

ASX ANNOUNCEMENT

26 October 2012

FULLY FUNDED SEISMIC AND DRILLING PROGRAMS ACCELERATED

- **350km seismic program brought forward from 2013 to accelerate resource assessment and results required for the Chinese Reserve Report for Linxing West**
- **Two wells completed drilling with promising initial results on Linxing East and two additional rigs are being mobilised to accelerate drilling in Q4**
- **Two rigs are being mobilised to Linxing West aimed at further increasing gas flow capacity ahead of 2013 pilot program plans**
- **Drilling of exploration well on Linxing East to expand resource assessment area to the south**
- **Strategic partners, Sino Gas and MIE Holdings Corporation (MIE) remain committed to the fully funded programs advancing the development of the PSCs to unlock their full potential and value for shareholders**

Sino Gas & Energy Holdings Limited (ASX:SEH, Sino Gas), is pleased to announce significant new seismic and drilling activities have commenced on its Linxing PSC (31.7% Sino Gas).

Seismic Program Brought Forward

The 2013 seismic program for Linxing West has been brought forward with immediate effect to allow the data acquired to be used for further resource assessment and support the drilling and flow testing results required for a separate Chinese Reserve Report (CRR).

Seismic teams have been deployed on Linxing West to commence positioning work and set receiver stations and shot points. A total of 350km of seismic lines are planned for the program, which the operations team expects to complete in Q4, subject to weather conditions moving into the winter months in China. A seismic grid of 1km spacing will be shot on the southern portion of Linxing West surrounding existing wells.

Sino Gas' Managing Director and CEO, Robert Bearden said "The expediting of the seismic program by Sino Gas and MIE reflects the commitment of both parties to advance the development of the Linxing PSC block and fully explore its resource potential."

"Seismic data gathered during the work program will be used as inputs for a Chinese Reserve Report, which is the first step in a two-step regulatory process to develop the gas assets into producing fields.

By bringing forward the seismic program, we are further down the track towards finalization of the CRR, which will then allow the preparation of an Overall Development Plan for full field development of the PSC.

We expect that the expansive seismic program will be executed in the same safe and efficient manner as the 2012 program, which was successfully completed earlier in the year."

Additional Rigs to Accelerate Drilling Program

Linxing East

Wells LXSG-05 and LXSG-09, which are the first two wells drilled of the eight well 2012 program for Linxing East have reached total drilling depth, encountering ten and twelve seams, totalling 30.2 and 33.7 metres of coal respectively.

As wells are completed, they will be frac tested and dewatering will commence during November, and continue over the coming months before gas flow data will begin to be analysed.

An additional two drilling rigs will be mobilised to expedite the drilling of the remaining four wells. The fifth well of the program is expected to commence drilling by early November.

Well	Drilling Progress	Results
LXSG-09	Total depth 888m	12 seams 30.2m
LXSG-05	Total depth 755m	10 seams 33.7m
LXSG-02	986m/1030m	-
LXSG-08	865m/1030m	-

Robert Bearden added “The drilling program continues to produce promising results which remain in line with our expectation of the coal seams in the region. As the remaining wells approach targeted depths, we will be in a position to provide further definition of the area’s resource potential.”

“We are mobilising two drilling rigs to expedite the drilling progress, as the area is set to be a major driver of the future economic evaluation of the Linxing PSC. We look forward to communicating more results as the drilling of the remaining wells are completed.”

The location for the exploration well on the south west portion of the block has been determined with drilling to commence in Q4 to further expand the resource assessment area to the south.

Linxing West

Two rigs for the two well program on Linxing West are being mobilised to well sites TB-11 and TB-12. Robert Bearden commented that the Linxing West work program was “aimed at boosting gas flow capacity ahead of pilot program plans and CRR submission, while continuing to focus on the conversion of the area’s resources into reserves”. The first well is expected to commence drilling by early November.

Further updates will be provided as results from the drilling and seismic analysis become available. Please see **Figure 1** over page for a map of the seismic and drilling areas.

