

Q1

2011 - Activities Report



Investing in the Future of Chinese Gas

Sino Gas & Energy Holdings Limited (Sino Gas, ASX:SEH)

Photo: Sino Gas's Pilot Work Program

SINO GAS's Exploration Success - Driving Large Scale Assets

Highlights

- Delivered initial 2P Reserves of 19Bcf (100%) and a 62% increase in project value to US\$664 million;
- Joint Gas Marketing Agreement signed with PetroChina;
- Successful commissioning resulted in the 1st gas being compressed into a CNG tanker;
- 2011 work program nearing commencement;
- A\$29.4 million in new funding to conduct the 2011 and 2012 work programs and move towards developing the Company's substantial gas assets; and
- Continuing to strengthen the organisation.



Certification of Initial Reserves

During Q1, 2011 Sino Gas achieved a significant milestone in the Company's development and growth with the independent certification of Reserves for the first time on its Linxing and Sanjiaobei Production Sharing Contracts (PSC's) and a substantial increase in project value.

The certification came off the back of the successful 2010 work program where Sino Gas delivered 3 new Gas Discovery Wells, economic test flow rates and significant progress on its Pilot programs.

The independent certification resulted in:

- 2P (mid case, 100%) Reserves of 19 Bcf, based on the area associated with the Pilot Developments (~2% of Sino Gas's discovered area);
- 2C (mid case 100%) Contingent Resources of 961 Bcf;
- Mid Case (100%) Prospective Resources of 1,266 Bcf; and
- GIIP (Gas initially in place) (100%) of 9.0 Tcf.

SINO GAS - 1st Gas Compressed into a CNG Tanker with PetroChina

62% increase in project value to US\$664 million

The independent certification resulted in a 62% increase in Sino Gas's share of project risked value to US\$664 million.

This increase was achieved through the continued de-risking of the assets that occurred through the successful 2010 work program and an economic setting in China where gas prices continued to increase.

Significantly, the independent certifier also estimated that the project's minimum single well economic flow rate was approximately 125,000 scf/day. During the 2010 work program, Sino Gas achieved gas flow rates above that minimum in tests of single formations, with some test rates significantly above the minimum.

Again, this highlights the potential that exists as Sino Gas moves towards commercializing its Gas Assets.



1st Gas Compressed into a CNG Tanker with PetroChina

At the end of Q1, Sino Gas completed the commissioning of the Pilot on the SJB03 well as planned. First gas was then successfully compressed into a CNG tanker which has now been delivered for sale within Shanxi Province, China. These activities follow the signing of a Joint Gas Marketing Agreement with PetroChina Coal Bed Methane (PCCBM) in late February 2011, and very close cooperation between Sino Gas and PetroChina during the commissioning phase.

Through the successful commissioning Sino Gas has now demonstrated its ability to deliver CNG into storage and transport facilities. Final offtake gas sales agreement negotiations are underway and continuous operations will commence once these are completed.

Commissioning of the first Pilot is a significant step for Sino Gas as it transitions towards development. It is intended that additional wells will be added to the Pilot with gas sales increasing significantly as this program proceeds.

SINO GAS - Moving to commercialise our assets

2011 Work Program nearing commencement

The successful 2010 Work Program and the independent certified Reserves & Resources upgrade provides the platform for Sino Gas to move towards commercialising its large gas asset position in China.

Sino Gas has been working with China United Coal Bed Methane (CUCBM) and PCCBM planning for the 2011 work program and expects to receive approvals to commence shortly.

The main focus is on completing the activities that support the lodgement of the Chinese Reserves Report and the Overall Development Plan (ODP).

This is expected to involve the:

- focus on, and expansion of, the Pilot Developments which has so far seen successful commissioning on the SJB03 well on the Sanjiaobei PSC;
- further stimulation and testing of the TB09 and TB08 Gas Discovery Wells drilled in Q4, 2010, and the TB03 and TB06 Gas Discovery Wells drilled in prior years;
- drilling of around 4 new wells; and
- shooting and processing of additional seismic on the Sanjiaobei PSC to expand the area planned to be submitted for Chinese Reserves approval.

During the last few months the Operations Team has been evaluating tenders for this program and expect to award those contracts within the next few weeks.

