SINO Gas & Energy

ASX Announcement

18 December 2017

RECORD PRODUCTION RATE & SANJIAOBEI GAS PRICE INCREASE

- Record total production rate of over 23 MMscf/d achieved
- Up to ~17% increase in the Sanjiaobei PSC natural gas price
- Sanjiaobei ODP remains on-track for submission before year-end

Sino Gas & Energy Holdings Limited (ASX: SEH, “Sino Gas” or the “Company”) is pleased to announce a record production rate, an increase in Sanjiaobei contracted gas prices and progress on Sanjiaobei Overall Development Plan (“ODP”) submission.

Production Update

Gross pilot production recently reached a record rate of over 23 Million standard cubic feet per day (“MMscf/d”) with the continued steady full production from the Linxing Central Gathering Station (“CGS”) and the ramp-up of the Sanjiaobei CGS. Production at Sanjiaobei has increased to ~6 MMscf/d as new wells and the second compressor have been brought online. Sanjiaobei production is expected to reach full capacity of ~8 MMscf/d as further wells, currently being fracced, are tied-in.

As a result, Sino Gas expects to exit 2017 with production close to nameplate capacity of 25 MMscf/d. In addition, as total daily production for the quarter to date[1] has averaged over 20 MMscf/d, Sino Gas expects to meet production guidance of 16-18 MMscf/d[2].

Well performance continues to exceed expectations. Single well test rates of 1.6 and 2.6 MMscf/d from SJB2-11 and SJB3-13, respectively, were recorded under standard field operating conditions of 200psi following a focus on well location planning and drilling techniques.

Sanjiaobei Gas Price Increase

Sino Gas’ Joint Venture company, Sino Gas & Energy Limited (“SGE”), in conjunction with its Sanjiaobei Production Sharing Contract (“PSC”) Partner, PetroChina CBM (“PCCBM”), have agreed to extend the current Gas Sales Agreement (“GSA”), 1 year, to December 2018 for all gas produced from Sanjiaobei. The average sales price will increase ~17% to ~US$7.70/Mscf (~A$10.05/Mscf) for the period January to March 2018 and ~7% to ~US$7.00/Mscf (A$9.15/Mscf) for the summer period April to October 2018[3]. Prices for the remaining contract period will be finalised during 2018.

Sanjiaobei ODP on Track for Year-End Submission

The Sanjiaobei ODP is on track to be submitted before the end of 2017 to PCCBM for approval. Sino Gas continues to ramp-up pilot production in parallel with the approval processes.

1. As of 11 December 2017. 2. All production numbers are gross field, refer to About Us. 3. GSA denominated in RMB, assuming RMB/US$ exchange rate of 6.61. 2017 gas price 1.53 RMB/m3 (US$6.55/Mscf), Jan-Mar 2018 prices are 1.761 RMB/m3 (US$7.55/Mscf) for the first 4 MMscf/d and 1.823 RMB/m3 (US$7.81/Mscf) for volumes above 4 MMscf/d, Apr-Oct 2018 price is 1.635 RMB/m3 (US$7.00/Mscf) for all volumes.

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

"*We are pleased with the strong fourth quarter production to date, built on strong gas market fundamentals, our revised gas marketing strategy, high facilities uptime and strong well performance.*

The increased 2018 gas price for Sanjiaobei PSC demonstrates strengthening natural gas demand growth as the transition from coal to natural gas accelerates in response to China's cleaner energy policy. The National Development Reform Commission ("NDRC") reported domestic natural gas consumption increased 19% year-on-year for the period January to October 2017.

Following the Sanjiaobei natural gas price increases of up to ~17% for 2018, discussions are ongoing for potential price revisions on the Linxing GSA upon renewal of the current contract which is effective until March 2018. We see continued upward pressure on gas prices given supply shortages and the continued increase in the marginal cost of supply.

We are on track to submit the Sanjiaobei ODP before year-end to our partner PCCBM and we are seeing continued initiatives to reduce the time required for approvals."

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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 3,000km^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.

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.