

A large industrial facility, likely a gas processing plant, featuring a complex network of silver and red pipes, metal walkways, and structural columns. The ground is dirt, and there are safety signs and a red fire extinguisher in the foreground. The sky is clear and blue.

Investor Presentation August 2016

Fuelling China's Energy Growth

Disclaimer

Sino Gas & Energy Holdings Limited (ASX:SEH, “Sino Gas”, “the Company”) holds a 49% interest in Sino Gas & Energy Limited (“SGE”) through a strategic partnership with China New Energy Mining Limited (“CNEML”) to develop two blocks held under Production Sharing Contracts (PSCs) with CNPC and CUCBM. SGE has been established in Beijing since 2005 and is the operator of the Sanjiaobei and Linxing PSCs in Shanxi province. See Slide 15 for detailed structure.

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.

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This presentation should be read in conjunction with the Annual Financial Report as at 31 December 2015, the half year financial statements together with any ASX announcements made by the Company in accordance with its continuous disclosure obligations arising under the Corporations Act 2001 (Cth).

Resources Statement

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 recognised oil and gas consultants RISC (announced 10 March 2016) using probabilistic and deterministic 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.

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 (i.e. CUCBM take their entitlement of 30% interest in Linxing PSC and CNPC take their entitlement to 51% in the Sanjiaobei PSC) and CBM Energy's option to acquire an interest of 5.25% in the Linxing PSC (by paying 7.5% of back costs) is exercised. 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.

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. Mr. Stephenson is a member of the SPE and MICHemE and is a qualified petroleum reserves and resources evaluator (QPPRE) as defined by ASX listing rules. Mr Stephenson consents to the form and context in which the estimated reserves and resources and the supporting information are presented in this announcement. RISC is independent with respect to Sino Gas in accordance with the Valmin Code, ASX listing rules and ASIC requirements.

Sino Gas' Attributable Net Reserves & Resources as at 31 December 2015

SEH Attributable Net Reserves & Resources	1P Reserves (Bcf)	2P Reserves (Bcf)	3P Reserves (Bcf)	2C Contingent Resources (bcf)	P50 Prospective Resources (bcf) ¹	EMV ₁₀ (US\$m) ²
31 December 2015 (Announced 10 March 2016)	362	552	751	814	733	\$2,569
31 December 2014 (Announced 3 March 2015)	350	448	557	739	649	\$3,076
Total 2015 Change (+/-%)		+23% (2P)		+10%	+13%	-16%
Gross Project 31 December 2015	1,250	1,962	2,723	2,831	2,954	N/A

Note 1. The estimated quantities of petroleum that 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. The probability of development of the contingent area is estimated to be 90%, with the additional probability of geological success assigned to prospective resources estimated to be 75%.

Note 2. 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 US\$7.16/Mscf escalated at 3.75% per year and average lifting costs (opex+capex) inclusive of inflation of 2.5% per year of ~US\$1.20/Mscf for mid-case Reserves, Contingent & Prospective Resources.

Sino Gas Unique Positioning



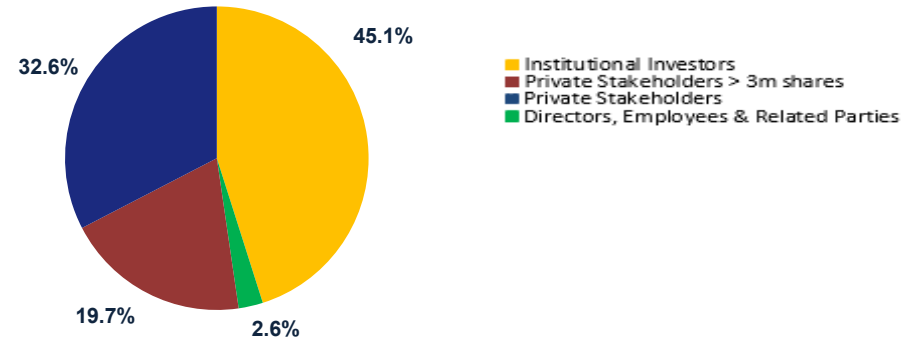
1. Based on RISC's base-case development of Reserves, Contingent & Prospective Resources. To be read in conjunction with Resource Statement on slide 3.

Company Snapshot

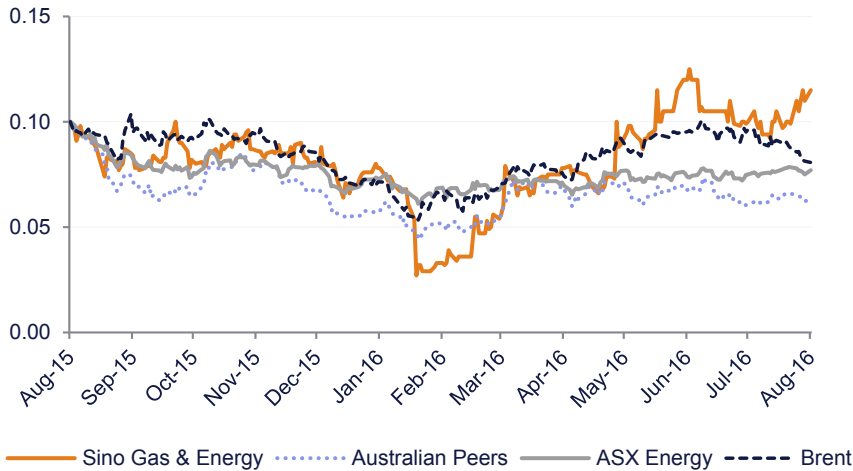
Corporate Information – as at 31 July 2016

ASX Listed (S&P ASX 300)	SEH
Share Price	A\$0.11
Issued Shares	2,074m
Market Cap	US\$173m
Cash Balance (30 June 2016)	US\$58m
Drawn/undrawn debt facilities	US\$10/40m ¹

Share Register – June 2016



12 Month Share Price Performance to 31 July 2016



Top Shareholders – June 2016

Shareholder	Shares (m)	%
FIL Investment Management	205.9	9.9%
Commonwealth Bank of Australia	193.3	9.3%
Kinetic Investment Partners	119.4	5.8%
SG Hiscock	108.8	5.3%
Perennial Value	92.1	4.5%

