

Quarterly Report

For the three months ended 30 September 2012

Q3

2012 Activities Report

SIGNIFICANT YEAR OF TRANSITION CONTINUES

2012 continues to be a year of significant transition for Sino Gas as our gas projects move rapidly towards development. At the same time we have seen a significant shift in Government policies, with a transparent and attractive pricing regime set to be rolled out and the releasing of the 12th Five-Year Plan promoting the development of unconventional gas projects to meet the region's rapidly growing gas demand. With the Strategic Partnership with MIE Holdings Corporation (MIE) successfully closed at the beginning of the quarter, we are now in the enviable position of being funded and focused on developing two of the largest Foreign-Sino Production Sharing Contracts (PSCs) in the Ordos Basin, in the People's Republic of China.

Sino Gas is moving forward with its Strategic Partner MIE to execute the 2012 work programs on the Linxing and Sanjiaobei PSCs, despite the region experiencing the worst rain in 60 years with transportation infrastructure damaged in some drilling areas. These work programs have the dual objectives of defining the large-scale resource potential in previously unexplored areas and converting resources to reserves to drive future economic evaluation and the preparation of the Chinese Reserve Report (CRR).

Drilling of the Linxing East eight well program commenced with initial evaluations providing promising results aligning with our expectations of coal seams in the region. By the end of the quarter, the 270km of seismic surveying planned for the 2012 work program had been safely and efficiently completed on both the Linxing and Sanjiaobei PSCs.

In the upcoming quarter, additional rigs will be deployed to optimize drilling and mitigate time lost from the adverse weather experienced. Plans have been put in place to complete the majority of the 17 well work program planned for 2012 before the end of the year and bring forward part of the 2013 seismic program into Q4, subject to weather conditions moving into the winter months in China. At the next SGE board meeting to be held in December, the Strategic Partners will be working together to agree and approve the key milestone items earmarked for 2013, such as pilot programs and CRR submission.

Planning has also begun for an independent resource assessment in the first quarter of 2013, with a focus on gaining a clearer definition of overall resources and potential bookings from the exploration activities currently underway.

We look forward to updating the market as drilling and seismic activities are expanded in Q4.

Gavin Harper
Executive Chairman
31 October 2012

Project re-rating provided drive towards development

- ▶ Total Project Reserves and Resources of 3.7 trillion cubic feet¹ independently verified by RISC with Sino Gas' share of total risked project NPV \$US1.1 billion²

Board strengthened with right mix of regional experience and technical expertise

- ▶ Gavin Harper moving into a fulltime Executive Chairman role.
- ▶ Peter Mills, Non-Executive Director, bringing extensive technical and leadership capability in the areas of field development and production management.
- ▶ Colin Heseltine, Non-Executive Director, a 40 year career diplomat bringing a valuable perspective to an Australian company doing business in China.
- ▶ Robert Bearden appointed Managing Director and CEO, with over 30 years of experience in field development and production operations.

Strategic Partnership secured funding

- ▶ Strategic partnership formed with MIE Holdings with MIE to progressively invest US\$90 million expected to fund the Sanjiaobei and Linxing PSC Chinese Reserve Reports and Overall Development Plan submission.

2012 Work Programs Underway

- ▶ Sanjiaobei 100km seismic program - completed
- ▶ Linxing 170km seismic program - completed
- ▶ Linxing East – 4 of 8 wells spudded

1 - Figures are 100% project mid-case for Linxing West & Sanjiaobei. 2 - Risked Project NPV10 is based on a mid-case gas price of US\$7.64/mscf. Lifting costs (opex+capex) –US\$2/mscf mid-case for the P50 Discovered + Prospective area. Refer to Resource Statement for full disclosure.

KEY PROJECTS UPDATE

Linxing PSC (Sino Gas 31.7%)

Substantial progress was made on seismic and drilling programs on the Linxing East acreage, which are key requirements to support Chinese Reserve Report (CRR) submission.

Seismic

A total of 170km of seismic data acquisition was commenced and completed during the quarter. Around 70km of infill seismic data acquired, covering the drilling area in the north-eastern corner, is to be used for further resource assessment and supplements the results required for the CRR.

An 100km expansive seismic acquisition program running from north to south over a previously unexplored portion of Linxing East was also successfully executed as planned. Data acquired will initially be analysed by the seismic contractor, before further analysis is conducted by the Operations team, the results of which will assist in determining potential exploration well locations in the area.

