SINO Gas & Energy 中澳煤层气能源

ASX Announcement

3 March 2015

YE 2014 Reserves and Resource Update and Conference Call: Work Program Delivers Significant Reserves Maturation and Value Growth

- 166% (772 Bcf) increase in gross Proved reserves (1P) to 1,238 Bcf, Sino Gas' share 350 Bcf
- 51% (540 Bcf) increase in gross Proved plus Probable reserves (2P) to 1,608 Bcf, with Sino Gas' share 448 Bcf
- EMV of Sino Gas' share of reserves more than doubled to US$1.5 billion
- Sino Gas' share of the total project EMV increased 36% to US$3.1 billion
- A conference call will be held at 11:00am Sydney, 8:00am Perth/Beijing to discuss the reserve update with a replay facility available. Details below.

Sino Gas & Energy Holdings Limited (ASX:SEH, "Sino Gas", "the Company), is pleased to announce that RISC Operations Pty Ltd (RISC), an Australian based, internationally recognised independent petroleum advisory, evaluation and valuation group, has completed an assessment of the Reserves and Resources for Sino Gas' Production Sharing Contracts (PSCs) in the Ordos Basin, China as at 31 December 2014.

Following the completion of the 2014 work program, total project 2P Reserves have increased 51% (54% on a net basis) over the course of the year to 1,608 billion cubic feet (Bcf) (Sino Gas' share 448 Bcf), up from 1,068 Bcf assessed by RISC as at 31 December 2013. Proven reserves (1P) increased 166% on a gross project basis to 1,238 Bcf (Sino Gas' share 350 Bcf). The material increase in reserves was driven primarily by the inclusion of 36 new wells from the 2014 drilling program as well as 40 new production tests, with 2P reserves now accounting for 24% of total unrisked mid-case resource. As a result of the additional data, the reserves area has also expanded by 55%.

The commencement of pilot production has enabled the first developed producing gross 2P reserves of 24 Bcf (Sino Gas share 8 bcf) to be booked against the blocks, attributable to the initial 16 wells connected to the Sanjiaobei central gathering station. Pilot Production has been stable since December 2014 with minimal downtime, producing on average 3.7mmscf/d (to 28 February 2015) and currently producing just over 4.0mmscf/d, with individual wells performing slightly better than expectations.

Total project 2C Contingent Resources declined 13% to 2,560 Bcf (Sino Gas' share 739 Bcf), from 2,941 Bcf as of 31 December 2013, largely due to the maturation of contingent resources into reserves. 2P Reserves plus unrisked 2C Contingent resources has increased 4%. 2P reserves now make up 39% of unrisked mid-case discovered resources, up from 25% as of 31 December 2013.

Project unrisked P50 Prospective resources decreased as a result of reserve/resource maturation, as well as improved log evaluation to estimate gas saturations and more detailed single well modelling to estimate gas recovery factors.

In addition to a significant increase in the mid-case reserve estimate, there is increased certainty of the reserve and resource estimates. This is represented by a smaller range of P90 to P10 outcomes, with P90 total discovered resource base (reserves plus unrisked contingent) increasing 37% and the P10 reduced by 9%.

RISC's independent economic valuation of Sino Gas' share of the project's Expected Monetary Value (EMV) increased 36% to US$3.1 billion from US$2.3 billion[2]. The EMV of reserves alone more than doubled to US$1.5 billion from US$653 million, now accounting for 49% of Sino Gas' total EMV, up from 29% in 2013.

The 2015 work program will build on the successes of 2014 with a c.US$90 million capital budget (gross) designed to bring the second central gathering station on line by mid-year and ramp up production from both facilities towards full capacity of 25 mmscf/d by year end. The agreed work program will now be put forward to the respective PSC Partners' Joint Management Committees (JMC) for approval. In addition to drilling additional development wells that will be tied into the pilot production facilities, there is budget allocation for additional seismic acquisition and exploration drilling to further define the reservoir.

Approximately 400 km of the planned 606 km seismic has been collected and is being processed to select drilling locations for the exploration wells and rigs are mobilized in the field ready to commence drilling work in March. Field operations will recommence in March to complete the remaining construction at the Linxing central gathering station and tie-in additional production wells.

