SINO Gas & Energy
www.sinogasenergy.com

Q4

QUARTERLY ACTIVITIES REPORT

WORK PROGRAM

- **First pilot gas sales achieved from both PSCs through Sanjiaobei central gathering station. December production averaged 4.1 MMscf/d, with the second compressor expected to be commissioned early 2015.**
- **Chinese Reserve Reports (CRRs) submitted to Chinese partners for review on Sanjiaobei and Linxing (West).**
- **Results of successful 2014 work program (including 36 wells drilled and 40 tested) to be included in updated Reserves & Resources assessment due to be completed in Q1 2015.**
- **Linxing central gathering station on-track for commissioning mid-2015. Laying of gathering pipelines to tie-in TB-1H area wells and third-party spur line is approaching completion.**
- **Second horizontal well successfully tested at a rate of 3.7MMscf/day, with further positive testing results received from development wells on Linxing (West) up to 2.1 MMscf/day.**
- **Prospectivity in south/west of the Linxing (East) increased significantly with exploration well LXDG-03.**

FINANCIAL & CORPORATE

- **31 December cash balance of US$34.1 million (US$10 million of $50 million Macquarie debt facility drawn down).**
- **US$20.3 million paid Q4 in relation to PSC expenditure.**
- **Proportion of institutional shareholders increased to 50.6%.**

Commenting on 2014, Sino Gas' Managing Director Glenn Corrie said: "*It has been a tremendously successful year for Sino Gas, with first pipeline gas from our pilot program, negotiating a 30% increase in our gas price, identifying gas pay zones in all 36 wells drilled, successfully testing two horizontal wells and securing our first debt facility. Moving into 2015, we are looking forward to ramping up production, further expanding of our capacity and working towards key Chinese approvals. We are extremely fortunate to be situated in the Ordos Basin, enabling us to produce at a low cost while Government policies promote the development of local gas supply. China is widely expected to maintain robust gas pricing in support of recently announced initiatives and we look forward to developing the potential of the projects and helping to meet the growing gas demand.*"

2014 - 2015 PRIORITIES

Q4 2014

- ✓ Second horizontal well test results
- ✓ Sanjiaobei gas sales agreement
- ✓ First gas from Sanjiaobei pilot program
- ✓ Submit CRRs for SJB and LXW for partner review
- ✓ Linxing (East) seismic and exploration drilling

Q1 2015

- Independent Reserves & Resources update
- Infield development drilling and testing
- Connection of additional pilot wells

Q2 2015

- First gas sales from Linxing pilot program

Q3/Q4 2015

- Submission of ODP on Linxing East
- CRR approvals anticipated

WORK PROGRAM

The 2014 work program concluded during the quarter, having drilled 36 exploration and development wells (cumulative total 94), processed 285km and acquired an additional 400km of 2D seismic (cumulative total 2,620km), and tested an additional 40 wells (cumulative total 84), including the two horizontal wells.

Technical data from the work program has been provided to RISC for the updated Reserves & Resource assessment scheduled to be completed in Q1 2015. Chinese Reserve Report compilation has concluded for Sanjiaobei and Linxing (West) in line with Chinese reserve specifications, and have been submitted to the Chinese partners for review.

Health, Safety and the Environment

A total of 1,025,000 incident free man hours were recorded during 2014. This is an exceptional HSE performance as extensive exploration, appraisal and pilot production programs were executed across both PSCs.

Pilot Program

On 1 December 2014, the Company announced a significant milestone of finalising gas sales arrangements for the pilot testing program and commencing gas sales from both blocks through the Sanjiaobei central gathering station.

Gas sales arrangements signed with a local Shanxi industrial and commercial customer increased the previously 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 2014.

Initial production commenced at approximately 3.5 million standard cubic feet (MMscf) per day and by the end of the quarter had stabilised above 4 MMscf/day. Production has been constrained to 7 from a pool of 16 wells and preparations are underway to commission a second compressor to allow additional wells to be progressively brought on-stream in early 2015.

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) and infield gathering pipelines to the south (including the pipeline to connect the first horizontal well) are approaching completion. Meanwhile land lease discussions and surveying are underway to make way for the laying of gathering lines to the TB-26 area in the north/west portion of the block.

Significant improvement in testing results were recorded during the quarter from a number of development wells earmarked for the pilot program, which flowed at rates of between 0.7-2.1 MMscf per day on Linxing (West). Four of these wells flowed at rates above 1.0 MMscf/day, with the highest at LXW3-5 flowing at 2.1 MMscf (well head pressure 1,117 psi). These wells are planned to be connected to the pilot program in 2015.

