SINO Gas & Energy 中澳煤层气能源

ASX Announcement

24 January 2017

2017 GUIDANCE

Sino Gas & Energy Holdings Limited (ASX: SEH, "Sino Gas" or the "Company") is pleased to provide the following guidance for 2017.

The 2017 work program and budget will focus on 1) Optimising existing facilities to maximise production and revenue; 2) Increasing gas processing capacity and associated production in a cost effective manner 3) Provide reservoir information for Overall Development Plan ("ODP") / field development planning and submission and 4) Limited exploration activities.[1]

At the end of 2016, the Company held US$44 million in cash. Sino Gas will maintain a strict ongoing focus on cost efficiency and program scope to ensure the Company remains well funded to complete the 2017 program, as we move towards ODP approval.

Key points of the 2017 program are:

- Average gross production for the year is targeted to be in the range of 18-23 MMscf/d, more than triple 2016 average production.
- SGE capital budget of US$40-50 million gross (US$20-25 million net to Sino Gas) with approximately one third on production maintenance capital and two thirds on growth capital.
- A new CGS planned to be installed on Linxing (West) and the tie-in of Linxing (East) to a nearby third-party facility, resulting in an increase of total installed production capacity to approximately 45 MMscf/d (~7,500 boe/d[2]).
- A drilling program comprising 30-35 wells.
- Complete Overall Development Plan planning and submission, seeking approval in late 2017/early 2018.

Further details and an overview map are provided below:

Production Guidance:

Sino Gas & Energy Limited ("SGE") is targeting annual gross production, after taking into account reservoir management activities and downtime, to be in the range 18-23 Million standard cubic feet per day ("MMscf/d") (~3,000-3,700 boe/d[2]), more than triple 2016 average production.

Production associated with the increased processing capacity, as detailed below, is not expected to contribute material volumes until 2018 as it is anticipated that this capacity will be brought online in late 2017/early 2018.

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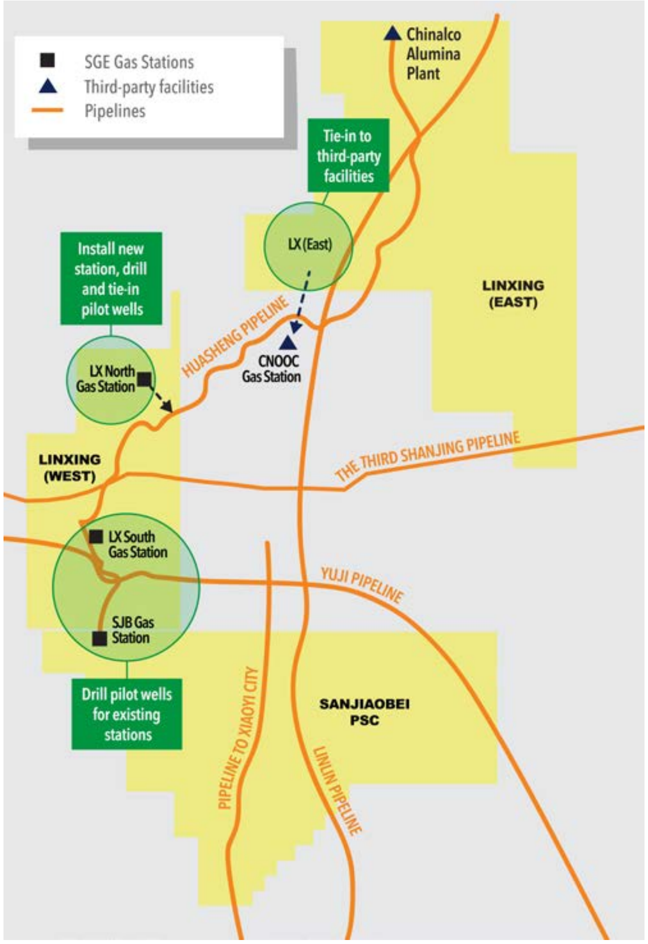

Fig 1: Overview of key 2017 work program activities

Capital Expenditure Guidance:

The 2017 SGE capital budget is expected to be in the range US$40-$50 million gross (US$20-25 million Sino Gas share), comprising:

1. Drilling Program

During the year, up to 7 rigs are planned to drill approximately 30-35 wells across both Production Sharing Contracts ("PSCs") with the aim to maintain current production levels, provide future well stock, support production build-up for the Linxing (West) North Central Gathering Station ("CGS") and carry out additional targeted exploration.

To optimise the existing facilities, Sanjiaobei PSC drilling will be focused on providing additional well stock to enable the Sanjiaobei CGS to become self-sufficient from wells on the PSC. This will provide flexibility for existing Linxing wells, currently tied into the Sanjiaobei CGS, to be diverted into the Linxing CGS through an existing interconnector and will also simplify gas marketing arrangements.

The exploration program remains under discussion with the Joint Venture partners. Up to 5 exploration wells are expected to be drilled with the aim of expanding the project's previously discovered area and managing acreage retention.

2. Facilities Growth Program

Key components of the facilities growth program for 2017 will be:

> **Linxing (West) new CGS**. A new CGS in the northern portion of the Linxing (West) PSC ("Linxing North CGS") will be installed approximately 16 km north of the existing CGS on Linxing ("Linxing South CGS"). The Linxing North CGS will be of a similar design and capacity as the existing CGS of approximately 17 MMscf/d. Surveying of the site and sourcing long lead items is underway to support construction during the second half of 2017. Drilling of pilot development wells to tie into the Linxing North CGS will be ongoing throughout the year in preparation for start-up in late 2017 / early 2018.
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> **Linxing (East) via third party facilities**. Existing Linxing (East) deep gas exploration and appraisal wells are expected to be tied into a third party facility approximately 8 km from the Linxing (East) PSC, which is owned by the Linxing PSC partner, CNOOC. Utilising third party facilities, with potential available capacity of 7 MMscf/d, allows this area to achieve accelerated pilot production and data gathering at a lower upfront cost. Initially, seven wells drilled and tested in 2015 and 2016 are expected to be tied-in.

In total, over 20 MMscf/d of new processing capacity is expected to be installed or available via third party facilities by the end of 2017, nearly doubling installed capacity to 45 MMscf/d, up from 25 MMscf/d at the end of 2016.

3. Overall Development Plan (ODP)

As previously announced, the ODP planning process has commenced on both Sanjiaobei and Linxing (West). Activities will include, inter alia, full field development planning, including drilling and facilities, environmental assessments, economic assessments, land use permitting etc. SGE is targeting submission of the first ODP during 2017 with approval in late 2017/early 2018.

Commenting on the 2017 work program and budget, Sino Gas Managing Director, Glenn Corrie said: "*Sino Gas aims to demonstrate increased stability and predictability in our production operations as we optimise for revenue and reservoir management information for ODP planning. The proposed work program of cost effective facilities expansion and drilling positions us for production and revenue growth in late 2017 and throughout 2018. ODP planning and approval is a key objective to enable us to deliver the significant underlying value of these assets. Sino Gas is well funded to achieve the proposed 2017 work program.*

Footnote 1: The budget is subject to approval of the PSC Joint Management Committees.

Footnote 2: mcf: boe conversion 6:1

Sino Gas & Energy Holdings Limited

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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”), a strategic partnership with China New Energy Mining Limited ("CNEML"). SGE has been established in Beijing since 2006 and is the operator of the Linxing and Sanjiaobei Production Sharing Contracts (“PSC”s) 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 largest onshore 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.

Disclaimer