Monthly Operations Report

For the month ending 31 July 2013

2013 WORK PROGRAM—DELIVERING ON OUR STRATEGY

Operational Update

- *32 well program—A further 6 wells completed drilling, 20 wells drilled so far in 2013*
- *24 well testing program— Testing on 10 wells in progress*
- *First CRR submission on Linxing (East) planned for August*
- *First horizontal well for Sino Gas scheduled to spud in August*

The drilling program continues to move at a rapid pace, with six wells completed drilling and an additional three wells spud. Wells TB-14 and LXDG-02 are scheduled to be spud in August, which follows completion of drilling at TB-13 and LXDG-01 that identified resource potential in underexplored areas. Furthermore, initial mud and wireline logging of completed wells at SJB8, SJB11, SJB14 and SJB24 (located both inside and outside of the seismic grid) discovered an average pay of 17.6 metres per well in multiple payzones. In addition, exploration wells SJB31 and SJB33 discovered coal seams in the south east corner of the block. The Operations team remains confident that the 32 well drilling program will be completed this year, despite extensive rain in the region during early Q3 restricting the mobility of some rigs.

Good progress continues to be made in the testing program. The deepest payzones have been tested first, as per standard industry practice, and while the deeper zones are usually less prolific than the upper zones, the results have been very encouraging. To date six preliminary results have been received from single payzone tests in six wells. The results have ranged from approximately 100,000 to 660,000 standard cubic feet a day (scf/day), at an average of 240,000 scf/day. This is greater than expected from the deeper payzones. Future testing will focus on the middle and upper payzones, which past tests have demonstrated to be more prolific than the deeper payzones. As measured by wireline logs throughout the field, each well contains multiple, stacked payzones and in the future it is planned for the majority of the wells to be flowed from two or more payzones. The Operations team will continue to test multiple payzones over the coming months to provide a complete reservoir characterisation of overall well productivity.

The map on page 3 indicates the aerial extent of previous testing and the current 2013 program. On page 4 is a summary of all the well tests across both PSCs (including the six preliminary results) depicted on a typical well bore illustration of the multiple stacked payzones throughout the field. Electric wire line logs have confirmed the continuity of the geology exhibited across the explored acreage. As can be seen from these two illustrations, the testing program has been extensive across both the geological formations and the acreage.

The updated reserve and resource assessment is underway, with the interpretation of the 1,235km of extended seismic lines recently acquired and the drilling data from 20 new wells being provided to RISC, the Company's third party reserve assessor. The assessment is currently expected to provide an upgrade in both reserves and resources, as the key focus of the work programs in 2013 have been on step-out seismic, drilling on previously underexplored acreage, and planning for full field development.

The first horizontal well is scheduled to be spud in August, which will also be included in the first round of wells to be connected into the pilot program on Linxing (West). Horizontal wells are commonly utilised across the Ordos basin to drive increased production and capital efficiency.

HIGHLIGHTS

- 2013 work programs on-track with over half of the 32 well program completed. A tenth rig is being mobilised to the field, scheduled to commence drilling the first horizontal well in August.
- Interpretation of 1,235km of seismic lines and drilling results from 20 wells has been delivered to RISC for inclusion in the updated Q3 reserves and resources assessment.
- Well Testing—Testing of ten wells underway, with preliminary results received on six single payzones.
- Linxing (West) — Next appraisal well TB-14 scheduled to be spud in August.
- Linxing (East) — Following completion of drilling at LXDG-01 (which identified multiple gas zones on the western portion), LXDG-02 is scheduled to be spud further to the south in August.
- Sanjiaobei – Six wells completed drilling and an additional three spud.

Linxing (West) - Sino Gas 31.7%

Seismic

Processing and interpretation of the 650km of seismic lines acquired on Linxing during the second quarter was fast-tracked and has been delivered to RISC for inclusion in the updated Q3 Reserves and Resources assessment. The aim of the program is to enable further resource assessment on Linxing (West) and support the drilling and flow testing results required for a separate Chinese Reserve Report (CRR).

Drilling

The first well of a two well exploration program on the northern portion of Linxing (West), TB-13, completed drilling in late June, with initial mud and wireline logs identifying 22.4 metres of pay across three pay intervals. A rig is being mobilised to the centrally located TB-14, which is scheduled to begin drilling in August. Preparations are also underway to commence drilling Sino Gas' first horizontal well in August.