Construction of facilities on the Linxing (West) Central Gathering Station.

Linxing (West) - Sino Gas 31.7%[1]

Shanxi Province, People's Republic of China

Development drilling continued during the quarter with two wells completed in the north/west portion of the block. Following the successful drilling and testing of TB-26 (announced 19 June 2014), which flowed at a measured rate of 1.2 million standard cubic feet (MMscf) per day from an unfracced lower zone, encouraging drilling results were received from the third well drilled within its vicinity on the north/west portion of Linxing (West). Initial electric wireline logs from TB-26-3 identified 33.2 metres of gas bearing sands, approximately 2km from TB-26. In addition, the well drilled in the vicinity of TB-23, which flowed at a measured rate of over 2 MMscf/day from a middle level zone (announced 6 August 2014), encountered 17 metres of net pay.

The second horizontal well, TB-2H, was successfully tested during the quarter. The objective of the well was to demonstrate the horizontal well deliverability of the reservoir in the northern area of the Linxing (West) block. After successfully drilling a 1,200 metre horizontal section, a seven-stage frac job was conducted in a 7.8 metre vertical pay zone. The test achieved a sustained flow rate of 3.7MMscf/day at a relatively stable flowing tubing head pressure of 1,494psi. This rate was surface constrained and based on the expected field operating conditions at 200psi, the well is estimated to be able to deliver a production rate of over 5.1 MMscf/day. Refer to announcement made on 27 October 2014 for further details.

Interpretation of the 2D survey completed in 2014 is being used to target further exploration and development drilling. The updated interpretation and maps have also been provided to RISC as input into the forthcoming Reserves & Resources assessment.

Linxing PSC (East) - Sino Gas 31.7%[1]

Shanxi Province, People's Republic of China

The second exploration well for the 2014 work program completed drilling during the quarter at LXDG-03, encountering of 86.6 metres of net pay in the south/west portion of the block. The logs identified a particularly prospective middle level pay zone, where a 13 metre section of good quality gas bearing sands was intersected.

The results of the two deep exploration wells drilled during 2014 on Linxing (East) will be used in the forthcoming updated Reserves & Resources assessment scheduled to be concluded in Q1 2015. These results dramatically improve the prospectively of the southern area of the Linxing (East) block and testing, as well as further drilling, is planned during 2015 to further explore and appraise the deeper resource potential in Linxing (East).

A total of 280km of 2D seismic, which was originally planned for the 2015 work program on Linxing (East), was acquired during the quarter in order to complete processing and interpretation prior to spring 2015 when the drilling window re-opens.

Following the receipt of official notification that the CRR submitted on Linxing (East) for the coalbed methane resource has been approved by the Ministry of Land & Resources (MOLAR), preparation for the ODP has commenced for this area and is on schedule. The CRR forms the basis of the ODP which, once approved, allows the commencement of commercial development for that specified resource. Dewatering operations continued during the quarter.

Sanjiaobei PSC - Sino Gas 24%[1]

Shanxi Province, People's Republic of China

The 2014 drilling program concluded with the second of the two additional wells drilled in the western portion of the block reaching total depth. A total of 27.6 metres of net pay was encountered during drilling. Four wells were drilled on the block in 2014, consisting of two explorations and two pilot production well, bringing the total number of wells drilled on Sanjiaobei to 34.

Data acquisition for 120km of additional seismic lines concluded during the quarter, with the aim of expanding the denser seismic grid further to the east of the block.

Laying of the third party spur pipeline and initial gathering lines on Linxing (West) is approaching completion.

[1]Refer to page 6 for additional disclosure on Sino Gas' Production Sharing Contracts.

CORPORATE

Management

In December the Company announced that Glenn Corrie would be appointed to the Board of Sino Gas as Managing Director, effective 1 January 2015.

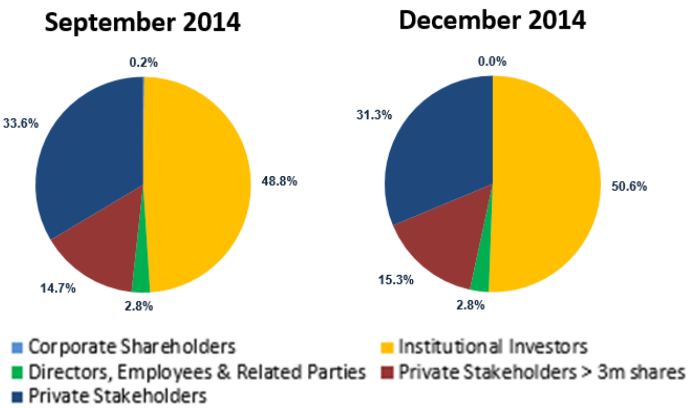
Commenting on the appointment, Sino Gas Chairman, Philip Bainbridge said "On behalf of myself and the Board, we look forward to working with Glenn in his new capacity to manage the development of the Company's assets and deliver shareholder value."

