



KING STONE ENERGY GROUP LIMITED

(00663.HK)

2010 Interim Results Presentation
August 2010



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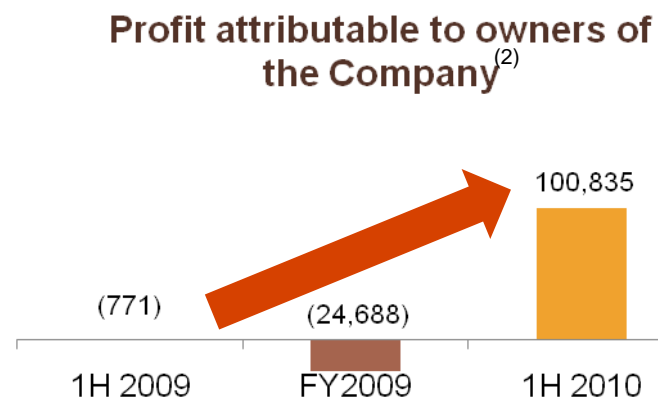
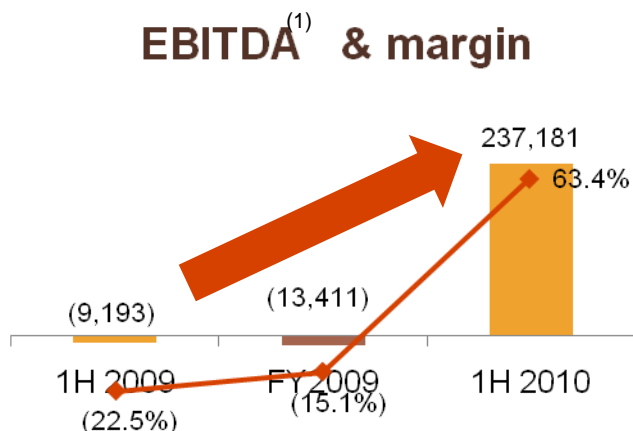
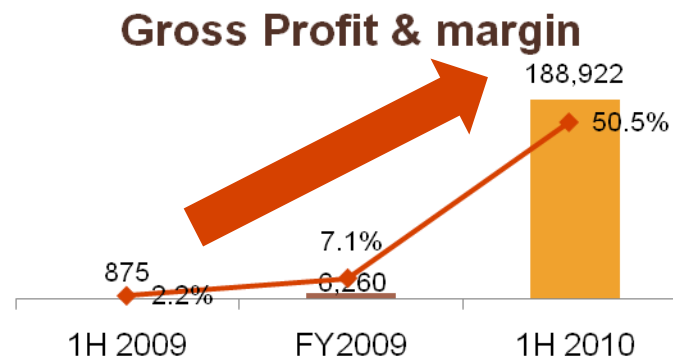
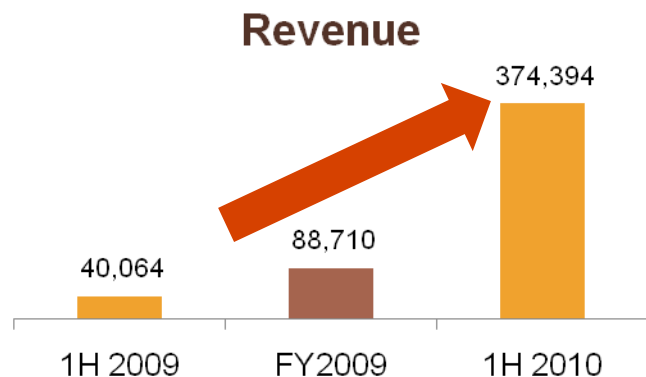
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1H 2010 FINANCIAL HIGHLIGHTS



Profit & Loss

Unit: HK '000



Note:

(1) EBITDA is defined as loss before income tax plus interest, depreciation, amortisation, fair value loss of convertible notes, non-cash equity-settled share option expense (2009: adjusted for gain on disposal of a subsidiary and impairment of goodwill).

(2) Exclude fair value loss of convertible notes

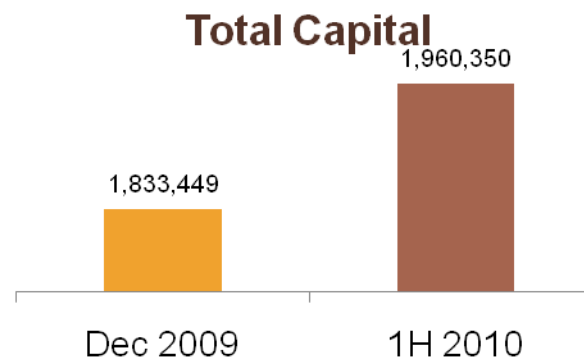
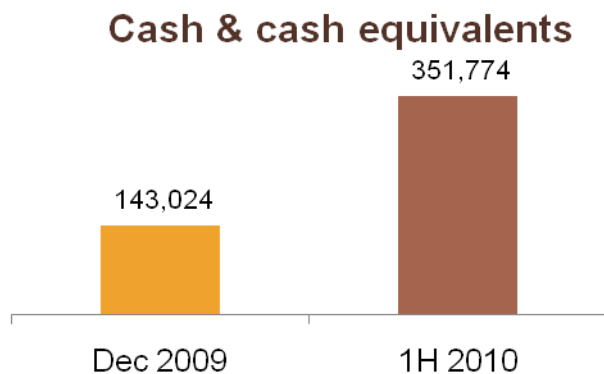
1H 2010 FINANCIAL HIGHLIGHTS (CONT'D)

