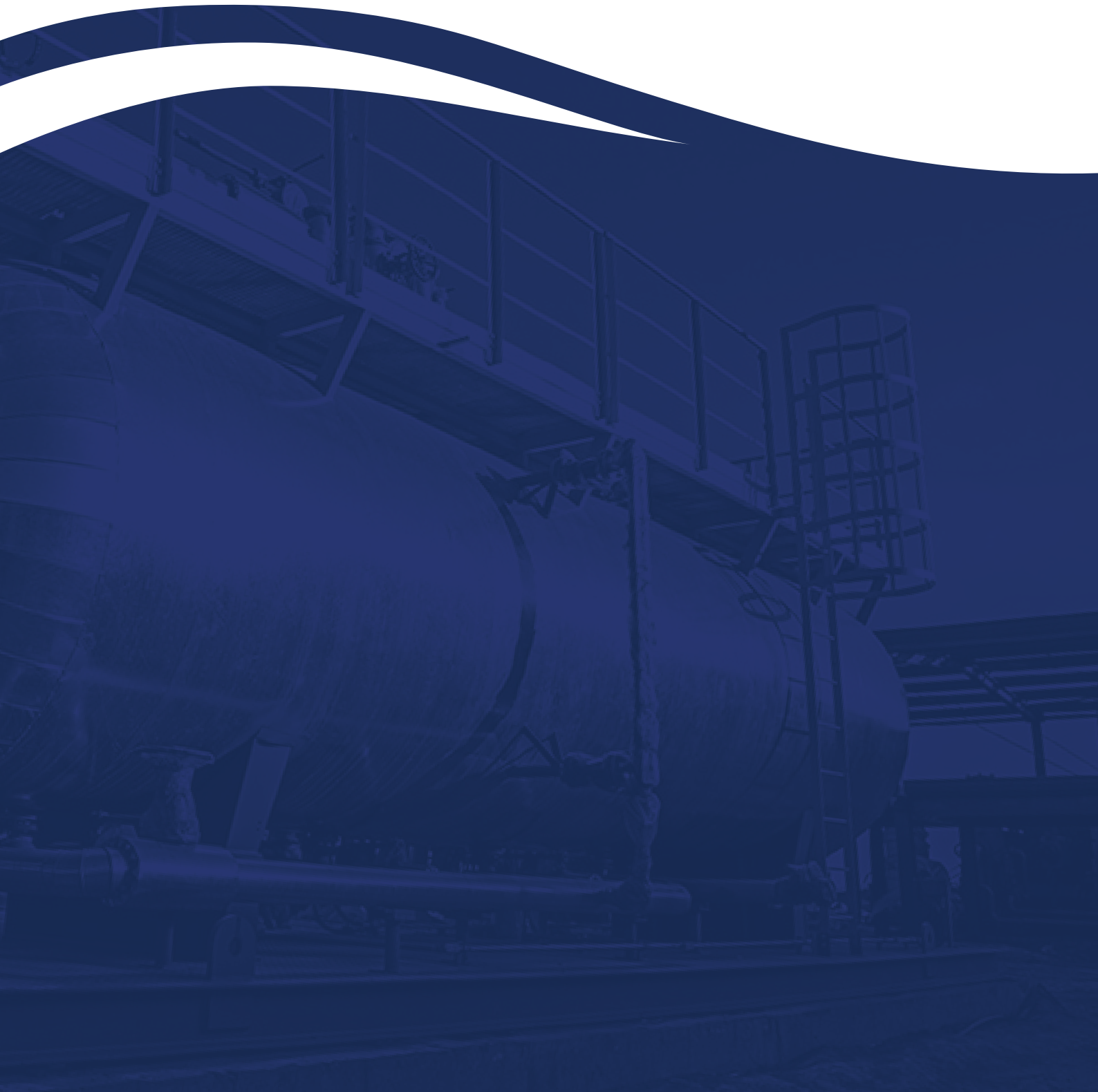


2014

Annual Report



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Building a better
energy future for China

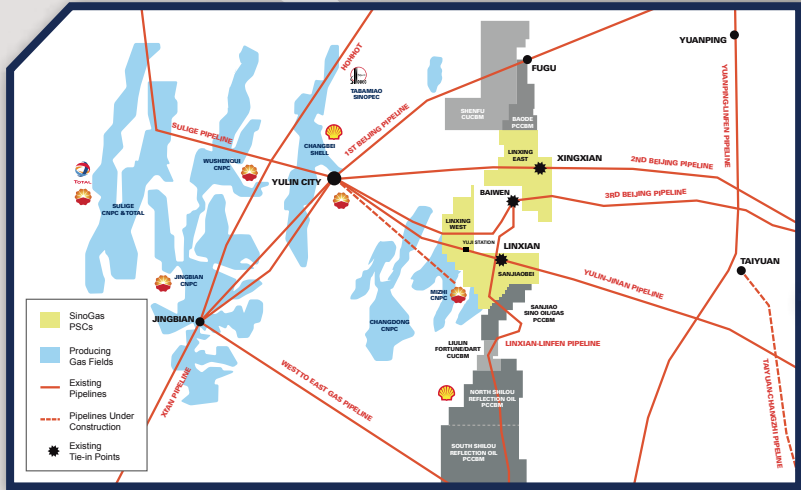
About Us

Sino Gas & Energy Holdings Limited (“Sino Gas” ASX: SEH) is an Australian energy company focused on developing unconventional gas assets in China. Sino Gas holds a 49% joint venture interest in Sino Gas & Energy Limited (“SGE”) through a strategic partnership with MIE Holdings Corporation (“MIE” SEHK: 1555). 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 has a 64.75% interest in the Linxing PSC, partnered with CUCBM, a subsidiary of CNOOC, and a 49% interest in the Sanjiaobei PSC, partnered with PetroChina CBM, a subsidiary of CNPC. 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 3,000km². 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 province in which Sino Gas’ PSCs are located and natural gas is seen as a key component of clean energy supply in China.



Chairmans Report



I am pleased to present to you the Company's 2014 Annual Report.

In 2014, Sino Gas and Energy Holdings Limited (Sino Gas) achieved the goals we set out at the beginning of the year, most notably, achieving first gas sales from our pilot production program. This is a major milestone for Sino Gas and is a great credit to all concerned. In addition, our drilling and testing program resulted in significantly increased reserves and demonstrated further improvement in flow rates. It was very pleasing that this was achieved with an outstanding safety and environmental performance by the operations team.

Evidence of our excellent operational results during the year can be seen in the updated independent reserve and resource assessment conducted by RISC. Project mid-case 2P Reserves (Proven and Probable) increased over 50% to over 1.6 trillion cubic feet, with Sino Gas' share at 448 billion cubic feet, as announced to the ASX on 3 March 2015. The continued upgrading of our resource base led to a 36% increase in RISC's independent economic valuation of the Company's share of the project's Expected Monetary Value (EMV) from US\$2.3 billion to US\$3.1 billion and most notably, 130% increase in the value of our reserves to US\$1.6 billion from US\$653m. Refer to Reserves and Resources Statement on page 19 for additional disclosure.

As we are all aware, the decline in oil price has had a major impact on share prices right across the global energy sector. Whilst our share price marginally weakened in 2014, we were among one of the best performing energy companies listed on the ASX and significantly outperformed the ASX Energy Index and the average of our mid-cap peers. We believe this is a direct result of our extremely fortunate macro position in China

with minimal direct exposure to oil prices, as well as our positive operational performance through the year.

As a Board, we continue to believe Sino Gas is ideally positioned as a low cost source of supply into one of the largest and fastest growing gas markets in the world. Government policy continues to be highly supportive of increasing natural gas' share of the energy mix and encouraging domestic production to meet this growing demand. Two events in 2014 are notable in this regard: firstly, the circa 20% increase in gas prices for existing demand in September 2014; and secondly the Energy Development Strategy Action Plan to 2020 targeting an increase in gas share of the energy mix from 5% to 10% by 2020 and the promotion of domestic supply.

In 2015, the company's key focus will be to continue to ramp-up gas production from the existing facilities and bring the larger Linxing facility on-line mid-year. At the end of 2015, we aim to be ramping up to installed capacity of 25 MMscf/d and be planning the next phase of production facility expansions. Chinese Reserve Reports have been submitted for Linxing West and Sanjiaobei and we aim to progress

the approval of these throughout the year. In parallel, we will commence work on preparing the Overall Development Plan submissions. We also plan to continue exploring the potential of our PSCs, including the southwest portion of Linxing East which showed positive results toward the end of 2014.

This is an exciting time for Sino Gas and the Board and Management team is looking forward to working on behalf of shareholders in the future. We would all like to thank you for your support during this last year and we hope that we can continue to earn your continued support and trust as we strive to grow the business in 2015.

Phil Bainbridge
Chairman
25 March 2015



Managing Director's Report



2014 marked an important inflection point for Sino Gas as a company, moving from a China gas exploration and appraisal company to a development and production company. This milestone placed us into a very select group of international energy companies producing gas commercially from unconventional reservoirs. While the commencement of pipeline pilot production was clearly the highlight of the year, other key achievements included our substantial increase in project reserves, improvement of testing results and the substantial flow rates achieved from our first two horizontals.

In the current oil price environment, we are extremely fortunate to be positioned in one of the largest and growing gas markets in the world with low cost assets in a robust pricing environment, supported by the Chinese Government's policy of increasing natural gas' share of the energy mix and encouraging domestic supply to meet this growing demand.

The 36 well drilling program and 40 well testing program was completed in December with a mix of exploration wells to further delineate the field and in-field development wells, including those to be tied into our first two central gathering stations for pilot production.

The Sanjiaobei central gathering station was completed and commissioned and substantial

progress has been made on the Linxing central gathering station and pipeline installation ahead of commissioning in mid-2015.

Testing operations in 2014 continued to show improvement over what we had achieved in 2013, mostly as a result of improved fracing and completion design, but also better well placement. We are now consistently getting flow-rates above 700mscf/d from testing of our pilot production wells, with some wells flowing in excess of 1 MMscf/d. While it remains early days from our pilot production, results to date have been very encouraging and production slightly better than expectations based on the previous testing results and we look forward to continuing to gather data on the longer term performance of the reservoir.

During the year, we also tested our 2 horizontal wells with both wells flowing at rates better than we had expected, TB-1H flowing at 4.9 MMscf/d and TB-2H at 3.7 MMscf/d. This is very encouraging for full-field development planning and how horizontal well technology can potentially play a role.

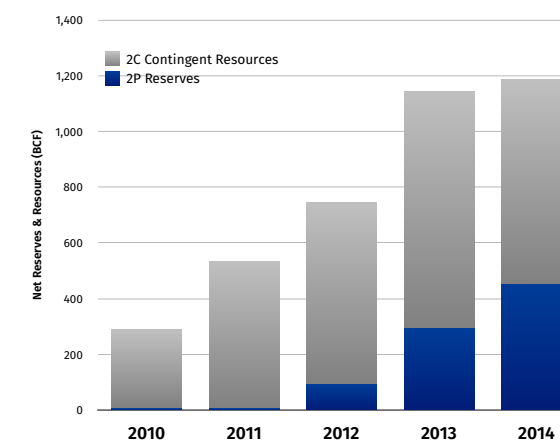
2015 program to deliver substantial production growth

In January 2015, the Strategic Partners (Sino Gas & MIE Holdings Corporation) approved a US\$90 million capital works program, building on the successes of 2014. The program is designed to bring the second central gathering station online mid-year and ramp up production from both facilities to the initial installed capacity of 25 million standard cubic feet (MMscf) per day by year end. In addition to drilling development wells that will be tied directly into one of the production facilities, there is additional seismic and exploration wells planned to further define the potential of fields. Funds have also been allocated to position the joint venture for further expansion of production capacity in 2016.

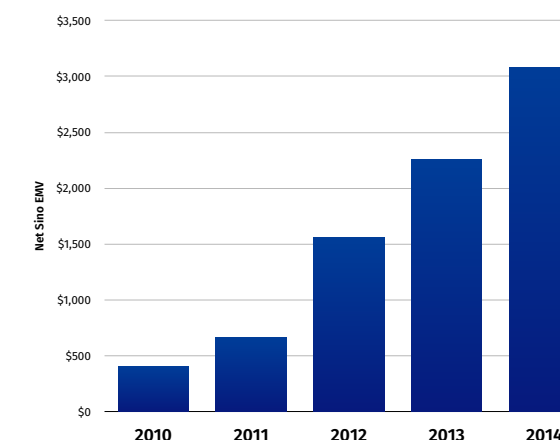
Approximately 400 km of the planned 606 km seismic has been collected and is being processed to select drilling locations for the exploration wells to be drilled in 2015. Field operations will recommence following the Chinese Spring Festival to complete the second central gathering station construction and tying in wells.

The debt facility provided by Macquarie Bank, combined with our cash at bank and expected revenue from the pilot program provides the necessary funding for SGEH's 49% share of SGE's capital budget.

Sino Gas' Net 2P + 2C Growth¹



Sino Gas' Net EMV²



¹ Refer to Reserves and Resources Statement on page 19 for additional disclosure.

² EMV is based on NPV10 with a mid-case gas price of US\$9.76/Mscf and lifting costs (opex+capex) of ~US\$1.3/Mscf for mid-case Reserves, Contingent & Prospective Resources.

2014 Highlights



First pipeline pilot production achieved from both PSCs in December

50%

>50% increase in 2P reserves and >130% increase in independent assessment of the EVM of our reserves to US\$1.5 billion



Well testing program delivers improved flow rates, with over 40 wells tested during the year, including our first two horizontals, both at substantial rates



Extensive drilling program completed with 36 wells drilled



CRR submission to PSC partners on Linxing West and Sanjiaobei, CRR approval on Linxing East

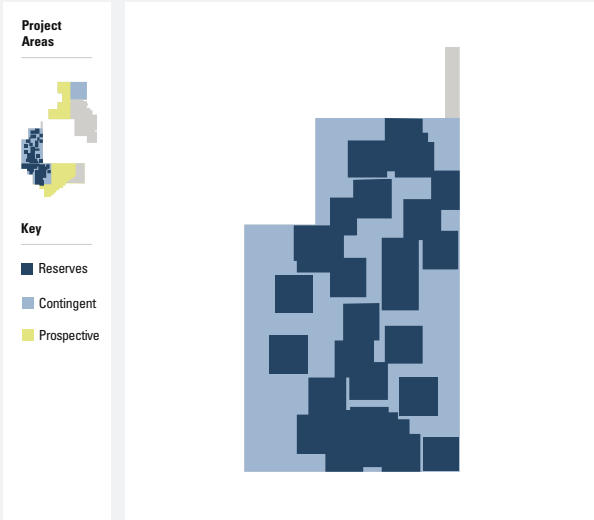


New Gas Sales agreements signed at ~\$9.50/mcf, a circa 35% improvement from the GSA signed in 2013



Debt facility from Macquarie Bank secured to fund our ongoing expansion

Linxing West Sino Gas 31.7%



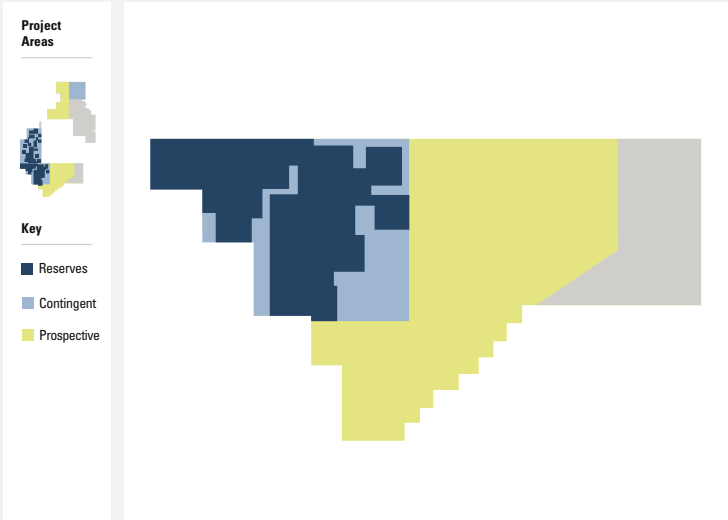
Construction on the Linxing Central Gathering Station continues to make very good progress and the facility is on-track to be commissioned in mid-2015 with a capacity of approximately 17 MMscf/day. Laying of the third-party spur line (capacity in excess of 100 MMscf/day) and infield gathering pipelines are approaching completion. This includes pipelines to connect the first horizontal well, TB-1H, to the pilot facilities. Land lease and surveying are underway to make way for the laying of gathering lines to the TB-26 area to the northwest portion of the block.

During 2015, a number of wells will be drilled and tied-in to the existing capacity under construction as well as the planned further expansion of capacity planned for late 2015/2016.

Following the extensive drilling program in 2014, the entire 573 km² of Linxing West is now considered by RISC to be in the Discovered Area, of which, 320 km² (56%) is sufficiently close to existing wells to be considered reserves.

During 2014, the Chinese Reserve Report was submitted to our PSC partner for internal review. Following our PSC partners' approval, the CRR will be submitted to MOLAR for final approval which we expect in the second half of 2015. Preparation work for submission of the Overall Development Plan will begin in 2015.

Sanjiaobei PSC Sino Gas 24%



The Sanjiaobei Central Gathering Station was commissioned during 2014 with gas from both Sanjiaobei and Linxing PSCs. Sixteen wells from both PSCs were initially tied in to the facility and production averaged approximately 4 MMscf/d to year end from a sub-set of these wells. Further expansions of production are expected with the commissioning of the second compressor/separator in 2015.

