Q2

SINO Gas & Energy
www.sinogasenergy.com

QUARTERLY ACTIVITIES REPORT

Q2 Highlights

- **New Joint Venture Partner with integration proceeding well** – On 20 July, CNEML completed its acquisition of MIE's 51% stake in the JV Company for US$220 million. With significant advance planning and full alignment, the integration is progressing well.
- **Key principles of Sanjiaobei PSC pilot gas sales allocation agreed with PCCBM** - Pilot program revenue to be allocated according to the PSC up to a threshold volume, allowing for the resumption of production from the Sanjiaobei CGS and receipt of gas sales proceeds in the second half of 2016.
- **Additional Gas Sales Agreement signed for gas from Linxing PSC** - Gas sales agreement for up to 10.5 MMscf/d signed with Huasheng, who are supplying gas to nearby Chinalco alumina plant located on the PSC which is converting from coal to gas fired power generation. Work on the tie-in of the pipeline is nearing completion and once finalised will provide another supply alternative to the existing off-take routes.
- **On-track to deliver 25 MMscf/d 2016 exit rate** - In the second half of 2016, Sino Gas plans to tie-in additional wells at the Linxing CGS and bring online and ramp-up the Sanjiaobei CGS. At Linxing, 14 previously drilled wells will be tied-in, including 2 horizontals, plus additional wells drilled in the second half, including one further horizontal well. Although progress slowed in Q2 due to the MIE sale process, plans are in place to accelerate activity to meet the year-end exit rate target of 25 MMscf/d.
- **Positive results from Linxing (East) deep exploration/appraisal program**

FINANCIAL & CORPORATE

- **30 June 2016 Sino Gas cash balance of US$58 million**
- **Average gross production of 4.25 MMscf/d and total SGE revenue during quarter of US$2 million (~US$1 million net to Sino Gas)**
- **US$10.4 million (gross) capex during the quarter, funded by Linxing gas sales proceeds, no cash calls received from SGE during the quarter**
- **First offshore remittance and conversion into US Dollars of gas sales proceeds during the quarter**
- **Macquarie debt facility Tranche B has been extended to December 2016**

Sino Gas' Managing Director, Glenn Corrie said: "The second quarter marked an important inflection point for the Company. CNEML completed its purchase of a 51% stake in SGE for US$220 million. The transaction demonstrates the high quality and significant value of our assets. It brings a new Partner who we believe has a complementary skill set, a strong understanding of China's mid and downstream markets, is well financed and has strong relationships. We are working with CNEML to ensure a smooth integration and strategically positioning the JV Company for full field development. The other recent major accomplishment was reaching agreement with PetroChina CBM on the allocation of Sanjiaobei pilot gas sales proceeds. With these key achievements, we have a clear path towards our near term priorities of maximizing production and cashflow from our pilot project and driving towards full field development".

2016 PRIORITIES

- ☑ Update reserves and resource estimates
- ☑ Finalise cash receipt for gas sold from Linxing PSC
- ☑ Remit gas sales proceeds offshore Mainland China
- ☑ Agree pilot gas sales allocation with PetroChina CBM
- ☐ Finalise cash receipt for gas sold from Sanjiaobei PSC
- ☐ Ramp-up to 25 MMscf/d over the year
- ☐ CRR approvals
- ☐ Prepare for ODPs submission following CRR approvals
- ☐ Complete appraisal of Linxing (East) deep exploration area and submit CRR

JOINT VENTURE PARTNER

On 20 July 2016, China New Energy Mining Limited ("CNEML") acquired a 51% stake in the Joint Venture ("JV") Company, Sino Gas Energy Limited ("SGE") for US$220 million in cash (plus working capital adjustment) from MIE Holdings Corporation ("MIE", HKSE Ticker 1555).

Sino Gas management met with CNEML on a number of occasions prior to deal completion to ensure a smooth transition, discuss and agree key objectives for 2016, including Chinese Reserve Report ("CRR") approvals and achieving an exit rate of 25 million standard cubic feet per day ("MMscf/d"), and obtain alignment on key strategic elements to deliver the full value of the Sanjiaobei and Linxing Production Sharing Contracts.

