19 November 2015

SINO GAS NOTES NDRC NATURAL GAS PRICE REVISION

- NDRC lowers City Gate natural gas prices RMB 0.7 per cubic meter (~US$3.10/Mscf). New Shanxi City Gate price RMB 1.91 per cubic meter (~US$8.50/Mscf)
- Anticipated this will strengthen the Chinese natural gas market by significantly spurring demand growth
- Plans to further liberalise the price setting mechanism through expanded use of Shanghai Petroleum and Natural Gas Exchange within 2-3 years and improved pipeline transportation price formation mechanism
- Sino Gas well positioned given low production cost nature of assets

Sino Gas & Energy Holdings Limited (ASX: SEH, "**Sino Gas**" or the "**Company**") notes the announcement of the National Development and Reform Commission (NDRC) on 18 November 2015 to reduce natural gas prices at the City Gate by RMB 0.7 per cubic meter (approximately US$3.10 per thousand standard cubic foot (Mscf)), effective 20 November 2015.

Following the reduction, Shanxi province city gate prices will be ~US$8.50/Mscf. The stated policy goals of the NDRC in reducing prices are to increase the share of natural gas in the energy mix by keeping prices competitive with substitute oil products such as LPGs and Fuel Oil while maintaining a robust price to incentivize ongoing investment in the domestic production of natural gas.

The Government also strives for the movement of all trading of natural gas products onto the Shanghai Petroleum and Natural Gas Exchange to realise a fully open and transparent non-residential natural gas market within the next 2-3 years. In combination with this, it states it will improve the pipeline transportation price formation mechanism to help the healthy development of the natural gas industry in China.

As previously outlined in the 2015 3Q Activities Report (released 29 October 2015), this reduction in price was anticipated given the significant reduction in competing oil product prices in order to stimulate demand. While this is at the high end of publically speculated price cuts, it keeps gas prices in China robust, in particular for lower cost sources of supply such as the Linxing and Sanjiaobei PSCs and in comparison to natural gas prices in other markets such as North America (~US$2.40/MMbtu – Henry Hub spot) and Europe (~US$5.60/MMbtu – National Balancing Point).

By encouraging further adoption of natural gas, Sino Gas anticipates this pricing adjustment will ensure strong demand for gas from the Linxing and Sanjiaobei PSCs as production ramps up significantly during the Pilot Program and eventual full field development. While a near-term reduction in operating margin and cash flow generation per unit of production is expected, given Sino Gas' position as a low cost natural gas producer, it is expected margins will remain very healthy compared to both local and global peers.

Sino Gas and its partners have proactively begun discussions with its gas buyers in anticipation of these changes to the city gate prices to negotiate the impact on the contracted well head prices. These negotiations have not yet been finalised but with the certainty from the NDRC announcement, are expected to conclude shortly. An update will be given in due course.

Commenting on the NDRC announcement, Managing Director Mr Glenn Corrie said: *"The natural gas price reduction was a necessary adjustment to fix a market mispricing which has developed due to the significant reduction in oil prices. We welcome this price reduction given our low cost assets as we believe it is likely to spur natural gas demand which has lagged behind prior year's growth in the first half of 2015. This will further support the Government of China's 'Energy Development Strategy Action Plan (2014-2020)' which calls for the doubling of natural gas' share of the energy mix from ~5% to over 10% in 2020. We believe this price adjustment will help to ensure a strong market to sell our gas into, both in the short term and the longer term as we bring on significant volumes from our PSCs in support of the Government's policies to increase domestic unconventional gas production. We welcome the clarity brought by this announcement as we believe uncertainty regarding future gas prices in China have been a major source of uncertainty for our shareholders."*

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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 3,000km^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.

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.