

Monthly Operations Report

For the month ending 31 January 2013

EXECUTION OF FULLY FUNDED WORK PROGRAMS ON TRACK TO DELIVER VALUE

2013 Outlook

Commenting on the year ahead, Sino Gas Managing Director & CEO Robert Bearden said *"2012 was a transformational year for Sino Gas in which we delivered on our key objectives of locking in funding, bringing in further regional and technical expertise and driving the completion of our drilling programs. We are poised for another significant year in Sino Gas' development, commencing with an updated resources assessment, a comprehensive frac testing program, further expansion of our drilling and appraisal programs leading into Chinese Reserve Report (CRR) preparation and pilot production program planning."*

Our planned 2013 accelerated work programs are fully funded, with the current focus being the preparation of the Chinese Reserve Reports as the first key stage in the development of our PSCs to ultimately produce gas for a domestic market that is hungry for gas and willing to pay attractive commercial prices"

Operational Update

As the Chinese New Year approaches, field operations have been winding down to allow Operations team members well deserved time with their families, after overcoming the worst regional floods in over 60 years and working through record low temperatures this winter. Operations will be ramping up again later in February for a series of fully funded work programs set with the same level of intensity and commitment to safety as that demonstrated in 2012.

"Sino Gas' unblemished safety record over the past two years reflects our ongoing commitment to safety by partnering with skilled and diligent operators who balance a high regard for safety with an equal regard for getting the job done efficiently" Bearden added.

The Operations team will be sourcing an additional six drilling rigs on recommencement of the work programs following the Chinese New Year break, to supplement the four drilling rigs already in the field.

"This means we will have ten drilling rigs in the field by the second quarter of 2013 and is a significant commitment by Sino Gas to as we further accelerate our drilling plans in 2013" Bearden commented.

Production casing has been installed on the completed wells and flow testing will be completed as a part of a comprehensive frac testing program targeting 20+ zones. This program is scheduled to commence in March with four testing rigs to be deployed initially which have the potential of being scaled up to eight.

Independent Reserves and Resources Assessment

RISC's independent reserves and resources assessment is underway with data from 270km of seismic from Linxing East and Sanjiaobei and drilling results from the twelve wells drilled in 2012 to be analysed. This assessment will provide further definition of the project contingent and prospective resources previously assessed at 3.7 trillion cubic feet¹ on Sanjiaobei and Linxing West, while also including the out-step seismic of the previously unexplored south-western portion of the Linxing East acreage.

Following the release of the updated reserves and resources assessment in March, a roadshow is planned with institutional, strategic and potential industry investors in Singapore, Hong Kong and Australia.

HIGHLIGHTS

- ▶ Fully funded work programs to be accelerated in 2013 with four drilling rigs currently in the field more than doubling to ten with the addition of six rigs being sourced after Chinese New Year
- ▶ 860km out of 1,160km 2013 Seismic Program surveying already completed and data acquisition commenced to enable further resource assessment
- ▶ Sanjiaobei – third well of the six-well program completed with remaining three wells scheduled to spud from March
- ▶ Linxing East – Last four wells of the eight-well shallow program completed. Dewatering and fracturing commenced on four of the wells, expanding to all remaining wells by the end of the quarter. Exploration well LXDG-01 scheduled to spud this quarter
- ▶ Linxing West – Final well of two-well program, TB-12, has rig onsite and scheduled to spud in March
- ▶ Zero accidents in both 2012 and 2011, representing over 1.1 million combined OH&S incident free man hours
- ▶ RISC independent assessment of reserves and resources currently underway and due to be completed in March

¹ Figures are 100% project mid-case for Linxing West & Sanjiaobei determined by Society of Petroleum Engineers Petroleum Resource Management Systems (SPE PRMS). Refer to Resource Statement for full disclosure.

