



Project Manager, Scott Li,
Well head remediation

Extensive preparatory work for Fracking programs now in the final planning stages – program expected to commence in May 2010

Well locations for the 2010 program now generated
Field sites now being surveyed

\$31.3 million Rights Issue to fund operations and retire all debt closes on 4 May 2010

Activities Report – Q1, 2010



Fraccing Engineer, Peng Zidong,
Fraccing equipment audit

Extensive planning for the Fraccing operations has been carried out during Q1, 2010

The fraccing program about to commence, is an important step in unlocking the potential of Sino's gas resources

Sino Gas has a simple and robust strategy to tap the burgeoning demand for clean energy in China.

In Q4, 2009 the Company successfully drilled the TB-07 Gas Discovery Well, which has since been confirmed as a promising candidate for future gas production.

Work over the winter months of Q1, 2010 has been focused on preparing for the fracture stimulation of two existing wells and the forthcoming drilling campaign.

Fraccing, or fracture stimulation, is the process by which the formation is hydraulically fractured, allowing gas to flow to the surface.

Sino Gas has previously fraced 3 wells on its acreage, and confirmed gas flows of 400,000scf/day on its TB-02 well and 180,000scf/day on its TB-01 well.

As part of the frac planning, Sino Gas received extensive input and advice from leading international service companies and experienced local Chinese technical experts.

Sino Gas has secured the services of a leading Chinese contractor that has performed thousands of fracs in the Ordos basin and expects to sign the program contract shortly.

The contract is initially for 2010 but can be extended with additional fracs added as required during the program.

The frac program is expected to commence with the TB-07 well during May 2010 and will then move to the TB-05 well.

The Company's operational staff are in the process of installing well heads and completing other remediation work in preparation for the commencement of the frac program.



Fraccing equipment inspection

Planning for the drilling of new wells is nearing completion with all forward work focused on attaining reserves approval

Over Q1, 2010, a program to determine the best locations for new wells was undertaken, involving comprehensive analysis of existing seismic, surface and subsurface data to determine optimal well locations.

The well program is designed to upgrade contingent resources to reserves. This will require a series of wells to be laid down, including existing wells, that demonstrate geological control over the area designated for reserves approval.

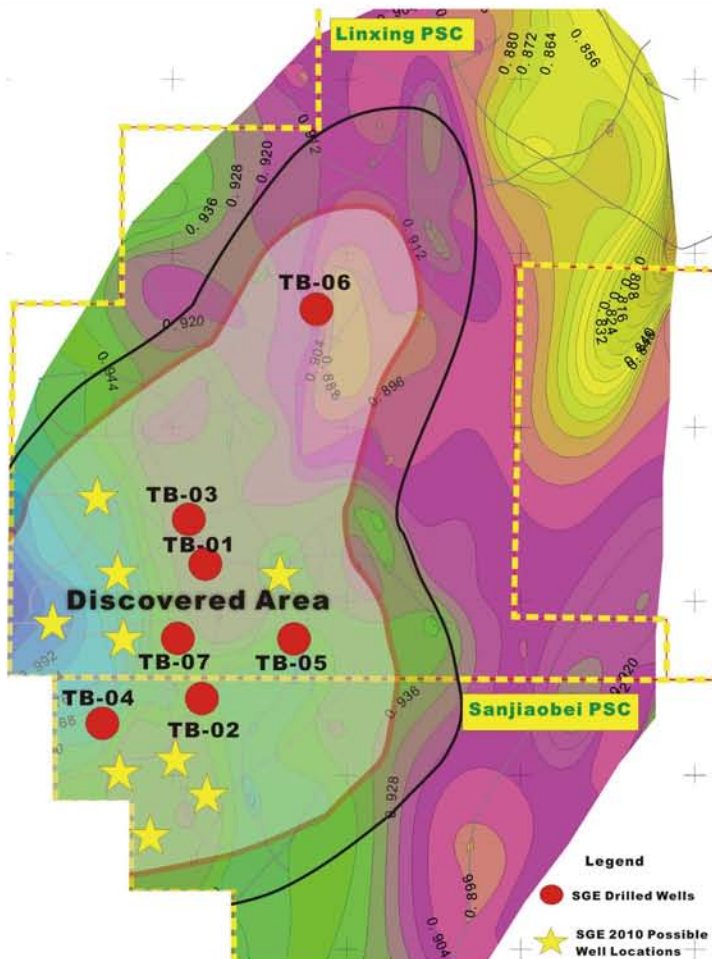
The analysis that has been performed has generated a number of potential well locations, with the focus now on determining optimum field sites.