World-Scale Proven Reserves & Resources

2P Reserves of 2.0 tcf (~325mmboe) gross¹

2C Resources of 2.8 tcf (~470mmboe) gross¹

P50 Prospective Resources of 3.0 tcf
(~490 mmboe) gross¹

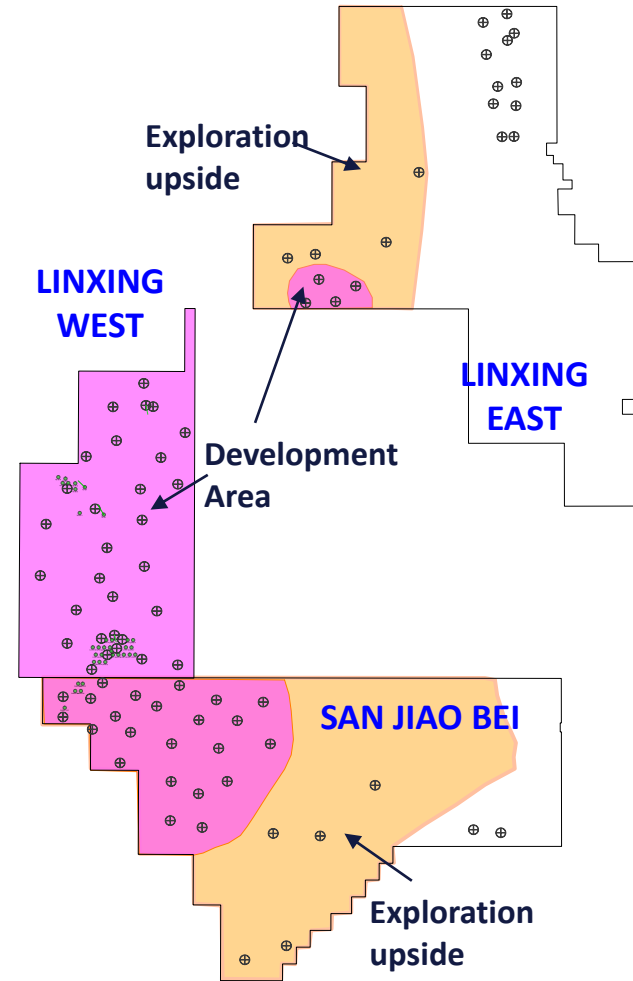
PSCs ~3,000km² (740,000 acres)

Highly delineated resource

Analogous to major producing fields in basin

LNG equivalent scale at less than 20% of the
equivalent LNG cost²

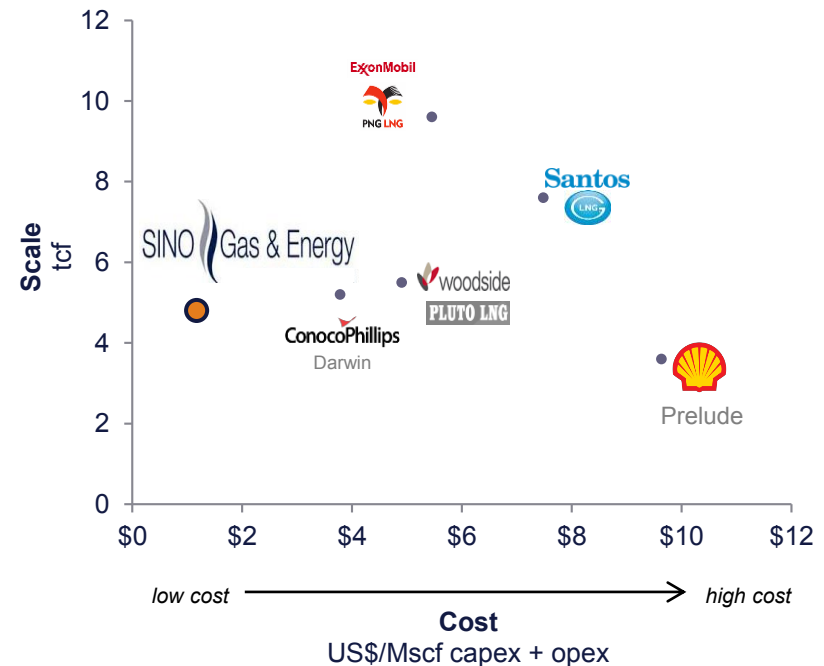
Project and Drilling Overview



LNG Equivalent Scale at a Fraction of the Cost

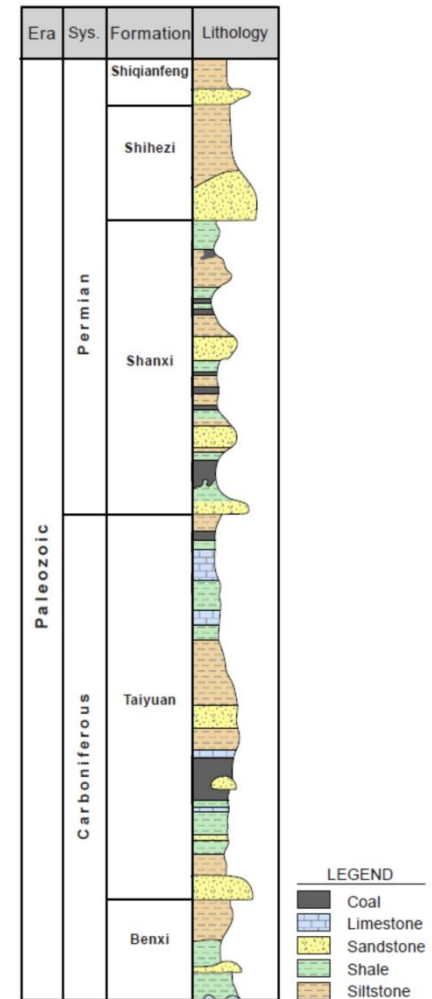
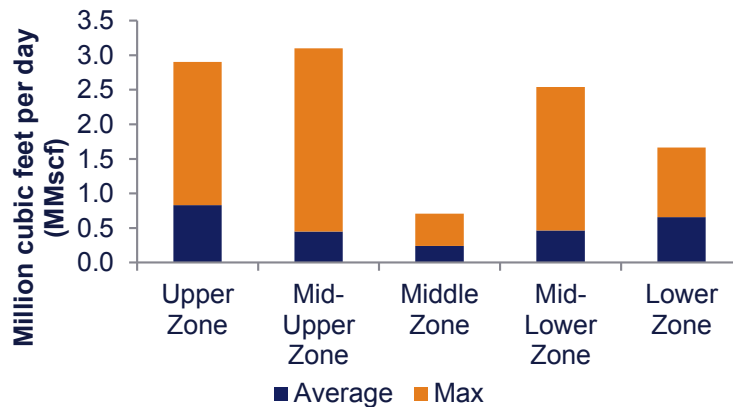
- Sino Gas' Ordos basin projects expected to supply natural gas into China at similar scale to total output of major LNG projects
- Total cost (capex + opex) estimated to be less than 20% the average cost of these LNG projects

