SINO Gas & Energy 中澳煤层气能源

ASX Announcement

Size, Scalability, Market and Pricing with Funding Secured

26 June 2013

KEY MILESTONE - FIRST GAS SALES AGREEMENT SIGNED

- **Gas sales agreement establishes commerciality of Linxing Production Sharing Contract (PSC)**
- **Multi-year agreement with maximum contracted volume of up to 35 MMscf/day**
- **Agreement allows pilot production to commence as early as December 2013**

Sino Gas & Energy Holdings Limited (ASX:SEH, "Sino Gas", "the Company") is pleased to announce that PSC operator, Sino Gas & Energy Limited (SGE), has signed its first gas sales agreement, allowing pilot production to commence as early as December 2013.

Commenting on the signing of the agreement, Robert Bearden said "The Linxing PSC gas sales agreement is a significant milestone in Sino Gas' drive towards production on its Ordos Basin projects. The agreement not only establishes the commerciality of the Linxing PSC, but also confirms the current marketing structure in place by providing a path to market through existing pipeline infrastructure. The initial gas sales will provide a growing revenue stream and long term production data that will be essential inputs into full field development planning and design."

The sales agreement is with China United Coalbed Methane (CUCBM), who holds a 30% interest in the Linxing PSC. Gas supplied under the agreement will be sold to the industrial gas market in Shanxi Province through existing pipeline infrastructure.

During the first year, the contract calls for all parties to use their best efforts to supply and take a maximum quantity of gas from the pilot program. Initially seven wells are planned to be connected to a central gathering station located on the western portion of Linxing. Additional wells are expected to be put online as wells are drilled and gathering facilities are expanded. After the first year, sales volumes can increase up to 1,000,000m^3/day (35MMscf/day) under the contract. Any incremental volumes beyond this amount are dependent upon well performance and further negotiations.

An initial price of approximately US$7/Mscf (thousand standard cubic feet) will apply during the first year, and will be adjusted on an annual basis by reference to Shanxi Province market prices and applicable government policies. Subject to the approval of Chinese Reserve Report, Overall Development Plan and other licensing requirements for the gas production, the gas sales contract is valid over the life of the Linxing PSC.

"This first gas sales contract is another cornerstone event for our Ordos Basin gas projects. Sino Gas would like to express their appreciation for the continuing cooperation and support of CUCBM and we look forward to continuing our strong working relationship as the Linxing project is further developed. I would also like to thank the SGE operations team for all their hard work in achieving this milestone on schedule." Bearden said.

"With a gas sales agreement now in place, the Operations team will continue pilot program design, sourcing, and construction to build the gathering systems and compressor stations in preparation for first gas sales. In the meantime, our accelerated work programs continue to drill exploration and appraisal wells, interpret seismic data, perform flow testing and prepare the Chinese Reserve Report." Bearden added.

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Our latest announcements and presentations can be found on our website: www.sinogasenergy.com

About Sino Gas & Energy Holdings Limited

Sino Gas & Energy Holdings Limited ("Sino Gas" ASX: SEH) is an Australian energy company focused on developing Chinese unconventional gas assets. Sino Gas holds a 49% interest in Sino Gas & Energy Limited ("SGE") through a strategic partnership completed with MIE Holdings Corporation ("MIE" SEHK: 1555) in July 2012. SGE has been established in Beijing since 2006 and is the operator of the Linxing and Sanjiaobei Production Sharing Contracts (PSCs) in the Ordos Basin, Shanxi province.

SGE's interest in the Linxing PSC with CUCBM is 64.75% and 49% for the Sanjiaobei PSC held with PCCBM. SGE has a 100% working interest during the exploration phase of the PSC, with SGE's PSC partners being entitled to back-in upon Overall Development Plan (ODP) approval, by contributing development and operating costs in line with their PSC interest.

The PSCs are located in the Ordos Basin and cover an area of approximately 3,000km2. The Ordos Basin is the second largest onshore oil and gas producing basin in China. The region has mature field developments with an established pipeline infrastructure to major markets. Rapid economic development is being experienced in the provinces in which Sino Gas' PSCs are located and natural gas is seen as a key component of clean energy supply in China.

