SINO Gas & Energy

ASX Announcement

12 June 2018

LINXING PRODUCTION SHARING CONTRACT UPDATE

Sino Gas & Energy Holdings Limited (ASX: SEH, "Sino Gas" or the "Company") announces its Joint Venture company, Sino Gas & Energy Limited ("SGE"), has entered into the 11th Modification Agreement ("MA11") with State Owned Enterprise ("SOE") partner China United Coalbed Methane ("CUCBM") to modify the terms of the Linxing Production Sharing Contract ("PSC") following confidential commercial discussions referenced in its 29 March 2018 announcement.

The modifications to the PSC include:

1. A reduction in SGE's natural gas participating interest from 70% to 49% (prior to the impact of the Linxing Option) to satisfy CUCBM's stated internal requirements [1];
2. An 8-year extension of the natural gas PSC to 31 August 2036; and
3. Relinquishment of ~1,000 km^2 of Linxing East exploration acreage and extension of the exploration period to 31 August 2019.

Natural Gas Interest Reduction and Contract Extension

The reduction in participating interest from 70% to 49% was required to enable CUCBM to comply with its stated internal policy of generally holding a 51% participating interest in natural gas PSCs. In return, CUCBM has agreed to an 8-year extension of the PSC.

In the event of future Linxing coalbed methane ("CBM") developments, the CBM participating interests remain at 70% for SGE and 30% for CUCBM, with a PSC expiry date of 31 August 2028. SGE does not currently have any CBM development projects that are considered material.

Please refer to the diagram at the end of the announcement that reflects Sino Gas' participating interests pre- and post- MA11.

Exploration Extension and Acreage Relinquishment

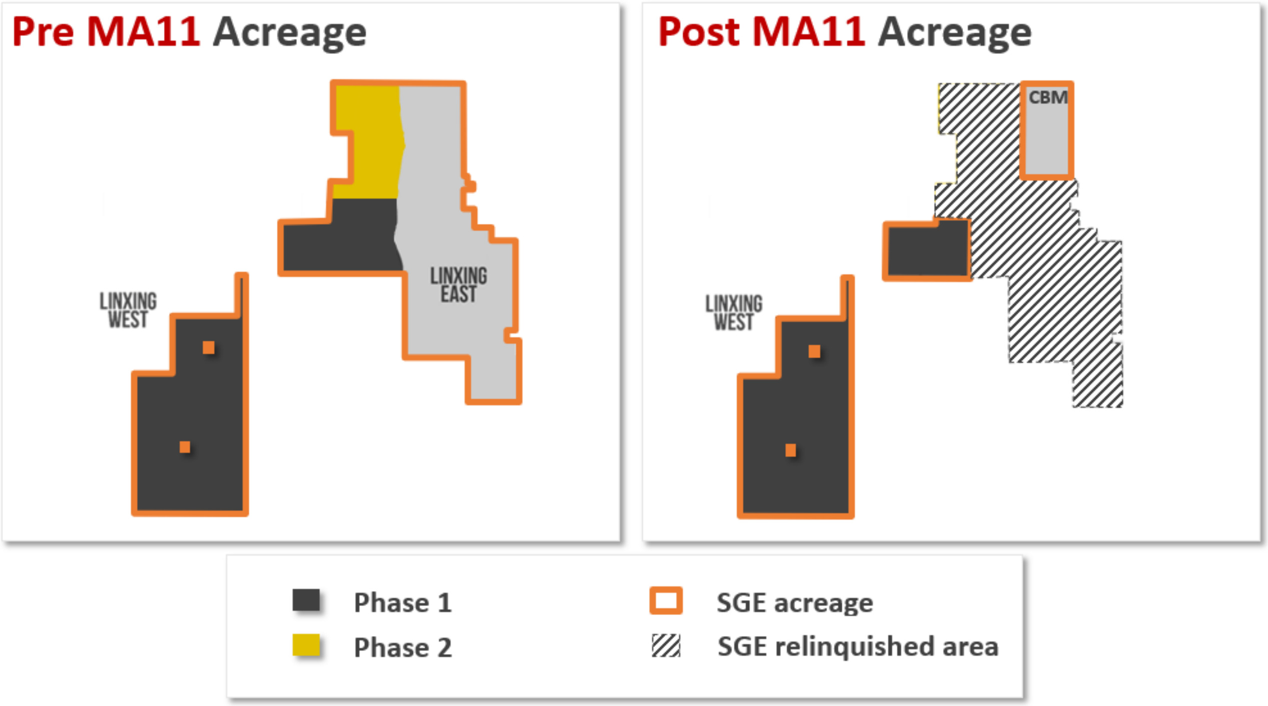
The exploration period under the Linxing PSC has been extended to 31 August 2019 and as is customary for exploration extensions, ~1,000 km^2 of Linxing East exploration acreage has been relinquished. The Linxing PSC now comprises 877 km^2, including 722 km^2 in Linxing West and Linxing East and 155 km^2 of prospective CBM acreage in Linxing East.