Sino Gas vs. major LNG projects¹



Low Risk Reservoir, Proven Deliverability

- ~1,000m gross gas bearing section
- Stacked reservoir units – up to 16 sands per well
- Analogous to other major producing fields in Ordos Basin – Changbei (Shell), Sulige (CNPC), South Sulige (Total)
- Good reservoir productivity:
 - In 2015, 25 well tests performed – 8 flowed without fracing, 6 tested over 1 MMscf/d
 - Average 2015 interval test 577 Mscf/d demonstrating continuing improvements (+12% vs. 2014, +78% vs. 2013)
 - Successful Linxing (East) exploration including highest ever vertical test on PSCs to date (2.7 MMscf/d)



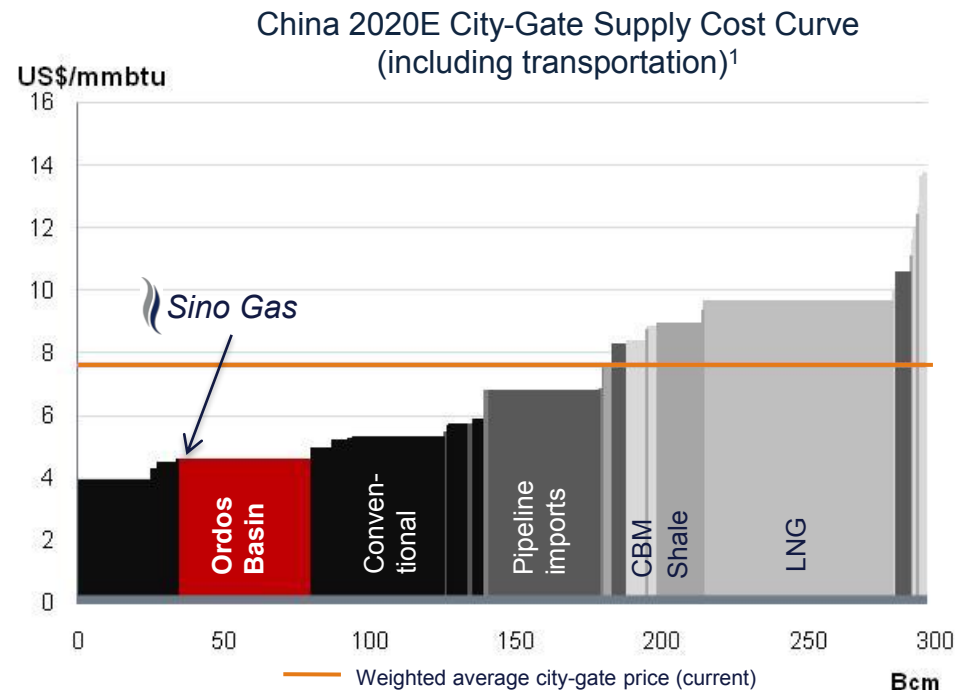
Low Cost Competitive Advantage

Significant cost advantage – estimated wellhead (excluding transportation) capex + opex of ~US\$1.20/mcf²

Low cost drivers:

- Simple vertical well development, limited fracking
- Moderate reservoir depths (~1,200-2,000m)
- Stacked reservoirs drive high per well ultimate recoveries
- High quality gas (~95% methane)
- Proximity to pipeline infrastructure and market
- Well developed service sector

Imports and unconventionals (CBM/shale) expected to remain at the high end of the cost curve



Sustainable Low Cost Advantage

Well costs continue to improve with further reductions expected in 2016

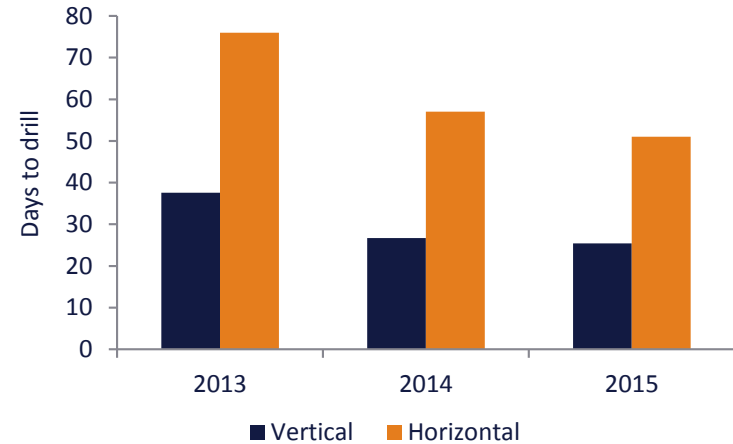
2015 Vertical development well
~US\$1 million