Based on Sino Gas' engagements with CNEML and feedback received from various parties, CNEML is expected to bring a strong and complementary skill set to the SGE JV:

- CNEML has a very competent and experienced management team with strong technical and commercial backgrounds gained by working for both Chinese SOE's and international Exploration and Production companies
- CNEML has strong financial backing and access to capital to achieve the speed and scale of development and production ramp-up
- CNEML have well established relationships in China with government, partners and customers and a strong understanding of China's mid and downstream markets.

Integration planning has been ongoing since the deal was announced in April 2016 with a focus on ensuring a smooth transition and leveraging each organisation's strengths in areas such as, inter alia, subsurface understanding, technology application, gas marketing and stakeholder relations.

During the period of MIE's sale process, SGE experienced a slowdown in operational and commercial momentum with some decisions delayed until after the completion of the transaction. This included finalisation of the Sanjiaobei Pilot Gas Sales Allocation agreement and other commercial matters, including a short-term seasonal adjustment to the Linxing natural gas price. With the deal now complete, Sino Gas and CNEML are fully aligned on the acceleration of decision making and are focused on corporate targets.

WORK PROGRAM

Pilot Program Production

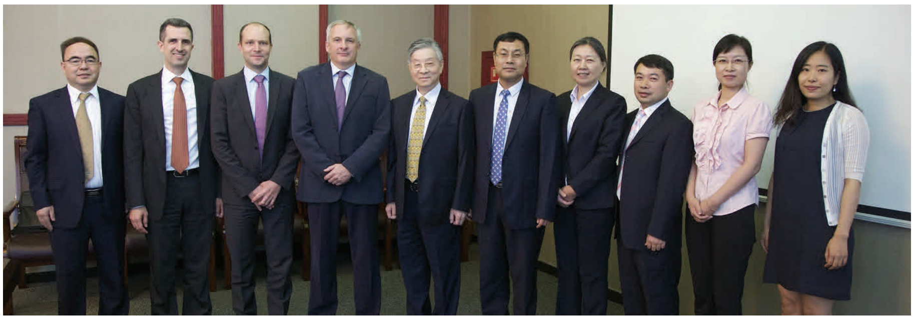
Gas production continued during April and May from the Linxing CGS. Uptime production averaged 6.4 MMscf/d. In late May, production was partially curtailed due to seasonal gas demand and delays in adjusting the natural gas price to summer rates due to MIE's sale process. The Linxing CGS was shut in at the beginning of June as gas sales volumes fell below minimum operating limits. To capitalise on the shut-down, activities to advance the tie-in of the Huasheng pipeline were brought forward and the Linxing CGS was restarted on 21 July after a temporary seasonal gas price adjustment was agreed. The price remains in effect until the end of September, when seasonal demand increases, after which we expect the price will be adjusted upwards.

As a result of the shut-in of production during June, gross production during the quarter from the Linxing CGS averaged 4.25 MMscf/d. Before the shut-in, production uptime during April and May was 98.4%.

With the pilot gas sales allocation for Sanjiaobei agreed with PCCBM, work is underway to resume production at the Sanjiaobei CGS. Production is anticipated to be brought back on-stream and ramped up toward full capacity of approximately 8 MMscf/d over the second half of the year.

Gathering line construction work for the future tie-in of wells in the TB-26 and TB-27 area to the Linxing facility was underway at the end of the quarter for tie-in during the second half of 2016.

Work is on-track to support the planned increase of production to 25 MMscf/d (gross) by the end of 2016 despite delays due to MIE's sale process. During the second half of 2016, SGE expects to bring the Sanjiaobei CGS back on-line, tie-in additional wells into the Linxing and Sanjiaobei CGS's and commence first gas sales to Huasheng. The two horizontals drilled in 2015, TB-3H and TB-4H, will be tested and tied in to the Linxing CGS, along with the fifth horizontal, TB-5H, due to spud imminently.



