SINO Gas & Energy
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Q1

QUARTERLY ACTIVITIES REPORT

WORK PROGRAM

- **Sanjiaobei central gathering station uptime production averaged 4.2 MMscf/d for the quarter, with 94% uptime recorded. Second compressor came online early April, increasing current production rates to approximately 6 MMscf/d.**
- **2015 budget agreed by Sino Gas & MIE Holdings Corporation: 29 well program (including 21 development and 8 exploration wells); fraccing of new and existing wells; additional seismic and allocation for the expansion of processing capacity from 25 MMscf/d to 50 MMscf/d.**
- **Updated Reserves & Resources assessment results in a 51% increase in gross Proved plus Probable Reserves (2P) to 1,608 bcf. EMV of Sino Gas' share of reserves more than doubled to US$1.5 billion[1].**
- **Field operations commenced for the 2015 work program. Four wells have begun drilling with a further two rigs on standby to commence shortly. Six wells have begun testing operations.**

FINANCIAL & CORPORATE

- **31 March 2015 cash balance at US$22.4 million.**
- **US$8.4 million paid in relation to qualifying PSC expenditure.**
- **A$80m placement and Share Purchase Plan announced.**

Commenting on the start of 2015, Sino Gas' Managing Director Glenn Corrie said: "In 1Q15, we continued to progress on the program outlined to shareholders previously. We announced a significant maturation of our reserve/resource base, finalised an additional gas sales agreement at increased prices, maintained good production rates from our pilot program and prepared to start the second compressor for early April, as well as agreeing the budget for our 2015 work program with our partners. Our core focus for 2015 remains unchanged: driving production growth towards total installed capacity of ~25 MMscf/d by the end of the year and working towards key Chinese approvals, both of which position us to deliver strong shareholder returns from our assets."

2014 - 2015 PRIORITIES

Q4 2014

- ✓ Second horizontal well test results
- ✓ Sanjiaobei gas sales agreement
- ✓ First gas from Sanjiaobei pilot program
- ✓ Submit CRRs for SJB and LXW for partner review
- ✓ Linxing (East) seismic and exploration drilling

Q1 2015

- ✓ Independent Reserves & Resources update
- ✓ Infield development drilling and testing
- Connection of additional pilot wells

Q2 2015

- First gas sales from Linxing pilot program

Q3/Q4 2015

- Submission of ODP on Linxing East
- CRR approvals anticipated

[1]Refer to page 7 for additional disclosure on the reserves, resources and EMV assessments.

WORK PROGRAM

2015 Work Program

Sino Gas & Energy Holdings Limited (ASX:SEH, "Sino Gas", "the Company") & MIE Holdings Corporation have approved a c.US$90 million capital budget (gross) for 2015 designed to bring the second central gathering station online mid-year and ramp up production from both facilities towards full capacity of ~25 MMscf/d by year end. A total of 21 development and horizontal wells are planned to be utilised for pilot production and to support the optimization of the full field development plan. There is also budget allocation for continued seismic acquisition and exploration drilling to further define the reservoir.

RISC Reserves & Resource Update

During the quarter, RISC completed an independent Reserve and Resource assessment as at 31 December 2014, using the SPE (Society of Petroleum Engineers) PRMS (Petroleum Resource Management System) Guidelines. Results of the 36 wells drilled and 40 wells tested in 2014 were reviewed for the assessment which was announced 3 March 2015.

RISC identified a 166% increase in gross Proved (1P) Reserves to over 1.2 trillion cubic feet (tcf) and a 51% increase in gross Proved + Probable (2P) Reserves to over 1.6 tcf. Sino Gas' share of 1P and 2P Reserves are 350 billion cubic feet (bcf) and 448 bcf respectively. As a result, Sino Gas' share of Project EMV increased a further 36% to US$3.1 billion, with the EMV of its share of Project Reserves alone more than doubling to US$1.5 billion.

Refer to *Sino Gas' Reserves and Resources* on page 7 for details and additional disclosures and Sino Gas' ASX announcement on 3 March 2015.

Health, Safety and the Environment

A total of 28,680 incident free man hours were recorded during the first quarter of 2015 as seismic activities were conducted, and the drilling and testing programs commenced.

Pilot Program

Gas sales from both blocks continued through the Sanjiaobei central gathering station during the first quarter, following the commissioning of the facility in December 2014.

