

Monthly Operations Report

For the month ending 31 October 2013

2013 WORK PROGRAM — FOCUS ON DELIVERING

Operational Update

- ▶ *Drilling program—29 wells drilled to date in 2013*
- ▶ *Well testing program—testing of 24 fractured intervals underway*
- ▶ *First horizontal well for Sino Gas completed drilling — testing in November*

In October, Sino Gas & Energy Holdings Limited (ASX:SEH, “Sino Gas”, “the Company”) continued the focus of delivering on the 2013 strategy.

Having drilled over 55,000 metres this year, the Operations team is moving toward completing drilling for the 2013 work program. Twenty-nine wells have been drilled with one well continuing to drill to total depth and a rig mobilising to Linxing West to drill the final well of the program. A total of six wells reached total depth during October, including Sino Gas’ first horizontal well. Flow and pressure testing of the horizontal well is expected to commence in November.

Testing operations continued on Sanjiaobei and Linxing, with 24 zones now fraced. Multiple zones in each well are planned to be tested to determine overall well productivity for Chinese Reserve Reporting and development planning in order to maximise reservoir efficiency and recovery. Further encouraging results were received from TB-13 with a flow rate of approximately 570 thousand standard cubic feet per day being recorded.

In October, Linxing PSC partner CUCBM, signed a supplementary gas agreement to supply Compressed Natural Gas (“CNG”) to a division of the Shanxi International Energy Group (SIEG), which is also the purchaser for the GSA signed in June 2013. The agreement allows for early production to be transported by road to a major distribution facility in Q4 2013, and accelerates the long-term testing of selected wells that will provide important reservoir information without excessive flaring. Further progress was made on the Chinese Reserve Report (CRR) on the Linxing PSC in August, with the report being provided to the Chinese Ministry of Land & Resources (“MOLAR”) in October for review and approval.

RISC Q3 2013 Updated Assessment Released

RISC was engaged to conduct an updated independent assessment in Q3 due to significant amount of work completed already this year. The results released in October allowed Sino Gas to significantly increase its reserves and resource base. The RISC independent assessment, which incorporated drilling results from 20 new wells and 1,235km of seismic lines, increased the Project’s mid-case 2P Reserves by 168% to 877 bcf (with Sino Gas’ share at 233 bcf); and almost doubled the percentage of acreage classified as prospective resources from approximately 22% to 39%¹. As a result, 70% of the 3000km² acreage has reserves or resources assigned, and with the remaining under-explored 30% providing the potential for further upside. The next routine annual independent assessment is scheduled for Q1 2014, in which additional Reserves and Resources upgrades are anticipated by Sino Gas based on continuing drilling success.

Corporate Update

During October, the Company hosted two site visits for Australian based fund managers and analysts. The Australian Ambassador to China, Her Excellency Ms Frances Adamson, and embassy staff also joined the group which met with Shanxi provincial and local city officials and management from Shanxi International Energy Group (the purchaser of the Linxing Pilot Program Gas). The tours visited Sino Gas’ first horizontal drilling rig, a well undergoing testing and the Baiwen metering station of the main SIEG Linlin north-south provincial pipeline. In November, roadshows in London, Hong Kong, Singapore and Australia are planned with institutional and sophisticated investors. In addition, Sino Gas will be speaking at the Deutsche Bank dbAccess China Conference 2014 to be held in Beijing mid-January on Developing Chinese Unconventional Gas Assets.

HIGHLIGHTS

- ▶ RISC Q3 2013 Reserves and Resources identified a 168% increase in Project 2P Reserves to 877 bcf, with Sino Gas’ share at 233 bcf¹.
- ▶ Drilling on 29 wells of the 2013 campaign completed, with one well drilling to total depth and a rig being mobilised to Linxing West to drill to final well of the program.
- ▶ Linxing — Sino Gas’ first horizontal has completed drilling and is expected to begin testing in November. Initial testing results received on TB-13.
- ▶ Sanjiaobei – 2013 drilling program completed. Testing has been completed on the first five payzones, with another eighteen payzones fraced and undergoing testing.

Sanjiaobei - Sino Gas 24%

Seismic

Processing and interpretation of the 585km of seismic lines acquired on Sanjiaobei was reviewed by RISC and included in the updated Q3 reserves and resources assessment. This resulted in the prospective area being tripled to 670km², bringing the total area considered to be discovered (including reserves and contingent resources) or prospective under the Society of Petroleum Engineers Petroleum Resource Management Systems (SPE PRMS) to 85% of the 1,123km² block. Planning is underway to further extend the eastern edge of fine seismic grid in 2014.

Drilling

The Sanjiaobei drilling program has been completed for 2013, with SJB9 and SJB27 being drilled to total depth by month end. The program consisted of a mixture of 19 in-field and delineation wells, and brought the total number of wells on Sanjiaobei to 28. SBJ22 on the north-east corner of the fine seismic discovered 5.0 metres of net pay during drilling, while SJB09 on the northern border of the seismic grid discovered 5.6 metres of net pay during drilling. SJB27 to the east outside the defined seismic grid, identified 9.4 metres of less prospective net pay during drilling.

