18 April 2017

PURCHASE OF OPTION TO ACQUIRE ADDITIONAL INTEREST IN LINXING

- Option purchased to acquire an additional 5.25% participating interest in Linxing PSC. If exercised, the Company would hold the largest interest in the PSC
- Total consideration of ~US$3.9 million, comprising US$3 million cash and 12 million Sino Gas shares that are subject to a 6-month escrow period
- Low cost, value accretive deal with significant strategic benefits

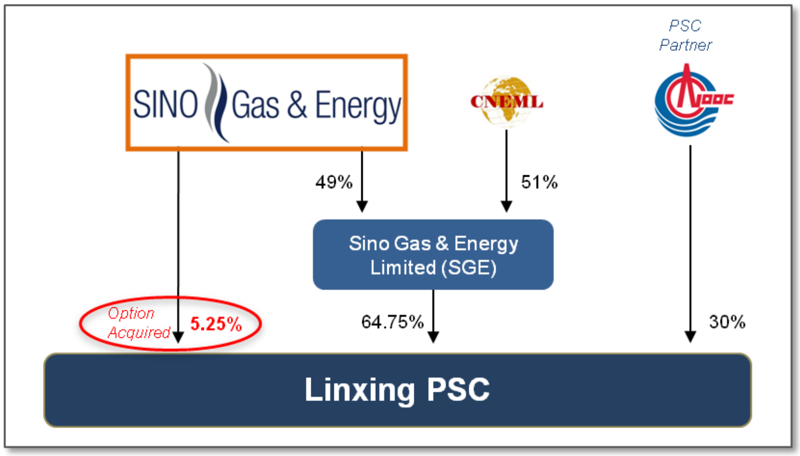
Sino Gas & Energy Holdings Limited (ASX: SEH, “Sino Gas” or the “Company”) is pleased to announce that it has entered into a Sale and Purchase Agreement (“Agreement”) with CBM Energy Associates L.C. (“CBM”), to purchase CBM’s option ("Option") to acquire a 7.5% (reduced to 5.25% at full PSC Partner back-in) participating interest in the Linxing production sharing contract (“Linxing PSC”) at Overall Development Plan (“ODP”) approval. If exercised, Sino Gas would hold the largest net interest in the Linxing PSC.

The purchase of the option has a number of key strategic advantages, including:

1. Low cost, value accretive option to acquire additional equity in the Linxing PSC, Sino Gas' Joint Venture, Sino Gas & Energy Limited ("SGE")'s largest asset.
2. Potential to become the largest working interest holder in the Linxing PSC with Sino Gas increasing its net working interest from 32% to 37%*.
3. Potential for an additional 65 bcf of 2P Reserves and 120 bcf 2C Resources* at very attractive metrics
4. Potential for a direct seat on the PSC Joint Management Committee with the ability to exercise increased influence over Linxing PSC decision making.
5. Option or post-exercise participating interest is fully transferable.
6. Continues to broaden and deepen our working relationship with our PSC Partner, CUCBM*.

Linxing Ownership Structure – Post Option Exercise:

The ownership structure of the Linxing PSC assuming the PSC Partner exercises its 30% back-in right and the exercise of the Option is shown below.



Final Linxing Working Interest	
SINO Gas & Energy	37%
CNEML	33%
CUCBM	30%

Acquisition terms and metrics:

CBM was paid total consideration of approximately US$3.9 million consisting of US$3 million cash and the issue of 12 million ordinary shares in Sino Gas (equivalent to ~US$0.86 million*),~0.6% of Sino Gas issued capital, subject to a 6 month escrow period.

To exercise the Option, Sino Gas would be required to reimburse SGE 7.5% of all historical costs and expenses incurred (currently ~US$17 million) under the Linxing PSC at the time of exercise. As Sino Gas holds a 49% interest in the SGE Joint Venture, the net historical costs reimbursement will effectively be 3.8%, (currently ~US$8.7 million). The reimbursed historical costs are considered exploration costs, which are eligible for priority cost recovery under the terms of the PSC.

Including the Option purchase and exercise price, Sino Gas estimates a total implied acquisition cost of ~US$0.32/Mscf 2P ($1.93/boe* 2P) or ~US$0.11/Mscf 2P+2C (US$0.68/boe 2P+2C), a ~21% discount to the implied purchase price of our JV Partner's 51% acquisition of SGE in 2016.

Commenting on the acquisition, Sino Gas' Managing Director, Glenn Corrie said, "This is a low cost, value accretive transaction that provides Sino Gas with a number of strategic benefits including the option to become the largest interest holder in the Linxing PSC, increased influence, increased Reserves and Resources and increased flexibility by holding a portion of Linxing in a separately assignable entity. The strategic value of the PSC is supported by its inclusion in China's 13th Five Year Energy Plan as a priority project to be accelerated and by recent significant operational progress, including increased production rates, sanctioning of additional processing facilities, increased independent Reserve and Resource estimates and commencement of the ODP process. We are also delighted to welcome CBM, a long-standing participant in the China natural gas market, as a shareholder."

**Additional information*

- The Option was originally agreed between CBM and ChevronTexaco China Energy Company on 1 November 2005 and remained in effect after Sino Gas' Joint Venture subsidiary, Sino Gas Energy Limited ("SGE") acquired the interest in Linxing PSC from ChevronTexaco.
- The Option is to acquire 7.5% of the total contractor working interest in Linxing. Assuming the PSC Partner, CUCBM, exercises its right to back into the project at ODP for 30%, the increased participating interest would be reduced from 7.5% to 5.25%. This would result in Sino Gas & Energy Holdings Limited holding a 37% interest, Sino Gas' Joint Venture Partner, China New Energy Mining Limited, holding a 33% interest and Sino Gas' PSC Partner, CUCBM, holding a 30% interest. In the event CUCBM does not elect to back into the project at ODP, the net interests in Linxing would be Sino Gas 53%, CNEML 47%.
- Net Reserves and Resources acquired based on the pro-rata Linxing PSC assessment concluded by RISC Resources as of 31 December 2016. Refer to announcement 9 March 2017 for additional details.
- The Option to acquire up to 7.5% interest in the Linxing PSC is exercisable within 60 days of the approval of the first Linxing ODP.
- Share consideration value has been estimated based on the 1 week volume weighted average price (VWAP) of Sino Gas's shares as of April 13, 2017 and an A$/US$ exchange rate of 0.7584.
- CUCBM is a 100% owned subsidiary of China National Offshore Oil Company (CNOOC).
- Mscf:boe conversion 6:1.

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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.

Disclaimer