

Quarterly Report

For the three months ending 30 June 2013

Q2

2013 Activities Report

SIGNIFICANT MILESTONE REACHED - DELIVERING OUR STRATEGY

- ▶ 32 well program—14 wells drilled, additional 9 in progress
- ▶ 24 well testing program—10 wells in progress, first results Q3
- ▶ First CRR submission on Linxing (East) planned for August
- ▶ 1,160km seismic program completed—interpretation due Q3
- ▶ First Gas Sales Agreement signed on Linxing in June
- ▶ Updated reserve and resource assessment planned for Q3

Following the first quarter release of an upgraded reserves and resources assessment from RISC, allowing Sino Gas to increase the company's resource base and book significant reserves, the focus in the second quarter has moved to delivering the extensive seismic, drilling and testing work programs. In addition to the work programs steadily progressing, a major milestone was achieved in June with the signing of the first Gas Sales Agreement with Linxing PSC partner, China United Coal Bed Methane (CUCBM).

The Linxing PSC gas sales agreement is a significant achievement in Sino Gas' drive towards production on its Ordos Basin projects. The agreement establishes the commerciality of the Linxing PSC, and provides a path to market through existing pipeline infrastructure. The initial gas sales will provide a revenue stream and production data that will be essential inputs into full field development planning and design.

Gas supplied under the agreement will be sold to the industrial gas market in Shanxi Province for an initial price of approximately US\$7 per thousand standard cubic feet (Mscf) during the first year. Initially seven wells are planned to be connected to a central gathering station located on the western portion of Linxing. Six of these wells have already been drilled, and a seventh well, which is a horizontal well, is scheduled to commence drilling during Q3 within close proximity to the station. With the gas sales agreement in place, the Operations team continue to progress work on pilot program design and sourcing equipment to build the gathering systems and compressor stations in preparation for first gas sales.

Subsequent to the signing of the gas sales agreement, we have already seen conditions in the gas market improve. The National Development and Reform Commission increased the average gas sale price to non-resident users by 15% to 1.95 yuan per cubic meter (~\$US9 per thousand standard cubic feet). Under the terms of the first gas sales agreement for Linxing, the contracted price is adjustable through negotiations on an annual basis by reference to Shanxi Province market prices and applicable government policies.

With a solid focus on operational safety and execution, over 720,000 incident free man hours were recorded up to the end of the quarter, already surpassing the total 578,000 man hours recorded in 2012. Interpretation of the 1,160km of seismic lines acquired across Sanjiaobei & Linxing (West) is nearing completion, ready for use in an updated resource assessment planned for Q3. At the completion of the 2013 seismic program approximately 2,000 of the 3,000 square kilometre acreage is now covered by either fine or coarse seismic grids.

Since the first wells of the program were spud on 1 March, nine drilling rigs have drilled over 33,000m, already completing 14 of the 32 wells planned for 2013. On Sanjiaobei, a total of nine wells have now completed drilling, with initial mud and wireline logging identifying total pay within the range of existing gas discovery wells. The first of the four step-out exploration wells to be drilled on Linxing, LXDG-01, completed drilling and identified further resource potential within multiple gas payzones on the western portion of Linxing (East). This data will be provided to RISC for inclusion in the updated reserve and resource assessment planned for Q3.

Testing teams have arrived at Sanjiaobei and Linxing (West) during the quarter and have fraced the first six wells of the testing program and perforated an additional four. Multiple zones in each well are planned to be tested to determine overall well productivity for Chinese Reserve Reporting (CRR) and reservoirs information purposes. Meanwhile, the contractor preparing the CRR on Linxing East is in the final stages of completing the report before submission in August.

China's Central Government State Council has passed legislation to decentralise the regulation of production sharing contracts under foreign cooperation. The new regulations are expected to streamline the regulatory approval process for the Company's PSCs by eliminating certain review and approval steps.

