10 December 2012

DRILLING SUCCESS CONTINUES WITH SIGNIFICANT PAY INTERVALS ENCOUNTERED AT TB-11

- **Drilling success continues on Linxing West at TB-11 with initial results identifying approximately 70 metres of pay intervals across multiple pay zones**
- **Final two wells of eight-well program commence drilling operations on Linxing East, as two drilling rigs approach total depth**
- **First two wells of six-well program approach total depth on Sanjiaobei, with an additional rig being mobilised and preparations continuing for drilling of the remaining wells**
- **Planning underway for extensive exploration and appraisal work programs for 2013 and monthly operational updates to be initiated**

Sino Gas & Energy Holdings Limited (ASX:SEH, "Sino Gas", "the Company"), is pleased to update the market on the progress of drilling and seismic operations on its Sanjiaobei (Sino Gas 24%) and Linxing (Sino Gas 31.7%) Production Sharing Contracts (PSCs) in the Ordos Basin.

Sino Gas Managing Director & CEO Robert Bearden said "After the success of implementing an ambitious and expanded catch-up program, we are very pleased with the drilling and operational achievement at TB-11 on Linxing West, in which electronic wire line logs identified 69.3m (or 227 feet) of pay intervals. This outstanding result provides further confidence in the area's resources, not only for boosting gas flow capacity ahead of pilot program plans but also for Chinese Reserve Report submission.

Production casing is being installed on the well and flow testing of the well is scheduled in 2013 as a part of a comprehensive frac testing program targeting both existing and recently completed wells. I would like to congratulate the Operations team on an excellent operational result, efficiently completing drilling without any major operational or safety incidents and for the substantial work that has gone into planning for the 2013 work programs."

Linxing West

The first well of the planned two-well program on Linxing West, TB-11, has reached a total depth of 2,119m in 24 days. Initial electronic wire line logs results have identified 16 pay intervals across multiple pay zones during drilling, totalling 69.3m of pay. The structure of the pay zones identified indicate similar geological properties to TB-07, located less than 3km south\west, which was flow tested without fraccing at rates of 1,860 Mscf/d (at 615 psia) from a single zone during the 2010 work program (refer to ASX Announcement on 31/5/2010). Meanwhile, site preparations are underway for the drilling of nearby TB-12 which is expected to commence drilling before the end of the month.

Following the completion of surveying work for the 350km of 2D grid seismic brought forward from the 2013, drilling work is underway for the shot points required for the acquisition of seismic data. Seismic data is to be acquired in a 1km grid pattern to provide further resource definition and required seismic inputs needed for Chinese Reserve Report submission.

Sanjiaobei

The first two wells of the Sanjiaobei six-well drilling program, SJB-6 and SJB-4, are approaching total depth and will be cored and electronically wire line logged upon completion to identify the number and total thickness of gas pay intervals encountered during drilling. Production casing will be installed to prepare for an extensive multi-zone testing frac program planned to commence in late Q1 2013. A rig is currently being mobilised to the block and additional rigs are in the process of being sourced to drill the remaining wells of the program as site preparations continue.

Seismic teams have begun surveying the 250km of seismic lines being brought forward from 2013. This program is in addition to the 100km of seismic already completed earlier this year and is designed to complete the seismic grid required for Chinese Reserve Report submission on the western portion of the block and further define the previously underexplored resource potential to the east.

Linxing East

The eight-well program on Linxing East is nearing completion, having identified coal seam intervals totalling approximately 26 to 34 metres of pay per well. The fifth and sixth wells of the program are approaching total depth and the final two wells have commenced drilling operations. Perforation of the completed wells has begun and a program to frac test and dewater will commence shortly and continue over the coming months. As previously advised, a rig is expected to be mobilised to the TB-13 exploration well site on the south/west portion of the block as drilling is completed in other areas.

2013 Work Program Planning & Operational Updates

The operations team is progressing with detailed planning for extensive exploration and appraisal programs in 2013. Seismic work programs brought forward from 2013 are planned to be extended to further explore the resource potential in previously underexplored areas. Expanded drilling and appraisal programs will continue to provide further inputs required for the Chinese Reserve Reports, the first of which is expected to be submitted for Linxing East in Q3 2013. Finalisation of the work programs is expected in early 2013 following agreement with PSC partners, at which stage further details will be announced. In 2013 the Company will be initiating monthly operational updates to keep the market informed on the progress of seismic and drilling operations on its Sanjiaobei and Linxing PSCs.

Further updates will be provided as results from the drilling and seismic analysis become available. Please see below for drilling results for each area and a map of the seismic and drilling areas.

Linxing & Sanjiaobei - Drilling Results

Linxing West (Sino Gas 31.7%[1])
2 Well Program

WELL	DRILLING PROGRESS	RESULTS	STATUS	FORWARD OPERATIONS
TB-11 Spud 05/11/2012	Total depth 1,028m	16 pay intervals 69.3m total pay	Electronic wire line logging completed	Demobilising rig

Linxing East (Sino Gas 31.7%[1])
8 Well Program

WELL	DRILLING PROGRESS	RESULTS	STATUS	FORWARD OPERATIONS
LXSG-09 Spud 20/08/2012	Total depth 888m	12 pay intervals 30.2m total pay	Perforated	Frac and dewater
LXSG-05 Spud 24/08/2012	Total depth 755m	10 pay intervals 33.7m total pay	Perforated	Frac and dewater
LXSG-02 Spud 12/09/2012	Total depth 1,143m	9 pay intervals 22.8m total pay	Drilling and coring completed	Perforate, frac and dewater
LXSG-08 Spud 21/09/2012	Total depth 1,028m	15 pay intervals 26.3m total pay	Drilling and coring completed	Perforate, frac and dewater
LXSG-06 Spud 15/11/2012	987m / 1,000m	-	Drilled the production hole to 987m	Continue drilling to total depth
LXSG-07 Spud 19/11/2012	840m / 870m	-	Drilled the production hole to 840m	Continue drilling to total depth
LXSG-03	0m / 800m	-	Rigging up	Spud well
LXSG-04 Spud 05/12/2012	68m / 1,050m	-	Spudded and drilled surface hole	Run and cement casing

