SINO Gas & Energy

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Q3

QUARTERLY ACTIVITIES REPORT

WORK PROGRAM

- **First supply of gas from Linxing Central Gathering Station (CGS)** Eight wells have been tied into the Linxing CGS from south of the CGS including the first horizontal well, TB-1H. The initial start-up rate was approximately 8 MMscf/d. Survey work has commenced for a third CGS to the north of the Linxing (West) acreage near TB-2H.
- **Steady pilot production performance** - Sanjiaobei CGS produced at an uptime average rate of 4.1 MMscf/day. Production uptime was limited to 55% during the third quarter, due to the shut-down required for the Linxing CGS tie-in and to allow the finalisation of discussions to recommence production at full station capacity of 8 MMscf/d.
- **Work program moves forward** - 17 wells drilled year to date, including 3 exploration wells, 12 vertical development wells and 2 horizontal wells.
- **Record flow test results recorded on Linxing and Sanjiaobei** - SJB23-D1 tested at a flow rate of 1.8 MMscf/day from an unstimulated low level zone on Sanjiaobei, while LXDG-04 recorded a flow rate of over 600 Mscf/day from a middle level zone on Linxing (East). The average test rate on Linxing (West) has increased over 20% from prior year, including five testing results from unstimulated zones. A combination of optimised well positioning, improved stimulation techniques and enhanced reservoir management in 2015 has seen the best performing wells recording flow rates of consistently over 1.0 MMscf/day per well.

FINANCIAL & CORPORATE

- **US$17.4 of US$45 million capital budget paid to the joint venture operator in 2015** – Portion of remaining Sanjiaobei development drilling, facility expansion and exploration program under consideration to be rolled forward to next year, while focus remains on the tie-in of additional wells and ramping-up existing production.
- **Cash balance as at 30 September 2015 of US$72.4 million.**

Commenting on the third quarter, Sino Gas' Managing Director Glenn Corrie said: "In the third quarter, our key focus was finalising work necessary to bring on the Linxing CGS and continuing to advance towards receipt of our gas sales proceeds. I'm pleased to report we made substantial progress on both fronts, with the Linxing CGS coming online shortly after the end of the quarter, and additional interim approvals obtained on receiving the gas sales proceeds. We continue to be encouraged by the technical data coming from the pilot program and are using this data to plan further expansion of the pilot program in 2016 and moving towards full field development in 2017 and beyond to unlock the substantial underlying value of our assets.

2015 PRIORITIES

COMPLETED

- ☑ Independent Reserves & Resources update
- ☑ Infield development drilling and testing
- ☑ Connection of additional pilot wells - 24 wells currently tied in across both PSCs
- ☑ Strengthened balance sheet through Equity Placement
- ☑ First gas from Linxing Central Gathering Station

IN PROGRESS & UPCOMING

- ☐ Continued exploration drilling/ testing
- ☐ Tie-in of additional production from TB-26 area
- ☐ Testing of third and forth horizontals (TB-3H & TB-4H)
- ☐ Surveying & ordering long lead items for additional processing capacity
- ☐ Gas sales proceeds
- ☐ CRR approvals

WORK PROGRAM

Health, Safety and the Environment

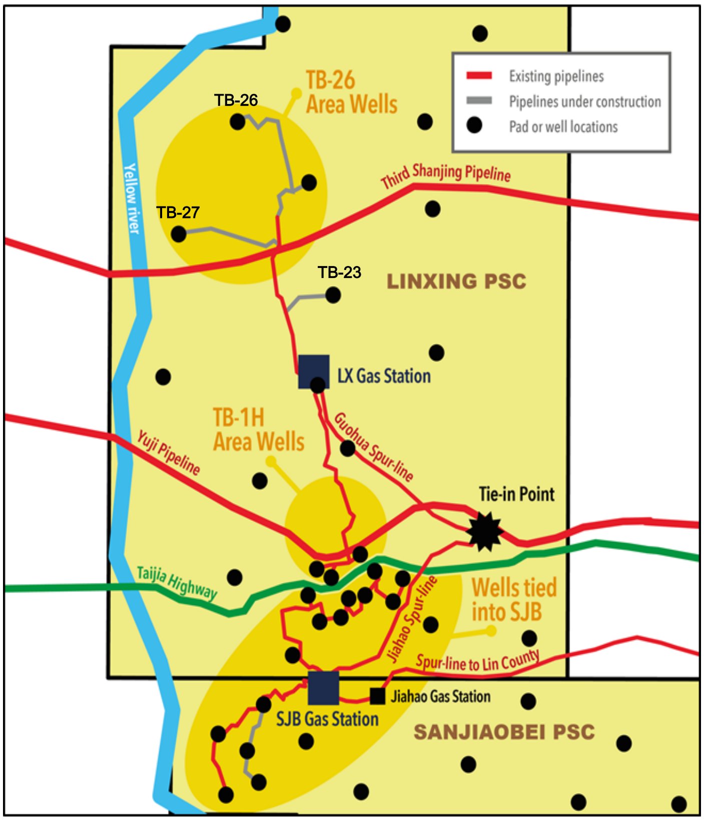
Over 365,000 Lost Time Injury free hours have been recorded during the first three quarters conducting the drilling and testing programs, along with the commissioning of the Linxing CGS. One first aid case was reported off-site.