2015 vertical well cost down
~10% vs. 2014

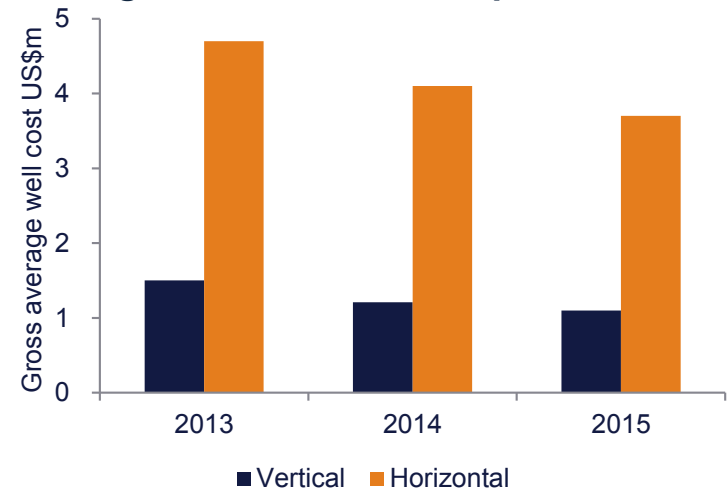
2015 vertical well drilling time down ~5% y/y