The northwest portion of the block has sufficient well coverage for 370 km² to be considered discovered. Of this, 320 km² (86%) is sufficiently close to existing wells to be considered reserves. A further 595 km² to the east of the discovered area is considered prospective with additional wells and well tests required to demonstrate mobile gas for it to be considered discovered.

Approximately 120km of additional seismic was acquired late 2014 with the aim of expanding the denser seismic grid further to the east of the block.

During 2014, the Chinese Reserve Report was submitted to our PSC partner for internal review. Following our PSC partner's approval, the CRR will be submitted to MOLAR for final approval which is expected in the second half of 2015. Preparation work for submission of the Overall Development Plan will begin in 2015.

Linxing East Sino Gas 31.7%



Two exploration wells were drilled in the south west portion of the block in 2014, including LXDG-03 which encountered 86.6m of net pay, including a 13m section of good quality gas bearing sands in a particularly prospective middle level pay zone. These wells are planned to be tested in 2015, along with drilling of up to five wells in this area to further delineate its potential.

Recently acquired 280km of 2D seismic which was originally planned for the 2015 work program on Linxing (East) was acquired in late 2014 in order to complete processing and interpretation prior to spring 2015 when the drilling window reopens.

The western portion of Linxing East has 334km² assessed as prospective for deep potential with 265km² discovered area for shallow CBM on the eastern portion of the block.

On the shallow CBM resources on the eastern portion of Linxing East, the Chinese Reserve Report was officially approved by the Ministry of Land & Resources (MOLAR). Preparation of the ODP has commenced and is expected to be submitted in 2015.

Reserves growth

RISC has completed its independent Reserves and Resource assessment incorporating results from the 2014 work program including 36 new wells and 40 new well tests (cumulative total 94 wells drilled and 84 tests). The 2014 assessment showed a significant derisking of our reserve and resource base with a >50% increase in mid-case project reserves, our first booking of producing, developed reserves and significantly greater certainty of reserve/resource estimates as shown by the decreased variance between the P90 and P10 estimates. The 2014 program resulted in significant resource maturation into reserves, with gross reserves for the project now estimated at over 1.6 tcf, up from 1 tcf at the end of 2013. Refer to Reserves and Resources Statement on page 19 for additional disclosure.

Production ramp up and progress towards full field development in 2015

Our priority in 2015 will be to unlock and maximize the value of our gas assets. With production growth as our immediate focus, we will be bringing on our second central gas gathering facility at Linxing and ramping production up towards total installed capacity of approximately 25 MMcf/d. Furthermore we will position for further production growth in 2016 with the installation of additional capacity, continued growth and maturation of our resource base through continued success with the drill-bit and continuing to progress our assets through key regulatory approvals.

Finally, it has been a pleasure to join Sino Gas and see the substantial progress made even during the short time of my tenure so far. I would like to thank everyone in the team for their hard work and also acknowledge the ongoing support of our PSC partners, local governments, communities and customers all of whom have made a significant contribution to the excellent progress made on the assets. I look forward to continuing to lead the company as we fully develop the potential of our Ordos Basin assets and increasing shareholder value.

Glenn

Glenn Corrie
Managing Director
25 March 2015

94 Cumulative total of wells drilled

84 TESTS Conducted across both PSCs to date

1.6¹ TCF Gross reserves now estimated at over 1.6 tcf

2015 PRIORITY Unlock and maximise the value of our gas assets.

1 – Refer to Reserves and Resources Statement on page 19 for additional disclosure.

Review of Operations

FINANCIAL PERFORMANCE

Operating Results for the Year

The Consolidated Entity made a profit for the year ended 31 December 2014 of \$832,832 (31 December 2013: loss of \$1,018,905). As at 31 December 2014, the Consolidated Entity had cash and cash equivalents of \$34,140,775 (31 December 2013: \$57,269,668) and net assets of \$102,212,271 (31 December 2013: \$99,074,418).

Dividends

No dividends were paid or declared by the Company during the year ended 31 December 2014. The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2014.

CORPORATE ACTIVITY

Occupational Health and Safety

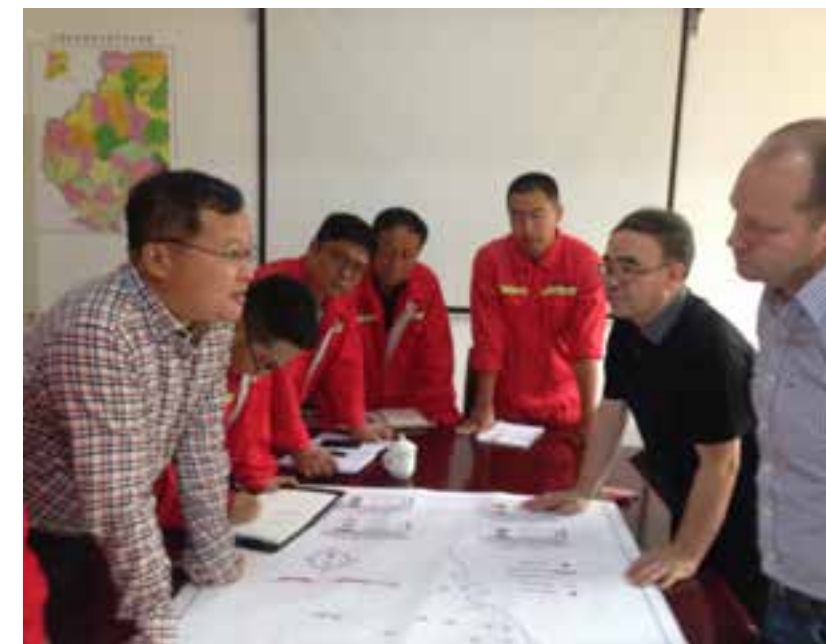
Sino Gas maintained its unblemished safety record for the twelve months to 31 December 2014. A total of 1,025,000 incident free man hours were recorded in 2014 (2,035,896 incident free man hours in 2013). This is an exceptional HSE performance as extensive exploration, appraisal and pilot production programs were executed across both PSCs.

Investor Relations & Transitioning Share Register

Sino Gas maintained the commitment to regularly meet with the investment community including existing and potential investors and analysts in Australia, Asia and Europe during 2014. The Company was involved in a number of international conferences in 2014 including: Deutsche Bank dbAccess China Conference, Euroz Rottneist, Mines & Money Hong Kong, ScotiaBank, UBS and Credit Suisse. Copies of the presentations given can be found on our website, www.sinogasenergy.com

The company held three site visits during the year which were attended by a number of analysts, major institutional investors and banks. These tours included visiting drilling pads, the Sanjiaobei and Linxing Central Gathering facilities, viewing the drilling and testing equipment operating on the PSCs and meeting with various stakeholders including the local community representatives and gas buyers.

The share register continues to evolve with now more than 50% of the shares held by institutional investors (50.6% at 31 December 2014), up from 37.6% at the end of 2013. Sino Gas was also added to the S&P/ASX 300 effective after the close of trading 21 March 2014 as a result of the company's growing market capitalization and liquidity. FIL Limited and associated entities, Commonwealth Bank of Australia and associated entities, and Kinetic Investment Partners Pty Ltd lodged notifications as substantial shareholders (holding 5% of issued share capital or higher) during 2014. Refer to Additional Securities Exchange Information on page 98 for additional information.



Capital Raisings

The company did not raise any capital through equity issuance in 2014 (2013: A\$63.8m before issue costs, including options exercised).

Macquarie Debt Facility

In August 2014, the Company executed facility documentation with Macquarie Bank Limited (Macquarie) for a structured term debt facility of up to US\$50 million. In early September 2014, the Company drew down the first US\$10 million of the facility as part of the terms and conditions of the arrangement.

Changes in Board of Directors & Senior Management

Mr. Robert Bearden announced his retirement as CEO and Managing Director of the Company on 24 March 2014.

Mr. Philip Bainbridge was appointed to the board as a Non-Executive Director on 14 April 2014, bringing his wealth of experience in the oil & gas industry, including over 30 years at BP and Oil Search in addition to serving on the Board of Directors at Drillsearch and the PNG Sustainable Development Program. Mr. Bainbridge succeeded Mr. Gavin Harper

as Non-Executive Chairman effective 29 August 2014 with Mr. Harper continuing his long service to Sino Gas as a non-executive director.

Mr. Frank Fu returned to Sino Gas on 1 June 2014 as the Chief Operating Officer having previously working with the company from 2010 to 2012. Mr. Fu brings extensive experience working in unconventional gas development in both China and the US, including over 14 years with Philips and ConocoPhillips as well as Leyshon Energy.

Mr. Glenn Corrie was appointed CEO of Sino Gas on 16 July 2014 and commenced on 15 August 2014 to lead the company through its next phase of growth. Mr. Corrie brings technical, commercial and capital markets experience having previously served as the Commercial and Business Development Director for Ophir Energy, Director of Temasek Holdings responsible for energy investments as well as a variety of technical and commercial roles in the upstream division of Royal Dutch Shell. As a result of the Board's confidence in Mr. Corrie's performance since joining, he was also appointed to the Board as Managing Director effective 1 January 2015.

OPERATIONAL PERFORMANCE

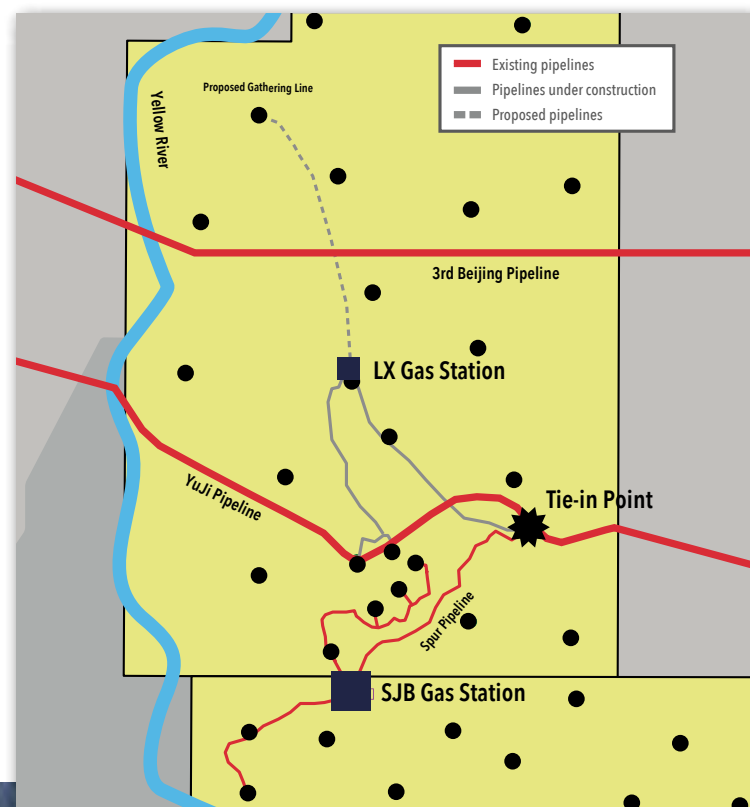
Pilot Program

On 1 December 2014, the Company announced a significant milestone of finalising gas sales arrangements for the pilot testing program and commencing gas sales from both blocks through the Sanjiaobei central gathering station.

Initial production commenced at approximately 3.5 million standard cubic feet (MMscf) per day and by the end of the quarter had stabilized above 4 MMscf/day. Production had been constrained to 7 of a pool of 16 wells at year end while preparations were underway to commission the second compressor to allow the additional wells to be progressively brought on-stream in early 2015.

Gas sales arrangements signed with a local Shanxi industrial and commercial customer increased the previously contracted price by over 30% to approximately US\$9.50 per thousand standard cubic feet, reflecting the national non-residential price increases set by the National Development & Reform Commission (NDRC) in September 2014.

Construction on the Linxing central gathering station continued to make very good progress and by year end the facility was on-track to be commissioned in mid-2015 with a capacity of ~17 MMscf/day, bringing the total pilot program capacity to ~25 MMscf/day. Major components had been delivered and assembling commenced. Laying of the third party spur line (capacity in excess of 100 MMscf/day) was near completion at year end 2014, whilst the infield gathering pipelines to the south (including the pipeline to connect the first horizontal well) were approaching completion. Meanwhile land lease discussions and surveying were underway to make way for the laying of gathering lines to the TB-26 area in the north/west portion of the block.





Linxing PSC, Ordos Basin Sino Gas 31.7%

Following the results of the 2014 drilling and seismic program, 100% of Linxing West (573km²) is considered discovered area (reserves or contingent resources assigned), up from 70% in 2013. On Linxing East, the deep gas prospective area has increased from 295km² in 2013 to 334km². The discovered area of the shallow CBM is unchanged at 265km². The reserve area of Linxing West is now 320km², up 85% over 2013 (173km²)

On Linxing West, 285km of seismic was acquired in late 2013/early 2014 and interpreted in 2014 for use in selecting additional drilling locations, use in CRR preparation and was provided to RISC for the updated reserves assessment. On Linxing East, 280km of seismic over the deeper potential of the south/west portion has been acquired. This had been originally planned for 2015 but was accelerated to the fourth quarter of 2014 in order to complete processing and interpretation prior to spring when the drilling window re-opens.

During 2014, up to eight drilling rigs were operating on the Linxing PSC drilling a mixture of exploration wells on the south/west portion of Linxing East, additional appraisal wells on the northern portion of Linxing West and development wells to tie into the pilot program on the southern portion of Linxing West.

Exploration & Appraisal drilling and testing

North/west portion of Linxing West: Very encouraging results from the exploration and appraisal of the north/west portion of Linxing West were received in 2014. In particular, TB-26 flowed at a measured rate of 1.2 million standard cubic feet (MMscf) per day from an unfractured lower zone. TB-23 flowed at measured rates of 2 MMscf/day from a middle level zone. This is the highest measured flow rate from a single fracture zone recorded to date. Nearby step-out wells to TB-26 and TB-23 have been drilled and encountered net pay of 33.2m and 17m respectively. These wells are planned to be tested in 2015.

Central-western portion of Linxing West: TB-27 was tested at 630 MMscf/day (calculated at standard field pressure of 200 psi) from co-mingled middle and middle-lower zones and TB-18 was tested at 291 MMscf/d from an upper zone.

South/west portion of Linxing East: Two exploration wells were drilled to further assess the significant underexplored deeper resource potential. LXDG-02 encountered 7.2m of net pay and LXDG-03 encountered 86.6m of net pay with a particularly prospective middle level pay zone identified with a 13 metre section of good quality gas bearing sand intersected. These wells are planned to be tested in 2015, with up to 5 additional wells to be drilled during the year to further delineate the deeper potential in this area of the block.

Eastern portion of Linxing East (Shallow CBM): On the shallow CBM resources of Linxing East, dewatering operations continued on 6 wells during the year.

A significant program of fracing and testing was carried out during the year across Linxing West in preparation for tying in production wells to the pilot program. In total, 30 tests were completed across the blocks. Results have been better than expected with recent testing producing flow rates from vertical & deviated wells in the range of 0.7-2 MMscf per day.

Horizontal well testing

Sino Gas drilled its second horizontal well and tested its first two horizontal wells in 2014. TB-1H had a nine stage fracture stimulation treatment in a five metre middle level zone in the south-western portion of Linxing West. The well flowed at 4.93 MMscf/day at a relatively stable flowing tubing head pressure of 2,008 psi (over 8 MMscf/day calculated at standard field pressure of 200 psi).

TB-2H was drilled in the northern area of Linxing West, over 25km from TB-1H. A seven-stage frac job was conducted in a 7.8 metre vertical pay zone. The test achieved a sustained flow rate of 3.7 MMscf/day at a relatively stable flowing tubing head pressure of 1,494psi (over 5.1 MMscf/day calculated at standard field pressure of 200 psi). A small volume of liquid condensate was recovered during the test.

Based on these encouraging results, a further 3 horizontal wells are planned on Linxing West in 2015.

Development drilling

A total of 19 development wells were drilled on Linxing West for tying into the initial central gathering facilities on Sanjiaobei and Linxing. Fourteen new and existing wells have been initially tied into the Sanjiaobei central gathering facility.

Regulatory Approvals

Sino Gas received official notification the Chinese Reserve Report submitted on Linxing East for the coalbed methane resources was approved by the Ministry of Land & Resources (MOLAR) in July 2014. Preparation for the Overall Plan of Development for this area has now commenced and is on schedule.

SGE has completed Chinese Reserve Report compilation in line with Chinese Reserve specifications on Linxing West and have been submitted to our Chinese PSC partners for internal review and approval before formal submission for approval by MOLAR in 2015.

Sanjiaobei PSC, Ordos Basin Sino Gas 24%

Following additional drilling and testing data in 2014, the discovered area of Sanjiaobei has increased from 289km² to 370km². Reserve area has increased from 206km² to 268km². Currently, 85% of the 1,123km² block is considered to be discovered or prospective (unchanged).

120km of additional 2D seismic has been acquired on the block in the fourth quarter of 2014 with the aim of expanding the denser seismic grid further to the east of the block. This data will be interpreted in 2015.





Exploration & Appraisal drilling

Two exploration wells were drilled on the block in 2014. These wells were drilled on the eastern edge of the fine seismic grid. Initial electric wireline results indicated that 12.7 and 4.9 metre of net pay was discovered during drilling at SJB-18 and SJB-25 respectively. These completed the drilling requirements for the submission of the Chinese Reserve Report on Sanjiaobei. Total wells drilled on the block is now 34.

Development drilling

Two pilot production wells were drilled during the year and are planned to be tested in 2015. Two existing wells were tied into the central gathering station.

Vertical well testing

Two long term tests were completed on SJB-14 and SJB-16 with both wells tested for over 2 months. These results were in-line with expectations and provided important information for CRR compilation.

A total of 10 well tests were conducted during the year.

