SINO Gas & Energy
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Q4

QUARTERLY ACTIVITIES REPORT

WORK PROGRAM

- **Wellhead gas prices of ~US$7.04-US$7.10/Mscf agreed with gas buyers, post the NDRC city-gate gas pricing revision in November -** Natural gas demand growth continues, with the NDRC announcing annual growth of 5.7% in 2015, following a year on year increase of 9.7% in November and an implied increase of ~19% in December. Further increases in demand are expected as supply contracts are renegotiated to reflect revised city-gate pricing.
- **2015 work program -** 20 wells drilled in 2015, including 5 exploration wells, 13 deviated pilot production wells and 2 pilot production horizontal wells. In addition, a total of 25 zones were flow tested over 20 wells and 570km of 2D seismic data was acquired. A portion of the capital program was deferred, pending receipt of gas sales payment.
- **Progress towards ODP continues -** Sanjiaobei CRR is progressing through technical review and approval is expected mid-year while Linxing (West) CRR approval is anticipated for approval by year-end.
- **Excellent flow test results recorded in Linxing -** LXDG-04 well tested at a flow rate of ~2 MMscf/d from a stimulated upper zone in Linxing (East) deep area. Linxing (West) TB-26-1 and TB26-4 wells recorded unstimulated gas flow rates of ~1.2 MMscf/d and ~1.5 MMscf/d respectively.
- **Progress on receipt of pilot gas sales proceeds -** All regulatory approvals now in place for Sanjiaobei, with discussions ongoing to finalise the payment of pilot gas sales from PCCBM to the joint venture company. Constructive progress continues to be made on regulatory and CUCBM approvals to enable Linxing gas sales to be remitted to the joint venture company.

FINANCIAL & CORPORATE

- **Capex work program of $46 million gross completed in 2015.**
- **2016 provisional budget** - reflects reduced capital expenditures, delivers year-end production of 25 MMscf/d gross and ensures the Company remains on track to materially fund itself through to ODP.
- **Cash balance as at 31 December 2015 of US$63.4 million.**

Sino Gas' Managing Director, Glenn Corrie said: "Our immediate priority is to finalise the receipt of pilot gas sales revenue and we are confident an acceptable outcome will be achieved. The pilot project remains an important pre-cursor by providing valuable reservoir deliverability information and paving the way commercially ahead of full-field development. The 2015 work program delivered excellent results with a continued trend of improving well test results, reaffirming the high quality and value of our assets. The focus for 2016 will be on securing CRR approval for both Sanjiaobei and Linxing (West), and making progress towards ODP approval in 2017, enabling the full value of these assets to be realised. Whilst good progress was made securing the regulatory approvals for Sanjiaobei, it is prudent to reduce our spending commitments until we receive gas sales proceeds. Once received, we expect to ramp-up production to full capacity of 25 MMscf/d during 2016. The fundamentals of a growing China gas market remain intact and we are pleased to have renegotiated robust gas prices that continue to highlight the attractiveness of our assets. We remain committed to maintaining financial flexibility and materially funding ourselves through to ODP."

2015 KEY MILESTONES

- ☑ First gas sales from Linxing Central Gathering Station
- ☑ Linxing (East) deep exploration success
- ☑ Drill, test and connect additional in-field wells
- ☑ Strengthen balance sheet
- ☒ Finalise gas sales proceeds payment
- ☒ 2015 exit rate of 25 MMscf/d

IN PROGRESS & UPCOMING

- ☐ Finalise gas sales proceeds payment
- ☐ 2015 Reserves and Resources update
- ☐ CRR approvals in 2016
- ☐ Prepare for ODPs submission following CRR approvals
- ☐ Complete appraisal of Linxing (East) deep exploration area
- ☐ Upon receipt of gas sales proceeds ramp-up to 25 MMscf/d over the year

WORK PROGRAM

Health, Safety and the Environment

Over 527,000 Lost Time Injury free hours were recorded during 2015 from the drilling, testing, seismic, gathering pipeline installation and operations at the two Central Gathering Stations (“CGS”).

Work Program

A total of twenty wells were drilled in 2015, including five exploration wells, thirteen deviated pilot production wells and two pilot production horizontal wells. All five exploration wells intersected gas bearing pay zones, with an average net pay of 29.3 metres being recorded. A total of 570km of 2D seismic data was acquired across Sanjiaobei and Linxing (East), with processing and interpretation ongoing for 160km of data from Linxing (East) acquired in Q4. Record flow test results were recorded in Linxing (East) and Sanjiaobei at rates of 2.1 and 1.8 million standard cubic feet per day (“MMscf/d”) respectively, as technical knowledge of the reservoir improves. Overall 20 wells were tested, of which eight wells recorded flow rates without stimulation. These results are being used in the 2015 updated independent reserves and resources assessment scheduled to be released in Q1 2016. A portion of the capital program was deferred, pending receipt of gas sales payment.

