

Monthly Operations Report

For the month ending 28 February 2013

EXPEDITED 2013 WORK PROGRAMS COMMENCE AHEAD OF SCHEDULE

Operational Update

Field operations have ramped up immediately following the Chinese New Year holiday period, signalling the commencement of the extensive fully funded 2013 work programs designed to gather seismic and drilling data required for Chinese Reserve Report preparation.

Seismic lines on Sanjiaobei were extended by a further 75km to 585km, while drilling operations on both Sanjiaobei and Linxing West commenced ahead of schedule. Dewatering operations are being expanded on Linxing East, while frac testing teams have arrived on site as temperatures begin to rise in Shanxi Province moving into the Northern Hemisphere Spring.

Sino Gas Managing Director & CEO Robert Bearden said he was pleased with the early commencement of the 2013 work program. "We are very excited to have the 2013 seismic and drilling work programs underway earlier than anticipated. Operations team members have taken a well deserved break over the Chinese New Year holiday and are commencing operations in the same safe and efficient manner as demonstrated during the accelerated catch-up programs in 2012."

The Operations team have already spudded two wells and are commencing pre-spud preparations on a total of eight wells. An additional six drill rigs are currently being sourced to complement the four rigs already in the field, facilitating an expedited start to the fully funded 2013 drilling program.

"With testing teams currently deployed to test over 20 zones this year, seismic surveying for 2013 already complete and work programs on track to have ten drill rigs in the field during the second quarter of 2013 and up to 25 wells completed by the end of Q3, we continue our commitment to deliver value for our shareholders," Bearden commented.

Independent Reserves and Resources Assessment

RISC's independent reserves and resources assessment has been underway since late January, reviewing results from the twelve wells drilled in 2012, seismic data from the infield drilling area in the north-eastern corner of Linxing East along with data from a previously unexplored portion to the southwest of the block, and 100km of north/south running seismic at Sanjiaobei.

"RISC has been reviewing and analysing drilling and seismic data throughout the month, with the assessment expected to be released in March. One of the focal points of our 2012 work program was obtaining relevant data and undergoing the internal planning to enable us to commence booking reserves this year," Bearden said.

Corporate Activities

A roadshow to institutional, strategic and potential investors in Singapore, Hong Kong and Australia will follow the release of the updated third party reserves and resources assessment. We are very proud to be the only ASX listed company participating in the prestigious 41st annual Howard Weil energy conference in New Orleans on the 17th – 21st of March. In addition, we will be presenting at the Asia Oil & Gas Assembly in Hong Kong on the 24th - 25th of April.

On March 1st, S&P Dow Jones Indices announced the quarterly rebalance of the S&P/ASX indices. Sino Gas & Energy Holdings (ASX: SEH) will be added to the All Ordinaries index after the market close on March 15th.

LINXING WEST (SINO GAS 31.7%¹)

Seismic

Surveying has been completed for the final 300km of the 650km seismic program planned for 2013; to further define the resource potential on the northern portion of the block. This data, in addition to the completed 350km of seismic on the southern portion of Linxing West, will enable further resource assessment and support the drilling and flow testing results required for a separate Chinese Reserve Report (CRR). Seismic teams have been temporarily transferred to Sanjiaobei to complete 585km of seismic acquisition, which is planned to be completed by Q3.