Commenting on the outcomes of the Company's updated Reserves and Resources assessment for 2014, Sino Gas' Managing Director, Glenn Corrie commented, "This is a material upgrade to our reserves and resource position, which recognises the successful results of our 2014 work program which was designed to further de-risk the asset with extensive drilling and testing. As a company, we are very pleased with the material growth in reserves, especially in the context of the strong initial performance from our pilot program. In 2014, we have substantially increased our 1P and 2P reserves, negotiated additional gas sales agreements at attractive pricing and commenced commercial gas sales, all of which we see as further increasing and demonstrating the significant value of our asset. Our 2015 program is designed to continue with this strategy to deliver value through ongoing efficient reserve and production growth. We will be focussing on ramping up production to total installed capacity, working towards key regulatory approvals and beginning work to further ramp up capacity and production in 2016. By continued delivery on corporate milestones, we anticipate fuller recognition of the intrinsic value of the Company's significant Ordos Basin gas assets."

Sino Gas will host a conference call to discuss the reserve update today at 11:00am Sydney time, 8:00am Perth and Beijing time.

The link to the webcast is here:
http://event.onlineseminarsolutions.com/r.htm?e=960670&s=1&k=CA1F484D7DD442F56BCEA3B399868104

The presentation to be used will be released to the ASX and available on our website, www.sinogasenergy.com

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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 estimation methods.

Results from the 36 wells drilled in 2014 (94 cumulative wells) and the interpretation of 285 km of seismic lines (cumulative 2,220 km) were reviewed for the updated Reserves and Resources assessment as at 31 December 2014. RISC believes that the Reserves and Resources assessment fairly represents the available data.

Sino Gas' Attributable Net Reserves & Resources	1P Reserves (Bcf)[3]	2P Reserves (Bcf)[3]	3P Reserves (Bcf)[3]	2C Contingent Resources (Bcf)	P50 Prospective Resources (Bcf)[1]	EMV_{10} (US$m)[2]
31 December 2014 (Announced 3 March 2015)	350	448	557	739	649	$3,076
31 December 2013 (Announced 4 March 2014)	129	291	480	850	1,023	$2,258
Change (+/-)%		+54% (2P)		-13%	-37%	+36%
Gross Project 31 December 2014	1,238	1,608	2,022	2,560	2,568	N/A

Prospective Resources
[1]The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate 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. Refer to Resources Statement for additional disclosure.

Estimated Monetary Value
[2]Estimated Monetary Value (EMV) is based on NPV10 with a mid-case gas price of US$9.76/Mscf and lifting costs (opex+capex) of ~US$1.3/Mscf for mid-case Reserves, Contingent & Prospective Resources. Refer to Resources Statement for additional disclosure on economic assumptions.

Reserves
[3] RISC has confirmed commercial producibility from extensive well tests and early pilot production. RISC has assigned reserves based on pilot production, the commencement of the field development process, successful drilling results and the demonstration of commercial flow rates. Reserves are assigned to 71 successful wells and the adjacent well spacings in the discovered areas of both PSCs. Developed producing reserves are assigned to the 16 wells for the pilot production program through the Sanjiaobei central gathering station. 1P, 2P and 3P reserves are based on the geological and well performance uncertainty within the reserve area. Sino Gas' Attributable Net Developed Producing Reserves for 1P, 2P and 3P cases are estimated at 5, 8 and 11 Bcf respectively. Reserves have been calculated by using an average well production profile extrapolated into a full field development scenario. Single well models and type curves have been constructed to generate production and well forecasts. Standard depletion techniques are planned to extract the reserves, with no specialised processing apart from de-moisturising of production gas.

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.

Sino Gas & Energy Limited (SGE), the PSC operator, has submitted Chinese Reserves Reports for PSC partner review and targets submission of Overall Development Plans (ODP) in 2016. Pilot production and sales are planned to be progressed in parallel. Gas Sales Agreements are in place for gas sales on both Production Sharing Contracts through the Sanjiaobei Central Gathering station and negotiations have commenced for gas sales arrangements for production from the Linxing central gathering station to a regional pipeline. An environmental assessment is required to be completed as a part of the ODP approval process.

