

Monthly Operations Report

For the month ending 30 November 2014

2014 WORK PROGRAM — DELIVERING PIPELINE PRODUCTION

- ▶ First gas from pilot testing program
- ▶ Production to ramp-up into early 2015
- ▶ CRRs being prepared for Chinese Partner review
- ▶ Linxing gathering station on track for commissioning mid-2015
- ▶ Laying of Linxing spur and gathering lines approach completion
- ▶ Energy Development Strategy Action Plan (2014-2020) released

On 1 December 2014, Sino Gas & Energy Holdings Limited (ASX:SEH, “Sino Gas”, “the Company”) announced a significant milestone of finalising gas sales arrangements for the pilot testing program and commencing gas sales from both blocks. With this event, Sino Gas transitioned to a full-cycle E&P company and has become one of only a small number of independent E&P companies commercially producing unconventional gas in China.

Initial production commenced at approximately 3.5 million standard cubic feet (MMscf) per day and by mid-December had increased and stabilized at approximately 4 MMscf/day. At present, production is only from seven of the sixteen pilot wells drilled in the area and preparations are underway to commission the second compressor to allow the remaining wells to be progressively brought on-stream in early 2015.

Gas sales arrangements signed with a local Shanxi industrial and commercial customer increased our contracted price by over 30% to approximately US\$9.50 per thousand standard cubic feet, reflecting the national non-residential price increases set by the National Development & Reform Commission (NDRC) in September. The local customer, Lin County Jiahao New Energy Company Limited (Jiahao) is a subsidiary of Shanxi Huifeng Gas Group Limited, which is an industrial and commercial gas company based in the capital city of Taiyuan. Jiahao was established in the local county in 2012 to focus on downstream activities in the region and is currently constructing an LNG plant in the nearby town of Tuban. It has a planned daily processing capacity of approximately 300,000 tons and is expected to utilise gas purchased from the pilot production program once it comes online.

Construction on the Linxing central gathering station continues to make very good progress and the facility is on-track to be commissioned in mid-2015 with a capacity of ~17 MMscf/day, bringing the total pilot program capacity to ~25 MMscf/day. Laying of the third party spur line (capacity in excess of 100 MMscf/day) is over 90% complete, whilst the infield gathering pipelines to the south (including the pipeline to connect the first horizontal well) are approximately 85% complete. Meanwhile land lease discussions are underway to make way for the laying of gathering lines to the TB-26 area in the north/east portion of the block.

Seismic acquisition for over 400km of 2D seismic brought forward from the 2015 work program has now commenced across Linxing and Sanjiaobei. This is being acquired to provide a more dense seismic grid in the east of Sanjiaobei and help to further delineate the deeper resource potential on Linxing (East). Processing and interpretation is scheduled to be completed prior to spring 2015 when the drilling window re-opens. The commencement of seismic work on Linxing (East) follows the encouraging exploration result from the deep exploration well LXDG-03, where initial electric wireline logs identified 86.6 metres of net pay. The result vastly improves the prospectively of the southern area of the block and testing, as well as further drilling, is planned for 2015.

Following the approval of the first Chinese Reserve Report on Linxing (East) earlier in the year, compilation of the seismic, drilling and testing data for the initial reports on the south of Linxing (West) and Sanjiaobei has been completed. These reports are being prepared for submission to the PSC partner for review, prior to the formal submission to MOLAR. Preparation for the Overall Development Plan for Linxing (East) is continuing.

An additional appraisal well was drilled in the vicinity of TB-23 and initial electric wireline results identified 17 metres of net pay. TB-23 flowed at a measured rate of over 2 MMscf/day from a middle level zone (announced 6 August 2014), and engineering planning is continuing to connect wells in the area into the pilot production program. Testing on TB-28 & TB-25 from the central and far northern areas respectively concluded mid-December, having produced at nominal flow rates.



On 19 November 2014, China's State Council unveiled the Energy Development Strategy Action Plan (2014-2020), as a precursor to the release of the 13th Five Year Plan. The stated goals of the policy are to provide more efficient, self-sufficient, green and innovative energy production and consumption. It encourages natural gas as a cleaner, more affordable and larger part of the primary energy mix in China and heavily promotes the development of domestic supply to meet the fast-growing demand. Key points of the plan include:

- encouraging a more diversified energy mix and reduce reliance on foreign supply;
- boosting energy self-sufficiency to 85%;
- increase the share of natural gas from 5 to 10% in the energy mix;
- reducing the reliance on coal by capping usage in the energy mix from 66% to 62%;
- establishing 8 new natural gas hubs capable of producing 10bcm per annum each; and
- producing 30bcm per annum from unconventional gas sources.