Regulatory Approvals

Chinese Reserve Report compilation has been completed in line with Chinese Reserve specifications on Sanjiaobei and it has been submitted to our Chinese PSC partners for internal review and approval before formal submission for approval by MOLAR in 2015.

Joint Venture Funding

Sino Gas received its first cash call from Sino Gas & Energy Holdings Limited (SGE) in July 2014 since the creation of the Strategic Partnership with MIE in 2012.

Following completion of the US\$90 million funding commitment by MIE Holdings Corporation during the second quarter, SGEH was cashed called for US\$24.9 million in relation to qualifying PSC expenditure. In addition, SGEH contributed US\$640,750 to non-qualifying expenditure to the head office general and administration costs of SGE.

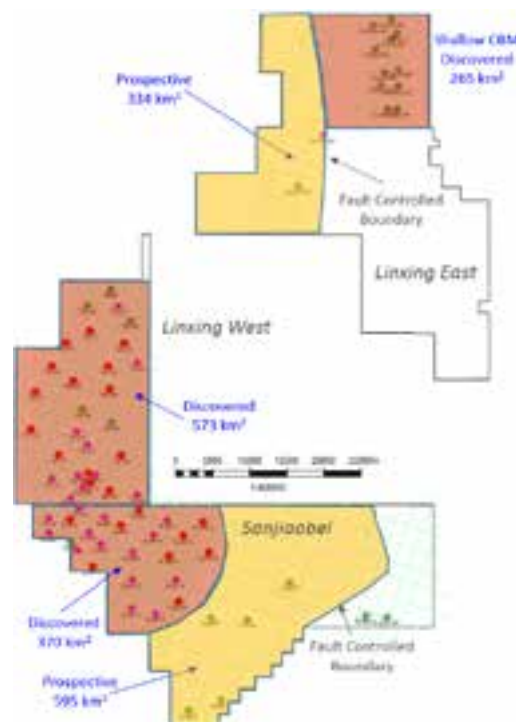
RESERVES AND RESOURCES STATEMENT

Overview

RISC conducted an independent Reserves and Resources assessment of the Company's unconventional gas assets relating to the Linxing and Sanjiaobei Production Sharing Contracts in Shanxi Province, People's Republic of China. The Reserves and Resources have been determined to Society of Petroleum Engineers (SPE) Petroleum Resource Management System (PRMS) standards using probabilistic estimation methods.

Results from the 36 wells drilled in 2014 (94 cumulative wells) and the interpretation of 285km of seismic lines (cumulative 2,220 km) were reviewed for the updated Reserves and Resources assessment as at 31 December 2014.

- The Linxing PSC is divided into Linxing West and Linxing East. The Linxing West resource area is now considered to be fully discovered with reserves and contingent resources assigned. The Linxing East Resource area is divided into a prospective area to the west of a major fault and a shallow CBM area east of the fault.
- Similarly the Sanjiaobei Resource area is divided into a discovered area in the northwest supported by well and well test data, and a prospective area to the south and east where mobile gas has yet to be demonstrated. A series of faults separate the prospective area from an area further east where the formations are shallow and no Resources assigned.
- The discovered areas contain Reserves and Contingent Resources. The prospective area contains Prospective Resources.
- The PSCs contain gas in both the coal seams and the sandstones which are vertically adjacent to and interbedded with the coals. The coals are largely too deep (800 to 2000m) for economic CBM development but gas resources are contained in the adjacent sandstone beds. The coals are shallower to the east of the fault in Linxing East and resources are being evaluated in a shallow CBM pilot.
- Since RISC's March 2013 resource evaluation, new wells have extended the Linxing West discovered area to the north and the Sanjiaobei discovered area to the south/east, increasing the total area 35% from 699 km² to 943 km².
- In 2014, Reserves were assigned to an additional 36 successful wells (72 cumulative wells) and the adjacent well spacings in the discovered areas, increasing the total reserves area by 55% to 588 km². Other Resources in the discovered area are classified as Contingent Resources - contingent upon further appraisal and firm development plans.
- Prospective Resources in Linxing have reduced due to prospective areas being drilled and reclassified to either Contingent Resources or Reserves. Also the total P50 resource has reduced due to improved log evaluation to estimate gas saturations and more detailed single well modelling to estimate gas recovery factors. However the additional wells have reduced uncertainty with increased P90 and a smaller range of P90 to P10 outcomes. Logs from the three deep gas wells in Linxing East indicate the wells to be gas bearing although successful testing is required to confirm mobile and economic gas rates.
- The shallow CBM pilot test in the north of Linxing East is producing gas at an average gas rate of 1,300 m³/d (44 Mscf/d) per well. Although development at this rate is not economic, RISC's modelling indicates that the gas rates should increase with continued de-watering. Contingent Resources have been estimated (contingent upon economic gas rates being demonstrated), however, the shallow CBM resources are not included in the evaluation due to uncertainty regarding commerciality.
- PSC expiry is 2028 for Linxing and 2033 for Sanjiaobei, although PSC extensions may be possible. The PSCs are currently in the exploration phase which has been extended several times. Extensions to the exploration phase do not affect the PSC expiry date.



The Company's attributable net unconventional gas Reserves and Resources in Shanxi Province, People's Republic of China are summarised below:

Sino Gas' Attributable Net Reserves & Resources						
	1P Reserves ² (Bcf)	2P Reserves ³ (Bcf)	3P Reserves ² (Bcf)	2C Contingent Resources (Bcf)	P50 Prospective Resources ¹ (Bcf)	EMV10 (US\$million)
31 December 2014	350	448	557	739	649	3,076
31 December 2013	129	291	480	850	1,023	2,258
Change (+/-)%		+54% (2P)		-13%	-37%	+36%

100% Total Project Reserves & Resources						
31 December 2014	1,238	1,608	2,022	2,560	2,568	N/A

Note 1: The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) related to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

Note 2: RISC has separately assessed the reserves and resources for each of the PSCs by probabilistic methods and added the resultant estimates arithmetically. RISC and Sino Gas caution that the aggregate 1P estimate may be conservative and the aggregate 3P estimate may be optimistic as a result of the portfolio effects of arithmetic addition.

Note 3: Reserves are largely undeveloped (less than 10 Bcf of 2P reserves are developed).

Sino Gas & Energy Limited's (SGE) 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. In the formation of the strategic partnership, MIE acquired 39 million ordinary shares in SGE from Sino Gas for a consideration of US\$10 million. In addition, MIE progressively invested a further US\$90 million of qualifying expenditure into SGE to secure an interest of 51% in the issued capital of SGE. Refer to Note 22 Interests in joint ventures of the notes to the consolidated financial statements for more information.

The reconciliation of the Company's attributable net unconventional gas Reserves and Resources in Shanxi Province, People's Republic of China from 2013 to 2014 is summarised below:

Reconciliation of Sino Gas' Attributable Net Reserves and Resources				
	1P Reserves (Bcf)	2P Reserves (Bcf)	3P Reserves# (Bcf)	2C Contingent Resources (Bcf)
31 December 2013	129	291	480	850
Revisions from drilling	221	157	77	(111)
Production	0	0	0	0
Acquisitions/(Divestment)	0	0	0	0
31 December 2014	350	448	557	739

Production to date is less than 1 Bcf and rounded down to zero in the table above.

The Company’s share of the success case development Net Present Value (NPV) and risk weighted EMV are summarised below:

Sino Gas' Attributable Economic Value	NPV10 Mid-case (US\$million)	EMV10 (US\$million)
Reserves	1,500	1,505
Contingent	911	822
Prospective	1,251	749
		<hr/> 3,076

EMV is based on NPV10 with a mid-case gas price of US\$9.76/Mscf and lifting costs (opex+capex) of ~US\$1.3/Mscf for mid-case Reserves, Contingent & Prospective Resources.

Reserves and Resources Methodology

The statements of Reserves and Resources in this annual report have been independently determined to Society of Petroleum Engineers (SPE) Petroleum Resource Management System (PRMS) standards by internationally recognized oil and gas consultants RISC (Announced 3 March 2015) using probabilistic estimation methods. 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. EMV is the probability weighted net present value (NPV), including the range of project NPVs and the risk of the project not progressing. All resource figures quoted are unrisks 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. Reserves & Resources are net of 4% in-field fuel for field compression and field operations. Reference point is defined to be at the field gate. No material changes have occurred in the assumptions and subsequent work program exploration and appraisal results have been in line with expectations.

Qualified Reserves and Resources Evaluator

Information on the Reserves and Resources in this annual report 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 SPE-PRMS guidelines. Mr Stephenson has a M.Eng in Petroleum Engineering and 30 years of experience in the oil and gas industry. Mr Stephenson is a member of the SPE and MIChemE and consents to the inclusion of this information in this release. RISC believes that the reserve and resource assessment fairly represents the available data.

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.

Reserves and Resources Governance

Exploration and appraisal data is prepared by third-party contractors before being reviewed and signed-off by the Operations team. Independent consultants RISC are engaged to prepare all publically released Reserves and Resources assessments to SPE PRMS standards. Under Sino Gas’ disclosure policies all statements of Reserves and Resources are approved by the Chairman and Managing Director prior to release. Public reporting of Reserves or Resources estimates are prepared in accordance with the requirements set out in Chapter 5 of the ASX Listing Rules and the Company’s continuous disclosure policy.





Director's Report



Your directors present their report on the consolidated entity (the "Company" or the "Group" or "Sino Gas") consisting of Sino Gas & Energy Holdings Limited and the entities it controlled at the end of, or during, the year ended 31 December 2014. Sino Gas is a company limited by shares that is incorporated and domiciled in Australia.

On 6 July 2012, Sino Gas & Energy Limited (SGE), which holds interests in the Linxing (64.75%) and Sanjiaobei (49%) Production Sharing Contracts (PSCs) was deconsolidated from the group accounts as a result of the completion of the strategic transaction with MIE Holdings Corporation (MIE).

(a) Directors

The following persons were directors of Sino Gas & Energy Holdings Limited during the financial year and up to the date of this report, unless otherwise indicated:

P Bainbridge (Chairman) - appointed Non-Executive Director on 14 April 2014 and as Chairman on 29 August 2014

G Harper (Non-Executive Director) transitioned from Chairman to Non-Executive Director on 29 August 2014

G Corrie (Managing Director) - appointed Managing Director on 1 January 2015

B Ridgeway (Non-Executive Director)

C Heseltine (Non-Executive Director)

R Bearden (former Managing Director & CEO) retired 20 June 2014

(b) Principal activities

The Company's principal continuing activities during the course of the financial year were exploring, appraising and producing onshore unconventional gas resources in China through its investment in Sino Gas & Energy Limited.

(c) Dividends

No dividends were paid or declared to members during the financial year (2013: Nil).

(d) Operating Results for the year

The Consolidated Entity made a profit for the year ended 31 December 2014 of \$832,832 (31 December 2013: loss of \$1,018,905). As at 31 December 2014, the Consolidated Entity had cash and cash equivalents of \$34,140,775 (2013: \$57,269,668) and net assets of \$102,212,271 (2013: \$99,074,418).

(e) Review of Operations

The review of operations of the Group is contained in the Chairman's and Managing Director's Reports on pages 3 and 5 respectively, and the Review of Operations on pages 9 to 18 of the Annual Report and forms part of this report.

(f) Significant changes in the state of affairs

In the opinion of the Directors, there were no significant changes in the state of affairs of the Group which have not been disclosed elsewhere in the Annual Report.

(g) Matters subsequent to the end of the financial year

Subsequent to year end the following key events have occurred:

- On 1 January 2015 Glenn Corrie was appointed to the Board of Sino Gas as Managing Director.
- On 24 January 2015 5 million unlisted options issued to Argonaut Securities in 2012 and subsequently approved by Shareholders on 30 May 2012 lapsed due to failure to meet the vesting conditions.
- On 3 March 2015, the Company announced the results of an independent Reserves and Resources assessment from RISC as at 31 December 2014. Refer to page 19 for a statement of the Reserves and Resources.

(h) Future Developments

Business strategy

Sino Gas's strategy is to maximise the value of its Ordos Basin projects in Shanxi Province, People's Republic of China through the safe and efficient execution of our agreed work programs in order to monetise the assets and increase shareholder value.

In 2015, the Company aims to deliver on this strategy by meeting the following objectives:

Corporate Focus – Commence pilot production through the Linxing Central Gathering Station and ramp-up of production across both PSCs, while continuing the long term planning for full field development. Position for further production growth in 2016.

Operational Focus – Expedite the approval of Chinese Reserve Reports through the regulatory process for Linxing (West) and Sanjiaobei. Continued growth of the resource base with an aggressive exploration and appraisal program.

Technology Focus - Maximise single well productivity through improvements in fracking techniques and use extended testing data from the pilot production programs to optimise full field development.

Financing Focus – Building upon current strong financing position and increasing cash flow from operations with the ramp-up of pilot production.

Shareholder Focus - Gain fuller recognition for the underlying value of the Company's assets by meeting operational and regulatory approval milestones, expanding the pilot production program and securing long-term funding arrangements.

Sino Gas aims to deliver value to shareholders whilst adhering to best international practice occupational health & safety standards in all our operations, operating in a sustainable and environmentally responsible manner, engaging the communities in which we operate and building the capabilities of the local workforce.

Material business risks

Management have identified the following business risks which have the potential to impact Sino Gas' operational and financial performance:

- Changes in the fiscal, tax and regulatory environment in the People's Republic of China and Australia.
- Regulatory approval processes impacting the Company's ability to fully develop the gas assets.
- Currency and commodity price fluctuations impacting the price received for the sale of gas.
- Actual future well production which varies from current estimates and forecasts impacting the total amount of gas sold.
- Implementation of work programs do not meet estimated schedules and budgets due to external factors such as availability of equipment and adverse weather.
- Inherent health, safety and environmental risks associated with field operations which are continually monitored and managed by the Company.

(i) Information on Directors & Company Secretary

The names, particulars, experience and qualifications of the Directors of the Company during the financial year and up to the date of this report are detailed below:

P Bainbridge Chairman

Bachelor of Science (Mechanical Engineering) Manchester University, United Kingdom

Experience and expertise

Philip joined the company as a Non-Executive Director on 14 April 2014 and transitioned into the role of Chairman on 29 August 2014.

Philip has previously spent 23 years with BP Group in a range of petroleum engineering, development, commercial and senior management roles in the UK, Australia and USA. More recently, he has spent six years with Oil Search Limited as Chief Operating Officer responsible for safety, operational and financial performance of all company assets in PNG and overseas, before moving to Executive General Manager LNG, responsible for all aspects of Oil Search's interests in the US\$19 billion PNG LNG project.

Other current directorships

Drillsearch Energy Limited (Non-Executive Director)

PNG Sustainable Development Program (Non-Executive Director)

Sino Gas & Energy Limited Director (appointed 26 September 2014)

Former directorships in last 3 years

None

Special responsibilities

Chair of the board

Member of Nomination & Remuneration Committee

Sino Gas & Energy Limited Director

Interests in Shares, Options and Performance Rights

926,200 Ordinary Shares

G Corrie**Managing Director**

MBA from University of Chicago, B Science Hons (Geophysics) from University of Adelaide, B App. Science from Queensland University of Technology

Experience and expertise

Glenn joined the Company as Chief Executive Officer on 15 August 2014.

Glenn previously held the position of Commercial and Business Development Director with Ophir Energy, responsible for all corporate development initiatives. Prior to joining Ophir, Mr Corrie was a Director with Temasek Holdings Ltd in Singapore, responsible for global energy investments. Between 1998 and 2010, he held a variety of Technical and Corporate Development leadership positions within the Upstream Division of the Royal Dutch Shell Group, including Strategy Manager for Shell Upstream International Asia.

He was appointed to the Board as Managing Director effective 1 January 2015.

Other current directorships

Sino Gas & Energy Limited Director (appointed 26 September 2014)

Former directorships in last 3 years

None

Special responsibilities

Sino Gas & Energy Limited Director

Interests in Shares, Options and Performance Rights

7,100,000 Performance Rights

G Harper**Non-Executive Director**

BA from University of Kent at Canterbury and Diploma in Business Administration from Strathclyde University, MAICD

Experience and expertise

Gavin has been involved with the Company since June 2006 in various capacities and was appointed as a director of the Company on 14 March 2008.

Gavin has more than 40 years' experience in the energy industry in a variety of leadership roles, primarily with Chevron Corporation for 25 years. He has broad experience of working in both operating and non-operating roles in complex joint ventures – in Asia, Australia and the UK. His most recent role with Chevron was as Managing Director of Chevron's gas business development company in Korea.

Gavin transitioned from Chairman to Non-Executive Director on 29 August 2014.

Other current directorships

Renewable Heat and Power Limited (Chairman)

Omega Resources Limited

Rampart Energy Limited (ASX:RTD) (Chairman)

Former directorships in last 3 years

NuEnergy Capital Limited from 23 April 2007 to 30 April 2011 (ASX: NGY)

Sino Gas & Energy Limited Director (resigned 26 September 2014)

Special responsibilities

Member of Nomination & Remuneration Committee and Audit & Compliance Committee

Interests in Shares, Options and Performance Rights

14,450,990 Ordinary Shares

B Ridgeway

Non-Executive Director

B. Bus (Accounting) from Monash University, ACA, AICD

Experience and expertise

Bernie incorporated Sino Gas & Energy (SGE) in 2005 and was a foundation shareholder and Director of Sino Gas responsible for initially recognizing the potential to develop a clean energy business in China. He has been instrumental in the formation and direction of Sino Gas and negotiated the original farm-in with Chevron in late 2005/early 2006.

He has been involved with a number of public and private companies for over 30 years as owner, director and manager in which he has gained extensive experience and expertise in finance, administration, marketing, mergers and acquisitions, corporate and business development.

