







29 June 2015

SINO GAS OPERATIONAL UPDATE

-  Linxing Central Gathering Station construction complete and commissioning underway ahead of planned first gas in July.
-  Initial 7 wells, including TB-1H, tied in with additional wells to be connected during the second half.
-  Pilot production from Sanjiaobei Central Gathering Station continues to perform well.
-  2015 drilling and testing program well underway with 11 development wells, including the TB-3H horizontal well, and 2 exploration wells drilled and 5 well tests performed. Improved drilling/services rates and continued efficiency improvements driving ongoing reductions in costs.
-  Planning works underway for expansion of processing facilities later in 2015.
-  Substantial progress made on remaining commercial issues to allow facilitation of gas sales payments to flow through to Joint Venture company.

Sino Gas & Energy Holdings Limited (ASX: SEH, “Sino Gas” or the “Company”) is pleased to provide the following operational update ahead of the more detailed 2015 Second Quarter Activities Report, to be released to the market in July.

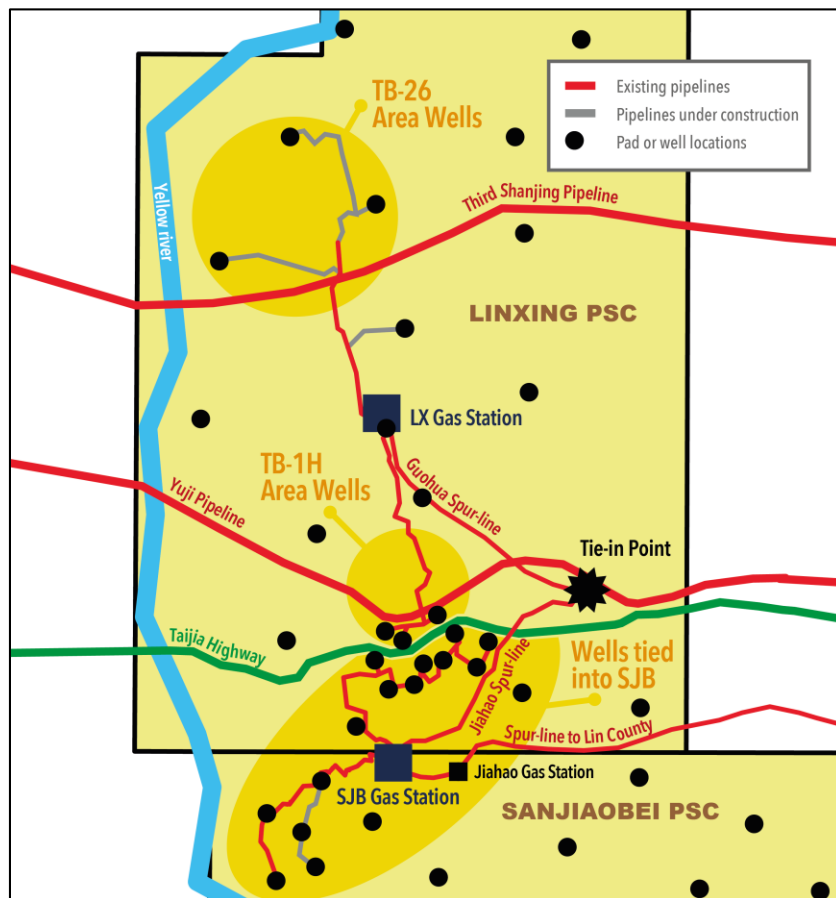
Linxing Central Gathering Station Progress

Progression of the Linxing Central Gathering Station (CGS) has continued according to plan. Construction is now complete and commissioning operations have commenced ahead of first gas expected in July as previously indicated. Gathering lines for the first batch of wells to be tied into the Linxing CGS have also been completed. The 7 wells to be initially tied in will be from south of the Linxing CGS and include TB-1H, the first horizontal well drilled in 2013 and tested in 2014 at a rate of 4.93 Million standard cubic feet per day (MMscf/d) (refer to announcement 15 July 2014). While recent heavy rain has caused some interruption to work required to finalise the installation and hook-up of the third-party spur-line to the regional export line installed by the local gas buyer, GuoHua, subject to weather in the coming weeks, this is anticipated to be completed early-July.

