Q3 QUARTERLY ACTIVITIES REPORT

SINO Gas & Energy
www.sinogasenergy.com

Q3 Highlights

- **Development plan released targeting to unlock the significant value of the Company's assets**
  - World-class returns anticipated driven by significant scale and attractive margins
  - Expected to deliver significant free cash flow from 2020, with gross targeted plateau production of 350 to over 550 MMscf/d (~58 to over 92 mboe/d[1]) by 2022
  - Development plan underpinned by extensive drilling, pilot production history and nearby analogous field data
- **Announced US$100 million debt facility with Macquarie, along with existing cash and projected cash flow from operations, secures funding for full field development**
- **First Linxing ODP submitted to PSC Partner, Sanjiaobei ODP on-track for submission by end of 2017**
- **Q3 gross production exit rate ~21 MMscf/d, average of ~13 MMscf/d impacted by lower Sanjiaobei production due to downstream issues which have been resolved with the recently announced GSAs now operational**
- **Work program drives Q4 production ramp-up and provides strong platform for 2018 growth**
  - Plan to bring online 15-20 additional pilot production wells in Q4 2017
  - Full year gross production is now expected to average 16-18 MMscf/d
- **Construction of Linxing North CGS is progressing as planned with start-up expected late 2017/early 2018**
- **Gas demand growth continued to surge in Q3, 26% year-on-year, driven by continued coal to gas switching**

Sino Gas & Energy Holdings Limited ("Sino Gas") Managing Director, Glenn Corrie said: *"We are excited to have announced our field development plan that is expected to be funded with existing cash resources, projected cash flow from operations and the new US$100 million Macquarie debt facility. The development plan is based on significant appraisal and production data and is supported by large nearby analogous field production data. The development scheme is expected to deliver strong production, cash flow growth and world-class returns driven by our assets' significant scale and attractive margins.*

We have recently achieved another significant milestone for the Company with the first ODP submission for Linxing. Approval of this ODP is expected to be prioritised and concurrent with production ramp-up. Sanjiaobei ODP submission remains on-track to be submitted in Q4.

During the quarter, we implemented the recently announced new gas sales contracts that have enabled us to ramp-up production to ~21 MMscf/d. As a result of the transition to the new contracts, Q3 production averaged ~13 MMscf/d which is below our original expectations. We have therefore lowered our full year production guidance to 16-18 MMscf/d which is well supported by the 15-20 pilot production wells that are expected to be brought on-stream over the quarter.

2017 Priorities

☑ Completed ☑ On-track

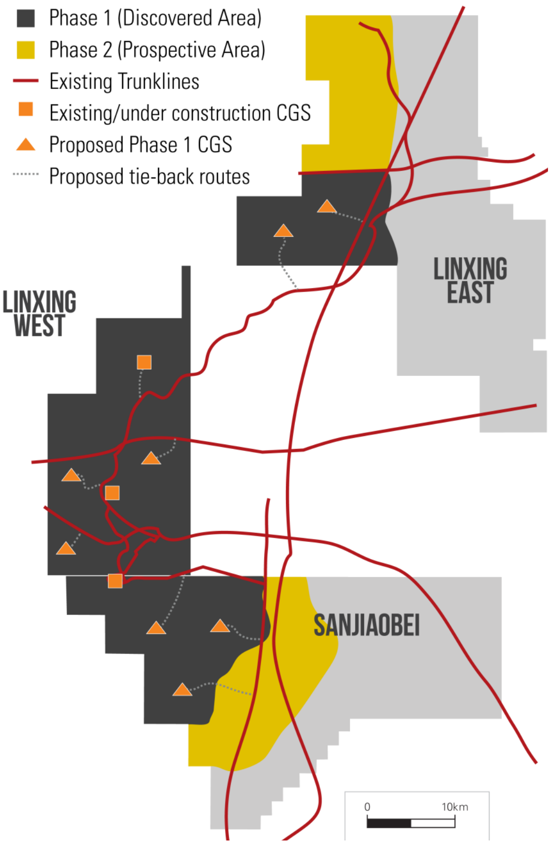
- ☑ Maintain safety record
- ☑ Update Reserves and Resources Estimates
- ☑ Purchase option for additional interest in Linxing
- ☑ Finalise Sanjiaobei cash receipt
- ☑ Secure additional gas sales agreements
- ☑ Further well cost reductions
- ☑ Finalise development plan & secure funding
- ☑ Submit first Linxing ODP for approval
- ☑ Submit Sanjiaobei ODP
- ☑ Average gross full-year production of 16-18 MMscf/d[2]
- ☑ Install new CGS on Linxing North
- ☑ Further well performance improvements

