

## ASX ANNOUNCEMENT

23 January 2012

### **SUBSTANTIAL INCREASE IN GAS RESOURCES AND PROJECT VALUE CONFIRMED ON SINO GAS'S PSC'S**

- Independent resource evaluation by RISC doubles Sino Gas's project value to US\$2.3 billion;
- Project Reserves (2P) increase by 16% to 22 Bcf. 3P Reserves increase to 47 Bcf;
- Project Contingent Resources (mid case 100%) increase by 0.8 Tcf to 1.8 Tcf;
- Project Prospective Resources (mid case 100%) increase by 0.3 Tcf to 1.9 Tcf; and
- 2012 work program expected to deliver Reserves upgrades.

Sino Gas & Energy Holdings Ltd (Sino Gas, ASX:SEH) announces that it has achieved a significant upgrade in the independent resource evaluation and asset valuation on its Linxing and Sanjiaobei projects. This upgrade is based on full analysis of the drilling, seismic and testing program conducted in 2011 and updated development modeling reflecting the improved market conditions for gas in China.

Key results of the independent evaluation by leading oil and gas industry advisors RISC, under SPE PRMS, include<sup>1</sup>:

- Sino Gas's share of project NPV in developing the mid case Contingent and Prospective resources has increased 96% to US\$2.3 Billion (February 2011: US\$1.2 Billion);
- Expected monetary value (EMV or risked NPV) increasing 178% to US\$1.8 billion (February 2011: US\$664 million);
- 2C (100%) Contingent Resources up 79% to 1.8 Tcf (February 2011: 1.0 Tcf);
- Mid case (100%) Prospective Resources up 21% to 1.9 Tcf (February 2011: 1.5 Tcf); and
- Mid Case GIIP (Gas Initially in Place) (100%) up 21% to 11.9 Tcf (February 2011: 9.9 Tcf).

Sino Gas Executive Chairman, Gavin Harper, said that the significant upgrades reported today means that Sino Gas can confidently implement our strategy to move towards development of the gas from each project during 2012.

"There is a robust market demand for our gas as China continues the move from coal to cleaner energy. The successful 2011 exploration program supports our drive to bring both Linxing and Sanjiaobei gas to market.

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<sup>1</sup> Comprises Deep CBM Resources evaluated by RISC in January 2012 and February 2011 and Shallow CBM Resources evaluated in 2008 by NSAI. Changes in Resources in this announcement relate only to the Deep CBM Resources. Refer Resources Statements.

## **SUBSTANTIAL INCREASE IN GAS RESOURCES AND PROJECT VALUE CONFIRMED ON SINO'S PSC'S**

As we move into 2012, together with our Chinese partners, will continue the process towards securing development approvals and further defining the resource potential through additional wells, seismic and testing programs. We also intend to expand the Company's Pilots during 2012."

"Sino Gas has explored approximately 45% of the area of each PSC. The RISC evaluation of the Company's extensive 2011 seismic, well testing and well drilling program together with the consistent geological properties of the assessed area has led to much of the current reserve and resource upgrade.

The significant increase in project value has been driven by the increased resource base, refinements to the Company's development models and robust gas prices in China. The 178% increase in project risked value has arisen as Sino Gas continues to de-risk the development potential of the projects.

The ongoing work program in 2012 is expected to produce additional information on currently unexplored acreage on each block, as well as refining our understanding of the areas already assessed in this latest evaluation by RISC."

In early January 2012, Sino Gas announced that the China government had listed the Company's projects in the 12<sup>th</sup> Five-Year Plan for CBM and had embarked on gas price reform in China.

"The major upgrade to project resources and valuation and the China policy changes provide a very solid basis on which to move the projects to full commercial implementation", said Mr Harper.

### **2012 work program expected to deliver Reserves upgrades**

Sino Gas expects to build a significant Reserve position over the next few years as it implements its strategy to move towards development.

On the Sanjiaobei PSC, Sino Gas is targeting 200 Bcf (net to Sino Gas) Reserves under SPE PRMS as the Company completes the Chinese Reserve Report process and upgrades its Contingent Resources to Reserves. Further Reserves will continue to be built as the significant pool of Prospective Resources are upgraded to Reserves through 2013 and 2014.

On the Linxing PSC, Sino Gas has 819 Bcf (net to Sino Gas) of Contingent Resources (mid case). A similar process to that described above for Sanjiaobei is expected to drive significant Reserves upgrades on Linxing during 2013 and 2014.

The 2012 work program provides the basis for these upgrades and comprises:

- Further production from the Company's Pilot tests during 2012, generating cashflow for the Company;
- Additional wells and seismic to support preparation of Chinese Reserves Reports for both the deeper and shallow CBM resources on both projects; and
- Preparation of the Chinese Reserves Reports and preparation of the Overall Development Plans (ODP).

As previously advised, the Company is evaluating approaches from strategic farm-in partners and other funding opportunities that limit dilution for existing shareholders. Further announcements will be made as these initiatives are pursued.

## SUBSTANTIAL INCREASE IN GAS RESOURCES AND PROJECT VALUE CONFIRMED ON SINO'S PSC'S

### Independent Reserves & Resources on Linxing and Sanjiaobei PSCs

The independent Reserves and Resources evaluation was completed by RISC under SPE PRMS as at 31 December 2011. The Company's current Deep and Shallow CBM resources are as summarized below<sup>2</sup>:

Project (100%)	Best Estimate Gas In Place (GIP) (Bcf)	1P Reserves (Bcf)	2P Reserves (Bcf)	3P Reserves (Bcf)	2C (Mid Case) Contingent Resources (Bcf)	Mid Case Prospective (Bcf)	Total Reserves / Resources (Mid Case) (Bcf)
Linxing PSC	6,951	4	12	26	1,328	849	2,189
Sanjiaobei PSC	4,980	3	10	21	471	1,012	1,493
<b>Total Reserves / Resources</b>	<b>11,931</b>	<b>7</b>	<b>22</b>	<b>47</b>	<b>1,799</b>	<b>1,861</b>	<b>3,682</b>

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#### About Sino Gas & Energy Holdings Limited

Sino Gas & Energy Holdings Limited (ASX: SEH) is an Australian energy company focused on developing Chinese unconventional 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 3,000km<sup>2</sup>. 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 projects, 15 wells have been drilled, the latest being TB10 during December 2011. Extensive seismic and other subsurface studies have also been conducted. Multiple wells have been flow tested with commercial flow rates achieved on many of the wells, including significant commercial rates on its TB07, TB08, TB09 and TB04 wells. The gas flow rates in this release are estimated at 200 psi Flowing Tubing Head Pressure (THP) unless otherwise noted.

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 Pty Ltd and NSAI. 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.

Additional information on Sino Gas can be found at [www.sinogasenergy.com](http://www.sinogasenergy.com)

<sup>2</sup> Figures are 100% project for the Linxing and Sanjiaobei PSCs and mid case unless otherwise noted. Sino Gas's share of the Linxing PSC is 65% and 49% of the Sanjiaobei PSC following partner back-in. Deep CBM Resources evaluated in January 2012 by RISC, Shallow CBM Resources evaluated in 2008 by NSAI. Refer Resources Statements.

Project NPV's based on a mid case gas price of US\$7.64/Mscf (low case US\$6.29/Mscf, high case US\$8.99/Mscf). Lifting costs (opex + capex ~ US\$1.6/Mscf. Mid case Internal Rate of Return on both projects ~ 49%.