

# Monthly Operations Report

For the month ending 31 May 2013

## PHASED WORK PROGRAM PROGRESSING TO PLAN

### Operational Update

- ▶ First round of drilling substantially completed with a second round to commence shortly
- ▶ Nine rigs of ten rig program currently mobilised and frac testing underway
- ▶ Processing and interpretation of completed seismic data acquisition to be fast-tracked

Sino Gas continues to deliver on its 2013 work program, with the seismic program and first round of drilling moving towards completion. The Company remains on track to commence a second round of exploration drilling on Linxing and expand the well testing program currently underway on Sanjiaobei to Linxing in the third quarter.

Following the completion of the seismic data acquisition program, the processing and interpretation of the data will be fast-tracked by the contractors with initial results to be provided to the Operations team by the end of June.

Excellent drilling progress continues to be made on Sanjiaobei with a further three wells completed during the month, while two rigs mobilised from Linxing East commenced drilling.

Meanwhile the Operations team continues to make good progress on pilot program planning, with gathering system and compressor stations design underway and long lead items being sourced.

Two rigs are being mobilised from completed wells on Sanjiaobei to enable the commencement of deep exploration drilling on Linxing East and West in early June. Dewatering continues on six wells in Linxing East with a further four scheduled to begin dewatering from the end of the quarter.

Testing is underway on three of the first six wells on Sanjiaobei with frac fluid extraction and shut-in procedures continuing to achieve stable flow rates. Testing teams will test over 30 zones this year to gather single well outputs for initial computation of reserves under the Chinese Reserve Report (CRR) methodology.

Sino Gas' Managing Director & CEO, Robert Bearden, said he was extremely satisfied with the progress achieved by the Operations team in the first half of the year "The 2013 Phased Work Program is well underway. The seismic phase was finished first to minimise interference from the drilling program with the sound data gathering of the seismic program, and this was completed during May. The concentrated ten drilling rig program phase began ramping up in March, in order to complete the majority of the drilling operations prior to the rainy season which begins in late July to early August. The well testing program for 2013 is being conducted in a batch phase method as this is the most cost effective manner, and the three separate well testing crews began their work in mid-May and will finish by late November. Please note the well testing equipment is not as hampered by the rainy and the cold weather which will occur in the Third and Fourth Quarters of the year. The 2013 Work Program is progressing in stages, as planned, and on schedule." Bearden added.

### Corporate Update

During May 2,000,000 unlisted options with an exercise price of \$0.0793 and expiry date of 25 November 2013 were exercised raising funds of \$158,600.

The Company's 2013 Annual General Meeting was held in Perth on the Thursday, 23 May 2013.

### HIGHLIGHTS

- ▶ 2013 work programs progressing successfully to plan. Ten rigs to be utilised to complete the expanded 32 well drilling program.
- ▶ Data acquisition of 2013 seismic work program completed.
- ▶ Linxing West – Second round of exploration drilling commencing in June.
- ▶ Linxing East - Dewatering program continues on six wells, with the remaining four wells to commence dewatering mid-year. Further exploration drilling commenced early June.
- ▶ Sanjiaobei – Five rigs are currently drilling with three additional wells completed drilling in May. Perforation and fracking of the first three wells has been completed with the next three scheduled to commence in early June.



## LINXING WEST (SINO GAS 31.7%<sup>1</sup>)

### Seismic

Seismic teams completed data acquisition during May of the final 300km of the 650km seismic program planned for 2013 on Linxing West. Data has been provided to contractors for processing and interpretation, with initial results expected to be provided to the Operations team by the end of June. The aim of the program is to enable further resource assessment on Linxing West and support the drilling and flow testing results required for a separate Chinese Reserve Report (CRR).

### Drilling

A rig is being mobilised to commence a second round of exploration drilling on Linxing West. TB-13 is expected to commence drilling in the northern portion of the block during June, after which the drilling rig will be moved to the centrally located TB-14.