With a major Gas Sales agreement in hand and major progress being made on our 2013 work programs, we continue to be well positioned to take advantage of the unique opportunity presented by our Ordos Basin projects. More importantly, the underlying demand for natural gas in Shanxi province is being driven by Chinese Central Government policies targeting an increase in production of domestic origin gas by 2.5 times in the next five years alone. On the ground it is encouraging to continually see initiatives to support these aggressive objectives.

Robert Bearden, Managing Director & CEO

Updated 2013 Independent Reserves and Resources Assessment

Preparations for an updated independent reserves and resource assessment has commenced with RISC. The assessment is expected to be completed by early Q4 2013 and will incorporate the interpretation of 1,160km of seismic lines acquired and available drilling data from the 2013 program. The assessment is currently expected to provide an upgrade in reserves and resources as the key focus of the work programs in 2013 have been on out-step seismic, drilling on previously underexplored acreage, and planning for full field development.

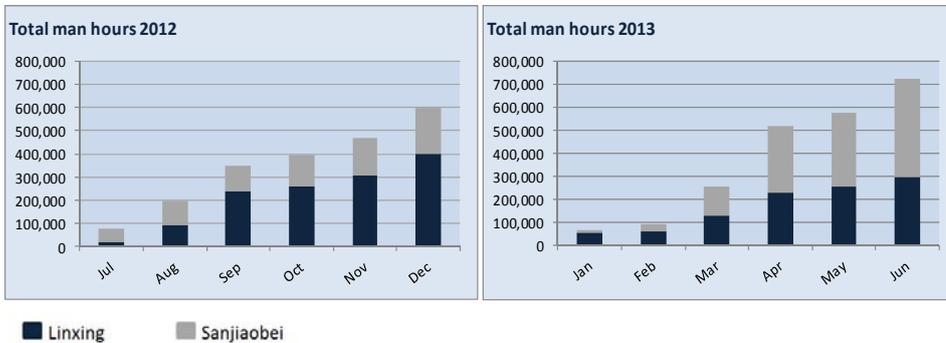
Change in Board of Directors

Non-executive Director Peter Mills resigned from the board on 17 May, due to increased commitments related to his positions with Usaha Tegas Group and Castle Energy Consultants.

Mr. Gavin Harper elected to retire as Executive Chairman on 30 June, due to the completion of his executive services contract, the continuing maturity of the Company and the appointment of a first class executive oil & gas management team. At the Company's request, Mr. Harper agreed to an appointment as Non-executive Chairman.

Occupational Health & Safety

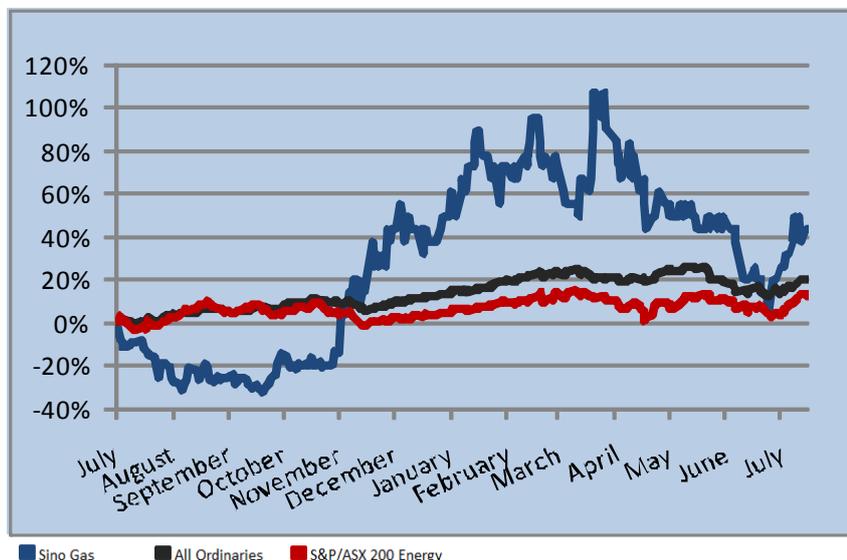
Over 720,000 OH&S incident free man hours have been recorded in the first half of 2013 in the seismic, drilling and testing programs. This compares to 578,000 hours recorded in the second half of 2012, in which 12 wells were drilled and data acquisition on the 270km seismic program was completed.