Successful field surveys have been conducted in the West of the acreage and these are now being extended to the East.

Sino Gas has secured a drilling contractor for 2010, and continues to determine the optimum contracting strategy with local partner CUCBM assisting in contractor selection.



Fracking equipment inspection



Sino Gas's Linxing & Sanjiaobei PSC'S - generalised structural model

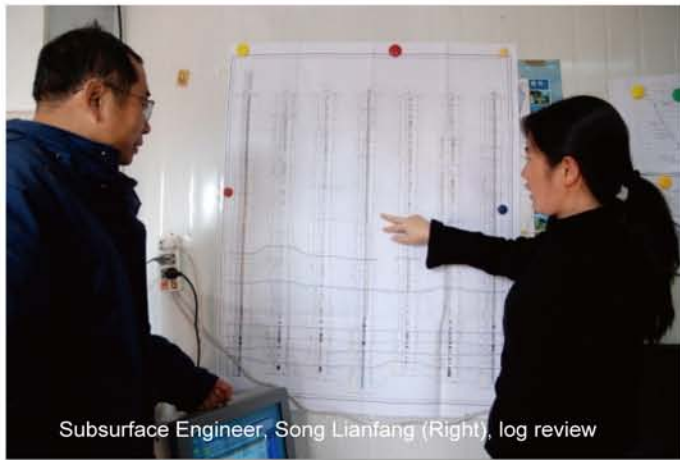
Gas Assets:

5 year track record of exploration success in China

Gas assets in the Ordos Basin, the 2nd largest onshore basin in China

Major population centres in close proximity to Company assets with the limiting factor being gas supply

Large scale verified resource positions of 2.7Tcf of Contingent & Prospective Resources



Subsurface Engineer, Song Lianfang (Right), log review

The Rights Issue will enable Sino Gas to progress development of the Company's extensive gas assets in China, and to fully extinguish all debt

2010 Annual General Meeting (AGM)

The AGM will be held on 24 May 2010, commencing at 2:30pm (Perth time) at the Celtic Club, 48 Ord Street, West Perth, Western Australia.

The meeting documents have been dispatched to all shareholders and are also available at www.sinogasenergy.com.

The Board invites shareholders to either attend the meeting in person or to submit a proxy form in accordance with the instructions set out in the meeting documents.

At the meeting the Company will review the previous year's operations and results, as well as our forward plans.

\$31.3million Rights Issue

On 19 April 2010, Sino Gas dispatched a Prospectus, dated 6 April 2010, for its renounceable Rights Issue ("Offer").

As set out in the Prospectus, the Rights Issue seeks to raise up to \$31.3 million.

The funds will be used for the planned operations program to develop the Company's gas reserve potential and to strengthen the Company's balance sheet through the elimination of all debt.

The Offer has been underwritten to \$26.1 million by Patersons Securities Limited.

The Offer opened on 19 April 2010 and closes on 4 May 2010, with the resulting shares from the Offer expected to be issued on 12 May 2010.



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The statements of resources in this report have been independently determined to Society of Petroleum Engineers (SPE) Petroleum Resource Management Systems standards by internationally recognized oil and gas consultants RISC Pty Ltd. They are based on the Technical Report prepared by RISC Pty Ltd and included in full in the Company's Prospectus dated 29 July 2009.