Work program and budget discussions with our joint venture partner are being finalised and the Company currently expects the joint venture company, Sino Gas & Energy Limited’s (“SGE”) 2016 gross expenditure to be in the range of US$30-60 million, depending on the timing of gas sales payment resolution.

The Company continues to target Overall Development Plan (“ODP”) approval in 2017, at which point the full potential of the assets will be unlocked. With a reduced budget in 2016 and revenue receipts from a target production rate of 25 MMscf/d by the end of 2016, the Company remains well placed to materially fund itself through to ODP.

The priorities for 2016 are:

- Continue to progress the pilot production project to provide further reservoir and well deliverability information important for ODP planning and finalise remaining commercial issues as quickly as possible.
- Obtain Sanjiaobei and Linxing CRR approvals expected mid-year and 4Q respectively.
- Complete the drilling of six to twelve appraisal wells in Linxing-East to define the development area for CRR preparation.

Linxing Central Gathering Station under operation

PILOT PROGRAM

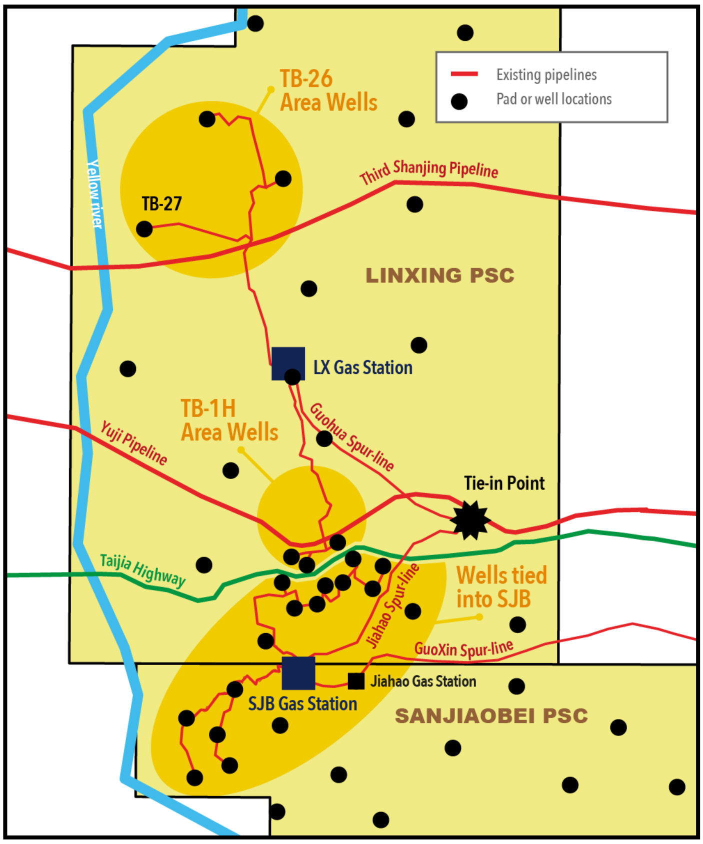
Following the National Development and Reform Commission ("NDRC") city-gate price revision announced in November 2015, a revised wellhead gas sales price of RMB1.63 per cubic meter or approximately US$7.10 per thousand standard cubic feet ("Mscf") has been agreed with a new local gas buyer, Shanxi Guoxin Energy ("Guoxin"), for Sanjiaobei gas production. The agreement is now being formalised with the PSC Partner, PetroChina Coalbed Methane Company Ltd. ("PCCBM"). Guoxin is owned by the Shanxi Provincial Government and operates a 5,376km pipeline network and 127 CNG/LNG filling stations, covering a significant portion of Shanxi Province.

A revised wellhead price for Linxing gas has been agreed at RMB1.615 per cubic meter or ~US$7.04/Mscf with Shanxi GuoHua Energy Limited Company following the NDRC price revision in November and is expected to be applied retrospectively from 20 November 2015.

During the quarter, a 6.3km branch gathering line from well TB-27 was constructed linking the TB-26 area to the Linxing CGS and six wells were tied-in from the area.