The Company wishes to further clarify the announcement made on 17 December 2014, regarding the Joint Announcement by its joint venture partner, MIE Holdings Corporation (MIE), and China Oil and Gas Group Limited (COG) to the Stock Exchange of Hong Kong. The Cooperation Framework Agreement referred to in the announcement paves the way for the expansion of the gas distribution and transportation network in the region and will procure gas from provincial suppliers. The Company welcomes the potential opportunity to sell gas from Linxing into a new market and looks forward to working with MIE and COG to derive any mutual benefits and synergies that can be achieved for the Ordos Basin assets.

2014 has been a landmark year for Sino Gas with the achievement of first gas production from its pilot testing program, significantly increasing single well productivity and preparing Chinese Reserve Reports ready for submission. Our gas price has minimal direct exposure to the oil price, allowing us to be resilient to the recent turmoil in global energy markets. The Company is strongly positioned as we move into 2015, with our focus firmly on maximizing production and delivering on the operational milestones that position us for full field development. We thank you for your support in 2014 and look forward to a successful year ahead.



Commissioning of equipment on the Qiaojia Shan central gathering station



Laying of 100 MMscf/day third-party spur pipeline over 90% complete on Linxing

ABOUT SINO GAS & ENERGY HOLDINGS LIMITED

Sino Gas & Energy Holdings Limited ("Sino Gas" ASX: SEH) is an Australian energy company focused on developing Chinese unconventional gas assets. Sino Gas holds a 49% interest in Sino Gas & Energy Limited ("SGE") through a strategic partnership completed with MIE Holdings Corporation ("MIE" SEHK: 1555) in July 2012. SGE has been established in Beijing since 2006 and is the operator of the Linxing and Sanjiaobei Production Sharing Contracts (PSCs) 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 second largest onshore oil and 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.



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SINO GAS' RESERVES & RESOURCES

Sino Gas' Attributable Net Reserves & Resources are summarised below:

Sino Gas' Attributable Net Reserves & Resources	1P RESERVES (Bcf)	2P RESERVES (Bcf)	3P RESERVES (Bcf)	2C CONTINGENT RESOURCES* (Bcf)	P50 PROSPECTIVE RESOURCES* (Bcf)	EMV ₁₀ (US\$m)
31 December 2013	129	291	480	850	1,023	2,258
31 December 2012	32	94	199	653	885	1,556
CHANGE (+/-)%	+211% (2P Reserves)			+30%	+16%	+45%
Total Project	466	1,068	1,786	2,941	3,978	N/A

*Note: Contingent and Prospective Resources have not been risked for the risk of development and discovery. The estimated quantities of petroleum may potentially be recovered by the application of future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration and appraisal is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

Sino Gas' share of the project's success case Net Present Value ("NPV") and risk weighted EMV are summarised below:

SINO GAS' ATTRIBUTABLE ECONOMIC VALUE	NPV ₁₀ (US\$m)	EMV ₁₀ (US\$m)
Reserves	625	653
Contingent Resources	828	754
Prospective Resources	1,350	851
TOTAL		2,258

RESOURCES STATEMENT & DISCLAIMER

The statements of resources in this release have been independently determined to Society of Petroleum Engineers (SPE) Petroleum Resource Management Systems (PRMS) standards by internationally recognized oil and gas consultants RISC (Announced 4 March 2014) using probabilistic estimation methods. These statements were not prepared to comply with the China Petroleum Reserves Office (PRO-2005) standards or the U.S. Securities and Exchange Commission regulations and have not been verified by SGE's PSC partners CNPC and CUCBM. EMV is the probability weighted net present value (NPV), including the range of project NPVs and the risk of the project not progressing. Project NPV₁₀ is based on a mid-case wellhead gas price of \$US8.79/Mscf and lifting costs (opex+capex) of ~US\$1.5/Mscf for mid-case Reserves, Contingent & Prospective Resources. All resource figures quoted are unrisks mid-case unless otherwise noted. Sino Gas' attributable net Reserves & Resources assumes PSC partner back-in upon ODP approval, CBM Energy's option to acquire an interest of 5.25% in the Linxing PSC (by paying 7.5% of back costs) is exercised, and MIE fulfil funding obligations under the strategic partnership agreement. Reserves & Resources are net of 4% in-field fuel for field compression and field operations. Reference point is defined to be at the field gate. No material changes have occurred in the assumptions and subsequent work program exploration and appraisal results have been in line with expectations.

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.

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 additional funding requirements, gas prices, exploration, acquisition, development and operating risks, competition, production risks, regulatory restrictions, including environmental regulation and liability and potential title disputes. 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 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.

COMPETENT PERSONS STATEMENT

Information on the Resources in this release is based on an independent evaluation conducted by RISC Operations Pty Ltd (RISC), a leading independent petroleum advisory firm. The evaluation was carried out by RISC under the supervision of Mr Peter Stephenson, RISC Partner, in accordance with the SPE-PRMS guidelines. Mr Stephenson has a M.Eng in Petroleum Engineering and 30 years of experience in the oil and gas industry. RISC consents to the inclusion of this information in this release.