



Enviro Energy 8182 HK

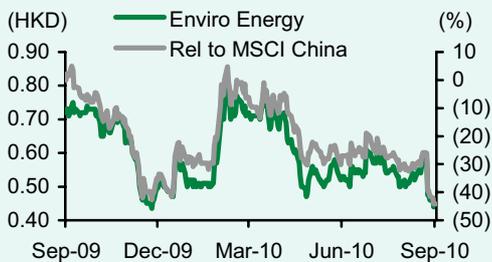
CHINA / ENERGY

CLOSE

HKD0.445

KEY STOCK DATA			
YE 31 Dec (HKD m)	2007	2008	2009
Revenue	3.37	1.94	0.31
Rec. net profit	(46)	47	(106)
Recurring EPS (HKD)	(0.04)	0.02	(0.05)
EPS growth (%)	(756)	nm	nm
Recurring P/E (x)	nm	22.25	nm
Dividend yield (%)	0.0	0.0	0.0
EV/EBITDA (x)	nm	Nm	nm
Price/book (x)	2.02	1.31	1.93
Net debt/equity (%)	(81.8)	(23.53)	(9.76)
ROE (%)	nm	7.4	(15.7)

Sources: Enviro Energy; Bloomberg; BNP Paribas



Next results	November 2010
Mkt cap (USD m)	140
3m avg daily turnover (USD m)	0.76
Free float (%)	53
Major shareholder	Wing Him Chan (41%)
12m high/low (HKD)	1.00/0.42

An innovative play on CBM

- Innovative upstream player in China with CBM focus.
- Large CBM PSC in Junggar basin with decent connectivity.
- Pioneering enhanced recovery tech. to reduce GHG emissions.
- China's gas price reforms an upward catalyst.

An innovative play on CBM

Enviro Energy International Holdings (Enviro) is an upstream petroleum and natural gas development company listed on the HK Growth Enterprise Market. Enviro is engaged in exploring, developing and producing energy resources while pioneering innovative high-tech exploration and enhanced-recovery production technologies to reduce emission of greenhouse gases (GHG). Considering China's emphasis on its natural gas exploration, Enviro offers a good value proposition with structural drivers in place, with its focus on Coal-Bed Methane (CBM) exploration and production.



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Increased focus on unconventional gas exploration

Enviro is currently focused on developing 655 sq km of CBM land in Western China along the Southern Junggar Basin. The area of the PSC is leased out by PetroChina. The Junggar Basin is an active hydrocarbon-producing region and the natural gas pipeline infrastructure is in place. There are operating coal mines within the PSC area that are known to have extensive coal resources. The Urumqi city area is an expanding market for natural gas, and the area is linked to the transnational West-East pipeline, which can carry natural gas to eastern PRC markets. A second West-East gas pipeline is under construction with a portion of the line crossing the PSC area. In addition, the company operates a 50% JV with PetroChina on the Qian An Oilfield. The block covers an area of 15 sq km with 21.7 mmbbls of original oil in place and average production of 368 bpd in 2009. The company is also operating an enhanced coal bed methane (ECBM) project in South Qinshui Basin in Shanxi. The company believes this to be a highly prolific CBM basin with high rank coal and intends to initiate pilot production in 2010. This should enable the company to increase extraction of CBM reserves and gain carbon credits.

Growth in gas market offers compelling economics

The CBM industry in China is currently at an infant stage of development, and is expected to be a key part of China's energy future. CBM prices are currently deregulated in China. There are strong drivers that point toward gas price reform in China's booming, but coal dominated energy economy. The elimination of methane, which represents overall 20% of the GHG, also enables generation of tradable carbon credits. The surplus credits could be sold in the global market.