Stephen J Lyons
Managing Director
China Cell: +86 139 1148 1669
China Phone: +86 10 6530 9260
Email: slyons@sinogasenergy.com

Sino Gas & Energy Holdings Limited
ACN 124 242 422
Sino Gas & Energy Limited
ACN 115 316 599

China Office:
Suite 335, 3rd Floor, Office Tower A2
Lido Place, 6 Jiang Tai Road
Chaoyang District, Beijing, China 100004

Australian Office:
311-313 Hay Street
Subiaco, Western Australia

ASX ANNOUNCEMENT

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LINXING PSC EXTENSION AND POTENTIAL FUTURE COOPERATION ON ADDITIONAL UNCONVENTIONAL GAS OPPORTUNITIES IN CHINA

Highlights

- **Modification Agreement with CUCBM provides a two year extension of the exploration period on the Linxing PSC to August 2013**
- **Potential future cooperation on additional unconventional gas opportunities, including CBM and Shale Gas in China with CUCBM (50% owned by CNOOC)**
- **Increased focus with CUCBM on Linxing PSC shallow CBM resources**

Modification Agreement with CUCBM provides for a two year extension of the exploration period on the Linxing PSC to August 2013 & potential future cooperation on additional unconventional gas, including CBM and Shale Gas opportunities in China

Sino Gas & Energy Holdings Limited (Sino Gas; ASX: SEH) has signed a Modification Agreement to extend the exploration period on the Linxing Production Sharing Contract (PSC) for a further two years through to August 2013.

The Modification Agreement signed between Sino Gas and CUCBM, which is 50% owned by CNOOC, also serves to accelerate activity on the PSC's development area and, in addition, to increase focus on the PSC's shallow CBM resources.

Commenting on the Modification Agreement, Mr Wu Wei Feng, President of CUCBM, said that,

"CUCBM and Sino Gas have enjoyed a strong working relationship since early in 2006. CUCBM, which is now backed by the Chinese International oil-major, CNOOC, had recently announced a strong strategic focus on unconventional resources for its long-term growth.

Our Modification Agreement with Sino Gas opens up avenues for CUCBM and Sino Gas to cooperate on new coal bed methane, shale gas and other unconventional gas opportunities in the future", said Mr Wu.

Sino Gas's Managing Director, Mr Stephen Lyons, said that the new agreement represented another milestone as Sino Gas builds a significant gas business in one of China's most productive gas basins.

"The Modification Agreement is a key step that enables Sino Gas and CUCBM to focus on obtaining the Chinese Reserves Report, and renews the partners' commitment to appraise the shallow CBM resources on the PSC", said Mr Lyons.

The Modification Agreement will now be submitted by CUCBM to the Ministry of Commerce (MOFCOM) in China for formal approval.

Modification Agreement secures ~ 71.5% of Linxing PSC including most prospective development areas