Pilot gas sales from the Linxing CGS are anticipated to commence following completion of commissioning activities. Commissioning operations consist of pressure testing all connections and testing of each individual major component such as generators, separators and compressors to ensure a safe and steady commencement of gas sales.

Work is ongoing on the gathering lines which will connect the next batch of wells to be tied into the Linxing CGS as we seek to ramp up production in the second half of 2015 towards total installed capacity across the two PSCs of 25 MMcf/d. This includes the TB-26 well, TB-23 well and surrounding wells. These wells are expected to be brought onstream in the third quarter. A map showing the location of these wells and gathering lines relative to the central gathering stations is included below.

Map of Key Infrastructure in Linxing and Sanjiaobei PSCs



Sanjiaobei Central Gathering Facility

Pilot production at the Sanjiaobei CGS continues to progress well with limited facility downtime and strong well performance. Production to 24 June 2015 has increased up to peak rates of ~6 MMscf/d and has averaged ~4.3 MMcf/d during 2Q15 to date. Initial start-up and commercial issues downstream of Sino Gas' operations have meant gas offtake volumes has lagged behind available well and CGS capacity. However, it is anticipated these issues should be resolved shortly, allowing production to increase towards processing capacity at the Sanjiaobei CGS. With almost 7 months of production data, individual well results continue to show strong performance, providing ongoing reinforcement of the geological model.

2015 Drilling, Testing and Seismic

The 2015 drilling and testing program of 18 vertical/deviated development wells, 3 horizontal wells and 8 exploration wells is well underway with 11 development wells completed drilling, 2 development wells currently drilling and 2 exploration wells drilled. The two exploration wells, LXDG-4 and LXDG-5, were both drilled in the prospective area of Linxing East and discovered 32m and 10m of net gas pay, respectively.

Testing has also commenced with 5 tests concluded so far and 6 currently underway. In the discovered area, test results are in line with expectations, ranging from ~240 thousand cubic feet per day (Mscf/d) to ~1,000 Mscf/d (including one co-mingled test). Testing is ongoing in the prospective area in Linxing East on LXDG-3. Nominal flow rates were recorded from the first zone tested with additional zones yet to be tested.

Drilling of the third horizontal well on Linxing West, TB-3H, drilled near the TB-26 well, has successfully concluded. A 1,080 meter lateral section was drilled with excellent net to gross sands being recorded. Results of the well are currently being evaluated to design the fracturing and completion program. Testing is expected in the third quarter with exact timing subject to testing equipment sequencing across the blocks.

Approximately two thirds of the planned 600km seismic program has been acquired on the southwest portion of Linxing East and central portion of Sanjiaobei. Preliminary results from the seismic already acquired was used to help select the drilling locations on Linxing East and are also being incorporated into subsurface modelling.

Engineering and Design work has commenced for the planned expansion of processing facilities in late 2015.

Cost Efficiencies

In 2015, the drilling program to date has achieved a ~10% reduction in average costs for vertical and deviated wells compared to the 2014 full year average. This is due to a combination of improved drilling and service costs as a result of subdued activity levels in China driven by lower oil prices as well as ongoing efficiency improvements. The efficiency improvements are even more significant on the horizontal wells where the most recent well, TB-3H, was drilled approximately 30% faster than the first horizontal well, TB-1H. While final costs of the well will depend on the fracturing and completion program, it is currently anticipated TB-3H will cost approximately 20% less than TB-1H.

Gas Sales Proceeds

Significant progress has been made towards resolving the outstanding commercial matters to complete the payment process for gas sales proceeds to flow through to the Joint Venture company. During this start-up phase, various governmental approvals are required in the People's Republic of China (PRC) to allow for transfer of funds from the PSC Partners to the Joint Venture company. There are no significant impediments and the Joint Venture company is awaiting payment of its allocated share of the gas sales. Sino Gas is actively working with all relevant stakeholders pursuing these approvals and it is expected that a lump sum settlement for gas supplied since the start-up of pilot production will be received once resolved. Once in steady-state operations, in accordance with the Gas Sales Agreements, gas proceeds will be paid one month in advanced based on the volume of gas nominated to the gas buyers.