Pilot Program

In mid-October, the Company announced the delivery of first natural gas from the Linxing CGS. Eight wells have been tied into the Linxing CGS from south of the CGS including the first horizontal well, TB-1H. Upon start-up, six wells were on-stream, producing approximately 8 million standard cubic feet per day (MMscf/d) of out of a total station capacity of ~17 MMscf/day. Additional wells are expected to be brought on over the remainder of the fourth quarter to further ramp-up production, in particular from the TB-26 area north of the CGS.

Linxing is Sino Gas' second CGS in the Ordos Basin as part of its pilot production program and its start-up represents another significant milestone in the progressive de-risking of the Company's assets in the region as it moves towards full field development. Refer to the map below of key infrastructure and wells to be tied in.

Sino Gas' Chairman Philip Bainbridge and Managing Director Glenn Corrie celebrate Linxing commissioning along with representatives of the Australian Government



Map of Key Infrastructure in Linxing and Sanjiaobei PSCs

Surveying is underway for a third CGS (with ~18 MMscf/day capacity) in the northern area of Linxing (West) to utilise the existing/potential gas volume in the TB-2H area. The operations team plans to finish the surface construction design and land acquisition work in 2015.

Since start up of production, a temporary shutdown of the Linxing CGS was necessary to remedy a residual issue from the September maintenance activities on the Yuji pipeline. This has been successfully concluded and Linxing CGS brought back online without incident.

During the quarter, the Sanjiaobei CGS produced at an average uptime rate of 4.1 MMscf/day. Production from the Sanjiaobei CGS was limited this quarter by the shut-down required for the Linxing tie-in. Gas sales discussions are being finalised to recommence and increase production to the full station capacity of 8 MMscf/d. For strategic reasons, the recommencement of production may be slightly delayed to allow the value of gas sales to be maximised with a short-term uplift in demand anticipated prior to the onset of the northern hemisphere winter.

Linxing (West) - Sino Gas 31.7%

One horizontal and two vertical development wells expected to be connected to Linxing CGS completed drilling during the quarter.

One of the vertical wells drilled is located in the north/west of the block in the vicinity of prolific TB-26 (refer to map on page 2), while the other is in the southern pilot region in close proximity to the Linxing CGS.

The fourth horizontal well completed drilling in late September within the vicinity of TB-23 (refer to map on page 2). Drilling was completed in the same time as TB-3H, with the 1,184 metre lateral section being the longest drilled to date on the project by 10%. Due to strong gas shows detected during drilling near the total depth, the decision was made to continue drilling to penetrate the additional payzone. Results of the well are currently being evaluated along with the third horizontal well while fraccing and completion programs are being designed. Despite some minor delays, Sino Gas is working to expedite the testing of these wells as scheduled before the end of the year.

Testing and production tests ramped-up in the discovered area, with thirteen zones completing testing while another two are ongoing. Key production testing results included:

- Majority of testing results continue to be in line with expectations, with nine wells testing in the range of ~330 thousand cubic feet per day (Mscf/d) to ~1,000 Mscf/d.
- Two production wells recorded gas flow rates of ~250 Mscf/day from unstimulated zones.
- TB-27 continued to show strong performance from an unstimulated upper reservoir unit, recording flow rates of 1.5 MMscf/day after five days of testing.
- TB26-1 recorded flow rates of almost 1.0 MMscf/day from three co-mingled zones. Nominal testing results of under 100 Mscf/day were recorded from two wells on the TB-26 pad in middle to lower level zones, however further testing is planned to enable these zones to be co-mingled with the more prolific upper zones.