Bernie is the Managing Director of Imdex Limited (ASX:IMD), a leading provider of drilling fluid products, advanced downhole instrumentation, data management solutions and geo-analytical services to mining, oil and gas, water well, and civil engineering industries worldwide.

Other current directorships

Imdex Limited since 23 May 2000 (ASX: IMD)

Former directorships in last 3 years

None

Special responsibilities

Chair of Audit & Compliance Committee

Member of Nomination & Remuneration Committee

Interests in Shares, Options and Performance Rights

11,455,000 Ordinary Shares

C Heseltine

Non-Executive Director

B. Bus

Experience and expertise

Colin had a forty year career with the Australian Department of Foreign Affairs and Trade (1969-2008), which included many postings in the Asian region and senior policy advisory positions in Australia.

Colin was appointed China Strategic Consultant to the Company on 22 July 2011 and both the board and China based management team have benefited from his extensive knowledge of doing business in the Asian region. Colin's expertise will be invaluable as the Company moves towards development of its Chinese gas assets.

Colin was appointed to the Board on 30 January 2012.

Other current directorships

Sino Gas & Energy Limited

Former directorships in last 3 years

None

Special responsibilities

Chair of Nomination & Remuneration Committee

Member of Audit & Compliance Committee

Sino Gas & Energy Limited Director

Interests in Shares, Options and Performance Rights

1,300,000 Ordinary Shares

2,000,000 Performance Rights

R Bearden

Managing Director & CEO (retired 20 June 2014)

Bachelor of Science degree from Texas A&M University (USA), Master of Engineering (Petroleum Engineering) from Tulane University (USA), a Master of Business Administration from Purdue University (USA) & International Masters of Management from the European School of Management in Paris (France).

Experience and expertise

Robert has 30 years' experience in the upstream petroleum industry, predominantly in the areas of field development and production operations at Chevron. His early career with Chevron included a variety of technical and operational roles, before moving onto various executive management roles including Senior Vice President Indonesia, General Manager Kazakhstan and Managing Director Mid-Africa. Since leaving Chevron, his most recent role has been as Operations Director for Addax Petroleum, a Sinopec subsidiary with substantial production operations in Africa and the Middle East.

Former directorships in last 3 years

Sino Gas & Energy Limited Non-Executive Director (retired 20 June 2014)

Special responsibilities

Chief Representative of Beijing Representative Office

Sino Gas & Energy Limited Director

H Spindler

Company Secretary

B. Bus, CA, A Fin

Experience and expertise

Harry has over 15 years' experience with Corporate Advisory and Recovery Firms. Harry is a member of the Institute of Chartered Accountants in Australia and a member of the Financial Services Institute of Australia. In 2008, Harry joined Indian Ocean Advisory Group who specialized in corporate advisory, growth and taxation matters. During his career, Harry has worked on high profile restructuring engagements in mining, technology and assists in advising a number of ASX listed mining companies.

Other current directorships

None

Former directorships in last 3 years

None

Interests in Shares, Options and Performance Rights

66,422 Ordinary Shares

(j) Directors' Shareholdings

The interests of Directors in the share capital of the Company as at the date of this report are detailed in section (i) of the Directors reports, pages 25 to 28.

(k) Directors' Meetings & Committee Meetings

The following table sets out the number of Directors' meetings held during the financial year and the number of meetings attended by each Director (while they were a Director or committee member) of the Company. During the financial year, 10 Board meetings were held.

	Meetings of Directors		Meetings of Audit & Compliance Committee		Meetings of Nomination & Remuneration Committee	
	Eligible to attend	Attended	Held	Attended	Held	Attended
P Bainbridge – Appointed 14 April 2014	7	7	-	-	1	1
G Harper	9	9	3	3	3	3
R Bearden – retired 20 June 2014	2	2	-	-	-	-
BW Ridgeway	9	9	3	3	3	3
C Heseltine	9	9	3	3	3	3

Members of the Audit and Nomination & Remuneration committees as at the date of this report are noted in the table below.

Audit Committee	Nomination and Remuneration Committee
B Ridgeway (Chair)	C Heseltine (Chair)
C Heseltine	P Bainbridge
G Harper	B Ridgeway
	G Harper

(l) Remuneration Report

The Directors are pleased to present your Company's remuneration report for the period up to 31 December 2014. The report sets out remuneration information for Sino Gas and Energy Holdings Limited's non-executive directors (NEDs), executive directors and other key management personnel.

The remuneration report is set out under the following main headings:

- 1) Overview of revised remuneration framework for 2014 onwards
- 2) Remuneration governance
- 3) Directors and key management personnel (KMP) disclosed in the report
- 4) Executive remuneration policy and framework
- 5) Relationship between remuneration and Company performance
- 6) Non-Executive Remuneration
- 7) Details of remuneration
- 8) Service agreements
- 9) Share-based payments
- 10) Shareholdings

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

1) Overview of revised remuneration framework for 2014 onwards

After consulting widely in the industry and benchmarking to other ASX listed energy companies, the Company has implemented a revised remuneration framework in 2014. In developing the framework, the Company recognizes that:

- Remuneration must be strongly linked to Company performance
- Remuneration must be competitive to enable the Company to attract and retain quality individuals who are capable and motivated to deliver results for shareholders
- Remuneration must be benchmarked to peers
- Remuneration must be transparent to shareholders

The revised framework comprises:

- Remuneration will be based on a fixed pay and benefits, a short-term incentive and a long-term incentive. The short-term incentive will be assessed annually based on key short term performance measures. The long-term incentive will be assessed over three years based on relative share price, share price and production performance which is a key value driver. Achieving a 50% payout of both short and long-term incentives will require delivery of challenging budgeted outcomes. Achieving a 100% payout will require delivery of an excellent performance.
- Payout of bonus will be by cash, shares or deferred shares depending on the seniority of the employee.
- Resignation will not result in a full payout of performance rights.
- Non-executive directors will receive a fixed fee with no additional consulting arrangements or share based schemes.

It is the Company's intent to move all directors and employees onto a common framework. However, due to some existing arrangements, there will be a transition period, which we anticipate to work through during 2015.

In addition, the Nominations and Remuneration Committee will continue to monitor the framework to ensure it remains competitive to the market and has the desired effect of driving company performance for shareholders.

2) Remuneration governance

The Nominations and Remuneration Committee has responsibility and oversight for making recommendations to the Board regarding remuneration for directors and employees.

The Committee has implemented changes to the remuneration framework in 2014, after consulting widely in the industry and benchmarking to other ASX listed energy companies.

It will continue to monitor the new framework against market benchmarks and ensure that the linkages between remuneration and company performance remain strong. In addition, it will seek to move all remuneration onto a consistent basis going forward as existing arrangements allow.

3) Directors and key management personnel (KMP) disclosed in the report

The following persons acted as directors during the financial year:

Mr P J Bainbridge	Chairman (Appointed Non-Executive Director 14 April 2014 and Chairman on 29 August 2014)
Mr G Harper	Non-Executive Director (Chairman to 29 August 2014)
Mr B Ridgeway	Non-Executive Director
Mr Colin Heseltine	Non-Executive Director
Mr R Bearden	Managing Director and CEO (Retired 20 June 2014)

For the purposes of this report "senior management" are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company. The following staff were considered to act as senior management during the reporting period:

Mr G Corrie	Chief Executive Officer (Commenced 15 August 2014)
Mr J Hodgson	Chief Financial Officer
Mr F Fu	Chief Operating Officer (Commenced 1 June 2014)
Mr H Spindler	Company Secretary

4) Executive remuneration policy and framework

The revised remuneration framework for employees comprises three levels of remuneration entitlement:

- fixed pay and benefits,
- short-term performance incentives (STI), and
- long-term incentives (LTI).

1. Fixed Pay and Benefits

Mr Glenn Corrie's fixed pay has been benchmarked to ASX listed peers and has been structured around the median level. Mr Corrie's base pay is US\$520,000 per annum (inclusive of superannuation) for the year ending 31 December 2014. On 1 January 2015, Mr Corrie's base pay was increased to US\$540,000 per annum. It is the intention of the board that Mr Corrie's base pay will be reviewed on an annual basis. Mr Corrie is eligible for usual expatriate benefits, comprising housing and utilities, medical insurance, schooling, Mandarin lessons, relocation expenses and annual flights to home base.

Mr Frank Fu's base pay is US\$450,000 per annum. Mr Fu is eligible for the provision of family medical insurance, schooling and local transportation. Mr Fu's base remuneration will be unchanged in 2015.

2. Short term incentive (STI)

Senior employees have the opportunity to increase their earnings through performance based STI payments. STI is awarded at the end of each financial year based on the performance for that year. STI is based on a percentage of Fixed Pay.

Mr Glenn Corrie has the opportunity to earn up to 80% of base salary. Mr Corrie can elect whether to take this payment as 100% deferred shares (1 year) or 50% in deferred shares and 50% in cash. In addition, Mr Corrie has the opportunity to earn an additional 70% STI of base salary in the event of a major transformational arrangement, subject to agreed performance hurdles. There were no transformational arrangements in 2014.

Mr Frank Fu has the opportunity to earn up to 50% of his base salary in STI. Half of this will be based on Company STI hurdles and half based on his individual performance hurdles set by the CEO and agreed by the Remuneration Committee.

The 2014 STI scheme was based on a number of factors comprising relationship management (30% weighting), production (20% weighting), corporate restructure (20% weighting), market interaction (20% weighting), Board and Management interaction (5% weighting) and entity risk management (5% weighting).

The Board approved a 68% payout against these hurdles based on the following assessments of performance:

- 80% for relationship management
- 70% for production
- 40% for corporate restructure
- 65% for market interaction
- 90% for Board and Management interaction
- 90% for entity risk management

As a result, the award for Mr Corrie's 2014 STI has been approved by the Board at 68% of the 80% base salary incentive (i.e. 54% of base salary) and the award for Mr Fu's 2015 STI has been approved by the Board at 64% of the 50% base salary incentive (i.e. 32% of base salary). These amounts have been prorated for tenure during 2014. Mr Corrie has elected to take his STI payment as 100% deferred shares.

It is the intention that the STI performance measures evolve in 2015 with the hurdles comprising safety (10% weighting), production (20% weighting), reserves and resource additions (20% weighting), CRR approvals (15% weighting) and key business milestones (35% weighting). Performance will be measured against a sliding scale of performance outcomes.

As in 2014, Mr Corrie will be rewarded directly in line with the corporate STI measures and Mr Fu will have a mixture of corporate and personal measures.

3. Long Term Incentive (LTI)

The Performance Rights Plan (PRP) provides the third element of the revised remuneration structure. The scheme gives senior executives an opportunity to earn Shares in the Company upon satisfaction of certain Performance Conditions which are aligned with the success of the company and its shareholders.

Under the performance rights plan, each performance right converts to one ordinary share of Sino Gas & Energy Holdings

Limited on exercise. No amounts are paid or payable by the recipient on receipt of the performance right or share. Performance Rights may be exercised at any time from the date the performance criteria and vesting conditions have been met to the date of expiry.

With the exception of a number of performance rights that were granted to Mr Corrie as part of his recruitment, all future performance rights will be based on a three year performance period.

The 2014 remuneration framework included amendments to the Company's PRP (subject to shareholder approval at the 2015 AGM) including, primarily, the deletion of Retirement and the reference to ceasing office as a result of retirement by rotation in accordance with the Company's constitution as a Qualifying Reason for the vesting of all rights. The revised PRP now includes provision to award initially on a pro-rata basis depending upon the length of the Performance Period expired and secondly, the progress towards satisfaction of the applicable Performance Criteria in the opinion of the Board in the event of the revised Qualifying Reasons. These changes were adopted during 2014 and apply to all Executives. There is a single remaining legacy issue that will be transitioned in 2015.

The Company's share option plan which was established in 2008 will not be continued and has not been extended.

As a result of recruitment of the CEO and COO within the year and transition arrangements, some of the PR's vest over a reduced performance period as detailed below.

Mr Glenn Corrie has been awarded the following performance rights:

- 3.4m performance rights to vest after one year after issue, subject only to continued employment.
- 1.85m performance rights vesting on 31 December 2016 with the performance hurdles detailed below.
- 1.85m performance rights vesting on 31 December 2017 with the performance hurdles detailed below.

Subject to shareholder approval at the 2015 Annual General Meeting, a further 2,772,105 performance rights will be awarded to Mr Corrie, which will vest on 31 December 2017 with the performance hurdles below.

Mr Frank Fu has been awarded 4.5m performance rights, which will vest on 31 December 2017 with the same performance hurdles below. Mr Fu will not be awarded additional performance rights in 2015.

The details of the performance hurdles for performance rights vesting on 31 December 2016 and 2017 are:

1/ 40% based on actual share price, based on the 5 day volume weighted average share price of the Company as at the last trading day of the performance period:

Company share price		
31 December 2016	31 December 2017	% of Performance Rights to vest
Less than \$0.30	Less than \$0.40	0%
\$0.30 to \$0.60	\$0.40 to \$0.70	Proportionate vesting between 0% and 100%
More than \$0.60	More than \$0.70	100%

2/ 40% based on relative share price at 31 December 2016 and 31 December 2017:

Company ranking against Peer Group	% of Performance Rights to vest
Less than 50 th percentile	0%
50 th to 90 th percentile	Proportionate vesting between 0% and 100%
More than 90 th percentile	100%

The Peer Group comprises: Green Dragon Gas Ltd (LSE: GDG), MIE Holdings (SEHK: 1555), Far East Energy (US:FEEC), Sino Oil and Gas (SEHK: 0702), Beach Energy Limited (ASX:BPT), Senex (ASX:SXY), Drillsearch Energy Limited (ASX:DLS), AWE Limited (ASX:AWE), Horizon Limited (ASX:HZN), Tap Oil Limited (ASX:TAP), Karoon Gas Australia Limited (ASX:KAR), Buru (ASX:BRU), Great Eastern Energy Corporation (LSE:GEEC), Sundance Energy Limited (ASX:SEA), Maverick Drilling and

Directors Report

Exploration Limited (ASX: MAD), Cooper Energy Limited (ASX:COE), Antares Energy Limited (ASX:AZZ), and Pancontinental Oil and Gas NL (ASX:PCL).

The share price comparison will be based on the 90 day volume weighted average price of ordinary shares quoted on the applicable stock exchange immediately prior to the date of issue of the Performance Rights and immediately prior to the end of the Performance Period.

3/ 20% based on the average of daily production days measured in million standard cubic feet per day (MMscf/d) for the period of one month prior to the end of the Performance Period for online production.

Average daily gross production

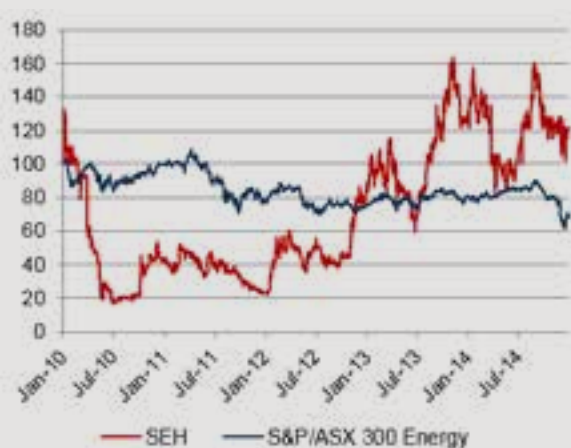
31 December 2016	31 December 2017	% of Performance Rights to vest
Less than 25 MMscf/d	Less than 50 MMscf/d	0%
25 MMscf/d to 50 MMscf/d	50 MMscf/d to 100 MMscf/d	Proportionate vesting between 0% and 80%
50 MMscf/d to 60 MMscf/d	100 MMscf/d to 120 MMscf/d	Proportionate vesting between 80% and 100%
More than 60 MMscf/d	More than 120 MMscf/d	100%

5) Relationship between remuneration and Company performance

The table below sets out summary information about the Consolidated Entity's earnings and movements in shareholder wealth for the five years to 31 December 2014.

	31 December 2010	31 December 2011	31 December 2012	31 December 2013	31 December 2014
Revenue (USD)	158,594	81,800	78,281	372,090	1,114,073
Net profit / (loss) before tax (USD)	889,218	(4,375,492)	485,076	(1,018,905)	832,832
Net profit / (loss) after tax (USD)	889,218	(4,375,492)	486,076	(1,018,905)	832,832
Dividends (USD)	-	-	-	-	-
Basic earnings per share (USD)	0.16	(0.45)	0.04	(0.08)	0.05
Diluted earnings per share (USD)	0.16	(0.45)	0.03	(0.08)	0.05
Share price at the start of the year (AUD cents)	14	7	3	13	20
Share price at the end of the year (AUD cents)	7	3	13	20	16

The graph below highlights the Company's normalised total shareholder return against the S&P/ASX 300 Energy Index for the corresponding period:



At the 2014 AGM, approximately 30% of votes cast in respect of the Remuneration Report Resolution were voted against the Company's Remuneration Report. The Company has implemented a revised remuneration framework for 2014 incorporating short and long term incentives which are strongly linked to the Company's performance. The Company did not receive any specific feedback at the AGM on its remuneration practices.

6) Non-executive remuneration

Remuneration for Non-Executive Directors will be a fixed fee of the following:

Chairman	A\$200,000 plus superannuation
Non-Executive Director	A\$100,000 plus superannuation

There will be no additional fees or share based payments for existing or new Non-Executive Directors with the exception of 2,000,000 outstanding performance rights to C Heseltine (which are covered under the legacy Performance Rights Plan).

The Board has agreed that there will be no increase in fees for 2015.

7) Details of remuneration

The following tables show details of the remuneration received by the directors and the key management personnel of the group for the current and previous financial year (with reference to their respective service agreements detailed above).