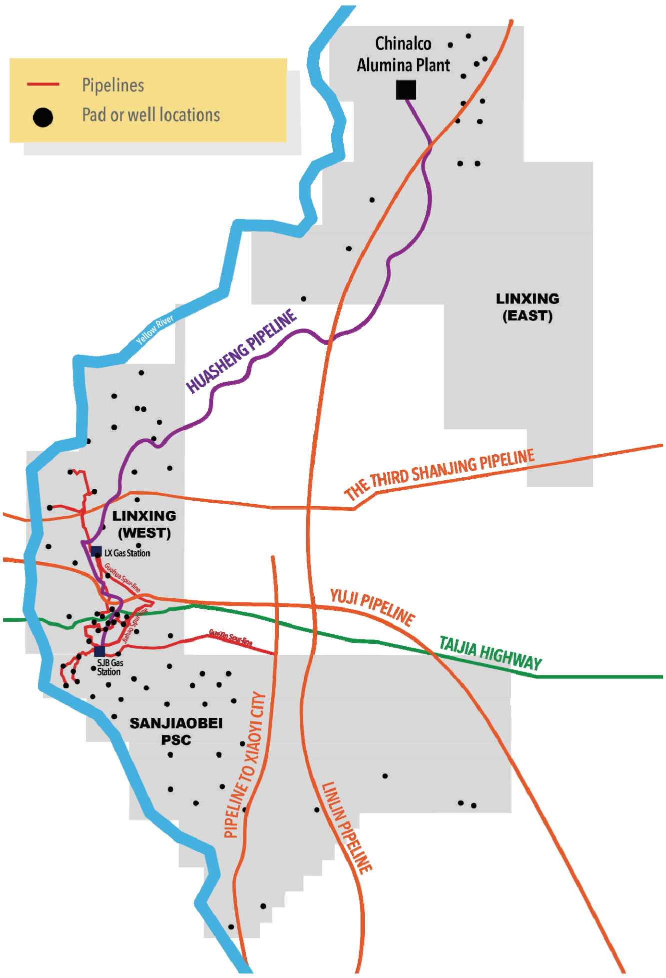
Sino Gas and CNEML Directors and Senior Management teams

Gas Sales Agreement

During the quarter, an additional Gas Sales Agreement (GSA) was signed with Xing Xian Huasheng ("Huasheng") for gas supply of up to 10.5 million standard cubic feet per day ("MMscf/d") from the Linxing CGS (refer to announcement 2 June 2016). Hausheng will be supplying gas to a large Chinalco alumina plant which is situated on the Linxing PSC and is converting from coal-fired to gas-fired power, in-line with environmental directives from the Chinese Government to reduce air pollution.

This GSA with Huasheng is in addition to the existing GSA in place for gas sold from the Linxing CGS via the Yuji pipeline (refer to announcement 10 March 2015). This GSA increases the number and diversity of our customer base and off-take routes.

As a result of lower seasonal demand, the PSC Partners agreed on a temporary reduction in the price of gas sold from the Linxing CGS during the third quarter to ~US$6/Mscf, in line with government policies to increase seasonality in gas prices in China. Revised pricing is expected to be negotiated for gas sold starting in the fourth quarter when winter heating demand increases.



PSC map and new Huasheng local pipeline

Linxing (West) - Sino Gas 31.7%

During the quarter, five pilot wells were spudded and three had completed drilling, all in the TB-26 and TB-27 areas. All of the completed wells intersected sands and are expected to be tested and tied-in during the second half of 2016. Two previously drilled wells were fracced and tested.

An additional 7 vertical pilot wells are anticipated to be drilled and 14 vertical wells fracced (including previously drilled wells) during the second half of 2016 to support the ramp-up of production to full installed capacity of ~17 MMscf/d at Linxing. In addition, a fifth horizontal well, TB-5H is currently rigging up in preparation for spud and the two horizontals drilled in 2015, TB-3H and TB-4H, will be tested and tied in to the Linxing CGS.

The CRR on Linxing (West) is currently being reviewed by the PSC Partner, CUCBM, and the Company is awaiting feedback.

Linxing (East) - Sino Gas 31.7%

During the quarter, the exploration and appraisal drilling program on Linxing (East) deep gas was completed with five wells drilled. The 2016 testing program commenced in the second quarter and will continue during the third quarter of 2016.