1.Mcf: boe conversion 6:1
2.Guidance amended

DEVELOPMENT PLAN

Sino Gas released its development plan on 30 October 2017. The detailed plan unlocks the significant value of the Linxing and Sanjiaobei PSCs.

Development Map



Key highlights of the plan include:[1]

- Project significantly derisked due to extensive appraisal and the pilot production program as well as application of knowledge from analogous, world class fields in basin
- Targeted Phase 1 plateau production of 350 to >550 MMscf/d (~58 to >92 mboe/d) with upside from additional phases and improved well performance, including low risk identified optimisations
- Low costs and attractive PSC terms expected to drive significant cash flow generation and attractive returns
- Low risk, proven technology to drive well performance and ultimate recoveries
- Phased nature of capex and short well payback periods allow project to quickly become self-funding with positive free cash flow anticipated from 2020
- Funding secured with existing cash, projected cash flow from operations and the new Macquarie debt facility
- Strong demand growth outlook for natural gas with robust marketing strategy to maximise price, volumes and certainty, including utilisation of take or pay gas sales agreements

For full details, please refer to presentation and a playback of the conference call which will be available on our website.

FINANCING

As announced, Sino Gas has entered into a committed letter of offer with Macquarie Bank Limited ("Macquarie") for a new 5-year senior secured US$100 million debt facility. The facility includes a firm US$68 million capital commitment that is expected to be drawn down over time to repay the existing Macquarie debt facility and fund project development, including exercise of the Linxing option. The remaining US$32 million is available subject to Macquarie credit approvals. The facility may be repaid at any time at the full discretion of the Company without penalty.

The new committed debt facility of US$68 million, combined with cash on hand and projected SGE cash flow from operations is expected to be adequate to fully fund development of the Linxing and Sanjiaobei projects.

The debt facility is subject to final documentation and completion of customary conditions precedent.

Refer to announcement 30 October 2017 for additional details.

OPERATIONS

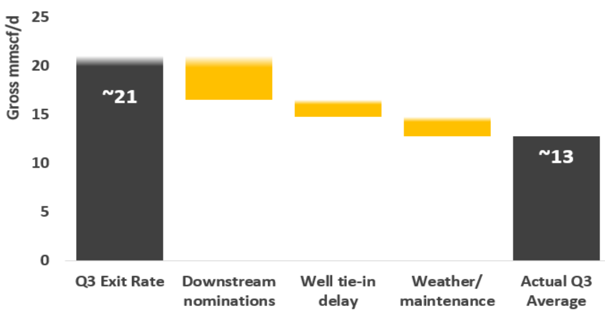
Health, Safety & Environment

A total of 269,300 Lost Time Injury free hours were recorded during 3Q17 from drilling, testing, construction and production operations on the Linxing and Sanjiaobei PSCs. There were no recorded environmental incidents.

Pilot Production

Gross production increased to ~21 Million standard cubic feet per day ("MMscf/d") by the end of the third quarter and October production to-date has averaged over 20 MMscf/d. Production for the third quarter averaged ~13 MMscf/d, impacted mainly by lower than expected gas offtake nominations from the Chinalco plant downstream of Sanjiaobei. This curtailment, which started in the first half of 2017 and extended into Q3, has been fully remedied by redirecting natural gas to Guohua, capitalising on the multiple off-take routes from each CGS. Commissioning of the larger Guohua compressor equipment took slightly longer than anticipated, however the facility is now operational, enabling production from both CGSs to increase by the end of the Q3.