Financial Position



Unit: HK '000

	1H 2010	Dec 2009
Cash and cash equivalents	351,774	143,024
Net Debt ⁽¹⁾	1,509,320	1,130,152
Total Capital ⁽²⁾	1,960,350	1,833,449
Gearing ratio	77%	62%

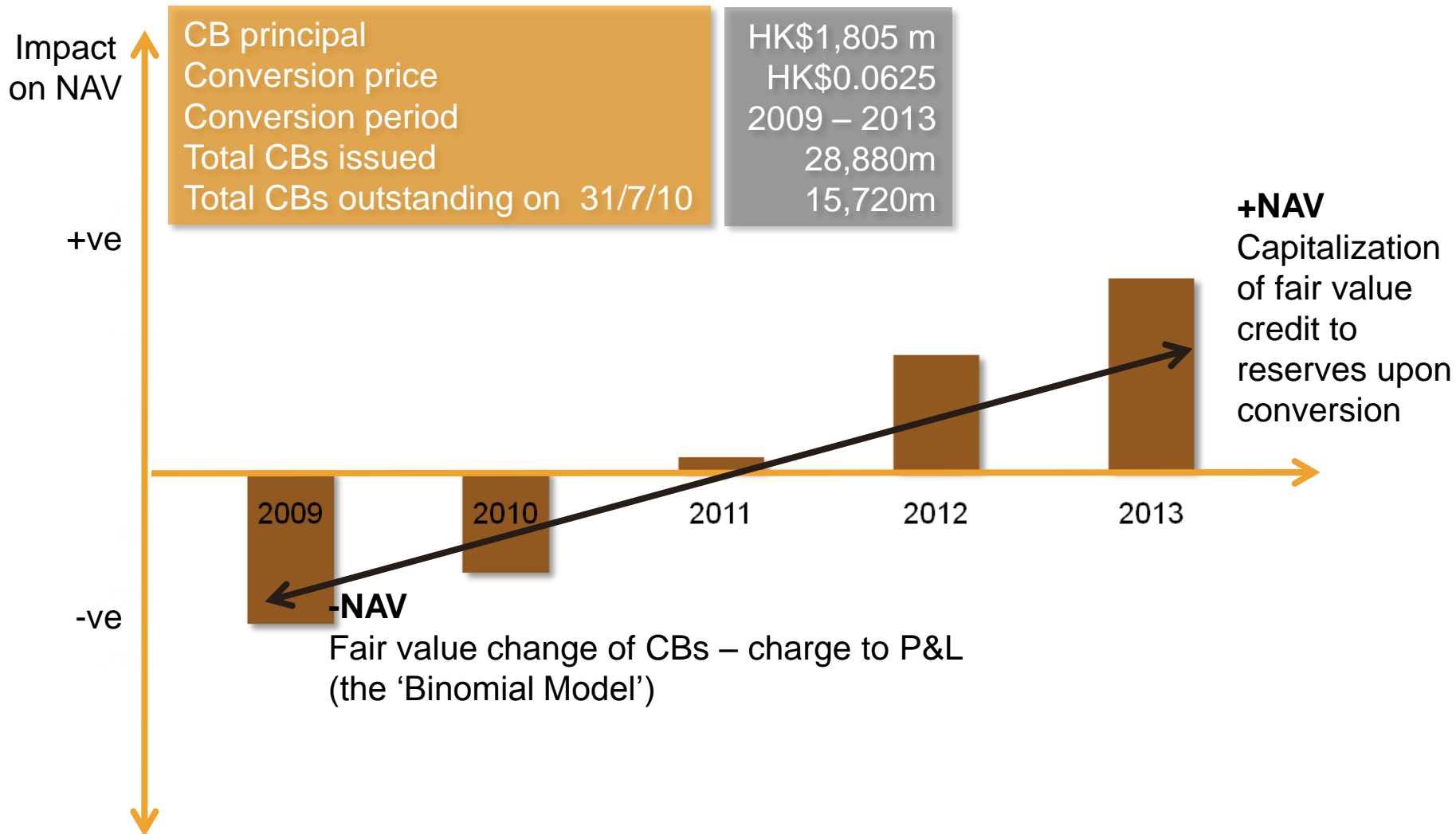


Note:

(1) Net Debt = Trade and bills payable + Other payable and accruals + Interest bank and borrowings + Due to related parties + Due to directors - Cash and cash equivalents

(2) Total Capital = convertible notes + equity

FAIR VALUE LOSS OF CBs – A ZERO-SUM GAME



2010 IMPORTANT EVENTS



Aug Completed the disposal of Anchorage Group which was engaged in phosphorus business

Jul Appointed new a non-executive director
Formation of the Coal Mine Production Safety and Technical Committee

Jun Signed the framework agreement in respect of a proposed acquisition of coal mines in Shanxi

