUST CHINA NATURAL GAS PRICES MAINTAINED

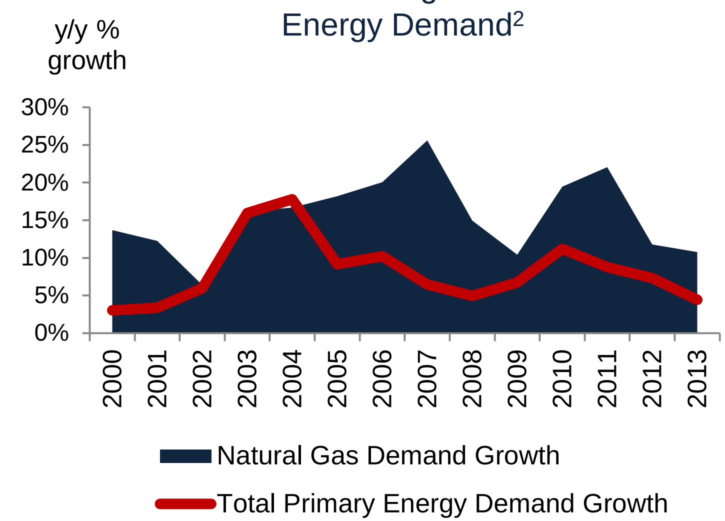


- Chinese government policy remains **highly supportive** of natural gas, targeting more than doubling of gas demand by 2020
- **Availability of gas supply** seen as one of the biggest impediments to increasing natural gas' share in the energy mix.
- Post 1 April 2015, **weighted average prices in China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

China Domestic Market Outlook[1]




Gas Demand Growing Faster than Total Energy Demand[2]



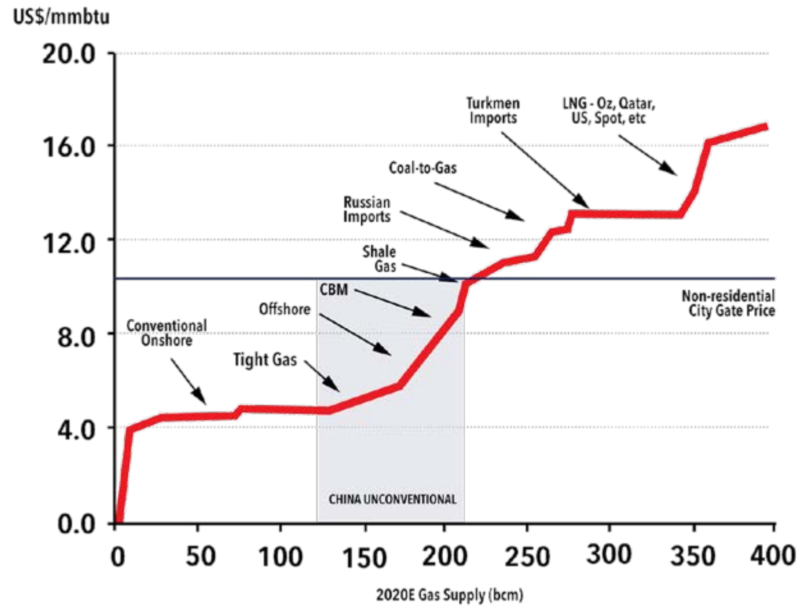

*1. Source: U.S EIA - International Energy Outlook 2011*
*2. Source: BP Statistical Review of Energy*

# 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/Mscf[2]

China 2020E City-Gate Supply Cost Curve[1]

