

Quarterly Report

For the three months ending 31 December 2013

Q4

2013 Activities Report

DELIVERING ON OUR STRATEGY— ANOTHER MILESTONE YEAR

- ▶ Drilling program completed —31 wells drilled in 2013
- ▶ Well testing program—20 wells tested in 2013
- ▶ Major components for central gathering station delivered
- ▶ Successful placement secures 2014 program funding
- ▶ First gas sales on Linxing PSC
- ▶ CRR approval process on Linxing (East) progresses

The fourth quarter of 2013 for Sino Gas & Energy Holdings Limited (ASX:SEH, “Sino Gas”, “the Company”) was all about delivering on the strategy set out at the start of the year. The level of activity across both our Chinese Production Sharing Contracts (PSCs) was reflected in the number of incident-free man hours, with over 2,000,000 hours recorded in 2013, almost four times that of the previous year.

Under the Compressed Natural Gas (CNG) sales agreement signed for the Linxing PSC in October 2013, first gas was successfully transported by road from TB-11 to the Shanxi International Energy Group’s (SIEG) distribution facility in December. Up to the end of the quarter approximately 5,500 cubic metres or 195 thousand standard cubic feet (Mscf) had been delivered. Further progress has been made on the approval of the Company’s first Chinese Reserve Report (CRR), which was submitted on Linxing (East) in Q3 2013. Following preliminary approval by the National Reservoir Committee, the CRR has been reviewed by the Chinese Ministry of Land & Resources (MOLAR). Modifications inline with feedback provided by MOLAR have been made and the CRR submitted for final approval.

The 2013 drilling program was completed in December, with TB-21 reaching total depth on Linxing (West) in December. The 31 well drilling program consisted of a mixture of in-field and delineation wells across both PSCs, all of which encountered pay. During the year over 62,000 metres were drilled, including Sino Gas’ first horizontal well. Drilling results of the 11 additional wells completed drilling since the Q3 2013 reserves and resources assessment will be provided to RISC for inclusion in the Q1 2014 assessment. Drilling results in the prospective areas are expected to increase the discovered area, whilst drilling within the discovered area is anticipated to mature further resources into reserves. Drilling activity is planned to intensify in 2014 with both Strategic Partners agreeing to almost double the number wells to be drilled.

During the year, 1,235km of seismic was acquired and interpreted, contributing to expansions in the discovered areas for both PSCs. Seismic surveying on Linxing (West) commenced during Q4, and by mid-January the 285km of seismic acquisition had been completed. This completes the seismic grid covering the entire block as required for Chinese Reserve Report (CRR) submission. Data acquired will be interpreted over the coming months and incorporated into future reserves and resources assessments. At this stage, as sufficient seismic has been acquired for Linxing (West) and the eastern portion of Sanjiaobei to enable CRR submission, no further seismic is scheduled for 2014.

Testing teams continued operations on Sanjiaobei and Linxing in Q4, with a total of twenty wells fraced and four perforated awaiting testing in early 2014. Encouraging results continued to be received during the quarter, with single zone commercial flow-rates from the discovered area across both PSCs ranging between 250 to 1000 Mscf/day. As previously announced, under a production scenario, multiple zones with similar pressures are planned to be comingled to maximise well output.

The A\$53 million two tranche placement (before issue costs) announced in November was successfully completed following shareholder approval at a General Meeting held in December. A total of 265 million new ordinary shares were issued at a price of A\$0.20 per share to qualified institutional and sophisticated investors. Sino Gas was delighted with the strong demand and support shown for the placement, from both new and existing investors.

The preliminary work for the pilot program on the Sanjiaobei PSC was approved by the Joint Management Committee (JMC), and engineering for the surface gathering facilities is progressing to schedule. Following completion of internal and external pipeline routes for both central gathering stations, construction is to continue in March to mitigate safety risks of working during the winter months.