May Grant of share options to directors and staff

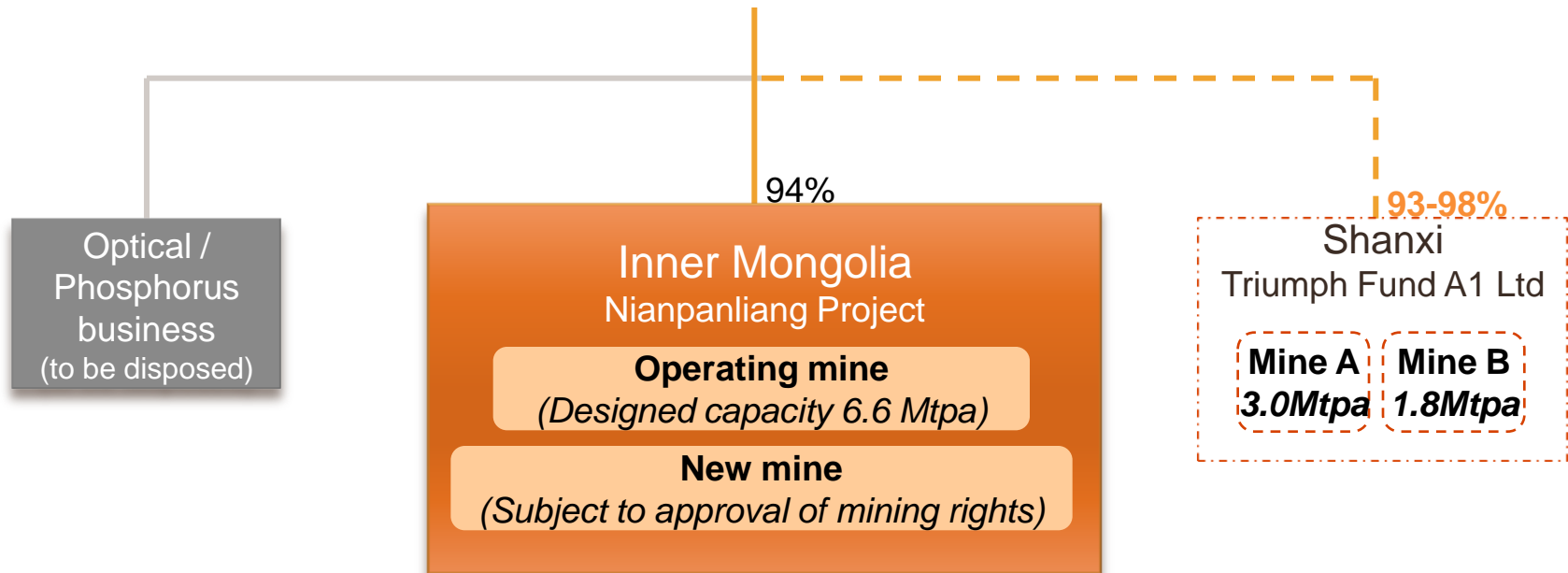
Apr Signed the MOU in respect of a proposed acquisition of coal mines in Shanxi

Mar Formation of the advisory committee

Feb Change of company name

Dec 09 Completed the acquisition of coal mine in Inner Mongolia

CORPORATE STRUCTURE



BUSINESS OVERVIEW

Thermal Coal Mine Assets at Inner Mongolia



Nianpanliang Project	
Resources	204Mt (all seams)
Reserves	72Mt (recoverable)
Working face	Designed capacity (Mtpa)
No.1	1.8
No.2	1.8
No.3	3.0



BUSINESS OVERVIEW (CONT'D)

Proposed acquisition of Gas Coal Assets at Shanxi



	Resource (Mt) ⁽¹⁾	Designed capacity (Mt)
Mine A	115.0	3.0
Mine B	108.0	1.8
Total	223.0	4.8

Note: (1) Chinese Standard



Transaction Timetable:

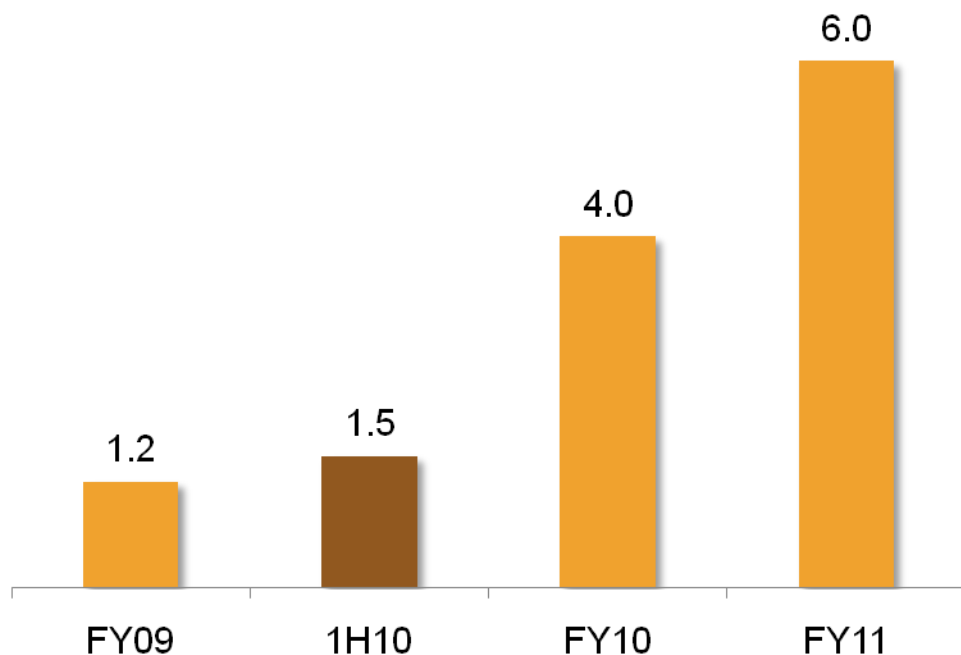


BUSINESS OVERVIEW (CONT'D)