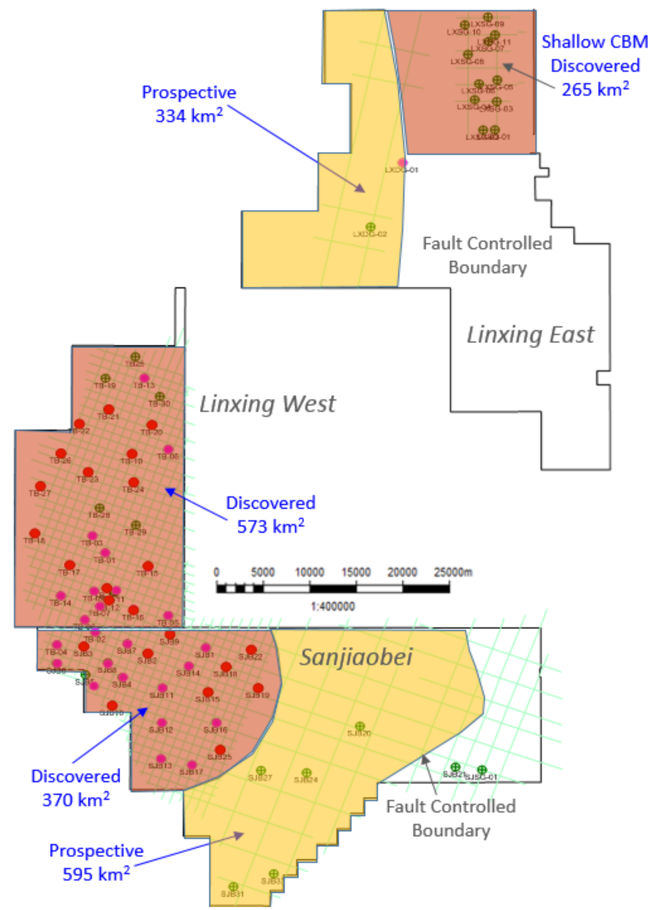



*1 – Source: Macquarie Research*
*2 – To be read in conjunction with Resource Statement on slide 3. EMV is based on $NPV_{10}$ with a mid-case gas price of US$9.76/Mscf and lifting costs (opex+capex) of ~US$1.3/Mscf for mid-case Reserves, Contingent & Prospective Resources*

# LARGE SCALE ASSETS WITH SIGNIFICANT UPSIDE

- **Size & Scale: 1.6 tcf 2P and 2.5 tcf 2C gross[1]**
  - 36 wells drilled and 40 wells tested in 2014, driving a significant increase in reserves (gross 1P +166%, gross 2P +51%)
- **Attractive Geology with Stacked Multiple Pay-Zones**
- **Surrounded by Substantial Existing Production**
  - Ordos Basin currently produces over 3 Bcf/day from conventional and tight gas reservoirs
- **High confidence in resource delivery**
  - Significant well penetrations, well test data and initial production data combined with significant long term production history of analogous fields in the basin
- **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[2]

## Project and Drilling Overview

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2 – *EMV is based on NPV$_{10}$ with a mid-case gas price of US$9.76/Mscf and lifting costs (opex+capex) of ~US$1.3/Mscf for mid-case Reserves, Contingent & Prospective Resources.*



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# MATERIAL RESERVE MATURATION IN 2014



## 1P Reserves: +166%, 2P Reserves: +51%[1]

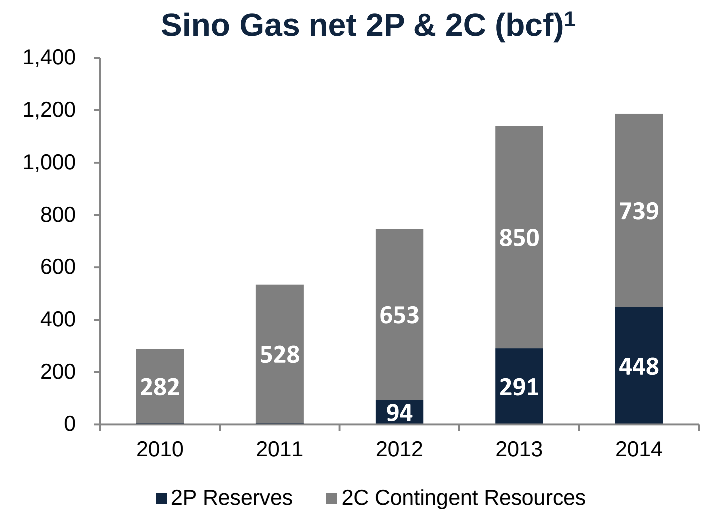
- Additional wells and tests maturing resources to reserves
- 2P Reserves 1,608 bcf gross, Sino Gas share 448 bcf (75 mmboe)