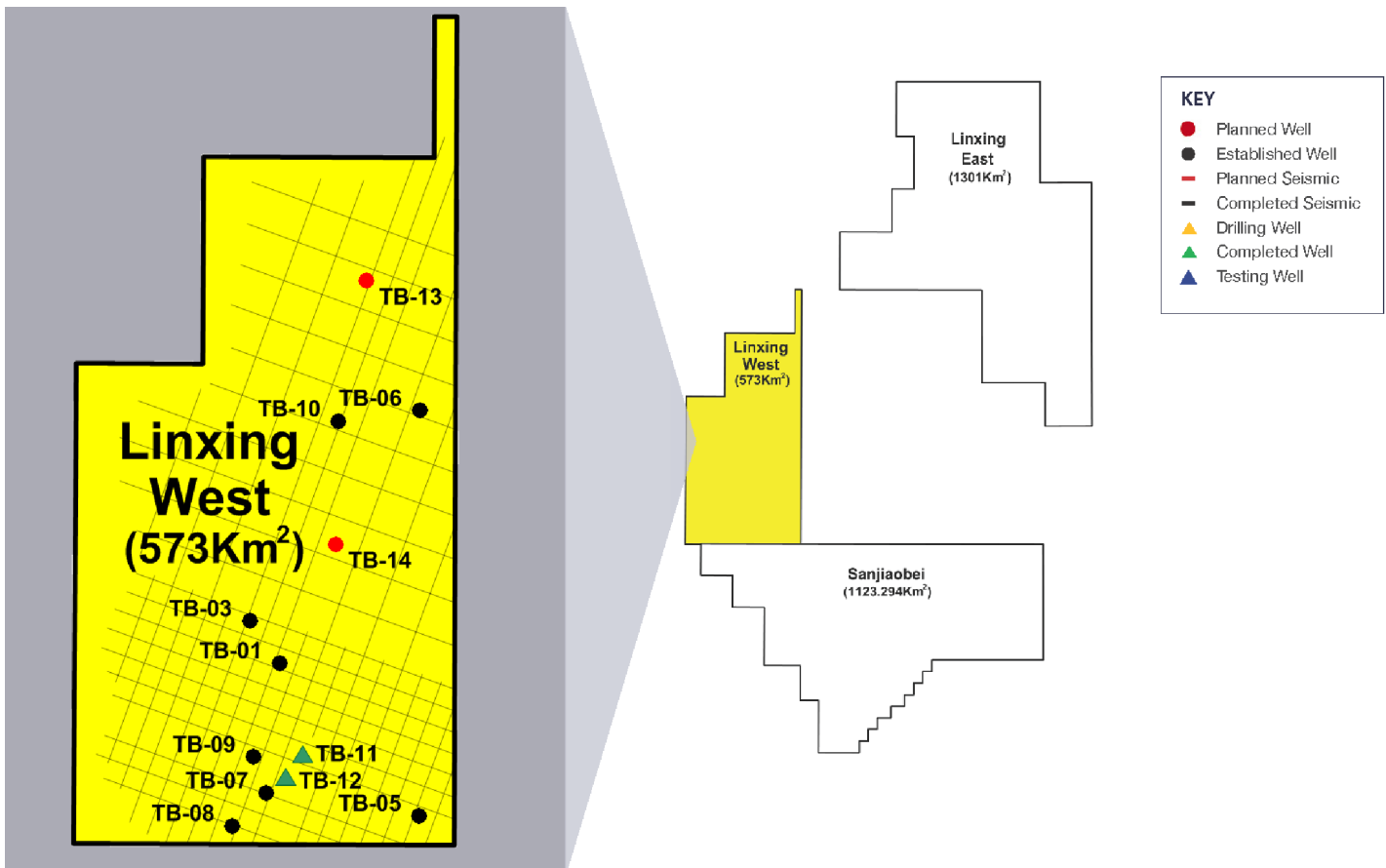
Preparations are underway for the commencement of drilling on an additional horizontal well scheduled to begin mid-year.

### Testing

Planning for the batch flow testing program continues on Linxing West and has been rescheduled to commence early in the third quarter. This will enable continuous batch flow testing of drilled wells from the 2012 and 2013 work programs before year end.

WELL	STATUS	RESULTS*	FORWARD OPERATIONS
<b>2006 - 2011 Drilling Results</b>	8 wells completed	27.4m average pay Range 9.5m - 77.6m	7 wells tested to date 1 well scheduled for testing
<b>2012 Drilling Results</b>	TB-11 completed	16 pay intervals 69.3m total pay	Flow testing
<b>TB-12</b> Spud 01/03/2013	Drilling complete	8 pay intervals 29.9m total pay	Flow testing

\*Results are based on initial mud and electronic wire line logs.





## LINXING EAST (SINO GAS 31.7%<sup>1</sup>)

### Seismic

The potential for further seismic work on the block will be determined following the analysis of a combination of drilling results from the exploration wells planned for mid-2013 and previous seismic analysis.