By the end of the quarter, a total of 14 wells had been tied into the Linxing CGS, including six wells from the TB-26 area to the north of the CGS as well as horizontal well, TB-1H.

Linxing Central Gathering Station commissioned and operational since October 2015



Map of Key Infrastructure in Linxing and Sanjiaobei

Since the Linxing CGS was commissioned in October 2015, ~10 wells have been on-stream, producing at an uptime average rate of 7.1MMscf/d. Subject to the receipt of gas sales proceeds by the SGE, the Company currently expects to tie-in two horizontal wells drilled in 2015 and drill additional wells to support the ramp-up and maintain plateau at full capacity of ~17 MMscf/d in 2016.

Production uptime has been 72.3% since start-up of production at the Linxing CGS. A temporary shutdown was necessary to remedy a residual issue from the September maintenance activities on the Yuji regional pipeline, along with two short shutdowns to resolve minor technical problems at the station.

Production from the Sanjiaobei CGS was suspended after the shut-down required for the Linxing tie-in of the Linxing CGS. The restart of the Sanjiaobei CGS will be driven by progress on the receipt of gas sales proceeds.

See *Financial - Project Revenue* on Page 5 for further details.

Linxing (West) - Sino Gas 31.7%

Production test rates continue to show improvement over prior years as a result of the optimization of fraccing techniques and improved knowledge of the reservoir.

Extensive testing continued in the discovered area of Linxing during the quarter, with five wells tested. A number of wells flowed at commercial rates from unstimulated zones, particularly from the lower zones in the TB-26 area.

Key well testing results from the quarter include:

- TB-28 continued to show strong performance from an upper reservoir unit, recording flow rates of 0.56 MMscf/d after fraccing.
- TB-26-1 and TB-26-4 wells on the TB-26 pad recorded unstimulated gas flow rates of ~1.2 MMscf/d and ~1.5 MMscf/d respectively.
- TB-26-5 well tested at a flow rate of 140 thousand standard cubic feet per day (Mscf/d) from an unstimulated upper reservoir, while TB-26-6 well flowed at a rate of 280 Mscf/d from an unstimulated lower reservoir.

Linxing (East) - Sino Gas 31.7%

Exploration results in Linxing (East) continued to highlight the deep gas potential of the area. Acquisition of 160km of 2D seismic data was completed in Q4. Data processing and interpretation are ongoing.

Drilling of the LXDG-07 and LXDG-08 wells identified 22.3 meters and 25.5 meters of net pay respectively from key reservoirs of Linxing (East). These wells are expected to extend the discovered area of Linxing (East) in the 2015 independent reserve and resource assessment.

Key well test results from the quarter include:

- LXDG-04 tested at a record flow rate of ~2.1 MMscf/d following stimulation of an upper reservoir.
- LXDG-05 tested at a rate of 178 Mscf/d following stimulation of an upper reservoir.

Refer to Page 7 *Additional Exploration Disclosure*.

From the results above, Sino Gas expects the forthcoming independent reserves and resources assessment will result in the maturation of a portion of the prospective resources into the first reserve bookings for the Linxing (East) area.

Preparation of the ODP continued during the quarter for the shallow CBM area in the northeast of the block. Planning is underway to provide further data to support the submission, although drilling is not expected this year. Once data has been collected from these additional wells, an economic assessment will be conducted and a final investment decision made on the future development of the area.

Linxing Central Gathering Station

Sanjiaobei PSC - Sino Gas 24%

Drilling from the SJB601 pad commenced during the quarter and the first well SJB601-D4 reached total depth in December, intersecting 18.4 meters of net pay.

The Company continues to make good progress towards ODP approval and has been informed that the Sanjiaobei CRR is progressing through technical reviews and approval is expected mid-year. Once approved, ODP preparation will commence and approval remains on-track for 2017.

FINANCIAL

Financial Position

At the 2015 year-end, the Company held a cash balance of US$63 million. The Macquarie debt facility has been modified as follows:

- A repayment of 15% of the outstanding loan balance of US$10 million due at the end of 2015 has been deferred to 31 December 2016 and
- The availability of the uncommitted Tranche B facility of US$40 million has been extended from December 2015 to 30 June 2016.

Project Funding

Total capital expenditure incurred by the joint venture company was US$46 million (unaudited) in 2015 and Sino Gas received cash calls of US$24.8 million from SGE in relation to its 49% share of expenditures.

