

3 April 2018

Mr Dale Allen
Senior Adviser, Listing Compliance
ASX Compliance Pty Ltd
Level 40, Central Park
152 – 158 St Georges Terrace
Perth WA 6000

By email

Response to ASX Aware Letter

We refer to your letter dated 29 March 2018 entitled “Sino Gas & Energy Holdings Limited (“SEH”): aware query” (“ASX Aware Letter”) in relation to SEH’s announcement entitled “First Linxing ODP in-principle Approval & Operational Update” (“Announcement”).

SEH responds to each of your queries as follows.

1. Does SEH consider the Information within the Announcement to be information that a reasonable person would expect to have a material effect on the price or value of its securities?

No.

2. If the answer to question 1 is “no”, please advise the basis for that view.

SEH does not consider that the overdue gas sales accounts receivable at 31 December 2017 of US\$7.8 million (US\$3.8 million net to Sino Gas), or the US\$9.8 million (US\$4.8 million net to Sino Gas) of accounts receivable which became overdue in Q1 2018 to be information that a reasonable person would expect to have a material effect on the price or value of its securities. SEH notes that only US\$1.2 million (net to SEH) of the overdue gas sales receivable owing to SGE as at 31 December 2017 was more than 60 days overdue at 31 December 2017.

As disclosed in the Announcement, Sino Gas & Energy Limited (“SGE”) is working closely with its SOE partner China United Coalbed Methane (“CUCBM”) to finalise the development phase cost allocation principles which are required to determine the correct distribution of natural gas proceeds. There has been no indication by CUCBM that the payments will not be made and, as noted in the Announcement, SEH “remains confident that these payments will be made” and that SGE “has received assurances from CUCBM to that effect”. That is, SEH considers that all outstanding payments will be made.

Production is continuing at Linxing in the ordinary course of business and, as noted in the Announcement, an existing Gas Sales Agreement was extended at the end of March 2018 for one year at an increased price. Additionally, the 2018 work program has been approved by CUCBM and includes the expansion of processing capacity in Linxing to further increase production.

The accounts receivable as at 31 December 2017 were reviewed by both the Company's directors and auditors in preparing and auditing the Company's year-end financial statements and no provision was required to be made in the Company's 2017 annual report in respect of the same.

SEH is well funded and the overdue accounts receivable do not impact Company's ability to continue to fund its activities, as evidenced by the financial disclosures in the Company's 2017 annual report and finalisation of the Company's new five-year senior secured \$100m debt facility which was announced to the ASX on 23 January 2018. Additionally, SGE continues to receive payments in the ordinary course in respect of the Sanjiaobei PSC.

3. When did SEH first become aware of the Information?

While SEH first became aware of potential delays in gas sales receivables related to development phase cost allocation principles in late December 2017, which it did not consider to be material, the amount of such overdue gas sales receivables as at 31 December 2017 only became known to SEH, via its joint venture entity SGE, on 26 January 2018.

An initial estimate of the amount of overdue gas sales receivable as at 29 March 2018 was only known on 26 March 2018, which was finalised on 29 March 2018.

While the discussions relating to the development phase cost allocation principles remain confidential and incomplete and the Company did not consider the overdue gas sales accounts receivable to be information that a reasonable person would expect to have a material effect on the price or value of its securities for the reasons outlined in paragraph 2 above, it determined to draw the matters out in the Announcement in the interests of transparency and to avoid speculation as to the reason for the build-up of its accounts receivable in its 2017 annual report which was released on the same day as the Announcement.

4. If the answer to question 1 is "yes" and SEH first became aware of the Information before the relevant date, did SEH make any announcement prior to the relevant date which disclosed the Information? If so, please provide details. If not, please explain why the Information was not released to the market at an earlier time, commenting specifically on when you believe SEH was obliged to release the Information under Listing Rules 3.1 and 3.1A and what steps SEH took to ensure that the Information was released promptly and without delay.

Not applicable.

- 5. How much of the \$US7.8 million owing to SGE as at 31 December 2017 was more than 60 days overdue?**

US\$2.4 million (US\$1.2 million net to SEH) of the overdue gas sales receivable as at 31 December 2017 was more than 60 days overdue at 31 December 2017.

- 6. Please confirm that SEH is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.**

SEH confirms that it is in compliance with the Listing Rules, including Listing Rule 3.1.

- 7. Please confirm that SEH's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of SEH with delegated authority from the board to respond to ASX on disclosure matters.**

SEH confirms that the responses provided in this letter have been authorised and approved by the SEH board.