Subject to approvals, Sino Gas is planning to mobilise the testing crew for the TB09 Gas Discovery Well in the 2nd half of May 2011 and will confirm the expected start of other activities shortly.

\$29.4 million in new funding to conduct the 2011 and 2012 work programs and move towards developing the Company's substantial gas assets

Over Q1, the Sino Gas board has been reviewing its capital management program in order to provide funding to maximize the potential of its asset portfolio and provide a strong base to drive shareholder value.

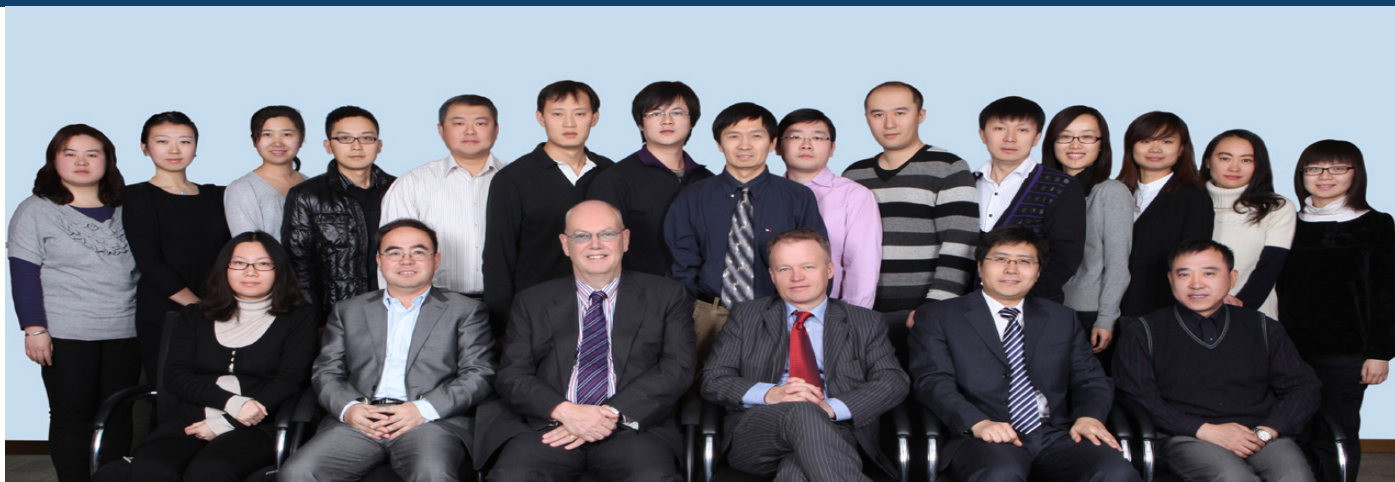
On 27 April 2011, Sino Gas announced the signing of an Agreement to raise up to A\$29.4 million from SpringTree Special Opportunities Fund LP, a New York based institutional investor, over a two year period ("the Facility").

The Facility enables Sino Gas to conduct the high impact appraisal program being planned for 2011 and 2012. Success in this program is expected to result in substantial increases in gas sales as Sino Gas moves towards developing its substantial asset portfolio.

Whilst the Facility allows the Company to confidently implement its commercialisation plans it also preserves flexibility to continue to explore investment arrangements with potential strategic partners.

The first tranche of A\$1.2 million under the Facility has now been received.

SINO GAS - Moving to commercialise our assets



Continuing to strengthen the organisation ... safely

Building on the new hires during 2010, Q1 has seen the appointment of a highly qualified Senior Geologist with particular experience within the Ordos Basin, a Procurement Analyst and additional operators to support the Pilot program.

Sino Gas is planning for additional appointments as it continues to strengthen the organisation.

In line with its obligations as a responsible Operator in China, Sino Gas is also targeting:

- Zero - Accidents;
- Zero – Incidents; and
- Zero – Environmental Impact,

in all of its operations and to help achieve this Sino Gas has recently employed a dedicated HSE Manager.

It is pleasing to report that with approximately 2,700 field man hours worked by Sino Gas and contractors so far on the Pilot program we have maintained our Zero, Zero, Zero target.

Sino Gas is also expanding the facilities to support our operations with the opening recently of a new operations base in Linxian County, Shanxi Province, China in very close proximity to Sino Gas's field operations.

