

ASX ANNOUNCEMENT

15 December 2010

INDEPENDENT RESERVES CERTIFICATION TO COMMENCE

Highlights

- **Independent Reserves & Resources Certification to commence**
- **Sino Gas congratulates CNPC on the receipt of its Foreign Cooperation License for CBM in China**
- **TB08 Gas Discovery well - DST completed on 1st zone, now moving to conduct a DST on the 2nd zone**
- **SJB03 Gas Discovery well - DST on the 1st zone to commence**

Independent Reserves & Resources Certification to commence

As Sino Gas & Energy Holdings Limited (Sino Gas; ASX: SEH) “winds up” its 2010 work program it will update its independent reserves certification.

Sino Gas is currently completing the final elements of this program which includes the perforation and test of the 2nd zone on the **TB08** gas discovery well and the perforation and test of the 1st zone on the **SJB03** gas discovery well.

The data obtained from these tests, together with that already obtained, will be used by Sino Gas’s independent reserve certifier to update its resources and reserves assessment. This report is expected to be completed by the end of January 2011.

Sino Gas will also use this data to update its geological models and to assist in planning for its 2011 development focused work program.

Commenting on the Company’s reserves focused 2010 work program, Sino Gas Managing Director, Stephen Lyons said,

“Sino Gas is very pleased with the conduct of its 2010 work program. Over the past year, Sino Gas has drilled three new Gas Discovery wells, undertaken extensive flow testing activities and achieved substantial commercial flows from several of its wells. This work has been well planned and implemented in a program involving over 140,000 incident free work hours.

The program has also been very successful, providing the platform for Sino Gas’s move to a Pilot Development and reserves upgrade. In 2011 this momentum will continue towards the preparation of an ODP (Overall Development Plan)”.

Sino Gas congratulates CNPC on the receipt of its Foreign Cooperation License for CBM in China

China has ambitious plans to develop its onshore unconventional gas resources.

In a move designed to further expand foreign cooperation in the development of the CBM industry in China, China National Petroleum Corporation (CNPC), the controlling entity of Sino Gas’s partner, PetroChina Coal Bed Methane Company (PCCBM), has now received its licence from the Ministry of Commerce (MOC) to conduct CBM activities with foreign enterprises in China.

Sino Gas congratulates CNPC and PCCBM on the receipt of this licence and looks forward to even stronger cooperation in the future.

TB08 Gas Discovery well - DST completed on 1st zone, now moving to conduct a DST on the 2nd zone

Electronic wireline logging on the **TB08** gas discovery well has confirmed the presence of gas in four potential zones.



After completing the 'rig up' of the work over rig and equipment, Sino Gas's flow testing contractor CCDC Downhole Technical & Operations Company (CCDC) has successfully perforated and conducted a Drill Stem Test (DST) on the 1st zone in the TB08 Gas Discovery well.

The DST has confirmed that the 1st zone will require a fracture stimulation (fracking) as required in previous wells to achieve flow from this zone. The downhole pressure gauges have confirmed good formation pressure. With daily temperatures on site now well below zero, fracking and further testing of this zone is planned to be carried out late Q1, 2011.

Sino Gas has now moved further up the hole and will conduct a perforation and DST of the 2nd zone in the TB08 well. The 2nd zone is analogous with the productive zone which flowed without fracking in the TB07 well just over 2kms from this well.

SJB03 Gas Discovery well – DST on the 1st zone about to commence

On the **SJB03** gas discovery well, electronic wireline logs confirmed the presence of gas in three potential zones.

The mobilisation of the workover rig to the **SJB03** gas discovery well has now been completed with the perforation and DST of the 1st zone about to commence.

As part of the DST, Sino Gas will attempt to measure gas flow and formation pressure data. Again, the future testing strategy for this zone will depend on the weather.

On the **TB02** gas discovery well, Sino Gas has now completed the "workover" of one zone that was first fracture tested during 2007. The gauges set to measure downhole pressure have now been retrieved and will be analysed further to determine the wells potential to contribute to Sino Gas's Pilot program.

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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 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