Third horizontal drilled ~33% faster than first

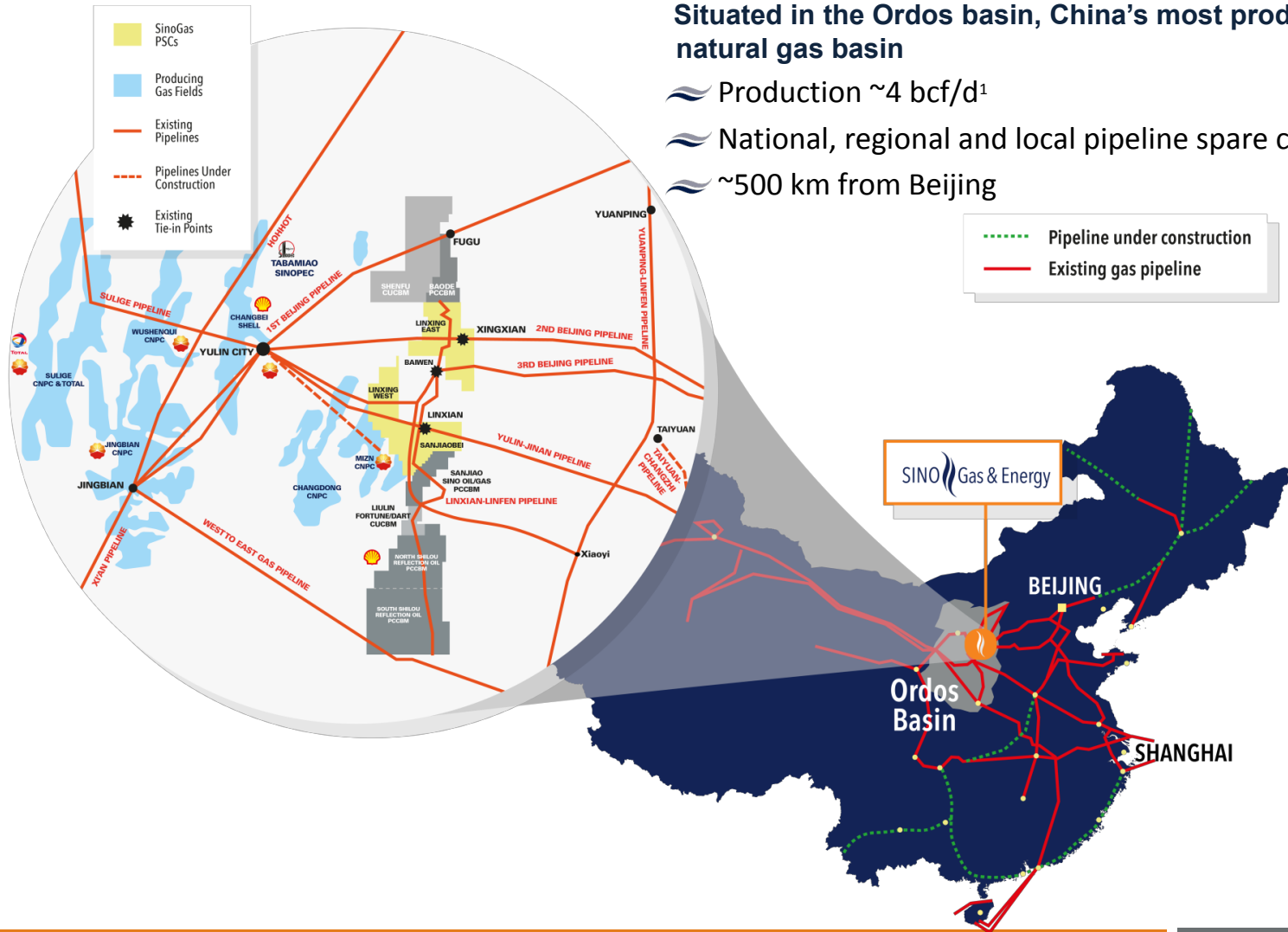
Average drilling days



Average drill, frac and complete costs



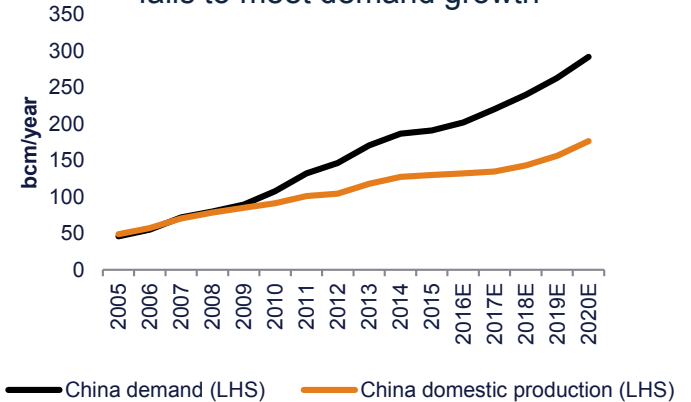
Ready Access to Key Demand Centres



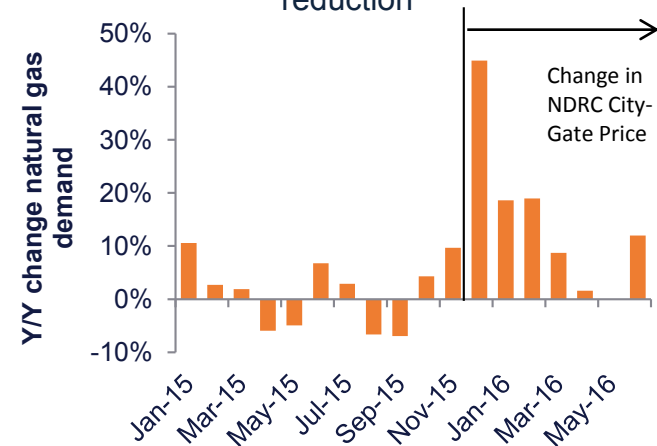
China Natural Gas Market Outlook

- Since NDRC city-gate gas price reduction in November 2015, significant demand acceleration – 1H16 up ~10% vs. ~4% in 2015
- 13th Five Year Plan approved in March 2016 promotes development of domestic natural gas industry, including private investment and unconventionals, strong measures against air pollution
- Central Government Environment Ministry recently increased inspections in numerous provinces to ensure local authorities are adhering to pollution controls
- State Council approved strategy in June to launch drive to stimulate investment in natural gas sector

Increasing imports as domestic supply fails to meet demand growth¹



Significant acceleration of China natural gas demand growth since price reduction²

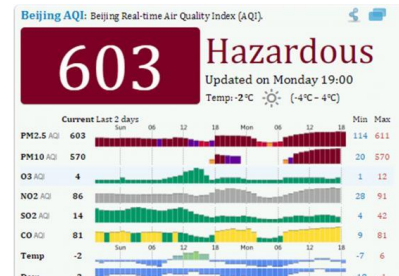


1. Source: IHS, April 2016

2. Source: NDRC, National Statistics Bureau, Customs data

Environmental Policy Driving Gas Adoption

- Target decrease of air pollution by 10-25%, 60-65% decrease in intensity by 2030 (COP21)
- Policies to increase natural gas and decrease coal in energy mix
 - Beijing, Tianjin and Henan shutting down major coal fired plants used for power and heat
 - High polluting factories/firms shut down (> 1,000 Beijing)
 - Moratorium on new coal fired power plants until 2018
 - Subsidies for conversion to natural gas boilers and power
 - Prohibition of smaller, less efficient coal boilers
 - 2014 environmental protection laws with increased enforcement
 - Emission trading scheme provincial trials with national roll-out planned



China - Established & Favourable Regime

World's 5th/6th largest oil/gas producer

>20 international private upstream companies

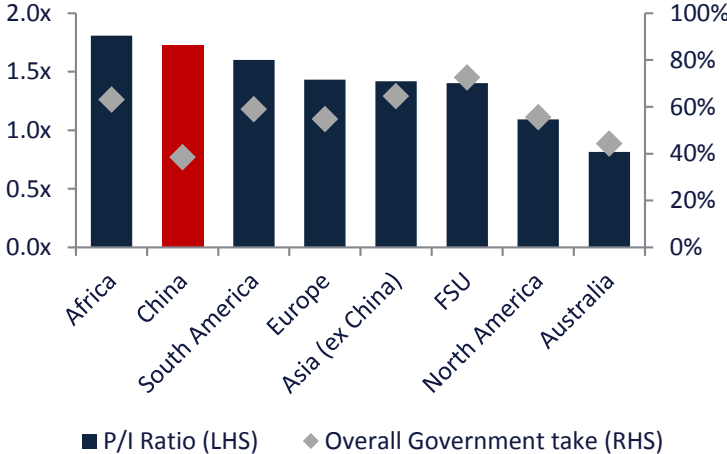
Globally attractive government take, profitability

Long-term government plans and policies

Well developed, competitive service industry

ChAFTA² highlights importance of trade relationship

China ranks favorably on government take, Profit/Investment ratio¹



Typical Conventional Development Progression



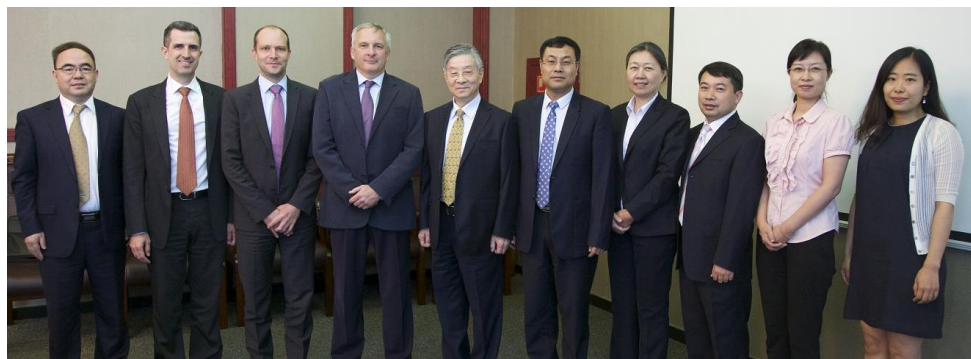
China Onshore Development Progression



1. Source: Goldman Sachs Global Investment Research, May 2015; P/I ratio defined as NPV₁₀ generated per dollar of invested capital
2. China-Australia Free Trade Agreement

Aligned and well funded JV Partner

- China New Energy Mining Limited (CNEML) acquired 51% stake in SGE for US\$220 million on July 20th
- Implied valuation of Sino Gas' 49% share US\$211 million (A\$277 million¹)
- Aligned on key strategic elements to deliver full value of Linxing and Sanjiaobei PSCs
 - Commitment to delivering immediate work program to maximize production, cashflow and advance ODP process
- Accelerating activities that slowed during sale process, several key decisions finalised shortly after deal completion
 - Sanjiaobei pilot revenue allocation agreement
 - Linxing seasonal pricing adjustment and CGS restart