3Q17 Production Drivers



1. All production numbers are gross field, refer to presentation 30 October 2017 for additional details

SGE facility availability continues to perform very well, averaging over 98% during the quarter. SGE's demonstrated high facility availability has enabled it to secure term gas sales with a reliable offtaker. The Sanjiaobei facility is currently operating with one of two compressors at full capacity. Resumption of the second compressor is anticipated in Q4 following the testing and tie-in of additional wells that were drilled during Q2 and Q3.

The cumulative impact of recent downstream restrictions results in anticipated full year 2017 average production of 16-18 MMscf/d. The revised range is underpinned by wells and facilities that continue to perform in line with expectations and Q4 production that is expected to increase towards nameplate capacity with the tie-in of 15-20 new pilot wells, once testing has been completed.

Linxing North Facility

Construction of the new Linxing North CGS is on track for commissioning around the end of 2017/early 2018 as originally planned. Earthworks on the site have been completed and most foundations laid to enable equipment to be installed once on site. Fabrication of key modules, including the compression units, is well advanced and is expected to be delivered to site during the fourth quarter. Once completed, gross installed processing capacity across the Linxing PSC will double to 34 MMscf/d, increasing total capacity across both PSCs to over 40 MMscf/d. The processing capacity of the three Linxing and Sanjiaobei CGS sites can be expanded at low cost to over 100 MMscf/d, with full flexibility around timing whether pre or post Overall Development Plan approval, providing a strong platform for continued production growth in parallel to ODP approvals.

Linxing North CGS site preparation complete and foundations mostly laid

SGE expects three drilling rigs to drill up to 11 new pilot production wells in Q4 to support production ramp-up of Linxing North CGS once commissioned. These are in addition to the existing 3 wells previously drilled and tested in the Linxing North area, including the second horizontal, TB-2H, which will be tied-in to the CGS once construction is complete.

Gas marketing discussions are well advanced with multiple counterparties to support long-term gas sales contracting before the commencement of production.

Drilling and Testing

To the end of the third quarter, nineteen wells had been drilled or were in the process of drilling. With up to 7 rigs expected to be operating in the fourth quarter, Sino Gas continues to expect to complete the planned 2017 drilling program of 30-35 wells.

Linxing PSC — Sino Gas 31.7%[1]

During the third quarter, four pilot wells were drilled on Linxing West, identifying total net pay of 14-17 meters each. Two additional wells were drilling at the end of the quarter. The four pilot wells on the TC-06 pad tested in the second quarter were tied into pilot production.

Sanjiaobei PSC — Sino Gas 24%

During the third quarter, four pilot wells were drilled, identifying total net pay of 14-22 meters each. In addition, an exploration well, SJB32, located on the eastern edge of the current discovered area to explore additional pay zone potential, completed drilling, identifying net pay of 25.5 meters and is expected to be tested in the fourth quarter. Two additional wells were drilling at the end of quarter, one pilot well and one exploration well.

The fifth well on the SJB601 pad, which was flowing back at the time of the second quarter operational report, tested ~800 thousand cubic feet per day ("Mscf/d")[2] and, along with the four other wells on the pad, was brought onstream during the third quarter.

Four wells were worked over during the quarter, SJB27, SJB09, SJB24 and SJB23-D3 (pad well). The SGE technical team is currently analysing the results of the workovers.

OVERALL DEVELOPMENT PLAN

On Linxing, SGE, in collaboration with CUCBM, submitted the first Overall Development Plan for priority development areas of the Linxing West and Linxing East blocks in October. In recognition of Linxing being classified as a strategic development project to be prioritised under the 13th Five Year Plan, Sino Gas anticipates that approval of these core areas will be accelerated concurrent with continued production ramp-up.