Investor Relations and Marketing

During the quarter, two additional analysts commenced coverage on Sino Gas, Michael Skinner from Euroz and Scott Simpson from GMP Securities. A complete list of the four analysts covering the Company can be found on the Sino Gas website under Research / News.

Share Price Performance (ASX:SEH) Relative to All Ordinaries Index and S&P/ASX 200 Energy Indices



HIGHLIGHTS

- ▶ First Gas Sales Agreement signed with CUCBM, establishes the commerciality of the Linxing PSC, and provides a path to market through existing pipeline infrastructure.
- ▶ 2013 work programs progressing successfully to plan with 14 of 32 well program complete. Nine rigs mobilised in the field and a horizontal well to be spud in Q3.
- ▶ Data acquisition of 2013 seismic work program completed with interpretation being completed.
- ▶ Linxing (West) – Drilling is complete on the first well of the two well exploration program, with wireline logging interpretation underway.
- ▶ Linxing (East) - First well of two well exploration program has completed drilling and has identified multiple gas zone on the western portion.
- ▶ Sanjiaobei – Seven rigs mobilised on the block, with nine wells completed drilling. Perforation and fracturing of the first nine wells has commenced.



Financial Position

Sino Gas' cash position at the end of the quarter was approximately A\$15.5 million.

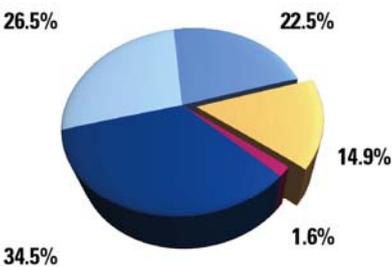
Major expenditures in the quarter included the settlement of outstanding financing fees to the Company's Corporate Advisor, the settlement of an inter-company loan with its jointly controlled entity Sino Gas & Energy Limited (SGE) and general & administrative expenses.

On 6 July 2012, the Sino Gas completed a strategic partnership agreement with MIE Holdings Corporation (MIE). MIE committed to progressively invest US\$90 million into SGE to secure an interest of 51% in the issued capital of SGE. As at 30 June 2013, SGE had cash called MIE for \$US23.45 of the \$US90 million for qualifying PSC expenditure. On a commitments basis, US\$54 million has been incurred since the signing of the strategic partnership in July 2012 (unaudited).

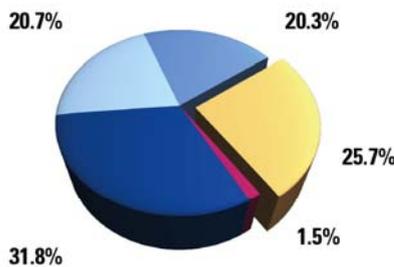
Transitioning Share Registry

At the end of the quarter, Fidelity Management & Research Company LLC lodged a notice of initial substantial holder in Sino Gas with a 7.82% interest. Institutional investors now hold 25.7% of SEH stock, up from 14.9% from May last year, reflecting a major transitioning of the share register as the company continues to grow and achieve major milestones.

May 2012



June 2013



- Corporate Shareholders
- Institutional Investors
- Directors, Employees & Related Parties
- Private Stakeholders
- Private Stakeholders > 3m Shares

2013 OUTLOOK

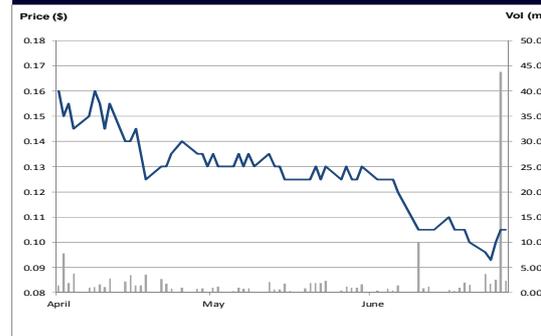
- ▶ Chinese Reserve Report submission on Linxing (East).
- ▶ Long term flow testing for Chinese Reserve Report Submission.
- ▶ Updated independent reserve and resource assessment by RISC.
- ▶ Complete pilot production design and commence construction of facilities.
- ▶ Data gathering and compilation continuing on further Chinese Reserve Report submissions targeted for first half 2014.