Sino Gas & CNEML
Directors and Senior
Management teams

Strong Strategic Partnerships

China New Energy Mining Ltd

- Acquired 51% stake in SGE for US\$220 million in July 2016
- Well funded private Hong Kong company with strong China and international oil and gas expertise

SGE – Joint Venture Subsidiary

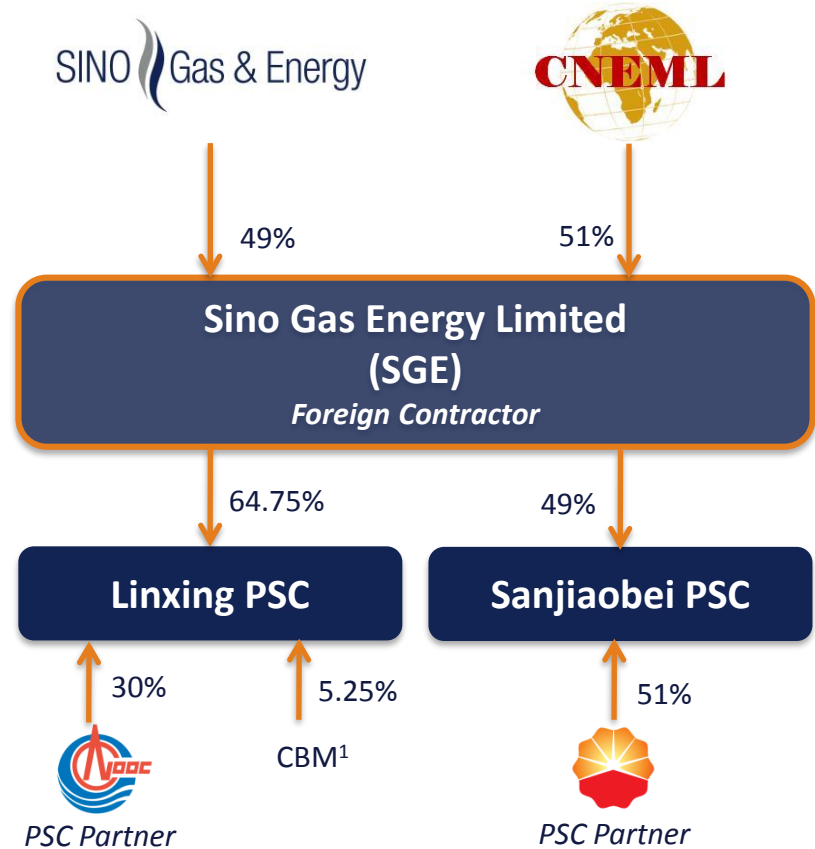
- PSC Operator partnered with major State Owned Enterprises (SOE) with extensive field development experience
- Extensive post-integration planning to ensure smooth transition

CUCBM - Linxing PSC Partner

- The original SOE formed to develop the CBM industry in China, now 100% owned subsidiary of CNOOC

CNPC – Sanjiaobei PSC Partner

- China's largest oil and gas producer with an extensive international presence



Sanjiaobei Revenue Allocation Agreement

- ~ Key principles agreed in July with PetroChina CBM on the allocation of Sanjiaobei pilot gas
- ~ Allocation as prescribed in PSC up to threshold of 3 bcf prior to Overall Development Plan (ODP) approval, excess volumes allocated 30% to SGE and 70% to PCCBM
- ~ Unlikely threshold exceeded as able produce Linxing gas through Sanjiaobei
- ~ PetroChina committed to support timely regulatory approvals for CRR and ODP
- ~ ~US\$2 million expected to be received in 3Q 2016 by SGE (~US\$1 million net to Sino Gas) for prior gas sold from the Sanjiaobei PSC
- ~ Sanjiaobei CGS to be brought back on-stream and ramped up to full capacity of ~8 MMscf/d over the second half of 2016

2016 Work Program

Exit 25 MMscf/d, maximise cash flow, advance Chinese Regulatory approvals

10/21 planned wells drilled in H1

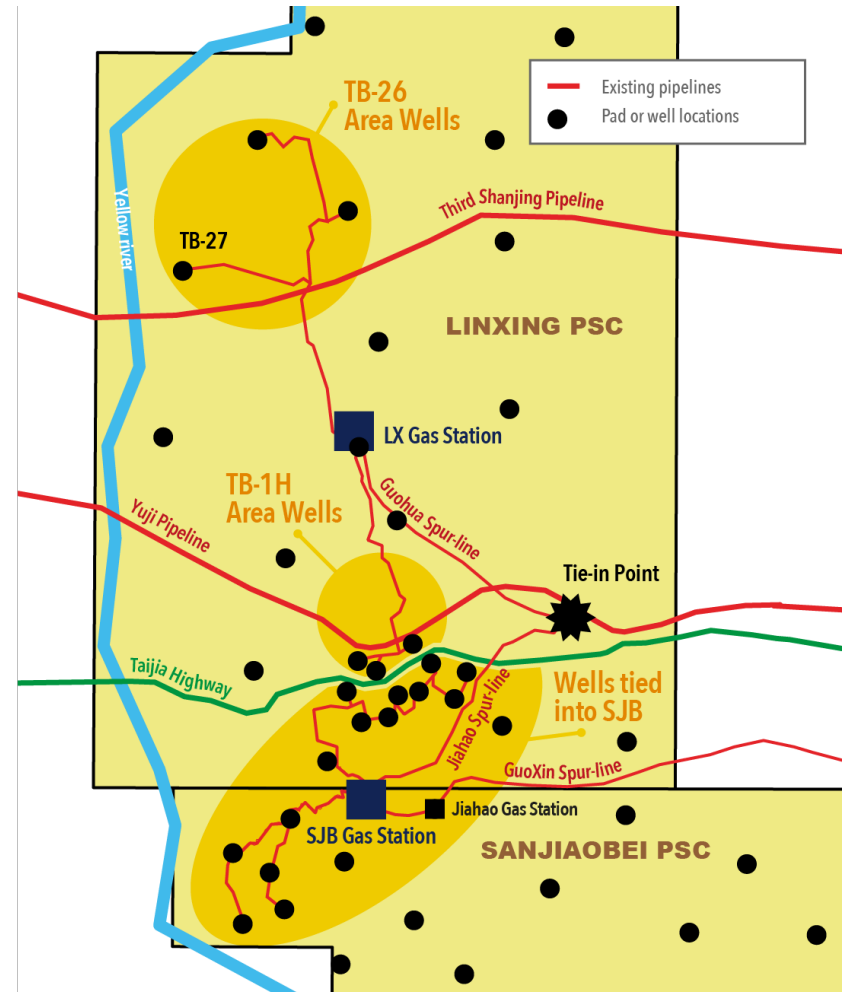
Ramping up Linxing CGS with ~15-20 new well tie-ins