Project Revenue

The Sanjiaobei PSC, which commenced pilot gas production in December 2014, obtained all regulatory approvals in November 2015 to enable the PSC partner, PCCBM to pay SGE for gas sales. Gas sales proceeds have been received by PCCBM and negotiations are ongoing to receive payment. The restart of the Sanjiaobei CGS will be driven by progress on the receipt of gas sales proceeds.

Constructive progress continues to be made on receiving PSC partner, China United Coalbed Methane Corporation Ltd. ("CUCBM"), and regulatory approvals to allow SGE to receive payment for Linxing gas sales proceeds.

Sino Gas' 49% share of estimated gas sales is US$5.6 million (unaudited) since the commencement of pilot production, with US$4.5 million and US$1.1 million attributable to the Linxing and Sanjiaobei PSCs respectively. A total of 1.4 billion cubic feet of gas was sold in 2015.

CORPORATE

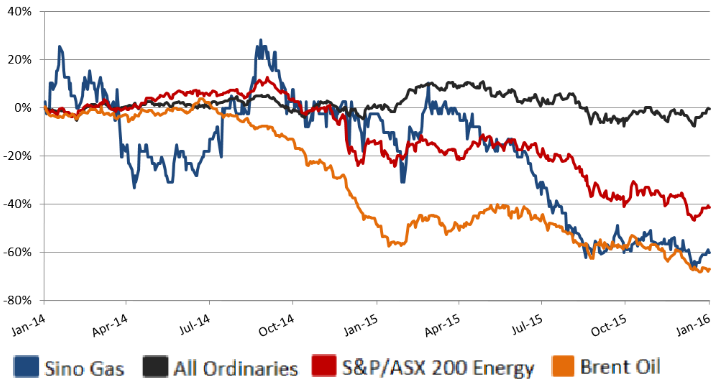
Investor Relations and Marketing

A conference call was held on 19 January 2016, which provided an update of the Company's operational and commercial activities, a recording of which can also be found at www.sinogasenergy.com. Copies of our recent presentations, announcements and other investor materials can also be found on the website.

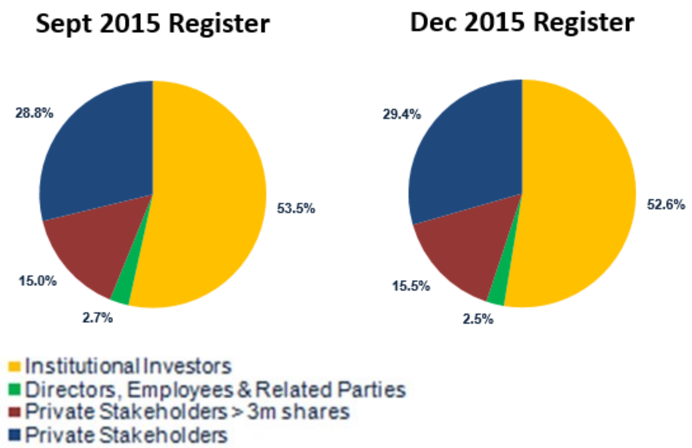
Share Register

The shareholder register composition remained relatively constant over the quarter.

Sino Gas Share Price Performance (ASX:SEH)



Share Register Composition



CHINA GAS MARKET UPDATE

NDRC Gas Price Revision

On 18 November 2015, the NDRC announced a reduction of natural gas prices for industrial users at the city-gate of RMB 0.7 per cubic meter (approximately US$3.10 Mscf), effective 20 November 2015. Following the announcement, the Shanxi province city-gate price was revised down to ~US$8.30/Mscf. The stated policy goals of the NDRC in reducing prices are to increase the share of natural gas in the energy mix by keeping prices competitive with substitute oil products such as LPGs and Fuel Oil, while maintaining a robust price to incentivise ongoing investment in the domestic production of natural gas. Following the revision, Sino Gas has agreed a revised price with our gas buyers of US$7.10/Mscf for gas sold from Sanjiaobei CGS and US$7.04/Mscf for gas sold from Linxing CGS.

The NDRC reported natural gas demand increased 5.7% in 2015 to 193.2 billion cubic meters (18.7 billion cubic feet per day). This implies a significant acceleration of demand growth in December 2015 of ~19%, compared to reported growth of 3.7% year on year in the eleven months to the end of November 2015. China's reliance on imported natural gas continued to increase in 2015, up 6.3% to 61.4 billion cubic meters.

