

ASX ANNOUNCEMENT

6 October 2011

EXTENSIVE RESERVE EXPANSION WORK PROGRAM CONTINUES

Highlights

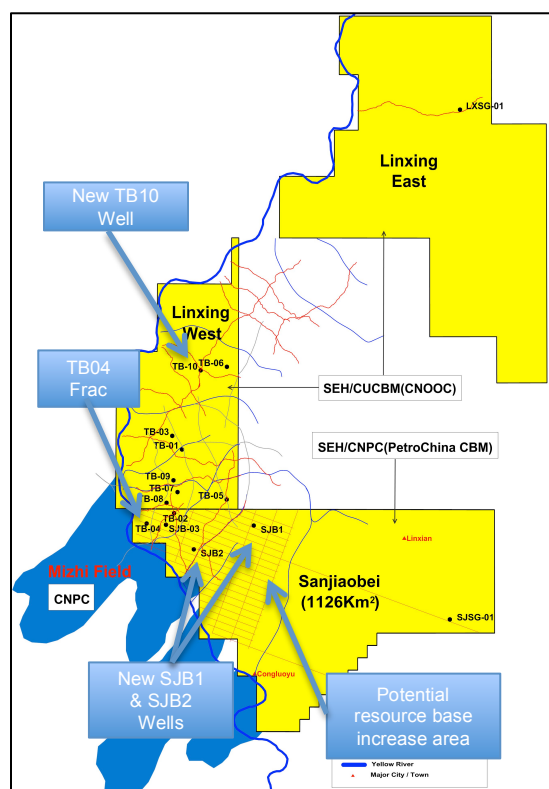
- **SJB1 well: excellent drilling progress with the well at 1,827 meters & SJB2 well: site selected and preparation for drilling underway**
- **TB04 well: fracture stimulation – potential new resource from previously untested zones**
- **TB10 well: site selected on Linxing PSC and preparation for drilling underway**

Sino Gas & Energy Holdings Limited (Sino Gas; ASX: SEH) has significantly accelerated its reserve expansion work program achieving a number of significant milestones over the past week.

Sino Gas's Managing Director, Stephen Lyons said during a recent field trip to review the operations that he was particularly pleased with the milestones being achieved.

"We are very excited by Sino Gas's ability to prove up the Company's substantial gas assets. The accelerated work program currently being undertaken has the ability to expand Sino Gas's reserves and resources and advance the Company towards its Development objective.

Sino Gas has also now worked the equivalent of 500,000 incident free hours during 2011 which is a testament to the Company's operational capability as an established operator in China", said Mr Lyons.



On its Sanjiaobei Production Sharing Contract (PSC), a 410.5 km seismic acquisition program was recently completed which Sino Gas believes strongly indicates the potential for a significant increase in its resource base.

As previously advised, independent consulting firm, RISC Pty Ltd, is completing its work to quantify the impact of that seismic and the additional well work on the Sanjiaobei PSC. This report is expected within a month and will be released as soon as it is available.

As part of this assessment, a significant 1,553 meters of hole has been drilled in the last week on the new SJB1 well, with a number of potential pay zones now encountered. Site selection and pre-spud engineering has also now commenced on the SJB2 well.

Sino Gas has also now fracture stimulated an upper pay zone in its TB04 well and is flowing back the frac fluid from the zone to confirm a stable gas rate. This test is potentially significant as a successful test of this previously untested zone would allow prospective resources to be upgraded to contingent resources or reserves.

Following the recent extension of the exploration period on the Linxing PSC for a further two years, the TB10 well location has

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been selected and site work commenced. This well is being drilled in close proximity, and is targeting the same pay zones, as the Company's TB06 well that generated a very strong initial flow rate (~ 1,000,000 scf/day) before operational issues prevented further testing.

SJB1 well: excellent drilling progress with the well at 1,827 meters & SJB2 well: site selected and preparation for drilling underway

Over the past week, Sino Gas's drilling contractor CNPC Bohai Drilling Engineering Company Ltd (BDEC) has achieved excellent drilling progress with over 1,553 meters drilled over the last week.

As at 08:00 hours, yesterday, the rig was at 1,827 meters and drilling ahead to a target depth of around 2,100 meters. Assuming the excellent drilling progress continues the well is expected to be at total depth within the next few days where it will be electronically logged and then cased.

Once the SJB1 well is completed, and following the completion of the pre-spud engineering work BDEC will mobilise to drill the SJB2 well.

The SJB2 well has been selected based on the new seismic program to evaluate and confirm the potential extension to highly productive pay zones encountered elsewhere on Sino Gas's acreage.



New SJB1 Well, significant drilling progress being achieved

TB04 well: fracture stimulation – potential new resource from previously untested zones



TB04 – previously untested pay zone fracture stimulated and 'cleaning up'

Sino Gas has now completed a 30 day (TPO) Trial Production Operation on a fraced pay zone first perforated in late 2010.

During the TPO the pay zone flowed for 12 days at a stable gas rate calculated at 529,500 scf/day (~ 200 psi Flowing Tubing Head Pressure), well above Sino Gas's commerciality threshold. The information on the longer-term production characteristics of the pay zone will be incorporated in to the Chinese Reserves Report underway on the Sanjiaobei PSC.

Sino Gas has also now moved to test a previously untested shallower pay zone in the TB04 well.

Following the perforation of the zone, a gas flow was observed and Sino Gas's testing contractor, CCDG Changqing Downhole Services Company (CCDC) proceeded with a hydraulic fracture stimulation as planned.

The well is currently flowing gas and continues to be 'flowed back' in order to remove the frac fluid from the formation. Forward operations are to continue the clean up and then to measure the gas flow and other sub-surface parameters.

The test on this zone, which is present in some of Sino Gas's other wells, is potentially significant as it had only been considered a Prospective Resource in the Company's independent resource assessment. To have now flowed gas from that zone should change this determination and this will be further considered by Sino Gas's independent certifier in its current reserves/resources update.

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TB10 well: site selected on Linxing PSC and preparation for drilling underway

Following the recent extension of the exploration period on the Linxing PSC for a further two years, the new TB10 well location has been selected at the intersection of two previous seismic lines and approved for drilling by Sino Gas's Chinese Partner CUCBM.

Permitting and site works for the well have now commenced. Sino Gas is intending to drill this well with Zhongyuan Petroleum Exploration Bureau (ZPEB), a drilling subsidiary of Sinopec, one of China's Oil & Gas majors. ZPEB has drilled a number of wells for Sino Gas in the past including its TB09 well in Q4, 2010.

The TB10 well has been selected to evaluate and confirm some of the same payzones as were encountered in the nearby TB06 well. The TB06 well was tested only in an upper pay zone in July 2011 and generated a very strong initial flow rate estimated at 1,000,000 scf/day before operational issues prevented further testing.

On current estimates the TB10 well should 'spud' (commence drilling) towards the end of October 2011 in a drilling program that should last around 30 days.

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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 unconventional 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 3,000km². 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, 10 wells have been drilled, the latest being TB-09 in Q4, 2010. Extensive seismic and other subsurface studies have also been conducted. Multiple wells have been flow tested with commercial flow rates achieved on many of the wells, including significant commercial rates on its TB07 and TB09 wells. The gas flow rates in this release are estimated at 200 psi Flowing Tubing Head Pressure (THP) unless otherwise noted.

The statements of resources in this Release have been independently determined to Society of Petroleum Engineers (SPE) Petroleum Resource Management Systems (SPE PRMS) standards by internationally recognized oil and gas consultants RISC Pty Ltd. All resource figures quoted are mid case - 100%.

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