

9 May 2018

LINXING PSC COST ALLOCATION PRINCIPLES FINALISED

Sino Gas & Energy Holdings Limited (ASX: SEH, “Sino Gas” or the “Company”) is pleased to announce that its Joint Venture company, Sino Gas & Energy Limited (“SGE”) has successfully finalised the Linxing Production Sharing Contract (“PSC”) development phase cost allocation principles with SOE partner China United Coalbed Methane (“CUCBM”).

This agreement allows for resumption of Linxing gas sales proceeds and SGE currently expects to receive gas sales proceeds before the end of May 2018.

Key elements of the cost allocation principles are consistent with other CUCBM PSCs and include:

- Costs incurred to date under the PSC will be split between the exploration and development phases based on the nature of expenditure. The detailed allocation of costs is progressing
- All exploration costs continue to be funded 100% by SGE and will be recovered in first priority by way of cost recovery from gas sales proceeds
- Development costs which include all pilot production projects will be shared by the partners based on working interest and are recovered by each partner after the recovery of all exploration costs

SGE has also agreed to fund CUCBM’s share of development costs up until the point CUCBM obtains full project investment committee approval from CUCBM’s parent China National Offshore Oil Corporation (“CNOOC”), which is currently expected mid-2019. Sino Gas continues to retain adequate financial flexibility to fund the field development with cash on hand, its committed bank facility and expected cash flow from operations.

CUCBM is obliged to pay SGE 9% interest on the carried development costs which will be paid by way of an increased share of revenue through the cost recovery mechanism. After CUCBM obtains CNOOC investment committee approval, CUCBM is expected to pay SGE’s share of cash calls until development costs have been repaid in full.

Confidential commercial discussions are ongoing with CUCBM regarding the remaining on-going development and partnership terms and other matters relating to the Linxing PSC.

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

“Working collaboratively with CUCBM, we are pleased to have successfully completed the Linxing development phase cost allocation principles in advance of the first Linxing ODP approval.”

Sino Gas & Energy Holdings Limited

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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 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 3,000km² 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 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.