Output and Cost – Inner Mongolia



Unit: Mt

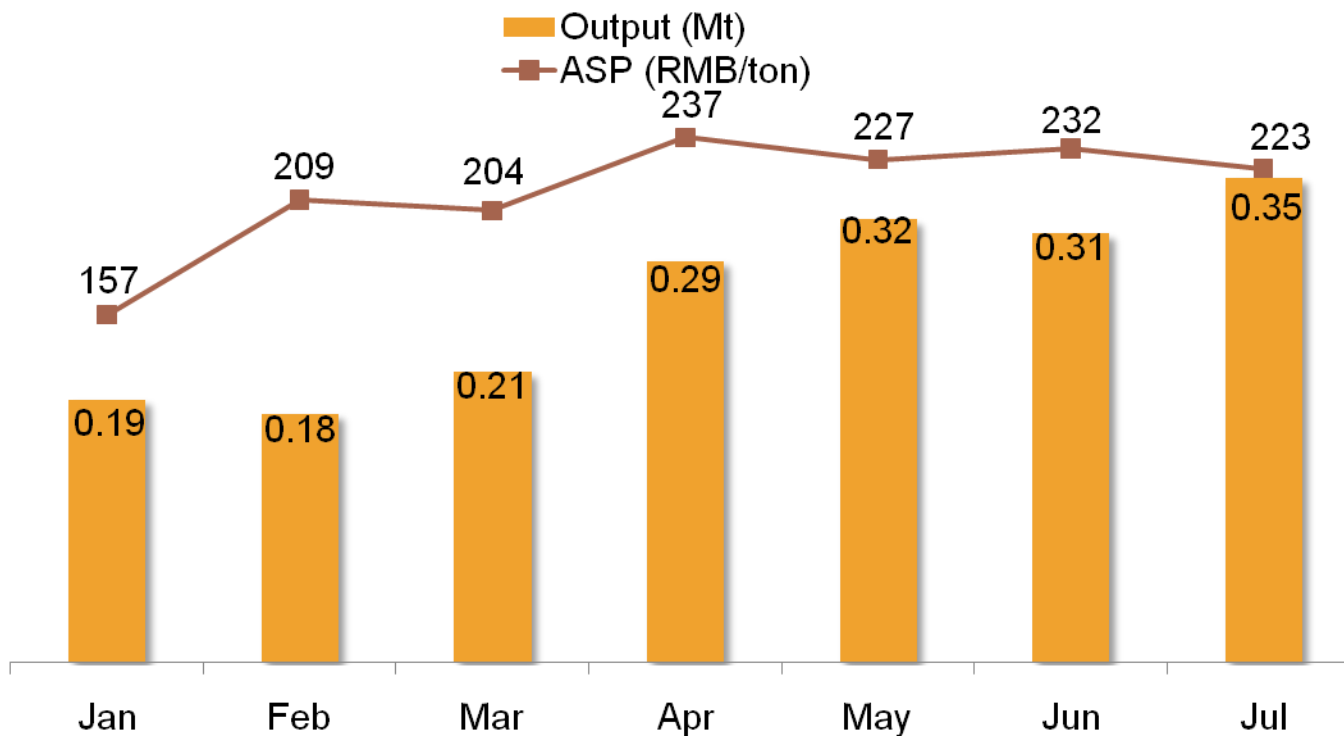


Actual 1H 2010 Cost Structure in RMB/ton

Direct Materials	0.8
Direct Labour	25.9
Overheads	3.2
Price Adjustment Fund	19.3
Safety Fees	3.2
CASH COST	52.4
Depreciation	24.3
Amortization	26.9
TOTAL PRODUCTION COST	103.6
Selling Expenses	1.7
Administration Expenses	16.1
TOTAL COST	121.4

BUSINESS OVERVIEW (CONT'D)

Output and ASP in 1H 2010



MANAGEMENT STRUCTURE



Name and title	Years of experiences	Highlights
Wang Da Yong <i>Chairman & CEO</i> <i>Executive Director</i>	> 10 years in investment in natural resources companies	<ul style="list-style-type: none"> • Former CEO of Fortune Dragon Group, a coking coal producer in Shanxi Province, China (acquired by Fushan International (639.HK) in July 2008) • PhD in Economics
Tian Wen Wei <i>Executive Director</i>	> 5 years in finance, business and corporate M&A	<ul style="list-style-type: none"> • Director of Triumph Fund A Limited since 2009 • Former Senior Executive of Puda Coal, • MBA, University of Alberta, Canada
Wang Tong Tian <i>Executive Director</i>	> 40 years in China coal industry	<ul style="list-style-type: none"> • Former Deputy General Manager of China Shenhua Group Coal Transportation and Distribution Company • Former Senior Executive of the Beijing Mining Bureau, China National Coal Industry Import and Export Group and China National Coal Development Company
Li Yi <i>Non-executive Director</i>	> 40 years in China coal mines/ companies	<ul style="list-style-type: none"> • Former Chairman of Shanxi Xishan Coal and Electricity Power • Former Vice Chairman of Shanxi Coking Coal Group • Former Director of the Department of Coal Mine Safety of Xi Ming Coal Mine of Xi Shan Mining Bureau • Former Managing Director of Xishan Coal Electricity Group formerly
Su Bin <i>Non-executive Director</i>	> Extensive experience in corporate management, financing and mergers and acquisitions	<ul style="list-style-type: none"> • Strong and extensive connections in the political and financial sectors of the PRC • Former Co-Chairman of the China Coal and Coke Investment Fund LLP • Honorary Chairman of the Hong Kong Energy and Minerals United Associations since 2007

MANAGEMENT STRUCTURE (CONT'D)

Management Structure – Corporate Governance Structure



Strategic Level

Advisory Committee
Chairman: Wang Senhao
Co-chairman: Chen Biting
Vice Chairman: Zhang Changsheng

