

30 October 2017

ODP SUBMITTED, DEVELOPMENT PLAN ADVANCED & FUNDING SECURED

Sino Gas & Energy Holdings Limited (ASX: SEH, “Sino Gas” or the “Company”) is pleased to announce substantial progress in delivering the considerable underlying value of the Company’s assets:

-  First Linxing ODP submitted to PSC partner for approval, achieving a key regulatory milestone
-  Development plan progress unlocks the significant value of the Company’s assets with targeted free cash flow generation from 2020 and gross plateau production of 350 to over 550 MMscf/d from 2022
-  New US\$100 million five-year debt facility secured with Macquarie is expected to provide adequate funding for full field development in combination with existing cash and projected cash flow from operations
-  Conference call to be held today, at 11:00 EST (Sydney), 8:00 WST (Perth, Beijing). Dial-in details are below.

First Linxing ODP Submitted for Approval

The first Linxing ODP has been submitted to Sino Gas & Energy Limited’s (“SGE”) PSC partner, China United Coalbed Methane Limited (“CUCBM”), for approval. The ODP was compiled by SGE in collaboration with CUCBM, and the submission represents a key regulatory milestone in the development of the Linxing PSC. The ODP focuses on core development and pilot production areas accounting for ~20% of the current discovered area of Linxing East and West.

Linxing has been designated as a strategic project for prioritisation under the 13th Five Year Plan¹ and is a priority for CUCBM who support a staged approval approach. This facilitates continued ramp-up of production in parallel with accelerated approvals. Future ODP submissions to support the development of the remaining discovered area will be appended to this initial ODP.

SGE and PSC partner PetroChina continue to work together on the Sanjiaobei ODP which remains on track for submission before the end of 2017.

Development Plan Progress

Sino Gas is pleased to announce details of its proposed development plan for both the Sanjiaobei and Linxing PSCs. The development plan is targeting to unlock world-class returns driven by significant scale and robust margins, solidifying the Company’s position in one of the world’s largest and fastest growing gas markets.

Key highlights include²:

- Project significantly de-risked due to extensive appraisal, the pilot production program and knowledge transfer from analogous, world-class fields in the Ordos basin
- Gross plateau production target of 350 to over 550 million standard cubic feet per day (“MMscf/d”) or ~58 to over ~90 thousand barrels of oil equivalent per day (“mboe/d”)³ with potential for material upside
- Low risk, proven technology to drive well performance and ultimate recoveries
- Low costs and attractive PSC terms drive attractive margins and significant cash flow generation
- Phased nature of capex and short well payback periods support the target to deliver free cash flow from 2020
- Funding secured with existing cash, expected cash flow from operations and the new Macquarie debt facility (refer to details below)
- Strong demand growth projections for natural gas with established marketing strategy to maximise price, volumes and certainty, including utilisation of take or pay gas sales agreement

New Five-Year Secured Debt Facility

Sino Gas has entered into a committed letter of offer with Macquarie Bank Limited (“Macquarie”) for a new five-year senior secured US\$100 million debt facility. The committed US\$68 million of the new debt facility, along with cash on hand and expected cash flow from operations is anticipated to fully fund Sino Gas’ share of the development of the Linxing and Sanjiaobei projects.

Key terms of the facility include:

- 5-year senior non-revolving facility secured against the Company's assets, including the shares in SGE
- US\$68 million fully committed and, subject to Macquarie credit approval, an additional US\$32 million to potentially further accelerate project development
- Phased availability of US\$50 million to fund repayment of the existing Macquarie debt facility (US\$10 million) and project development, and US\$18 million to exercise the Linxing option, which if exercised enables Sino Gas to become the largest working interest holder in the Linxing PSC
- Interest rate of LIBOR +8.2% prior to ODP approval, stepping down to LIBOR +6.5% with ODP approvals
- 60% of the amount outstanding at the end of the third year to be repaid in equal quarterly instalments over years four and five, with the remainder due at end of year five
- The facility may be repaid at any time at the full discretion of the Company without penalty

The debt facility is subject to final documentation and completion of customary conditions precedent.