Testing

Following planning for the batch flow testing program on Linxing (West), testing teams arrived on site enabling the continuous testing of drilled wells from the 2012 and 2013 work programs to commence. The first well of the program, TB-11, was perforated in early July.

Linxing (East) - Sino Gas 31.7%

Seismic

The potential for further seismic work on Linxing (East) will be determined following the analysis of a combination of drilling results from the exploration wells planned for mid-2013 and previous seismic analysis.

Drilling

The first well of a two well exploration program to the west of Linxing (East), LXDG-01, completed drilling in late June, with initial mud and wireline logs identifying 33.1 metres of pay across 8 pay intervals. A rig is now being mobilised to LXDG-02, which is scheduled to commence drilling in August, further to the south.

Testing

The dewatering program continues on six wells and gas to surface has been achieved on the five of the wells to date. Dewatering continues to obtain flow rate data for Chinese Reserve Reporting (CRR) purposes and will be incorporated into the CRR submission, expected to be completed in August. Sufficient data is currently being gathered from these six wells to enable CRR submission, and additional wells will commence dewatering prior to the installation of production facilities.

Sanjiaobei - Sino Gas 24%

Seismic

Processing and interpretation of the 585km of seismic lines acquired on Sanjiaobei during the second quarter was fast-tracked and has been delivered to RISC for inclusion in the updated Q3 reserves and resources assessment. Seismic acquired on the eastern portion of the block will be used in conjunction with recent exploration drilling to further define the previously underexplored potential.

Drilling

Substantial drilling activity continued on Sanjiaobei during July, with five wells completed drilling and an additional three spud. Initial mud and wireline logging of completed wells at SJB8, SJB11, SJB14 and SJB24 (located within and outisde of the seismic grid) discovered an average of 17.6 metres of total pay per well across multiple payzones. In addition, exploration wells SJB31 and SJB33 discovered coal seams to the south east of the corner block.

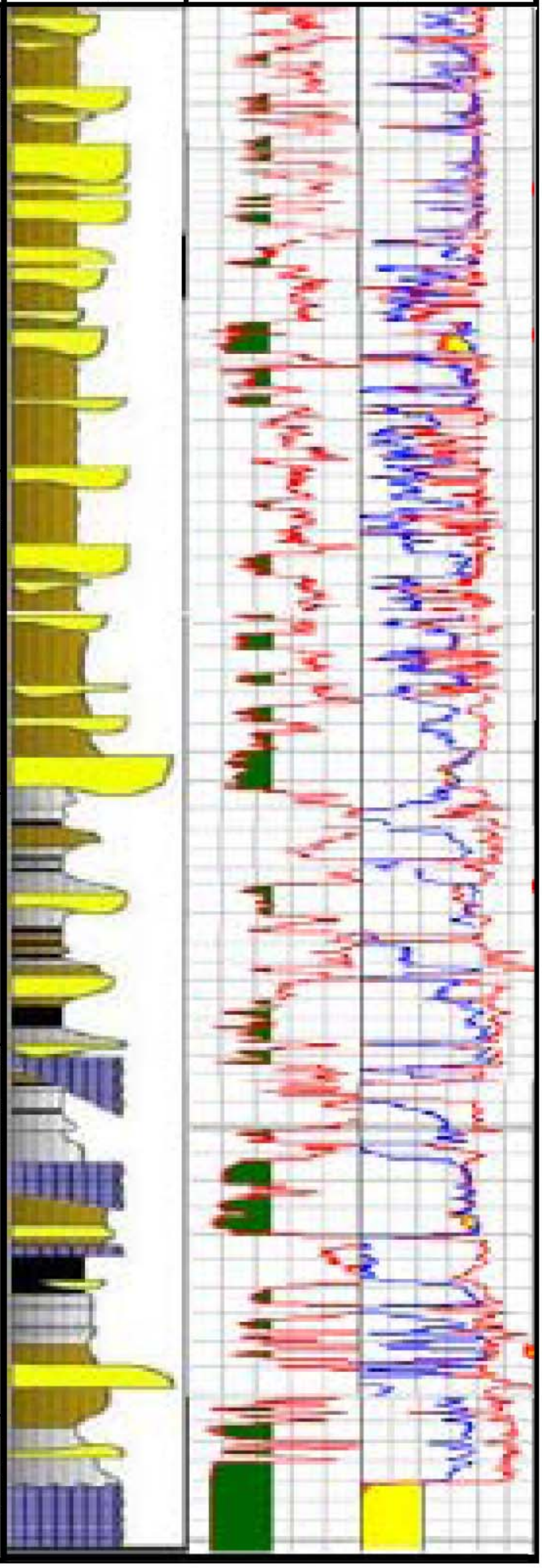
Testing

Up to month end, the first nine wells of the testing program had been fracced and an additional three perforated awaiting frac testing to commence. Following initial fraccing, frac fluid extraction and shut-in procedures were performed with the aim of achieving stable flow rates for Chinese Reserve Reporting and reservoirs information purposes. Multiple zones in each well are planned to be tested to determine well productivity.