The three exploration wells, LXDG-10, LXDG-11 and LXDG-13, that completed drilling during the quarter, identified net pay of 33m, 31.8m and 23.3m, respectively.

LXDG-09, which was drilled during the first quarter identified 62.7m net pay and tested at 1.4MMscf/d from two comingled zones. LXDG-07 tested at 970 thousand standard cubic feet per day ("Mscf/d) from a single zone. Estimated potential production at standard operating pressures are over 2 MMscf/d and 1 MMscf/d, respectively. An additional four previously drilled wells were fracced and tested with two of these flowing back at the end of the quarter.

Refer to Pages 7 & 8 Additional Exploration Disclosure for details of wells drilled and tested during the quarter.

The data acquired from seismic, drilling and testing is being used to compile the Company's third deep gas Chinese Reserve Report (CRR) for submission. This work is already underway with the results of the remaining testing to be incorporated ahead of submission expected during the second half.

Sanjiaobei PSC - Sino Gas 24%

The Sanjiaobei CGS remained offline during the quarter, pending resolution on the allocation of pilot gas sales proceeds with our PSC partner, PetroChina CBM (“PCCBM”). Maintenance work continued on the plant and gathering lines to ensure the field is ready for operations start up.

Agreement was reached with PCCBM on the allocation of revenue from pilot production gas sales. Under the terms of the key principles agreed, gas sold from the Sanjiaobei PSC during the pilot production phase up until Overall Development Plan (“ODP”) approval is to be allocated in accordance with the PSC terms up to a production threshold of 3 billion cubic feet ("bcf"). Any pilot gas volumes in excess of 3 bcf prior to ODP, of which there are no restrictions, will be allocated 70% to PCCBM and 30% to the Joint Venture. Given the flexibility to produce from both PSCs via the Sanjiaobei CGS, Sino Gas believes it unlikely the threshold volume for the Sanjiaobei PSC will be exceeded prior to ODP approval. For additional details, refer to the separate announcement today, 25 July 2016.

No wells were drilled during the quarter on Sanjiaobei. Subject to Joint Management Committee approval, the drilling of 3 Sanjiaobei wells is expected to begin in the third quarter.

The Company continues to make good progress towards Overall Development Plan (ODP) approval. The Sanjiaobei CRR was approved by the Joint Management Committee and is now progressing through PCCBM technical review. Due to decisions being deferred during the MIE sales process, a modest delay in CRR approval has been encountered. PCCBM has agreed to work with SGE to accelerate the approval of the CRR. CRR approval is now anticipated in the second half of 2016. Sino Gas and CNEML are currently reviewing the ODP schedule.

Health, Safety and the Environment

A total of 122,252 Lost Time Injury free hours were recorded during the second quarter 2016 from the drilling, testing and operations on the Linxing PSC and maintenance on the Sanjiaobei PSC (YTD 230,832 hours).

FINANCIAL

Financial Position

The Company held US$58 million and the Joint Venture held US$3 million (US$1.4 million Sino Gas share) in cash at the end of the quarter.

To preserve financial flexibility, the US$1.5 million repayment of the Macquarie debt facility that was due on 30 June 2016 has been deferred with the agreement of Macquarie to the end of 2016. As such, the total drawn on the facility remains unchanged at US$10 million. In addition, it was agreed with Macquarie to extend the potential availability of Tranche B (US$40 million) to December 2016.

Project Funding

Total capital expenditures incurred by the joint venture were US$10.4 million (unaudited) for the second quarter of 2016. Capex was funded with proceeds from Linxing gas sales and Sino Gas did not receive any cash calls from the Joint Venture during the quarter as a result.

Pilot Project Revenue

Sino Gas’ 49% share of estimated gas sales in the second quarter was US$1 million (unaudited), all attributable to the Linxing PSC.

During the quarter, the joint venture transferred approximately US$1 million of gas sales proceeds from Mainland China to Hong Kong and converted them to US dollars, demonstrating the free transferability and convertibility of gas sales proceeds.