A tremendous amount has been achieved in 2013 and I would like to thank the Operations team for their hard work and dedication and wish them well deserved time with their families during the spring festival. 2014 is shaping up to be another transformational year for Sino Gas as we move into commercial production on our Ordos Basin projects. We are entering an exciting phase of developing our unconventional gas assets and remain focused on monetising the assets and increasing shareholder value.

Robert Bearden, Managing Director & CEO



Financial Position

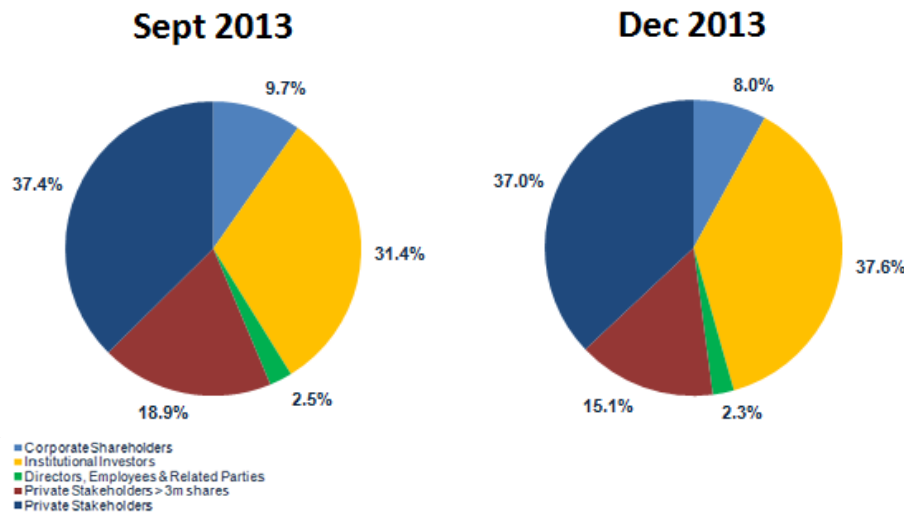
Sino Gas' cash position at the end of the quarter was approximately A\$64 million.

In December, the Company successfully completed a A\$53 million (before issue costs) two tranche placement of 265 million new ordinary shares at an issue price of A\$0.20 per share to qualified institutional and sophisticated investors. Capital raised will be used to underpin an aggressive work program aimed at further Chinese Reserves Report submissions and ramping up production on both PSCs in 2014.

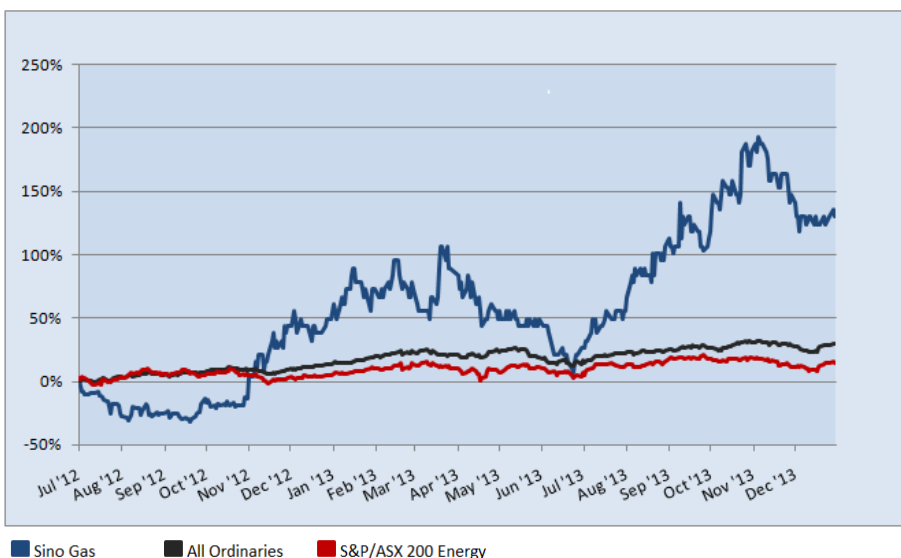
As at 31 December 2013, SGE had cash called MIE for US\$46.15 million of the US\$90 million for qualifying PSC expenditure. On a commitments basis, US\$99.8 million has been incurred since the signing of the strategic partnership in July 2012 (unaudited). SGEH is expected to receive its first cash call mid-2014.