Continuing to progress Sanjiaobei, Linxing West CRR

Sanjiaobei revenue allocation agreement, restart CGS

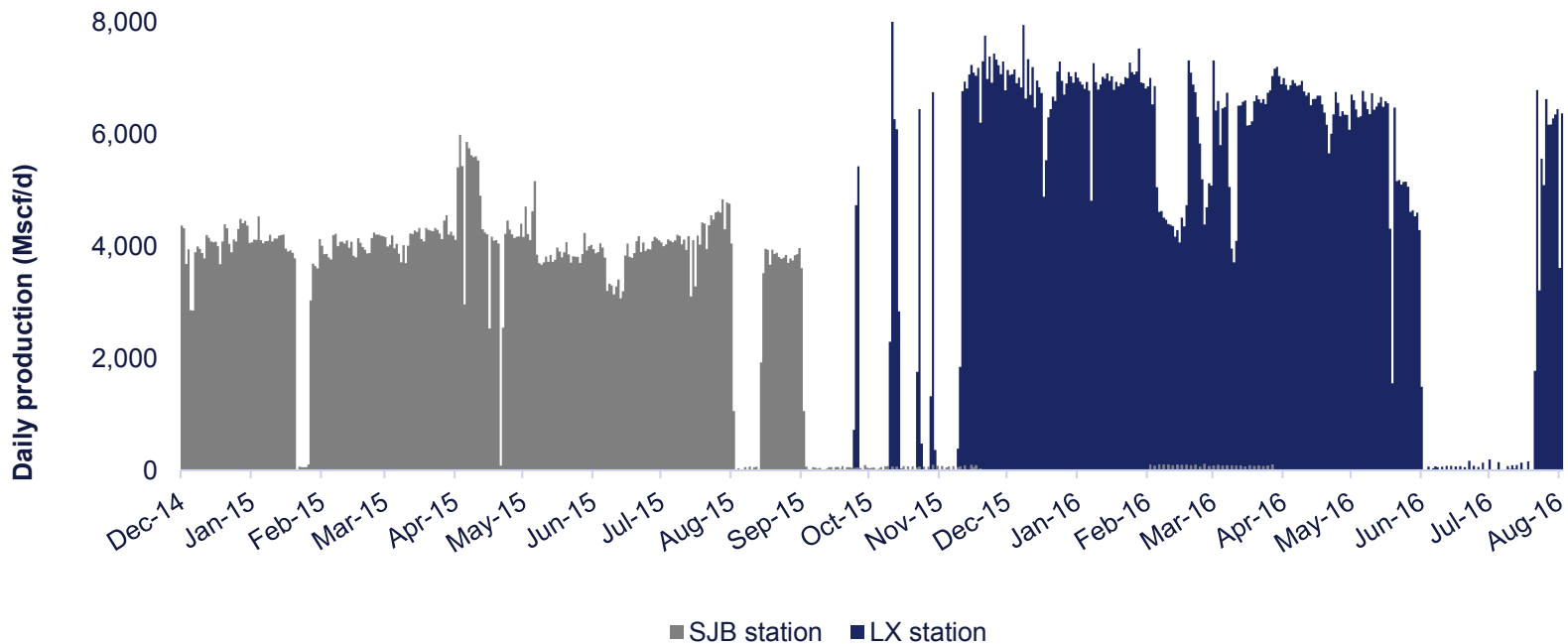
Successful Linxing East exploration, submit CRR in H2

Long-term development planning with CNEML



Pilot Program Production

- Linxing CGS averaged 6.3 MMscf/d Jan-May 2016
- Production shut-in during June as gas sales volumes below minimum operating limits due to weak seasonal demand; re-started during July
- During H2 2016, restart Sanjiaobei station and ramp-up to full capacity, tie-in ~15-20 additional wells including 14 previously drilled wells and 3 horizontals



Full Field Development

~2-3% China's domestic production at plateau

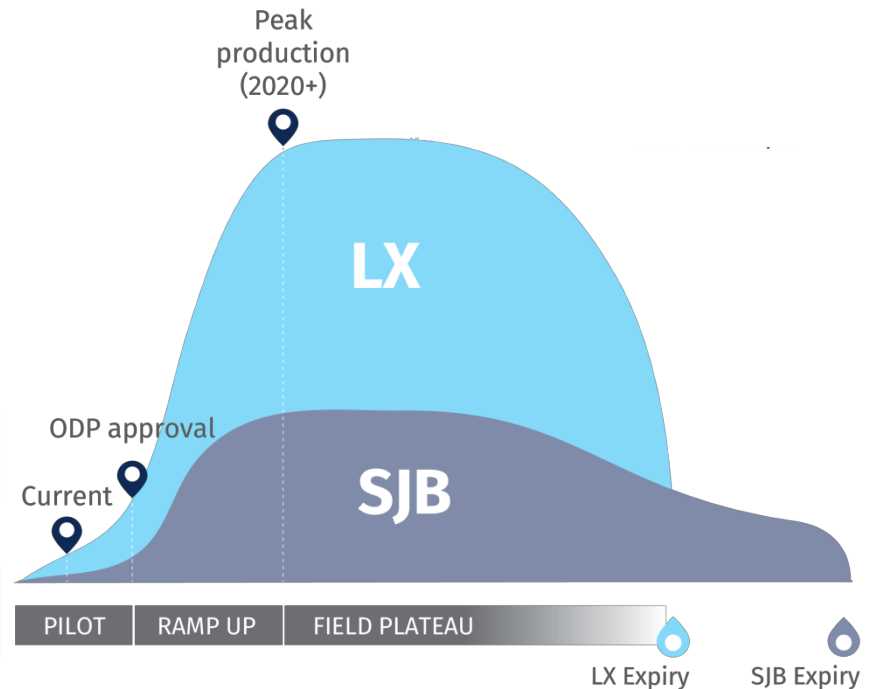
ODP in 2017 with plateau in 2020+

Multiple low-cost central gathering stations

Utilise existing natural gas trunklines

Long term gas sales agreements

Linxing and Sanjiaobei production profile¹



Chinese Regulatory Approval Milestones

Chinese Reserve Report (CRR)