Drilling

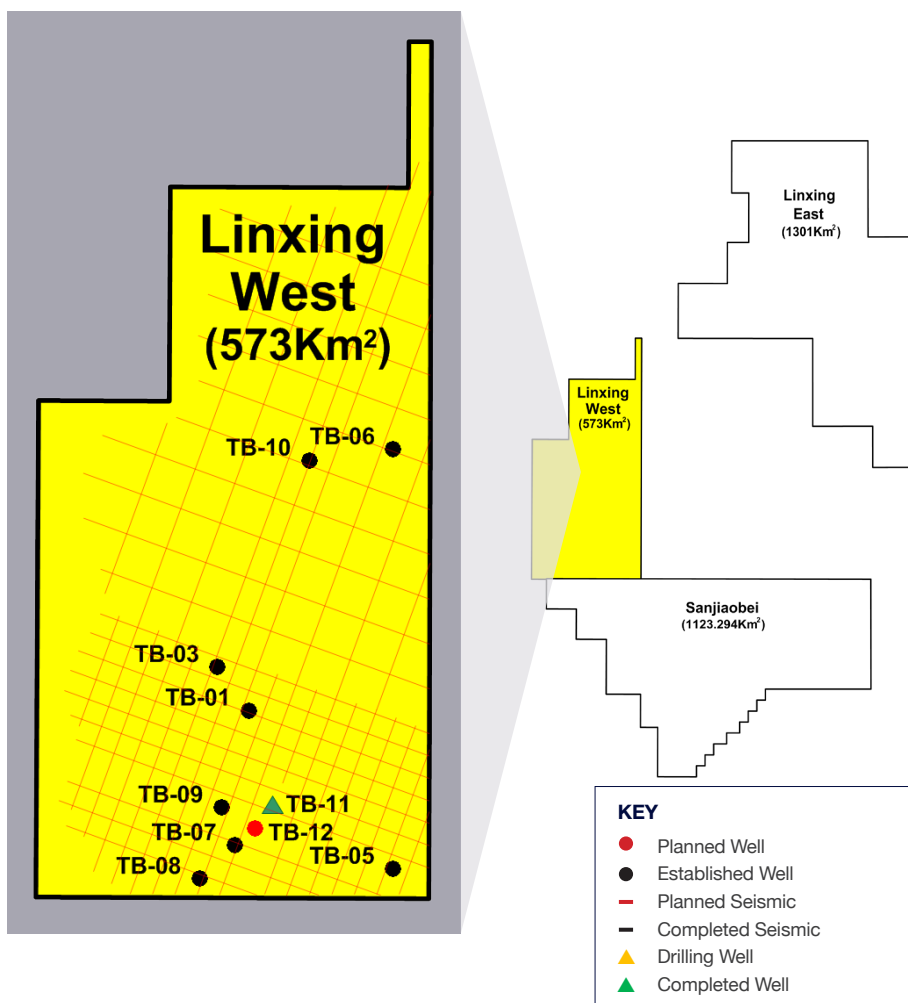
The final well of the 2012 work program at Linxing West, TB-12, has been spud. This well is in close proximity to TB-11, at which initial mud and electronic wire line log results identified 16 pay intervals across multiple pay zones during drilling, totaling 69.3 meters of pay.

Testing

Planning for the batch flow testing program is underway on Linxing West, with two wells, TB-10 and TB-11, to be perforated initially. Perforation of the wells is expected to be conducted in April, once testing crews have completed the first round of testing on Sanjiaobei.

WELL	STATUS	RESULTS*	FORWARD OPERATIONS
TB-11 Spud 05/11/2012	Drilling complete	16 pay intervals 69.3m total pay	Flow testing
TB-12 Spud 01/03/2013	Drilling	-	Drill to total depth

*Results are based on initial mud and electronic wire line logs.



HIGHLIGHTS

- Fields operations have commenced after Chinese New Year with the same level of intensity and commitment to safety as demonstrated in 2012
- Fully funded 2013 work programs to be expedited with a total of 10 rigs to be drilling during Q2 2013, working towards a combined total of up to 25 wells by end of Q3
- Seismic surveying for 2013 work program completed with seismic teams already acquired 550km of seismic data for the expanded 1,235km program
- Sanjiaobei – First well of the 2013 program spud earlier than anticipated at SJB-12. Preparations underway to spud the last three wells of the 2012 program along with five additional wells in the current program
- Linxing West – The final well of the 2012 work program has been spud at TB-12
- Linxing East - Dewatering program continuing on four of the eight wells, remaining four wells to be perforated by early Q2. Flow rate data is expected to be available during Q2 and will be incorporated into the CRR submission. Exploration well, LXDG-01, deferred to facilitate a second round of exploration drilling of four deep wells
- RISC independent assessment of reserves and resources due to be completed in March
- Inclusion in the All Ordinaries index

LINXING EAST (SINO GAS 31.7%¹)