Transitioning Share Register

As a result of the high level of interest in the December placement, the proportion of institutional investors increased from 31.4% in the previous quarter to 37.6%. This compares to 21.3% from the beginning of 2013, reflecting the continuing transitioning of the share register as the company moves from the exploration into the development phase.



Share Price Performance (ASX:SEH)



Q4 2013 Highlights

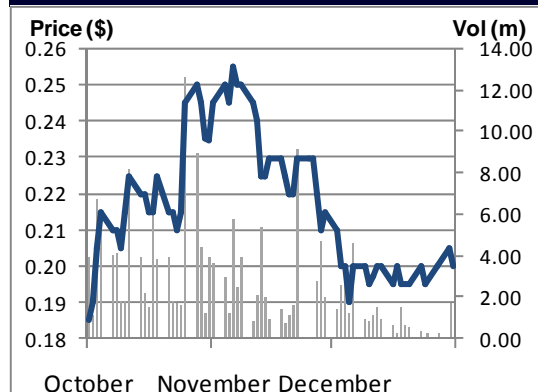
- ▶ A\$53 million (before issue costs) placement successfully completed
- ▶ First gas successfully transported to third-party distribution facility on Linxing (East)
- ▶ Seismic acquisition for 2014 completed—meeting CRR submission requirements on Linxing (West)
- ▶ Drilling program completed - 31 wells drilled in 2013
- ▶ Linxing (West) – TB-21 completed drilling on Linxing - eight rigs mobilised in the field in preparation for 2014 drilling program
- ▶ Pilot – Engineering of surface gathering facilities progressing to schedule on Sanjiaobei. Design and land lease completed on Linxing (West) and pipeline ordered.

SHARE PRICE ACTIVITY

FOR THE FOURTH QUARTER 2013

High	\$0.265
Low	\$0.185
Last	\$0.200
Average Daily Volume	2,741,753 (2012 Average 1,886,000)

ROLLING 3 MONTH SHARE PRICE PERFORMANCE (ASX:SEH)





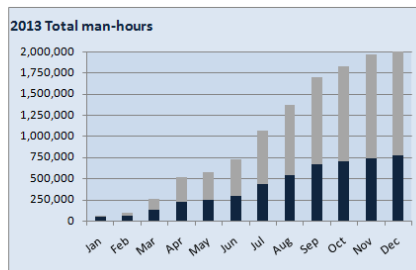
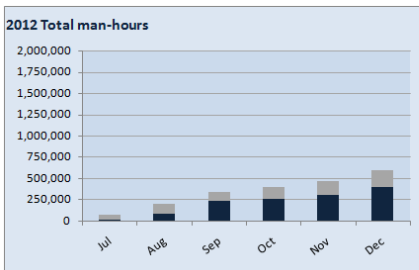
2014 Work Program Agreed

In January, the Strategic Partners (SGEH & MIE) approved a US\$137 million capital works program for 2014. Work programs are subject to PSC partner approval at the respective Joint Management Committee meetings scheduled in mid-Q1 2014. The program is designed to complete initial CRR submissions and commencing pipeline sales across both PSCs. The agreed work program almost doubles the number of wells to be drilled from the previous year and completes the seismic required for the first round of CRR submissions. The seismic surveying and acquisition has already been completed, and eight rigs are mobilized in the field ready to commence drilling following the Chinese New Year. It is anticipated that the majority of the wells to be drilled will be hooked up into the pilot program, which is planned to ramp up in the second half on the year and become an increasing source of cash flow for the projects.

