Q2 QUARTERLY ACTIVITIES REPORT

SINO Gas & Energy

Q2 Highlights

- → Sino Gas announced on 31 May that it had entered into a Scheme Implementation Agreement under which Lone Star proposes to acquire 100% of Sino Gas shares at A$0.25 per share. Sino Gas Directors unanimously recommend that shareholders vote in favour of the Scheme in the absence of a superior proposal and subject to the Independent Expert concluding that the Scheme is in the best interests of Sino Gas shareholders
- → Q2 2018 gross production averaged ~24 MMscf/d and Sino Gas remains on track to deliver 2018 production guidance as strong production in the first half of the year (~24 MMscf/d) is expected to mitigate the impact of the delay of Linxing North CGS commissioning to Q4 2018
- → First Linxing ODP approval received and Linxing development phase cost allocation principles finalised
- → SGE entered into MA11 with SOE partner CUCBM to modify the terms of the Linxing PSC
- → First Sanjiaobei ODP is undergoing final review with approval now expected in 2H 2018; confidential preliminary discussions with PCCBM on SOE participation up to 51%, development stage operational matters, gas allocation prior to ODP approval and extension of the exploration period
- → Twenty-five wells were drilled in 1H 2018, and SGE remains on track to complete its planned 2018 drilling program of 40 – 50 wells
- → Linxing GSA extended one year to 31 March 2019 at an increased average price of ~US$6.7/Mscf (RMB1.61/$m^3$)[2]
- → Strong Q2 net margins[3] at US$4.0/Mscf (~A$5.3/Mscf)[4]
- → RISC updated Reserves and Resources estimates as at 30 June 2018, resulting in reductions due to MA11, a decrease in the expected ultimate recovery per well assumed by RISC, a revised timing to reach plateau production in line with current ODP plans and the relinquishment of ~1,000km^2 of land in Linxing East.

Sino Gas & Energy Holdings Limited ("Sino Gas") Managing Director, Glenn Corrie said:

"We had strong operational performance in the first half and reiterate our 2018 production guidance despite a delay in commissioning of the Linxing North CGS to Q4. The approval of the first Linxing ODP and conclusion of commercial arrangements enables focus to be on future development planning. We look forward to receiving approval for the first Sanjiaobei ODP later this year.

We continue to work with Lone Star on the proposed acquisition of Sino Gas and have recently satisfied two key conditions precedent. We remain on track with the Scheme Booklet scheduled for release in late July / early August prior to the shareholder vote at the Scheme Meeting in late August / early September".

2018 Priorities

☑ Completed ☑ On-Track

- ☑ Maintain safety record
- ☑ Finalise US$100m debt funding
- ☑ Secure 2018 gas sales agreements
- ☑ Finalise Linxing cost allocation principles with CUCBM
- ☑ Finalise Linxing development & partnership terms with CUCBM
- ☑ Secure Linxing ODP approval
- ☑ Secure Sanjiaobei ODP approval[5]
- ☑ Commission Linxing North CGS[5]
- ☑ Sanction new gas processing capacity projects
- ☑ 2019+ drilling preparation
- ☑ Gross year-end exit rate of 38 - 42 MMscf/d and average rate of 22 - 27 MMscf/d

1. All production numbers are gross total field for both Sanjiaobei and Linxing PSCs, please refer to page 5 for details of Sino Gas participating interests. 2. Please refer to Gas Marketing section, page 3. 3. For this reference and other references to non-IFRS financial measures throughout this report, refer to non-IFRS Financial Information note on page 6. 4. A$/US$ Q2 2018 average exchange rate of 1.32. 5.Targets updated.

Lone Star Scheme of Arrangement

Sino Gas announced on 31 May 2018 that it had entered into a Scheme Implementation Agreement ("SIA") with a wholly-owned subsidiary of Lone Star Fund X Acquisitions, LLC (together with its affiliates, "Lone Star") under which Lone Star proposes to acquire 100% of the issued share capital of Sino Gas by way of a scheme of arrangement (the "Scheme"). Under the terms of the Scheme, Sino Gas shareholders will receive cash consideration of A$0.25 per Sino Gas share, subject to all applicable conditions being satisfied or waived and the Scheme being implemented.