For more information, please contact:

Sino Gas & Energy Holdings Limited

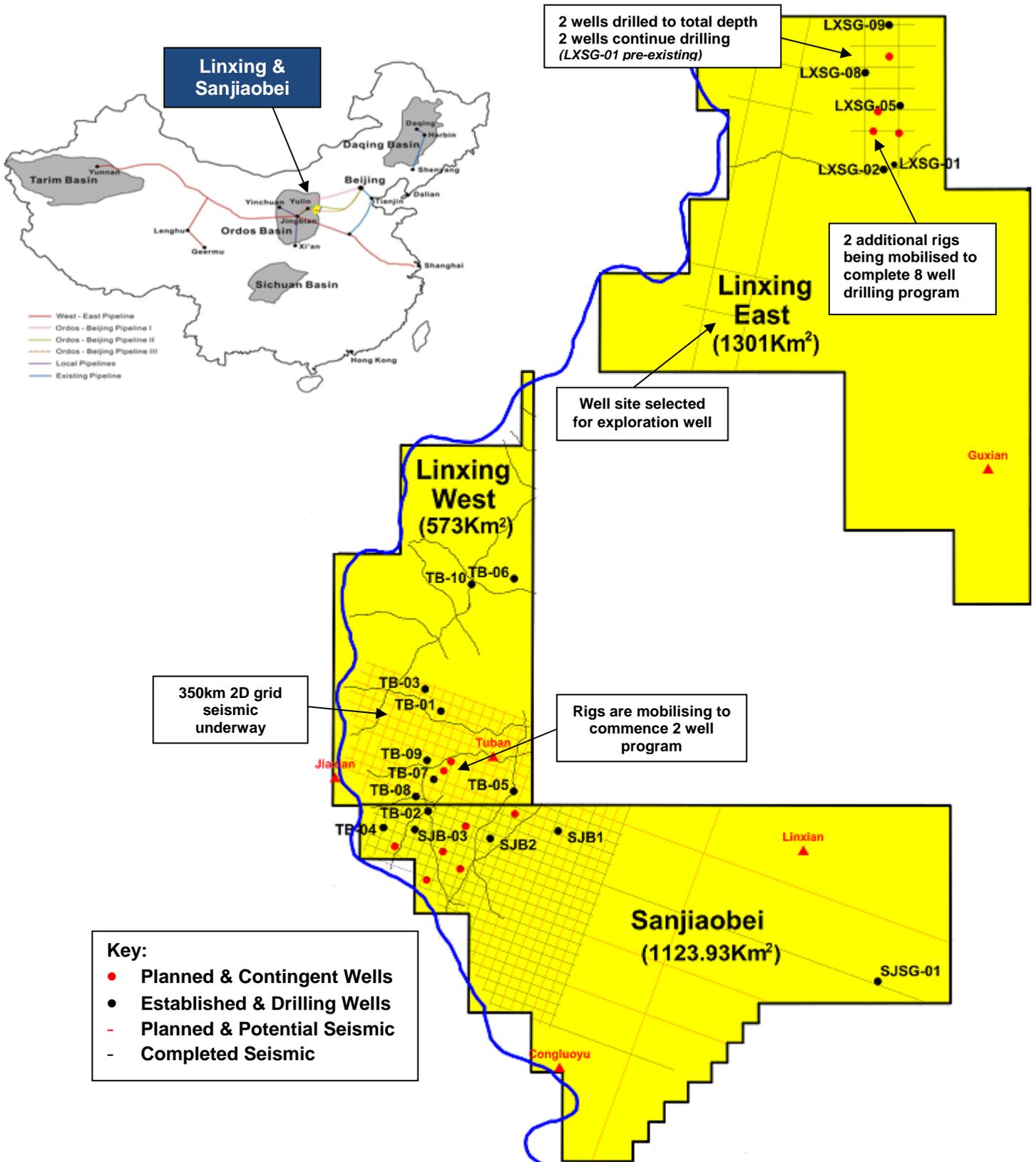
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Figure 1: Linxing & Sanjaobei – Seismic and Drilling Areas



About Sino Gas & Energy Holdings Limited

Sino Gas & Energy Holdings Limited ("Sino Gas" ASX: SEH) is an Australian energy company focused on developing Chinese unconventional gas assets. Sino Gas holds a 49% interest in Sino Gas & Energy Limited ("SGE") through a strategic partnership completed with MIE Holdings Corporation ("MIE" SEHK: 1555) in July 2012 to develop two blocks held under Production Sharing Contracts (PSCs) with CNPC (Sanjiaobei 49%) and CUCBM (Linxing 64.75%). SGE has been established in Beijing since 2005 and is the operator of the Sanjiaobei and Linxing PSCs in Shanxi province.

The PSCs are located in the Ordos Basin and cover an area of approximately 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 PSCs are located and natural gas is seen as a key component of clean energy supply in China.

Resources Statement

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 (January 2012) and NSAI (2008). These statements were not prepared to comply with the China Petroleum Reserves Office (PRO-2005) standards or the U.S. Securities and Exchange Commission regulations and have not been verified by SGE's PSC partners CNPC and CUCBM. All resource figures quoted are mid case - 100% unless otherwise noted.

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

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