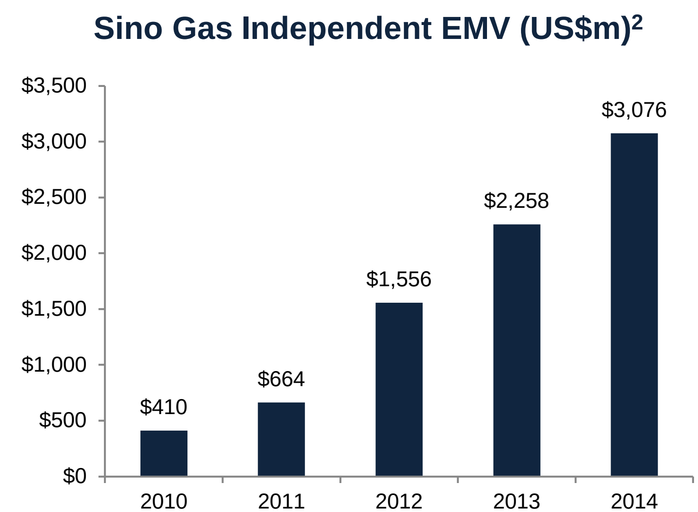
## Discovered mid-case resources (2P + unrisked 2C): +4%[1]

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

## EMV increased 36% to $3.1 billion, 49% of which in reserves (29% in 2013)[2]

- Reserves EMV: US$1.5 billion (+130%)
- Discovered EMV (Reserves + Contingent Resources): US$2.3 billion (+65%)

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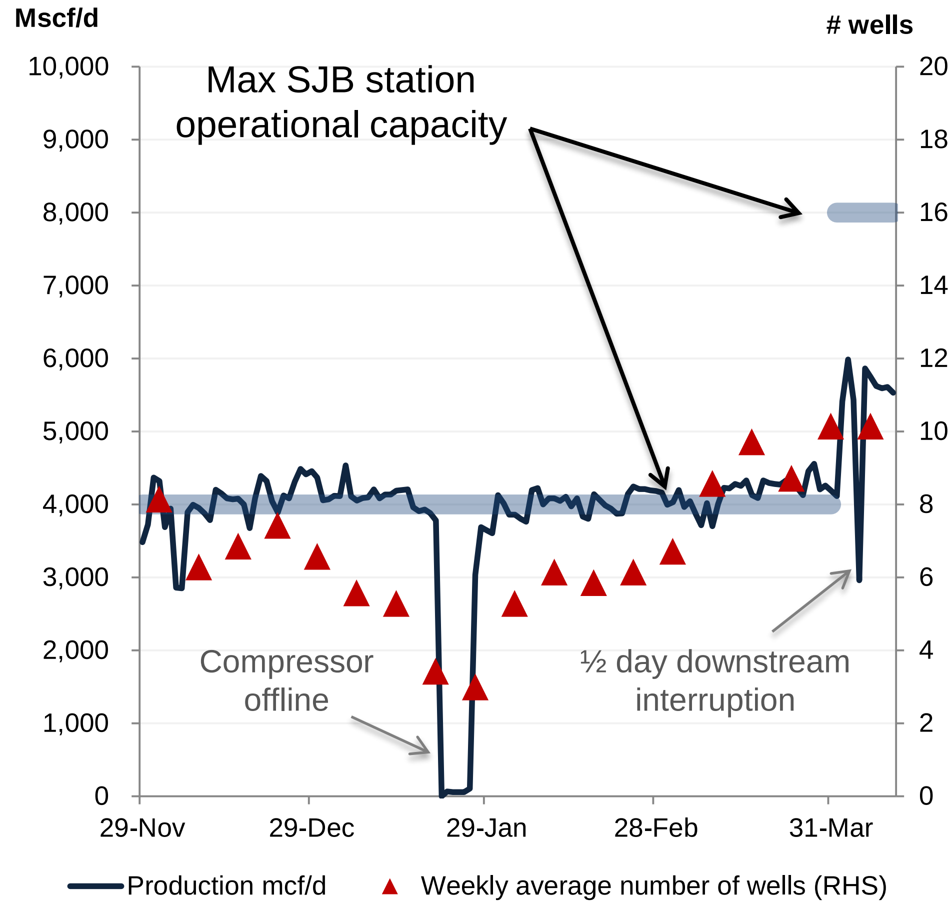
# RESULTS OF PILOT PRODUCTION TO DATE



- 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 in Q1 constrained by processing capacity
- Excellent uptime recorded with only 1 significant downtime incident in Q1
- 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**