The Sino Gas Directors have unanimously recommended that Sino Gas shareholders vote in favour of the Scheme, in the absence of a superior proposal and subject to the Independent Expert concluding that the Scheme is in the best interests of Sino Gas shareholders.

The conditions to the Scheme are summarised in the SIA. Since entering into the SIA, conditions precedent related to entry into the Linxing 11th Modification Agreement ("MA11") as announced on 12 June 2018 and Foreign Investment Review Board ("FIRB") approval as announced on 17 July 2018 have been satisfied.

The Scheme Booklet containing information relating to the Scheme, the Independent Expert's Report, and the reasons for the Board's recommendation, is expected to be sent to Sino Gas shareholders in late July / early August. Sino Gas shareholders will be provided with an opportunity to vote on the Scheme at a Sino Gas shareholder meeting which is expected to be held in late August / early September 2018. Details of the meeting and voting procedures will be disclosed in the Scheme Booklet.

Lone Star and Sino Gas continue to work together to progress the proposed acquisition of Sino Gas by Lone Star and remain on track to meet the announced indicative timetable.

Please refer to the 31 May 2018 announcement for details related to the SIA.

Production Sharing Contracts

Linxing PSC – Sino Gas 22.2%[1]

First Linxing ODP Approval

As announced on 22 May 2018, the Joint Venture Sino Gas & Energy Limited ("SGE")[1] received approval for the first Linxing ODP from SOE partner China United Coalbed Methane ("CUCBM"). In line with CUCBM's support for a staged approval process to facilitate the continued ramp-up of production in parallel with phased approvals, the first ODP focuses on core development and pilot production areas representing ~20% of the current discovered area of Linxing East and West.

Future ODP submissions to support development of the remaining discovered area are expected to be appended to this initial ODP.

MA 11

On 12 June 2018, Sino Gas announced that SGE had entered into MA11 with SOE partner CUCBM to modify the terms of the Linxing PSC following confidential commercial discussions. The modifications to the PSC include:

- A reduction in SGE's gas participating interest from 70% to 49% (prior to the impact of the Linxing Option) to satisfy CUCBM's stated internal requirements[2];
- An 8-year extension of the natural gas PSC to 31 August 2036; and
- Relinquishment of ~1,000 km² of Linxing East exploration acreage and extension of the exploration period to 31 August 2019.

The Linxing PSC now comprises 877 km², including 722 km² in Linxing West and Linxing East and 155 km² of prospective Coal Bed Methane ("CBM") acreage in Linxing East.

Development Phase Cost Allocation Principles

Sino Gas announced on 9 May 2018 the finalisation of the Linxing PSC development phase cost allocation principles. Key elements of the cost allocation principles are consistent with other CUCBM PSCs and include:

- Costs incurred to date under the PSC to be split between the exploration and development phases based on the nature of expenditure;
- All exploration costs continue to be funded 100% by SGE and recovered in first priority by way of cost recovery from gas sales proceeds; and
- Development costs which include all pilot production projects will be shared by the partners based on working interest and are recovered by each partner after the recovery of all exploration costs.

SGE also agreed to fund CUCBM's share of development costs up until the point CUCBM obtains full project investment committee approval from CUCBM's parent China National Offshore Oil Corporation ("CNOOC"), currently expected mid-2019.

This agreement allowed for resumption of Linxing gas sales proceeds. SGE has received ~85% of accounts receivable announced as overdue on 29 March 2018. The process of monthly collection of accounts receivable is ongoing.

Sanjiaobei PSC – Sino Gas 24%

While the first Sanjiaobei ODP has been approved in principle, it is currently undergoing final review with approval now expected in 2H 2018.

In anticipation of this approval, confidential preliminary discussions have commenced between SGE and SOE partner PCCBM pertaining to the timing and extent of PCCBM's participation in the project up to its 51% participating interest, operational matters related to the development stage of the project, allocation of pilot production above the previously announced 3 Bcf prior to ODP approval and the extension of the exploration period that expires on 31 August 2018. Discussions are currently expected to be concluded around the time of the first ODP approval.[3]

1. Please refer to page 5 for details about Sino Gas' interest in SGE. For the purposes of determining Sino Gas' 22.2% percentage interest in Linxing, consistent with the presentation in its most recent Reserves & Resources update as of 12 July 2018, Sino Gas has taken into account 49% of SGE's 45.325% interest in the Linxing PSC (assuming the Linxing Option to acquire an additional 7.5% in the PSC (prior to partner back-in and by contributing 7.5% of historical back costs to SGE) was exercised), but has not included any additional Sino Gas interest resulting from the Linxing Option. 2. Assuming CUCBM participates in the PSC to their full entitlement post CNOOC investment committee approval. 3. Please see footnote 2 on page 3.