LINXING WEST (SINO GAS 31.7%)

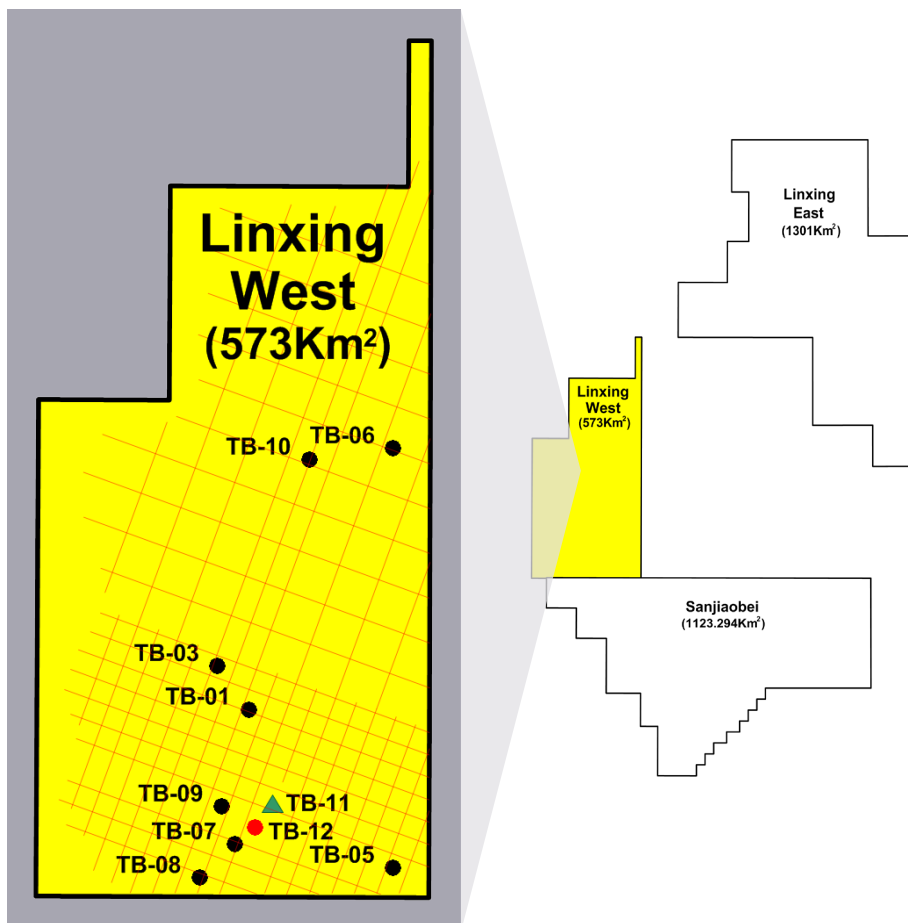
Seismic

Seismic teams have completed data acquisition for 350km of the 650km seismic planned for 2013 on the southern portion of Linxing West, to enable further resource assessment and support the drilling and flow testing results required for a separate Chinese Reserve Report (CRR). Surveying has commenced for the remaining 300km of seismic which is to further define the resource potential on the northern portion.

Drilling

The remaining well on Linxing West is scheduled to be spud in March 2013. The first of the two-well program on Linxing West was completed at TB-11 in late 2012, with initial mud and electronic wire line log results identifying 16 pay intervals across multiple pay zones during drilling, totalling 69.3 metres of pay.

WELL	STATUS	RESULTS	FORWARD OPERATIONS
TB-11 Spud 05/11/2012	Drilling complete	16 pay intervals 69.3m total pay	Flow testing



KEY

- Planned Well
- Established Well
- Planned Seismic
- Completed Seismic
- ▲ Drilling Well
- ▲ Completed Well

2012 ACHIEVEMENTS

Seismic

- ▶ 2012 Linxing East & Sanjiaobei 270km seismic program completed
- ▶ 2013 Linxing West & Sanjiaobei 650km out of 1,160km surveying completed

Drilling

- ▶ Linxing East – 8 well shallow program complete (LXDG-01 scheduled to spud Q1 2013)
- ▶ Linxing West – 1 well of 2 well program completed (TB-12 rig onsite, scheduled to spud in Q1 2013)
- ▶ Sanjiaobei – 3 wells of 6 well program completed (2 rigs onsite, 1 pending relocation, scheduled to spud Q1 2013)

Capital Raising

- ▶ A\$10.1m raised via institutional placement
- ▶ A\$3.8m raised via option conversion

Safety

- ▶ 598,000 OH&S incident free man hours were recorded this year (578,000 in 2011)

LINXING EAST (SINO GAS 31.7%²)

Seismic

Seismic data was successfully acquired in Q3 2012 covering the infield drilling area in the north-eastern corner of Linxing East as required for Chinese Reserve Report (CRR) submission. This data along with a previously unexplored portion to the southwest has been provided to RISC to be included in the Q1 2013 reserves and resources assessment.