The Development Plan Sino Gas announced on 30 October 2017 is impacted by a reduction of ~100 km^2 of the development area in Phase 1 and ~200 km^2 of prospective acreage in Phase 2. As a result, the expected number of wells to be drilled in Phase 1 has been decreased by ~200 wells to a total of ~1,400 wells, resulting in a reduction of currently targeted Phase 1 plateau production from ~350 – 550 Million standard cubic feet per day ("MMscf/d") to ~325 – 475 MMscf/d. Also, targeted Phase 2 plateau production has been decreased from up to ~750 MMscf/d to up to ~600 MMscf/d. The expected plateau production period remains unchanged at approximately six years and production from Linxing is extended for eight years as a result of the PSC extension [2].

1. Assuming CUCBM participates in the PSC to their full entitlement post CNOOC investment committee approval.
2. Refer to Development Plan dated 30 October 2017, conceptual development plan and production growth projection are indicative only and not guidance, and remain subject to any necessary regulatory approvals and applicable investment decisions. All production numbers are gross field for both Sanjiaobei and Linxing, please refer to page 4 and diagram depicting respective parties' participating interests.

SINO Gas & Energy

Linxing PSC Map



Reserves & Resources Update

Sino Gas has appointed Independent Expert Grant Thornton to prepare the Independent Expert Report for the Lone Star proposed Scheme of Arrangement announced on 31 May 2018 ("the Scheme"). Grant Thornton has engaged RISC Advisory Pty Ltd ("RISC"), an internationally certified independent petroleum advisory, evaluation and valuation group, to conduct an assessment of the revised Reserves and Resources for SGE's PSCs that will include the impact of MA11. This is currently being evaluated and will be communicated once RISC has completed its assessment.

Linxing Option

Sino Gas holds an Option to acquire 7.5% of SGE's participating interest in the Linxing PSC by contributing 7.5% of historical back costs to SGE. As a result of the revised PSC participating interests, on exercise of the Option and assuming full CUCBM participation, the participating interest Sino Gas would acquire is reduced from 5.25% to 3.675%.

As announced on 22 May 2018, CUCBM is considering its level of participation in the Linxing PSC and is currently expected to provide formal notification to SGE prior to mid-2019. CUCBM has the right to elect to participate in the Linxing project up to its 51% participating interest.

Other MA11 Provisions

MA11 provides that CUCBM's consent is required for SGE to assign all or a part of its interest in the Linxing PSC, and in those circumstances CUCBM has a right of first refusal ("ROFR") to acquire the interest to be assigned. A change in control of SGE as the operator also requires the controller to offer the interest to be sold to CUCBM under a similar ROFR process (whilst under the Sanjiaobei PSC, PetroChina's consent is required for a change in control of SGE or its majority shareholder and there is no ROFR).

Importantly, the above noted ROFR is not expected to apply to a change in control of Sino Gas under the proposed Lone Star Scheme.

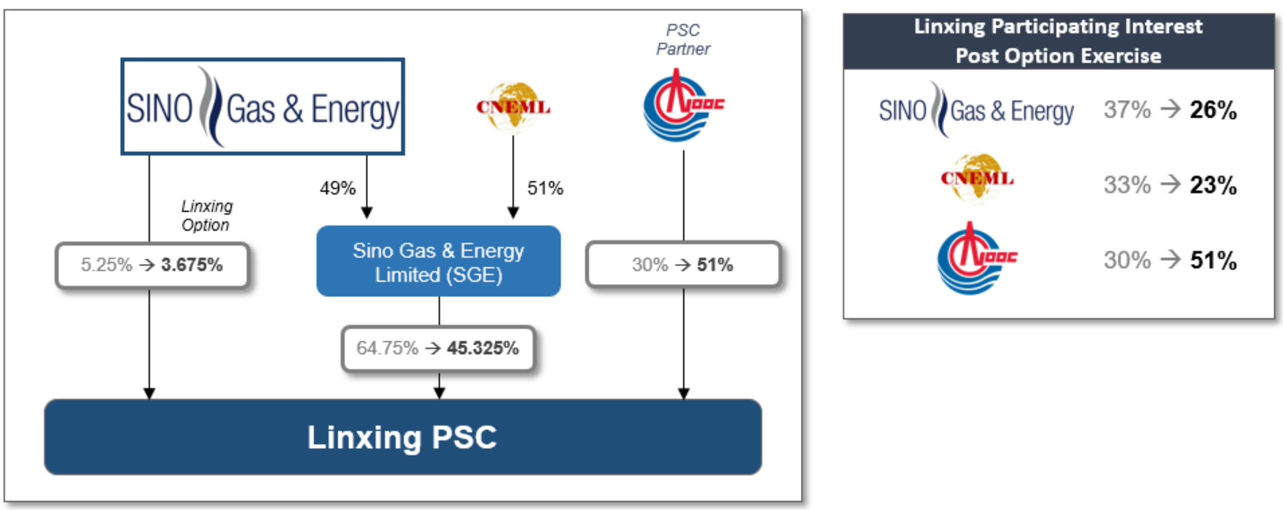
Lone Star Transaction Update

Sino Gas confirms that the entry into MA11 has satisfied one of the conditions precedent to implementation of the Scheme of Arrangement under which Lone Star proposes to acquire 100% of the issued share capital of Sino Gas by the Scheme, as announced on 31 May 2018.