With the recent capital raising, the Company should be in a position to fund forecasted cash calls into 2015. At this point ODPs are anticipated to be submitted, which would well position the Company to obtain project financing.

Occupational Health & Safety

Over 2,000,000 OH&S incident free man-hours were recorded completing the extensive seismic, drilling and testing programs in 2013. This compares to 578,000 hours recorded in 2012.



■ Linxing ■ Sanjiaobei

Investor Relations and Marketing

Following the two site visits for Australian based fund managers and analysts, the Company held extensive roadshows in London, Hong Kong, Singapore and Australia for institutional and sophisticated investors.

On 15 January 2014, Managing Director & CEO, Robert Bearden presented at the Deutsche Bank dbAccess China Conference in Beijing. A large group of international fund managers attended Mr Bearden's presentation on Developing Chinese Unconventional Gas Assets. A copy of the presentation is available on the Company's website.

In 2014 the Company will be moving to quarterly reporting inline with ASX requirements on mining and oil & gas production and exploration activities. Material development and exploration results will be continue to be announced as they occur.

2014 Outlook - Key Milestones

Q1

- ▶ Vertical and horizontal well frac testing commences
- ▶ RISC Reserves & Resources Assessment
- ▶ Negotiations on additional Gas Sales Agreements finalised

Q2

- ▶ Horizontal well testing results
- ▶ Approval of Linxing (East) Chinese Reserve Report
- ▶ Commence submission of additional Chinese Reserve Reports

Q3

- ▶ Pipeline gas production begins on both PSCs
- ▶ Overall Development Plan preparation

Q4

- ▶ Additional wells continue to be bought online as drilling is completed

Developing Chinese Unconventional Gas Assets

Presentation to dbAccess China Conference 2014

www.sinogasenergy.com | 402-329

Available on Presentations at www.sinogasenergy.com



Sanjiaobei PSC - Sino Gas 24%¹ **Shanxi Province, People's Republic of China**

Seismic

During 2013, 585km of seismic lines were acquired on Sanjiaobei which contributed to a tripling of the prospective area to 670km². Currently, 85% of the 1,123km² block is considered to be discovered (including reserves and contingent resources) or prospective under the Society of Petroleum Engineers Petroleum Resource Management Systems (SPE PRMS).

Drilling

The Sanjiaobei drilling program was completed for 2013 during the quarter, consisting of a mixture of 19 in-field and delineation wells, and brought the total number of wells on Sanjiaobei to 28.

Testing

In 2013, frac testing was been completed on eighteen payzones, with the final four payzones undergoing testing. Three wells that completed tested during the quarter were flow tested at rates well above commercial rates (as announced in monthly operational updates), whilst further testing and comingling of zones of similar pressure is being considered on three wells that flowed at nominal rates.

Linxing PSC (West) - Sino Gas 31.7%¹ **Shanxi Province, People's Republic of China**

Seismic

During 2013, 650km of seismic lines were acquired on Linxing (West). Currently, two thirds of the Linxing (West) acreage is now considered to be discovered, with the remaining third being prospective. Seismic surveying planned for the 2014 work program commenced during Q4, and by mid-January the 285km of seismic acquisition had been completed. Processing and interpretation is underway and will be completed over the coming months.

Drilling

During the quarter the nine well drilling program on Linxing (West) was completed. The final well at TB-21 reached total depth during December within the discovered area, with initial results discovering total pay of 8.75 metres.

Testing

During Q4 testing operations continued to test wells drilled in the 2012 and 2013 work programs. By the end of the quarter a total of four zones had been fraced across three wells in the discovered area, producing flow rates of between 250 and 570 mscf/day and an additional four zones were perforated awaiting flow testing in 2014. TB-18 was perforated with an initial single zone pre-frac average flow rate of 39 mscf/day and is planned to be frac tested in 2014.