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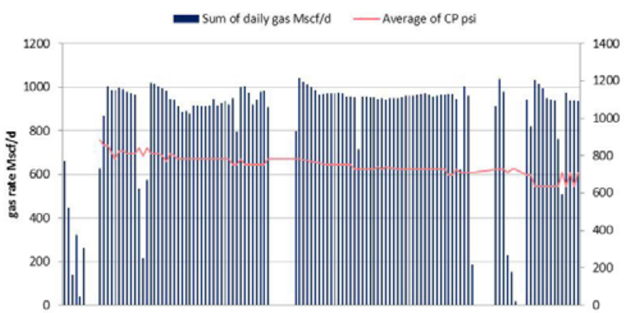
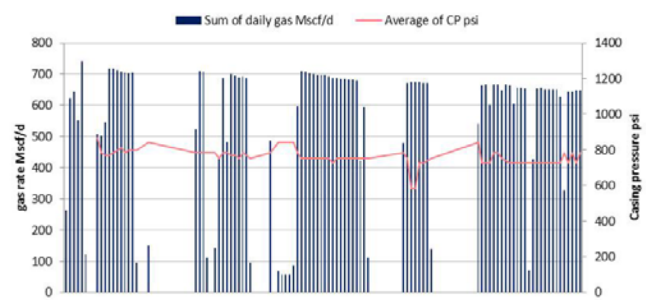
# INDIVIDUAL WELLS PERFORMING STRONGLY

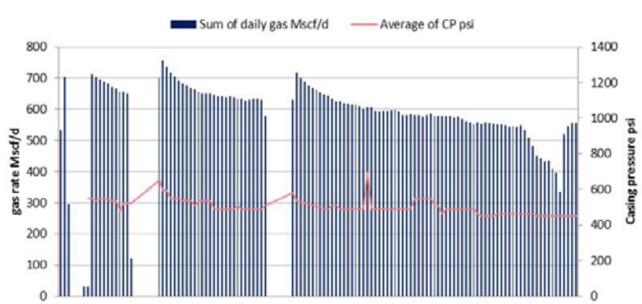


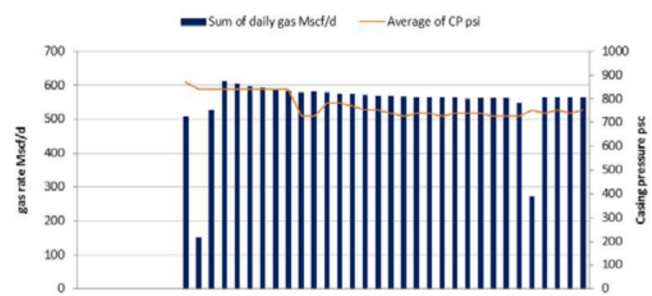
- Well capacity has been in excess of processing capacity, necessitating wells to be cycled on/off, all wells offline for 5 days due to compressor outage in Q1
- Well performance has been slightly better than expected average
- Some wells remain on plateau and some show moderate declines