Commenting on these developments, Sino Gas' Managing Director Glenn Corrie said:

"Sino Gas remains committed to progressing the development of the unrelinquished area of Linxing with the reduction in participating interest from 70% to 49% and 8-year extension of the PSC. Entering into the Linxing Modification Agreement satisfies one of the key conditions precedent of the Lone Star Scheme."

Linxing PSC Participating Interest Pre- and Post-MA 11 assuming full back in by CUCBM and exercise of the Linxing Option



Investor Enquiries:

Sino Gas & Energy Holdings Limited
Investor Relations
+86 10 8458 3001
1300 746 642 (local call within Australia)
ir@sinogasenergy.com

Media Enquiries:

Citadel-MAGNUS
Peter Brookes
P: +61 (0)407 911 389
E: pbrookes@citadelmagnus.com

James Strong
P: +61 (0)448 881 174
E: jstrong@citadelmagnus.com

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.

The Linxing PSC is held with CUCBM (a CNOOC wholly-owned subsidiary) and the Sanjiaobei PSC is held with PCCBM (a PetroChina wholly-owned subsidiary). SGE's PSC partners are entitled to participate up to their 51%-PSC participating interest by contributing their future share of costs.

Sino Gas also holds an option to acquire 7.5% of SGE's participating interest in the Linxing PSC by contributing 7.5% of historical back costs to SGE (3.675% assuming full CUCBM participation).

The PSCs cover an area of approximately 2,000km^2 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.

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. Whilst the Company considers all the material assumptions to be based on reasonable grounds, there is no certainty that they will prove correct or that the outcomes indicated in the announcement will be achieved. Production profile, plateau rates and other development plan parameters are indicative only and not guidance, and remain subject to any necessary regulatory approvals and applicable investment decisions.

Many factors could cause the Company's actual results to differ materially from those expressed or implied in any forward-looking information provided by, or on behalf of, the Company. Such factors include, among other things, risks relating to gas prices and currency fluctuations; exploration and estimating reserves; development, production and operating risks; competition; regulatory restrictions or failure to obtain necessary approvals and licenses; environmental harm and liability; potential issues with obtaining land access and title disputes; and additional funding requirements. Details of the Company's material business risks are set out in its annual report. Further, despite the Company having attempted to identify all material factors that may cause actual results to differ, there may be other factors that cause results not to be as anticipated, estimated or intended. 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 (or as otherwise specified) and except as required by applicable law the Company does not undertake any obligation to update publicly such forward-looking information, whether as a result of new information, future events or results or otherwise.

Sino Gas have commissioned Beijing J-energy Company Limited (J-Energy) to provide technical advisory services. The review, and the production information and economic assumptions contained in this release relating to the review, for the purposes of the conceptual development plan is based on, and fairly represents, data and supporting documentation prepared by, or under the supervision of Mr Jin Po Dong and Mr Frank Fu. The review assumes PSC partner full back-in upon ODP approval (i.e. CUCBM and PCCBM take up their respective 51% participating interests in the Linxing and Sanjiaobei PSCs) and the exercise of Sino Gas' option to acquire an interest of 3.675% in the Linxing PSC (by paying 7.5% of historical back costs to SGE) which was purchased in April 2017. Mr Dong is a Vice-President of J-Energy Ltd and has a Bachelor of Petroleum Engineering from South West Petroleum University of China, has over 20 years of industry experience and is a member of the Society of Petroleum Engineers (SPE). Mr Fu is the Chief Operating Officer of Sino Gas & Energy Holdings Limited, holds a Bachelor of Science degree in Geology and Exploration, and has over 25 years of relevant experience in both conventional and unconventional hydrocarbon exploration & production in China and multiple international basins and a member of the Society of Petroleum Engineers (SPE). Such statements were issued with the prior written consent of Mr Dong and Mr Fu in the form and context in which they appear. The statements and opinions attributable to J-Energy are given in good faith and in the belief that such statements are reasonable and neither false nor misleading. J-Energy has considered and relied upon information obtained from the Company and information in the public domain. J-Energy has no pecuniary interest, other than to the extent of the professional fees receivable for their engagement, or other interest in the assets evaluated, that could reasonably be regarded as affecting their ability to give an unbiased view of these assets.