Linxing Production Sharing Contract

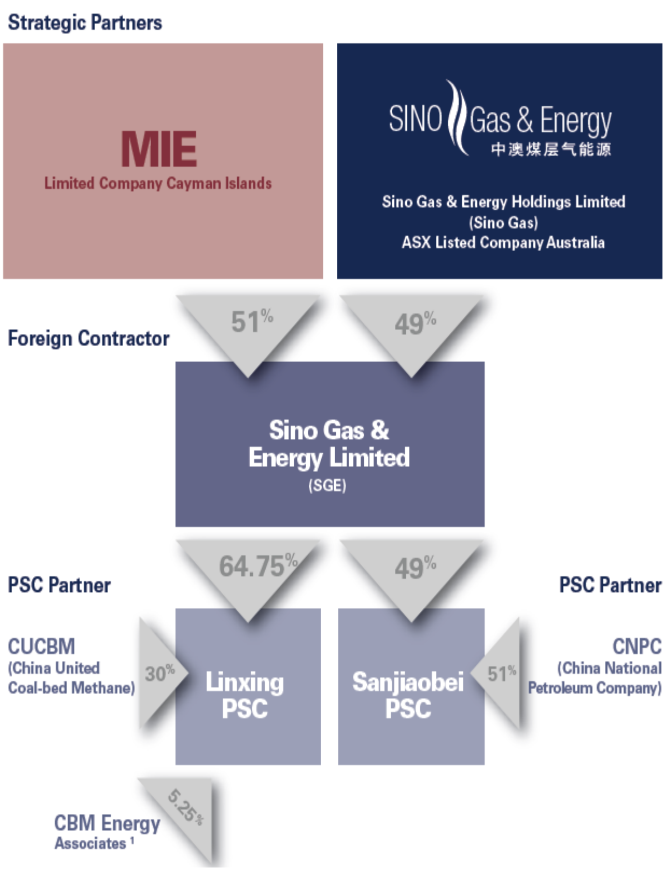
The Linxing PSC is split into two areas: Linxing East (1,301km^2) and Linxing West (573km^2), which together cover a total of ~1,874km^2 (463,076 acres). The PSC is operated by SGE, with CBM Energy and China United Coalbed Methane (CUCBM) being entitled to back-in upon Overall Development Plan (ODP) approval, by contributing their share of development and operating costs.

Linxing West is on the up-dip extension of existing deep gas fields, while Linxing East's gas has been found in shallow coals to date, where a north-south fault separates the acreage.

The western portion of Linxing East remains underexplored but appears to have similar geological characteristics to Linxing West and Sanjiaobei.

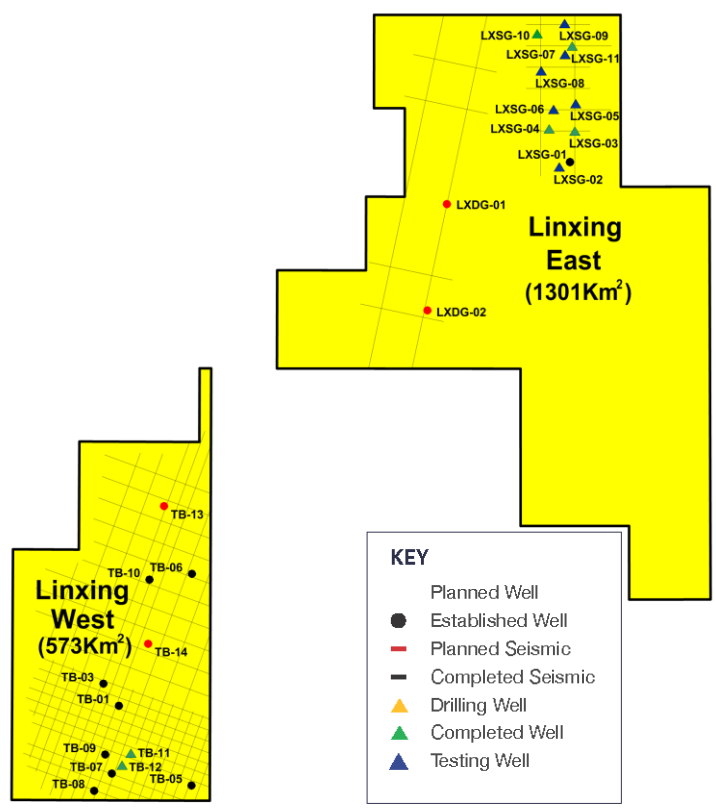
The Linxing block is well positioned to take advantage of China's growing gas market, being located in the key Ordos basin with nearby existing pipelines, in a region that is set to be part of a transparent and attractive pricing regime and is supported by a regulatory framework promoting local gas development.

PSC Ownership Structure



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

Linxing PSC Acreage



Resources Statement & Disclaimer

The statements of resources in this Release have been independently determined to Society of Petroleum Engineers (SPE). Petroleum Resource Management Systems (SPE PRMS) standards by internationally recognized oil and gas consultants RISC (March 2013). 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. Project NPV10 is based on a mid-case gas price of $US 8.54/mscf, lifting costs (opex+capex) ~ US$1.3/ msf mid-case. 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.

Certain statements included in this announcement constitute forward looking information. This information is based upon a number of estimates and assumptions made 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.

Many factors could cause the Company's actual results to differ materially from those expressed or implied in any forward-looking information provided by the Company, or on behalf of, the Company. Such factors include, among other things, risks relating to additional funding requirements, gas prices, exploration, acquisition, development and operating risks, competition, production risks, regulatory restrictions, including environmental regulation and liability and potential title disputes. Forward-looking information is no guarantee of future performance and, accordingly, investors are cautioned not to put undue reliance on forward looking information due to the inherent uncertainty therein. Forward-looking information is made as at the date of this announcement and the Company disclaims any intent or obligation to update publicly such forward-looking information, whether as a result of new information, future events or results or otherwise.