	Short-term employee benefits				Post-employment benefits	Share-based payments			
2014	Cash salary and fees	STI	Non-monetary	Other benefits	Superannuation	Deferred Shares	Performance rights	Total	% relating to share-based payments
	\$	\$	\$		\$	\$	\$	\$	
<i>Directors</i>									
P Bainbridge, Chairman	102,349	-	-	-	-	-	-	102,349	-
G Harper, Non-Executive Director	229,385	-	-	-	-	-	-	229,385	-
R Bearden, Chief Executive Officer	346,070	-	143,869	-	-	-	17,262	507,201	3.4%
C Heseltine, Non-Executive Director	132,019	-	-	-	31,991	-	-	164,010	-
B Ridgeway, Non-Executive Director	89,214	-	-	-	9,375	-	-	98,589	-
Sub-total of directors	899,037	-	143,869	-	41,366	-	17,262	1,101,534	
<i>Executives</i>									
G Corrie, Chief Executive Officer (i)	196,603	53,040	102,956	-	-	14,552	332,579	699,730	49.6%
J Hodgson, Chief Financial Officer	284,279	30,000	205,528	-	-	-	40,858	560,665	7.3%
F Fu, Chief Operating Officer	247,035	78,400	51,621	-	-	-	50,606	427,662	11.8%
H Spindler, Company Secretary	59,208	-	-	-	-	-	-	59,208	-
Total key management personnel compensation (group)	1,686,162	161,440	503,974	-	41,366	14,552	441,305	2,848,799	

(i) Mr Corrie can elect to take his STI as 100% deferred shares of 1 year (695,345 shares) or 50% in deferred shares (347,673 shares) and 50% in cash subject to shareholder approval.

Remuneration and benefits reported have been presented in US dollars, unless otherwise stated. This is consistent with the change in presentation currency of the Company from Australian dollars to US dollars from 1 January 2014. Compensation for Australian-based directors is paid in Australian dollars and, for reporting purposes, converted to US dollars based on the applicable exchange rate at the date of payment or accrued expense. Valuation of performance rights is converted at the spot rate on grant date.

Details of remuneration (continued)

	Short-term employee				Post-employment benefits	Share-based payments			
2013	Cash salary and fees	Cash bonus	Non-monetary	Other benefits	Superannuation	Equity options	Performance rights	Total	% relating to options & performance rights
	\$	\$	\$		\$	\$	\$	\$	
<i>Directors</i>									
G Harper, Chairman	298,943	-	-	-	-	-	7,242	306,185	2%
R Bearden, Chief Executive Officer (i)	545,226	-	173,862	166,755	-	-	1,085,042	1,970,885	55%
C Heseltine, Non-Executive Director	109,896	-	-	-	9,447	-	56,851	176,194	32%
B Ridgeway, Non-Executive Director	72,738	-	-	-	6,633	-	-	79,371	-
P Mills, Non-Executive Director	29,264	-	-	-	2,634	-	(31,263)	635	-
Sub-total of directors	1,056,067	-	173,862	166,755	18,714	-	1,117,872	2,533,270	
<i>Executives</i>									
J Hodgson, Chief Financial Officer	49,194	-	27,679	-	-	-	8,715	85,588	10%
H Spindler, Company Secretary	63,348	-	-	-	-	-	-	63,348	-
Total key management personnel compensation (group)	1,168,609	-	201,541	166,755	18,714	-	1,126,587	2,682,206	

(i) Tax equalisation benefit has been reclassified from non-monetary benefits to other benefits.

Remuneration and benefits reported have been presented in US dollars, unless otherwise stated. This is consistent with the change in presentation currency of the Company from Australian dollars to US dollars from 1 January 2014. Compensation for Australian-based directors is paid in Australian dollars and, for reporting purposes, converted to US dollars based on the applicable exchange rate at the date of payment or accrued expense. Valuation of performance rights is converted at the spot rate on grant date.

8) Service agreements

G Corrie commenced with the Company as Chief Executive Officer on 15 August 2014 under an employment contract which may be terminated with 3 months' notice. The contract sets out a fixed compensation package denominated in United States Dollars, is reviewable annually and extendable by agreement. The contract also provides for the provision of necessary housing, a vacation travel allowance, insurance, schooling and other benefits normal in arrangements for an expatriate employee based in Beijing. In the event that employment is terminated by Sino Gas without cause, Mr Corrie is entitled to a payment of three months' salary. Performance rights equal to 80% of base salary are awarded annually on 1 January from 2016, with a performance period of three years. Performance hurdles to be agreed at the time of award.

J Hodgson was appointed Chief Financial Officer on 2 October 2013 under a three year contract. The contract sets out a fixed compensation package denominated in United States Dollars, is reviewable annually and extendable by agreement. The contract also provides for the provision of necessary housing, a vacation travel allowance, insurance and other benefits normal in arrangements for an expatriate employee based in Beijing. In the event that employment is terminated by Sino Gas without cause, Mr Hodgson is entitled to a payment of three months' salary.

F Fu was appointed Chief Operating Officer on 1 June 2014 under an employment contract which may be terminated with 3 months' notice. The contract sets out a fixed compensation package denominated in United States Dollars which is reviewable annually. The contract also provides for the provision of family medical insurance, schooling, and local transportation. In the event that employment is terminated by Sino Gas without cause, Mr Fu is entitled to a payment of three months' salary.

H Spindler was appointed Company Secretary on 2 November 2010. Fees were paid to Indian Ocean Advisory Group Pty Ltd, a related entity of Mr Spindler, of which he is an employee, for Company Secretary, consulting and administrative services.

R Bearden was appointed President & CEO of Sino Gas on 18 May 2012 under a three year contract. He was appointed to the board on 1 September 2012 as Managing Director & CEO and retired on 20 June 2014. The contract sets out a fixed compensation package denominated in United States Dollars, is reviewable annually and extendable by agreement. The contract also provides for the provision of necessary housing, a vacation travel allowance, insurance, and tax equalisation between US and China, and other benefits normal in arrangements for an expatriate employee based in Beijing. In the event that employment is terminated by Sino Gas without cause, Mr Bearden is entitled to a payment of six months' salary.

Due to the level of activity, it has been necessary for some board members to perform and devote more time and resources than what would ordinarily be required of a non-executive director. During the year ended 31 December 2014, C Heseltine and G Harper received additional consulting fees and these amounts are included in the total of cash salary and fees above. No director or member of senior management appointed during the year received a payment as part of consideration for agreeing to hold the position.

9) Share-based payments

Performance Rights Plan

The Performance Rights Plan (PRP) is the Company's primary incentive plan and has essentially replaced the Company's Share Option Plan since it was established in 2009. The PRP operates as an overarching incentive plan under which the Board may make both short and long term incentive plan offers to eligible participants. The PRP is designed to attract, reward, retain and encourage PRP Participants by giving those people an opportunity to be issued Shares in the Company upon satisfaction of certain Performance Conditions. The Board believes that it is in the best interests of the Company to align the interests of PRP Participants with the performance of the Company, to incentivise those PRP Participants and to minimise cash expenditure on incentive based remuneration.

The Company is committed to providing competitive remuneration packages to its employees. After seeking advice from recognized remuneration experts and benchmarking to other ASX listed Energy companies, the Company has implemented a revised remuneration framework in 2014. The 2014 remuneration framework included amendments to the Company's PRP, which included, the deletion of Retirement and the reference to ceasing office as a result of retirement by rotation in accordance with the Company's constitution as a Qualifying Reason for the vesting of rights, together with, varying the proportion of Performance Rights a participant would receive if cessation of employment or office occurred for a Qualifying Reason to be awarded initially on a pro-rata basis depended upon the length of the Performance Period expired and secondly, the progress towards satisfaction of the applicable Performance Criteria in the opinion of the Board. These changes were adopted during 2014.

Under the performance rights plan, each performance right converts to one ordinary share of Sino Gas & Energy Holdings Limited on exercise. No amounts are paid or payable by the recipient on receipt of the performance right or share. Performance Rights may be exercised at any time from the date the performance criteria and vesting conditions have been

met to the date of expiry.

2014 Issues to Key Management Personnel

During the financial year ended 31 December 2014, the Company issued 11,600,000 Performance Rights to the following Directors and senior management.

The 2014 Executive and Senior Management incentive hurdles were based on actual share price performance (40%), relative share price performance compared to peers (40%) and production performance (20%). It is the intention over time to move the weighting away from actual share price more towards relative share price.

Name	Exercise price	Grant date	Issue date	Expiry date	Key terms (refer to Note 26)	Performance Rights at 31 Dec 2014 No.	Grant date fair value (US\$)
G Corrie	Nil	16 Jul 2014	16 Jul 2014	15 Aug 2015	(oo)	3,400,000	\$0.177
G Corrie	Nil	16 Jul 2014	16 Jul 2014	31 Jan 2017	(pp)	1,850,000	\$0.121, \$0.028 & \$0.177
G Corrie	Nil	16 Jul 2014	16 Jul 2014	31 Jan 2018	(qq)	1,850,000	\$0.131, \$0.037 & \$0.177
F Fu	Nil	5 Aug 2014	5 Aug 2014	31 Jan 2018	(qq)	4,500,000	\$0.131, \$0.037 & \$0.177

During the financial year ended 31 December 2014, 12,215,318 and 9,993,015 Performance Rights issued to the following directors and senior management were exercised or lapsed either voluntarily or due to termination of employment, respectively:

Name	Exercise / Lapsed	Grant date	Issue date	Expiry date	No of Performance Rights Lapsed/Exercised
C Heseltine	Exercised	30 May 2012	29 Jun 2012	29 Sept 2015	1,000,000
R Bearden	Lapsed	30 Jul 2012	30 Jul 2012	31 Mar 2014	2,750,000
R Bearden	Exercised	30 Jul 2012	30 Jul 2012	1 Sept 2015	5,500,000
R Bearden	Lapsed	23 May 2013	27 May 2013	31 Mar 2014	3,886,207
R Bearden	Exercised	23 May 2013	27 May 2013	31 Mar 2014	699,210
R Bearden	Lapsed	23 May 2013	27 May 2013	30 Sept 2014	26,264
R Bearden	Exercised	23 May 2013	27 May 2013	30 Sept 2014	1,021,652
R Bearden	Lapsed	23 May 2013	27 May 2013	1 Sept 2015	3,330,544
R Bearden	Exercised	23 May 2013	27 May 2013	1 Sept 2015	3,744,456
J Hodgson	Exercised	24 Dec 2013	24 Dec 2013	28 Feb 2015	250,000

As at 31 December 2014, 14,350,000 Performance Rights are on issue to the following directors and senior management:

Director	Grant date	Issue date	Expiry date	Key terms (refer to Note 26)	Performance Rights at 31 Dec 2014 No.
C Heseltine	17 Nov 2011	17 Nov 2011	17 Nov 2016	(bb) (ii) & (iii)	1,000,000
C Heseltine	30 May 2012	29 Jun 2012	29 Sept 2015	(bb) (iii)	1,000,000
J Hodgson	24 Dec 2013	24 Dec 2013	30 Jun 2015	(mm)	250,000
J Hodgson	24 Dec 2013	24 Dec 2013	31 Mar 2015	(nn)	500,000
G Corrie	16 Jul 2014	16 Jul 2014	15 Aug 2015	(oo)	3,400,000
G Corrie	16 Jul 2014	16 Jul 2014	31 Jan 2017	(pp)	1,850,000
G Corrie	16 Jul 2014	16 Jul 2014	31 Jan 2018	(qq)	1,850,000
F Fu	5 Aug 2014	5 Aug 2014	31 Jan 2018	(qq)	4,500,000
					<u>14,350,000</u>

Directors Report

The terms and conditions of each grant of performance rights affecting remuneration in the current or a future period are as follows:

Performance Right series (by issued date)	No. of Performance Rights	Grant date per accounting standards	Expiry date	Grant date fair value (US\$)	Key terms (refer to Note 26)	% Vested
30 July 2012	2,750,000	30 Jul 2012	31 Mar 2014	\$0.008 & \$0.078	(dd)	0%
30 July 2012	5,500,000	30 Jul 2012	1 Sept 2015	\$0.078	(ee)	100%
27 May 2013	12,708,333	23 May 2013	31 Mar 2014, 30 Sept 2014, 31 Mar 2015 & 1 Sept 2015	\$0.001 & \$0.121	(gg), (ii), (jj) & (kk)	43%
24 Dec 2013	1,000,000	24 Dec 2013	28 Feb 2015, 30 Jun 2015 & 31 Mar 2015	\$0.174 & \$0.012	(ll), (mm) & (nn)	25%
16 Jul 2014	7,100,000	16 Jul 2014	15 Aug 2015, 31 Jan 2017 & 31 Jan 2018	\$0.177, \$0.121, \$0.028, \$0.131 & \$0.037	(oo) (pp) (qq)	0%
5 Aug 2014	4,500,000	5 Aug 2014	31 Jan 2018	\$0.131, \$0.037 & \$0.177	(qq)	0%

Share Option Plan

The Group has an ownership-based compensation scheme for directors and senior management of the Group, although the employee Share Option Plan has now been effectively replaced by the Performance Rights Plan (as detailed above).

Under the employee share option plan, each employee share option converts to one ordinary share of Sino Gas & Energy Holdings Limited on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of expiry. Refer to "Relationship between the remuneration policy and company performance" above for details of the basis for granting options and vesting criteria.

During the financial year, there were no share options based arrangements in existence and no options were issued under the employee share option plan during the current financial year. Further details of the employee share option plan are disclosed in Note 26 to the financial statements.

10) Shareholdings

As at 31 December 2014, the directors and senior management held ordinary shares and performance rights as listed below:

31 December 2014	Ordinary Shares	Performance Rights
<i>Directors</i>		
P Bainbridge, Chairman	926,200	-
G Harper, Non-Executive Director	14,450,990	-
C Heseltine, Non-Executive Director	1,300,000	2,000,000
B Ridgeway, Non-Executive Director	11,455,000	-
Sub-total of directors	28,132,190	2,000,000
<i>Executives</i>		
J Hodgson, Chief Financial Officer	250,000	750,000
F Fu, Chief Operating Officer	-	4,500,000
G Corrie, Chief Executive Officer	-	7,100,000
H Spindler, Company Secretary	66,422	-
Total key management personnel (group)	28,448,612	14,350,000

(m) Proceedings on behalf of the company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

(n) Indemnification of Officers and Auditors

During the financial year, the Company paid a premium in respect of a contract insuring the Directors, Company Secretary, and all executive officers of the Company against a liability incurred as such a Director, Secretary or Executive Officer to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium. The Company has entered into Deeds of Insurance, Access and Indemnity with the Directors and Company Secretary of the Company.

The Company has not otherwise, during or since the end of the financial year, indemnified or agreed to indemnify an officer or auditor of the Company or any related body corporate against a liability incurred as such an officer or auditor.

(o) Environmental Regulation

The Company's joint venture is required to carry out its activities in accordance with the Chinese laws and regulations in the areas in which it undertakes its exploration, development and production activities. Environmental assessments have been conducted for exploration activities and production facilities. An environmental assessment is required to be submitted as a part of the Overall Development Plan (ODP). The Company is not aware of any matter which requires disclosure with respect to any significant environmental regulation in respect to its operating activities.

(p) Shares under Options

Unissued ordinary shares of the Company under option at the date of this report are as follows:

Grant Date	Expiry Date	Exercise price	Number on issue
15 Feb 2012	15 Feb 2017	\$0.075	25,000,000
1 Sept 2014	1 Sept 2018	\$0.25	30,000,000
			<hr/> 55,000,000

No person entitled to exercise the options has any right by virtue of the options to participate in any share issue of the Company.

Shares issued on the exercise of options

There were no shares issued by the Company during the year ended 31 December 2014 on the exercise of options, nor has there been any ordinary shares issued since 31 December 2014 upon the exercise of options.

Movement in Share Options

During the year ended 31 December 2014, 30,000,000 share options (exercise price \$0.25, expiry date 1 September 2018) were issued. No further share options have been issued since that date.

During the year, no share options expired. Since the year end, 5,000,000 options issued on 15 February 2012 (exercise price \$0.075, expiry date 15 February 2017) lapsed on 24 January 2015 as the vesting condition, of a closing share price of \$0.25 for a continuous 30 day period, had not been satisfied as required in accordance with the options terms and conditions.

(q) Performance Rights

Please refer to the Share Based Payment information above regarding details of the Company's Performance Rights Plan. The rights to be granted under this plan are dependent on Company performance. Each Performance Right is a personal contractual right to be satisfied through the issue or procurement of shares in the Company. A Performance Right may be exercised if it has not otherwise lapsed in accordance with the plan.

Directors Report

Details of performance rights on issue as at the date of this report are detailed below. All Performance Rights have been issued by Sino Gas & Energy Holdings Limited.

Class of shares	Exercise price	Grant date	Issue date	Expiry date	Key terms (refer to Note 26)	No. of shares under performance rights
Ordinary shares	Nil	30 Aug 2011	30 Aug 2011	30 Aug 2016	(bb) (ii) & (iii)	1,250,000
Ordinary shares	Nil	17 Nov 2011	17 Nov 2011	17 Nov 2016	(bb) (ii) & (iii)	1,000,000
Ordinary shares	Nil	30 May 2012	29 June 2012	29 September 2015	(bb) (iii)	1,000,000
Ordinary shares	Nil	16 Jul 2014	16 Jul 2014	15 Aug 2015	(oo)	3,400,000
Ordinary shares	Nil	16 Jul 2014 & 29 Sept 2014	16 Jul 2014 & 29 Sept 2014	31 January 2017	(pp)	2,350,000
Ordinary shares	Nil	16 Jul 2014, 5 Aug 2014 & 29 Sept 2014	16 Jul 2014, 5 Aug 2014 & 29 Sept 2014	31 January 2018	(qq)	6,850,000
						15,850,000

Movement in Performance Rights

During the financial year ended 31 December 2014, the Company issued 12,600,000 Performance Rights to eligible participants:

Grant date & Issue date	Expiry date	Key terms (refer to Note 26)	Performance Rights at 31 Dec 2014 No.
16 Jul 2014	15 Aug 2015	(oo)	3,400,000
16 Jul 2014 & 29 Sept 2014	31 January 2017	(pp)	2,350,000
16 Jul 2014, 5 Aug 2014 & 29 Sept 2014	31 January 2018	(qq)	6,850,000

Please refer to Note 26(b) of the financial statements for further details of Performance Rights issued during the year.