Investor Relations and Marketing

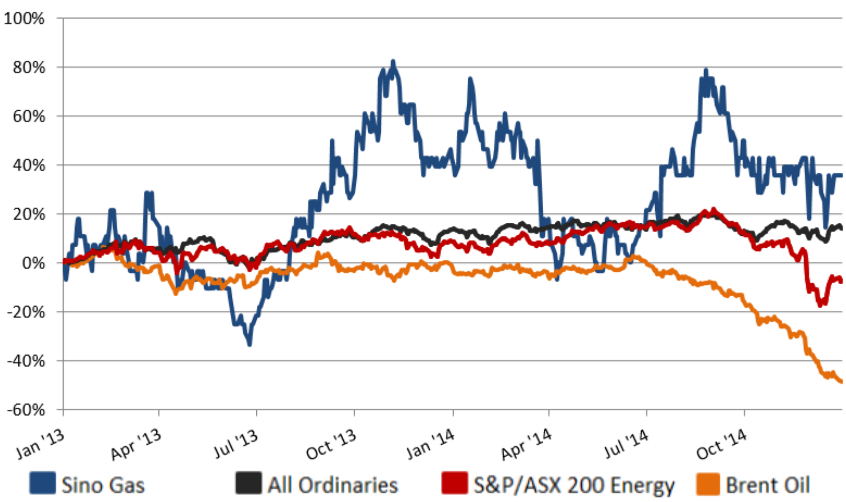
Following the recent changes to the board and management team, the Company has increased its engagement with the Australian and Asia-Pacific investment community during the quarter. A number of analysts and investors attended a site visit held by the Company during November. The Company has also revamped its website, which can be accessed at www.sinogasenergy.com.

Share Register

During the final quarter of 2014, the Company's shareholder register continued to evolve, with a number of new and existing institutional shareholders increasing their holdings during the period. As result the percentage of institutional shareholders increased to 50.6%, compared to 48.8% at the end of the third quarter (Q2: 41.4%).



Sino Gas Share Price Performance (ASX:SEH)



FINANCIAL

Financial Position

Sino Gas' cash position at the end of the quarter was approximately US$34.1 million. The Company has drawn down US$10 million of the $50 million Macquarie debt facility.

Project Funding

Following completion of the US$90 million funding commitment by MIE Holdings Corporation during the second quarter, Sino Gas was cash called for US$20.3 million in relation the qualifying PSC expenditure (YTD: US$24.9 million) of Sino Gas & Energy Limited (SGE). In addition, Sino Gas contributed $68,600 (YTD: US$640,750) to its share of SGE's non-qualifying expenditure for general and administration costs.

Project Revenue

SGE recorded approximately US$1.15 million in allocated revenue from 135 million standard cubic feet of gas production (MMscf) to 31 December 2014.

Options Lapsed

Subsequent to the end of the quarter, on 24 January 2015, five million unlisted options issued to Argonaut Securities lapsed in accordance with their vesting terms and conditions. The options lapsed as the vesting condition of maintaining a closing share price of $0.25 for a continuous 30 day period had not been met. Refer to Appendix 3B issued on 16 February 2012 for further details on the vesting conditions.

CHINA GAS INDUSTRY UPDATE

Development Strategy Action Plan

On November 19, 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 is seen to provide continued support to promoting natural gas as a cleaner and more affordable part of the 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 eight new natural gas hubs capable of producing 10bcm per annum each; and
- producing 30bcm per annum from unconventional gas sources.

China Energy Policy Developments

China's gas prices are set by the National Development & Reform Commission (NDRC). In setting domestic gas prices, the NDRC's stated goals are to incentivise domestic gas production, limit loses on imported natural gas and encourage adoption of natural gas over coal and oil. The NDRC has implemented two material gas price increases since 2013 in support of these goals which have flown through to our realised gas price at the wellhead. The Central Government is widely expected to maintain robust gas pricing in support of recently announced initiatives, despite the current weak oil price environment.