SHARE PRICE ACTIVITY

FOR THE SECOND QUARTER 2013

High	\$0.16
Low	\$0.093
Last	\$0.105
Average Daily Volume	2,282,400
	(2012 Average 1,886,000)

ROLLING 3 MONTH SHARE PRICE PERFORMANCE (ASX:SEH)



LINXING (WEST) - SINO GAS 31.7%¹



Seismic

Processing and interpretation of the 650km of seismic lines acquired on Linxing during the quarter was fast-tracked and the final analysis is expected to be delivered by the contractor early Q3. 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

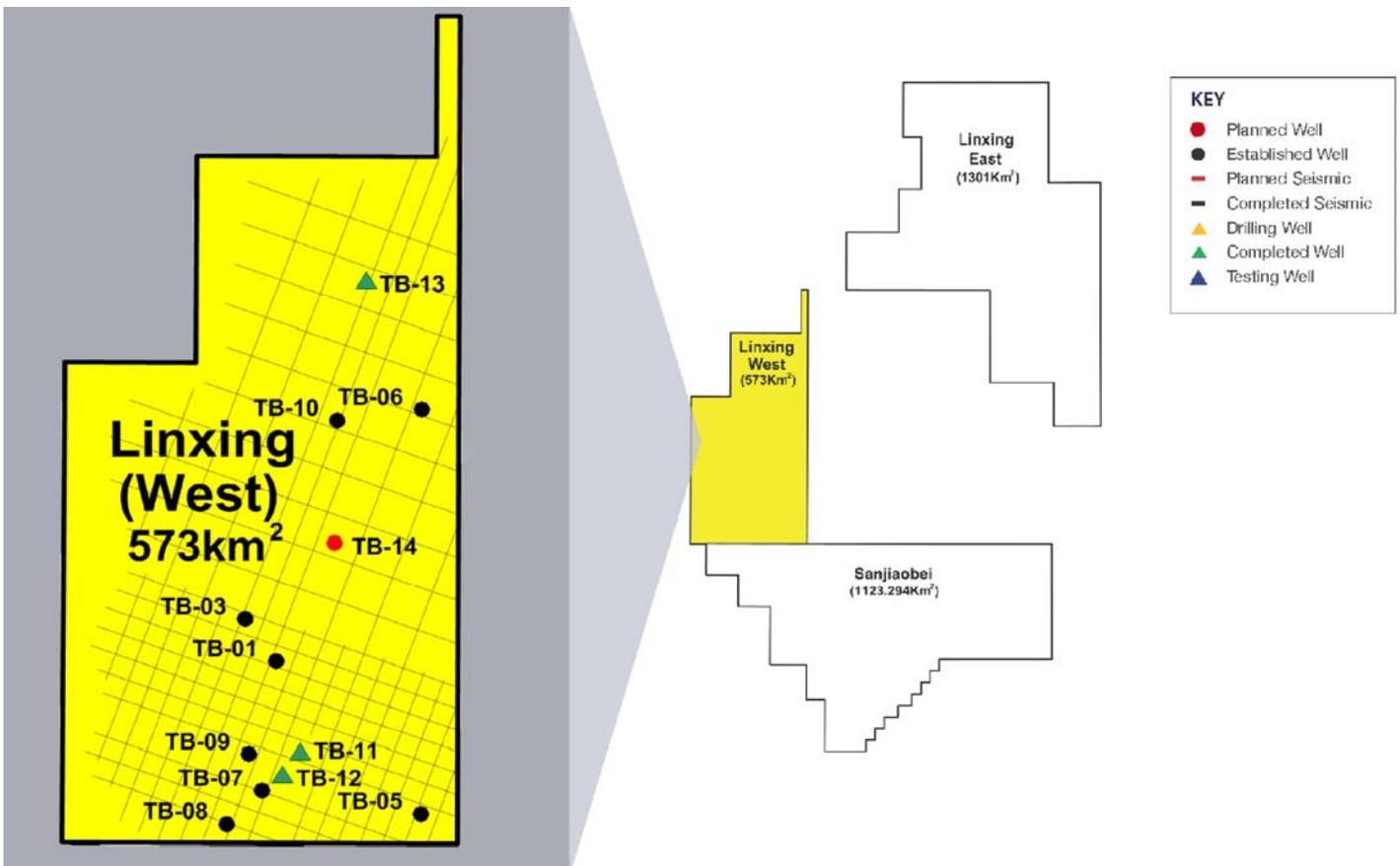
The first well of a two well exploration program on the northing portion of Linxing (West), TB-13, completed drilling in early July, with electronic wireline logs now being interpreted to determine net pay identifying during drilling. The drilling rig is being mobilised southwards to the centrally located TB-14. Preparations are also underway for the commencement of drilling of a horizontal well scheduled to begin in Q3.

