

ASX ANNOUNCEMENT

31 May 2010

ORDOS BASIN – TB-07 INITIAL GAS FLOW - 1,836,000 SCF/DAY

Highlights

- **Sino Gas achieves initial gas flow of 1,836,000 scf/day (pre-stimulation) on TB-07 Gas Discovery Well**
- **TB-07 is currently 'shut in' to determine the necessity for fracture stimulation**

Sino Gas & Energy Holdings Limited (Sino Gas, ASX:SEH) is pleased to announce a significant update to the current flow testing program, mobilised on 12 May 2010.



This activity is the first step in a multi well / multi fracture program designed to generate the data required to confirm gas reserves as a critical step towards preparation of a full field development plan for Tuban.

The first well being tested is the TB-07 gas discovery well drilled during Q4, 2009.

The test was conducted on a zone which exhibited promising log and core testing results.

On 26 May 2010, CCDC Downhole Technical & Operations Company (CCDC) perforated a 6 meter thick zone using tubing conveyed perforating guns on 2 7/8" tubing.

The well was flow tested for 24 hours at three different choke sizes and was then 'shut in' for pressure build up evaluation. At a choke size of 24/64" (approx 0.9cm), the well flowed dry gas at a stable rate of approximately 1,836,000 scf/day (1.836 MMscf/day or 52,000 m³/day) for 6 hours with a tubing head pressure of 600 psi.

Sino Gas Managing Director Stephen Lyons said that the Company was extremely pleased with the initial flow test on TB-07.

"Sino Gas's previous best well flowed at 400,000 scf/day with tubing head pressure of 200 psi following fracture stimulation. To have achieved an initial flow rate, before fracture stimulation, in excess of 4 times this rate is an excellent start to our program. Sino Gas's target during 2010 is to upgrade our resources to reserves and move towards development, and this result should contribute strongly to that objective," said Mr Lyons.

As per the work program for the flow test, Sino Gas has now 'shut in' the well for a further period to determine whether it is necessary to hydraulically fracture stimulate the well.



TB-07 – initial gas flow
1,836,000 scf/day

Sino Gas’s expected forward work program

As previously announced, Sino Gas expects to implement the following work program during 2010 to generate the data to proceed to confirm the gas reserves in Tuban as a critical step towards preparation of a full field development for the Tuban project.

	2010										Targeted Outcome
	Jan to Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec		
Work Program to Reserves											
Well Testing (TB07, TB05)											Demonstrate commercial gas flows with Tuban Prospect
Drilling & Testing - approx 5 wells											Demonstrate geological control over approx 50km2 area Initial Reserves target area
Technical studies											Continue to refine sub-surface understanding
Gas marketing & offtake agreements											Refine marketing options and pricing economics
Commence planning for Reserves Report											Update reserves maturation as sub-surface data is obtained
Target for Early Reserves Certification											Lodgement of Reserves Report with Chinese Authorities

Note: Timetable is indicative only and subject to change.

-ENDS-

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About Sino Gas & Energy Holdings Limited

Sino Gas & Energy Holdings Limited (ASX: SEH) is an Australian company focused on developing Chinese gas assets. The Company has operated in Beijing since 2005 and holds a portfolio of unconventional gas assets in China through Production Sharing Contracts (PSC's).

The PSC's are located in Shanxi province in the Ordos Basin and cover an area of over 3,700km². 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 PSC's are located and natural gas is seen as a key component of clean energy supply in China.

On Sino Gas's Tuban prospect, 9 wells have been drilled, the latest being TB-07 in November 2009. Extensive seismic and other subsurface studies have also been conducted. 3 wells have been fraced and tested with commercial flow rates achieved on the TB-02 well. 2.7Tcf of Contingent and Prospective gas resources (100% mid case figures) have been independently verified on the Tuban Prospect.

The statements of resources in this Release 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.

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