During the financial year ended 31 December 2014, the 15,903,729 Performance Rights lapsed due to their terms and conditions or termination of employment and 15,504,604 Performance Rights were exercised, as detailed below:

Exercise / Lapsed	Exercise price	Grant date & Issue date	Expiry date	Key terms (refer to Note 26)	No of Performance Rights
Exercised	Nil	14 Dec 2010	8 Mar 2014	(bb)(i)	1,714,286
Lapsed	Nil	14 Dec 2010	8 Mar 2014	(bb)(ii)(iii)	4,285,714
Exercised	Nil	30 Aug 2011	30 Aug 2016	(bb)(i)	700,000
Lapsed	Nil	17 Nov 2011	17 Nov 2016	(bb)	750,000
Exercised	Nil	30 May 2012	29 Sept 2015	(bb) (ii)	1,000,000
Exercised	Nil	29 June 2012	29 Sept 2015	(bb)(iii)	875,000
Lapsed	Nil	29 June 2012	29 Sept 2015	(bb)(iii)	875,000
Lapsed	Nil	30 Jul 2012	31 Mar 2014	(dd) (i) (iv)	2,750,000
Exercised	Nil	30 Jul 2012	1 Sept 2015	(ee)	5,500,000
Lapsed	Nil	23 May 2013	31 Mar 2014	(gg) (jj)	3,886,207
Exercised	Nil	23 May 2013	31 Mar 2014	(jj)	699,210
Lapsed	Nil	23 May 2013	30 Sept 2014	(hh)	26,264
Exercised	Nil	23 May 2013	30 Sept 2014	(hh)	1,021,652
Lapsed	Nil	23 May 2013	1 Sept 2015	(kk)	3,330,544
Exercised	Nil	23 May 2013	1 Sept 2015	(kk)	3,744,456
Exercised	Nil	24 Dec 2013	28 Feb 2015	(ll)	250,000

The following performance rights have lapsed since the end of the financial year:

Exercised or Lapsed	Exercise price / Issue Price	Grant date & Issue date	Expiry date	Key terms (refer to Note 26)	No. of shares under performance rights
Lapsed	Nil	30 Aug 2011	30 Aug 2016	(bb)(ii)(iii)	550,000
Lapsed	Nil	24 Dec 2013	31 Mar 2015, 30 Jun 2015	(mm) & (nn)	750,000

(r) **Non-audit services**

The company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the group are important.

Details of the amounts paid or payable to the auditor (PwC) for audit and non-audit services provided during the year are set out in Note 19 of the Financial Statements.

The board of directors has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in *APES 110 Code of Ethics for Professional Accountants*.

(s) **Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 45.

(t) **Auditor**

PwC continues in office in accordance with section 327 of the *Corporations Act 2001*.

This report is made in accordance with a resolution of directors.



Glenn Corrie

Managing Director

Perth

25 March 2015



Auditor's Independence Declaration

As lead auditor for the audit of Sino Gas & Energy Holdings Ltd for the year ended 31 December 2014, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Sino Gas & Energy Holdings Ltd and the entities it controlled during the period.

A handwritten signature in blue ink, appearing to read 'Henry'.

Nick Henry
Partner
PricewaterhouseCoopers

Perth
25 March 2015

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Financials



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Consolidated statement of profit or loss and other comprehensive income

	Notes	2014 \$	Restated 2013* \$
Revenue from continuing operations			
Other revenue	5	1,114,073	372,090
Other Income			
Net gain on dilution of equity interest in joint venture	22	7,601,445	7,814,629
Expenses			
Interest expense	6	(660,036)	-
Fundraising costs expensed	6	(166,227)	(132,165)
Depreciation and amortisation expense	6	(27,259)	(15,865)
Share-based payment expense	26	(479,086)	(1,150,705)
General and administration expenses	6	(4,650,614)	(4,308,709)
Foreign exchange loss	6	(1,042,004)	(2,473,386)
Share of net loss of joint venture accounted for using the equity method	22	(857,460)	(1,124,794)
Profit/(loss) before income tax		<u>832,832</u>	<u>(1,018,905)</u>
Income tax expense	7	-	-
Profit/(loss) for the year attributable to shareholders		<u>832,832</u>	<u>(1,018,905)</u>
Total comprehensive income for the year		<u>832,832</u>	<u>(1,018,905)</u>
Earnings/(loss) per share for earnings/(loss) attributable to the ordinary equity holders of the Company:			
Basic earnings per share	25	0.05	(0.08)
Diluted earnings per share	25	0.05	(0.08)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

**All amounts presented in respect of prior periods have been restated as outlined in Note 2.*

Consolidated statement of financial position

	Notes	31 December 2014 \$	Restated 31 December 2013* \$	Restated 1 January 2013* \$
ASSETS				
Current assets				
Cash and cash equivalents	8	34,140,775	57,269,668	8,046,686
Trade and other receivables	9	327,177	221,242	180,791
Total current assets		34,467,952	57,490,910	8,227,477
Non-current assets				
Interest in joint venture accounted for using equity method	22	50,133,517	39,743,224	33,053,389
Loans receivable	11	24,628,641	2,224,070	2,193,393
Property, plant and equipment	10	185,488	73,434	10,266
Total non-current assets		74,947,646	42,040,728	35,257,048
Total assets		109,415,598	99,531,638	43,484,525
LIABILITIES				
Current liabilities				
Trade and other payables	12	655,483	90,128	1,219,610
Provisions	14	97,166	367,092	177,132
Borrowings	13	572,772	-	-
Total current liabilities		1,325,421	457,220	1,396,742
Non-current liabilities				
Borrowings	13	5,877,906	-	-
Other payables		-	-	1,000,000
Total non-current liabilities		5,877,906	-	1,000,000
Total liabilities		7,203,327	457,220	2,396,742
Net assets		102,212,271	99,074,418	41,087,783
EQUITY				
Contributed equity	15	111,613,442	111,613,881	53,891,211
Reserves	16	9,238,195	6,932,735	5,649,865
Accumulated losses	17	(18,639,366)	(19,472,198)	(18,453,293)
Total equity		102,212,271	99,074,418	41,087,783

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

*All amounts presented in respect of prior periods have been restated as outlined in Note 2.

Consolidated statement of changes in equity

	Notes	Contributed equity	Equity settled benefits reserves	Foreign currency translation reserve	Accumulated losses	Total attributable to equity holders of the Company
		\$	\$	\$	\$	\$
Balance at 1 January 2013 (restated)*		53,891,211	5,649,865	-	(18,453,293)	41,087,783
Profit for the year (restated)*	2	-	-	-	1,459,109	1,459,109
Correction of error	2	-	-	2,478,014	(2,478,014)	-
Total comprehensive loss for the year (restated)*	17	-	-	-	(1,018,905)	(1,018,905)
Transactions with owners in their capacity as owners:						
Issue of shares (restated)*	15	58,563,945	-	-	-	58,563,945
Pending issue of shares (restated)*	15	2,115,461	-	-	-	2,115,461
Share issue costs (restated)*	15	(2,956,736)	-	-	-	(2,956,736)
Performance rights expense (restated)*	16	-	1,150,705	-	-	1,150,705
Options expense (restated)*	16	-	132,165	-	-	132,165
		57,722,670	1,282,870	-	-	59,005,540
Balance at 31 December 2013 (restated)*		111,613,881	6,932,735	-	(19,472,198)	99,074,418
Balance at 1 January 2014 (restated)		111,613,881	6,932,735	-	(19,472,198)	99,074,418
Profit for the year	17	-	-	-	832,832	832,832
Total comprehensive income for the year	17	-	-	-	832,832	832,832
Transactions with owners in their capacity as owners:						
Share issue costs	15	(439)	-	-	-	(439)
Performance rights expense	16	-	751,702	-	-	751,702
Deferred shares	16	-	14,552	-	-	14,552
Option expense	16	-	1,539,206	-	-	1,539,206
		(439)	2,305,460	-	-	2,305,021
Balance at 31 December 2014		111,613,442	9,238,195	-	(18,639,366)	102,212,271

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

*All amounts presented in respect of prior periods have been restated as outlined in Note 2.

Consolidated statement of cashflows

	Notes	2014 \$	Restated 2013* \$
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of goods and services tax)		(4,561,092)	(4,201,200)
Interest received		980,977	372,090
Interest paid		(246,171)	-
Net cash used in operating activities	24	<u>(3,826,286)</u>	<u>(3,829,110)</u>
Cash flows from investing activities			
Loans to other entities		(25,534,403)	-
Payment of costs associated with sale of assets held for sale		-	(2,000,000)
Payments for plant and equipment		<u>(139,313)</u>	<u>(80,511)</u>
Net cash used in investing activities		<u>(25,673,716)</u>	<u>(2,080,511)</u>
Cash flows from financing activities			
Proceeds from issue of equity securities		-	60,679,406
Share issue costs (net of tax)		(5,502)	(2,951,673)
Proceeds from borrowings		10,000,000	-
Borrowing related transaction costs		(2,590,206)	-
Repayment of borrowings		-	(115,391)
Net cash provided by financing activities		<u>7,404,292</u>	<u>57,612,342</u>
Net (decrease)/increase in cash and cash equivalents		(22,095,710)	51,702,721
Cash and cash equivalents at the beginning of the year		57,269,668	8,046,686
Effects of exchange rate changes on cash and cash equivalents		<u>(1,033,183)</u>	<u>(2,479,739)</u>
Cash and cash equivalents at end of the year	8	<u>34,140,775</u>	<u>57,269,668</u>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

**All amounts presented in respect of prior periods have been restated as outlined in Note 2.*

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1 *Summary of significant accounting policies*

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Sino Gas & Energy Holdings Limited and its subsidiaries.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Sino Gas & Energy Holdings Limited is a for-profit entity for the purpose of preparing the financial statements. The financial statements were authorised by the Directors on 25 March 2015.

(i) Compliance with IFRS

The consolidated financial statements of the Sino Gas & Energy Holdings Limited group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) New and amended standards adopted by the group

The group applied the following standards and amendments for first time in their annual reporting period commencing 1 January 2014:

- *AASB 1053 Application of Tiers of Australian Accounting Standards* introduces a revised two-tier differential reporting regime. There is no change for Tier 1 entities. Tier 2 entities have to comply with the recognition and measurement requirements of Australian Accounting Standards but have the option to provide reduced disclosures.
- Amendments to AASB 2011-4 and revised Corporations Regulations 2M.3.03 move the individual key management personnel (KMP) disclosures about equity holdings, loans and other transactions with KMP from the notes to the remuneration report and require aggregate disclosures in the related parties note.
- Changes to Australian Conceptual Framework and Materiality (AASB CF 2013-1, AASB 1031, AASB 2013-9) incorporates the guidance from the IASB's Framework on the objective and qualitative characteristics of financial reporting and removes Australian specific guidance on materiality from AASB 1031.
- Accounting for Levies (Interpretation 21) confirms what the obligating event is and when a liability is recognised.
- Offsetting Financial Assets and Financial Liabilities (AASB 2012-3) clarifies the offsetting rules in AASB 132 and explains when offsetting can be applied.
- Limited amendment of impairment disclosures (AASB 2013-3) amends the disclosures required by AASB 136 Impairment of Assets.
- Novation of derivatives and hedge accounting (AASB 2013-4) allows for the continuation of hedge accounting when a derivative is novated, provided specific conditions are met.
- Defined benefit plans – employee contributions (amendments to IAS 19) clarifies the accounting for defined benefit plans that require employees or third parties to contribute towards the cost of the benefits.

The adoption of these Standards and Interpretations has not had a significant impact on the Group's accounting policies.

(iii) Early adoption of standards

Certain new accounting standards and interpretations have been published that are not mandatory for the reporting period beginning 1 January 2014 and have not been early adopted by the Group. The Group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 January 2014 and has not yet assessed their impact on the financial statements.

(iv) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

(v) Critical accounting judgements and key sources of estimation uncertainty

Management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making

the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

(i) Share based payment and performance rights transactions

The Company measures the cost of equity-settled transactions with employees and financiers by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Black-Scholes valuation model and Monte Carlo simulations, with the assumptions detailed in Note 26. The accounting estimates and assumptions relating to equity-settled share-based payments impact the carrying amounts of assets and liabilities, expenses and equity in the current and future reporting periods.

(ii) Recoverability of the investment in the joint venture

The Company undertakes a review of the investment in joint venture accounted for under equity method whenever events or changes indicate that its carrying value may exceed its estimated net recoverable amount. The process of estimating the recoverable amount requires significant judgement in evaluation and assessing future commodity prices, production costs, sustainable capital requirements, foreign exchange rates, discount rates and income tax rates. If it is determined that the carrying value of the investment cannot be recovered the unrecovered amounts are recorded in the statement of profit or loss and other comprehensive income.

(b) Principles of consolidation

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of financial position respectively.

(ii) Associates

Associates are all entities over which the group has significant influence but not control or joint control. This is generally the case where the group holds between 20% and 50% of the voting rights.

(iii) Joint Ventures

Under AASB 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. Sino Gas' interest in SGE is classified as a joint venture and is accounted for using the equity method, after initially being recognised at cost in the consolidated statement of financial position.

Under the equity method, the share of the profits or losses of the partnership is recognised in profit or loss, and the share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income and reserves is recognised in reserves. Details relating to the joint venture are set out in Note 22.

Profits or losses on transactions establishing the joint venture and transactions with the joint venture are eliminated to the extent of the Group's ownership interest until such time as they are realised by the joint venture on consumption or sale. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

The difference between the fair value of the loans provided to the joint venture and the amount of funds advanced in substance represents an equity contribution in the joint venture and is recognised by the Company as an addition to its investment in the joint venture.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Company.

(d) Foreign currency translation

(i) Functional and presentation currency

The Group changed its presentation currency from Australian dollars (A\$) to United States dollars (US\$) on 1 January 2014. The functional currency of the Company and its subsidiaries continues to be United States dollars. As a result of the change in presentation currency to US\$ there is now better alignment between functional and presentation currency which are both now US\$. Details relating to change in presentation currency are outlined in Note 2.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

(e) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Dividend revenue is recognised on a receivable basis. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(f) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(g) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(h) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(i) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

(j) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

(k) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets and financial assets that are carried at fair value which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not

in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss and other comprehensive income.

(I) Financial Assets

(i) Classification

The group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting date.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are expected to be settled within 12 months; otherwise they are classified as non-current.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets quoted in an active market with fixed or determinable payments and fixed maturities that the group's management has the positive intention and ability to hold to maturity. If the group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which would be classified as current assets.

(iv) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership. When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

(iii) Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in profit or loss within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss as part of revenue from continuing operations when the group's right to receive payments is established. Interest income from these financial assets is included in the net gains/(losses).

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

(iv) Impairment

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

(i) Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

(ii) Assets classified as available-for-sale

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

(m) Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition. Depreciation is provided on plant and equipment. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting year.

The depreciation rate applicable to plant and equipment is generally 38% per annum.

(n) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(o) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability, a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(p) Employee Benefits

(i) Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(iii) Defined contribution plans

Contributions to defined contribution superannuation plans are expensed when incurred.

(q) Share Options

(i) Employee Share Options

Equity-settled share-based payments in the form of employee share options are measured at fair value at grant date. Fair value is measured by the use of the Black-Scholes option pricing model. The various assumptions used in the model have been adjusted based on management's best estimate of the effects of non-transferability, exercise restrictions and behavioural considerations. Further details can be found at Note 26 to the financial statements. The fair value at grant date is expensed on a straight line basis over the vesting period, based on management's estimate of the employee share options that will eventually vest. At each reporting date, the Company revises its estimates of the number of employee share options expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss of the respective period, with a corresponding adjustment to the equity settled employee benefits reserve.

(ii) Performance Rights

Equity-settled share-based payments in the form of performance rights are measured at fair value at the date of grant. Fair value is measured by the use of the Black-Scholes option pricing model and Monte Carlo simulations. The fair value is expensed on a

straight line basis over the vesting period and the probability of achieving the various conditions for the meeting the performance conditions and the conversion of the performance rights. The impact of the revision of the original estimates, if any, is recognised in profit or loss of the respective period, with a corresponding adjustment to the equity settled employee benefits reserve.

(iii) Deferred STI Shares

The fair value of deferred shares granted to employees under the short-term incentive scheme is recognised as an expense over the relevant service period, being the year to which the bonus relates and the year of deferral. The fair value is measured at the grant date of the shares based on the share price on that day and is recognised in the equity settled benefits reserve. The number of shares expected to vest is estimated based on the non-market vesting conditions. The estimates are revised at each reporting date and adjustments are recognised in profit or loss and the equity settled benefits reserve.

(iv) Share based payments to suppliers

Equity-settled share-based payments to suppliers are measured at the fair value at grant date. The fair value is measured by the use of the Black-Scholes option pricing model or the securities quoted price.

The fair value of options granted to the Company's Corporate Advisor is recognised as an option expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted, which includes any market performance conditions and the impact of any non-vesting conditions but excludes the impact of any service and non-market performance vesting conditions.