Reserves & Resources

The Directors of Sino Gas appointed Grant Thornton Corporate Finance Pty Ltd ("Grant Thornton") as independent expert for the purposes of the Scheme. To assist in preparing its Independent Expert's Report, Grant Thornton engaged RISC Advisory Pty Ltd ("RISC") to prepare an Independent Technical Specialist's Report, including an updated Reserves and Resources Report. The details of the updated Reserves and Resources Report were announced by Sino Gas on 12 July 2018.

This report reflects the impact of MA11, up-to-date technical data, the first ODPs for Linxing and Sanjiaobei, analogous field data and the previously announced Sino Gas Development Plan, prepared in conjunction with J-Energy Company Limited ("J-Energy"), a Chinese specialist technical firm with direct experience in similar neighbouring Ordos basin tight gas fields.

RISC has certified that as at 30 June 2018:

- Gross (total project) mid-case discovered Resources decreased 4% from 31 December 2017 to 5.1 trillion cubic feet ("Tcf"), comprised of gross 2P Reserves of 1.3 Tcf (-38%) and gross 2C Resources of 3.8 Tcf (+19%);
- Net Sino Gas mid-case discovered Resources decreased 28% from 31 December 2017 to 1.1 Tcf, comprised of net 2P Reserves of 256 billion cubic feet ("Bcf") (-56%) and net 2C Resources of 806 Bcf (-10%); and
- Net Sino Gas P50 Prospective Resources decreased 54% due to the relinquishment of acreage in Linxing East.

Reductions in Sino Gas Reserves and Resources are driven by the impact of MA11, a reduction in the expected ultimate recovery per well assumed by RISC, a revised timing to reach plateau production in line with current ODP plans and the relinquishment of ~1,000km^2 of land in Linxing East.

Operations

Health, Safety & Environment

For the first half of the year, a total of 471,909 Lost Time Injury free hours were recorded, including 331,648 hours during Q2 2018, from the drilling, testing and production operations on the Linxing and Sanjiaobei PSCs. There were no recorded environmental incidents.

Pilot Program

Gross production in Q2 2018 averaged ~24 Million standard cubic feet per day ("MMscf/d"), including the impact of the scheduled annual maintenance shut-downs at the Linxing and Sanjiaobei Central Gathering Stations ("CGS"). Apart from the scheduled maintenance, uptime ratios remained high at close to 100%. Gross production for the first half of 2018 averaged ~24 MMscf/d.

Sino Gas remains on track to deliver 2018 production guidance of a gross average rate of 22 - 27 MMscf/d and gross year-end exit rate of 38 - 42 MMscf/d.

Drilling and Testing

Twenty-five wells were drilled in the first half of the year, including three horizontal wells which are expected to be tested in Q4 2018. Sino Gas remains on track to complete its planned 2018 drilling program of 40 – 50 wells.

Linxing PSC

Fifteen wells were drilled in the second quarter on the Linxing PSC, including twelve production wells in Linxing North in anticipation of the CGS commissioning later in 2018, two CBM commitment wells in Linxing East and one exploration well in Linxing North.

Three of the drilled production wells were horizontals, averaging ~730 metres of lateral section in the Shanxi formation, and encountered high reservoir quality sandstone. The drilled deviated wells identified an average net pay of 30 metres, consistent with expectations. All pilot wells drilled in the Linxing North area are expected to be fracced later this year. A majority of these wells are expected to be tied into the facility to support production ramp-up before year-end.

A total of eleven wells were tied into the Linxing South CGS in Q2, recording strong early production rates: pad TC-3 produced 3.5 MMscf/d for one month, dropping to 2.2 MMscf/d after a downhole choke was placed on one well to delay production decline. Pad LXX7-15 has been producing over 4.5 MMscf/d since it was tied in in early June.

