

On the path to unlock shareholder value

Q1

2012 - Activities Report



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

Photo: Well testing during Q4, 2011

Dear Shareholders

Sino Gas is on the path to unlock shareholder value

Q1 achieved multiple developments that will unlock shareholder value:

- a significant strengthening of the board, and executive management including the appointment of Robert Bearden, an experienced oil & gas industry professional, as President & CEO to lead the Company through the next phase of its development;
- an independent assessment of Sino Gas's projects, resulting in Contingent & Prospective Resources of 3.6 Tcf and risked project value of \$1.8 billion;
- the appointment of Argonaut Capital to raise \$30 million - with settlement expected towards the end of May 2012; and
- substantial marketing activities conducted in Australia, Hong Kong and Singapore.

These activities have been well received by the market resulting in the Company's market capitalisation more than doubling to nearly \$100 million during Q1.

Importantly, these efforts continue with the start of the Company's Q2, 2012 work program of new wells, well testing and

seismic acquisition program as the Company continues to meet regulatory milestones for project development.

Sino Gas is also completing feasibility studies for a pilot program on the Linxing project and an expanded pilot on the Sanjiaobei project. These pilots are expected to be increasingly cash flow positive as additional wells are added and are a key part of the Chinese Reserves Report process.

As previously announced, the Company will hold its 2012 Annual General Meeting (AGM) on Wednesday 30 May 2012 at 2pm in Perth, Western Australia.

The AGM is an opportunity to meet Robert as well as to hear more about the Company's Unconventional China Gas strategy. I welcome you to join that meeting.

Further details of the Company's progress during Q1 and what is expected to be a transformational year for Sino Gas are set out in the remainder of this report.

Gavin Harper
Executive Chairman



Photo: Sino Gas's Beijing Organisation. Front row, left to right: Nic Bong (CFO), Colin Heseltine (NED), Stephen Lyons (MD), Gavin Harper (Chairman), Peter Mills (NED), Frank Fu (COO)

Activities Supporting Development	Key Focus Targets for Q1	Achievements during Q1	Q2 and Continuing Targets
Appraisal Program	2012 work program planning underway - contractor and rig selection to ensure effective implementation of key field activity - focus is on preparation of the Chinese Reserves Reports	Linxing project: - Joint Management Committee (JMC) approval for 2012 work program - selection of new drilling locations completed - tendering underway Sanjiaobei project: - JMC approval for 2012 work program - selection of new drilling locations underway - tendering underway	- field work to commence on both Linxing & Sanjiaobei during May 2012 - focus is on the preparation of the Chinese Reserves Reports
Pilot Production Program	continued push towards LNG pilot on Linxing project and expansion of pilot on the Sanjiaobei project including: negotiation of offtake agreements and technical implementation contracts	- substantial dialogue between Government partners and gas buyers / facility providers - sites selected for mini-LNG plant and CNG plant on both projects - negotiation of pilot Gas Sales Agreements (GSAs) on both projects commenced - JMC approval of both pilot programs	- announcing specifics of pilot development plan - execution of formal GSAs for the pilots - commence implementation



Photo: TB04 wireline operation underway

Activities Supporting Development	Key Focus Targets for Q1	Achievements during Q1	Q2 and Continuing Targets
Resource Development	- Reserves + Resources independent assessment by RISC - launching new program to prepare shallow CBM Reserves Report on Linxing East (per NSAI - 324 Bcf of mid case (100%) Contingent + Prospective Resource)	Substantial increase in gas resources and project value confirmed: - independent project risked value to US\$1.8 billion 2C (100%) Contingent Resources up 79% to 1.8 Tcf 2C (100%) Contingent and Mid case Prospective Resources increase to 3.7 Tcf	2012 work program commencing - expected to drive Resources to Reserves maturation - additional wells and seismic to support preparation of Chinese Reserves Reports - commencing shallow CBM work program
Partner Relationships	- Sanjiaobei PSC - continue to work towards exploration period extension - prepare approvals for pilot programs	- Chinese partners approve work programs on both Linxing & Sanjiaobei projects - Sanjiaobei PSC - substantial progress towards conclusion of Modification Agreement	- Sanjiaobei PSC - signing of exploration period extension documentation - work program continues to provide critical data for Chinese Reserves Reports
Organisational Capability	continued steps to strengthen the organisation in preparation for development	- appointment of Robert Bearden as President & Chief Executive Officer commencing 18 May 2012 - Robert is a Chevron career professional with extensive project development and production experience. Robert's experience is extremely valuable to Sino Gas as it transforms the Company into a gas producer - appointment of Colin Heseltine as Non Executive Director. Colin is a career diplomat with extensive experience in North Asia and specific experience doing business in China	- Stephen Lyons, current MD transitions to VP Finance & Corporate focused on positioning the company financially and structurally for development - Frank Fu transitions to VP Operations leading the implementation of the Company's projects - continued strengthening of the Beijing operations and sub-surface team in preparation for development

Activities Supporting Development	Key Focus Targets for Q1	Achievements during Q1	Q2 and Continuing Targets
Strategic Funding Opportunities	30 Jan 2012, announced the appointment of Argonaut as Corporate & Financial Advisor to develop short and longer term funding opportunities - considering a broad range of funding opportunities as the Company progresses towards development	- Argonaut and Sino Gas have been very active over the Asia Pacific region in the past month - Expressions of interest in Sino Gas's projects are under review	Close out of raising process with settlement expected around the end of May 2012
Sustainable Development in China	- building a reputation as a responsible operator in China - Incident free operations remains a key focus	Sino Gas's 580,000+ incident free man hours worked during 2011 recognised by Chinese partners	Keep building on the core principles of responsible operatorship and incident free operations
Marketing Activities	Implementing a company promotional program designed to bridge the valuation gap between Sino Gas's share price and the independently assessed Expected Monetary Value (EMV) of the Company's projects and as compared to other ASX and international listed peers. Based on a share price of ~8 cents, Sino Gas is trading at a +90% discount to its share of project EMV and a +60% discount to its listed peers	- extensive meetings with institutional, strategic and potential industry investors in Singapore, Hong Kong and Australia - meetings with potential financiers for development funding - opened Perth office to facilitate better communication with Australian investors and media - Patersons Securities releases Research Report with 25 cent 12 month share target	- closing the Argonaut raising process during May 2012 - ASX Small/Mid cap investor conference, Singapore & Hong Kong, 22-24 May 2012 - Roadshow & investor meetings in Singapore, Hong Kong and Australia - end May 2012 - AGM 30 May 2012

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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 or NSAI. Unless otherwise noted, quoted well flow rates are calculated at a flowing tubing head pressure (FTHP) of 200 psi.

Certain statements included in this announcement may constitute forward-looking statements. Any forward-looking statements are based on current assumptions and forecasts and are not guarantees or predictions of future performance. Such statements involve known and unknown risks, uncertainties and other factors, many of which are beyond our control, and which may cause actual results to differ materially from those expressed in the forward-looking statements. Accordingly, Sino Gas, its directors, officers and agents do not give any assurance or guarantee that the occurrence of the events referred to in this document will occur as contemplated.

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