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

The impact of the revision of the original estimates, if any, is recognised in profit or loss of the respective period, with a corresponding adjustment to the equity settled employee benefits reserve.

(v) Options issued on borrowing facilities

Options issued on borrowing facilities are measured at the fair value at grant date. The fair value is measured by the use of the Black-Scholes option pricing model.

The fair value of options granted to Macquarie Bank Limited are recognised as transaction costs in determining the carrying amount of the financial liability with a corresponding increase in equity. Share options are measured and recognised only when the required vesting conditions are fulfilled and options are released from escrow.

(r) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

(s) Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of each reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(t) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is

deducted from equity attributable to the owners of Sino Gas & Energy Holdings Limited as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of Sino Gas & Energy Holdings Limited.

(u) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

(v) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares from *continuing* operations and discontinued operations disclosed separately
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares *issued* during the year and excluding treasury shares (note 25(d)).

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after *income* tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and

the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(w) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(x) Parent entity financial information

The financial information for the parent entity, Sino Gas & Energy Holdings Limited, disclosed in Note 27 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries, associates and jointly controlled entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Sino Gas & Energy Holdings Limited. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

(ii) Share-based payments

The grant by the company of options over its equity instruments to the employees of subsidiary or joint venture or associate is treated as a capital contribution to that subsidiary or joint venture or associate undertaking. The fair value of employee services received, measured by reference to the grant date fair value, is recognised in the current period profit and loss as an increase to investment in subsidiary or joint venture or associate undertakings, with a corresponding credit to equity.

2 Foreign currency translation adjustments for change in presentation currency and correction of error in prior year

(a) Change in accounting policies: Presentation Currency changed to US\$

The Group changed its presentation currency from Australian dollars (A\$) to United States dollars (US\$) on 1 January 2014. The functional currency of the Company and its subsidiaries continues to be United States dollars. As a result of the change in presentation currency to US\$ there is now better alignment between functional and presentation currency which are both now US\$.

The change in presentation currency is accounted for as a change in accounting policy. Except for the correction of error noted in (b) below, there has been no impact on the comparative income statement other than reversing the previous translation of United States dollars to Australian dollars at average rates. Changes in equity settled benefits reserves and contributed equity were translated to US\$ at historical rates. All assets and liabilities at the comparative year were translated at closing rates at the appropriate balance date. Earnings per share were recalculated to US\$ at average rates.

The result of changing the presentation currency for the comparative period was de-recognition of the foreign currency translation reserve which previously represented the difference between translating the US functional currency financial statements into Australian dollar presentation currency. Comparative financial information has been restated to reflect the Company's results as if they had been historically reported in US\$.

All other accounting policies adopted are consistent with those of the previous financial year.

(b) Correction of error: Foreign currency translation

During the retranslation of presentation currency as outlined in (a) above, it was noted during the period that the prior year financial statements had incorrectly taken foreign currency translation adjustments of certain cash balances to foreign currency translation reserve instead of to the profit and loss. This error resulted in revaluation of AUD denominated bank balances for the year ended 31 December 2013 of US\$2,478,014 being incorrectly presented as part of "Exchange differences on translation to presentation currency" line in Other Comprehensive Income rather than as a foreign exchange loss in the Profit or Loss. The error did not have any impact on the opening balance sheet as at 31 December 2012.

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This prior year error has been corrected by restating each of the affected financial statements line items for the prior periods as follows:

For the year ended 31 December 2013	Prior Year as Previously Reported in A\$ 31 December 2013 A\$	Prior Year restated to US\$ before Correction of Error 31 December 2013 US\$	Correction of Error Increase/ (decrease) US\$	Prior Year Restated for Change in Presentation Currency and Correction of Error 31 December 2013 US\$
Consolidated statement of financial position (extract)				
Reserves	6,566,925	4,454,721	2,478,014	6,932,735
Accumulated losses	(20,571,774)	(16,994,184)	(2,478,014)	(19,472,198)
Total equity	110,724,529	99,074,418	-	99,074,418
Consolidated statement of profit or loss and other comprehensive income (extract)				
Foreign exchange gain/(loss)	4,781	4,628	(2,478,014)	(2,473,386)
Profit/(loss) before income tax	1,401,593	1,459,109	(2,478,014)	(1,018,905)
Profit/(loss) from continuing operations	1,401,593	1,459,109	(2,478,014)	(1,018,905)
Profit/(loss) for the year attributable to shareholders	1,401,593	1,459,109	(2,478,014)	(1,018,905)
Exchange differences on translation to presentation currency	6,448,855	(2,478,014)	2,478,014	-
Total comprehensive income/(expense) for the year attributable to shareholders	7,850,448	(1,018,905)	-	(1,018,905)
Earnings/(loss) per share attributable to the ordinary equity holders of the Company:				
Basic	0.11	0.11	(0.19)	(0.08)
Diluted	0.11	0.11	(0.19)	(0.08)

3 Financial Risk Management

(a) Capital risk management

The Group manages its capital to ensure it will be able to continue as a going concern while maximising the return to stakeholders. In that respect, the Group's overall strategy remains unchanged from the previous financial year.

Under the terms of the Macquarie borrowing facility, the Company is required to comply with a number of covenants. Refer to Note 13 for details.

The capital structure of the Group consists of equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings.

The Company has a representative office in China while its joint venture SGE operates as a registered foreign business and is not subject to externally imposed capital requirements.

SGE is in the exploration phase on its PSCs with equity funding and debt being used to fund the operations of the Group to date.

(b) Categories of financial instruments

The categories of financial instruments are as per those disclosed in the statement of financial position.

(c) Financial risk management objectives

The Group is exposed to financial risks through the normal course of its business operations. The key risks impacting the Group's financial instruments are considered to be foreign currency risk and interest rate risk. The Group's financial instruments exposed to these risks are cash and short term deposits, receivables and payables.

The Board of the Company along with the Managing Director & CEO monitor the Group's risks on an ongoing basis and report to the Board. The Group does not use derivative financial instruments as part of its risk management process.

(d) Foreign currency risk management

The Group has significant operations operated from Beijing, People's Republic of China. The functional currency of joint venture is US dollars. The financial instruments of the Group are therefore exposed to movements in the Australian dollar, and the Chinese Renminbi (CNY) against the US dollar. The Company does not currently undertake any hedging activities to manage foreign currency risk.

The carrying amount of the Group's currency denominated monetary assets and monetary liabilities expressed in US dollars at the reporting date is as follows:

31 December 2014	In AUD	In USD	In CNY	Total In USD
Assets				
Cash and cash equivalents	23,110,992	10,731,336	298,447	34,140,775
Trade and other receivables	56,473	132,546	138,158	327,177
Loans receivable	-	27,987,781	-	27,987,781
Liabilities				
Trade and other payables (short term)	58,504	596,979	-	655,483
Borrowings	-	10,082,048	-	10,082,048
31 December 2013 (restated)*	In AUD	In USD	In CNY	Total in USD
Assets				
Cash and cash equivalents	51,275,766	5,686,141	307,761	57,269,668
Trade and other receivables	40,704	126,938	53,600	221,242
Loans receivable	-	2,224,070	-	2,224,070
Liabilities				
Trade and other payables	46,425	25,308	18,395	90,128

The following exchange rates applied during the year:

	Average rate		Reporting date	
	2014	2013	31 December 2014	31 December 2013
	\$	\$	\$	\$
1 AUD equates to USD	0.903	0.968	0.820	0.895
1 CNY equates to USD	0.162	0.163	0.161	0.165

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Foreign currency sensitivity

The following table details the Group's pre-tax sensitivity to a 10% increase and decrease in the Australian dollar or Chinese Renminbi against the US dollar:

	2014		Restated 2013*	
	AUD \$	CNY \$	AUD \$	CNY \$
<i>Increase</i>				
Impact on profit for the year: increase/(decrease)	2,310,896	43,661	5,127,004	31,779
<i>Decrease</i>				
Impact on profit for the year: increase/(decrease)	(2,310,896)	(43,661)	(5,127,004)	(31,779)

*All amounts presented in respect of prior periods have been restated as outlined in Note 2.

(e) Interest rate risk management

The Group is exposed to interest rate risk as entities in the Group borrow, lend and deposit funds at floating rates of interest.

Borrowings drawn, loans issued and funds deposited at variable interest rates expose the Group's cash flow to interest rate risk. The Group's financial instruments issued at fixed interest rate are carried at amortised cost and are not subject to interest rate risk, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rate.

The following table details the Group's pre-tax sensitivity to a 1% increase and decrease in variable interest rates:

	Weighted average interest rate	Floating interest rate	Non- interest bearing	Total	<i>Increase</i> Impact on profit for the year: increase/(decrease)	<i>Decrease</i>
		\$	\$	\$	\$	\$
31 December 2014						
Cash and cash equivalents	2%	34,140,775	-	34,140,775	672,707	(672,707)
Trade and other receivables		-	327,177	327,177	-	-
Loans receivable	6.15%	25,025,096	2,962,685	27,987,781	21,642	(21,642)
		59,165,871	3,289,862	62,455,733	694,349	(694,349)
Trade and other payables		-	655,483	655,483	-	-
Interest bearing loans and borrowings	9.75%	10,082,048	-	10,082,048	(32,783)	32,783
		10,082,048	655,483	10,737,531	(32,783)	32,783
31 December 2013 (restated)*						
Cash and cash equivalents	1%	57,269,668	-	57,269,668	122,078	(122,078)
Trade and other receivables		-	221,242	221,242	-	-
Loans receivable		-	2,224,070	2,224,070	-	-
		57,269,668	2,445,312	59,714,980	122,078	(122,078)
Trade and other payables		-	90,128	90,128	-	-
		-	90,128	90,128	-	-

*All amounts presented in respect of prior periods have been restated as outlined in Note 2.

(f) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of the Company, who oversee a liquidity risk management framework for the management of the Group's funding and liquidity management requirements. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and ensuring there are appropriate plans in place to finance these future cash flows.

The following table sets out a maturity analysis of the Group's financial liabilities:

	< 6 months	6-12 months	1-5 years	> 5 years	Total	Carrying Amount
	\$	\$	\$	\$	\$	\$
December 2014						
Trade and other payables	655,483	-	-	-	655,483	655,483
Interest bearing loans and borrowings	498,342	2,014,397	9,198,473	-	11,711,213	10,082,048
	1,153,825	2,014,397	9,198,473	-	12,366,696	10,737,531

	< 6 months	6-12 months	1-5 years	> 5 years	Total	Carrying Amount
	\$	\$	\$	\$	\$	\$
December 2013 (restated)*						
Trade and other payables	90,128	-	-	-	90,128	90,128
	90,128	-	-	-	90,128	90,128

*All amounts presented in respect of prior periods have been restated as outlined in Note 2.

(g) Credit risk management

The Group's maximum exposure to credit risk without taking account of the value of any collateral obtained at balance date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the statement of financial position. Credit risk on unrecognised financial instruments refers to the potential financial loss to the Group that may result from counter parties failing to meet their contractual obligations. The Group manages its counterparty credit risk by limiting its transactions to counterparties of sound credit worthiness and by ensuring a diversified number of counterparties, avoiding undue exposure to any single counterparty. The Group faced no significant credit exposures at balance date.

(h) Fair value of financial instruments

The Directors consider that the carrying amount of financial assets and financial liabilities recorded in the consolidated financial statements represents or approximate their respective fair values.

4 Segment information

Operating segments have been identified on the basis of internal reports of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. The chief operating decision maker has been identified as the Board of Directors. On a regular basis, the board receives financial information on a consolidated basis similar to the financial statements presented in the financial report, to manage and allocated their resources. The Group has a single reporting segment for the purposes of financial reporting.

5 Revenue

	2014	Restated 2013*
	\$	\$
From continuing operations		
Interest income	1,114,073	372,090
Total other revenue	1,114,073	372,090

*All amounts presented in respect of prior periods have been restated as outlined in Note 2.

6 Expenses

	2014	Restated 2013*
	\$	\$
Profit/(loss) before income tax includes the following specific expenses:		
Interest expense		
Interest on principal	328,219	-
Amortisation of transaction costs	331,817	-
Total interest expense	660,036	-
Fundraising costs expensed		
Options expense for corporate advisors	166,227	132,165
Total fundraising costs expensed	166,227	132,165
Depreciation		
Plant and equipment	27,259	15,865
Total depreciation	27,259	15,865
General and administration expenses		
Administration expenses	373,043	1,121,785
Professional fees	607,186	587,019
Employment costs	3,103,110	1,961,413
Travel	264,612	247,950
Insurance	106,866	62,059
Office expenses	172,960	172,369
Other	22,837	156,114
Total general and administration expenses	4,650,614	4,308,709
Foreign exchange loss		
Foreign exchange loss	(1,042,004)	(2,473,386)
Total foreign exchange loss	(1,042,004)	(2,473,386)

*All amounts presented in respect of prior periods have been restated as outlined in Note 2.

7 Income Tax Expense

(a) Income tax expense:

	2014	Restated 2013*
	\$	\$
Tax Expense is comprised of:		
Current Tax	-	-
Deferred tax	-	-
	-	-

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	2014	Restated 2013*
	\$	\$
Profit/(loss) before income tax expense	832,832	(1,018,905)
Tax at the Australian tax rate of 30% (2013: 30%)	249,850	(305,672)
Less: Non-deductible and non-assessable non-temporary items	142,999	(858,984)
Previously unrecognised tax losses and deferred tax asset used to reduce deferred tax expense	(392,849)	-
Tax losses not recognised	-	1,164,656
Income tax expense	-	-

(c) Tax losses

Unused tax losses for which no deferred tax asset has been recognised	3,940,644	5,211,650
Potential tax benefit @ 30%	1,182,195	1,563,495

All unused tax losses were incurred by Australian entities that are not part of the tax consolidated group

(d) Unrecognised temporary differences

Temporary differences for which no deferred tax asset has been recognised	-	-
Unrecognised deferred tax liabilities relating to the above temporary differences	-	-

Deferred tax balances relating to tax losses and timing differences have not been brought to account as it is not probable that they will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the Company to make estimates related to expectations of future taxable income and taxation laws, including the extent to which such laws are expected to change in the future, in Australia and the People's Republic of China.

*All amounts presented in respect of prior periods have been restated as outlined in Note 2.

(e) Deferred tax balances

	2014	Restated 2013*
	\$	\$
Provisions and accruals	188,167	108,894
Unrealised foreign exchange loss	312,601	-
Business related costs	466,077	668,380
Loans receivable	1,007,742	-
Tax losses	4,065,089	2,231,464
Deferred tax asset	6,039,676	3,008,738
Investment under equity accounting	(6,039,676)	(3,008,738)
Deferred tax liability	(6,039,676)	(3,008,738)
Net deferred tax balance	-	-

*All amounts presented in respect of prior periods have been restated as outlined in Note 2.

8 Cash and cash equivalents

	2014	Restated 2013*
	\$	\$
Cash at bank	34,140,775	57,269,668
	34,140,775	57,269,668

*All amounts presented in respect of prior periods have been restated as outlined in Note 2.

9 Trade and other receivables

		2014	Restated 2013*
	Note	\$	\$
Rental and utility deposits		138,692	126,938
Goods and services tax		35,030	40,704
Other receivables		111,184	-
Other deposits		42,271	53,600
		327,177	221,242

*All amounts presented in respect of prior periods have been restated as outlined in Note 2.

10 Property, plant and equipment

	2014	Restated 2013*
	\$	\$
Carrying amount at the end of the financial year	185,488	73,434
	<u>185,488</u>	<u>73,434</u>
Reconciliation of the carrying amount of plant and equipment at the beginning and end of the financial year		
Cost of plant and equipment		
Cost at the beginning of the year	90,712	11,679
Additions	139,313	79,033
Cost at the end of the financial year	<u>230,025</u>	<u>90,712</u>
Accumulated depreciation plant and equipment		
Accumulated depreciation at the beginning of the year	17,278	1,413
Depreciation expense	27,259	15,865
Accumulated depreciation at the end of the financial year	<u>44,537</u>	<u>17,278</u>

*All amounts presented in respect of prior periods have been restated as outlined in Note 2.

11 Loan receivable

	2014	Restated 2013*
	\$	\$
Interest free loan to Sino Gas & Energy Limited (i)		
Carrying amount at the beginning of the year	2,224,070	2,193,393
Advances to Sino Gas & Energy Limited	640,754	-
Non-cash loans advanced	97,861	30,677
Loan receivable – Sino Gas & Energy Limited	<u>2,962,685</u>	<u>2,224,070</u>
Interest bearing loan to Sino Gas & Energy Limited (ii)		
Carrying amount at the beginning of the year	-	-
Advances to Sino Gas & Energy Limited	24,892,000	-
Interest on principal	133,096	-
Fair value adjustment on initial recognition	(3,359,140)	-
Loan receivable – Sino Gas & Energy Limited	<u>21,665,956</u>	<u>-</u>
Total loans receivable from Sino Gas & Energy Limited	<u>24,628,641</u>	<u>2,224,070</u>

(i) This loan is interest free, denominated in US dollars, unsecured and repayable on demand. It has been classified as non-current based on management's proposed settlement plans.

(ii) This loan has a variable interest rate which is benchmarked against the People's Bank of China five year borrowing rate (6.15% as at 31 December 2014), denominated in US dollars and unsecured. It has been classified as non-current based on the repayment terms of the loan agreement.

*All amounts presented in respect of prior periods have been restated as outlined in Note 2.

