

ASX ANNOUNCEMENT 8 December 2010

WORK CONTINUES ON FLOW TESTING PROGRAM AND PILOT DEVELOPMENT

Highlights

- **Flow Testing contractor 'rigging up' to conduct flow tests on the TB08 and SJB03 wells**
- **Progress continues on Pilot development**
- **Reserves & Resources Report to be updated on conclusion of 2010 work program**

Following the drilling of its TB09 gas discovery well, Sino Gas & Energy Holdings Limited (Sino Gas; ASX: SEH) continues to focus on its Flow Testing program and Pilot Development.

Flow Testing contractor 'rigging up' to conduct flow tests on the TB08 and SJB03 wells

Linxing PSC Flow Testing Activities

Sino Gas's flow testing contractor CCDC Downhole Technical & Operations Company (CCDC) is in the process of 'rigging up' to conduct the flow test on one zone on its **TB08** gas discovery well.



On the Company's Linxing Production Sharing Contract (PSC), the TB08 and TB09 wells were 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.

Electronic wireline logging on the TB08 well has confirmed the presence of gas in four potential reservoirs. The flow test program is expected to be similar to that conducted on Sino Gas's TB07 well and will initially involve a perforation of one reservoir followed by a Drill Stem Test (DST) to measure gas flow and formation pressure data.

Once this zone is tested, weather conditions permitting, Sino Gas will then determine how best to conduct tests on the additional zones in the well.

WORK CONTINUES ON FLOW TESTING PROGRAM AND PILOT DEVELOPMENT

Sino Gas's **TB09** well was drilled to Total Depth (TD) of 2,150 meters in 25 days. Following electronic wireline logging, production casing was then set and cemented in place to allow for multiple flow tests to be carried out. The rig and associated equipment have now been demobilised.

Sino Gas is in the process of determining the testing program for this well, which is likely to be carried out in the Chinese Spring (late Q1, 2011).

Sanjiaobei PSC Flow Testing Activities

Similarly, on the **SJB03** gas discovery well, electronic wireline logs confirmed the presence of gas in three potential reservoirs.

Sino Gas has refined the testing procedure with CCDC and is mobilising the workover equipment to site to conduct a test of one zone within this well. The testing procedure will be similar to that to be employed on the TB08 well and will initially involve a perforation of one reservoir followed by a DST and, over time, a test of all potential zones in the well.

On the **TB02** gas discovery well, Sino Gas is completing the "workover" of one zone which was first fracture (frac) tested during 2007. This workover is being carried out to determine the effectiveness of that frac and the potential of the well to contribute to Sino Gas's Pilot program. After first re-establishing flow the well was shut in at surface to build up pressure. Two downhole pressure gauges were also installed to measure down hole flowing and static pressure conditions. These operations continue.

Progress continues on Pilot development

Sino Gas continues to progress towards Pilot Development programs (Pilots) on its Linxing and Sanjiaobei PSCs.

It is intended that the Pilots will involve the installation of gas compression equipment on selected well sites, with the gas being marketed locally in Shanxi Province as compressed natural gas (CNG).

In the previous week, Sino Gas continued to work with gas buyers and providers of CNG facilities to define the operating and commissioning procedures for the installation of equipment.

Following the completion of these reviews and appropriate operating and safety audits, it is intended that the equipment will be first commissioned on the TB04 gas discovery well.

Independent Reserves & Resources Certification to be updated on conclusion of 2010 work program

Sino Gas's 2010 work program has been designed to gather the data for a reserves upgrade and to move towards commercializing its gas assets.

Sino Gas has commissioned an independent reserves certifier to update its resources and reserves report following the completion of its 2010 work program. It is expected that the results of this report will be available by the end of January 2011.

Following the 2010 work program completion, Sino Gas will also work to complete the extensive analysis of all data obtained and update its geological models. This work will be undertaken to generate the Chinese reserves report required as the Company moves towards the preparation of a development plan on each of its PSC's.

-ENDS-

For more information, please contact:

Stephen Lyons: Managing Director, Sino Gas & Energy, +86 139 1148 1669, +86 10 6530 9260, slyons@sinogasenergy.com
Gavin Harper: Executive Director, Sino Gas & Energy, gharper@sinogasenergy.com
Sam Snyder: Non Executive Chairman, Sino Gas & Energy, ssnyder@sinogasenergy.com
Investor Relations: Ronn Bechler, + 61 400 009 774

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 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 fraced 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