

10 May 2018

## ANNUAL GENERAL MEETING 2018: CHAIRMAN'S ADDRESS

Ladies and Gentlemen,

Welcome to the 2018 Annual General Meeting ("AGM") of Sino Gas & Energy Holdings Limited (ASX: SEH, "Sino Gas" or the "Company"), which for the first time, we are holding in Sydney in recognition that the majority of our shareholders are based on the East Coast of Australia.

The strong China domestic gas demand we saw in 2017 has continued into 2018. The first quarter of this year saw additional growth of 17% compared to the same period in 2017. The driver for this is China's push for cleaner energy of which natural gas is a key component. The 13<sup>th</sup> Five Year Plan has identified the Ordos basin and specifically Linxing as supply priorities to meet this growing demand, placing us at the epicentre of a major national energy transition.

We are also seeing reinforced government backing at the provincial level with the Shanxi government recently prioritising both the Linxing and Sanjiaobei projects.

As a result, we are seeing positive change in the approvals and permitting processes within China which is assisting in securing our necessary approvals.

2017 was a strong year and laid a firm foundation for the Company.

Our 2017 achievements included:

- ✓ Maintaining our safety record;
- ✓ Near tripling of average gross daily production year-over-year to ~17 Million standard cubic feet per day <sup>1</sup>;
- ✓ The submission of the first Linxing and Sanjiaobei Overall Development Plans ("ODPs") to our SOE Partners for approval – with in-principle approvals recently received;
- ✓ The release of our Development Plan for the Linxing and Sanjiaobei Production Sharing Contracts ("PSCs");
- ✓ Executing a robust gas marketing strategy, most recently reflected by the new Gas Sales Agreement for Linxing gas announced in March 2018;
- ✓ Delivering high margins, driven by strong wellhead gas prices and record production levels combined with a continued reduction of unit operating costs <sup>2</sup>;
- ✓ 15% year-on-year well cost reductions, strengthening our low-cost advantage; and
- ✓ A new US\$100 million debt facility, which along with cash on hand and cash flow from operations is expected to fund field development <sup>3</sup>.

1. All production numbers are gross field, please refer to disclaimer statement on page 3 for details of Sino Gas interests.  
 2. Net margin is calculated as the SGE sales revenue after VAT and partner share less operating expenses per Mscf of sales. Please refer to non-IFRS Financial Information note.  
 3. Refer to ASX announcement dated 23 January 2018 for details on secured US\$100 million debt facility with Macquarie.

I would like to thank Glenn and the team for their efforts in delivering these achievements and recognise the continued support of our SOE partners and the China government at all levels.

The hard work continues this year where our priorities are to:

- Maintain our safety and environmental track record;
- Secure first ODP approvals for the Linxing and Sanjiaobei PSCs;
- Maximise production and cashflows;
- Position for continued production growth post first ODP approvals in line with the Development Plan; and
- Conclude discussions with CUCBM on Linxing PSC development and partnership terms; these discussions are progressing and we will update our shareholders upon their completion.

We continue to focus on delivering long-term shareholder value. In 2017, our share price outperformed the ASX 300 benchmark by 28%, with the share price gaining 35% over the course of the year.

We are looking forward to maintaining this momentum in 2018 and beyond.

Thank you.

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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 CNEML via a strategic partnership.

SGE's current 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 PSCs, and SGE's PSC partners are entitled to participate up to their PSC working interest by contributing their future share of costs.

Sino Gas also holds an option to acquire a 7.5% interest of SGE's participating interest in the Linxing PSC by contributing 7.5% of historical back costs to SGE.

The PSCs cover an area of approximately 3,000km<sup>2</sup> 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 as further detailed in the Company's 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 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.

## Non-IFRS Financial Terms

This announcement contains terms commonly used in the oil and gas industry which are not defined by or calculated in accordance with International Financial Reporting Standards ("IFRS"), such as margin, which is a non-IFRS measures. These terms should not be considered an alternative to, or more meaningful than the comparable measures determined in accordance with IFRS. The measures provide additional information to evaluate SGE's financial performance per unit of production and before shareholder financing costs. The non-IFRS measures have not been subject to audit or review by Sino Gas' external auditors. Sino Gas' determination of these measures may not be comparable to that reported by other companies.