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**ASX ANNOUNCEMENT**
5 December 2011

# CHAIRMAN'S ADDRESS

Ladies and gentlemen, welcome to Sino Gas & Energy's 2011 General Meeting.

2011 has been a year of strong operational performance and significant success on-the-ground at the company's projects in the Ordos Basin, China's second largest gas basin.

The Company has had a very encouraging year as we move from gas explorer to producer. We have made significant progress across a number of areas including:

- substantially upgrading and expanding our resource base, with independently verified Reserves and Contingent and Prospective Resources of 2.9 Tcf;
- multi-well commercial gas flows with several wells flowing unaided at more than 1 million scf/day; and
- moving steadily through the Chinese permitting process.

The Chinese domestic gas market continues to exhibit attractive fundamentals, with demand outstripping new supply and the Chinese Government placing substantial focus on energy security and in particular clean energy supply in its recently released 5 year plan.

With access to existing infrastructure, and a substantial domestic market on our doorstep with attractive prices, the Company's assets are very attractive and have substantial value that has been independently assessed in February 2011 at around $1.2 billion.

**Sanjiaobei PSC**

Looking specifically at our Sanjiaobei Project, the Company has passed a number of important project milestones. During the year we appointed NCCBM, a Chinese reserves consultant to prepare the Chinese Reserves Report following prescribed local guidelines. We are on track to submit formal documentation to finalise preparation of the Overall Development Plan (ODP) for the Sanjiaobei Project by the end of the 2012 calendar year, leading to the final step in the Project's permitting and approval process.

We are also working with CNPC Petrochina, China's largest oil & gas major and our partner on Sanjiaobei, to finalise the terms of an extension to the exploration permit and an associated multiyear exploration and assessment program to enable comprehensive assessment of the entire permit area, some 1100km$^2$.

In terms of exploration at Sanjiaobei to date, we are working with an independent reserves certifier to complete a full re-valuation and quantification of the impact of the 2011 work program. We anticipate that we will be able to provide more information to the market early next year.

**Linxing PSC**

The Company has also formalized a two year extension for the Linxing PSC project with CUCBM, a company 50% owned by CNOOC. Having secured this extension, our focus can now turn to preparing the Chinese Reserves Report for the eastern portion of the Linxing Project. We will also commence further evaluation of the highly prospective western portion of the permit, where confirmed resources are already over 1.4 TCF of gas and also expect to commence Reserves Report preparation during the coming months.

Further evaluation of the eastern portion of Linxing will allow the Company to move to ODP preparation in 2013.

The encouraging well test results conducted on both the Sanjiaobei and Linxing PSCs clearly highlight the potential for early production of gas from both projects and we are currently working with our Chinese partners to commence pilot gas production and sales during 2012. Eight wells have now flowed at rates above commerciality thresholds, with four of those wells flowing at more than 1 million scf/day. Pilot gas production and sales will not only provide valuable reservoir performance information to support the full development phase on each block, it will also generate positive financial contributions going forward.

It is also worth noting from a personnel point of view that this year the company has conducted an intensive work program with over 560,000 hours of incident free, safe operations. The strong operational performance, combined with our safety record is a credit to our operations team in Beijing and in the field, and I thank them for their commitment and hard work that is also focused on safe operations.

**Project Finance**

The success of our technical work to progress the development of the Company's projects during 2011 has been very pleasing. We are currently assessing a range of corporate and financial alternatives to ensure we are able to continue to fund these projects in a way that delivers value to shareholders.

Given the strength of the resources concerned and the access to an undersupplied market, the Company is confident of finding suitable project partners and work in this area is ongoing. The Share Purchase Plan which closed on 25 November 2011 is scheduled to complete tomorrow raising $2 million.

The performance of the share price during 2011 has been disappointing in contrast to the continuing flow of excellent operational results, growing resources, and substantially derisked operations. Whilst disappointing, we remain very confident of Sino Gas' fundamentals and near term prospects as well as the underlying project value which has been independently assessed by RISC at around $1.2 billion. It is worth briefly examining the attraction of our projects in China. We have:

- a large gas resource of 2.9TCF;
- an undersupplied local gas market with developed infrastructure and growing demand;
- strong and capable Chinese partners;
- a leadership team that has the experience and capability to deliver results from the projects; and
- most importantly, a great technical team on the ground in China.

We have an exciting year ahead of us, and all the ingredients of an exciting, very large gas project by global standards.

The coming year will see a number of significant advances on the ground, and with a concerted drilling campaign and pilot production and gas sales we expect to continue our progress toward resource maturation.

Further exploration of unexplored territory should also allow us to make a number of reserve upgrades as our understanding of the resource potential is enhanced. In addition, as we move toward development, a substantial portion of the contingent and prospective resources should become eligible to be upgraded to reserves.

As I mentioned, negotiations are already in place to generate pilot revenue and with cash flow positive results, while we are well progressed on key approvals and permits.

Against this backdrop we continue to explore opportunities for long term gas off-take agreements to secure future sales.

I look forward to providing you with further updates on our progress during what will be an exciting transformational year for Sino Gas & Energy as we move from exploration to production.

Before closing I would like to again acknowledge our employees, all of whom are based in Beijing. Their commitment, dedication and hard work should translate into increases in valuation of our Company over time. I would also like to thank our contractors, suppliers and consultants for their support throughout the year and trust that will continue for many years to come.

Last, but not least, I would like to thank our shareholders for your continued support and promise that the valuation disconnect between our gas project and the Company is being corrected and we look forward to rewarding shareholders for the patience and support over the last few years.

We have much to look forward to and I hope that your support will continue and will allow us to unlock the value that we have created at the project level.

**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 3,000km$^2$. 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 SJB2 during November 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