### Drilling

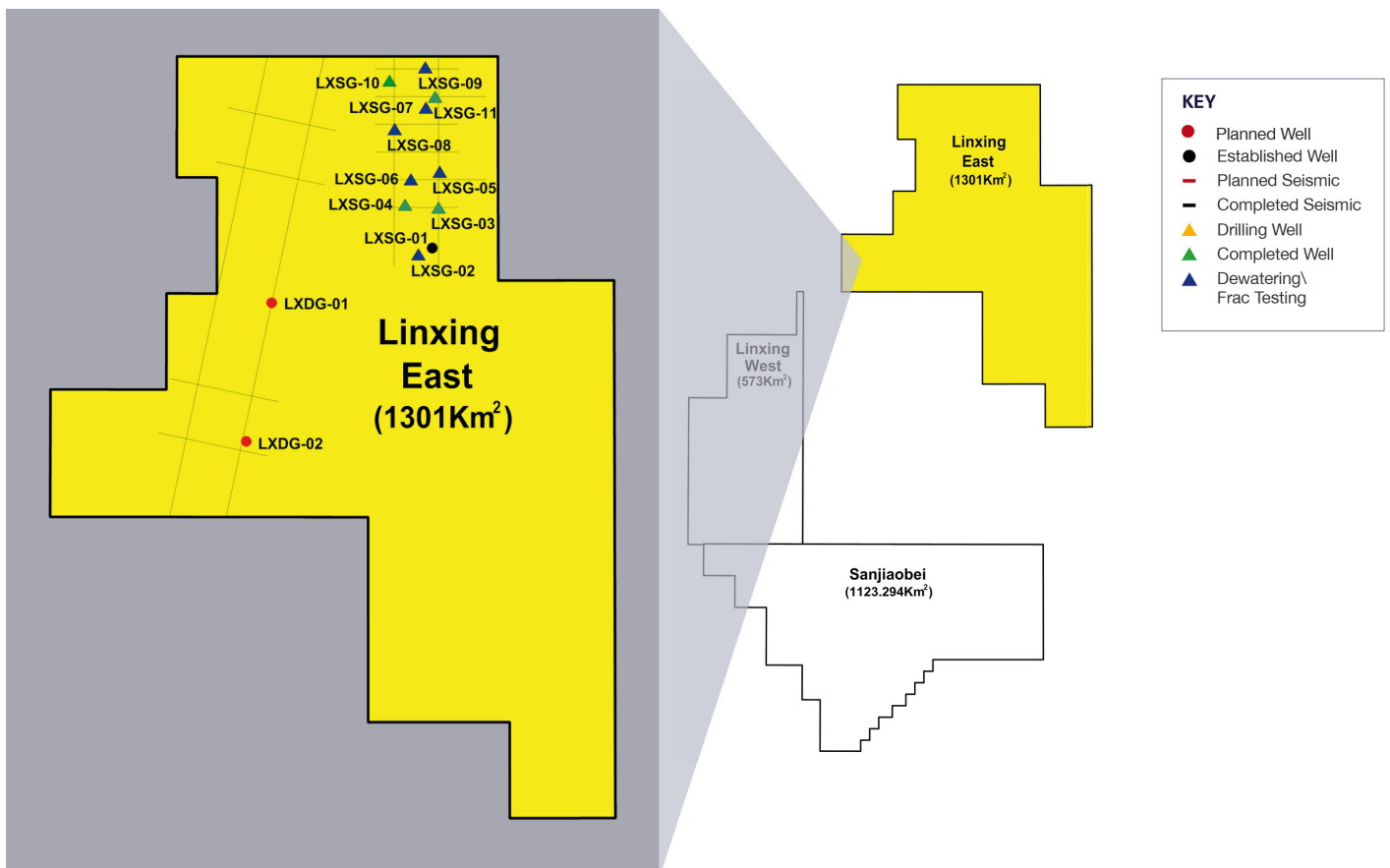
A second rig is being mobilised to commence deep exploration drilling on the southwest portion of Linxing East. The initial program consists of two deep wells which are correlated to existing seismic lines in the area. LXDG-01 commenced drilling early June, and will be mobilised to LXDG-02 further to the south once drilling is completed.