Initial production commenced at approximately 3.5 million standard cubic feet (MMscf) per day and average uptime production for the first quarter was 4.2 MMscf, with only one significant downtime incident recorded. An average of 5-7 wells supplied the station at one time from a pool of 16 wells during the quarter. On April 7, the Company announced that the second compressor had been brought online, increasing capacity from approximately 4 to 8 MMscf/d, with production increasing to approximately 6 MMscf/d from 13 wells. The new wells, which have been brought online to fill the additional capacity, are gradually being opened up as flow rates stabilise.

Construction of production facilities on the Linxing (West) Central Gathering Station.

On 10 March 2015, the Company announced that arrangements for the sale of gas from the Linxing central gathering station had been finalised. Gas will be sold to Shanxi GuoHua Energy Limited Company (GuoHua) and exported via the Yuji pipeline. GuoHua is a subsidiary of the Sinopec and Shanxi International Energy Group.

The agreed initial price is RMB 2.13 per cubic meter (~US$9.62 per thousand cubic feet). The contracted gas price is effective until the end of 2015 and is adjustable on an annual basis to take into account changes in local market conditions and Government policies as they are implemented. Discussions are underway to reflect similar pricing in existing gas sales agreements.

Construction on the Linxing central gathering station has recommenced following the Spring Festival and is on-track to be commissioned in mid-2015 (capacity ~17 MMscf/d). Laying of the third party spur line (capacity in excess of 100 MMscf/day) and infield gathering pipelines to the south (including the pipeline to connect the first horizontal well) are approaching completion, with construction commencing where the pipeline is required to be joined across roads and exiting pipelines.

Meanwhile land lease discussions and surveying for gathering lines to the TB-26 area in the north/west portion of the block is coming to a conclusion.

Linxing (West) - Sino Gas 31.7%[1]

Shanxi Province, People's Republic of China

Drilling recommenced during the quarter with three wells being spud in the north/west of the block in the vicinity of TB-26 (refer to testing announcement on 19 June 2014), and in the southern pilot area. A total of ten additional development wells are planned for 2015, along with three horizontals and an exploration well.

Linxing (East) - Sino Gas 31.7%[1]

Shanxi Province, People's Republic of China

Drilling of the first of five exploration wells planned for 2015 was spud during the quarter at LXDG-04. Well locations for the new wells have been selected using the acquisition and interpretation of 280km of seismic brought forward into 2014 work program.

Preparations for the fraccing of LXDG-03, which encountered 86.6 metres of net pay in the south/west portion of the block, had commenced by the end of the quarter.

Preparation for the Overall Development Plan (ODP) has commenced for the shallow area in the north/east of the block continues and is on schedule. The CRR forms the basis of the ODP which, once approved, allows the commencement of commercial development for that specified resource. Following the outcome of the economic assessment to be conducted as a part of the plan, a final investment decision will be made on further development of the area.

The Linxing exploration license held by Production Sharing Contract partner China United Coalbed Methane (CUCBM) has been updated to reflect 88km^2 on the far eastern boundary of Linxing (East) on which the joint venture agreed to allow coal mining to be conducted. The acreage is east of the coal seam fairway where dewatering operations are currently being conducted and targets are generally considered too shallow for drilling operations. The change is expected to be formally recognised in the PSC in the next modification agreement, which will bring the total Linxing contract area to 1,786km^2.

Sanjiaobei PSC - Sino Gas 24%[1]

Shanxi Province, People's Republic of China

The 120km of planned 2D seismic data acquisition has been completed, with data processing and interpretation ongoing. The seismic data interpretation result will be used for exploration well placement. A total of ten wells are planned in 2015, including two exploration wells and eight pilot production wells.

Production facilities at the Sanjiaobei Central Gathering Station.

[1]Refer to page 6 for additional disclosure on Sino Gas' Production Sharing Contracts.

CORPORATE

Management

On 1 January 2015, Glenn Corrie was appointed to the Board of Sino Gas as Managing Director.

Commenting on the appointment, Sino Gas Chairman, Philip Bainbridge said “Glenn joined the Company in August 2014 as Chief Executive Officer and his election to the Board is a sign of the Board’s confidence in Glenn.”