Seismic

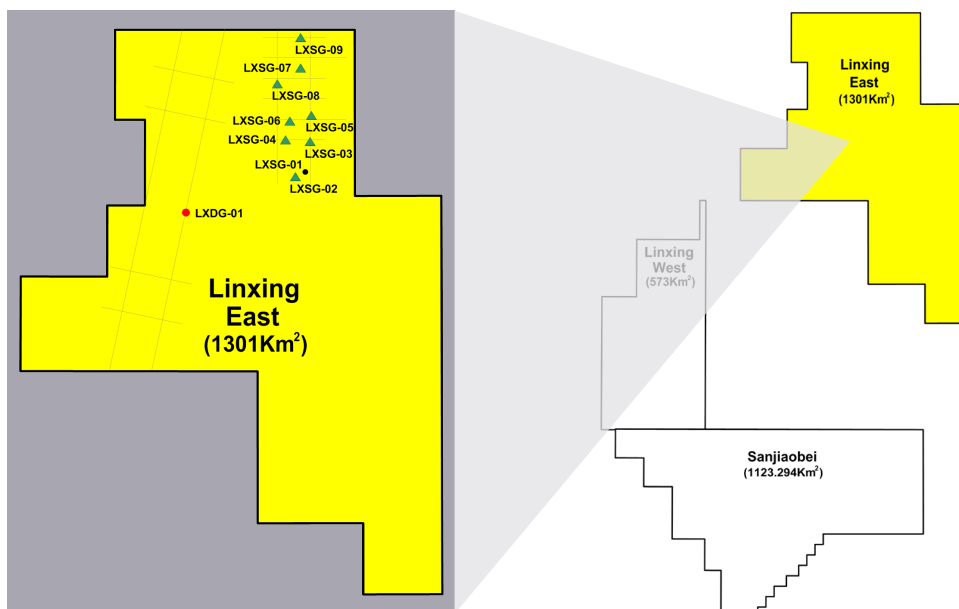
The seismic data acquisition program was successfully completed in Q3 2012, covering the infield drilling area in the north-eastern corner of Linxing East, as required for Chinese Reserve Report (CRR) submission. This data, along with earlier data from a previously unexplored portion in the southwest portion of the block has been provided to RISC to be included in the Q1 2013 reserves and resources assessment. The potential for further seismic work on the block will be determined by the results of appraisal drilling from wells planned for mid-2013.

Drilling

A dewatering program is continuing on four of the eight wells, with an additional two wells expected to be perforated in the coming weeks, before being expanded to include the final two wells by early Q2. Flow rate data from these wells is expected to be available in Q2 and will be incorporated into the CRR submission, expected Q3 2013. One of the first wells of the dewatering program, LXSG-08 is already showing indications of gas and is expected to be the first well to begin initial flow testing in the coming weeks. Spudding of the exploration well on Linxing East, LXDG-01 (formally named TB-13), has been deferred to facilitate a second round of exploration drilling of four deep wells, scheduled to begin mid-year.

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

*Results are based on initial mud and electronic wire line logs.



2013 OUTLOOK

Q1

- ▶ RISC independent reserves & resource 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%¹)

Seismic

Seismic lines were extended by 75km during the month of February to gain further definition of the resources on the eastern portion of the block, with a total of 585km of data acquisition now being planned for 2013 on Sanjiaobei. The aim of the program is to 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 on the eastern portion of the block.

Drilling

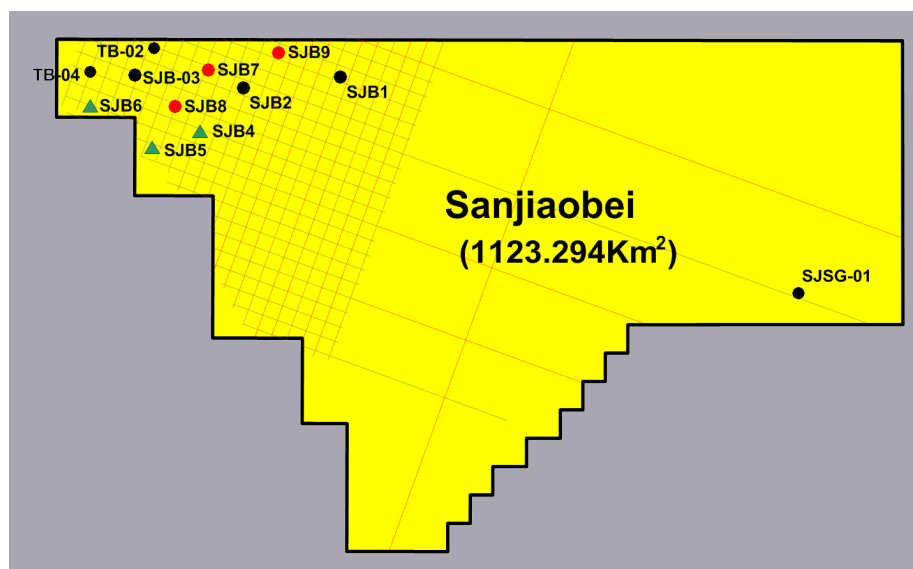
The first well of the 2013 work program has been spud earlier than planned at SJB-12, to optimise the appraisal of the block. Meanwhile, preparations are underway to spud the remaining three wells from the 2012 work program towards the end of March. Pre-spud engineering is expected to commence on up to five additional wells within the next month as additional rigs are being sourced to optimise drilling.