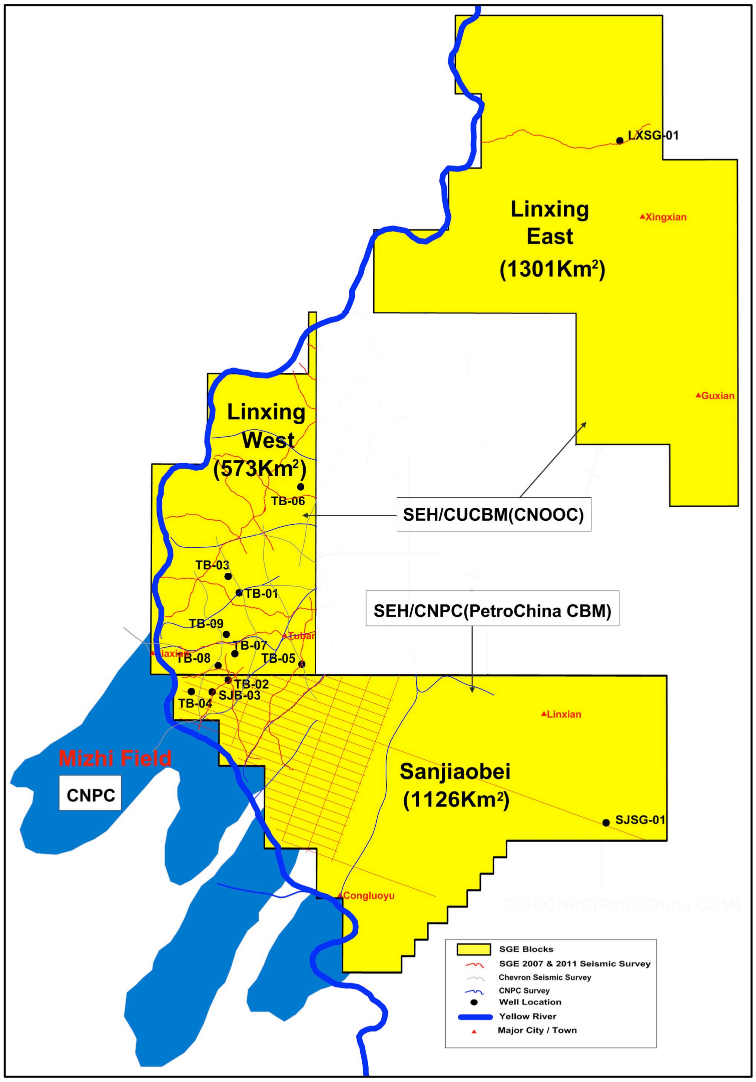

Figure 1 - Sino Gas's Linxing and Sanjiaobei PSC's (highlighted yellow) located in the Ordos Basin China. Well locations and seismic lines as shown

Sino Gas holds 100% and is operator of the Linxing and Sanjiaobei PSC's. The Company's interests decrease to 70% and 49% respectively in the development and production phases. These PSC's occupy over 3,000 km^2 in China's Ordos Basin, as shown in Figure 1.

As is standard under the PSC regime, Sino Gas is required to relinquish acreage as it moves to development.

The signing of the Modification Agreement, which relates only to the Linxing PSC has relinquished an area of 745 km^2 of largely unexplored and less prospective acreage in the centre of the PSC.

Sino Gas has retained 71.5% of the acreage equating to 1,874km^2 in two parts referenced as Linxing West and Linxing East.

In its key Linxing West Area, Sino Gas has mid case, 100%, 2P Reserves of 13 Bcf, mid case Contingent Resources of ~ 747 Bcf and mid case Prospective Resources of ~ 663 Bcf (after adjusting for the area that has been relinquished).

On the Sanjiaobei PSC, Sino Gas has mid case, 100%, 2P Reserves of 6 Bcf, mid case Contingent Resources of 158 Bcf and mid case Prospective Resources of 291 Bcf.

These figures are before updating the Reserves & Resources certification for the extensive 2011 work program which includes the:

- significant commercial gas flows currently being achieved;
- results from new wells as they are drilled and tested over the remainder of 2011;
- high density seismic program on the Sanjiaobei PSC which is expected to expand the potential reserves area from 70km^2 to more than 400km^2; and
- results from the increased focus on the shallow CBM Resources (refer below).

On the Linxing East Area, which will now be the subject of additional appraisal, the CBM resources had previously been assessed by Netherland Sewell & Associates in 2008 as containing 852 Bcf of Gas Initially in Place (GIIP) and 324 Bcf of Mid case Contingent and Prospective Resources (all mid case and 100% figures). These resources have not previously been included in Sino Gas's independent reserves and resources certification.

The increased focus on the Linxing East CBM Resources comes off the back of a base of robust and increasing gas prices and incentives in China and technological advancements both in China and internationally. In particular, as part of China's new 12th 5 year plan additional pipelines are being constructed in Shanxi Province in close proximity to the CBM Resources on Linxing East.

Linxing PSC moving towards Development

On Linxing West, Sino Gas recently announced the completion of the 1st phase of its 2011 well testing program which had delivered gas rates well in excess of its commerciality threshold, in particular a very commercial rate of 1,150,500 scf/day being achieved on its TB09 well.

In this area, Sino Gas is also working with CUCBM to agree a location for a new well to be drilled during 2011. The well is likely to be in close proximity to the TB06 Gas Discovery Well which recorded a strong gas flow in excess of 1,000,000 scf/day during recent testing.

The focus on the shallow CBM in Linxing East will be preceded with a detailed study involving CUCBM, Sino Gas and appropriate international experts. Depending on the results of the study it is likely that 1 or 2 CBM wells will be drilled in Linxing East in close proximity to the existing LXSG01 well.

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For more information, please contact:

Sino Gas & Energy
Stephen Lyons: Managing Director,
+86 139 1148 1669, +86 10 6530 9260,
slyons@sinogasenergy.com

Gavin Harper: Chairman,
gharper@sinogasenergy.com

Investor Relations - Australia
Ronn Bechler, + 61 400 009 774
ronn.bechler@marketeye.com.au

Investor Relations – Hong Kong
Anita Wan, +852 2217 2687
anita.wan@quamgroup.com

About Sino Gas & Energy Holdings Limited
Sino Gas & Energy Holdings Limited (ASX: SEH) is an Australian 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. 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, 10 wells have been drilled, the latest being TB-09 in Q4, 2010. 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 and TB09 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. All resource figures quoted are mid case - 100%.

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