SINO Gas & Energy

ASX Announcement

5 February 2018

2018 GUIDANCE

Sino Gas & Energy Holdings Limited (ASX: SEH, "Sino Gas" or the "Company") is pleased to provide guidance for 2018.

The Company will host a conference call today (Monday, 5 February 2018) at 10:30 AM EST (Sydney), 7:30 AM WST (Perth, Beijing). Further details can be found below.

The 2018 strategic priorities are to:

- Secure Overall Development Plan ("ODP") approvals for the Linxing and Sanjiaobei Production Sharing Contracts ("PSCs")
- Maximise production and revenue through existing and new facilities
- Position for continued production growth post ODP approval in line with the Development Plan

The core focus of the 2018 work program is:

- Exit 2018 with a gross daily production rate of 38 – 42 MMscf/d to fill installed processing capacity, and target an average annual gross production for the year of 22 - 27 MMscf/d
- Capital expenditure of US$60 - 70 million gross (US$30 – 35 million net to Sino Gas), including a drilling program of 40 – 50 wells
- Commission and ramp up production from Linxing North CGS, taking the number of Central Gathering Stations ("CGS'") in production at the end of 2018 to three with a total installed nameplate capacity of 42 MMscf/d
- Sanction new gas processing capacity projects following ODP approvals to drive production growth

Overall Development Plan (ODP) approvals

As previously announced, ODP submissions for Linxing and Sanjiaobei PSCs are expected to be approved in the first half of 2018. Reviews by both SOE partners, China United Coalbed Methane Limited ("CUCBM") and PetroChina CBM ("PCCBM"), are currently underway and progressing to plan.

Production Guidance

Sino Gas & Energy Limited ("SGE") is targeting a 2018 gross production exit rate of 38 – 42 Million standard cubic feet per day ("MMscf/d") (~6,300 – 7,000 boe/d [2]), an increase of 50 – 70% from the 2017 exit rate and annual gross production is expected to average 22 - 27 MMscf/d (~3,700 – 4,500 boe/d [2]) for the year.

Sino Gas is forecasting production in 1H 2018 to be towards the lower end of the guidance range as activity levels increase after the winter period. The commissioning of the Linxing North CGS by Q3 2018 will increase total installed capacity across both PSCs to ~42 MMscf/d and meaningfully contribute to production increases during the second half of 2018.

Capital Expenditure

The 2018 SGE capital budget is expected to be in the range of US$60 – $70 million gross (US$30 – 35 million net to Sino Gas), comprising:

1. *Drilling Program*

   Approximately 40 – 50 wells are expected to be drilled during the year across both PSCs with the aim to:
   - Maintain production levels at existing facilities
   - Drive production ramp-up from the new Linxing North CGS
   - Provide well stock ahead of the installation of future production facilities in 2019
   - Expand the existing Sanjiaobei ODP area

2. *Linxing North Facility Commissioning*

   Commissioning of the new Linxing North facility is expected by Q3 2018. Its initial processing capacity will be 17 MMscf/d and will be expandable up to 34 MMscf/d in the future. All modules for the facility have been fabricated and installation and equipment hook-up will commence once site preparations are completed.

   With the commissioning of this CGS, total installed capacity will increase to 42 MMscf/d across both PSCs, up from current capacity of 25 MMscf/d.

3. *Future Production Growth*

   To position for growth post ODP approvals, the Company is expecting to sanction the following projects:

   - **Linxing East CGS**: Design and engineering work is underway to develop a production facility in the Linxing East area with capacity of 17 MMscf/d to 34 MMscf/d
   - **Sanjiaobei CGS**: Options to expand Sanjiaobei processing capacity from 8 MMscf/d to ~25 MMscf/d are currently being designed and engineered

   In addition, the 2018 work program includes land leasing and well pad preparation for more drilling locations to support the substantial production ramp-up anticipated in 2019 once ODP approvals are granted this year.

Commenting on the 2018 work program and budget, Sino Gas Managing Director Glenn Corrie said:

"Building on the solid foundation that we established in 2017, we remain focused on delivering the next stage of our previously announced development plan. Core focus areas for 2018 include obtaining ODP approvals in the first half of the year, increasing total processing capacity by ~70% to 42 MMscf/d with the installation of the Linxing North CGS, maximising production to exit 2018 at a rate of 38 – 42 MMscf/d and sanctioning additional facilities and site preparation work to accelerate the ramp-up of production post ODP.

Increasing cash flow from operations, the recently secured US$100 million debt facility and existing cash are expected to provide adequate liquidity to fully fund full field development".

