

Monthly Operations Report

For the month ending 31 July 2014

2014 WORK PROGRAM — DELIVERING PIPELINE PRODUCTION

Operational Update

- ▶ *Drilling program — 14 exploration wells completed, and nine production wells reaching total depth in 2014*
- ▶ *Well testing program — 21 single zones frac tested in 2014*
- ▶ *Construction of infield gathering pipelines for pilot production underway on both blocks*

Following a successful first half work program, which saw significant progress made towards the Company's key objectives, Sino Gas & Energy Holdings Limited (ASX:SEH, "Sino Gas", "the Company") continued the focus to drive towards project approvals, improve single well productivity, and maximise production.

With approval for the first Chinese Reserve Report (CRR) on Linxing (East) received and the final drilling of exploration wells required for the first round of CRR submissions completed, the Operations team has begun testing these wells and gathering other technical information for completion of the reports.

The most notable of the exploration wells tested was on TB-23, where a stable flow rate of 2.0 million standard cubic feet (MMscf) per day was achieved from a four metre pay zone over a five day period (refer to 6 August 2014 ASX announcement). The first horizontal well was also successfully tested in the southern portion on Linxing (West) in July, achieving a gas flow rate of 4.93 MMscf/day from a nine stage fracture stimulation of a five metre pay zone (refer to 15 July 2014 ASX announcement). The second horizontal well completed drilling of the vertical section and is expected to complete drilling of the lateral section in August.

Exploration well LXDG-02 also completed drilling in July on existing seismic lines on Linxing (East). Further appraisal drilling is being considered in 2014 to the south of this well to gain a greater understanding of the deeper resource potential on Linxing (East).

Good progress continues to be made on preparations for the pilot pipeline production programs, with construction of infield gathering pipelines underway on both PSCs. Site preparations have been completed on the Linxing Central Gathering Station and major components are being prepared to be transferred to site. Following the completion of design and surveying work, construction of the infield gathering pipelines has commenced, with the first 3.5km now completed between TB-07 and TB-11, while further land lease negotiations are underway.

Further encouraging news continues to be received on local market conditions in China, as the National Development and Reform Commission (NDRC) pushes ahead with pricing reform to boost domestic exploration and production. The wholesale natural gas price for industrial users is set to rise 20% on 1 September 2014 to approximately 2.35 RMB per cubic metre or ~US\$10.80 per thousand standard cubic feet.

Corporate Update

Sino Gas' recently appointed Chief Executive Officer, Glenn Corrie, commenced with the Company effective 15 August. Mr Corrie's technical and commercial capabilities as well as his senior management experience are an ideal fit with Sino Gas' requirements as it moves through the exploration phase and into development and production at its Ordos Basin assets.

In June the Company entered into a binding term sheet with Macquarie Bank for up to US\$50 million under a structured term debt facility (refer to 25 June 2014 ASX announcement). Work continued in July to finalise the facility documentation and customary conditions precedent including final due diligence. Macquarie Securities has also initiated research on Sino Gas, with a total of five analysts now following the Company.

The composition of the share register continued to evolve in July, with corporate shareholder Imdex Limited announcing it had sold its remaining shareholding in Sino Gas. Institutional holder Fidelity (FIL Limited), announced it had increased its holding to 9.77% of issued capital.

HIGHLIGHTS

- ▶ Third significant flow rate recorded on Linxing (West) at TB-23, following successful testing of the first horizontal well and unfracted lower level zone on TB-26
- ▶ NDRC announces substantial increase of 20% in industrial wholesale natural gas price
- ▶ New Chief Executive Officer, Mr Glenn Corrie, commences
- ▶ Macquarie Securities initiates research coverage
- ▶ Share register continues to evolve following Imdex sell-down

Linxing (West) - Sino Gas 31.7% **Shanxi Province, People's Republic of China**

Interpretation of 285km of seismic lines has been completed by a third party contractor and the results have been reviewed by the Operations team.

The final exploration well to fulfil the drilling requirements for CRR submission was completed in July. Five production wells were completed in July, with initial electric wirelines results identifying an encouraging amount of net pay of between 16.2 to 29.1 metres (average 22.9 metres). The second horizontal well completed drilling of the vertical section and is expected to complete drilling of the lateral section in August.

Two additional wells were fraced during July, with another significant flow rate of 2.0 million standard cubic feet (MMscf) per day being achieved from a mid-lower level zone of TB-23. The four metres pay zone was fraced on TB-23 in the prospective central-western portion of Linxing (West). Flow testing conducted over 5 days achieved a stable flow rate of 2.0 MMscf/day at a relatively stable flowing tubing head pressure of 1,250psi (approximately 2.36 MMscf/day calculated at standard field pressure of 200 psi).

