SINO Gas & Energy

ASX Announcement

29 March 2018

FIRST LINXING ODP IN-PRINCIPLE APPROVAL & OPERATIONAL UPDATE

Sino Gas & Energy Holdings Limited (ASX: SEH, “Sino Gas” or the “Company”) is pleased to announce the following updates.

Linxing PSC

Sino Gas’ Joint Venture company, Sino Gas & Energy Limited (“SGE”) has received in-principle approval for the first Linxing Production Sharing Contract (“PSC”) Overall Development Plan (“ODP”) from SOE partner China United Coalbed Methane (“CUCBM”). As per previous announcements, the Company continues to expect formal SOE ODP approval in the first half of the year.

This progress reflects the strategic nature of the Linxing asset identified under the 13th Five Year Energy Plan, the importance of domestic supply in the fast-growing China gas market and continued strong central government policy support of the industry.

With the anticipated ODP approval, confidential commercial discussions are ongoing with CUCBM regarding the on-going development and partnership terms and other matters relating to the Linxing PSC. The overall objective is to at least maintain Sino Gas’ value in the project.

As part of the broader discussions noted above, development phase cost allocation principles, which are required to determine the correct distribution of natural gas proceeds are yet to be finalised, resulting in overdue gas sales accounts receivable at 31 December 2017 of US$7.8 million (US$3.8 million net to Sino Gas), the majority of which was less than 60 days overdue. An additional US$9.8 million (US$4.8 million net to Sino Gas) of accounts receivable became overdue in Q1 2018. SGE is working closely with CUCBM to finalise the cost allocation principles and remains confident that these payments will be made. SGE has received assurances from CUCBM to that effect.

Sino Gas will provide a further update on these matters as progress is made.

Sanjiaobei PSC

Following senior level discussions with PetroChina CBM (“PCCBM”), approval of the first ODP for Sanjiaobei remains on track for 1H 2018.

Operations

In the first quarter of 2018, record average production rates of over 24 Million standard cubic feet per day (“MMscf/d”) were achieved. The Central Gathering Stations have operated around nameplate capacity with close to 100% uptime. SGE is on track to deliver production within the 2018 guidance range of 22 - 27 MMscf/d.

The 2018 work program is underway. Five rigs are drilling, with three more being mobilised.

Gas Sales Agreements (“GSAs”)

SGE, in conjunction with its Linxing PSC Partner CUCBM, have agreed to extend an existing GSA ending at the end of March 2018 by one year to 31 March 2019 at an increased average price of RMB1.61 per cubic metre or ~US$7.23 per Thousand standard cubic feet[1].

1. Based on a RMB / US$ exchange rate of 6.3 as of 27 March 2018.

Discussions are ongoing with a second gas buyer to provide continued Linxing production offtake flexibility.

Reserves & Resources Update

RISC Advisory Pty Ltd ("RISC"), an internationally certified independent petroleum advisory, evaluation and valuation group, has completed an assessment of the Reserves and Resources for Sino Gas' PSCs in the Ordos Basin, China.

After a detailed review of all testing and production data, RISC has certified that the total project Proved plus Probable Reserves ("2P") and 2C Resources remain at 2.1 Trillion cubic feet ("Tcf") and 3.2 Tcf, respectively. Twenty-eight wells were drilled during the year, of which twenty-six were pilot production wells within the discovered area. As a result, gross project Reserves and Resources estimates are substantially unchanged from 2016 except for adjustments for 2017 gas sales. Two exploration wells were drilled and production testing of these wells is scheduled during 2018, the results of which will be incorporated into future Reserves and Resources updates.

Sino Gas' net attributable Reserves and Resources at 31 December 2017 remained unchanged aside from principally gas sales related adjustments during the year, with 1P and 2P Reserves at 384 Billion cubic feet ("Bcf") and 578 Bcf, respectively, and 2C Resources at 899 Bcf.

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

"We are pleased that we remain on track to deliver the first Linxing and Sanjiaobei ODP approvals in the first half of 2018. We have made a strong operational start to the year and are on track to deliver production guidance. We are also pleased that RISC's Reserves and Resources review, which incorporated all available well and production data to date confirms the previous assessment".

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Details of Sino Gas' Reserves & Resources Assessment

RISC has completed its independent Reserves and Resources assessment to Society of Petroleum Engineers ("SPE") Petroleum Resource Management System ("PRMS") standards using probabilistic and deterministic estimation methods.

Sino Gas' Attributable Net Reserves & Resources

Sino Gas	1P Reserves[1] (Bcf)	2P Reserves[1] (Bcf)	3P Reserves[1] (Bcf)	2C Contingent Resources (Bcf)	P50 Prospective Resources[2] (Bcf)
31 December 2017	**384**	**578**	**776**	**899**	**821**
31 December 2016	385	579	778	899	821
100% Total Project Reserves & Resources					
31 December 2017	**1,371**	**2,136**	**2,945**	**3,171**	**3,499**

Note 1. RISC has separately assessed the Reserves and Resources for each of the PSCs by probabilistic methods and added the resultant estimates arithmetically. RISC and Sino Gas caution that the aggregate 1P estimate may be conservative and the aggregate 3P estimate may be optimistic as a result of the portfolio effects of arithmetic addition.

Note 2. Prospective resources are the estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) related to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

Note 3: For the purposes of determining SGE's Reserves and Resources, RISC assumes the Linxing Option has been exercised resulting in SGE having a 64.75% interest in the Linxing PSC. SGE's interest in the Sanjiaobei PSC is 49%. Sino Gas owns 49% of the issued capital of SGE and China New Energy Mining Limited ("CNEML") owns the remaining 51%. SGE has a 100% working interest during the exploration phase of the PSCs. The impact of the Linxing Option has not been included in Sino Gas Reserves and Resources.

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 CNEML via a strategic partnership.

SGE's current 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 PSCs, and SGE's PSC partners are entitled to participate up to their PSC working interest by contributing their future share of costs.

Sino Gas also holds an option to acquire a 7.5% interest of SGE's participating interest in the Linxing PSC by contributing 7.5% of historical back costs to SGE.

The PSCs cover an area of approximately 3,000km^2 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.

Resource 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 recognized oil and gas consultants RISC Advisory Pty Ltd ("RISC"). 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. Reserves are based on a mid-case gas price of US$6.98/Mscf inflated at 2.5% per year and average lifting costs (opex+capex) inclusive of inflation of 2.5% per year of ~US$1.20/Mscf for 2P Reserves. 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 but not Sino Gas' potential exercise of its Linxing Option to acquire an interest of 7.5% in the Linxing PSC from SGE (by paying 7.5% of back costs). 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.

Information on the Resources in this release is based on an independent evaluation conducted by 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 is a member of the SPE and MIChemE and is a qualified petroleum reserves and resources evaluator ("QPPRE") as defined by ASX listing rules. Mr Stephenson consents to the form and context in which the estimated reserves and resources and the supporting information are presented in this announcement.

RISC is an independent advisory firm that evaluates resources and projects in the oil and gas industry. RISC offers the highest level of technical, commercial and strategic advice to clients around the world. RISC services include the preparation of independent reports for listed companies in accordance with regulatory requirements. RISC is independent with respect to Sino Gas in accordance with the Valmin Code, ASX listing rules and ASIC requirements.

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 as further detailed in the Company's annual report. 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.