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



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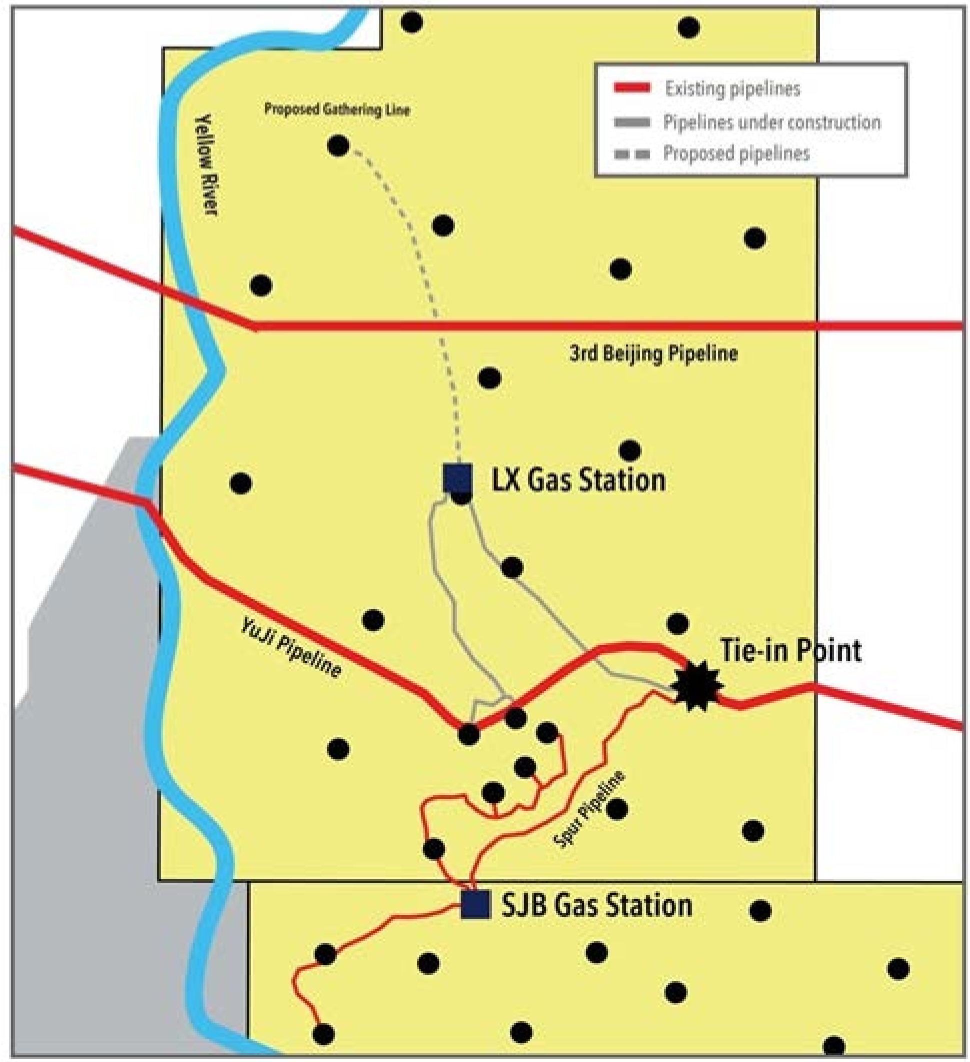
# 2015 AGREED WORK PROGRAM

- Drilling 20+ development wells including 3 additional horizontal wells
- 8 exploration wells and testing, including southwest portion of Linxing East
- Linxing central gathering facility anticipated online by mid-2015, bringing total initial installed capacity to ~25 MMscf/day with space for expansion
- Ramping up production toward full installed capacity by year end
- Preparation of Overall Development Plan (ODP) for submission following Chinese Reserve Report approval
- Planning for next phase of capacity growth



# RECENT EQUITY RAISE PROVIDES STRONG POSITION



- A$80 million before costs raised from Institutional and Sophisticated investors subject to approval at the General Meeting
- Share Purchase Plan for eligible retail investors at the same price
- Very strongly supported by existing and new institutions with the placement significantly oversubscribed
- Funds the company's expenditure requirements towards Overall Development Plan including the aggressive build up of production through drilling and new and existing central gathering facilities as well as ongoing exploration
- While some debt funding is available, significantly leveraging the balance sheet at this stage of maturity in the asset's life cycle is not prudent