Sanjiaobei PSC

A total of nine wells were drilled in Q2, identifying average net pay consistent with past results across the PSC. It is expected that these wells will be tied in and tested in the 2H 2018.

Design and engineering work to expand the Sanjiaobei CGS from 8 MMscf/d to 16 MMscf/d is currently underway.

Linxing North Facility

As a result of land leasing delays, site preparation for the new Linxing North CGS was completed in June 2018, leading to the deferral of commissioning of the Linxing North CGS to Q4 2018.

The Linxing North CGS will increase total installed processing capacity in both Linxing and Sanjiaobei PSCs to 42 MMscf/d. A total of 21 production wells have been drilled in the Linxing North area, the majority of which are expected to be tied into the new CGS in Q4 2018.

Gas Marketing

Recently SGE, in conjunction with partner CUCBM, agreed terms for a one-year extension effective 1 April 2018 to 31 March 2019 of a Gas Sales Agreement with Shanxi GuoHua Energy Limited Company, a Sinopec subsidiary and one of the largest gas distribution companies in Shanxi province, at an average sales price of RMB1.61 per cubic metre (taking into account seasonal adjustments) (~US$6.71 per Thousand standard cubic feet ("Mscf")[1]), and representing a 5% increase to the previous contract. This is the same price agreed with the other current gas buyer of Linxing gas per the announcement made on 29 March 2018.

1. GSA denominated in RMB, assuming RMB/US$ exchange rate of 6.79 (as of 20 July 2018).
2. As disclosed in the Company's 25 July 2016 announcement, pilot production up to 3 Bcf prior to ODP is shared between PCCBM and SGE in accordance with PSC terms. Pilot production at Sanjiaobei is currently expected to exceed 3 Bcf in Q3 2018.

Key Financial Results

SGE Q2 2018 gross sales revenue of US$14.7 million was up 50% over Q2 2017 due to increased production and gas prices and down 6% over Q1 2018 as a result of a slight decline in production due to scheduled maintenance and expected lower seasonal gas prices.

SGE continued to deliver strong net margins of US$4.0/Mscf in Q2 2018. In line with expectations, the net margin declined from US$4.8/Mscf in Q1 2018 due principally to the impact of gas price seasonality. The average gross realised gas price decreased from US$7.1/Mscf in Q1 2018 to US$6.8/Mscf in Q2 2018. SGE's one-year term gas contracts reflect gas price seasonality with higher gas prices in the winter months in Q1 and Q4 and lower prices in Q2 and Q3.

Total SGE capital expenditures in Q2 2018 were US$15.3 million, including the drilling of 24 wells and Linxing North site preparation activities. Following the agreement on Linxing development phase cost allocation principles with CUCBM, Linxing gas sales accounts receivable collection is ongoing.

As a result of strong SGE EBITDA[1] of US$16.8 million in the first half of the year, including US$8.3 million in Q2 2018 being reinvested into the projects, SGE cash call funding requirements have been modest. Sino Gas paid US$4.6 million of cash calls in the first half of the year, including US$2.8 million in Q2.

At 30 June 2018, Sino Gas' cash and its share of SGE cash was approximately US$24 million with outstanding debt of US$16 million.

Financial Results (Unaudited)	Units	Q2 18	Q1 18	Q2 17	Q/Q %	Y/Y % change
SGE Gross Sales Revenue	US$ Million	14.7	15.6	9.9	(6)%	50%
SGE Net Sales Revenue	US$ Million	11.5	13.0	8.0	(11)%	44%
Gross Realised Price	US$/Mscf	6.8	7.1	6.3	(4)%	7%
Net Realised Price (post VAT and PSC allocation)	US$/Mscf	5.3	5.9	5.1	(9)%	4%
Operating Costs	US$/Mscf	1.3	1.1	1.1	17%	13%
Net Margin[2]	US$/Mscf	4.0	4.8	4.0	(15)%	1%

Sino Gas Cash	US$ Million	21.0	22.2	32.9
SGE Cash	US$ Million	6.7	1.7	4.6
Sino Gas Debt	US$ Million	16.0	11.5	10.0

1. EBITDA is calculated by adding interest expense, income tax, depreciation and amortisation to net income.
2. Net margin is calculated as the SGE sales revenue after VAT and partner share less operating expenses per Mscf of sales. Please refer to non-IFRS Financial Information note.
3. Please refer to page 5 for details about Sino Gas' interest in SGE.