Board Level

Strategy and Investment Committee

- Wang Da Yong*
- Wang Tongtian
- Li Yi
- Cao Kuangyu

Remuneration Committee

- Cao Kuangyu *
- Chiu Sui Keung
- Wang Da Yong
- Jacobsen William Keith

Audit Committee

- Chiu Sui Keung*
- Cao Kuangyu
- Jacobsen William Keith

Coal Mine Production Safety and Technical Committee

- Wang Da Yong*
- Wang Tongtian
- Li Yi

Operational Level

Operation team consists of experienced mine experts
+
Technical partnership with large SOE

* Individuals leading the Committee

Note: Ernst & Young is the auditor of the Company

MANAGEMENT STRUCTURE (CONT'D)

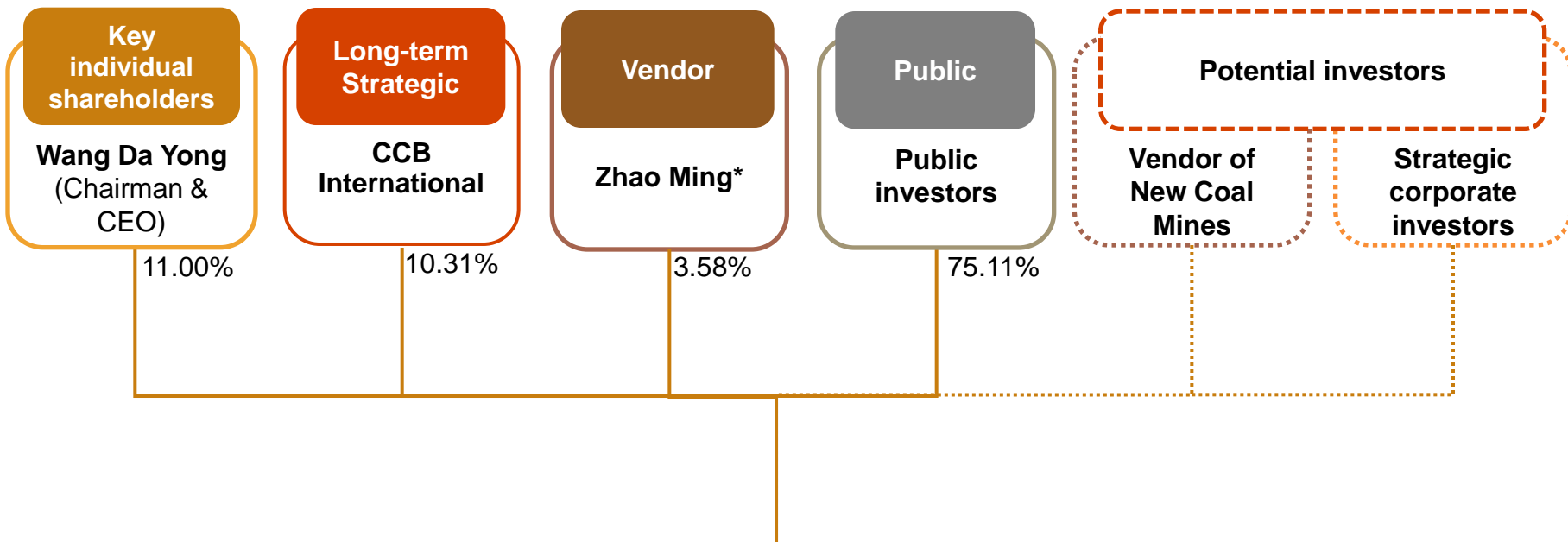


Coal Mine Production Safety and Technical Committee

Founded	14 July 2010
Primary Function	<ul style="list-style-type: none">• Provide advice to the Board in respect of the production safety, technical management and environmental protection aspects of the coal mines held by the Company.
Members	<ul style="list-style-type: none">• Chaired by Mr. Wang Da Yong, the Chairman of the Company• Committee members: Mr. Wang Tongtian, an executive Director, and Mr. Li Yi, a non-executive Director
Duties	<ul style="list-style-type: none">• Assist in the supervision and monitoring of all elements of production safety and environmental protection measures of the coal mines• Participate in the design and assessment of major engineering construction as well as the acceptance inspection of key mechanical and electrical equipment of the coal mines• Carry out technical and environmental protection assessment of the proposed mergers and acquisitions of new coal mines



SHAREHOLDING STRUCTURE




金山能源集團有限公司
 KING STONE ENERGY GROUP LIMITED
 (00663.HK)