Yours faithfully

A handwritten signature in black ink, appearing to read 'H. Spindler', is positioned above the printed name and title of the signatory.

Harry Spindler
Company Secretary
Sino Gas & Energy Holdings Limited



29 March 2018

Mr Harry Spindler
Company Secretary
Sino Gas & Energy Holdings Limited
311-313 Hay Street
Subiaco WA 6008

By email: harry@indianoceangroup.com.au

Dear Mr Spindler

Sino Gas & Energy Holdings Limited ("SEH"): aware query

ASX Limited ("ASX") refers to the following:

- A. SEH's announcement entitled "*First Linxing ODP In-principle Approval & Operational Update*" lodged on the ASX Market Announcements Platform ("MAP") and released at 08:27:34 am AEDT on 29 March 2018 (the "Announcement"), disclosing in part:

"As part of the broader discussions noted above development phase cost allocation principles, which are required to determine the correct distribution of natural gas proceeds are yet to be finalised, resulting in overdue gas sales accounts receivable at 31 December 2017 of US\$7.8 million (US\$3.8 million net to Sino Gas), the majority of which was less than 60 days overdue. An additional US\$9.8 million (US\$4.8 million net to Sino Gas) of accounts receivable became overdue in Q1 2018. SGE is working closely with CUCBM to finalise the cost allocation principles and remains confident that these payments will be made. SGE has received assurances from CUCBM to that effect."

(the "Information")

- B. Trading in the Entity's securities on 29 March 2018, where the price of the Entity's securities opened at \$0.18 and reached an intraday low of \$0.135 trading on significantly higher volumes.
- C. Listing Rule 3.1, which requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities.
- D. The definition of "aware" in Chapter 19 of the Listing Rules, which states that:

"an entity becomes aware of information if, and as soon as, an officer of the entity (or, in the case of a trust, an officer of the responsible entity) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as an officer of that entity",

and section 4.4 in Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B “When does an entity become aware of information”*.

- E. Listing Rule 3.1A, which sets out exceptions from the requirement to make immediate disclosure, provided that each of the following are satisfied.

“3.1A Listing rule 3.1 does not apply to particular information while each of the following is satisfied in relation to the information:

3.1A.1 One or more of the following applies:

- It would be a breach of a law to disclose the information;*
- The information concerns an incomplete proposal or negotiation;*
- The information comprises matters of supposition or is insufficiently definite to warrant disclosure;*
- The information is generated for the internal management purposes of the entity; or*
- The information is a trade secret; and*

3.1A.2 The information is confidential and ASX has not formed the view that the information has ceased to be confidential; and

3.1A.3 A reasonable person would not expect the information to be disclosed.”

- F. ASX’s policy position on the concept of “confidentiality”, which is detailed in section 5.8 of Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*. In particular, the Guidance Note states that:

“Whether information has the quality of being confidential is a question of fact, not one of the intention or desire of the listed entity. Accordingly, even though an entity may consider information to be confidential and its disclosure to be a breach of confidence, if it is in fact disclosed by those who know it, then it ceases to be confidential information for the purposes of this rule.”

Having regard to the above, ASX asks SEH to respond separately to each of the following questions and requests for information:

1. Does SEH consider the Information within the Announcement to be information that a reasonable person would expect to have a material effect on the price or value of its securities?
2. If the answer to question 1 is “no”, please advise the basis for that view.
3. When did SEH first become aware of the Information?
4. If the answer to question 1 is “yes” and SEH first became aware of the Information before the relevant date, did SEH make any announcement prior to the relevant date which disclosed the Information? If so, please provide details. If not, please explain why the Information was not released to the market at an earlier time, commenting specifically on when you believe SEH was obliged to release the Information under Listing Rules 3.1 and 3.1A and what steps SEH took to ensure that the Information was released promptly and without delay.

5. How much of the \$US7.8 million owing to SGE as at 31 December 2017 was more than 60 days overdue?
6. Please confirm that SEH is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.
7. Please confirm that SEH's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of SEH with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under, and in accordance with, Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by not later than half an hour before the start of trading (i.e. before **6.30 a.m. AEST on Thursday, 5 April 2018**). If we do not have your response by then, ASX will have no choice but to consider suspending trading in SEH's securities under Listing Rule 17.3.

You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, SEH's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail at tradinghaltspert@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rules 3.1 and 3.1A

In responding to this letter, you should have regard to SEH's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*.

It should be noted that SEH's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in SEH's securities under Listing Rule 17.1.

If you wish a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We may require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely

[Sent electronically without signature]

Dale Allen

Senior Adviser, Listing Compliance