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.

WELL	STATUS	RESULTS*	FORWARD OPERATIONS
2006 - 2011 Drilling Results	8 wells completed	27.4m average pay Range 9.5m - 77.6m	7 wells tested to date 1 well scheduled for testing
2012 Drilling Results	TB-11 completed	16 pay intervals 69.3m total pay	Flow testing
TB-12 Spud 01/03/2013	Drilling complete	8 pay intervals 29.9m total pay	Flow testing
TB-13 Spud 10/06/2013	Drilling complete	-	Wireline log interpretation

*Results are based on initial mud and electronic wire line logs.



LINXING (EAST) - SINO GAS 31.7%¹



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

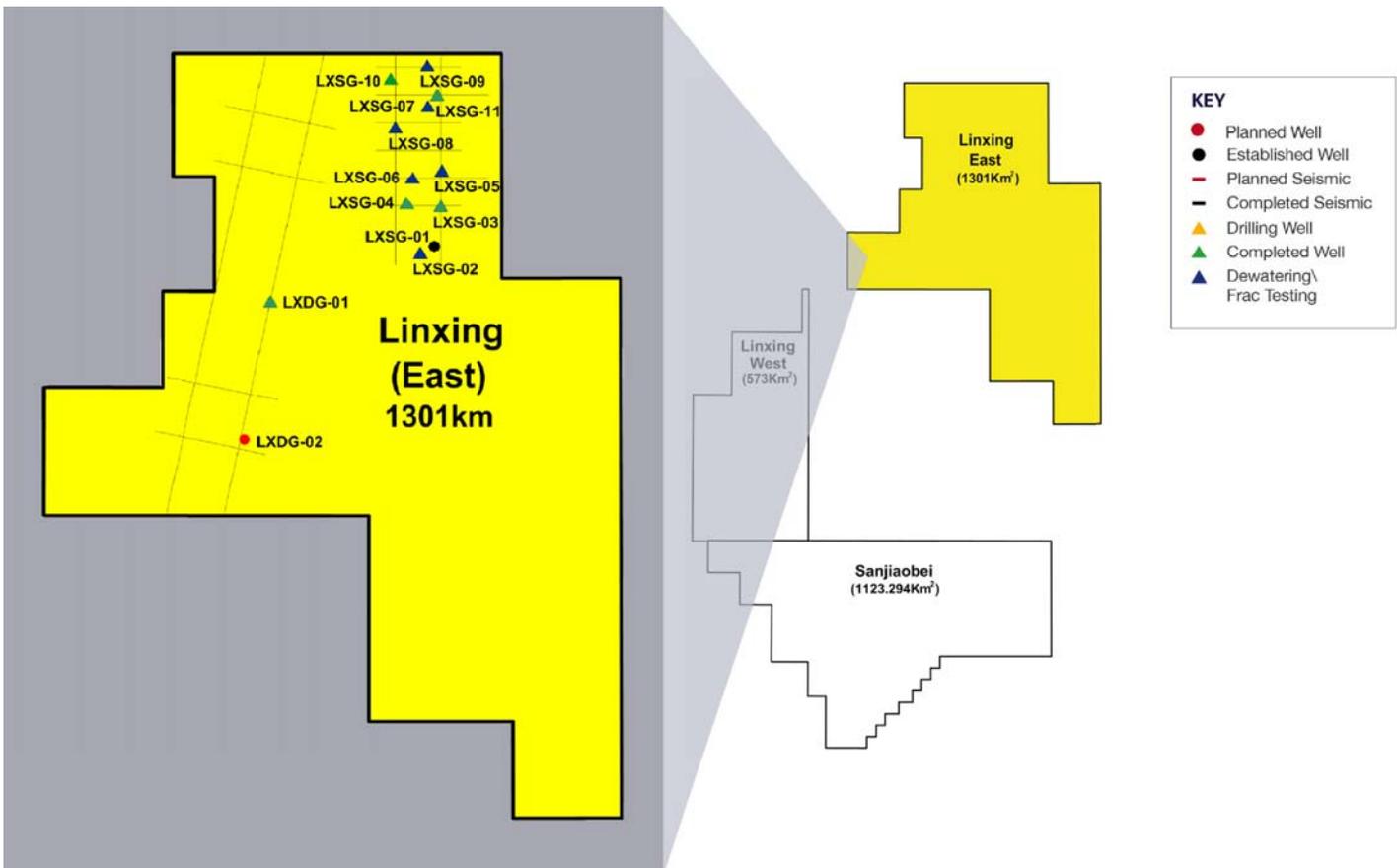
The first well of a two well exploration program to the west of Linxing (East), LXDG-01, completed drilling in late June, with initial mud and wireline logs identifying 33.1 metres of pay across 8 pay intervals. The rig is now being mobilised to LXDG-02 to commence drilling further to the south.