Supplementary Information

Historical testing results by zone (2006– 2018)

Zone	Well Tests	Average Thickness (m)	Average Test Length	Average Flow Rate (Mscf/d)	Max Flow Rate (Mscf/d)
Upper Zone	28	7	9	955	2,919
Mid-Upper Zone	35	7	11	388	3,099
Middle Zone	15	7	21	261	715
Mid-Lower Zone	9	5	19	463	2,534
Lower Zone	13	5	8	686	1,663
Comingled	61	17	11	750	2,569
Horizontal Wells (Middle Zone)	4	1,145	3	5,493	9,775

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

ABOUT SINO GAS & ENERGY HOLDINGS LIMITED

Sino Gas & Energy Holdings Limited ("Sino Gas" ASX: SEH) is an Australian energy company focused on developing gas assets in China. Sino Gas holds a 49% interest in Sino Gas & Energy Limited ("SGE"), the operator of the Linxing and Sanjiaobei Production Sharing Contracts ("PSCs") in the Ordos Basin, China's largest gas producing basin. SGE has been established in Beijing since 2005 and is jointly owned with China New Energy Mining Limited ("CNEML") via a strategic partnership.

The Linxing PSC is held with CUCBM (a CNOOC wholly-owned subsidiary) and the Sanjiaobei PSC is held with PCCBM (a PetroChina wholly-owned subsidiary). SGE's PSC partners are entitled to participate up to their 51%-PSC participating interest by contributing their future share of costs.

Sino Gas also holds an option to acquire 7.5% of SGE's participating interest in the Linxing PSC by contributing 7.5% of historical back costs to SGE (3.675% assuming full CUCBM participation).

The PSCs cover an area of approximately 2,000km^2 in the Ordos basin in Shanxi, a rapidly developing province. The region has mature field developments with an established pipeline infrastructure to major markets. Natural gas is a key component of clean energy supply in China, with the 13th Five-Year Plan identifying the Ordos basin as a strategic gas source.

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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Disclaimers

Reserves and Resources

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

SINO GAS' ATTRIBUTABLE NET RESERVES AND RESOURCES	1P RESERVES (Bcf) [1]	2P RESERVES (Bcf) [1]	3P RESERVES (Bcf) [1]	2C CONTINGENT RESOURCES (Bcf)	P50 PROSPECTIVE RESOURCES[1](Bcf) [2]
30 June 2018 (Announced 12 July 2018)	176	256	346	806	376
31 December 2017 (Announced 29 March 2018)	384	578	776	899	821
Total Project 30 June 2018	**874**	**1,323**	**1,788**	**3,789**	**2,002**

Note 1. RISC has separately assessed the Reserves and Resources for each of the PSCs by probabilistic methods and added the resultant estimates arithmetically. RISC and Sino Gas caution that the aggregate 1P estimate may be conservative and the aggregate 3P estimate may be optimistic as a result of the portfolio effects of arithmetic addition.

Note 2. 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

Note 3: For the purposes of determining SGE's Reserves and Resources, RISC assumes (a) full SOE partner back in (i.e. CUCBM and PCCBM take up their respective 51% participating interests in the Linxing and Sanjiaobei PSCs); (b) that the Linxing Option has been exercised resulting in SGE having a 45.325% participating interest in the Linxing PSC, however the impact of the Linxing Option has not been included in Sino Gas's Reserves and Resources. Sino Gas owns 49% of the issued capital of SGE and CNEML owns the remaining 51%.

Resource Statement

The statements of resources in this Release have been independently determined to SPE PRMS standards by internationally recognized oil and gas consultants RISC Advisory Pty Ltd ("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 PCCBM and CUCBM. Reserves are based on a mid-case gas price of US$7.01/Mscf inflated at 2.5% per year and average lifting costs (opex+capex) inclusive of inflation of 2.5% per year of ~US$1.8/Mscf for 2P Reserves. All resource figures quoted are unrisked mid-case unless otherwise noted. Sino Gas' attributable net Reserves & Resources assumes full PSC partner back-in upon ODP approval and the reduction of SGE's contractor share in Linxing due to the exercise of the Linxing Option, however Sino's Gas is not credited with the acquired Reserve and Resources. 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.