— Existing
 - - - - - Future plan

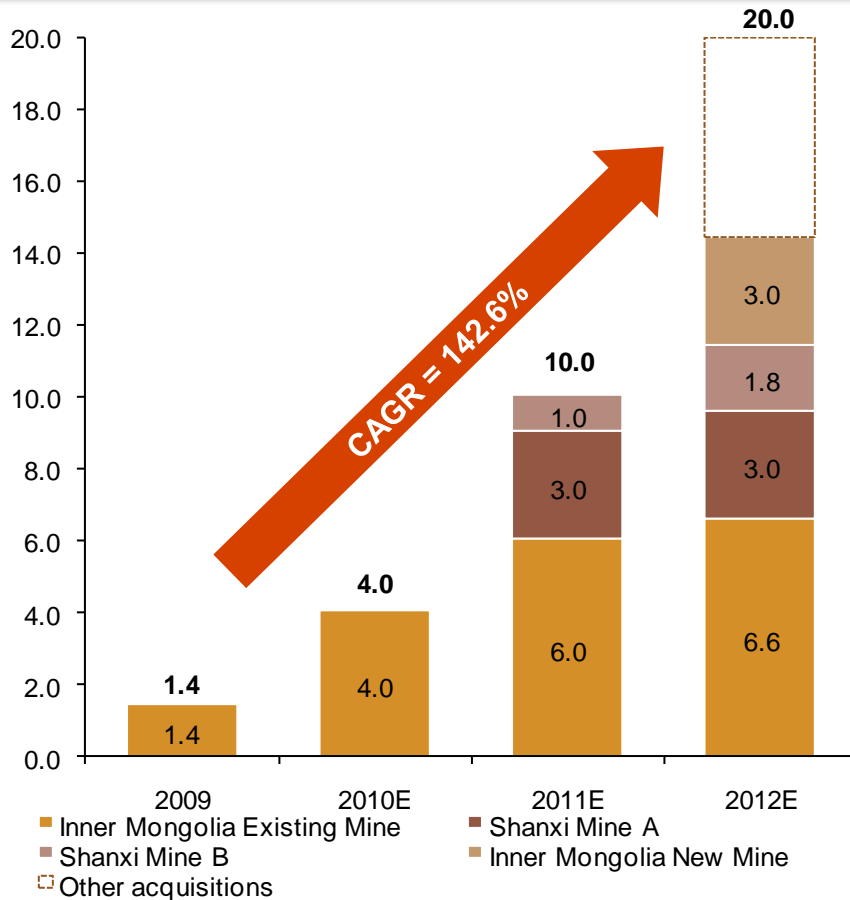
Total outstanding shares: 16,369,743,370

*Holder of outstanding CBs convertible into 15,720m shares

FUTURE GROWTH STRATEGIES



Production capacity (Mt)



Acquisition strategy and development plan

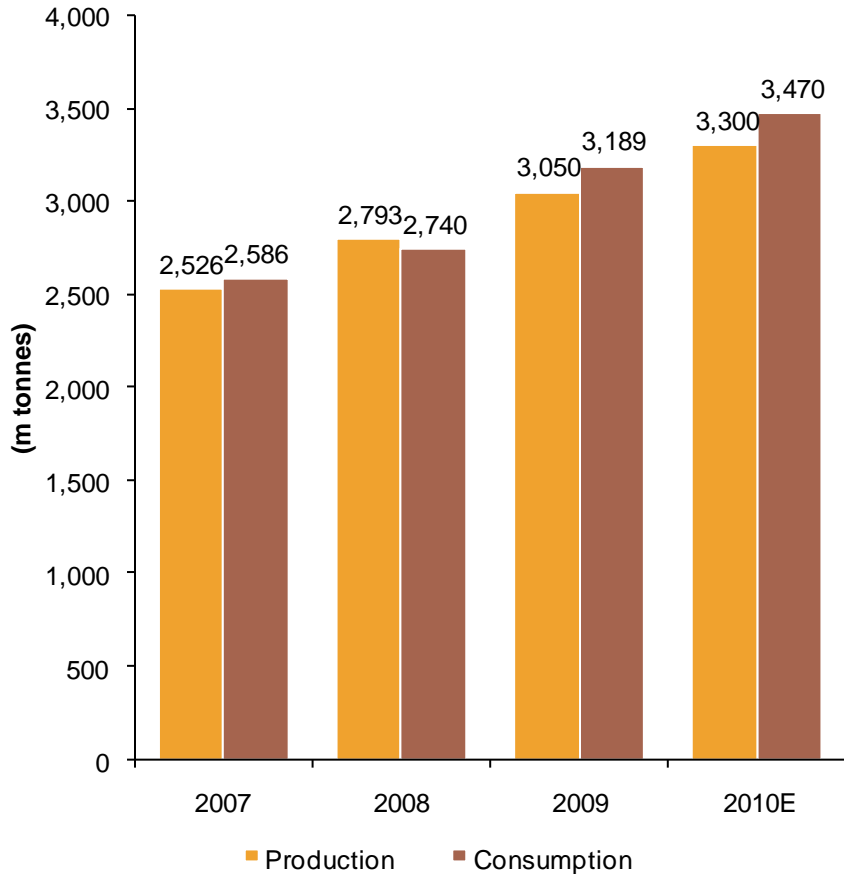
- Selection criteria for acquisition targets
 - Sizeable resources and reserves with mining life >25 years
 - Operating mines with stable cash flow and profits with limited additional CAPEX required
 - Sophisticated infrastructure and proven safety track record
 - Mainly located in Shanxi Province and Inner Mongolia with extensive transportation network
- Development of diversified products – 65% thermal Coal, 20%-25% coking Coal, 10%-15% anthracite Coal
- Establish strategic partnership with major power plants
- Continuous investments in infrastructure, equipment and maintenance to ensure safety and efficiency