Linxing PSC (East) - Sino Gas 31.7%¹ **Shanxi Province, People's Republic of China**

Seismic

RISC has assigned a discovered area of 265km² for the shallow resources on the eastern portion of the block, and a prospective area of 295km² for the deeper resources on the western portion. 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.

Drilling

Further exploration step-out drilling is scheduled in the 2014 work program, following the completion of the first exploration well in July.

Testing

The dewatering program continued during the month 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. Testing operations were resumed at exploration well LXDG-01 during the quarter, with nominal rates recorded from a middle-lower zone.

Pilot Program Update

During December, Compressed Natural Gas ("CNG") sales commenced on the Linxing Production Sharing Contract ("PSC"). Under the CNG gas sales agreement signed in October 2013, first gas was successfully transported by road to SIEG's distribution facility from Linxing (West) on December 21.

Commenting on the announcement, Sino Gas Managing Director & CEO, Robert Bearden said "Commencement of sales marks a significant milestone in the development of the Linxing PSC and accelerates monetisation of the Company's Ordos Basin gas assets. The CNG gas sales also accelerate the long-term testing of selected wells that will provide important reservoir information without excessive flaring".

During the quarter, design and surveying for both internal and external pipeline routes on both central gathering stations was completed. Construction is to continue in March to mitigate safety risks of working during the winter months, and is anticipated to be completed for the mid-year commencement of pipeline gas sales.

Following the completion of surveying for the external pipeline on the Linxing (West), the spur pipe has been ordered by the third-party purchaser. In addition route surveying & mapping has been completed for the 22km of internal gathering lines to connect the first seven wells of wells. Design and land leasing for the central gathering station has been completed, with construction scheduled to commence in March.

The preliminary work for the pilot program on the Sanjiaobei PSC was approved by the Joint Management Committee (JMC), and engineering for the surface gathering facilities is progressing to schedule.



Photos: Engineering for the surface gathering facilities is progressing to schedule on Sanjiaobei

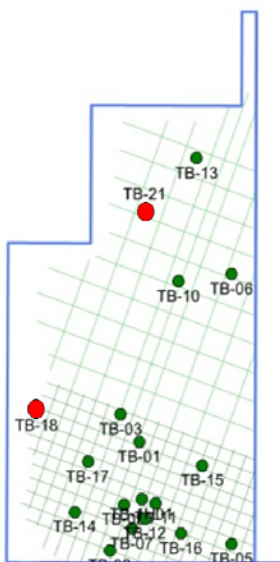


EXPLORATION DISCLOSURE & HISTORICAL TESTING RESULTS

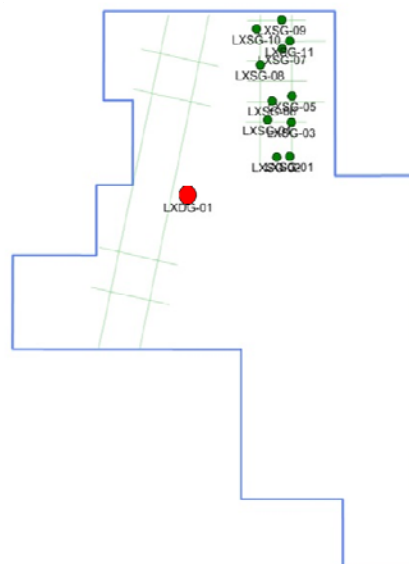
Additional disclosure for exploration results in the prospective area