Testing

Testing has been completed on the first five payzones, with another fifteen payzones fraced and undergoing testing. Results from completed wells have been in-line with expectations and multiple zones in each well are planned to be tested to determine overall well productivity. Civil works are underway on the concrete foundation for the central gathering station and preparations have begun for major processing components such as the compressors to be delivered.

Linxing (West) - Sino Gas 31.7%

Seismic

Following processing and interpretation of the 650km of seismic lines acquired on Linxing for the Q3 Reserves and Resources assessment, two thirds of the Linxing (West) acreage is now considered to be discovered, with the remaining third being prospective. More prospective resources are expected to be matured into contingent resources in the Q1 2014 reserve and resource assessment based on successful results of step-out drilling and testing. Planning is underway to extend the northern edge of fine seismic grid in 2014 to cover the entire block.

Drilling

During the month, three wells completed drilling, including Sino Gas' first horizontal well. In addition, one of two wells which were drilling to total depth at month end has now completed. Drilling at the TB-15 and TB-16 located in the southern portion of the block identified a total of 4.6 metres and 8.8 metres respectively. Wireline logs are currently being reviewed for the horizontal well to determine the total net pay discovered during drilling. An additional well originally planned to be drilled on Linxing East, will be drilled at TB-21 in the northern portion of the block to support the requirements for an expanded Chinese Reserve Report (CRR) on Linxing West.

Testing

Testing operations have now commenced on two wells on Linxing (West), to test drilled wells from the 2012 and 2013 work programs. TB-13 was fraced has been flow tested for a period of 18 days, achieving stable flow rates of approximately 570 thousand standard cubic feet per day. The remaining completed wells of the 2013 drilling program are expected be tested in Q4 2013 and assessed for inclusion in the pilot programs. The horizontal well is planned to be tested in November and the frac string is being run in preparation for the eight stage frac test.

Linxing (East) - Sino Gas 31.7%

Seismic

The potential for further seismic on Linxing (East) will be determined following the analysis of drilling results from the exploration wells and previous seismic analysis. RISC has assigned a discovered area of 265km² for the shallow resources to the east of the block, and a prospective area of 295km² for the deeper resources to the west of the block. More prospective resources are expected to be matured into contingent resources in the Q1 2014 reserve and resource assessment as based on the successful results of step-out drilling and testing.

Drilling

The first well of the two well exploration program to the west of Linxing (East) was completed in July. A rig planned to be utilised on LXDG-02 will be mobilised to TB-21 on Linxing (West). It is expected LXDG-02 will be scheduled for completion as a part of the 2014 work program.

Testing

The dewatering program continued during the quarter on six wells and gas to surface has been achieved on five of the wells to date. Sufficient data was gathered from these six wells to enable CRR submission at the end of August 2013, and additional wells are expected to commence dewatering prior to an investment decision being made on the installation of production facilities. Meanwhile, testing operations are continuing on the first of the exploration wells to the west of the acreage at LXDG-01, with the aim of achieving stable flow rates for determining well productivity and resource evaluation.

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.



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SINO GAS' RESERVES & RESOURCES

Sino Gas' Attributable Net Reserves & Resources are summarised below:

Sino Gas' Attributable Net Reserves & Resources	1P RESERVES (Bcf)	2P RESERVES (Bcf)	3P RESERVES (Bcf)	2C CONTINGENT RESOURCES (Bcf)	P50 PROSPECTIVE RESOURCES (Bcf)	EMV₁₀ (\$US\$m)
October 2013	110	233	374	713	1,341	2,352
March 2013	32	94	199	653	885	1,556
CHANGE (+/-)%	+149% (2P Reserves)			+9%	+51%	+51%
Total Project October 2013	408	877	1,424	2,451	5,211	N/A

Note: Contingent and Prospective Resources have not been risked for the risk of development and discovery.

Sino Gas' share of the project's success case Net Present Value ("NPV") and risk weighted EMV are summarised below:

SINO GAS' ATTRIBUTABLE ECONOMIC VALUE	NPV₁₀ (\$US\$m)	EMV₁₀ (\$US\$m)
Reserves	566	592
Contingent Resources	777	686
Prospective Resources	1,722	1,073
TOTAL		2,352

RESOURCES STATEMENT & DISCLAIMER

The statements of resources in this Release have been independently determined to Society of Petroleum Engineers (SPE) Petroleum Resource Management Systems (PRMS) standards by internationally recognized oil and gas consultants RISC (October 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. EMV is the probability weighted net present value (NPV), including the range of project NPVs and the risk of the project not progressing. Project NPV₁₀ is based on a mid-case gas price of \$US8.79/Mscf and lifting costs (opex+capex) of ~ US\$1.3/Mscf for mid-case Reserves, Contingent & Prospective Resources. All resource figures quoted are un-risked 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 SPE-PRMS guidelines. Mr Stephenson has a M.Eng in Petroleum Engineering and 30 years of experience in the oil and gas industry. RISC consents 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.