Linxing (East) - Sino Gas 31.7%

Promising exploration results continued to be received from the deep gas area of Linxing (East):

- Drilling at LXDG-06 identified 57.8 meters of net pay, while fraccing operations and flow rate testing were underway on four wells.
- LXDG-04 which encountered 32 meters of net pay during drilling in Q2, recorded a flow rate of over 600 Mscf/day from a middle level zone, the highest recorded from a deep exploration well to date on Linxing (East). Further perforation of the well has been conducted, with gas flow being identified from an unfracced zone.
- LXDG-03 tested at a rate of 188 Mscf/d from a middle-lower level zone and is currently producing at 165 Mscf/d after a month of long term testing. Meanwhile, testing operations have commenced on LXDG-05 and LXDG-06.

All new results will be used to update the Company's Reserves and Resource figures upon completion of the 2015 work program. Refer to additional exploration disclosure on page 6 for further details.

Furthermore, surveying for an additional 160km of seismic lines is expected to commence in Q4, with acquisition scheduled to take place over the winter months.

Preparation for the Overall Development Plan (ODP) continued for the shallow area in the north/east of the block during the quarter. Planning is underway to provide further data to support the submission, however drilling is not expected to commence this year whilst drilling activities are focused on building up well stock to supply the existing pilot production programs. Once data has been collected from these additional wells, an economic assessment will be conducted as a part of the plan and a final investment decision made on the future development of the area.

Production facilities at the Linxing Central Gathering Station.

Sanjiaobei PSC - Sino Gas 24%

Four wells on the SJB23 pad were perforated during the quarter, of which SJB23-D1 tested at a flow rate of 1.8 MMscf/day from an unstimulated low level zone. Surface work preparation is planned to connect the wells into the pilot program before year end.

Processing and interpretation of 120km of seismic lines acquired during 2014 has been completed, allowing the data to be used for optimizing new exploration well locations.

CORPORATE

Investor Relations and Marketing

The company continued its ongoing engagement with the investor community with meetings with individual and institutional investors in Australia, Asia and Europe during the quarter. The company also participated in two conferences, the JP Morgan 2015 Global Oil & Gas Investor Conference in London and the Oil & Gas Council's China Assembly in Beijing. The company hosted members of the media and Australian government representatives along with the Board, local stakeholders and partners at our operations in Shanxi province to celebrate the commissioning of the Linxing Central Gathering Station.

Sino Gas is the first Australian company to produce and sell natural gas from unconventional reservoirs in mainland China and its work in the region has been recognised by representatives of the Australian Government, including the Australian Ambassador to China, HE Frances Adamson and the recently appointed Minister for Resources, Energy and Northern Australia, the Hon Josh Frydenberg. Minister Frydenberg has sent a letter of congratulations to Sino Gas on the commissioning of the Linxing Central Gathering Station, a copy of which can be found on our website www.sinogasenergy.com, along with photos of our celebration of Linxing CGS commissioning.

Share Register

The share of institutional shareholders fell slightly during the quarter from 57% to 54%. The share of Directors, Employees & Related Parties' holdings increased during the quarter due to the on market purchase of approximately 3.5 million shares as well as the exercise of Performance Rights. Details of these individual transactions are available from the relevant ASX announcements.

FINANCIAL

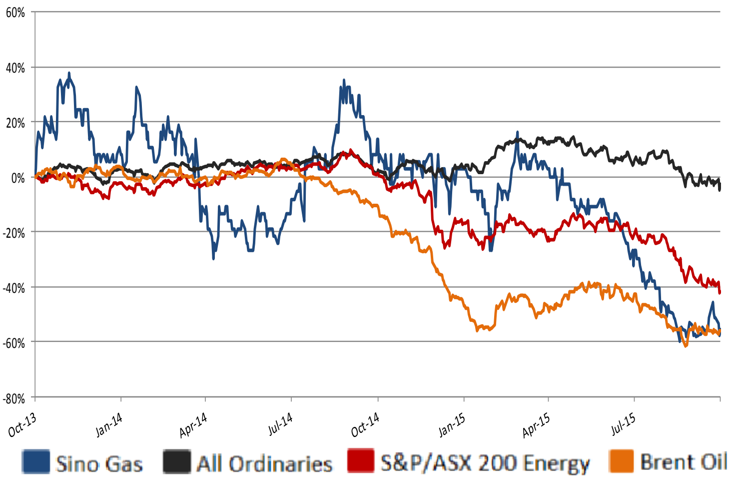
Financial Position

Sino Gas' cash position at the end of the quarter was US$72.4 million. The Company has drawn down US$10 million of the $50 million Macquarie debt facility.