Investor Relations and Marketing

The Company continued its commitment to meet regularly with the investment community. Meetings with investors were held in Europe, Asia and Australia and a number of conferences were attended including the Oil Council Asian Assembly in Singapore, the Euroz Rottnest conference in Perth, the Energy, Oil & Gas Investment Summit in Sydney and Mines & Money in Hong Kong. The Company also hosted a conference call following the release of the Reserves and Resources assessment. The Company plans ongoing investor relations activities across our core markets in 2Q and to hold site visits to the assets. The latest investor presentations and conference calls can be accessed at www.sinogasenergy.com.

Share Register

Approximately half of the register is comprised of institutional shareholders at 46%, which has slightly decreased during the quarter.

FINANCIAL

Financial Position

Sino Gas’ cash position at the end of the quarter was US$22.4 million. The Company has drawn down US$10 million of the $50 million Macquarie debt facility.

Project Funding

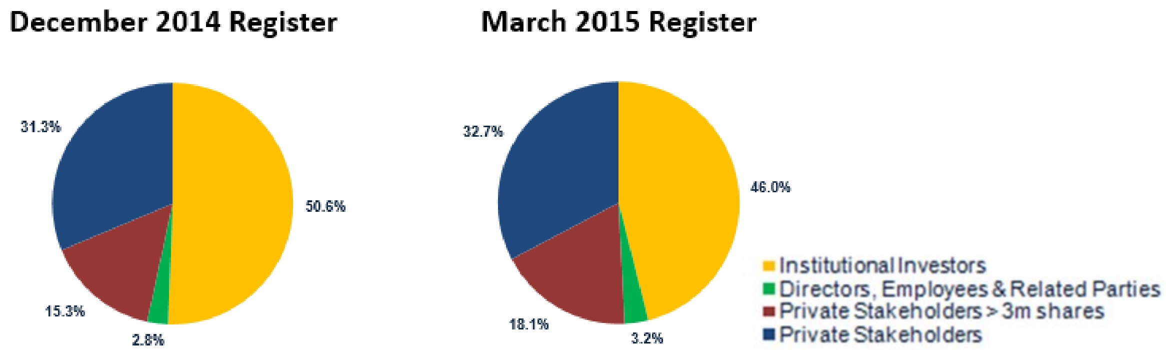
Sino Gas was cash called for US$8.4 million in relation to its 49% share of qualifying PSC expenditure of Sino Gas & Energy Limited (SGE). In addition, Sino Gas contributed $34,300 to its share of SGE’s non-qualifying expenditure for general and administration costs.

Project Revenue

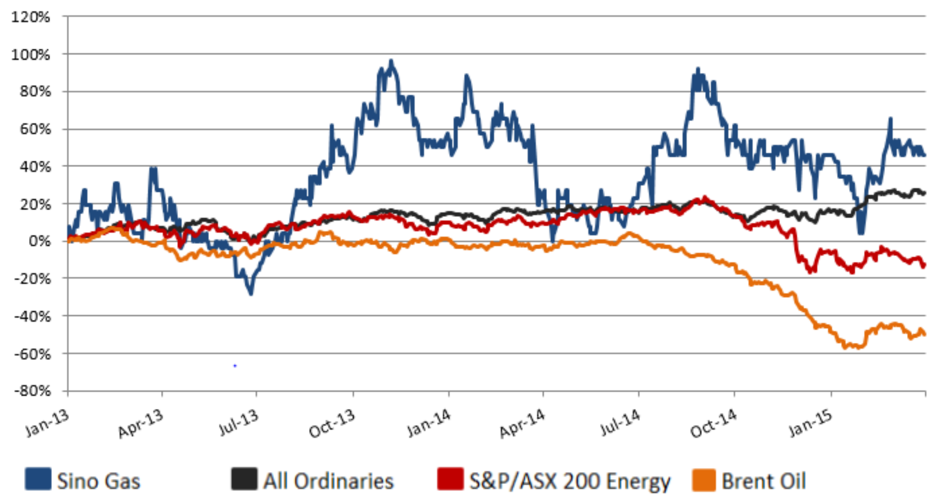
SGE recorded approximately US$3 million in allocated revenue from 353 million standard cubic feet of gas production to 31 March 2015.