2013 FLOW TESTING PROGRAM COVERAGE

SINO GAS FLOW TESTING RESULTS

Mscf/d=thousand standard cubic feet per day		Typical Well Lithology	Example Well Log
Completed tests	10		
Scheduled 2013 tests remaining	4		
Average flowrate	630 Mscf/d		
Flowrate range	115~1860 Mscf/d		
Completed tests	5		
Scheduled 2013 tests remaining	20		
Average flowrate	280 Mscf/d		
Flowrate range	115~660 Mscf/d		
Completed tests	4		
Scheduled 2013 tests remaining	16		
Average flowrate	170 Mscf/d		
Flowrate range	100~330 Mscf/d		
Completed tests	3		
Scheduled 2013 tests remaining	1		
Average flowrate	175 Mscf/d		
Flowrate range	115~230 Mscf/d		
Completed tests	1		
Scheduled 2013 tests remaining	0		
Flowrate	105 Mscf/d		



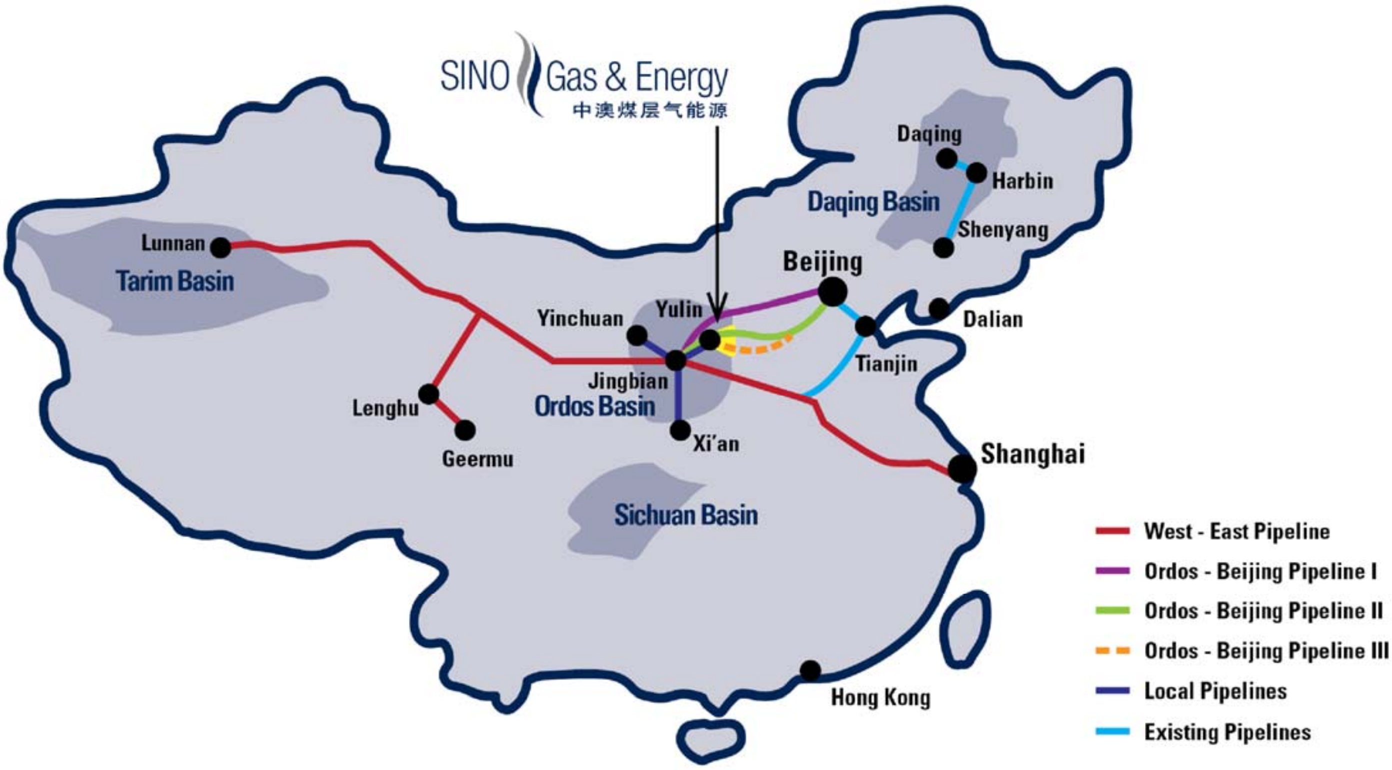
Note: Includes preliminary testing results from 6 single payzones.