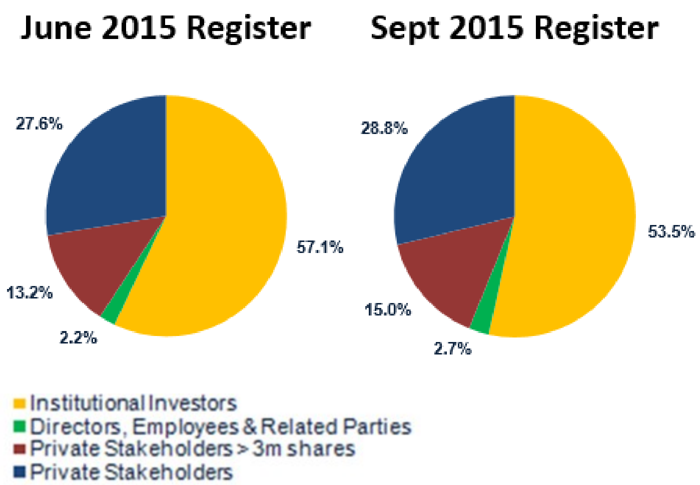
Project Funding

Sino Gas has been cash called for US$17.4 million of its US$45 million budgeted 49% share of the capital program for the nine months to 30 September. A portion of the remaining exploration, Sanjiaobei drilling and facility expansion program may be rolled forward to next year. Better than expected well performance and lower than capacity production at Sanjiaobei has resulted in lower well decline and decreased need to back-fill production with additional production wells. Work is progressing on the expansion of processing capacity with major expenditures expected in late 2015 and 2016. The remaining budgeted exploration program is currently under consideration to be rolled forward to next year. Focus remains on the tie-in of additional wells and ramping-up existing production.

Sino Gas Share Price Performance (ASX:SEH)



Share Register Composition



Project Revenue

Progress to finalise gas sales payments to the joint venture operator continues to be made with several key interim approvals received in the past month. Proceeds have started to be received by PSC partners (CUCBM and PCCBM) in relation to existing pilot production, with distributions to be made to Sino Gas & Energy Limited (SGE) once relevant approvals have been received. Sino Gas continues to work closely with all relevant stakeholders to secure the remaining outstanding approvals and continues to expect resolution of these issues by the end of 2015.

Approximately 956 million standard cubic feet has been produced for the year to 30 September, with the joint venture operator recording US$7.2 million in revenue. Final allocation to SGE will be made under the PSCs in agreement with the respective partners once relevant approvals have been received.

CHINA GAS INDUSTRY UPDATE

On 15 October 2015, the Chinese State Council announced that it intends to remove price controls across effectively all goods and services in competitive industries by 2017, with six major industries highlighted: energy, environment, farm produce, health care, public services and transportation. In relation to the energy market, the Government stated it intended to speed up the removal of price controls on natural gas. This announcement is consistent with the more market based reforms which have been undertaken in the natural gas market over the last several years in China, and has been quoted as being one of the Central Government's key overriding policy objectives. As such, this is consistent with the assumptions the Company has used in its long term planning.

Recent media reports have also stated that the National Development and Reform Commission (NDRC) is considering a revision to the regulated non-residential city gate gas price ceilings in China to help stimulate additional gas demand. Although a price change has yet to be announced, should a change occur based on the range of price cuts publically discussed, it is not anticipated that the changes to the domestic gas price would have a material impact on the budgeted or operational plans of the Company. With a strong balance sheet and low cost assets, Sino Gas is very well positioned in an environment of potentially lower natural gas prices in China.

SUPPLEMENTARY INFORMATION

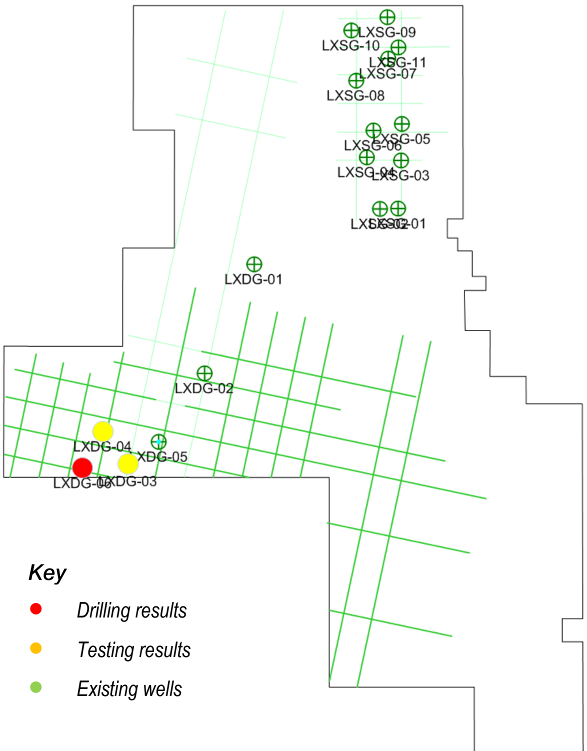
Historical testing results by zone (2006—Q3 2015)