Drilling

Drilling operations commenced on Linxing East in August. The Linxing East drilling work program consists of eight coal bed methane (CBM) wells on the north-eastern portion of the PSC and one exploration well on the south-western portion of the block.

Four out of the eight wells were spudded during the quarter, with the first well, LXSG-09, reaching a total drilling depth of 888 metres and confirming major coal seams in the region. Electric log analysis identified twelve seams totalling 30.2 metres of coal.

All four wells are targeting multiple known coal seams across the region and will be tested and dewatered over the coming months upon the completion of drilling.

Sanjiaobei PSC (Sino Gas 24%)

Adverse weather conditions during the quarter prevented operations crews from accessing drill locations within the Sanjiaobei PSC.

Seismic

Completion of 100km seismic acquisition along the north/south running seismic lines supplements existing seismic data, and forms an important part in further defining the resource potential of the PSC.

Drilling

The 2012 work program includes the drilling of six wells on the Sanjiaobei PSC. However, due to record damaging rains and floods in the area, many roads and bridges were destroyed which have prevented access to the planned drilling locations.

Sino Gas recognises and appreciates the cooperation of the local government authorities in the restoration of the transportation infrastructure. Repair works are on target for access to drilling sites to be restored in Q4.

Safety

Despite adverse weather in the region, the Operations team built on its excellent 2011 safety record of 578,000 incident free man-hours by accumulating another 305,000 hours to the end of the quarter.

CORPORATE

Appointment of Managing Director

Mr Robert Bearden, who joined the Company as President and CEO in May 2012, was appointed to the board as Managing Director.

Retirement of Non-Executive Director

Mr John Chandler, Non-Executive Director of Sino Gas retired from the board after five years of service. On behalf of shareholders, the Board would like to express its appreciation for the contribution that Mr Chandler made to the Company.

SGE Board Appointments

Following the completion of the MIE strategic partnership illustrated in Figure 1, a new SGE board was appointed, consisting of four MIE Directors and three Sino Gas Directors. The three Sino Gas Directors appointed were Mr Gavin Harper (Sino Gas Executive Chairman), Mr Robert Bearden (Sino Gas Managing Director & CEO) and Mr Colin Heseltine (Sino Gas Non-Executive Director). The first SGE board meeting was held in August, with the board fully supporting the work programs currently underway and beginning discussions on additional works to commence in 2013. The next board meeting is planned to be held in December.

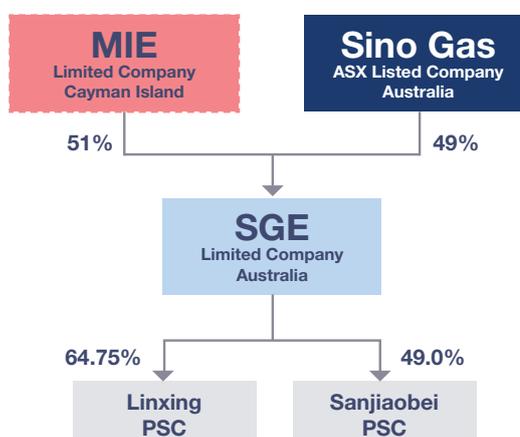


Figure 1: Strategic Partnership company structure post-transaction

Investor Relations and Marketing

During the quarter, a series of meetings were held with institutional, strategic and potential industry investors in Singapore, Hong Kong and Australia, in conjunction with our Corporate Advisor, Argonaut.

An expansion of marketing efforts targeting Europe is planned in Q4.

Sino Gas will be conducting a briefing and site visit for brokers and analysts in Q4 to the gas fields in Shanxi province.

FINANCIAL

Financial Position

Sino Gas' cash position at the end of the quarter was approximately A\$6 million.

