






3 April 2017

OPERATIONS UPDATE

-  Production increased to 23 MMscf/d gross after inter-field optimisations during the quarter. Average 1Q17 production was ~16 MMscf/d, nearly double the 4Q16 average and the Company remains on track to achieve full year guidance of 18-23 MMscf/d
-  2017 work program commenced and ~10% year over year well cost improvements are expected
-  On track to install new facility at Linxing North and tie-in Linxing East to third party facility in second half 2017
-  ODP preparations progressing well
-  Linxing PSC named as a strategic priority project in the 13th Five Year Energy Plan

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

Production update

Pilot production operations are proceeding well and Sino Gas reiterates full-year guidance for average gross production from the Linxing and Sanjiaobei Production Sharing Contracts ("PSCs") to be in the range of 18-23 Million standard cubic feet per day ("MMscf/d").

Production increased to approximately 23 MMscf/d during the first quarter after completing planned optimisations ahead of schedule. Average production of 16 MMscf/d was nearly twice the previous quarter despite unplanned downstream downtime and no new wells being tied in during the quarter. Well performance and SGE facilities operations have continued to meet expectations.

As expected, average production in the first quarter was slightly below full year average guidance of 18-23 MMscf/d. Production was impacted by planned downstream maintenance and unplanned downtime at the Chinalco facility. The unplanned downtime is within tolerance for full-year production guidance. Adjustments to marketing arrangements have been made to mitigate further downstream offtake downtime and SGE is in discussions with existing gas buyers to revise gas sales contracts, which could potentially include take or pay arrangements, as has been requested by our gas buyer. SGE facility uptime excluding downstream downtime has been excellent at over 98%.

Sino Gas Energy Limited ("SGE") capitalised on the downtime to accelerate the redirection of wells in the south of the Linxing PSC from the Sanjiaobei Central Gathering Station ("CGS") to the Linxing CGS, which has simplified gas marketing arrangements and enabled production from the Linxing CGS to be increased ahead of schedule.

Work program commenced

The 2017 work program has commenced and the first pilot well on Sanjiaobei PSC has completed drilling. Additional rigs are being mobilised to drill the planned 30-35 wells. Fraccing of the first well is underway and additional fracking crews are expected to mobilise shortly to frac previously drilled wells and new wells as they are drilled in the 2017 program.

Tendering of the major components of the 2017 well program were completed during the quarter. Sino Gas continues to strengthen its low cost competitive advantage with average 2017 drilling and completion costs expected to decrease ~10% from 2016, building on the 11% cost reduction achieved in 2016.

New Facilities on Track for Installation in the 2H17

The new Linxing North CGS facility project is progressing to plan. Site survey and design work has been completed and long-lead item and site construction tendering is underway.

SGE is working with CNOOC, the owner of third party infrastructure, to finalise technical parameters and equipment design to tie in existing Linxing East wells.

Progress remains on track for the completion of both facilities in the second half of 2017.

ODP Preparations Progressing to Plan

SGE is progressing Overall Development Plan ("ODP") activities with its PSC partners. Work is progressing to plan for submission of the first deep gas ODP in 2H 2017.

Linxing Designated Strategic New Gas Source

The Linxing PSC has been selected as a strategic new gas source in China's 13th Five Year Energy Plan released in January of this year. This not only recognises the significant contribution Linxing is expected to make to China's clean energy objectives of the 13th Five Year Plan but also prioritises the gas development project for acceleration.

Commenting on the first quarter operations, Sino Gas' Managing Director, Glenn Corrie said, "*Sino Gas made good progress towards both our short term production target and our long term objective of unlocking and demonstrating the significant underlying value of our assets through full field development. Sino Gas is proud Linxing was designated as a strategic future natural gas source for China and looks forward to working with all of our stakeholders to accelerate the development of our world-class assets for the benefit of both our shareholders and China.*"

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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 3,000km². 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.

Disclaimer

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