Drilling

The Linxing East drilling work program, consisting of eight coal bed methane (CBM) shallow wells on the north-eastern portion of the PSC, was successfully completed in January. Initial mud and electronic wire line log results confirmed expectations of coal seams in the area at an average of 30.1 metres of total pay per well.

A fracing and dewatering program is underway on four of the eight wells, which is expected to be expanded to eight wells in March and will continue over coming months before definitive results become available. Flow rate data will be incorporated into the CRR submission, expected Q3 2013.

The exploration well on Linxing East, LXDG-01 (formally named TB-13), is scheduled to be spud in Q1 2013.

WELL	STATUS	RESULTS	FORWARD OPERATIONS
LXSG-09 Spud 20/08/2012	Dewatering	12 pay intervals 30.2m total pay	Continue dewatering
LXSG-05 Spud 24/08/2012	Dewatering	10 pay intervals 33.7m total pay	Continue dewatering
LXSG-02 Spud 12/09/2012	Dewatering	9 pay intervals 22.8m total pay	Continue dewatering
LXSG-08 Spud 21/09/2012	Dewatering	15 pay intervals 26.3m total pay	Continue dewatering
LXSG-06 Spud 15/11/2012	Drilling complete	17 pay intervals 31.1m total pay	Perforate, frac and dewater
LXSG-07 Spud 19/11/2012	Drilling complete	12 pay intervals 36 m total pay	Perforate, frac and dewater
LXSG-03 Spud 09/12/2012	Drilling complete	12 pay intervals 31.5m total pay	Perforate, frac and dewater
LXSG-04 Spud 05/12/2012	Drilling complete	12 pay intervals 29.3m total pay	Perforate, frac and dewater

2013 OUTLOOK

Q1

- ▶ RISC independent reserves & resources assessment
- ▶ Spud remaining wells from 2012 work program, 4 rigs already mobilised to site
- ▶ Batch flow testing of wells to commence with 20+ zones scheduled to be tested

Q2

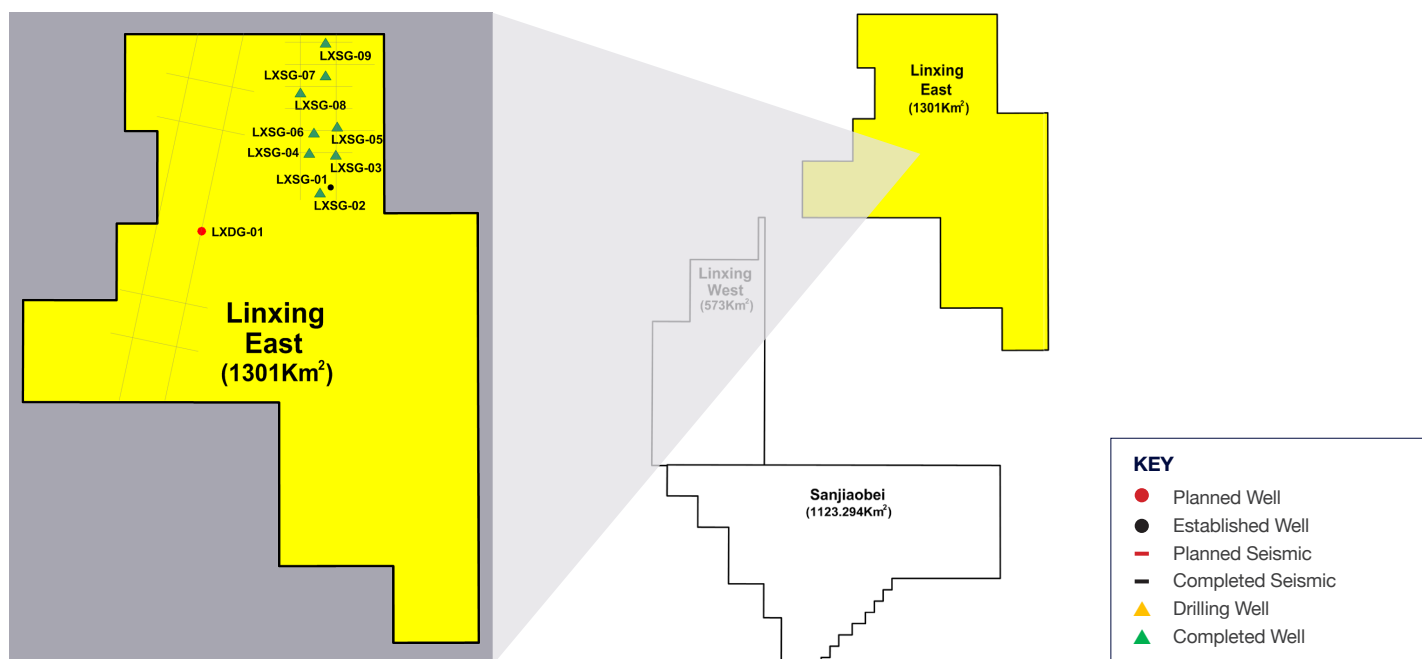
- ▶ 2013 Sanjiaobei & Linxing West drilling programs commence