Exploration Disclosure	Drilling Result	Testing Result	Testing Result
(a) The name and type of well.	TB-21 (Vertical Well)	TB-18 (Deviated well)	LXDG-01 (Vertical Well)
(b) The location of the well and the details of the permit or lease in which the well is located.	Linxing Production Sharing Contract (PSC). Refer to maps below.		
(c) The +entity's working interest in the well.	31.70%		
(d) If the gross pay thickness is reported for an interval of conventional resources, the net pay thickness.	Electric wireline logs identified 8.75m of net pay	Electric wireline logs identified 33.4m of net pay (24.6m vertical)	Electric wireline logs identified 17.7m of net pay
(e) The geological rock type of the formation drilled.	Coal bearing formations from the Permian to Carboniferous System.		
(f) The depth of the zones tested.	N/A Testing scheduled in 2014.	Test target payzone was at a depth of 1,544-1,558m	Test target payzone was at a depth of 1,527-1,659m
(g) The types of test(s) undertaken and the duration of the test (s).		Perforated and gas flow tested for 5 days. Frac test yet to be conducted.	Perforated and fractured, flowed back for 5 days intermittently
(h) The hydrocarbon phases recovered in the test(s).		Gas	Gas
(i) Any other recovery, such as, formation water and water, associated with the test(s) and their respective proportions.		None	None
(j) The choke size used, the flow rates and, if measured, the volumes of the hydrocarbon phases measured.		Choke size 3 mm. Pre-frac test gas rate was 39,000 scf/d with well head pressure of ~2.0MPa. Frac testing scheduled in 2014.	Gas to surface, further testing scheduled in 2014.
(k) If applicable, the number of fracture stimulation stages and the size and nature of fracture stimulation applied.		One stage	One stage
(l) Any material volumes of non-hydrocarbon gases, such as, carbon dioxide, nitrogen, hydrogen sulphide and sulphur.		No gas sample was taken from TB18. Adjacent well TB-03 gas sample from SQF shows CH4 92.1%, C2~C6 7.4%, CO2 0.3%, N2 0.2%.	No gas sample was taken.
(m) Any other information that is material to understanding the reported results.		None	None

Linxing (West)



Linxing (East)





HISTORICAL TESTING RESULTS

Historical testing results by zone (2006—2013)

Zone	<i>Average Thickness (m)</i>	<i>No. of Well Test</i>	<i>Average Flow Rate (Mscf/d)</i>	<i>Max. Flow Rate (Mscf/d)</i>
<i>Upper Zone</i>	3.9	9	863	2,901
<i>Mid-Upper Zone</i>	7.4	8	338	969
<i>Middle Zone</i>	6.5	9	192	708
<i>Mid-Lower Zone</i>	6.5	4	128	230
<i>Lower Zone</i>	4.0	1	126	126
<i>Comingled Tests</i>	N/A	4	208	542

¹ SINO GAS' PRODUCTION SHARING CONTRACTS as at 31 December 2013



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.

In the formation of the strategic partnership, MIE acquired 39 million ordinary shares in SGE from Sino Gas for a consideration of \$9.7 million (US\$10 million). In addition, MIE is progressively investing a further US\$90 million of qualifying expenditure into SGE to secure an interest of 51% in the issued capital of SGE. Refer to Note 23 Interests in joint ventures of the notes to the consolidated financial statements of the 31 December 2012 year end accounts for more information.

As at 31 December 2013, \$51.6 million (US\$46.1 million) dollars had been cash called relating to qualifying expenditure, representing \$13.6 million (US\$12.1 million) in loan notes and \$38 million (US\$34.0 million) towards cumulative redeemable preference shared (CRPS) to be converted into ordinary shares. Sino Gas' economic interest in SGE as at 31 December was 61.92%.



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.

No petroleum tenements were acquired or disposed of during the quarter.

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Our latest announcements and presentations can be found on our website:
www.sinogasenergy.com



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)	EMV ₁₀ (\$US\$m)
October 2013 (Announced 17 October 2013)	110	233	374	713	1,341	2,352
March 2013 (Announced 20 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. The estimated quantities of petroleum may potentially be recovered by the application of future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration and appraisal is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

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	NPV ₁₀ (\$US\$m)	EMV ₁₀ (\$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 (Announced 17 October 2013) using probabilistic estimation methods. 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 wellhead 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 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. No material changes have occurred in the assumptions and subsequent work program exploration and appraisal results have been in line with expectations.

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.