

Q2

2012 - Activities Report

**Strategic partnership
provides funding certainty and
furthers development drive**

Sino Gas & Energy Holdings Limited
(Sino Gas, ASX:SEH)

Photo: Seismic crews commencing 270km of data acquisition for 2012 work program

Dear Shareholders,

Strategic Partnership with MIE Holdings provides funding certainty and strengthens capability to develop gas assets

The transformation of the Company that began in Q1 with the massive re-rating of the Company's project resources and value by independent expert RISC continued in Q2.

Strategic Funding Opportunities

During Q2, the Company worked closely with its Corporate and Financial Advisor, Argonaut, to secure \$100m in funding by way of a strategic partnership with MIE Holdings Corporation (MIE). Under the partnership agreement, Sino Gas & Energy Holdings (Sino Gas) retains a 49% share in Sino Gas and Energy Limited (SGE), the subsidiary company that holds two major Production Sharing Contracts (PSCs). In addition to funding the gas projects through the critical development and approval stages, the partnership with MIE gives SGE access to proven on-ground operational capability and Chinese regulatory experience.

With the conclusion of this transaction, SGE now has the attributes necessary to become a significant gas producer in China: large scale resources with further exploration upside potential; a nearby market with unsatisfied gas demand; a transparent and attractive pricing regime; technical capabilities required to develop the highly prospective PSCs; funding for development; and a supportive regulatory framework.

Q2 Highlights

- Signing of \$100m deal to combine MIE's financial strength, on-ground operational capability and Chinese regulatory experience with Sino Gas' projects and technical expertise
- Commencement of Robert Bearden as President & CEO. Robert, who will represent Sino Gas on the SGE board and play a key consulting role in implementing SGE's large scale gas projects and driving Sino Gas' development strategy
- Extensive executive road shows in Australia, Hong Kong and Singapore



Photo: Zhang Ruilin (Chairman, MIE Holdings Corporation) and Gavin Harper (Executive Chairman, Sino Gas & Energy Holdings) at the Strategic Partnership Signing

Appraisal Program & Resource Development

In parallel with securing project financing, preparations for an aggressive 2012 work program continued. In conjunction with the Chinese partners, work programs were developed and agreed, while tendering for vendors, selection of well locations, and pad preparations were also underway.



Photo: Seismic crews confirm location coordinates

Sino Gas is moving through a transition phase with its new strategic partner while remaining committed to implementing the work program of new wells, frac testing, seismic acquisition, and pilot programs announced previously.

Seismic crews have commenced 270km of data acquisition and drilling operations will be getting underway shortly across both PSC areas. The Company is also advancing plans to commence pilot programs from previously drilled wells.

Organisational & Marketing

Robert Bearden joined the Company as President and CEO in May, and was immediately able to participate in the company's financing process. His experience in project development and frontier markets will be a key in our mission to generate shareholder value and progress through the approvals process.

Robert has over 30 years of experience in the upstream petroleum industry, predominantly in the areas of field development and production operations, and he is based in Sino Gas' Beijing office.



Photo: Robert Bearden (President & CEO)

Extensive communications with existing and potential investors through a series of road show meetings has raised the investment community's awareness of Sino Gas' potential, and this process will continue throughout the year.

The Company's Annual General Meeting was held on 30 May 2012. All resolutions proposed were approved by shareholders at the meeting.

On 30 July 2012, Sino Gas issued 11,000,000 Performance Rights to Mr Robert Bearden in accordance with his employment contract as announced on 28 February 2012. These Performance Rights were issued in accordance with the Company's Performance Rights Plan (PRP) as approved by shareholders. Each Performance Right is exercisable for one ordinary share upon the achievement of a number of future performance hurdles.

This has been a tremendous quarter for the Company and one that positions us well for major growth as our gas projects move rapidly toward development.

Gavin Harper
Executive Chairman

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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.

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 recognised oil and gas consultants RISC and NSAI. 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.

Additional information on Sino Gas can be found at
www.sinogasenergy.com