Sanjiaobei ODP compilation continues to progress with detailed subsurface evaluation, reservoir modelling and drilling and well completions design to maximise recovery of gas from the various reservoirs substantially complete. In Q3, SGE contracted an experienced Environmental Impact Assessment ("EIA") consultant and commenced the EIA review process. The Sanjiaobei ODP is expected to be submitted during Q4.

In line with the 13th Five Year Plan, the ODP process is expected to be further streamlined to enable faster approvals of key development projects.

Sino Gas anticipates that the SOE partners will continue to assume greater levels of approval authority for Overall Development Plans. During the ODP approval phase, there are no constraints on the ramp-up of pilot production and SGE continues to receive a large portion of pilot gas sales proceeds due to the benefits of cost recovery in accordance with the PSC. Gas sales proceeds will continue to be reinvested in the development of the project, significantly reducing future funding requirements.

1. 31.7% working interest in Linxing excludes Sino Gas' option to acquire up to an additional 7.5% (5.25% following partner back-in) in the PSC at ODP. If exercised and assuming full PSC Partner back-in, Sino Gas' net interest would be 37%.
2. Standardised to 200 psi.

KEY FINANCIAL RESULTS

Year-over-year ("y/y") gross revenue increased more than fourfold due to a significant increase in average production. Lower production quarter-over-quarter ("q/q") resulted in lower gross revenue. Total operating costs increased from US$1.8 million to US$2.7 million due principally to annual maintenance costs. Combined with lower volumes, per unit operating costs increased q/q; however, the year-to-date net margin remained robust at US$3.8/Mscf. Realised prices increased ~10% y/y as SGE implemented its gas contracting strategy, moving from a seasonal summer price in 2016 to term contracts in 2017.

During the quarter, Sino Gas cash plus its 49% share of SGE cash decreased by US$0.6 million, from US$35.2 million to US$34.6 million. While Sino Gas did not pay any cash calls during the quarter, SGE's cash rose due to the receipt of gas sales proceeds following the finalisation of the new Gas Sales Agreements early in the quarter. SGE gross capex was US$10 million during the third quarter.

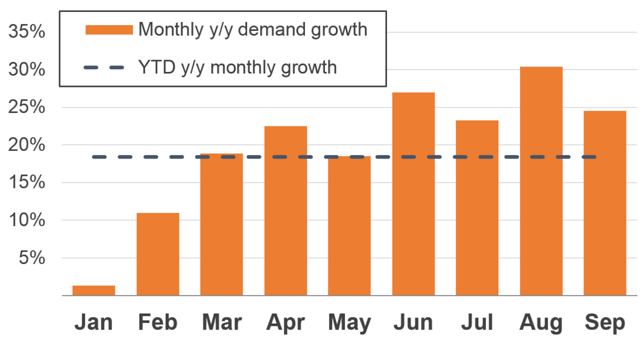
Financial Results	Units	3Q17	2Q17	Q/Q % change	3Q16	Y/Y % change
Gross Revenue (SGE)	US$ Million	**6.1**	8.0	-24%	1.4	320%
Gross Realised Price	US$/Mscf	**6.4**	6.4	-1%	5.9	8%
Net Realised Price (post VAT and PSC allocation)	US$/Mscf	**5.2**	5.1	0%	4.8	8%
Operating Costs	US$/Mscf	**2.3**	1.1	102%	4.6	-50%
Net Margin[1]	US$/Mscf	**2.9**	4.0	-29%	0.1	1867%
Sino Gas Cash	US$ Million	**30.5**	32.9	-7%	51	-41%
SGE Cash	US$ Million	**8.4**	4.6	83%	3.3	157%

CHINA GAS MARKET UPDATE

Natural Gas Demand Continues to Surge

The National Development & Reform Commission ("NDRC") reported natural gas consumption growth year over year in the third quarter of 26%, with year to date consumption up 18.4%, with growth continued to be driven by substantial coal to gas switching.