INDUSTRY OUTLOOK

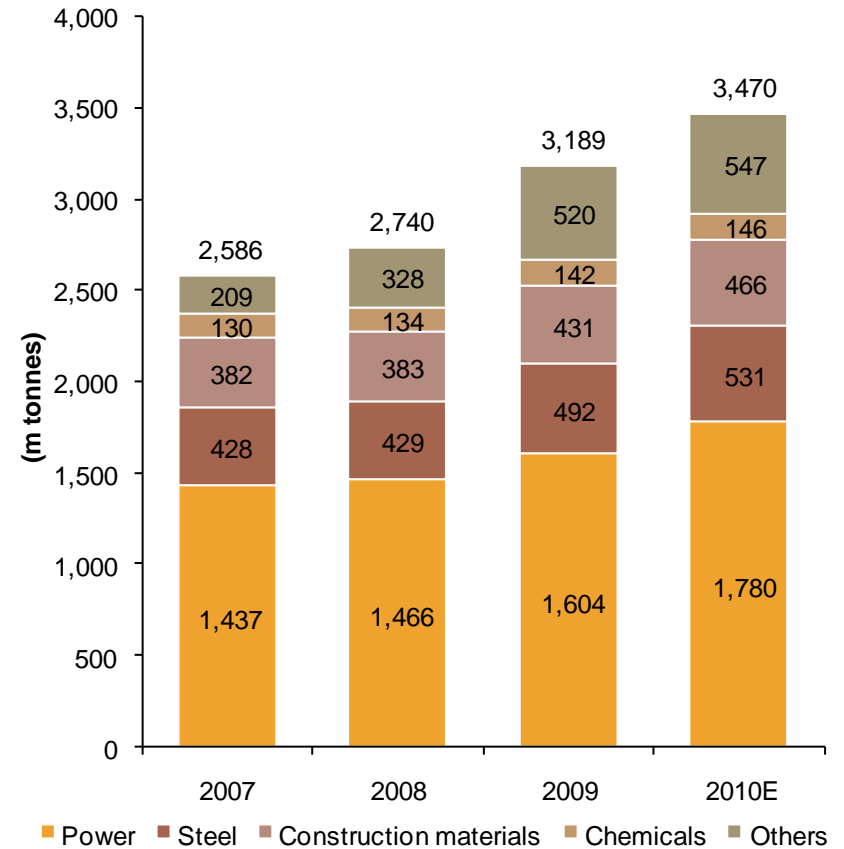
Coal supply and demand remains tight in China



Demand for coal is expected to outstrip supply



Coal consumption breakdown



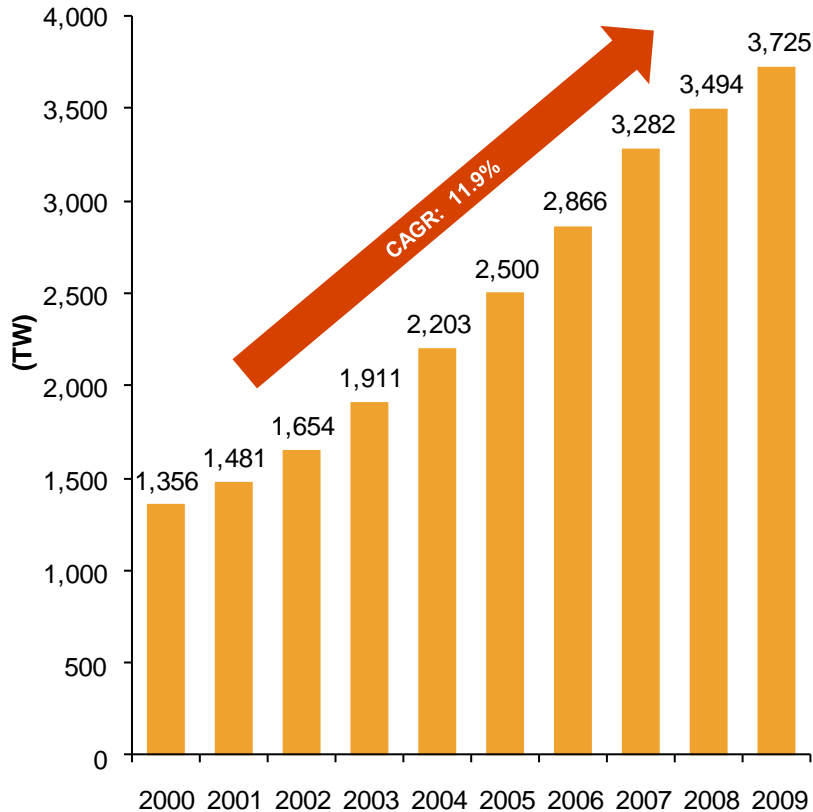
Source: Broker research

INDUSTRY OUTLOOK (CONT'D)

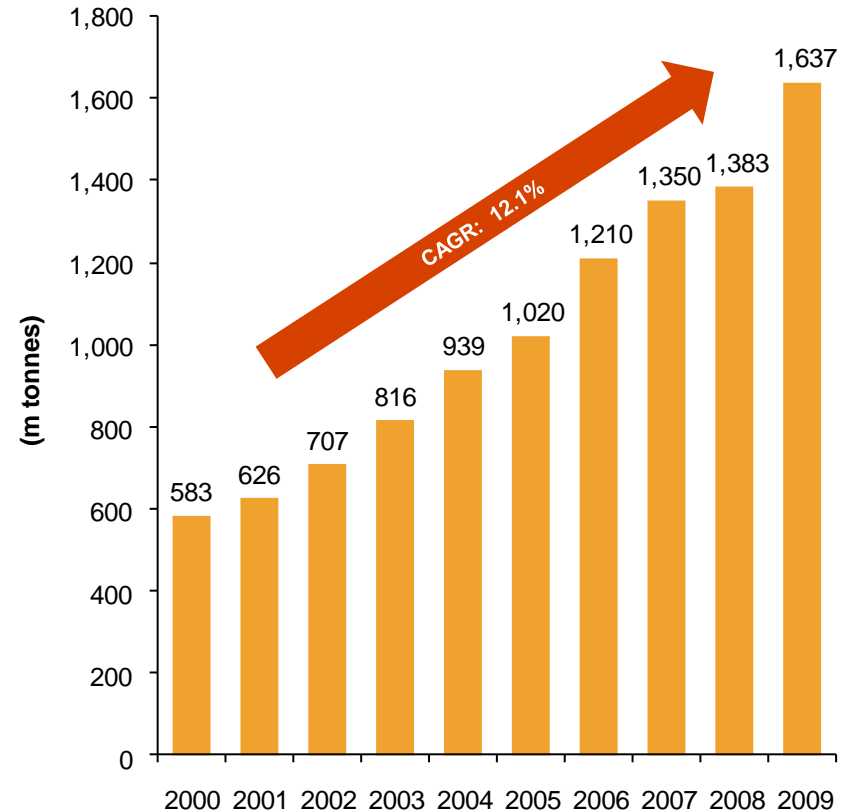
Drivers of demand for thermal coal in China