Sino Gas anticipates that gas sales proceeds from the Sanjiaobei PSC from the commencement of production in December 2014 through to the shut-in of production in September 2015 will be received in the third quarter of 2016 once the fully-termed pilot gas sales allocation agreement is finalised. Sino Gas anticipates the Joint Venture will receive approximately US$2 million (US$1 million net to Sino Gas).

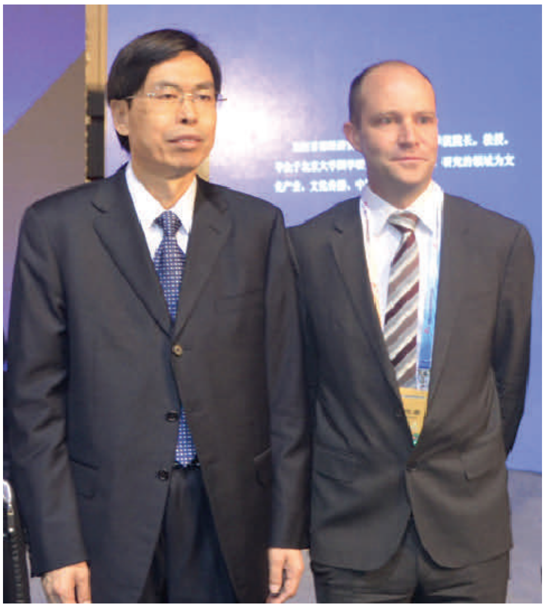
New Metering Skid at Linxing CGS for sales to Huasheng

CORPORATE

Environmental Award

Sino Gas was awarded the 2016 Eco Environmental Contribution Award at the China-Australia Business Contribution Awards in June. The Award was presented by the China Society for World Trade Organization Studies in conjunction with the Chinese Ministry of Commerce (MOFCOM) in recognition for Sino Gas' integral part of providing cleaner energy to China.

In conjunction with the Award, Sino Gas Managing Director Glenn Corrie met with the Chinese Deputy Minister of Commerce, Mr Fang Aiqing where Sino Gas' Ordos basin assets were discussed.



Sino Gas Managing Director Mr Glenn Corrie meets with Chinese Deputy Minister of Commerce, Mr Fang Aiqing

Investor Relations and Marketing

Sino Gas continued its commitment to meet regularly with the investment community. The company presented at the RBC Capital Markets 'Energy and Power Executive Conference' in New York as well as the Macquarie 'China Energy Trip' and J.P. Morgan 'Perspectives Across the Energy Value Chain Tour', both in Beijing, China.

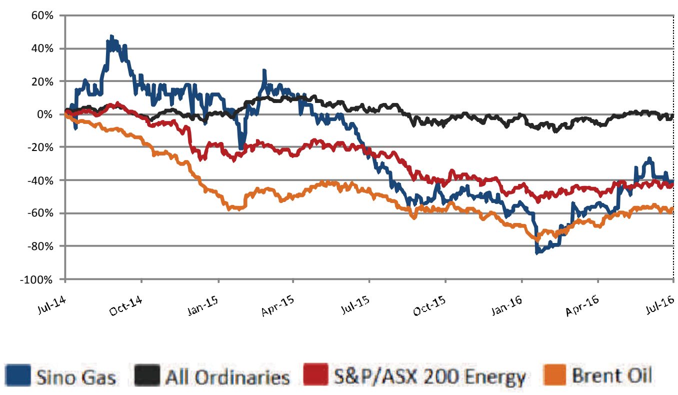
Management met with investors in Australia, Asia, Europe and North America during the quarter.

Copies of our recent presentations can be found on our website at www.sinogasenergy.com, along with announcements and other investor materials.

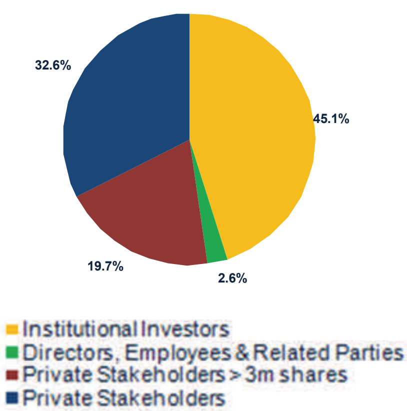
Share Register

During the quarter, the composition of the share register remained largely unchanged with approximately 45% of the register owned by institutional shareholders.

