

29 October 2013

SUPPLEMENTARY GAS SALES AGREEMENT SIGNED ON LINXING PSC

-  **Supplementary gas sales agreement signed by PSC partner with industrial gas purchaser**
-  **Agreement allows early pilot production to commence monetisation of gas assets**
-  **Facilitates long-term testing to be conducted and reduces excessive emissions from flaring**

Sino Gas & Energy Holdings Limited (ASX:SEH, “Sino Gas”, “the Company”), is pleased to announce that its Linxing Production Sharing Contract (“PSC”) partner China United Coalbed Methane (“CUCBM”), has signed a supplementary gas agreement with an industrial gas purchaser in Shanxi Province, China.

The supplementary agreement will allow earlier pilot production than anticipated in Q4 2013, through a Compressed Natural Gas (“CNG”) off-take arrangement, which will see early production transported by road to a major distribution facility until pipeline sales commence (under the agreement announced 26 June 2013). The agreement also facilitates the long-term testing of selected wells (initially expected to be four), allowing important reservoir information to be obtained and reducing the need for excessive flaring.

Steady progress continues to be made on the pipeline pilot program, with the long-lead items for the central gathering station sourced and surveying completed for the pipeline routes. The supplementary agreement mitigates possible construction delays on the pipeline spur connecting the central gathering station (which is the responsibility of the third-party gas purchaser), due to the onset of harsh winter conditions in the coming months.

The wellhead price for the temporary CNG production is lower than that agreed for long-term pipeline sales, in order to compensate the purchaser for the additional road transportation costs from the well site.

Sino Gas’ Managing Director and CEO, Robert Bearden said he was very pleased with the signing of the gas sales agreement that will allow the Company to accelerate monetisation of the gas assets and obtain long-term testing data in an environmentally friendly manner.

“Although the onset of winter may cause possible delays which are out of Sino Gas’ control, I’m pleased that this supplementary agreement has been reached to allow the pilot program to proceed safely and efficiently” 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.

Resources Statement & Disclaimer

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 (October 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. EMV is the probability weighted net present value (NPV), including the range of project NPVs and the risk of the project not progressing. Project NPV₁₀ is based on a mid-case gas price of \$US8.79/Mscf and lifting costs (opex+capex) of ~ \$US1.3/Mscf for mid-case Reserves, Contingent & Prospective Resources. All resource figures quoted are unrisks 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.

Competent Persons Statement

Information on the Resources in this release is based on an independent evaluation conducted by RISC Operations Pty Ltd (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 has a M.Eng in Petroleum Engineering and 30 years of experience in the oil and gas industry. RISC consents to the inclusion of this information in this release.

About RISC

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.