SUPPLEMENTARY INFORMATION

Historical testing results by zone (2006—2014)

Zone	Well Tests	Average Thickness (m)	Average Test Length (Days)	Average Flow Rate (Mscf/day)	Max Flow Rate (Mscf/day)
Upper Zone	9	4.6	13	796	2,901
Mid-Upper Zone	21	7.4	16	353	969
Middle Zone	13	6.4	25	241	708
Mid-Lower Zone	7	5.4	23	518	2,542
Lower Zone	4	5.5	19	621	1,663
Comingled	16	21.0	23	731	2,569
Horizontal Wells (Middle Zone)	2	N/A	2	7,442	9,775

Note: Results have been standardised to a standard field pressure of 200psi.

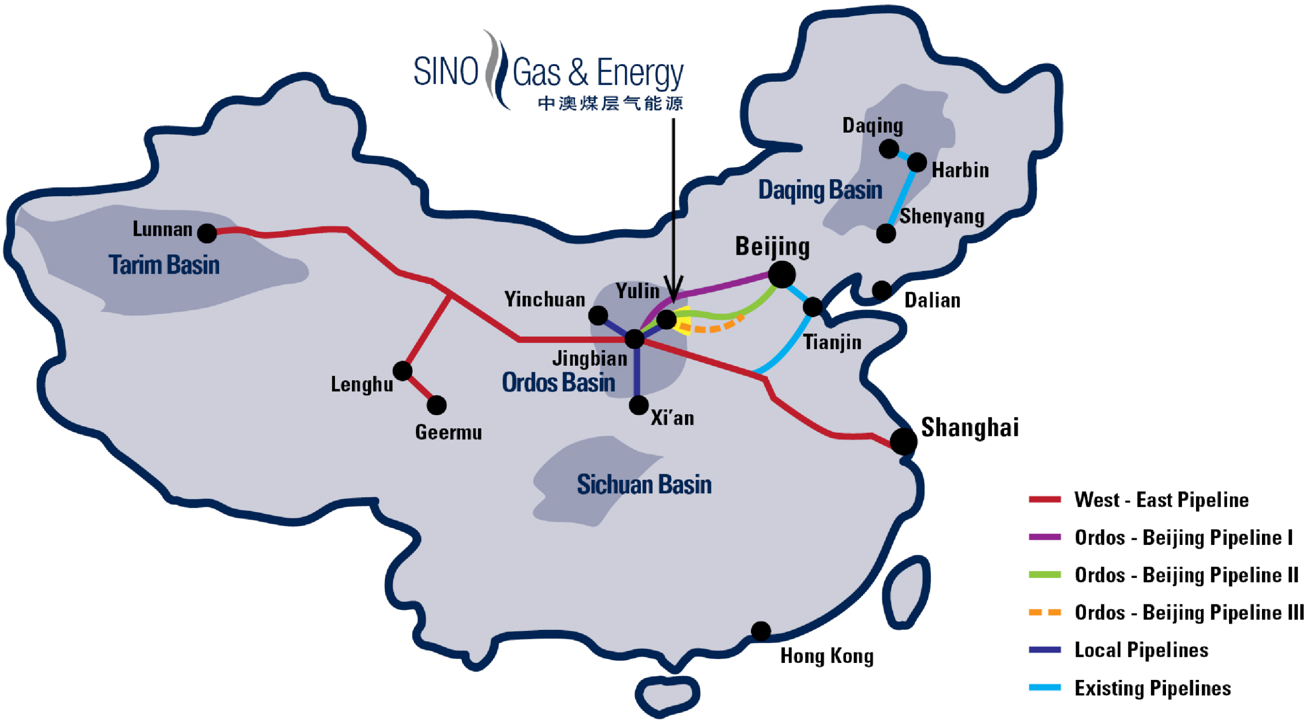
ABOUT SINO GAS & ENERGY HOLDINGS LIMITED

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.



Sino Gas & Energy Holdings Limited

Investor Relations

+86 10 8458 3001

1300 746 642 (local call within Australia)

ir@sinogasenergy.com

Our latest announcements and presentations can be found on our website:

www.sinogasenergy.com

RESERVES AND RESOURCES

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

SINO GAS' ATTRIBUTABLE NET RESERVES AND 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 (Announced 4 March 2014)	129	291	480	850	1,023	2,258
31 December 2012 (Announced 20 March 2013)	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 NPV_{10} 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 unrisked 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.

About RISC

RISC is an independent advisory firm that evaluates resources and projects in the oil and gas industry. RISC offers the highest level of technical, commercial and strategic advice to clients around the world. RISC services include the preparation of independent reports for listed companies in accordance with regulatory requirements. RISC is independent with respect to Sino Gas in accordance with the Valmin Code, ASX listing rules and ASIC requirements.