Q3

- ▶ Chinese Reserve Report submitted on Linxing East
- ▶ Complete pilot production design and commence construction of facilities

Q4

- ▶ Chinese Reserve Report finalised on Sanjiaobei



SANJIAOBEI (SINO GAS 24%)

Seismic

Seismic teams are continuing work on the 510km of seismic lines planned for 2013, with surveying complete and data acquisition commenced. This program will acquire the data for the remaining north/south running lines to complete the seismic grid required for Chinese Reserve Report (CRR) submission on the western portion of the block. In addition, outfield seismic is being shot to further define the previously underexplored resource potential to the east of the block.

The 100km of north/south running seismic lines acquired in 2012, which supplements existing seismic data, has been provided to RISC to be included in the Q1 2013 reserves and resources assessment.

Drilling

The third well of the current six-well program, SJB5, reached total depth during the month. Initial mud and electronic wire line log results have identified a total of 45.2 metres of pay across nine pay intervals. These results are in line with previous gas discovery wells on Sanjiaobei, which have flow tested at commercial rates.

Drilling results from all three completed wells will be included in the Q1 2013 reserves and resources assessment, while the remaining three wells of the program are scheduled to commence spudding from March onwards (three drilling rigs are already in the PSC area).

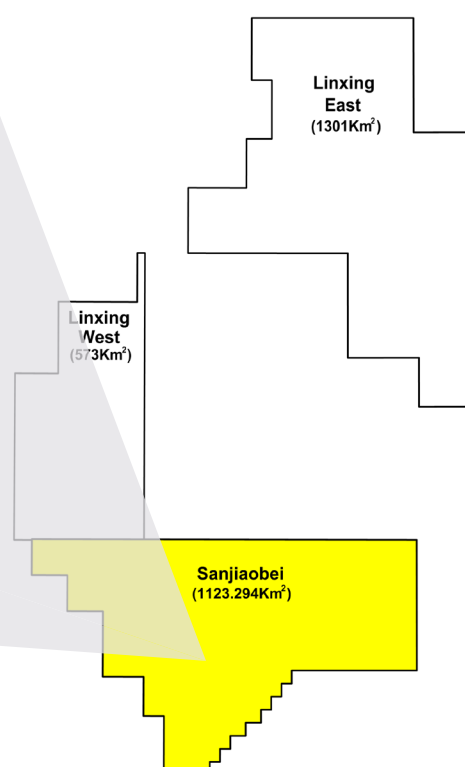
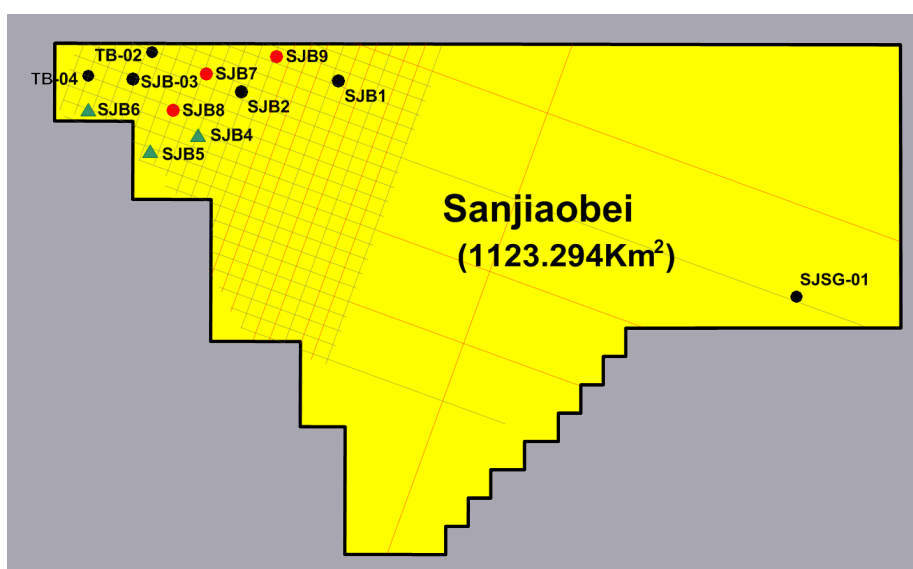
SHARE PRICE ACTIVITY FOR JANUARY