Commenting on these milestones, Sino Gas' Managing Director Glenn Corrie said,

"This is an exciting time for Sino Gas. Our proposed development plan, prepared with the benefit of not only significant appraisal and production data but also invaluable knowledge transfer from analogous fields, clearly demonstrates the substantial underlying value of our Ordos Basin gas assets. With targeted production of 350 to over 550 MMscf/d by 2022, Sino Gas is set to become a material contributor to China's domestic natural gas supply while targeting significant free cash flow from 2020.

The plan showcases the large scale, low cost nature of the assets and the proven technology necessary to maximise the value of the fields. Given the phased capital expenditure program and anticipated high cash generating capability of our assets, funding is expected to be secured with existing cash, projected cash flow from operations and our new Macquarie debt facility. We remain committed to maintaining conservative levels of debt and financial flexibility.

The submission of our first ODP marks a significant regulatory milestone for Sino Gas signifying the culmination of extensive technical and commercial de-risking. I would like to thank everyone at SGE for their hard work in achieving this important milestone and look forward to working in close cooperation with CUCBM to secure approval."

A presentation with full details has been released to the ASX and can be found on our website here:

<http://sinogasenergy.com/investors/presentations/>.

Sino Gas will be hosting a conference call where Management will discuss the development plan today, 30 October 2017 at 11:00 EST (Sydney), 8:00 WST (Perth, Beijing). Dial-in details are below. A replay facility will be made available on our website at www.sinogasenergy.com.

1. The National Energy Administration (NEA) and the National Development and Reform Commission (NDRC) 13th Five Year Energy Plan released 5 January 2017
2. To be read in conjunction with our presentation dated 30 October 2017
3. Mscf:boe conversion 6:1

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About Sino Gas & Energy Holdings Limited

Sino Gas & Energy Holdings Limited (“Sino Gas” ASX: SEH) is an Australian energy company focused on developing natural gas assets in China. Sino Gas holds a 49% interest in Sino Gas & Energy Limited (“SGE”), the operator of the Linxing and Sanjiaobei Production Sharing Contracts (PSCs) in the Ordos Basin, China’s largest gas producing basin. SGE has been established in Beijing since 2005 and is jointly owned with China New Energy Mining Limited (“CNEML”) via a strategic partnership.

SGE’s interest in the Linxing PSC with CUCBM (a CNOOC wholly-owned subsidiary) is 70% and 49% for the Sanjiaobei PSC held with PCCBM (a Petrochina wholly-owned subsidiary). SGE has a 100% working interest during the exploration phase of the PSC, and SGE’s PSC partners are entitled to participate upon Overall Development Plan (ODP) approval up to their PSC working interest by contributing their future share of costs.

Sino Gas also holds an option to acquire a 5.25% participating interest from SGE (assuming full SOE partner participation) in the Linxing PSC at ODP by contributing 7.5% of historical back costs to SGE. Upon exercise of the option, Sino Gas will hold the largest net working interest in the Linxing PSC.

The PSCs cover an area of approximately 3,000km² in the Ordos basin in Shanxi, a rapidly developing province. The region has mature field developments with an established pipeline infrastructure to major markets. Natural gas is a key component of clean energy supply in China, with the 13th Five-Year Plan identifying the Ordos basin as a strategic natural gas source.

Sino Gas & Energy Holdings Limited (ASX: SEH) was admitted to the Official List of ASX in 2009.

Disclaimer

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. Whilst the Company considers all the material assumptions to be based on reasonable grounds, there is no certainty that they will prove correct or that the outcomes indicated in the announcement will be achieved. Production profile, plateau rates and other development plan parameters are indicative only and not guidance, and remain subject to any necessary regulatory approvals and applicable investment decisions.

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 gas prices, exploration, acquisition, development and operating risks, competition, production risks, regulatory restrictions, including environmental regulation and liability, potential title disputes and additional funding requirements. Further, despite the Company having attempted to identify all material factors that may cause actual results to differ, there may be other factors that cause results not to be as anticipated, estimated or intended. 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 release (or as otherwise specified) 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.