Annual General Meeting (AGM)

Sino Gas will hold its AGM at 2pm on Monday, 30 May 2011 at the Rydges Perth Hotel, corner of Hay Street and King Street Perth, Western Australia. We look forward to welcoming Shareholders and their representatives to the AGM.

Sino Gas & Energy

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The statements of resources in this report 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. Unless otherwise noted, quoted well flow rates are calculated at a tubing head pressure of 200 psi.

The information in this report is not an offer or recommendation to purchase or subscribe for shares in Sino Gas & Energy Holdings Limited or to retain or sell any shares that are currently held. This report has been prepared with due care and attention and is current at the date of release. Actual results may vary materially from any forecasts (where applicable) in this report. The report does not take into account the individual investment objectives or the financial situation of investors who should seek their own independent professional advice in this regard.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

Sino Gas & Energy Holdings Limited

ABN

16 124 242 422

Quarter ended ("current quarter")

31 March 2011

Consolidated statement of cash flows

		Current quarter \$A'000	Year to date (3months) \$A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration and evaluation	(2,086)	(2,086)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(831)	(831)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	37	37
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	-
		(2,880)	(2,880)
Net Operating Cash Flows			
Cash flows related to investing activities			
1.8	Payment for purchases of: (a)prospects		
	(b)equity investments		
	(c) other fixed assets		
1.9	Proceeds from sale of: (a)prospects		
	(b)equity investments		
	(c)other fixed assets		
1.10	Loans to other entities		
1.11	Loans repaid by other entities		
1.12	Other (provide details if material)		
		-	-
Net investing cash flows			
1.13	Total operating and investing cash flows (carried forward)	(2,880)	(2,880)

+ See chapter 19 for defined terms.

30/9/2001

1.13	Total operating and investing cash flows (brought forward)	(2,880)	(2,880)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(2,880)	(2,880)
1.20	Cash at beginning of quarter/year to date	8,297	8,297
1.21	Exchange rate adjustments to item 1.20	(52)	(52)
1.22	Cash at end of quarter	5,365	5,365

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	(365)
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

The amount shown in item 1.23 above represents directors remuneration

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Note: On 27 April 2011, Sino Gas announced that it had signed an Agreement to provide up to A\$29.4 million over 2 years, Reference is made to that announcement.

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	(4,566)
4.2 Development	0
4.3 Production	0
4.4 Administration	(462)
Total	(5,028)

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	5,365	8,297
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	5,365	8,297

Changes in interests in mining tenements

Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
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+ See chapter 19 for defined terms.

6.1	Interests in mining tenements relinquished, reduced or lapsed				
6.2	Interests in mining tenements acquired or increased				

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference ⁺ securities (description)	-	-	-	-
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	n/a	n/a	n/a	n/a
7.3	+Ordinary securities	934,771,569	934,771,569	n/a	n/a
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	Nil	n/a	n/a	n/a
7.5	+Convertible debt securities (description)	-	-	-	-
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	Nil			
7.7	Options (description and conversion factor)	334,283,757	334,283,757	Exercise price 12.5 cents	Expiry date 31 December 2012
		31,644,345	31,644,345	50 cents	31 December 2011
		17,500,000	nil	25 cents	15 September 2011
		4,400,000	nil	50 cents	15 September 2011
		1,310,000	nil	50 cents	13 March 2013
7.8	Issued during quarter	Nil	n/a	n/a	n/a

+ See chapter 19 for defined terms.

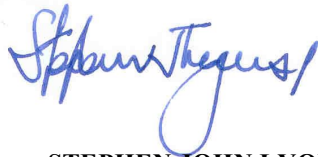
7.9	Exercised during quarter	-	-	n/a	n/a
7.10	Expired during quarter	Nil	n/a		
7.11	Debentures (totals only)	-	-		
7.12	Unsecured notes (totals only)	-	-		

Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).

2 This statement does ~~/does not~~* (delete one) give a true and fair view of the matters disclosed.

Sign here:



Print name: **STEPHEN JOHN LYONS**
MANAGING DIRECTOR
29 April 2011

Notes

1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

+ See chapter 19 for defined terms.

4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.

5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

+ See chapter 19 for defined terms.