

ASX ANNOUNCEMENT

24 October 2011

SUCCESSFUL CAPITAL RAISING AND SIGNIFICANT OPERATIONAL UPDATE

Sino Gas & Energy Holdings Limited (Sino Gas; ASX: SEH) today advises investors of significant developments in the Company's funding structure and operations.

Highlights

- **Successful Placement of A\$4 million and A\$2 million underwritten Share Purchase Plan to follow**
- **Multiple gas pay zones encountered on SJB1 well**
- **15 fold increase in gas flow on TB04 well to ~1,087,000 scf/day following successful fracture stimulation**
- **Updated Reserves & Resources Report underway on Sanjiaobei PSC**
- **Strengthening Board of Directors continues**
- **Possible Strategic opportunities being reviewed - advisor appointed**
- **Suspension of existing SpringTree Funding Facility & repayment of all outstanding amounts**

A\$6 million Placement and SPP

Sino Gas has successfully secured A\$4 million by way of a Two Tranche Placement, in conjunction with an additional A\$2 million (minimum) to be raised from existing shareholders via an underwritten Share Purchase Plan (SPP).

The A\$6 million Placement at 4 cents per share will be in two tranches, with Tranche 1 being 90 million shares, raising A\$3.6 million to be settled and shares issued on 26 October 2011, and Tranche 2 of 10 million to be issued subject to shareholder approval at a meeting to be held in early December 2011.

In order to provide existing Sino Gas shareholders an opportunity to participate in this raising, Sino Gas intends to offer eligible shareholders who have acquired Sino Gas shares up to and including 21 October 2011 (Record Date) the opportunity to participate in the SPP. The SPP offer document will be distributed to shareholders on or about 28 October 2011.

The SPP will offer eligible shareholders the opportunity to subscribe for up to A\$15,000 each of shares at 4 cents per share. The SPP raising will be capped at A\$2 million, subject to the right of the Board to accept over subscriptions. The SPP is planned to be underwritten by Patersons

The majority of the shares were taken up by institutions in Australia and Hong Kong. Strong support was also received from sophisticated and professional investors based in Australia, Hong Kong and the United Kingdom.

Patersons Securities Limited (Patersons) acted as Lead Manager and Quam Securities Company (Hong Kong) acted as Asian Special Placing Agent to the Placement.

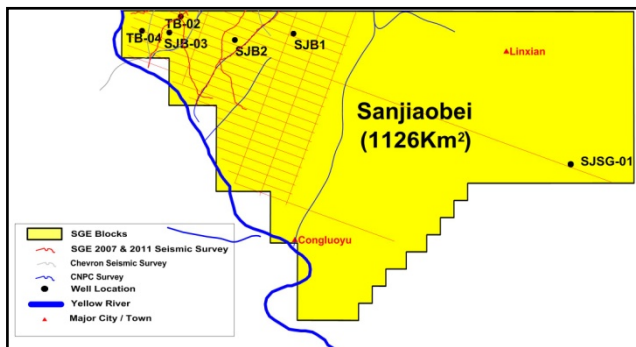
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The funds from the Placement and SPP will be used to continue to progress the Company's appraisal program, designed to expand reportable reserves and resources, and provide working capital.

"We are very pleased to have successfully raised new funds via the strongly supported capital raising during a period of volatile global financial markets. The Company continues its very active program of engaging with investors in Hong Kong and significantly broadening its overall shareholder base and it is pleasing to see ~ 34% of the new funds being placed through Hong Kong", said Mr Lyons.

Multiple gas pay zones encountered on SJB1 well

Following excellent drilling progress the SJB1 well reached total depth during the previous week and was then electronically logged with side wall core samples being taken.



The initial analysis of the logs has indicated the presence of 6 gas pay zones: 3 that Sino Gas had been targeting, and an additional 3 potential new gas pay zones. In particular, 3 pay zones have exhibited high porosity measurements suggesting the potential for encouraging gas flows.

Sino Gas expects to test one of the new gas pay zones later in October 2011.

Sino Gas has completed a 410.5km seismic acquisition program on the Sanjiaobei PSC. The data from this program and the SJB1 well which is ~ 13km from existing wells supports a significant

extension of the existing gas field to the East area on its Sanjiaobei PSC.

With production casing now in place, the Company can effectively conduct tests on the potential pay zones and put the well on to its pilot development program.

The Company will now move the rig from SJB1 to the new SJB2 well site.

The location of the SJB2 well has been selected based on the new seismic program to evaluate and confirm the potential extension to highly productive pay zones encountered elsewhere on Sino Gas's acreage.

15 fold increase in gas flow on TB04 well following successful fracture stimulation

Sino Gas has confirmed a 15 fold increase in productivity following the successful fracture stimulation of a previously untested upper pay zone on its TB04 gas discovery well.

The pay zone delivered a test rate of ~ 558,000 scf/day @ 235 psi Tubing Head Pressure and is now 'shut in' for a pressure build up test.

This brings the total gas flow rate achieved on the TB04 well to ~1,087,000 scf/day from both zones which represents a significant commercial gas flow on the Sanjiaobei Production Sharing Contract (PSC).

This gas pay zone, which is present in a number of Sino Gas's other wells, and the flow rates achieved have a potentially significant positive impact on the Company's resources and reserves. The successful test on this zone will convert resources previously considered Prospective Resources into Contingent Resources and Reserves.

Sino Gas is actively preparing to bring the substantial gas flow rate on TB04 into pilot production.

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Updated Reserves & Resources Report underway on Sanjiaobei PSC

Currently Sino Gas has 2P (100%) Reserves of 19 Bcf, 2C (100%) Contingent Resources of 905 Bcf and Mid Case Prospective Resources of 954 Bcf independently certified by consulting firm RISC Pty Ltd (RISC). In February 2011, RISC determined an independent “risked” valuation of \$US 664 million for the projects.

On the Sanjiaobei PSC, the new 410.5km seismic acquisition program, together with the new pay zones on the SJB1 gas discovery well and the substantial gas flow rates achieved on the TB04 gas discovery well, indicates the potential for a significant increase in the Company’s resource base.

RISC is now completing its work to quantify the impact of that seismic and the additional well work on the Sanjiaobei PSC with the report expected towards the end of this month.

Strengthening Board of Directors

Given the rapid pace of Sino Gas’s progress towards its development and production objectives, the Company has resolved to strengthen its Board with additional gas industry skills and expects to make a further announcement shortly.

Potential Strategic Opportunities being reviewed - advisor appointed

The Company advises that it has received and is reviewing expressions of interest in relation to a strategic interest in the Company, its substantial Chinese based asset position and development of the Company’s activities.

To assist the Company in this review it has appointed Merrill Lynch as financial advisor.

While the Company is presently engaging in, and from time to time will engage in, discussions with potential strategic partners and opportunities, there is no certainty that any arrangement(s) will be negotiated or finalised on particular terms, at a specific time, or at all. The Company will make further announcements in respect of any such discussions, negotiations or arrangements in accordance with its disclosure obligations if and when appropriate.

Suspension of existing SpringTree Funding Facility & repayment of all outstanding amounts

The raising has enabled Sino Gas to mutually agree with SpringTree a variation to the SpringTree Funding Facility that includes the postponement of any further drawdowns for 4 months. In addition ~ A\$ 1 million of the funds raised will be used to repay all outstanding amounts due to SpringTree, including the convertible note issued in April 2011.

As previously advised, the Company has the right to terminate the Facility at any time at minimal cost.

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 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 3,000km². 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, 11 wells have been drilled, the latest being SJB1 during October 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, 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. All resource figures quoted are mid case - 100%.

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