Testing

Testing teams have arrived on site and commenced preparation for the batch flow testing program. Up to four wells are expected to be perforated initially, namely SJB2 (drilled in 2011) and the three wells completed in the 2012 work program. Perforation of the wells will be conducted over the coming weeks, while it is expected frac testing will have commenced by the end of March.

WELL	STATUS	RESULTS*	FORWARD OPERATIONS
SJB-6 Spud 05/11/2012	Drilling complete	8 pay intervals 24.1m total pay	Flow testing
SJB-4 Spud 15/11/2012	Drilling complete	5 pay intervals 23.4m total pay	Flow testing
SJB-5 Spud 12/12/2012	Drilling complete	9 pay intervals 45.2m total pay	Flow testing
SJB-12 Spud 01/03/2013	Drilling	-	Drill to total depth

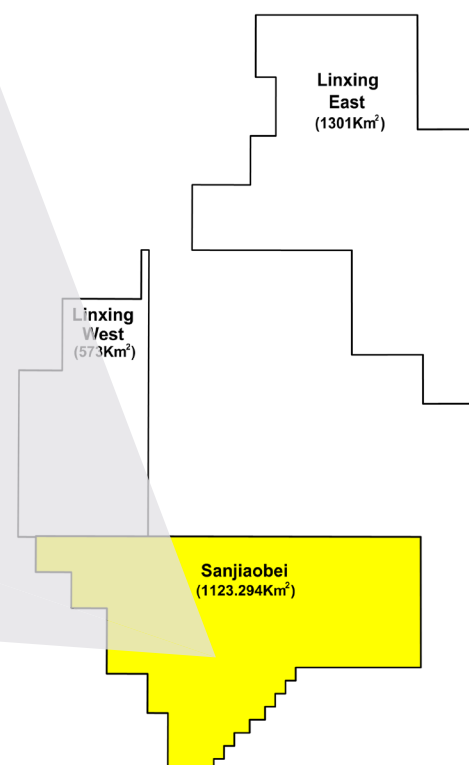
*Results are based on initial mud and electronic wire line logs.



SHARE PRICE ACTIVITY FOR FEBRUARY

High	\$0.17
Low	\$0.145
Last	\$0.155 (28 February 2013)
Average Daily Volume	1,527,000 (2012 Average 1,886,000)

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



KEY

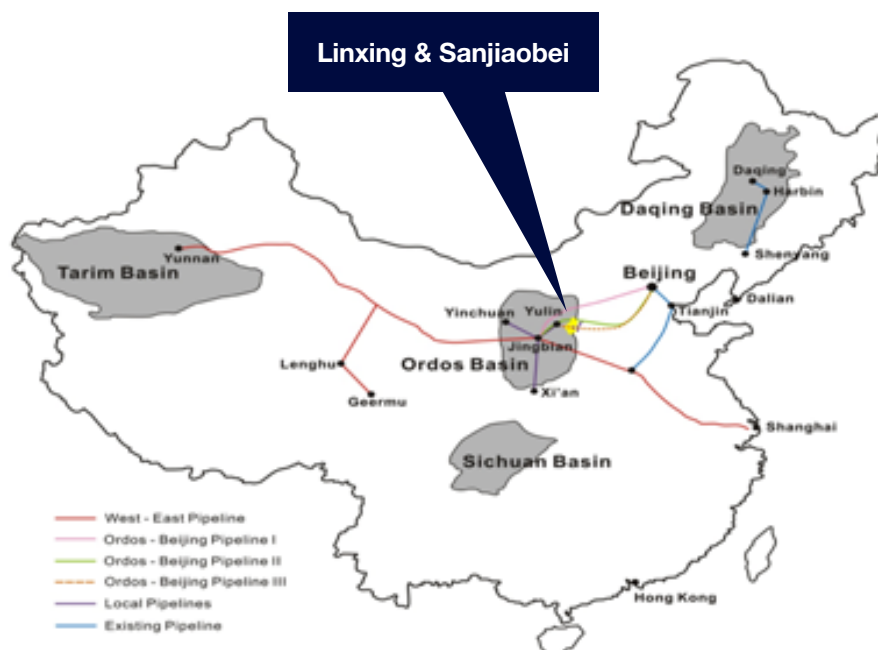
- Planned Well
- Established Well
- Planned Seismic
- Completed Seismic
- ▲ Drilling Well
- ▲ Completed Well

¹ABOUT 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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