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ASX ANNOUNCEMENT
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ENCOURAGING WELL RESULTS SUPPORT MOVE TO PILOT

Highlights

- **Encouraging well results support move to Pilot**
- **TB08 well – multiple prospective zones encountered**
- **TB09 well – drilling proceeding, geological formations in line with expectations**
- **SJB03 well – at total depth, multiple prospective zones encountered**
- **TB04 well – candidate for Pilot, TB02 – workover underway**

Encouraging well results support move to Pilot

The encouraging well results that Sino Gas & Energy Holdings Limited (Sino Gas; ASX: SEH) is achieving in its 2010 Reserves Upgrade program underpin the preparations towards a Pilot program.

In particular during the previous week, Sino Gas drilled to Total Depth (TD) on its SJB03 well and completed the logging and analysis of both its TB08 and SJB03 wells. Both wells have multiple prospective gas pay zones which are intended to be flow tested in forward operations and should contribute to the Pilot.

Sino Gas continues to work with its partners, China United Coal Bed Methane (CUCBM) and PetroChina Coal Bed Methane (PCCBM) on gas sales agreements and is finalising the technical designs for its Pilot.

As part of that work, in the previous week Sino Gas conducted site inspections of its TB07, TB05 and TB04 well sites with Compressed Natural Gas (CNG) facility providers and gas offtake parties to confirm accessibility and refine facility designs.

Similarly, following the hydraulic fracture (frac) stimulation of one of the target zones of the TB04 gas discovery well, Sino Gas has been conducting operations to ‘clean up’ the well and confirm formation flow rate. Prior to the well being shut in for the final pressure build up test, it flowed at a rate of approximately 240,000 scf/day at a tubing head pressure of approximately 330 psi. At these rates Sino Gas has confirmed that TB04 can also contribute to its Pilot program.

Sino Gas is also moving to conduct a “work over” on a zone previously tested in its TB02 well, again for the purposes of contributing to the Pilot program.

Commenting on the work underway, Sino Gas Managing Director, Stephen Lyons said,

“Sino Gas’s aggressive 2010 work program reflects the Company’s commitment to developing its valuable gas assets.

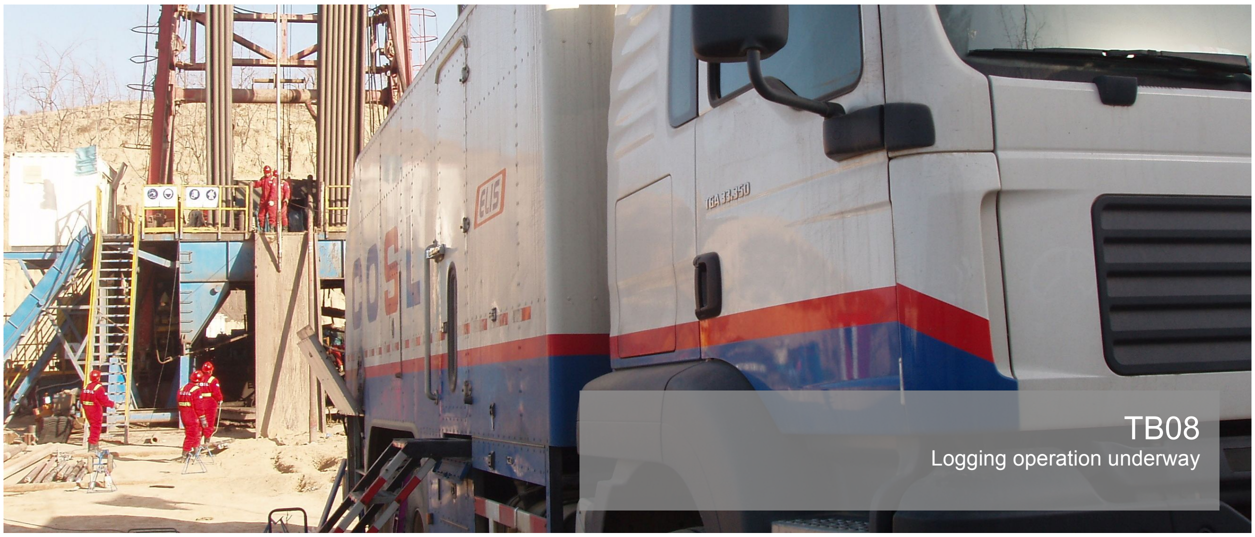
The work program which Sino Gas is completing reflects our confidence in the quality of these assets and provides a strong base for significant progress towards commercializing the Company’s gas assets.