Sanjiaobei (Sino Gas 24%[1])
6 Well Program

WELL	DRILLING PROGRESS	RESULTS	STATUS	FORWARD OPERATIONS
SJB6 Spud 05/11/2012	2,014m / 2,060m	-	Drilled the production hole to 2,014m	Continue drilling to total depth
SJB4 Spud 15/11/2012	2,138m / 2,180m	-	Drilled the production hole to 2,138m	Continue drilling to total depth

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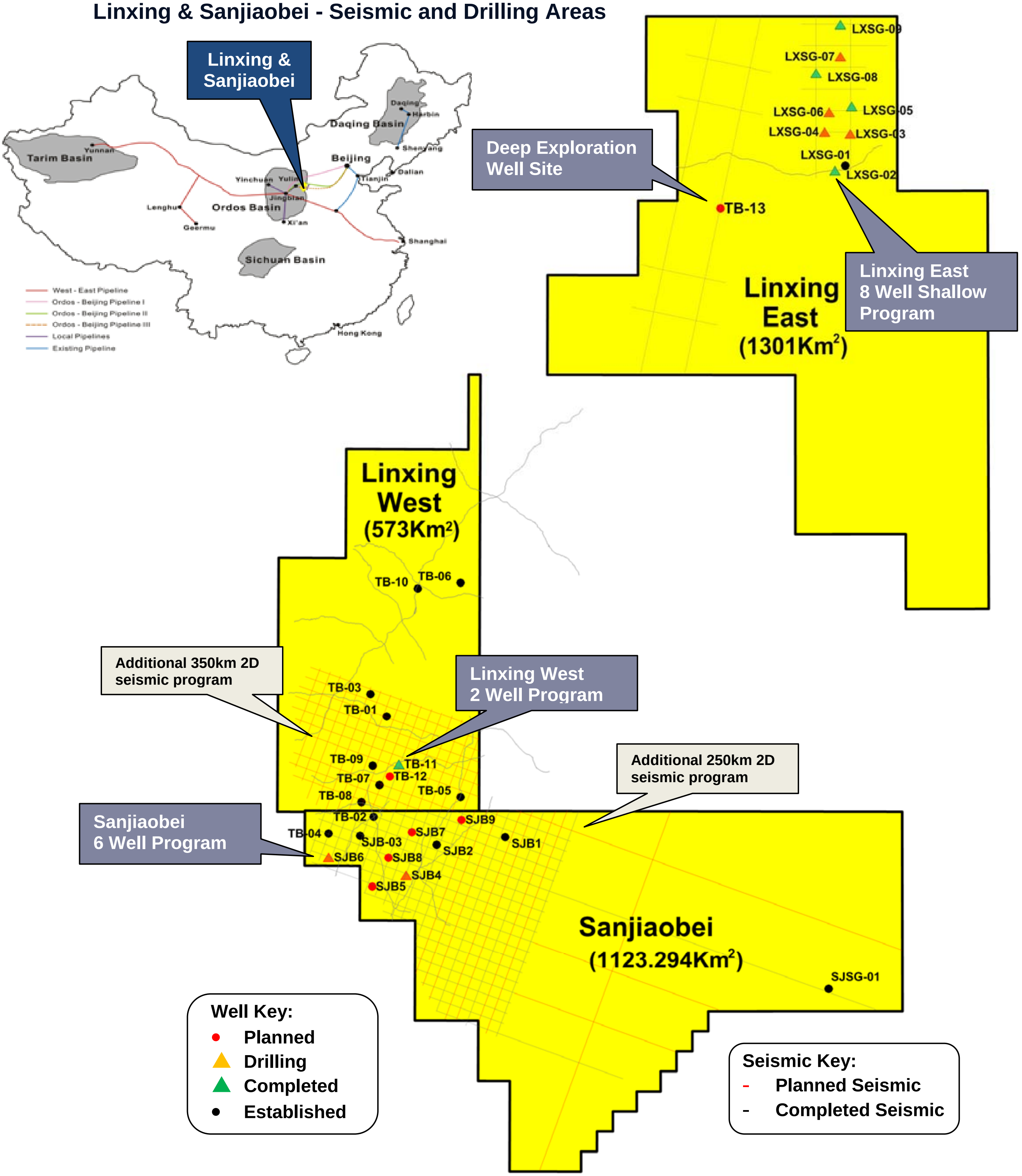
Linxing & Sanjiaobei - Seismic and Drilling Areas



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Our latest announcements and presentations can be found on our website:
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[1] 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. SGE has been established in Beijing since 2006 and is the operator of the Linxing and Sanjiaobei Production Sharing Contracts (PSCs) in the Ordos Basin, Shanxi province.

SGE's interest in the Linxing PSC with CUCBM is 64.75% and 49% for the Sanjiaobei PSC held with PCCBM. SGE has a 100% working interest during the exploration phase of the PSC, with SGE's PSC partners being entitled to back-in upon Overall Development Plan (ODP) approval, by contributing development and operating costs in line with their PSC interest.

The PSCs are located in the Ordos Basin and cover an area of approximately 3,000km^2. The Ordos Basin is the second largest onshore oil and gas producing basin in China. The region 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' PSCs are located and natural gas is seen as a key component of clean energy supply in China.

Resources Statement & Disclaimer

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.

ANNOUNCEMENT ENDS