Fuel Oil Pricing

The government announced a freeze to adjustments in oil based fuel prices, including diesel and gasoline, when oil prices are below US$40 per barrel. The NDRC stated this policy was enacted to avoid excessive oil demand growth and to support the shift in energy mix to cleaner energy forms in order to improve air quality. This is expected to ensure natural gas prices remain price competitive with oil products during the current exceptionally low oil price environment.

13th Five Year Plan

Following approval of the Draft 13th Five Year Plan (13th FYP) at the 5th Plenum of the 18th Party Congress in October, key objectives of the Plan have been released ahead of approval and publication of the final plan in March 2016, in which the Central Government continues to support polices for the growth of natural gas in the overall energy mix. The Energy Development Strategy Action Plan (2014-2020), released in November 2014, is expected to form the basis of the 13th FYP, and targets natural gas to increase from 5% currently to 10% of the energy mix by 2020.

SUPPLEMENTARY INFORMATION

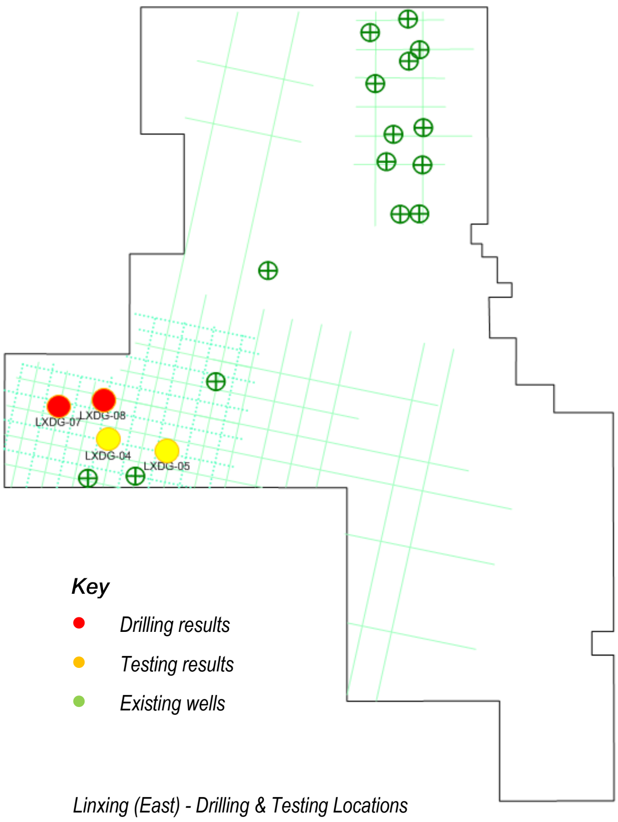
Historical testing results by zone (2006—Q4 2015)

Zone	Well Tests	Average Thickness (m)	Average Test Length (Days)	Average Flow Rate (Mscf/d)	Max Flow Rate (Mscf/d)
Upper Zone	5	11	833	36	2,901
Mid-Upper Zone	7	16	348	6	969
Middle Zone	6	25	242	5	708
Mid-Lower Zone	5	19	464	13	2,542
Lower Zone	5	10	656	77	1,663
Comingled	20	19	698	19	2,569
Horizontal Wells (Middle Zone)	1,160	2	7,442	5,108	9,775

Note: Results have been standardised to a standard field pressure of 200psi.

Linxing (East) — Additional Exploration Disclosure

Exploration Disclosure	*Testing Result*	*Testing Result*	*Drilling Result*	*Drilling Result*
(a) The name and type of well.	LXDG-04 (Vertical Well)	LXDG-05 (Vertical Well)	LXDG-07 (Vertical Well)	LXDG-08 (Vertical Well)
(b) The location of the well and the details of the permit or lease in which the well is located.	Linxing Production Sharing Contract (PSC). Refer to maps below.			
(c) The +entity's working interest in the well.	31.70%			
(d) If the gross pay thickness is reported for an interval of conventional resources, the net pay thickness.	Electric wireline logs identified 31.7m of net pay	Electric wireline logs identified 10.2m of net pay	Electric wireline logs identified 22.3m of net pay	Electric wireline logs identified 25.5m of net pay
(e) The geological rock type of the formation drilled.	Coal bearing formations from the Permian to Carboniferous System.			
(f) The depth of the zones tested.	Test target payzone at a depth of 1,396~1420m	Test target payzone at a depth of 1,442~1,445m		
(g) The types of test(s) undertaken and the duration of the test(s).	Fractured and gas flow tested for 3 days	Fractured and gas flow tested for 5 days		
(h) The hydrocarbon phases recovered in the test(s).	Gas	Gas		
(i) Any other recovery, such as, formation water and water, associated with the test(s) and their respective proportions.	None	None		
(j) The choke size used, the flow rates and, if measured, the volumes of the hydrocarbon phases measured.	Choke size 8mm. Post-frac test gas rate was 2.2MMscf/d with well head pressure of ~754psi.	Choke size 8mm. Post-frac test gas rate was 181Mscf/d with well head pressure of ~160psi.		
(k) If applicable, the number of fracture stimulation stages and the size and nature of fracture stimulation applied.	One stage	One stage		
(l) Any material volumes of non-hydrocarbon gases, such as, carbon dioxide, nitrogen, hydrogen sulphide and sulphur.	Gas sample from tested pay zone shows CH_4 96.878%, C2~C6 3.041%, CO_2 0.08%.	Gas sample from tested pay zone shows CH_4 92.892%, C2~C6 5.484%, CO_2 1.623%.		
(m) Any other information that is material to understanding the reported results.	None	None		



