

ASX ANNOUNCEMENT

14 November 2011

SANJIAOBEI PSC CERTIFIED RESOURCES UPGRADED 153% KEEPS SINO GAS ON TARGET FOR DEVELOPMENT

Highlights

- Mid Case Reserves plus Contingent plus Prospective Resources on the Sanjiaobei Project grow 153% from 455 Bcf to 1.15 Tcf
- Gas Initially in Place (GIIP) on the Sanjiaobei Project increases 127% to 4.2 Tcf

Sino Gas & Energy Holdings Limited's (Sino Gas; ASX: SEH) accelerated work program on the Sanjiaobei PSC in China's Ordos Basin has delivered significant increases in certified Resources as Sino Gas continues to push towards development.

Key results of the interim independent certification by resource industry consulting firm RISC on Sino Gas's Sanjiaobei project include:

- 2C (100%) Contingent Resources up 146% to 389 Bcf (February 2011: 158 Bcf);
- Mid Case (100%) Prospective Resources up 159% to 754 Bcf (February 2011: 291 Bcf);
- 2P proved plus probable (100%) Reserves up 33% to 8 Bcf (February 2011: 6 Bcf); and
- GIIP (Gas Initially in Place) (100%) up 127% to 4.2 Tcf (February 2011: 1.8 Tcf)

At year end RISC will update the valuation on both the Linxing and Sanjiaobei Projects and consider the increased resources, successful flow tests, increased gas recovery per well, updated field development plans and the general improvement in the gas price régime in China.

In February 2011, RISC reported the Sino Gas share of Mid Case NPV10 value of \$US1.2 billion on both projects, with the RISC Mid Case NPV10 valuation on the Sanjiaobei PSC being \$US 216 million. Preliminary indications, which are subject to confirmation, indicate that the resource increase and gas price improvement should more than double Sino Gas's share of the Sanjiaobei project valuation to at least \$US 500 million.

Sino Gas Executive Chairman Gavin Harper said that the significant resource upgrade keeps Sino Gas on target to move from explorer to development of its China gas projects.

"The 2011 work program has delivered a major resource upgrade, and moves the Sanjiaobei project towards early development with pre-production gas sales anticipated as early as mid 2012.

"Together with PetroChina Coal Bed Methane (PCCBM), Sino Gas is conducting a program designed to deliver the Chinese Reserves Report on the Sanjiaobei PSC. This represents a key part of the approvals for development of the project.

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The Chinese Reserve Assessor, the National Centre for Coal Bed Methane (NCCBM), and Sino Gas have implemented a work program during 2011 in accordance with Chinese reserve regulations which has seen the completion of an extensive seismic program, drilling of a new well and multiple flow tests.

This work has delineated an area for the 1st phase of a development on the Sanjiaobei PSC and enabled locations for further wells to be identified. An additional well, SJB2 is currently being drilled, other wells will be drilled in early 2012", said Mr Harper.

In addition to the drilling of SJB2 on the Sanjiaobei PSC, Sino Gas is also flow testing the SJB1 well and conducting a Trial Production Operation (TPO) on its TB04 well. On Sino Gas's Linxing Project, Sino Gas is also drilling a well designated as TB10.

These activities will be completed around year-end and at that time Sino Gas will provide a full year update on its independently certified reserves and resources and valuation on both projects.

"Our development projects are well-located to existing infrastructure pipelines and demand hubs within Shanxi Province, China. The Reserves and Resources certification announced today enables us to confidently open discussions with potential customers", Mr Harper said.

Interim Reserves & Resources Certification on Sanjiaobei PSC

The interim Reserves and Resource certification was completed by RISC under the Society of Petroleum Engineers Petroleum Resource Management System (SPE PRMS), as at 1 November 2011, and is summarized below¹:

	Independently Certified Reserves/Resources 100% (Bcf) (1)		
	Probability Range		
	P90	P50	P10
Total Reserves			
Reserves	3 <i>1P</i>	8 <i>2P</i>	17 <i>3P</i>
Total Resources			
Contingent Resources	115 <i>1C</i>	389 <i>2C</i>	871 <i>3C</i>
Prospective Resources	195 <i>Low</i>	754 <i>Medium</i>	1,906 <i>High</i>
Total Resource Base			
Gas Initially in Place (GIIP)	2,626	4,152	6,300

↑
Increasing Chance of
Commerciality

← Range of Uncertainty →

Under SPE PRMS, only those pay zones expected to be developed by the Company's planned Pilots program were classified by RISC as Reserves in this certification; there are other pay zones in various wells which if developed in subsequent Pilots would be considered by RISC as Reserves.

In determining the current Reserves and Resources, RISC have classified the resources into Contingent Resources and Prospective Resources, the difference being:

¹ Figures represent 100% assessment for Sanjiaobei PSC only. Sino Gas's share of the Sanjiaobei PSC is 49%. Refer Resources Statements.

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- Contingent Resources are associated with potential future development areas that have been confirmed by exploration and appraisal, and would be expected to mature to Reserves in phases as development plans for that phase are matured - supported by successful pilot test results; and
- Prospective Resources lie beyond the Discovered Area and would be expected to mature into Contingent Resources as further successful exploration proceeds.

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 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, 11 wells have been drilled, the latest being SJB1 during October 2011. 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, TB08, TB09 and TB04 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