Zone	Well Tests	Average Thickness (m)	Average Test Length (Days)	Average Flow Rate (Mscf/day)	Max Flow Rate (Mscf/day)
Upper Zone	11	4	13	833	2,901
Mid-Upper Zone	25	7	16	348	969
Middle Zone	13	6	25	242	708
Mid-Lower Zone	8	5	21	486	2,542
Lower Zone	8	4	12	453	1,663
Comingled	22	21	19	672	2,569
Horizontal Wells (Middle Zone)	2	1,160	2	7,442	9,775

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

Linxing (East) — Additional Exploration Disclosure

Exploration Disclosure	Testing Result	Testing Result	Drilling Result
(a) The name and type of well.	LXDG-03 (Vertical Well)	LXDG-04 (Vertical Well)	LXDG-06 (Deviated 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 maps below.		
(c) The +entity's working inter-	31.70%		
(d) If the gross pay thickness is reported for an interval of conventional resources, the net pay	Electric wireline logs identified 86.6m of net pay	Electric wireline logs identified 31.7m of net pay	Electric wireline logs identified 57.8m of net pay
(e) The geological rock type of the formation drilled.	Coal bearing formations from the Permian to Carboniferous System.		
(f) The depth of the zones tested.	Test target payzone at a depth of 1,557.5~1582.5m	Test target payzone at a depth of 1,669.5~1671.5m	N/A
(g) The types of test(s) undertaken and the duration of the	Fractured and gas flow tested for 5 days	Fractured and gas flow tested for 5 days	
(h) The hydrocarbon phases recovered in the test(s).	Gas	Gas	
(i) Any other recovery, such as, formation water and water, associated with the test(s) and	None	None	
(j) The choke size used, the flow rates and, if measured, the volumes of the hydrocarbon phases measured.	Choke size 5mm. Post-frac test gas rate was 188 Mscf/d with well head pressure of ~116psi.	Choke size 5mm. Post-frac test gas rate was 608 Mscf/d with well head pressure of ~174psi.	
(k) If applicable, the number of fracture stimulation stages and the size and nature of fracture	Two stages	One stage	
(l) Any material volumes of non-hydrocarbon gases, such as, carbon dioxide, nitrogen, hydrogen sulphide and sulphur.	Gas sample from tested pay zone shows CH_4 94.463%, C2~C6 5.365%, CO_2 0.172%.	Gas sample from tested pay zone shows CH_4 98.654%, C2~C6 0.819%, CO_2 0.527%.	
(m) Any other information that is material to understanding the reported results.	None	None	



Linxing (East) - Drilling & Testing Locations

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 3,000km^2. 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

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

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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[1] (Bcf)	EMV_{10} (US$m)
31 December 2014 (Announced 3 March 2015)	350	448	557	739	649	3,076
31 December 2013 (Announced 4 March 2014)	129	291	480	850	1,023	2,258
CHANGE (+/-)%	+54% (2P Reserves)			-13%	-37%	+36%
Total Project 31 December 2014	**1,238**	**1,608**	**2,022**	**2,560**	**2,568**	**N/A**

Note 1: The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) related to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation 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 and risk weighted EMV are summarised below:

SINO GAS' ATTRIBUTABLE ECONOMIC VALUE	NPV_{10} (US$m)	EMV_{10} (US$m)[2]
Reserves	1,500	1,505
Contingent Resources	911	822
Prospective Resources	1,251	749
TOTAL		3,076

Note 2: EMV is based on NPV_{10} with a mid-case gas price of US$9.76/Mscf and lifting costs (opex+capex) of ~US$1.3/Mscf for mid-case Reserves, Contingent & Prospective Resources.

Resources Statement & Disclaimer

The statements of Reserves and Resources in this annual report have been independently determined to Society of Petroleum Engineers (SPE) Petroleum Resource Management System (PRMS) standards by internationally recognised oil and gas consultants RISC (Announced 3 March 2015) 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. 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 (i.e CUCBM take their entitlement of 30% interest in Linxing PSC and CNPC take their entitlement to 51% in the Sanjiaobei PSC), 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 Reserves and Resources in this annual report 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. Mr Stephenson is a member of the SPE and MIChemE and consents to the inclusion of this information in this release. RISC believes that the reserve and resource assessment fairly represents the available data. 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.