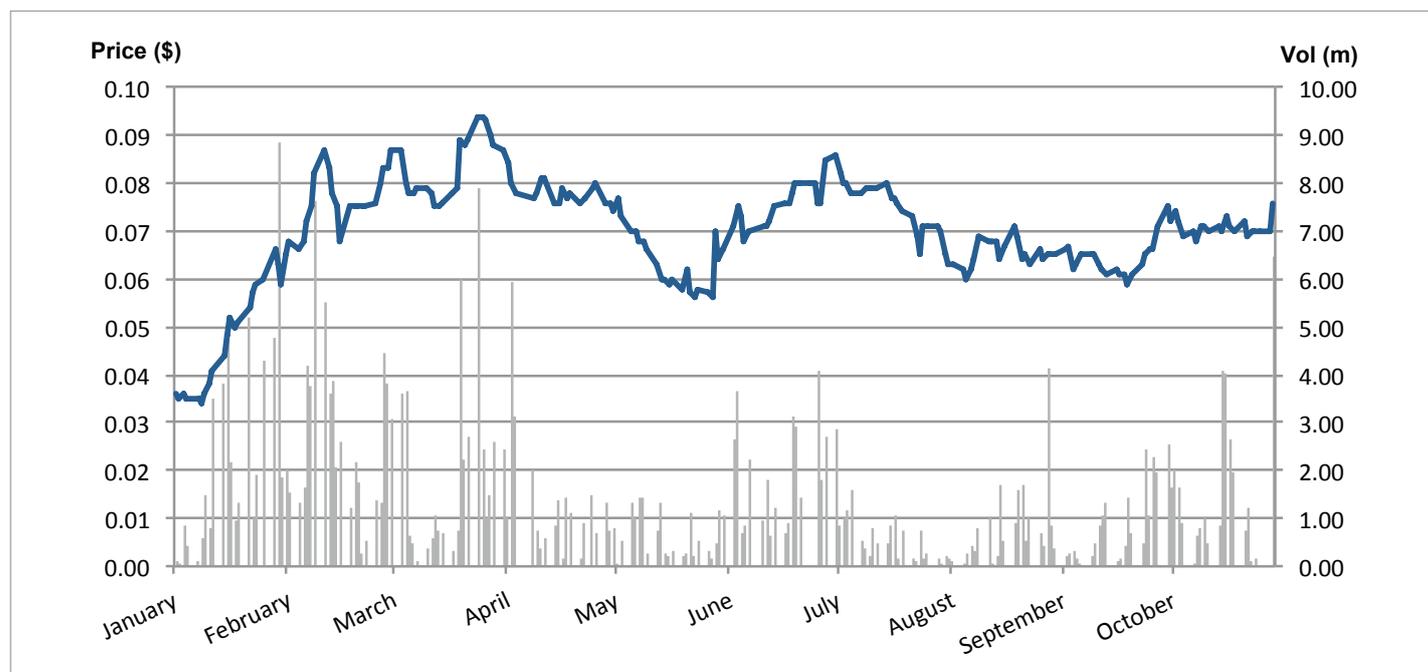
Completion of Strategic Partnership signed with MIE Holdings Corporation (MIE) delivered:

- ▶ US\$10 million in cash to Sino Gas for the sale of existing SGE shares to MIE at closing. This was initially used for payments of financing, accounting, legal and transaction fees relating to the completion of the strategic transaction with MIE.
- ▶ Qualifying PSC expenditures of SGE to be funded by MIE for the next US\$90 million which is anticipated to deliver PSCs through CRR approval and ODP submission. To date SGE has made cash calls for US\$12.5 million of Qualifying PSC expenditures, which in part has been used to settle existing creditors.
- ▶ US\$2.1 million of Sino Gas' 49% share of SGE's non-qualifying PSC costs at the Beijing Head Office is to be offset against funds already contributed by Sino Gas.

Option Funding

Sino Gas has approximately 334 million listed options, which have an expiry of 31 December 2012 at an exercise price of 12.5 cents, potentially providing additional funding of up to \$41 million.

2012 Year to Date Share Price Performance (ASX: SEH)



Source: ASX data

Market Activity

- ▶ As at 28 September 2012, Sino Gas had 1,660 shareholders and the share capital position was as follows:

ISSUED SHARE CAPITAL

ORDINARY SHARES	1,125,667,120
TOTAL OPTIONS	374,343,757

QUARTERLY SHARE PRICE ACTIVITY

HIGH	\$0.071
LOW	\$0.059
LAST (28 SEPTEMBER 2012)	\$0.071
AVERAGE DAILY VOLUME	749,000

ABOUT US

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 to develop two blocks held under Production Sharing Contracts (PSCs) with CNPC (Sanjiaobei 49%) and CUCBM (Linxing 64.75%). SGE has been established in Beijing since 2005 and is the operator of the Sanjiaobei and Linxing PSCs in Shanxi province.

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 area 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’s PSCs are located and natural gas is seen as a key component of clean energy supply in China.

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

Resources Statement

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.