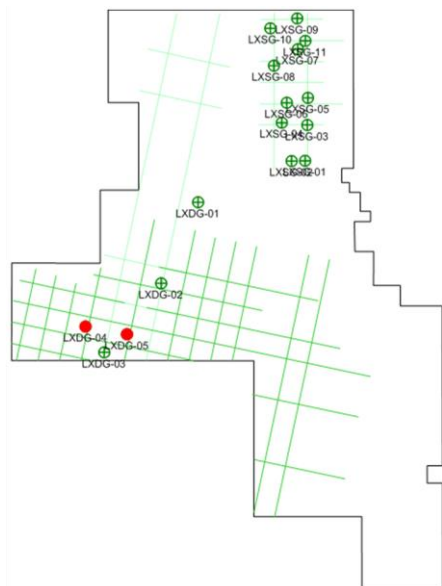
China Natural Gas Market

Given recent instability in global energy markets, the Company is well positioned in China as a low cost natural gas supplier where the Government is showing continued support for policies to promote the development of local gas supply. Contracted gas sale prices have remained steady to increased slightly in the first half of 2015. China is widely expected to maintain robust gas pricing in support of the continued development of domestic supply, and while a moderate decrease in gas prices in the short to medium term to help stimulate natural gas demand growth remains a possibility, it is not anticipated changes to regulated gas prices in China would have a material impact on the budgeted or operational plans of the Company.

Commenting on recent operations, Managing Director Mr Glenn Corrie said: *"We are very pleased to report strong operational progress on our assets and that this has progressed according to the plan we have previously communicated to our Shareholders. We look forward to the imminent commencement of commercial gas sales from the Linxing CGS following the completion of a safe and efficient commissioning process and the ramp-up in production thereafter. While final resolution of the minor outstanding commercial issues to allow cash payments to be made to the Joint Venture company have taken slightly longer than anticipated, the Board is confident these issues are a routine part of start-up operations in China and we do not foresee any significant risk to a successful resolution to these issues. We anticipate these issues should be resolved shortly, allowing cash payment for the gas production to date."*

Exploration disclosures for the drilling of LXDG-04 and LXDG-05 is detailed below.

Exploration Disclosure	Drilling Result	Drilling Result
(a) The name and type of well.	LXDG-04 (Vertical Well)	LXDG-05 (Vertical Well)
(b) The location of the well and the details of the permit or lease in which the well is located.	Linxing Production Sharing Contract (PSC). Refer to map below.	
(c) The +entity's working interest in the well.	31.70%	
(d) If the gross pay thickness is reported for an interval of conventional resources, the net pay thickness.	Electric wireline logs identified 31.7m of net pay	Electric wireline logs identified 10.2m of net pay
(e) The geological rock type of the formation drilled.	Coal bearing formations from the Permian to Carboniferous System.	Coal bearing formations from the Permian to Carboniferous System.
(f) The depth of the zones tested.	Testing program not yet determined.	Testing program not yet determined.
(g) The types of test(s) undertaken and the duration of the test(s).		
(h) The hydrocarbon phases recovered in the test(s).		
(i) Any other recovery, such as, formation water and water, associated with the test(s) and their respective proportions.		
(j) The choke size used, the flow rates and, if measured, the volumes of the hydrocarbon phases measured.		
(k) If applicable, the number of fracture stimulation stages and the size and nature of fracture stimulation applied.		
(l) Any material volumes of non-hydrocarbon gases, such as, carbon dioxide, nitrogen, hydrogen sulphide and sulphur.		
(m) Any other information that is material to understanding the reported results.		



Historical testing results by zone (2006-24 June 2015)

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	717	2,901
Mid-Upper Zone	22	7.5	16	353	969
Middle Zone	13	6.4	25	241	708
Mid-Lower Zone	8	5.2	21	486	2,542
Lower Zone	5	5.4	19	583	1,663
Comingled	18	20.2	20	694	2,569
Horizontal Wells (Middle Zone)	2	N/A	2	7,442	9,775

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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 unconventional gas assets in China. 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.

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.

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.