- ✓ Acquire drilling and seismic data
- ✓ Approved Chinese Reserve Auditor
- ✓ SGE Review and Approval
- ✓ Joint Management Committee Review (JMC) (SGE & PSC partner) approval¹
- ❑ **PSC Partner audit and approval (in progress)**¹
- ❑ State Reserves Committee Audit and Approval/MOLAR filing

Pilot gas production sales

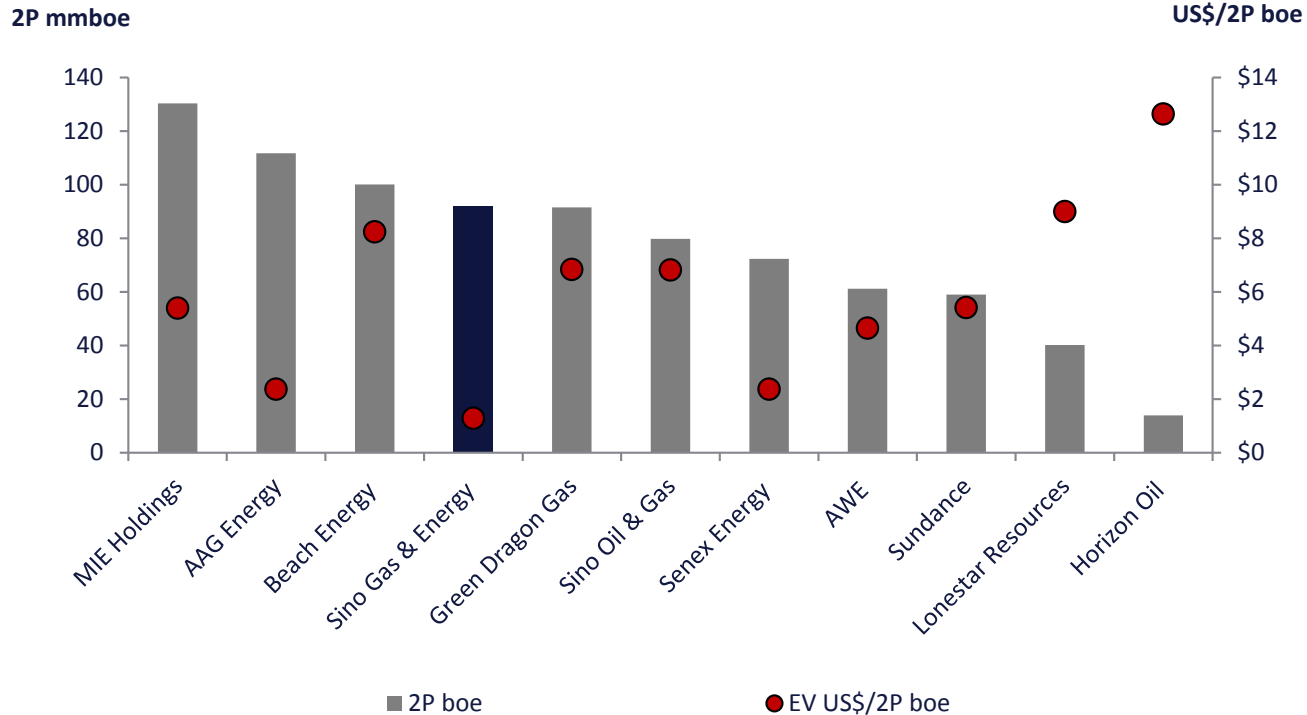
Overall Development Plan (ODP)

- ✓ Geological and reservoir engineering assessment
- ❑ **Drilling, surface engineering and economic evaluation assessments, environmental baseline and impact assessments (in progress)**
- ❑ SGE Review and Approval
- ❑ JMC Review and Approval
- ❑ PSC Partner audit and approval
- ❑ Permit (land use, environmental impact assessment etc) application (in parallel to overall ODP submission)
- ❑ NDRC approval

Full field development commences

Sino Gas vs. Peers

Current trading metrics ^{1,2}			
US\$/boe	SEH	China peers	Aus List peers
US\$/2P	1.29	5.36	7.82
US\$/2P + 2C	0.52	4.38	1.19



2016 Priorities

Commercial

- ✓ Finalise gas sales proceeds payment from Linxing
- ✓ Remit gas sales proceeds offshore China
- ✓ Agree Sanjiaobei pilot revenue allocation
- ✓ Sign additional gas sales agreements

Operational

- Ramp-up production to installed capacity of 25 MMscf/d
 - Test and connect 3rd/4th/5th horizontal wells
 - Drill and tie-in additional wells at Linxing
 - Restart Sanjiaobei Central Gathering Station

Regulatory

- Sanjiaobei and Linxing (West) CRR approvals
- Linxing (East) CRR submission
- Continue preparation of ODPs

Technical

- ✓ Update reserve and resource estimates
- ✓ Linxing (East) appraisal drilling
- Linxing (East) CRR submission
- Ongoing technical optimisation

Linxing Central Gathering Station



Pilot Program Photos



Sanjiaobei Central Gathering facilities commissioned



Pad Drilling Christmas Trees



Third Party Drilling Rig



Linxing East testing

Thank You



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