Information on the Resources in this release is based on an independent evaluation conducted by 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 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 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 .

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. Whilst the Company considers all the material assumptions to be based on reasonable grounds, there is no certainty that they will prove correct or that the outcomes indicated in the announcement will be achieved. Production profile, plateau rates and other development plan parameters are indicative only and not guidance, and remain subject to any necessary regulatory approvals and applicable investment decisions.

Many factors could cause the Company's actual results to differ materially from those expressed or implied in any forward-looking information provided by, or on behalf of, the Company. Such factors include, among other things, risks relating to gas prices and currency fluctuations; exploration and estimating reserves; development, production and operating risks; competition; regulatory restrictions or failure to obtain necessary approvals and licenses; environmental harm and liability; potential issues with obtaining land access and title disputes; and additional funding requirements. Details of the Company's material business risks are set out in its annual report. Further, despite the Company having attempted to identify all material factors that may cause actual results to differ, there may be other factors that cause results not to be as anticipated, estimated or intended. 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 (or as otherwise specified) and except as required by applicable law the Company does not undertake any obligation to update publicly such forward-looking information, whether as a result of new information, future events or results or otherwise.

Sino Gas have commissioned J-Energy Company Limited ("J-Energy") to provide technical advisory services. The review, and the production information and economic assumptions contained in this release relating to the review, for the purposes of the conceptual development plan is based on, and fairly represents, data and supporting documentation prepared by, or under the supervision of Mr. Jin Po Dong and Mr. Frank Fu. The review assumes PSC partner full back-in upon ODP approval (i.e. CUCBM and PCCBM take up their respective 51% participating interests in the Linxing and Sanjiaobei PSCs) and the exercise of Sino Gas' option to acquire an interest of 3.675% in the Linxing PSC (by paying 7.5% of historical back costs to SGE) which was purchased in April 2017. Mr. Dong is a Vice-President of J-Energy Ltd and has a Bachelor of Petroleum Engineering from South West Petroleum University of China, has over 20 years of industry experience and is a member of the SPE. Mr. Fu is the Chief Operating Officer of Sino Gas & Energy Holdings Limited, holds a Bachelor of Science degree in Geology and Exploration, and has over 25 years of relevant experience in both conventional and unconventional hydrocarbon exploration & production in China and multiple international basins and a member of the SPE. Such statements were issued with the prior written consent of Mr. Dong and Mr. Fu in the form and context in which they appear. The statements and opinions attributable to J-Energy are given in good faith and in the belief that such statements are reasonable and neither false nor misleading. J-Energy has considered and relied upon information obtained from the Company and information in the public domain. J-Energy has no pecuniary interest, other than to the extent of the professional fees receivable for their engagement, or other interest in the assets evaluated, that could reasonably be regarded as affecting their ability to give an unbiased view of these assets.

Non-IFRS Financial Information

This announcement contains terms commonly used in the oil and gas industry which are not defined by or calculated in accordance with International Financial Reporting Standards ("IFRS"), such as margin and EBITDA, which are non-IFRS measures. Non-IFRS financial measures are financial measures other than those defined or specified under relevant accounting standards. Therefore, while many of the measures used are common practice in the industry in which Sino Gas operates, the measures may not be directly comparable with other companies' disclosures. Non-IFRS financial information should be considered in addition to, and is not intended to be a substitute for, or more important than, IFRS measures. The Company believes that these measures assist in providing additional meaningful information on the underling drivers of the business and performance. Margin is calculated as the JV's/SGE's net revenue after VAT and partner share less operating expenses per Mscf of sales. The measure provides shareholders and potential investors with additional information to evaluate SGE's financial performance per unit of production before shareholding financing costs. The margin for the second quarter is calculated by dividing net revenue of US$11.5 million less operating expenses of US$2.8 million by total gross production of ~24 MMscf/d.

JV/SGE EBITDA is reported by the Company to provide greater understanding of the underlying financial performance of SGE and the Group. SGE EBITDA is calculated by adding interest expense, income tax, depreciation and amortisation to net income.

The non-IFRS measures have not been subject to audit or review by Sino Gas' external auditors.