The result represents the highest measured gas flow rate from a single fractured zone and is well in excess of the previously recorded maximum flow rate from the middle lower zone of approximately 230,000 standard cubic feet per day. Seismic interpretation of the zone tested shows a high level of frequency across the acreage. Engineering planning is underway to connect the well into the pilot pipeline production program.

Linxing PSC (East) - Sino Gas 31.7% **Shanxi Province, People's Republic of China**

The second exploration well LXDG-02 was spud on existing seismic lines on Linxing (East) during the quarter and had completed drilling in July, with initial electronic wireline results identified an encouraging 7.2m of net pay. The well is scheduled to be frac tested in Q3. The well was drilled further to the south of LXDG-01, with the aim of gaining a greater understanding of the significant underexplored deeper resource potential within Linxing (East). Further appraisal drilling is being considered in 2014 to the south of this well.

Sino Gas has received official notification that the CRR submitted on Linxing (East) for the coalbed methane resource was approved by the Ministry of Land & Resources (MOLAR). Approval of the CRR is the first step in a two-step regulatory process to develop gas assets into producing fields in China. It forms the basis of the Overall Development Plan (ODP) which, once approved, allows the commencement of commercial development for that specified resource. Preparation for the ODP has commenced on schedule, while de-watering operations continue on six wells.

Sanjiaobei PSC - Sino Gas 24% **Shanxi Province, People's Republic of China**

The two exploration wells required to be drilled in 2014 for CRR submission have been completed. A selection process for additional well locations is currently underway for the north/west portion of the block, with rigs expected to be mobilised by Q4 to commence drilling.

Six wells were fraced during July and commenced flow back testing. As at month end, one well (SJB-10) had completed testing, demonstrating commercial rates from a middle zone.

Pilot Program Update

Site preparations have been completed on the Linxing Central Gathering Station and major components are being prepared to be transferred to site. Following the completion of design and surveying work, construction of the infield gathering pipelines has commenced, with the first 3.5km now completed between TB-07 and TB-11, while further land lease negotiations are underway. Construction is expected to take approximately three months to complete, with seven wells initially planned to be connected into the pilot pipeline production program (including the first horizontal well).

Delivery of equipment to the Sanjiaobei central gathering station at Qiaojiaoshan and construction of the third party spur pipeline have been completed. Initial design for the infield gathering lines has been completed, and the commencement of land lease negotiations has allowed construction for the infield gathering pipelines to begin. In addition to existing wells, wells drilled in the north/west portion of the block are expected to be tied into the pilot pipeline production program as they are completed.

ABOUT SINO GAS & ENERGY HOLDINGS LIMITED

Sino Gas & Energy Holdings Limited ("Sino Gas" ASX: SEH) is an Australian energy company focused on developing Chinese unconventional gas assets. 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.



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SINO GAS' RESERVES & RESOURCES

Sino Gas' Attributable Net Reserves & Resources are summarised below:

Sino Gas' Attributable Net Reserves & Resources	1P RESERVES (Bcf)	2P RESERVES (Bcf)	3P RESERVES (Bcf)	2C CONTINGENT RESOURCES* (Bcf)	P50 PROSPECTIVE RESOURCES* (Bcf)	EMV ₁₀ (US\$m)
31 December 2013	129	291	480	850	1,023	2,258
31 December 2012	32	94	199	653	885	1,556
CHANGE (+/-)%	+211% (2P Reserves)			+30%	+16%	+45%
Total Project	466	1,068	1,786	2,941	3,978	N/A

*Note: Contingent and Prospective Resources have not been risked for the risk of development and discovery. The estimated quantities of petroleum 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.

Sino Gas' share of the project's success case Net Present Value ("NPV") and risk weighted EMV are summarised below:

SINO GAS' ATTRIBUTABLE	NPV ₁₀ (US\$m)	EMV ₁₀ (US\$m)
Reserves	625	653
Contingent Resources	828	754
Prospective Resources	1,350	851
TOTAL		2,258

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 (Announced 4 March 2014) 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. Project NPV₁₀ is based on a mid-case wellhead gas price of \$US8.79/Mscf and lifting costs (opex+capex) of ~ \$US1.5/Mscf for mid-case Reserves, Contingent & Prospective Resources. 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, 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 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. RISC consents to the inclusion of this information in this release.