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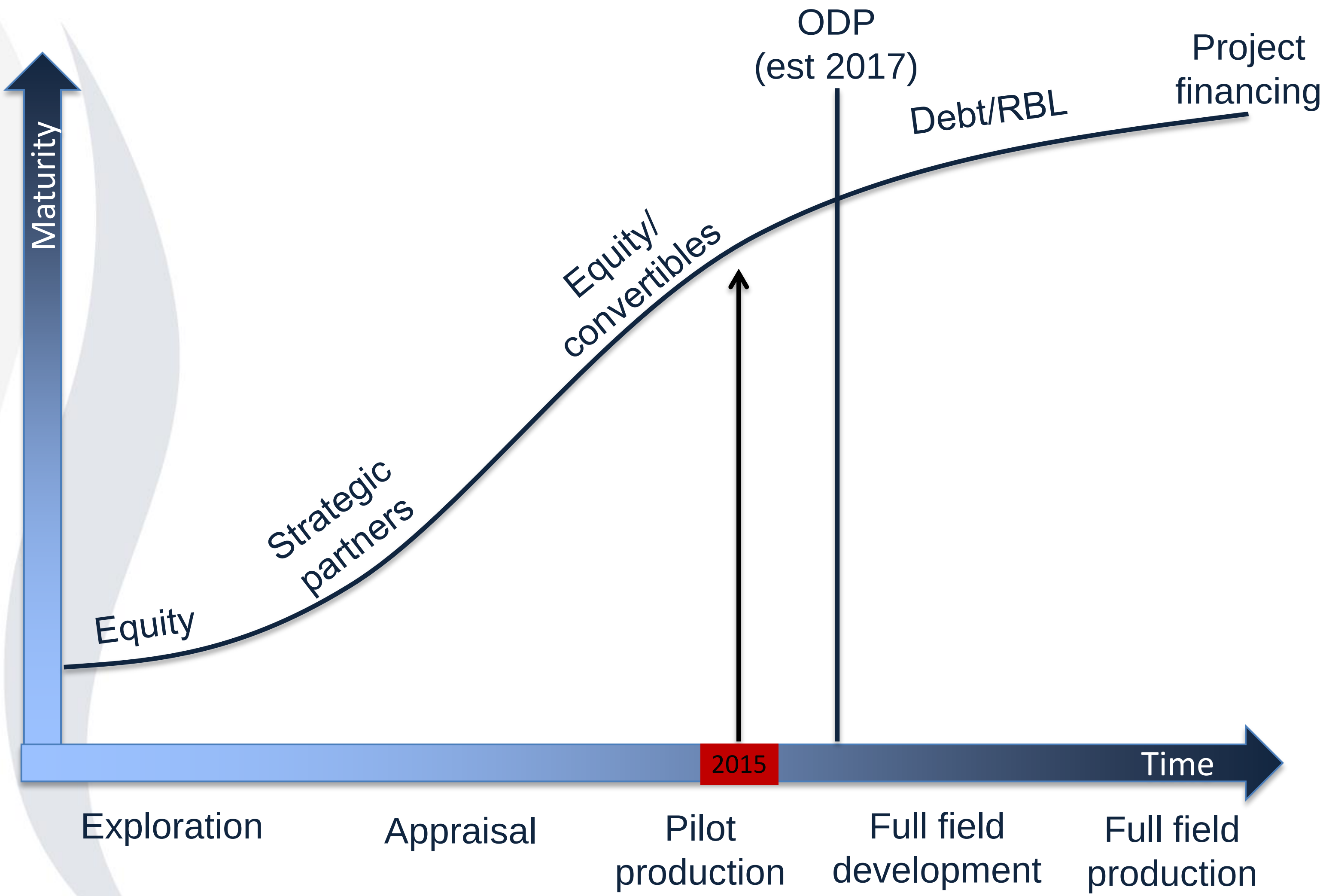
# ASSET MATURITY AND IDEAL FUNDING MODEL





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# PROGRESSING KEY REGULATORY APPROVALS



**2005 → 2014**

## Data acquisition

- 82 deep wells drilled
- 66 wells tested, commercial flow rates established
- ~2,000 km seismic
- Established gross 2P reserves of over 1.6 tcf[1] as of YE14

**2014 → ODP**

## Pilot Program

- First production achieved 4Q14
- ~25 MMscf/d installed capacity by mid-2015
- Planning underway for >50 MMscf/d under pilot program

**We are here**

## Chinese Reserve Report

- Submitted to PSC partners for internal review (~6-9 months)
- PSC partners submit to MOLAR for official approval (~3-6 months)
- Technical work for ODP can begin after key parameters agreed but before final CRR approval (~1 year)

**2016 → 2017**

## Overall Development Plan

- Submit Post CRR approval
- Approval expected to take ~1 year
- Progressive ramping up while interim approvals received

*1 – To be read in conjunction with Resource Statement on slide 3.*



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# 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
- Demonstrated ability to drill 400+ wells per year in China

