

ASX ANNOUNCEMENT

29 September 2010

2010 RESERVES UPGRADE WORK PROGRAM CONTINUES

Highlights

- **TB08 well - drilling ahead to total depth**
- **SJB03 well - commencing site construction**
- **TB04 well - preparing to mobilise flow test program**
- **Pilot - continuing technical design**

2010 Reserves Upgrade Work Program Continues

Sino Gas & Energy Holdings Limited (Sino Gas; ASX: SEH) is continuing to implement its 2010 reserves upgrade work program. The goal is to upgrade a portion of the significant contingent and prospective resources to reserves on Sino Gas's Tuban project in Shanxi Province China. This is a key step towards moving to field development on the Tuban project.

The Company's reserves upgrade program has three main components:

- (1) Flow testing existing wells to confirm their commerciality;
- (2) Drilling and flow testing a series of additional wells to define the extent of the gas bearing reservoir sands; and
- (3) Undertaking a Pilot program.

Sino Gas has already implemented two successful flow tests on its TB07 and TB05 wells. The TB07 well flowed at an estimated rate of 2,900,000 scf/day whilst the TB05 well flowed at an estimated rate of 500,000 scf/day. These results meet or exceed Sino Gas's commerciality hurdles and contribute strongly to the Company's reserves upgrade program.

As previously announced, Sino Gas is now in the process of drilling a series of additional wells and undertaking additional well tests. The purpose of this activity is to assist in defining the geological extent of the reserves to be upgraded in the current campaign.

The third element of the Company's reserves upgrade program is the Pilot, which is underpinned by the recent successful flow tests. The purpose of the Pilot program is to provide additional technical information about the reservoirs to support the reserves upgrade program.

Sino Gas has also commenced working with its partners on the reserves report required for submission to the Chinese authorities.

TB08 well – drilling ahead to total depth

Sino Gas is drilling ahead on its TB08 well, a step-out well from the very successful TB07 well.



Sino Gas's Scott Li and Larry Yuan (left) supervise operations on the TB08 well

The TB08 well is designed to verify the extent of the same highly productive gas bearing reservoir sands encountered on TB07.

At 18:00 hours yesterday, Sino Gas's drilling contractor Bohai Drilling Engineering Company Ltd (BDEC) had drilled to 960 meters. The rate of drilling progress has been affected by rain and operational issues, however drilling continues towards a planned total depth of approximately 2,200 meters.

SJB03 well – commencing site construction

Sino Gas has agreed the location for its SJB03 well (previously designated as the TB02-TB04 infill well). Work will commence on the SJB03 well site in the current week.

Sino Gas is in discussion with its drilling contractor, BDEC, in relation to the spudding (drilling commencement) date for the SJB03 well and its TB09 well.

TB04 well – preparing to mobilize test program

Sino Gas is in the final process of preparing to mobilise CCDC Downhole Technical & Operations Company (CCDC) to conduct the planned stimulation of the TB04 gas discovery well.

Sino Gas has now taken delivery of the TB04 test wellhead and will commence installation of the wellhead in the coming week. Test tubing string is in the process of being delivered to the well site.

Sino Gas plans to request that CCDC mobilise the testing equipment for the stimulation in the coming week, with the stimulation program expected to run for approximately 3 weeks.

Pilot Development Work Program (Pilot)

The recent successful flow tests on Sino Gas's wells have underpinned the commencement of significant activity towards a Pilot.

In the previous week Sino Gas inspected Compressed Natural Gas (CNG) facilities in Shanxi Province that are likely to be used for its Pilot. Technical information continues to be exchanged in order to refine the facility design.

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Sino Gas has also been working with established major buyers and distributors of CNG in Shanxi Province. This work has confirmed that there are established markets for the gas.

Sino Gas is now working with its partners to finalise the necessary agreements under which the Pilot gas will be sold.

-ENDS-

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About Sino Gas & Energy Holdings Limited

Sino Gas & Energy Holdings Limited (ASX: SEH) is an Australian company focused on developing Chinese gas assets. The Company has operated in Beijing since 2005 and holds a portfolio of unconventional gas assets in China through Production Sharing Contracts (PSC's).

The PSC's are located in Shanxi province in the Ordos Basin and cover an area of over 3,700km². The Ordos Basin is the second largest onshore oil and gas producing basin in China. The area 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's PSC's are located and natural gas is seen as a key component of clean energy supply in China.

On Sino Gas's Tuban prospect, 9 wells have been drilled, the latest being TB07 in November 2009. Extensive seismic and other subsurface studies have also been conducted. 4 wells have been fraced and tested with commercial flow rates achieved on the TB02 well, TB05 well and recently significant commercial rates on the TB07 well. 2.7Tcf of Contingent and Prospective gas resources (100% mid case figures) have been independently verified on the Tuban Prospect.

The statements of resources in this Release have been independently determined to Society of Petroleum Engineers (SPE) Petroleum Resource Management Systems standards by internationally recognized oil and gas consultants RISC Pty Ltd. They are based on the Technical Report prepared by RISC Pty Ltd and included in full in the Company's Prospectus dated 29 July 2009.

Additional information on Sino Gas can be found at www.sinogasenergy.com