China's power generation



China's cement production



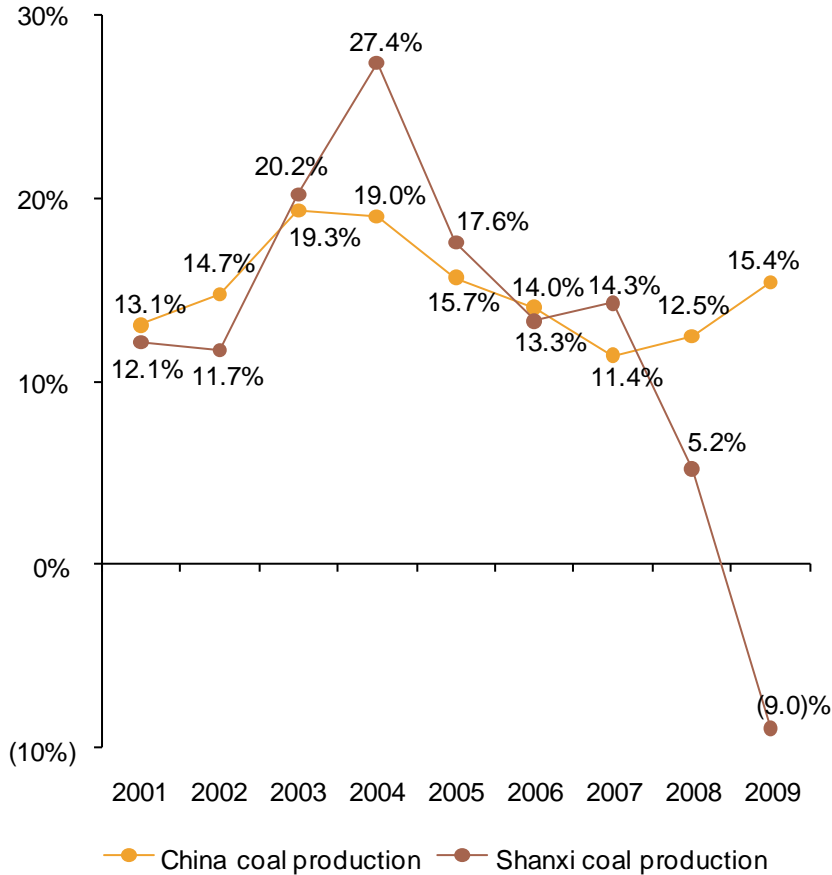
Source: Bloomberg

INDUSTRY OUTLOOK (CONT'D)

Supply of coal remains constrained in China

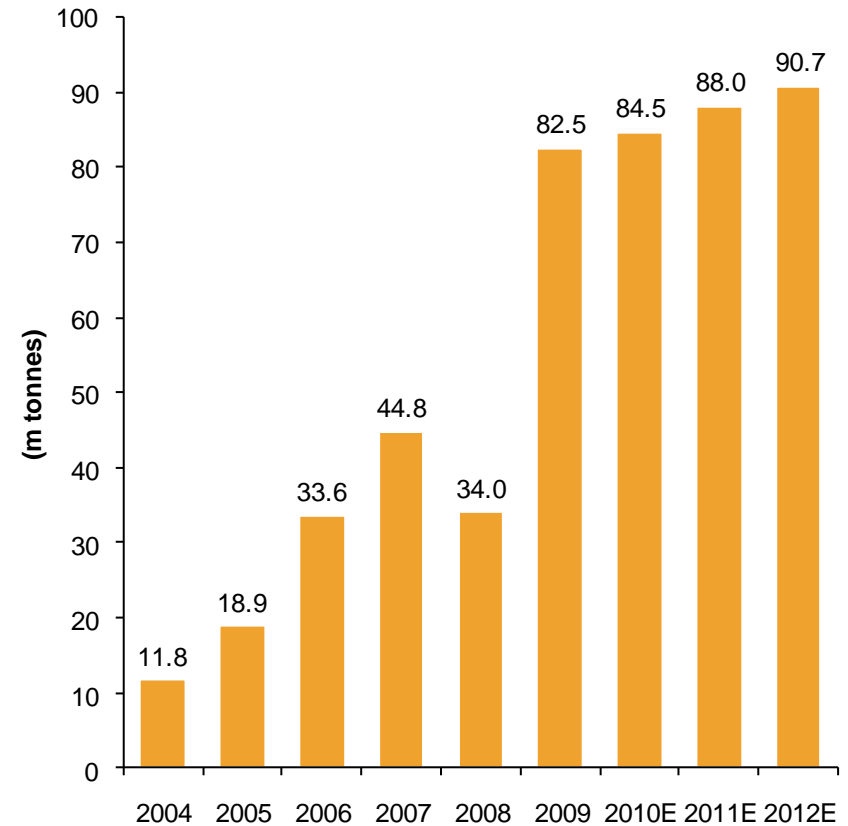


China's coal production growth



Source: Bloomberg

China increasingly relies on thermal coal imports



Source: AME



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Q&A