### Testing

The dewatering program continues on six wells and gas to surface has been reported on the first four of the wells dewatered to date. The remaining four wells are scheduled to commence dewatering from the end of the quarter. Flow rate data for Chinese Reserve Reporting (CRR) purposes is expected to be available in the coming months and will be incorporated into the CRR submission, expected Q3 2013.

WELL	STATUS	RESULTS*	FORWARD OPERATIONS
<b>2006 - 2011 Drilling Results</b>	1 well completed	16 pay intervals 16.8m total pay	TBD
<b>2012 Drilling Results</b>	8 wells completed	30.1m average pay Range 22.8m - 36.0m	Flow testing
<b>LXSG-11</b> Spud 23/03/2013	Drilling complete	12 pay intervals 28.0m total pay	Flow testing
<b>LXSG-10</b> Spud 26/03/2013	Drilling complete	11 pay intervals 24.5m total pay	Flow testing

\*Results are based on initial mud and electronic wire line logs.





## SANJIAOBEI (SINO GAS 24%<sup>1</sup>)

### Seismic

Processing and interpretation of the 585km of seismic lines acquired on Sanjiaobei will be fast-tracked with the contractors expecting initial results to be provided to the Operations team by the end of June. Seismic acquired on the eastern portion of the block will be used to further define the previously underexplored resource potential, with the results to be incorporated into further independent resource assessments and well planning.

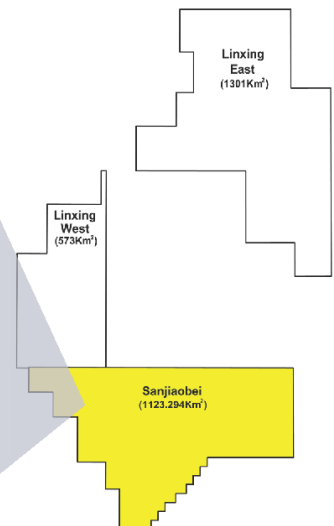
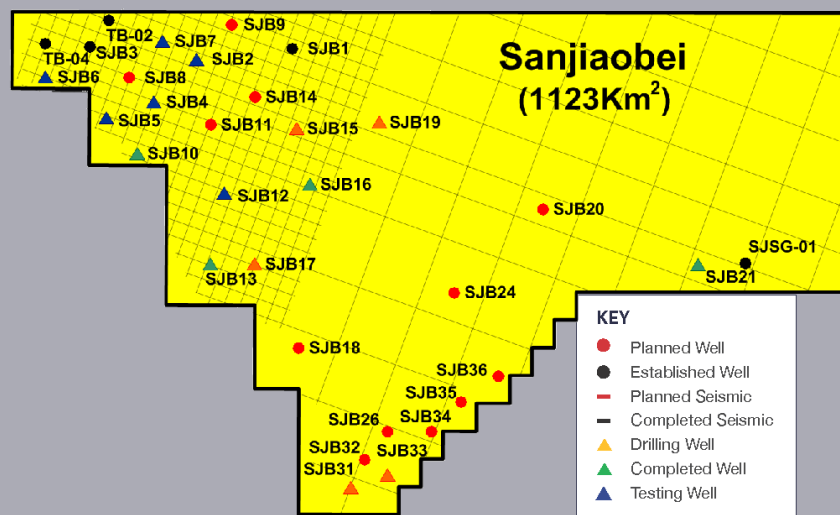
### Drilling

Drilling has been completed on a further three wells, bringing the total number of wells completed so far this year on Sanjiaobei to six. Another two rigs had commenced drilling SJB31 and SJB33 by month end. Completed wells SJB13 and SJB16, which are located towards the western edge of the completed seismic grid, identified approximately 15 metres of total pay per well, which is within the range of total pay identified in existing gas discovery wells.

### Testing

During May, frac testing teams perforated and fraced the first three wells of the program. At month end, frac fluid extraction and shut-in procedures were continuing to achieve stable flow rates. A further three wells are planned to commence testing operations in early June. These tests are designed to provide steady long-term flow rate results for Chinese Reserve Reporting purposes.