Sino Gas Share Price Performance (ASX:SEH)



Share Register Composition



CHINA GAS MARKET UPDATE

China Natural Gas Demand

According to the National Development and Reform Commission ("NDRC"), natural gas demand growth during the January to May 2016 period was 10.6% year over year. May natural gas demand, however, grew only 0.6% year over year. The slowdown in gas demand in May has been attributed to seasonal weather factors, higher hydro power contribution due to wet weather in the south of China as well as relatively strong gas demand in the corresponding period in the year prior.

Despite the short-term seasonal slowdown in natural gas demand in China, several positive indicators for the development of the natural gas industry in China were observed during the quarter. On 22 June 2016, the Executive Meeting of the State Council, led by Premier Li Keqiang, approved a strategy to launch a drive to stimulate investment in several key sectors including domestic natural gas production.

In addition, Zhao Zhongxun, Deputy-Director of China National Petroleum Company ("CNPC") Planning Department, China's largest oil and gas producer, stated at a 'Green Development Forum' in Beijing in June 2016, "Our top priority is to boost domestic supplies of natural gas, then adjust imports based on demand, and at the same time expand our pipeline network and capacity of LNG terminals." These plans are part of CNPC's Five-Year Plan which corresponds to the priorities established in China's 13th Five Year Plan (2016-2020).

SUPPLEMENTARY INFORMATION

Historical testing results by zone (2006—Q2 2016)

Zone	Well Tests	Average Thickness (m)	Average Test Length (Days)	Average Flow Rate (Mscf/d)	Max Flow Rate (Mscf/d)
Upper Zone	16	5	10	815	2901
Mid-Upper Zone	32	7	10	407	3099
Middle Zone	13	6	25	242	708
Mid-Lower Zone	9	5	19	464	2542
Lower Zone	11	5	8	616	1663
Comingled	25	20	17	794	2569
Horizontal Wells (Middle Zone)	2	1160	2	7442	9775

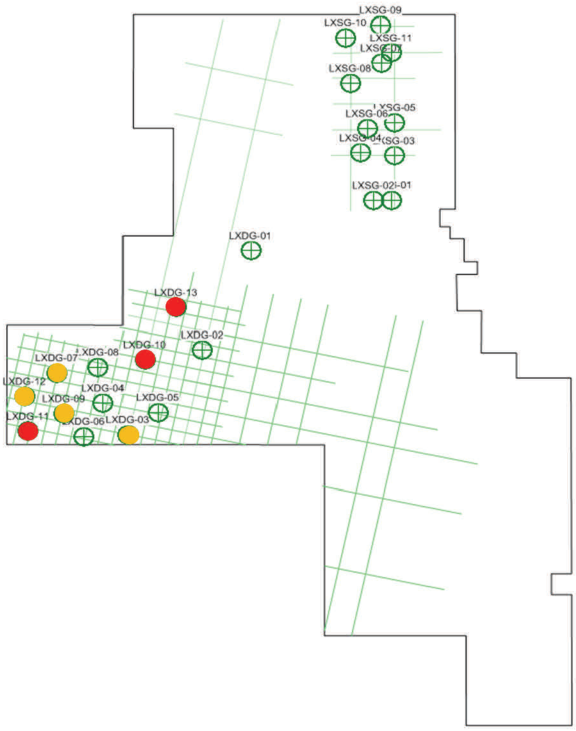
Note: Results have been standardised to a standard field pressure of 200psi.

Linxing (East) — Additional Exploration Disclosure (page 1 of 2)