The first step towards commercialization is the Company’s Pilot program, an activity in which Sino Gas is devoting significant focus and effort”.

TB08 well – multiple prospective zones encountered

On the Company's Linxing Production Sharing Contract (PSC), the TB08 and TB09 wells are designed as 'step out' wells and are in close proximity to the very successful TB07 well that flowed at an estimated rate of 2,900,000 scf/day from a single zone, significantly in excess of Sino Gas's commerciality determination.

On the **TB08** well, Sino Gas has completed the electronic wireline log analysis and confirms the presence of gas in the SQF, Shihezi and He8 zones and also the deeper Taiyuan zone.



TB08
Logging operation underway

Based on the encouraging log analysis, 51 side wall core samples were successfully recovered from these zones and these samples are being analysed to determine key reservoir parameters.

Based on the encouraging logging results, Sino Gas has set and cemented in 5 ½ inch production casing in order to conduct the forward test program.

Sino Gas is in the process of refining the test procedure and intends to mobilize its flow testing contractor CCDC Downhole Technical & Operations Company (CCDC) to conduct a flow testing program on TB08.

The flow test program is expected to be similar to that conducted on Sino Gas's TB07 well and is likely to initially involve a perforation of the He8 reservoir zone followed by a Drill Stem Test (DST) to measure formation flow and pressure data. Once this zone is tested, weather conditions allowing, Sino Gas will then proceed to test the higher Shihezi and SQF zones.

The drilling rig is in the process of 'rigging down' and will be released from site in order to receive CCDC's work over rig.

The second 'step out' well **TB09**, has now drilled through the key SQF, Shihezi and He8 zones with good 'gas shows' (gas measured by the gas detection equipment at surface). The initial analysis from the mud logs indicates that the geological formations are broadly in line with those expected.

As of 18:00 hours yesterday, the drilling contractor Zhongyuan Petroleum Exploration Bureau (ZPEB), confirmed that they had taken full core samples at around 2,000 meters and were currently drilling ahead at a depth of 2,040 meters.

Full core samples are planned to be taken in other zones as the well is drilled down to TD of approximately 2,200 meters. Once at TD the well will be logged and additional side wall core samples will be taken in an operation expected to last another two weeks.

SJB03 well – well at TD, multiple prospective zones encountered

On the **SJB03** well, Sino Gas's 'turn-key' drilling contractor Bohai Drilling Engineering Company Ltd (BDEC) reached TD at 2,155 meters and completed electronic wireline logging operations.


SJB03
Production casing cementing operation underway

The electronic wireline logs confirmed the presence of gas in the Shihezi and He8 zones. 47 side wall samples were then taken for further analysis.

Again, based on the encouraging logging results, Sino Gas has set and cemented in 5 ½ inch production casing in order to conduct the forward test program. Sino Gas is in the process of refining the test procedure with CCDC. Again, similar to the intended flow test on TB08, Sino Gas intends to conduct a DST on prospective zones to confirm formation flow and pressure data.

TB04 – candidate for Pilot, TB02 – workover underway

CCDC have now completed the flow testing operations on Sino Gas's TB04 well and are in the process of analyzing the pressure data from the down hole gauges. As previously advised, whilst the frac was successful from an operational perspective, less frac fluid was recovered from the formation than expected and this appears to have inhibited well productivity.

The information obtained from the test will enable an analysis of the true potential of the well, however it appears that the TB04 well can contribute to a Pilot on the Sanjiaobei PSC.

The CCDC workover rig has now been demobilised from the TB04 well to the TB02 well.

The TB02 well was tested by Sino Gas during 2007 and produced gas at approximately 400,000 scf/day from two zones.

In the current operation, Sino Gas is attempting to reestablish gas flow from the upper zone in the well for the purpose of contributing to its Pilot program.

-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 3,700km^2. 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 province 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 fracced and tested with commercial flow rates achieved on the TB02 well, TB05 well and recently significant commercial rates on the TB07 well. 2.7 Tcf 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. Quoted well flow rates are calculated at a tubing head pressure of 200psi.

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