Placement and Share Purchase Plan

On 23 April 2015 the Company announced a capital raising with commitments received for a two tranche placement to raise A$80 million (second tranche subject to shareholder approval). The Company will also offer a non-underwritten Share Purchase Plan for eligible shareholders. Refer to ASX announcement for additional details.



Sino Gas Share Price Performance (ASX:SEH)



CHINA GAS INDUSTRY UPDATE

NDRC Natural Gas Pricing Reform

On 28 February 2015, the National Development and Reform Commission (NDRC) announced plans to harmonise incremental and existing non-residential gas prices effective 1 April 2015.

Key components of the announcement include:

- Harmonisation of "Existing Gas" and "Incremental Gas" prices, in-line with their stated goal of achieving harmonisation by 2015 when the tiered gas prices were first implemented in 2013
- An increase in the existing gas price of RMB 0.04/cubic meter (~US$2/Mscf)
- A decrease in the incremental gas price of RMB 0.44/cubic meter (~US$0.20/Mscf)
- Implementation of pilot scheme to allow direct negotiation between bulk users and upstream suppliers
- Shanxi province new harmonised city gate price is RMB 2.61/cubic meter (~US$11.79/Mscf)

Given the current mix of gas currently being sold under existing and incremental prices, the new harmonised city gate prices are expected to be approximately flat to down less than 5% based on a 10-30% share of incremental volumes above 2012 volumes.

SUPPLEMENTARY INFORMATION

Historical testing results by zone (2006—Q1 2015)

Zone	Well Tests	Average Thickness (m)	Average Test Length (Days)	Average Flow Rate (Mscf/day)	Max Flow Rate (Mscf/day)
Upper Zone	9	4.6	13	796	2,901
Mid-Upper Zone	21	7.4	16	353	969
Middle Zone	13	6.4	25	241	708
Mid-Lower Zone	7	5.4	23	518	2,542
Lower Zone	4	5.5	19	621	1,663
Comingled	16	21.0	23	731	2,569
Horizontal Wells (Middle Zone)	2	N/A	2	7,442	9,775

Note: Results have been standardised to a standard field pressure of 200psi. No additional testing results were received in Q1 2015.

ABOUT SINO GAS & ENERGY HOLDINGS LIMITED

Sino Gas & Energy Holdings Limited ("Sino Gas" ASX: SEH) is an Australian energy company focused on developing unconventional gas assets in China. 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.

Sino Gas & Energy Holdings Limited (ASX: SEH) was admitted to the Official List of ASX in 2009.

Sino Gas & Energy Holdings Limited

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Our latest announcements and presentations can be found on our website:

www.sinogasenergy.com

RESERVES AND RESOURCES

Sino Gas' Attributable Net Reserves & Resources are summarised below:

SINO GAS' ATTRIBUTABLE NET RESERVES AND RESOURCES	1P RESERVES (Bcf)	2P RESERVES (Bcf)	3P RESERVES (Bcf)	2C CONTINGENT RESOURCES (Bcf)	P50 PROSPECTIVE RESOURCES[1] (Bcf)	EMV_{10} (US$m)
31 December 2014	350	448	557	739	649	3,076
31 December 2013	129	291	480	850	1,023	2,258
CHANGE (+/-)%	+54% (2P Reserves)			-13%	-37%	+36%
Total Project 31 December 2014	**1,238**	**1,608**	**2,022**	**2,560**	**2,568**	**N/A**

Note 1: 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.

Sino Gas' share of the project's success case Net Present Value and risk weighted EMV are summarised below:

SINO GAS' ATTRIBUTABLE ECONOMIC VALUE	NPV_{10} (US$m)	EMV_{10} (US$m)[2]
Reserves	1,500	1,505
Contingent Resources	911	822
Prospective Resources	1,251	749
TOTAL		3,076

Note 2: EMV is based on NPV_{10} 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.

Resources Statement & Disclaimer

The statements of Reserves and Resources in this annual report have been independently determined to Society of Petroleum Engineers (SPE) Petroleum Resource Management System (PRMS) standards by internationally recognised oil and gas consultants RISC (Announced 3 March 2015) using probabilistic estimation methods. 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. 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. No material changes have occurred in the assumptions and subsequent work program exploration and appraisal results have been in line with expectations.

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.

Competent Persons Statement

Information on the Reserves and Resources in this annual report 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 believes that the reserve and resource assessment fairly represents the available data. 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.