WELL	STATUS	RESULTS*	FORWARD OPERATIONS
<b>2006 - 2011 Drilling Results</b>	5 wells completed	29.5m average pay Range 11.6m - 46.7m	4 wells tested to date 2 wells scheduled for testing
<b>2012 Drilling Results</b>	3 wells completed	30.9m average pay Range 23.4m - 45.2m	Flow testing
<b>SJB12</b> Spud 01/03/2013	Drilling complete	6 pay intervals 14.2m total pay	Flow testing
<b>SJB7</b> Spud 23/03/2013	Drilling complete	8 pay intervals 26.7m total pay	Flow testing
<b>SJB21</b> Spud 09/04/2013	Drilling complete	11 pay intervals 24.2m total pay	Flow testing
<b>SJB13</b> Spud 22/04/2013	Drilling complete	7 intervals 14.9m total pay	Flow testing
<b>SJB16</b> Spud 22/04/2013	Drilling complete	5 intervals 15.1m total pay	Flow testing
<b>SJB10</b> Spud 26/04/2013	Drilling complete	-	Wireline log interpretation
<b>SJB15</b> Spud 03/04/2013	Drilling	-	Drill to total depth
<b>SJB17</b> Spud 15/04/2013	Drilling	-	Drill to total depth
<b>SJB19</b> Spud 18/04/2013	Drilling	-	Drill to total depth
<b>SJB31</b> Spud 21/05/2013	Drilling	-	Drill to total depth
<b>SJB33</b> Spud 31/05/2013	Drilling	-	Drill to total depth



\*Results are based on initial mud and electronic wire line logs.



## 1 ABOUT SINO GAS & ENERGY HOLDINGS LIMITED

Sino Gas & Energy Holdings Limited ("Sino Gas" ASX: SEH) is an Australian energy company focused on developing Chinese unconventional gas assets. Sino Gas holds a 49% interest in Sino Gas & Energy Limited ("SGE") through a strategic partnership completed with MIE Holdings Corporation ("MIE" SEHK: 1555) in July 2012. SGE has been established in Beijing since 2006 and is the operator of the Linxing and Sanjiaobei Production Sharing Contracts (PSCs) in the Ordos Basin, Shanxi province.

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.

The PSCs are located in the Ordos Basin and cover an area of approximately 3,000km<sup>2</sup>. 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.



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Our latest announcements and presentations  
can be found on our website:  
[www.sinogasenergy.com](http://www.sinogasenergy.com)

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## SINO GAS' RESERVES & RESOURCES

Project 100% Reserves & Resources are summarised below:

PROJECT (100%) RESERVES & RESOURCES (BCF)	BEST ESTIMATE GAS IN PLACE (GIP)	1P RESERVES	2P RESERVES	3P RESERVES	2C MID-CASE CONTINGENT RESOURCES	P50 MID-CASE PROSPECTIVE	TOTAL UNRISKED MID-CASE RESERVES/ RESOURCES
LINXING PSC	12,343	66	193	412	1,569	2,129	3,891
SANJIAOBEI PSC	5,684	46	134	287	654	1,047	1,835
<b>TOTAL 2013</b>	<b>18,027</b>	<b>112</b>	<b>327</b>	<b>699</b>	<b>2,223</b>	<b>3,176</b>	<b>5,726</b>
<b>TOTAL 2012</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>
<b>CHANGE</b>	<b>+51%</b>	<b>+1386% (2P)</b>			<b>+24%</b>	<b>+71%</b>	<b>+56%</b>

The Company's attributable net Reserves & Resources and Economic Evaluations are summarised below:

SINO GAS' ATTRIBUTABLE NET RESERVES & RESOURCES (BCF)	1P RESERVES	2P RESERVES	3P RESERVES	2C MID-CASE CONTINGENT RESOURCES	P50 MID-CASE PROSPECTIVE	TOTAL UNRISKED MID-CASE RESERVES/ RESOURCES	NPV <sub>10</sub> MID-CASE (US\$M)	EMV (US\$M)
<b>2013</b>								
LINXING PSC	21	61	130	494	638	1,193	1,307	1,078
SANJIAOBEI PSC	11	33	69	159	247	439	556	478
<b>TOTAL</b>	<b>32</b>	<b>94</b>	<b>199</b>	<b>653</b>	<b>885</b>	<b>1,632</b>	<b>1,863</b>	<b>1,556</b>

### RESOURCES STATEMENT & DISCLAIMER

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 (March 2013). 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. Project NPV<sub>10</sub> is based on a mid-case gas price of \$US 8.54/mscf, lifting costs (opex+capex) ~ US\$1.3/ msf mid-case. All resource figures quoted are unrisked 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.

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 SPEPRMS guidelines. Mr Stephenson has a M.Eng in Petroleum Engineering and 30 years of experience in the oil and gas industry. RISC consent 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.