High	\$0.17
Low	\$0.13
Last	\$0.15 (31 January 2013)
Average Daily Volume	3,329,000 (2012 Average 1,886,000)

SHARE PRICE PERFORMANCE (ASX: SEH) ROLLING 3 MONTHS TO DATE



WELL	STATUS	RESULTS	FORWARD OPERATIONS
SJB6 Spud 05/11/2012	Drilling complete	8 pay intervals 24.1m total pay	Flow testing
SJB4 Spud 15/11/2012	Drilling complete	5 pay intervals 23.4m total pay	Flow testing
SJB5 Spud 12/12/2012	Drilling complete	9 pay intervals 45.2m total pay	Flow testing



KEY

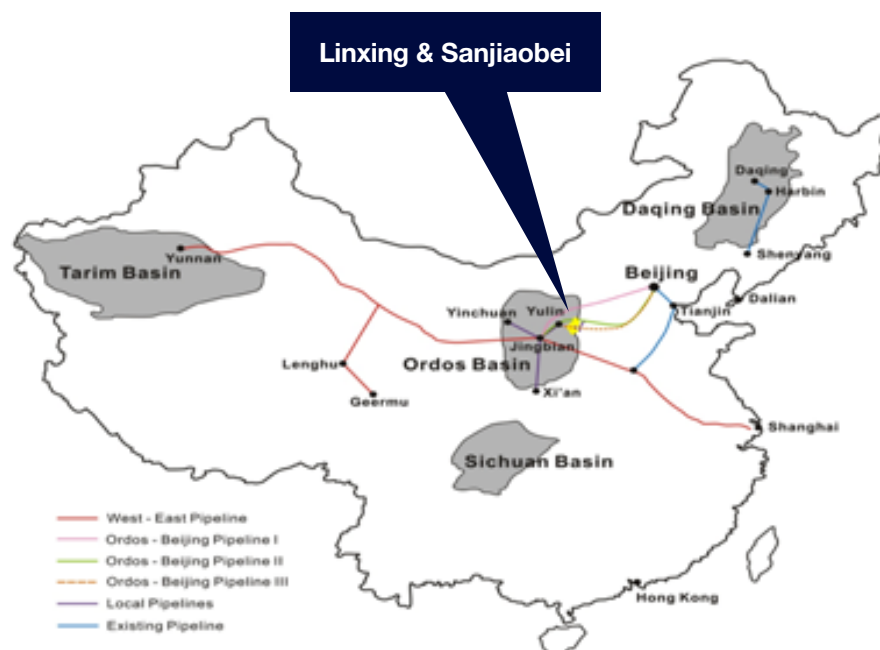
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²ABOUT SINO GAS & ENERGY HOLDINGS LIMITED

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.



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.

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