

18 December 2012

**CHAIRMAN'S LETTER
A TRANSFORMATIONAL YEAR DRAWS TO A CLOSE
WITH 2013 POISED TO BE A YEAR OF GROWTH**

-  **Project re-rating provided drive towards development**
-  **Board strengthened with right mix of regional and technical expertise**
-  **Strategic Partnership secured funding**
-  **Extensive 2012 Work Programs delivering results**
-  **Fourfold increase in market capitalisation to A\$140 million**
-  **Chinese Government promotes gas development in the region**
-  **Detailed planning being finalised for 2013, poised to be a year of growth**

Dear Shareholders,

As 2012 draws to a close, I thought it appropriate to reflect on the substantial progress made by the team at Sino Gas & Energy Holdings Limited ("Sino Gas"). 2012 has indeed been a year of significant transformational change for your Company, and it is pleasing to see this being reflected in a stronger share price.

We started the year with a market capitalisation of A\$35 million with some significant gas discoveries already under our belt on both Production Sharing Contracts (PSCs), but needing to gear up in several key areas; most notably strengthening the Board, securing project funding, finding a strategic partner and shoring up our resources to drive development approvals.

Having met significant milestones in these areas during the year, our current market capitalisation is now approximately A\$140 million, and this should continue to increase as we meet further milestones in the short to medium term. Highlights from this transformational year have included:

Project re-rating provided drive towards development

RISC's independent evaluation confirmed 3.7 trillion cubic feet of total project reserves and resources, with a net present value of US\$2.3 billion² attributable to the Sino Gas and MIE Strategic Partnership¹.

Board strengthened with right mix of regional and technical expertise

The appointment of Colin Heseltine to Non-Executive Director brings years of highly relevant regional experience to Sino Gas. Colin's 40 year career as a diplomat and his deep understanding of the region, adds a valuable perspective to an Australian company doing business in China.

Robert Bearden's commencement in May and subsequent appointment as Managing Director and CEO has delivered immense technical and operational expertise to both the Board and the Beijing team. Robert has over 30 years of leadership experience in major international oil and gas development and production operations, many of which have been in Asia.

Strategic Partnership secured funding

The Strategic Partnership entered into with MIE Holdings Corporation provided Sino Gas with both US\$90 million in development funding for its projects and a partner that has extensive experience in delivering Sino-Foreign PSCs through regulatory approval to production.

Extensive 2012 Work Programs delivering results

Despite the challenges provided by the weather in the Ordos Basin this year, Sino Gas has carried out extensive work programs on its Linxing and Sanjiaobei blocks. In implementing the ambitious catch-up programs, we expect the Operations team to have successfully executed by the end of the year, almost more drilling and seismic work over the last few months of operations than previous work programs combined.

The drilling results from the current work program are so far are consistent with those of previously successful years. I am also particularly proud of the fact that in the execution of this year's work, the Operations team have completed well over 500,000 man hours of incident-free field operations, continuing on from the outstanding record set in 2011.

Chinese Government promotes gas development in the region

The Chinese Government, through its recently released 12th 5 year plan have continued the promotion of natural gas as a clean energy source, which has been further supported by the outlining of a more favourable gas pricing regulation to be rolled out nationally. Of particular note in the plan was the earmarking of the eastern fringe of the Ordos basin for accelerated development, on which Sino Gas' PSCs are located.

Gas market conditions in Shanxi province continue to remain robust, with major gas powered infrastructure coming online to support the rapid urbanisation and green initiatives in the region that are designed to reduce dependence on high carbon emitting coal. This is important for Sino Gas, as this is the domestic market where much of the gas is expected to be consumed.

We continue to work closely with Chinese partners to ensure that the PSCs remain in good standing, and to that end, have successfully obtained formal extensions to the exploration periods on both blocks during the year.

2013 poised to be a year of growth

As mentioned previously, this has been an extremely successful year for Sino Gas in its transformation, and one that sets up the Company to deliver on its growth potential in 2013. We started 2012 with a market capitalisation of A\$35 million, and as 2012 draws to a close our market capitalisation has increased fourfold to approximately A\$140 million.

As we enter 2013, we are well placed to take advantage of this unique opportunity in terms of the size, scale market and pricing of the projects; and have created a platform for strong future value creation. In conjunction with our partners, Sino Gas is in the process of finalising the planning for the 2013 work programs designed to unlock the growth potential of the blocks.

I wish you all the best for the holiday season and look forward to updating you with further operational results as the work programs progress and details of the 2013 work programs early in the New Year.

Yours sincerely



Gavin Harper
Executive Chairman

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Our latest announcements and presentations can be found on our website:

www.sinogasenergy.com

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 3,000km². 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.

² 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. RISC's Independent Economic Valuation for mid-case NPV₁₀ for Discovered + Prospective Resources on Linxing West & Sanjiaobei is based on a mid-case gas price of US\$7.64/mscf and mid-case lifting costs (opex+capex) of ~US\$2/mscf.

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