[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.



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SINO Gas & Energy
中澳煤层气能源

SINO GAS' RESERVES & RESOURCES

Project 100% Reserves & Resources are summarised below:

PROJECT (100%) RESERVES & RESOURCES (BCF)	BEST ESTIMATE GAS IN PLACE (GIP)	1P RESERVES	2P RESERVES	3P RESERVES	2C MID CASE CONTINGENT RESOURCES	P50 MID-CASE PROSPECTIVE
LINXING PSC	12,343	66	193	412	1,569	2,129
SANJIAOBEI PSC	5,684	46	134	287	654	1,047
TOTAL 2013	18,027	112	327	699	2,223	3,176
TOTAL 2012	11,931	7	22	47	1,799	1,861
CHANGE	+51%		+1386% (2P)		+24%	+71%

The Company's attributable net Reserves & Resources and Economic Evaluations are summarised below:

SINO GAS' ATTRIBUTABLE NET RESERVES & RESOURCES (BCF)	1P RESERVES	2P RESERVES	3P RESERVES	2C MID-CASE CONTINGENT RESOURCES	P50 MID-CASE PROSPECTIVE	NPV_{10} MID-CASE (US$M)	EMV (US$M)
2013							
LINXING PSC	21	61	130	494	638	1,307	1,078
SANJIAOBEI PSC	11	33	69	159	247	556	478
TOTAL	32	94	199	653	885	1,863	1,556

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 (March 2013). 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. Project NPV_{10} is based on a mid-case gas price of $US 8.54/mscf, lifting costs (opex+capex) ~ US$1.3/ msf mid-case. All resource figures quoted are unrisked mid-case unless otherwise noted. Sino Gas' attributable net reserves & resources assumes PSC partner back-in upon ODP approval, CBM Energy's option to acquire an interest of 5.25% in the Linxing PSC (by paying 7.5% of back costs) is exercised, and MIE fulfil funding obligations under the strategic partnership agreement.

Certain statements included in this announcement constitute forward looking information. This information is based upon a number of estimates and assumptions made by the Company in light of its experience, current conditions and expectations of future developments, as well as other factors that the Company believes are appropriate in the circumstances. While these estimates and assumptions are considered reasonable, they are inherently subject to business, economic, competitive, political and social uncertainties and contingencies.

Many factors could cause the Company's actual results to differ materially from those expressed or implied in any forward-looking information provided by the Company, or on behalf of, the Company. Such factors include, among other things, risks relating to additional funding requirements, gas prices, exploration, acquisition, development and operating risks, competition, production risks, regulatory restrictions, including environmental regulation and liability and potential title disputes. Forward-looking information is no guarantee of future performance and, accordingly, investors are cautioned not to put undue reliance on forward looking information due to the inherent uncertainty therein. Forward-looking information is made as at the date of this announcement and the Company disclaims any intent or obligation to update publicly such forward-looking information, whether as a result of new information, future events or results or otherwise.

COMPETENT PERSONS STATEMENT

Information on the Resources in this release is based on an independent evaluation conducted by RISC Operations Pty Ltd (RISC), a leading independent petroleum advisory firm. The evaluation was carried out by RISC under the supervision of Mr Peter Stephenson, RISC Partner, in accordance with the SPEPRMS guidelines. Mr Stephenson has a M.Eng in Petroleum Engineering and 30 years of experience in the oil and gas industry. RISC consent to the inclusion of this information in this release.

ABOUT RISC

RISC is an independent advisory firm that evaluates resources and projects in the oil and gas industry. RISC offers the highest level of technical, commercial and strategic advice to clients around the world. RISC services include the preparation of independent reports for listed companies in accordance with regulatory requirements. RISC is independent with respect to Sino Gas in accordance with the Valmin Code, ASX listing rules and ASIC requirements.