

ASX ANNOUNCEMENT

6 October 2010

MOU SIGNED FOR PILOT GAS MARKETING

Highlights

- **MOU signed with CUCBM for Pilot gas marketing**
- **TB08 well - drilling continues**
- **TB04 well - mobilising flow test program**
- **TB09 & SJB03 new wells – additional rig being secured**

MOU signed with CUCBM for Pilot gas marketing on Linxing PSC

Sino Gas & Energy Holdings Limited (Sino Gas; ASX: SEH) is pleased to announce that it has signed a Memorandum of Understanding (MOU) relating to gas marketing on its Pilot program.

The MOU signed with China United Coal Bed Methane (CUCBM), its partner on the Linxing Production Sharing Contract (PSC), formalises the establishment of a gas marketing team to handle Pilot gas sales.

Commenting on the signing, Sino Gas's Executive Director in charge of gas marketing, Mr Gavin Harper, said that he was very pleased that Sino Gas has continued to move forward with the signing of the MOU.

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

The work that Sino Gas has completed has confirmed that there are established markets for Compressed Natural Gas (CNG) in Shanxi Province suitable for gas sales from the Pilot.

Under the MOU further work will now be carried out to finalise the necessary agreements under which the Pilot gas will be sold", said Mr Harper.

TB08 well – drilling continues

A key step in Sino Gas's 2010 reserves upgrade work program is the drilling and flow testing of a series of additional wells to define the extent of the gas bearing reservoir sands on Sino Gas's PSC's.

One such well in that program is the TB08 well, a step out well from the very successful TB07 well. The TB08 well is designed to verify the extent of the same highly productive gas bearing reservoir sands encountered on TB07 that flowed at an estimated rate of 2,900,000 scf/day.

At 18:00 hours yesterday, Sino Gas's drilling contractor Bohai Drilling Engineering Company Ltd (BDEC) advised that it had drilled to 960 meters. However after experiencing difficulty with an interval (from 610 to 625 meters) a decision was made to seal that section with a cement plug before 'side tracking' and continuing drilling to a planned total depth of approximately 2,200 meters.

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TB04 well – mobilising test program

Sino Gas has issued the mobilisation instruction to CCDC Downhole Technical & Operations Company (CCDC) to conduct a flow test on the TB04 gas discovery well.

Over the next week, CCDC will mobilise their workover unit, equipment and surface well testing package to the site for tests planned to be conducted on zones that exhibited promising log and core testing results.

The flow tests to be conducted are similar to those previously conducted on Sino Gas's TB07 and TB05 wells. The program involves perforating key reservoir zones followed by cased hole Drill Stem Tests (DST). The DST's are the method in which the formation is tested involving measurement of formation flow and pressure data. Following analysis of the DST's, Sino Gas will then determine whether it will hydraulically fracture stimulate prospective zones.

TB09 & SJB03 new wells – additional rig being secured

Over the past week Sino Gas conducted an audit of the rig and personnel of its drilling contractor BDEC to secure an additional rig for the forward drilling program.



Sino Gas inspects BDEC's drilling equipment. Sino Gas's Scott Li (left), Frank Fu (3rd from left)

Sino Gas has completed the site works for its TB09 well on the Linxing PSC and is in the process of completing the site works for its SJB03 well on the Sanjiaobei PSC.

Sino Gas is now working with BDEC to confirm the start date for the additional rig.

-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