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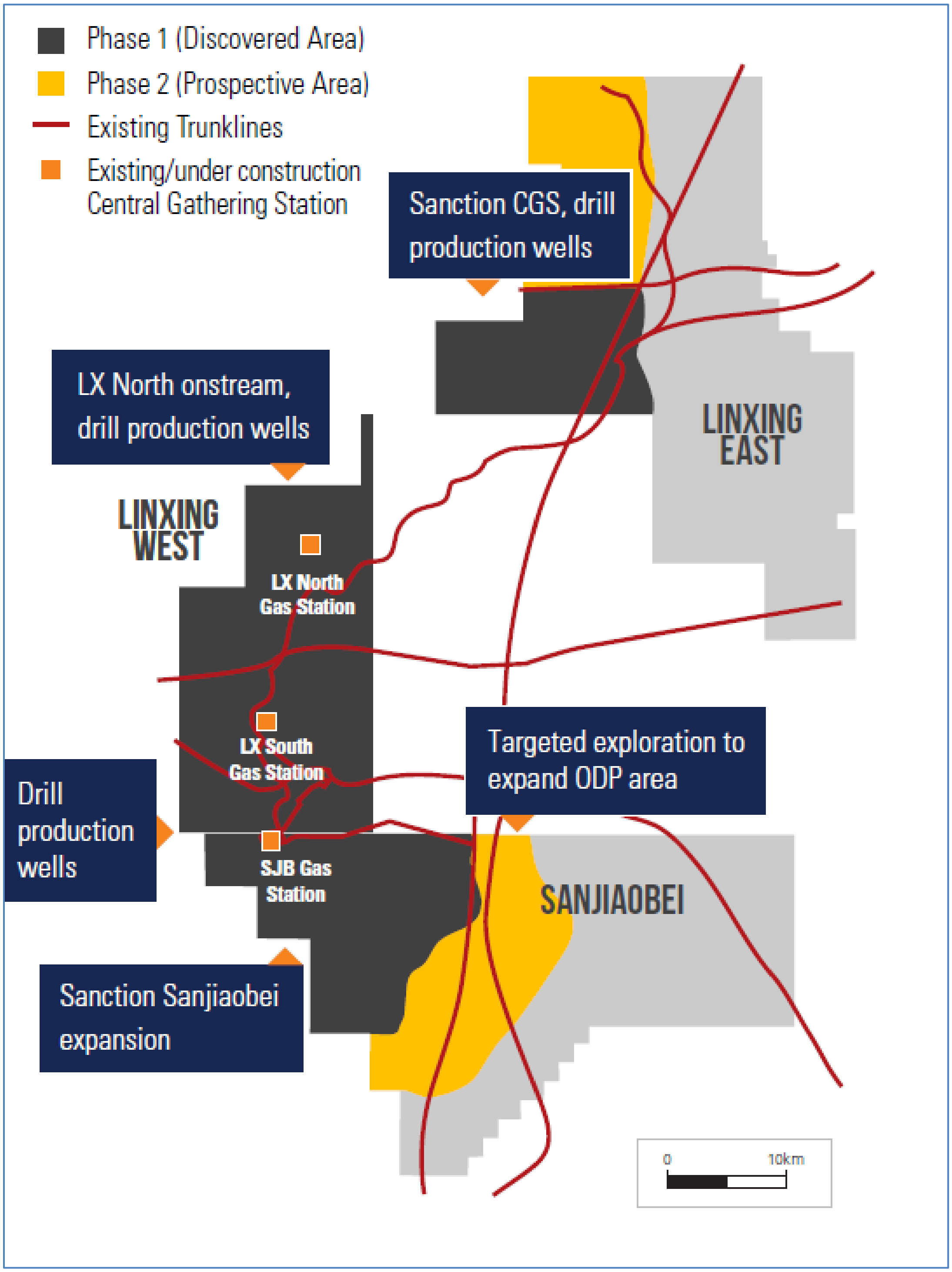
Fig 1: Overview of key 2018 work program activities [3]



1. The budget is subject to approval of the PSC Joint Management Committees and SGE.
2. mcf: boe conversion 6:1.
3. Based on Company Development Plan Presentation dated 30 October 2017, available on Company website.

Dial-in details for the conference call:

Conference call ID: 5897632

These numbers are toll-free dial-in numbers for each country listed below. For countries not listed below, the Australian Participant Toll number listed above can be dialled.

Australia Participant toll: +61 2 8038 5221
Australia Participant toll-free: 1800 123 296
China: 4001 203 085
Hong Kong: 800 908 865
Japan: 0120 477 087
New Zealand: 0800 452 782
Singapore: 800 616 2288
United Kingdom: 0808 234 0757
United States: 1855 293 1544

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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"), 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 3,000km^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 the Company, or on behalf of, the Company. Such factors include, among other things, risks relating to gas prices, exploration, acquisition, development and operating risks, competition, production risks, regulatory restrictions, including environmental regulation and liability, potential title disputes and additional funding requirements. 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 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.