Testing

The dewatering program continues on six wells and gas to surface has now been reported on the fifth well to commence dewatering 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 detwatering prior to the installation of production facilities.

WELL	STATUS	RESULTS*	FORWARD OPERATIONS
2006 - 2011 Drilling Results	1 well completed	16 pay intervals 16.8m total pay	TBD
2012 Drilling Results	8 wells completed	30.1m average pay Range 22.8m - 36.0m	Flow testing
LXSG-11 Spud 23/03/2013	Drilling complete	12 pay intervals 28.0m total pay	Flow testing
LXSG-10 Spud 26/03/2013	Drilling complete	11 pay intervals 24.5m total pay	Flow testing
LXDG-01 Spud 01/06/2013	Drilling complete	8 pay intervals 33.1m total pay	Flow testing

*Results are based on initial mud and electronic wire line logs.





Seismic

Processing and interpretation of the 585km of seismic lines acquired on Sanjiaobei during the quarter was fast-tracked and the Operations team are expecting the final analysis to be delivered by the contractor early Q3. 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. These results will be incorporated into further independent resource assessments and well planning.

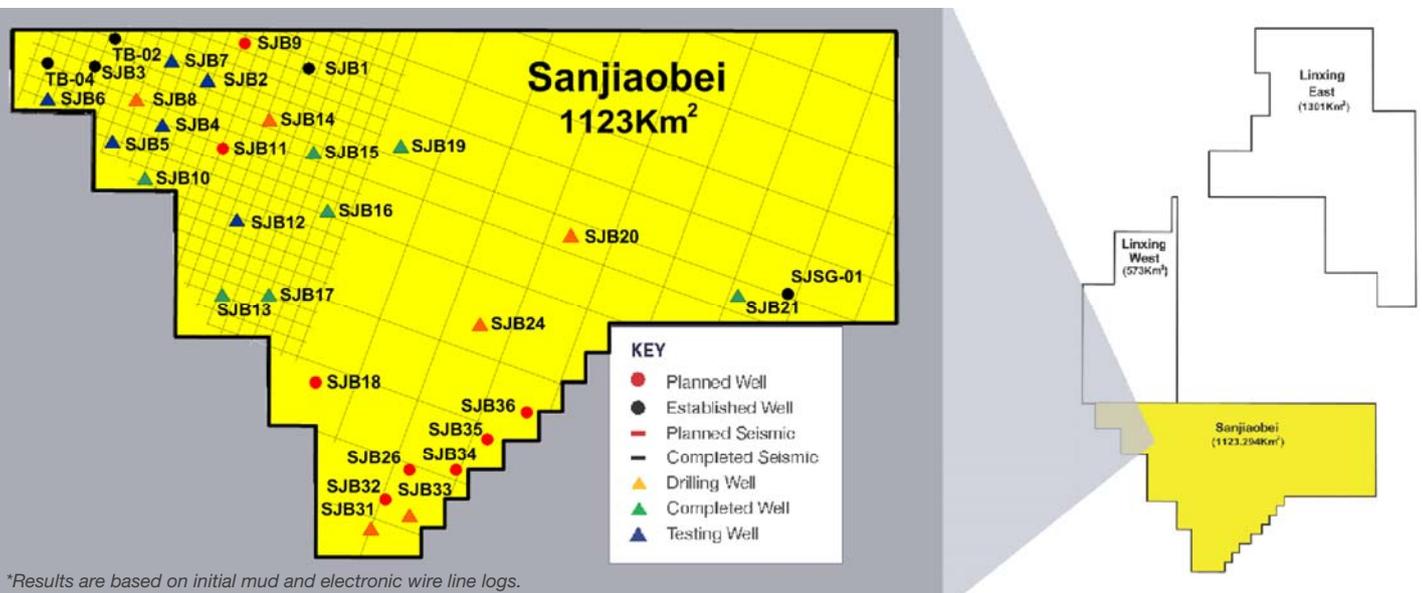
Drilling

Drilling was commenced and completed on a total of nine wells, while two wells SJB31 and SJB33 continued drilling to total depth at quarter end. Initial mud and wireline logging of completed wells at SJB15 and SJB19 (located around the western edge of the completed seismic grid) identified of average of approximately 13.5 metres of total pay per well, which is within the range of total pay identified in existing gas discovery wells. In addition, 27.6 metres of total pay was identified at SJB10 across nine pay intervals in the south/east corner of the completed seismic grid. Earlier in the quarter, exploration well SB21 completed drilling, identifying coal seams in the far eastern corner of the block.