Linxing (East) - Drilling & Testing Locations

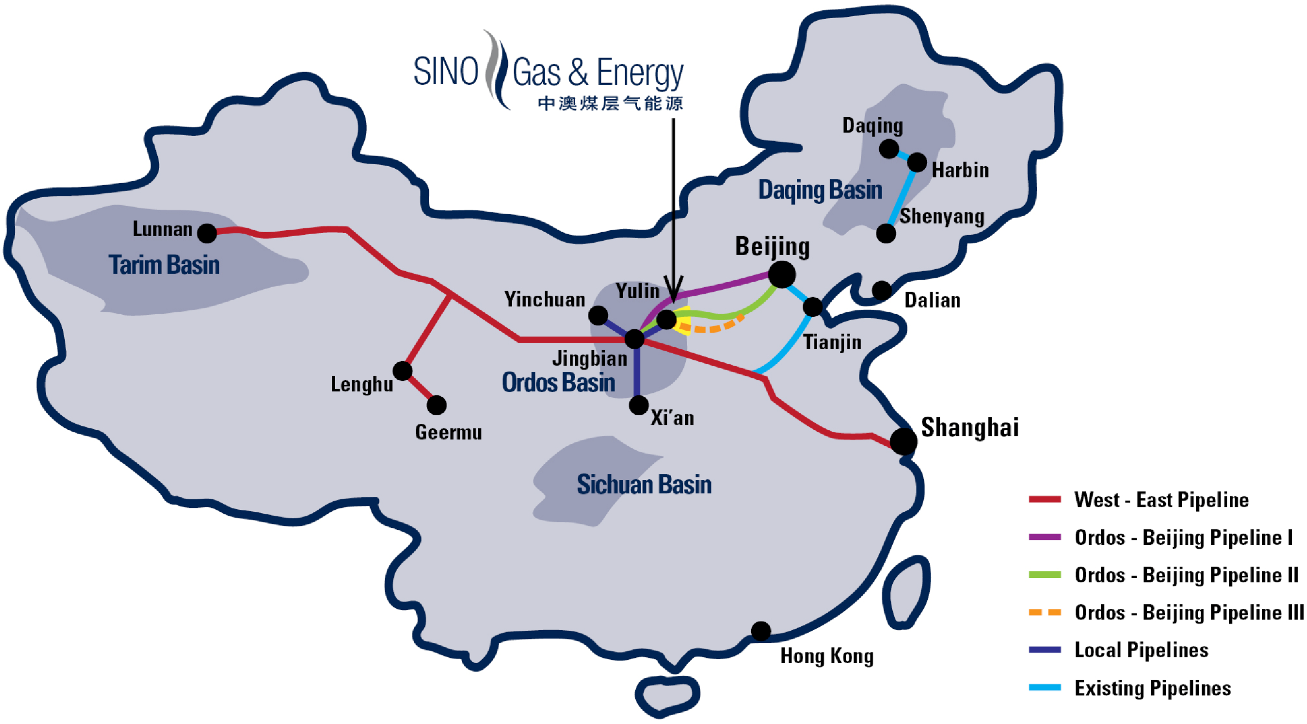
ABOUT SINO GAS & ENERGY HOLDINGS LIMITED

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 3,000km^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.

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



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

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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 (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 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 release 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 (i.e CUCBM take their entitlement of 30% interest in Linxing PSC and CNPC take their entitlement to 51% in the Sanjiaobei PSC), 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.