Exploration Disclosure	Drilling and Testing Result	Testing Result	Testing Result	Testing Result	Testing Result
(a) The name and type of well.	LXDG-11 (Vertical Well)	LXDG-03 (Vertical Well)	LXDG-07 (Vertical Well)	LXDG-09 (Vertical Well)	LXDG-12 (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 on following page.				
(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 31.8m of net pay.	Electric wireline logs identified 86.6m of net pay.	Electric wireline logs identified 22.3m of net pay.	Electric wireline logs identified 62.7m of net pay.	Electric wireline logs identified 39.3m 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 1408.8~1452.6m	test target payzone at a depth of 1303.0~1307.0m	test target payzone at a depth of 1363.0~1402.5m	test target payzone at a depth of 1305.0~1426.0m	test target payzone at a depth of 1638.0~1654.0m
(g) The types of test(s) undertaken and the duration of the test(s).	Fracked and gas flow tested for 9 days	Perforated and gas flow tested for 5 days	Fracked and gas flow tested for 4 days	Fracked and gas flow tested for 7days	Fracked and gas flow tested for 7days
(h) The hydrocarbon phases recovered in the test(s).	Natural Gas	Natural Gas	Natural Gas	Natural Gas	Natural Gas
(i) Any other recovery, such as, formation water and water, associated with the test (s) and their respective proportions.	None	None	None	None	None
(j) The choke size used, the flow rates and, if measured, the volumes of the hydrocarbon phases measured.	Choke size 6mm. Post-frack test gas rate was 408,000scf/d with well head pressure of ~362psi.	Choke size 6mm. Post-frack test gas rate was 343,500scf/d with well head pressure of ~188psi.	Choke size 6mm. Post-frack test gas rate was 974,000scf/d with well head pressure of ~850psi.	Choke size 6mm. Post-frack test gas rate was 1409,000scf/d with well head pressure of ~1015psi.	Choke size 5mm. Post-frack test gas rate was 120,000scf/d with well head pressure of ~44psi.
(k) If applicable, the number of fracture stimulation stages and the size and nature of fracture stimulation applied.	2 stages	None	2 stages	4 stages	2 stages
(l) Any material volumes of non-hydrocarbon gases, such as, carbon dioxide, nitrogen, hydrogen sulphide and sulphur.	gas sample from adjacent well in the tested pay zone shows CH4 98.654%, C2~C6 0.819%, CO2 0.527%.	gas sample from the tested pay zone shows CH4 95.114%, C2~C6 2.882%, CO2 0.648% and N_2 1.355%.	gas sample from adjacent well in the tested pay zone shows CH4 95.114%, C2~C6 2.882%, CO2 0.648% and N_2 1.355%.	gas sample from adjacent well in the tested pay zone shows CH4 95.114%, C2~C6 2.882%, CO2 0.648% and N_2 1.355%.	gas sample from adjacent well in the tested pay zone shows CH4 98.654%, C2~C6 0.819%, CO2 0.527%.
(m) Any other information that is material to under-	None	None	None	None	None

Linxing (East) — Additional Exploration Disclosure (page 2 of 2)

Exploration Disclosure	Drilling Result	Drilling Result
(a) The name and type of well.	LXDG-10 (Deviated Well)	LXDG-13 (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 33.0m of net pay.	Electric wireline logs identified 23.3m 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 1838.8~1868.0m	test target payzone at a depth of 1266.6~1561.0m
(g) The types of test(s) undertaken and the duration of the test(s).	Fracked and gas flow test process is underway	Fracked and gas flow test process is underway
(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 their respective proportions.	None	None
(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.	2 stages	2 stages
(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.	None	None



Key

- *Drilling results*
- *Testing results*
- *Existing wells*

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 Chinese natural gas assets. Sino Gas holds a 49% joint venture interest in Sino Gas & Energy Limited (SGE) through a strategic partnership with China New Energy Mining Limited (CNEML). 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 has a 64.75% interest in the Linxing PSC, partnered with CUCBM, a subsidiary of CNOOC, and a 49% interest in the Sanjiaobei PSC, partnered with PetroChina CBM, a subsidiary of CNPC. 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 largest 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 province 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)
31 December 2015 (Announced 10 March 2016)	362	552	751	814	733
31 December 2014 (Announced 3 March 2015)	350	448	557	739	649
CHANGE (+/-)%	+23% (2P Reserves)			+10%	+13%
Total Project	**1,250**	**1,962**	**2,723**	**2,831**	**2,954**

Note 1: Prospective resources are 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.

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. 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 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$1.2/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 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 is a qualified petroleum reserves and resources evaluator (QPPRE) as defined by ASX listing rules. Mr Stephenson 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.