Testing

During the quarter, the first six wells of the testing program were fraced and an additional three perforated awaiting frac testing to commence. Following initial fracing, 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, with the next three wells planned to commence testing operations in early Q3.

WELL	STATUS	RESULTS*	FORWARD OPERATIONS
2006 - 2011 Drilling Results	5 wells completed	29.5m average pay Range 11.6m - 46.7m	4 wells tested to date 2 wells scheduled for testing
2012 Drilling Results	3 wells completed	30.9m average pay Range 23.4m - 45.2m	Flow testing
SJB12 Spud 01/03/2013	Drilling complete	6 pay intervals 14.2m total pay	Flow testing
SJB7 Spud 23/03/2013	Drilling complete	8 pay intervals 26.7m total pay	Flow testing
SJB21 Spud 09/04/2013	Drilling complete	11 pay intervals 24.2m total pay	TBD
SJB13 Spud 22/04/2013	Drilling complete	7 intervals 14.9m total pay	Flow testing
SJB16 Spud 22/04/2013	Drilling complete	5 intervals 15.1m total pay	Flow testing
SJB10 Spud 26/04/2013	Drilling complete	9 intervals 27.6m total pay	Flow testing
SJB15 Spud 03/04/2013	Drilling complete	5 intervals 13.7m total pay	Flow testing
SJB17 Spud 15/04/2013	Drilling complete	2 intervals 17m total pay	Flow testing
SJB19 Spud 18/04/2013	Drilling complete	4 intervals 13.1m total pay	Flow testing



*Results are based on initial mud and electronic wire line logs.

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 3,000km². 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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Our latest announcements and presentations
can be found on our website:
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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 NPV₁₀ 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 unrisks 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.