Year over Year Demand Growth[2]



The NEA forecast (as of August 2017) for full year demand increase is ~17%. Given the expected increase in natural gas demand during peak winter heating season, the NDRC has issued calls for the State Owned Enterprises to ensure adequate supplies over winter.

Implementation of Interprovincial Pipeline Reforms Lowers Tariffs by 15%

On August 30, the NDRC published the transmission rates of interprovincial gas pipelines, based on the results of its first-ever ascertainment of the costs of 13 interprovincial pipeline companies during the past three months. The NDRC estimates average tariffs will decrease ~15% as a result of the new tariff schedule. This also marks a significant milestone in China's natural gas pipeline reforms toward implementation of improved third-party mid-stream access rights.

CORPORATE

Investor Relations & Marketing

During the third quarter, the company continued to meet regularly with the investment community, holding meetings with investors, research analysts and brokers in Australia and Asia. The Company participated in Asia LNG tours in Beijing hosted by JP Morgan and Citigroup, the RUI Good Oil conference in Perth, and the Oil & Gas Council China Summit in Beijing. Copies of presentations used can be found on our website at www.sinogasenergy.com.

1. Netback is calculated as the Joint Venture net revenue after VAT and partner share less operating expenses per Mscf of sales. Please refer to non-IFRS Financial Information note on page 6
2. Source: NDRC, Company estimates

SUPPLEMENTARY INFORMATION

Historical testing results by zone (2006—Q3 2017)

Zone	Well Tests	Average Thickness (m)	Average Test Length (Days)	Average Flow Rate (Mscf/d)	Max Flow Rate (Mscf/d)
Upper Zone	23	6	8	852	2919
Mid-Upper Zone	33	7	11	404	3099
Middle Zone	14	6	22	226	708
Mid-Lower Zone	9	5	19	463	2534
Lower Zone	12	6	9	612	1663
Comingled	48	18	12	737	2569
Horizontal Wells (Middle Zone)	4	1145	3	5493	9775

Note: Results have been standardised to a standard field pressure of 200psi. Average thickness for horizontal wells represents section length.

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 3,000km2 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.

Sino Gas & Energy Holdings Limited

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

www.sinogasenergy.com

DISCLAIMERS

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)
31 December 2016 (Announced 5 March 2017)	385	579	778	899	821
31 December 2015 (Announced 10 March 2016)	362	552	751	814	733
CHANGE (+/-)%		+5% (2P Reserves)		+10%	+12%
Total Project 31 December 2015	**1,377**	**2,147**	**2,951**	**3,171**	**3,499**

Note 1: Prospective resources are 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.

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. 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. Reserves are based on a mid-case gas price of US$6.98/Mscf inflated at 2.5% per year and average lifting costs (opex+capex) inclusive of inflation of 2.5% per year of ~US$1.20/Mscf for 2P Reserves. 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 and does not include Sino Gas' option to acquire an interest of 5.25% in the Linxing PSC (by paying 7.5% of back costs) which was purchased in April 2017 but assumes exercise by a third party. 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 is a qualified petroleum reserves and resources evaluator (QPPRE) as defined by ASX listing rules. Mr Stephenson 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.

Financial Terms

Margin is calculated as the Joint Venture net revenue after VAT and partner share less operating expenses per Mscf of sales. This is a term commonly used in the oil and gas industry which is not defined by or calculated in accordance with International Financial Reporting Standards ("IFRS"). This term should not be considered an alternative to, or more meaningful than the comparable measures determined in accordance with IFRS. The measures provide additional information to evaluate SGE's financial performance per unit of sales. The margin for the third quarter is calculated by dividing gross SGE revenue of US$6.1 million less operating expenses of US$2.7 million by total gross production of ~13 MMscf/d. The non-IFRS measures have not been subject to audit or review by Sino Gas' external auditors. Sino Gas' determination of these measures may not be comparable to that reported by other companies.