The Company's share of project's success case Net Present Value (NPV) and risk weighted EMV are summarised below:

Sino Gas' Attributable Economic Value	NPV_{10} Mid-case (US$m)	EMV_{10} (US$m)[2]
Reserves	$1,500	$1,505
Contingent	$911	$822
Prospective	$1,251	$749
Total		**$3,076**

Land Area & Well Count

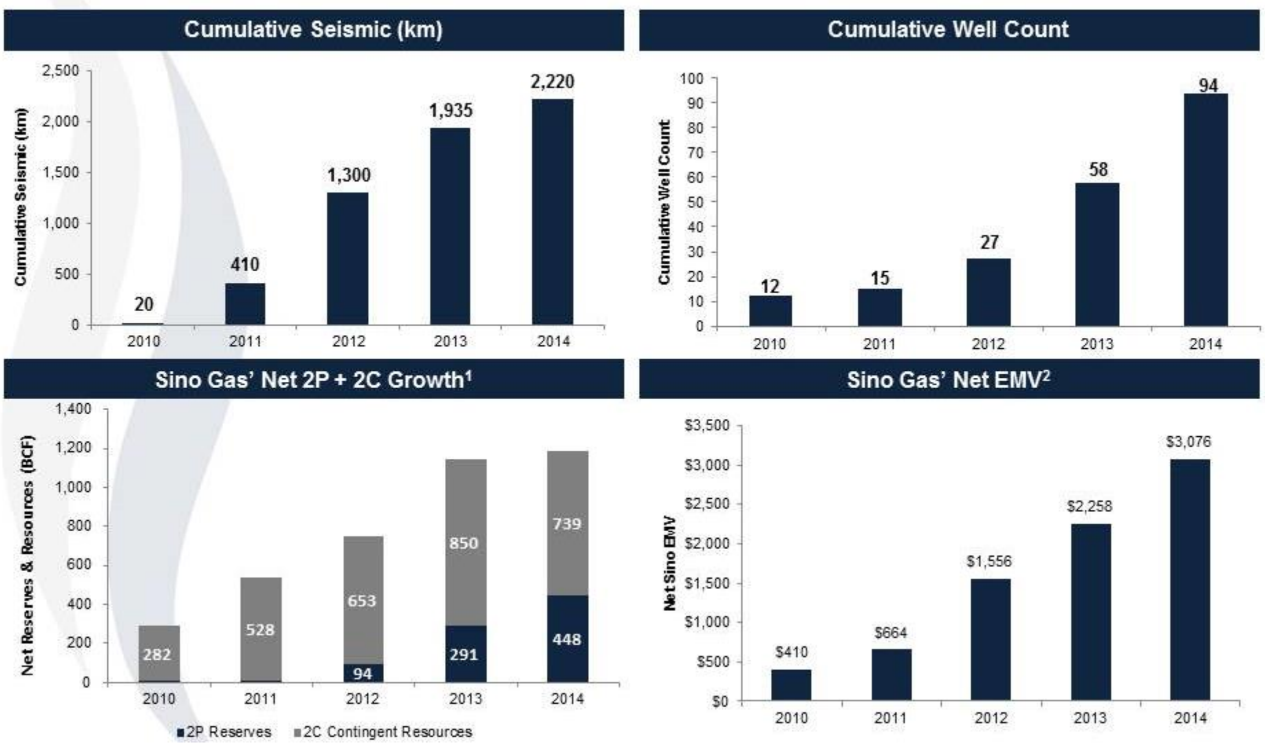
The mid-case reserves and resource estimates for the development of the unconventional resources is based on the following land area and well counts.

Mid-Case Unconventional Reserves & Resources	Area (km^2)	No. of Wells
2P Reserves	588	888
2C Contingent	355	538
P50 Prospective	595	1,408

A further contingent resource area of 256km^2 attributed to the shallow wells in Linxing (East) has been excluded from the above pending further evaluation of this region.

Refer to About Sino Gas & Energy Holdings Limited & Resources Statement for additional disclosure.

Project & Company Growth



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 3,000km^2. 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.

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Resources 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. 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 NPV_{10} is based on a mid-case gas price of $US9.76/Mscf and lifting costs (opex+capex) of ~ US$1.3/Mscf for mid-case Reserves, Contingent & Prospective Resources. 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, 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. 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 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. Mr, Stephenson is a member of the SPE and MIChemE and consents to the inclusion of this information in this release.

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.

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 release 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.