### 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

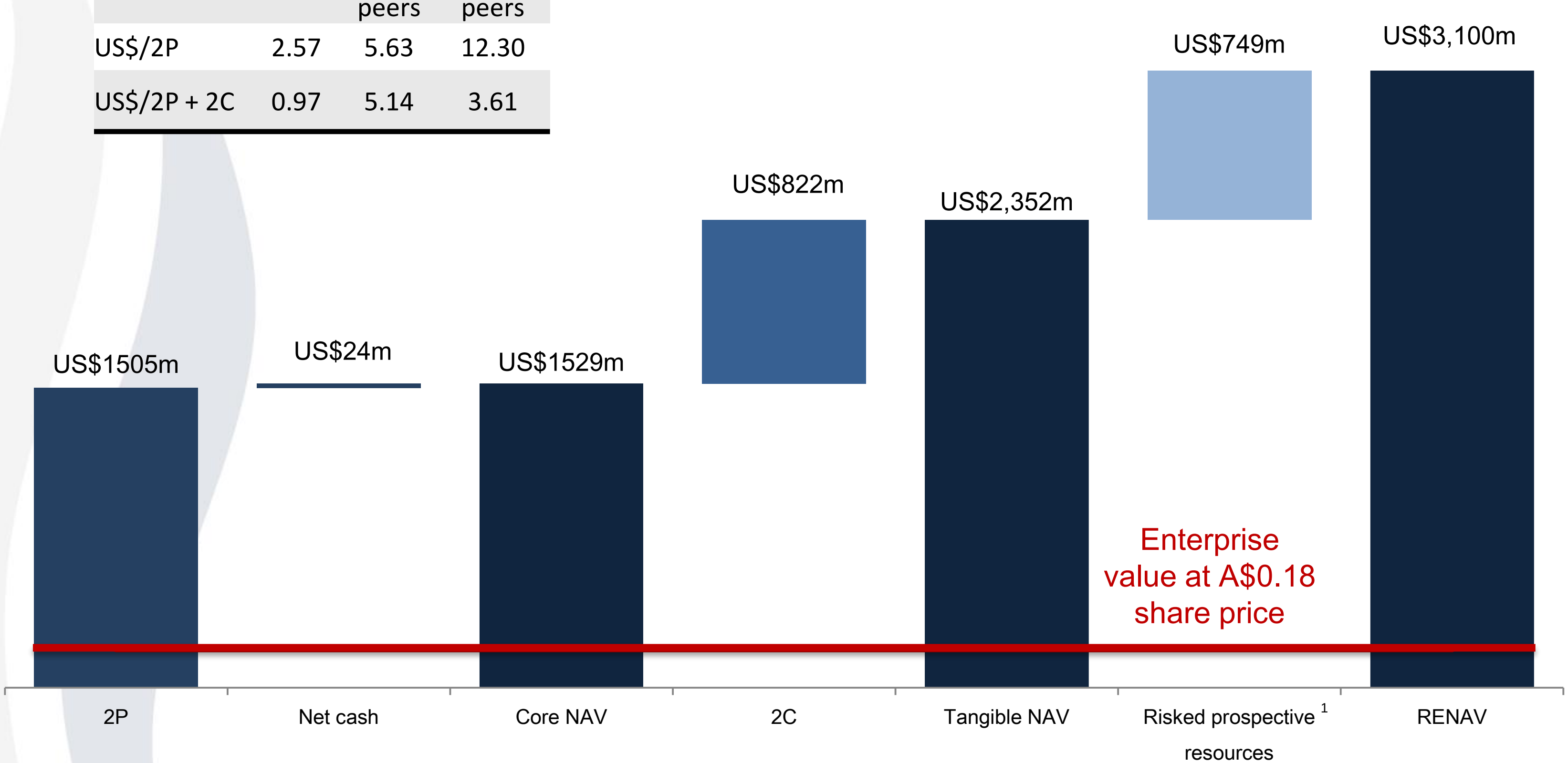
### CNPC

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


*1 – CBM Energy has an option to acquire 5.25% of Linxing by paying 7.5% of back costs*

# CLOSING THE VALUE GAP THROUGH DELIVERY

| Current trading metrics[2] | | | |
|---|---|---|---|
| | SEH | China peers | Aus list peers |
| US$/2P | 2.57 | 5.63 | 12.30 |
| US$/2P + 2C | 0.97 | 5.14 | 3.61 |






*1 – Refer to Disclaimer & Resource Statement on slide 3 for full disclosures.*
*2 – As of April 16, 2015, excluding equity raise; China Peers include Far East Energy Corporation, Green Dragon Gas, MIE Holdings, Sino Oil & Gas; Australia listed peers include E&Ps >US$100m enterprise value with reported reserves or contingent resources*



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# 2014 - 2015 PRIORITIES



**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 |
| • Targeted production exit rate ~25 MMscf/d (gross) | December |



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# PILOT PROGRAM PHOTOS

Sanjiaobei Central Gathering facilities commissioned

Pad Drilling Christmas Trees

SGE gathering lines being installed

Third party Linxing Spur Line >100 MMscf/d capacity





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# PILOT PROGRAM PHOTOS – LINXING CENTRAL GATHERING STATION








All major components delivered and currently being installed at Linxing CGS



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