12 Trade and other payables

	2014	Restated 2013*
	\$	\$
Trade payables	162,526	85,524
Other payables	492,957	4,604
Current trade & other payables	655,483	90,128

**All amounts presented in respect of prior periods have been restated as outlined in Note 2.*

13 Borrowings

	2014	Restated 2013*
	\$	\$
Current borrowings		
Principal	1,500,000	-
Transaction costs (less amortisation)	(1,009,276)	-
Interest accrued	82,048	-
Total current borrowings	572,772	-
	2014	Restated 2013*
	\$	\$
Non-Current Borrowings		
Principal	8,500,000	-
Transaction costs (less amortisation)	(2,622,094)	-
Total non-current borrowings	5,877,906	-
Total borrowings	6,450,678	-

(a) Secured liabilities

The full amount of Tranche A funds (\$10 million) of the debt facility was drawn down in September 2014. A payment of 15% of the outstanding balance is due on 31 December 2015. The remaining balance is due in quarterly repayments of 15%, with the final payment of 40% due on the 31 December 2016. The interest rate is Libor + 9.75%. Tranche B funds of \$40,000,000 may be drawn down subject to the financial covenants listed in section (b) and internal credit approval of Macquarie Bank Limited.

Transactions costs of \$2,590,206 were incurred in establishing the loan facility, and have been allocated pro-rata based on fair value to the borrowings and options to which they are directly attributable. Transaction costs are recognised upon the drawn down of each tranche and amortised over the loan term using the effective interest method.

Upon the drawdown of Tranche A, 30 million four year options were issued with an exercise price of A\$0.25 per share, of which 15 million options are issued under no conditions and 15 million options vesting is prorated on drawdown of the first \$10 million of Tranche B funds. 20 million options is to be issued at the volume weighted average price per shares over the 30 days prior to initial drawn down of Tranche B (subject to cap of 50c and floor of 20c) prorated on the drawdown of Tranche B funds greater than \$10 million.

The options for Tranche A were valued at grant date of 28 August 2014 using the Black-Scholes valuation model at \$0.915 per option. This model determines the value of an option as a function of the following variables:

- 1) the current share price of the underlying shares - A\$0.24
- 2) exercise price of the option - A\$0.25 per share.
- 3) volatility of the share price - 80%

5) time to maturity - 1 September 2018

6) risk free rate of interest - 2.92%

7) expected dividend yield – none

A total of \$1,372,979 has been included in the transactions costs relating to the 15 million options issued under no conditions.

(b) Financial covenants

Sino Gas & Energy Holdings Limited had the following financial covenants on its borrowing facility during the 2014 reporting period:

- Current Ratio (1:1)
- Proved Reserves Ratio (1.5:1)

The Group has complied with these covenants throughout the reporting period.

The following covenant will apply from 1 January 2015:

- Proved Developed Producing Ratio (1:1)

(c) Assets pledged as security

The loan is secured against the Company's total assets including its shares in Sino Gas & Energy Limited.

14 Provisions

	2014	Restated 2013*
	\$	\$
Other provisions	60,837	214,250
Beijing Representative Office tax	-	140,622
Employee entitlements	36,329	12,220
	<u>97,166</u>	<u>367,092</u>

*All amounts presented in respect of prior periods have been restated as outlined in Note 2.

15 Contributed equity

	2014	Restated 2013*
	\$	\$
Issued and Paid Up Capital		
Fully paid ordinary shares	111,613,442	111,613,881
	<u>111,613,442</u>	<u>111,613,881</u>
Movement in ordinary share capital		
	Number of shares	\$
Balance at 1 January 2014	1,453,304,154	111,613,881
Issue of shares through allotments (i)	75,438,600	-
Issue of shares through conversion of performance rights (iv)	15,504,604	-
Share issue costs (v)	-	(439)
	<u>1,544,247,358</u>	<u>111,613,442</u>

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	Number of shares	Restated \$
Balance at 1 January 2013	1,128,933,816	53,891,211
Issue of shares through allotments (iii)	272,010,379	45,177,064
Issue of shares through conversion of performance rights	16,344,614	-
Issue of shares through conversion of options (iv)	36,015,345	2,115,461
Proceeds received for shares issued subsequent to year end	-	13,386,881
Share issue costs	-	(2,956,736)
Closing balance at 31 December 2013	1,453,304,154	111,613,881

**All amounts presented in respect of prior periods have been restated as outlined in Note 2.*

- (i) On 2 January 2014, the Company issued 75,438,600 fully paid ordinary shares to institutional and sophisticated investors at \$0.20 to raise \$13.4 million. The proceeds for these shares were received in 2013.
- (ii) On 10 February 2014, the Company issued 1,714,286 fully paid ordinary shares to Mr Stephen Lyons following the exercise of Performance Rights under the Company's Performance rights plan. On 16 July 2014, the Company issued 10,965,318 fully paid ordinary shares to Mr Robert Bearden following the exercise of Performance Rights under the Company's Performance rights plan. On 17 September 2014, the Company issued 250,000 fully paid ordinary shares to Mr James Hodgson following the exercise of Performance Rights under the Company's Performance rights plan. On 29 October 2014, the Company issued 1,000,000 fully paid ordinary shares to Mr Colin Heseltine following the exercise of Performance Rights under the Company's Performance rights plan. On 22 December 2014, the Company issued 1,575,000 fully paid ordinary shares to Sino Gas & Energy Limited employees following the exercise of Performance Rights under the Company's Performance rights plan.
- (iii) On 4 January 2013, the Company issued 82,448,979 fully paid ordinary shares to two leading institutional investors at \$0.1225 per share to raise A\$10.1 million. On 3 December 2013, the Company issued 189,561,400 fully paid ordinary shares to institutional and sophisticated investors at \$0.20 per share to raise A\$37.9 million.
- (iv) On 30 May 2013 and 1 July 2013, the Company issued a total of 12,152,948 fully paid ordinary shares to Mr Gavin Harper following the exercise of Performance Rights under the Company's Performance Rights Plan. On 6 November 2013 and 12 November 2013, the Company issued a total of 4,191,666 fully paid ordinary shares to Mr Robert Bearden following the exercise of Performance Rights under the Company's Performance Rights Plan.
- (v) On 8 January 2013, the Company issued 27,265,345 fully paid ordinary shares upon the exercise of options which had an exercise price of \$0.125. On 31 May 2013, 24 September 2013 and 25 September 2013, the Company issued a total of 8,750,000 fully paid ordinary shares upon the exercise of options which had an exercise price of \$0.0793.

16 Reserves

(a) Other reserves

	2014 \$	Restated 2013* \$
Equity Settled Benefits Reserve (i)	9,238,195	6,932,735
	<u>9,238,195</u>	<u>6,932,735</u>

(i) Equity settled benefits reserve

This reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration and to suppliers as payments for services. The equity settled benefits reserve arises on the grant of share options to directors and senior executives under the Employee Share Option Plan, performance rights to directors and senior executives under the Performance Rights Plan and other share based payments and share based payment under the company's short term incentive scheme. Refer to Note 26 for further information.

(b) Movements in Equity Settled Benefits Reserve

	2014 \$	Restated 2013* \$
<i>Movements in options during the year</i>		
Balance at the beginning of the financial year	4,249,302	4,117,137
Options issued to Macquarie Bank (i)	1,372,979	-
Share option expense (ii)	166,227	132,165
Balance at the end of the financial year	<u>5,788,508</u>	<u>4,249,302</u>
<i>Movements in performance rights during the year</i>		
Balance at the beginning of the financial year	2,683,433	1,532,728
Performance rights expense (iii)	464,534	1,150,705
Share of movement in joint venture's share based payment reserve	287,168	-
Balance at the end of the financial year	<u>3,435,135</u>	<u>2,683,433</u>
<i>Movements in deferred shares during the year</i>		
Balance at the beginning of the financial year	-	-
Deferred shares	14,552	-
Balance at the end of the financial year	<u>14,552</u>	<u>-</u>
Total	<u>9,238,195</u>	<u>6,932,735</u>

*All amounts presented in respect of prior periods have been restated as outlined in Note 2.

(i) Options issued to Macquarie Bank

A total of \$1,372,979 relating to the 15 million options issued under no conditions has been included in the transactions costs of borrowings. The options were valued at \$0.0915 at grant date of 28 August 2014 using the Black-Scholes option valuation model. Refer to Note 13 for additional details on the valuation of the options.

(ii) Share options

30,000,000 unlisted options with an exercise price of \$0.075 were issued on 15 February 2012 in relation to the appointment of Argonaut as the Company's corporate advisor. These options were valued using the Black-Scholes model (20,000,000 options) and the Barrier Option (10,000,000 options) pricing model. An amount of \$166,227 has been expensed as fundraising costs in the period ended 31 December 2014 (2013: \$132,165).

(iii) Performance Rights

Each performance right is exercisable for one ordinary share at nil consideration. During the period, 15,504,604 performance rights were exercised and 15,903,729 were forfeited by employees and directors.

17 Accumulated losses

Movements in accumulated losses were as follows:

	2014	Restated 2013*
	\$	\$
Balance at the beginning of the financial year	(19,472,198)	(18,453,293)
Net profit/(loss) for the year	832,832	(1,018,905)
Balance at the end of the financial year	(18,639,366)	(19,472,198)

*All amounts presented in respect of prior periods have been restated as outlined in Note 2.

18 Key management personnel disclosures

(a) Key management personnel compensation

	2014	Restated 2013*
	\$	\$
Short-term employee benefits	2,351,576	1,536,905
Post-employment benefits	41,366	18,714
Share-based payments	455,857	1,126,587
	2,848,799	2,682,206

*All amounts presented in respect of prior periods have been restated as outlined in Note 2.

Detailed remuneration disclosures are provided in the remuneration report on pages 29 to 41.

(b) Equity instrument disclosures relating to key management personnel

(i) Shareholdings / Option Holding / Performance Rights Holding

Fully paid ordinary shares issued by Sino Gas & Energy Holdings Limited
Year ended 31 December 2014

	Balance at 1 January 2014	Granted as remuneration	Ceasing to be key management person	Net other change	Balance at 31 December 2014
	No.	No.	No.	No.	No.
Directors					
P Bainbridge	-	-	-	926,200	926,200
G Corrie	-	-	-	-	-
G Harper	14,104,600	-	-	346,390	14,450,990
R Bearden	4,391,666	10,965,318	(15,356,984)	-	-
C Heseltine	300,000	1,000,000	-	-	1,300,000
B Ridgeway	11,355,000	-	-	100,000	11,455,000
Executives					
J Hodgson	-	250,000	-	-	250,000
F Fu	-	-	-	-	-
H Spindler	36,152	-	-	30,270	66,422
	30,187,418	12,215,318	(15,356,984)	1,402,860	28,448,612

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Year ended 31 December 2013

	Balance at 1 January 2013	Granted as remuneration	Ceasing to be key management person	Net other change	Balance at 31 December 2013
	No.	No.	No.	No.	No.
Directors					
G Harper	1,515,000	12,152,948	-	436,652	14,104,600
R Bearden	200,000	4,191,666	-	-	4,391,666
C Heseltine	-	-	-	300,000	300,000
B Ridgeway	11,155,000	-	-	200,000	11,355,000
P Mills	-	-	-	-	-
Executives					
J Hodgson	-*	-	-	-	-
H Spindler	-	-	-	36,152	36,152
	12,870,000	16,344,614	-	972,804	30,187,418

*As at date of appointment on 2 October 2013.

Option Holdings of Key Management Personnel

Year ended 31 December 2014	Balance at 1 January 2014	Granted as remuneration	Ceasing to be key management person	Net other change	Balance at 31 December 2014
	No.	No.	No.	No.	No.
Directors					
P Bainbridge	-	-	-	-	-
G Corrie	-	-	-	-	-
G Harper	-	-	-	-	-
R Bearden	-	-	-	-	-
C Heseltine	-	-	-	-	-
B Ridgeway	-	-	-	-	-
P Mills	-	-	-	-	-
Executives					
J Hodgson	-	-	-	-	-
F Fu	-	-	-	-	-
H Spindler	-	-	-	-	-
	-	-	-	-	-

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Year ended 31 December 2013	Balance at 1 January 2013	Granted as remuneration	Ceasing to be key management person	Net other change	Balance at 31 December 2013
	No.	No.	No.	No.	No.
Directors					
G Harper	-	-	-	-	-
R Bearden	-	-	-	-	-
C Heseltine	-	-	-	-	-
B Ridgeway	20,000	-	-	(20,000)	-
P Mills	-	-	-	-	-
Executives					
J Hodgson	_*	-	-	-	-
H Spindler	-	-	-	-	-
	20,000	-	-	(20,000)	-

*As at date of appointment on 2 October 2013.

Performance Rights holdings of Key Management Personnel

Year ended 31 December 2014	Balance at 1 January 2014	Granted as remuneration	Ceasing to be key management person	Net other change	Balance at 31 December 2014
	No.	No.	No.	No.	No.
Directors					
P Bainbridge	-	-	-	-	-
G Corrie	-	7,100,000	-	-	7,100,000
G Harper	-	-	-	-	-
R Bearden	20,958,333	-	(9,993,015)	(10,965,318)	-
C Heseltine	3,000,000	-	-	(1,000,000)	2,000,000
B Ridgeway	-	-	-	-	-
Executives					
J Hodgson	1,000,000	-	-	(250,000)	750,000
F Fu	-	4,500,000	-	-	4,500,000
H Spindler	-	-	-	-	-
	24,958,333	11,600,000	(9,993,015)	(12,215,318)	14,350,000

Year ended 31 December 2013	Balance at 1 January 2013	Granted as remuneration	Ceasing to be key management person	Net other change	Balance at 31 December 2013
	No.	No.	No.	No.	No.
Directors					
G Harper	14,300,000	-	-	(14,300,000)	-
R Bearden	11,000,000	15,524,999	-	(5,566,666)	20,958,333
C Heseltine	3,000,000	-	-	-	3,000,000
B Ridgeway	-	-	-	-	-
P Mills	3,000,000	-	(3,000,000)	-	-
Executives					
J Hodgson	-	1,000,000	-	-	1,000,000
H Spindler	-	-	-	-	-
	31,300,000	16,524,999	(3,000,000)	(19,866,666)	24,958,333

*As at date of appointment on 2 October 2013.

(ii) Remuneration options: granted and vested during the year

No options were granted as equity compensation benefits under the employee share option plan (ESOP) during the year. Further details of the options are set out below and in Note 26 to the financial statements.

(iii) Performance Rights and options provided as remuneration and shares issued on exercise of such performance rights and options

Details of Performance Rights and options provided as Remuneration and Shares issued on exercise of such performance rights and options together with terms and conditions of the options and performance rights could be found in the Remuneration Report of pages 40 to 44.

19 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, and its related practices:

	2014	Restated 2013*
	\$	\$
(a) PwC Australia		
Audit and review of financial statements	131,544	81,039
International tax consulting and tax advice on mergers and acquisitions	40,191	17,785
Other Non-Audit Services: Other consulting services	41,839	10,035
Total remuneration of PwC Australia	213,574	108,859
(b) PwC China		
Audit and review of financial statements	-	-
Taxation services	77,939	-
Other Non-Audit Services: Other consulting services	53,299	21,797
Total remuneration of network firms of PwC Australia	131,238	21,797
Total auditors' remuneration	344,813	130,656

*All amounts presented in respect of prior periods have been restated as outlined in Note 2.

It is the Group's policy to employ PwC on assignments additional to their statutory audit duties where PwC's expertise and experience with the Group are important. These assignments are principally related to international tax consulting, tax advice

on mergers and acquisitions, and general tax advice.

20 Commitments

(a) Lease commitments: group as lessee

(i) Non-cancellable operating leases

Operating leases relate to premises used by the group in its operations, generally with terms between 1 and 2 years. Some of the operating leases contain options to extend for further periods and an adjustment to bring the lease payments into line with market rates prevailing at that time. The leases do not contain an option to purchase the leased property.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	2014	Restated 2013*
	\$	\$
Within one year	584,065	330,153
Later than one year but not later than five years	324,517	108,373
	<u>908,582</u>	<u>438,526</u>

*All amounts presented in respect of prior periods have been restated as outlined in Note 2.

21 Related party transactions

(a) Equity interests in related parties

As at 31 December 2014, Sino Gas & Energy Holdings Limited (SGEH) has a 49% (2013: 61.92%) economic interest and 49% of the voting rights in its joint venture Sino Gas & Energy Limited and a 100% interest in Sino Gas & Energy Nominees Pty Ltd. Both companies are incorporated in Australia.

(b) Key management personnel

Disclosures relating to Key Management Personnel are set out in Note 18.

(c) Transactions with joint ventures

	2014	Restated 2013*
	\$	\$
Loans to Sino Gas & Energy Limited		
Carrying amount at the beginning of the year	2,224,070	2,193,393
Advances to Sino Gas & Energy Limited (refer to Note 11)	25,532,754	-
Interest on principal	133,096	-
Fair value adjustment on initial recognition (refer to Note 11)	(3,359,140)	-
Non-cash loans advanced	97,861	30,677
	<u>24,628,641</u>	<u>2,224,070</u>

*All amounts presented in respect of prior periods have been restated as outlined in Note 2.

There is no allowance account for impaired receivables in relation to any outstanding balances, and no expense has been recognised in respect of impaired receivables due from related parties.

22 Interests in joint ventures

(a) Joint ventures

On 6 July 2012, the Company entered into agreements with MIE Holdings Corporation (MIE) which established joint control between Sino Gas and MIE over SGE as a jointly controlled entity. MIE acquired 39 million ordinary shares (14.29% interest of existing shares) in SGE from Sino Gas for a consideration of US\$10 million. In addition, MIE has invested a further US\$90 million into SGE as described below to secure an interest of 51% in the issued share capital of SGE.

The US\$90 million investment made by MIE is comprised US\$66.3 million of converting redeemable preference shares (CRPS) in SGE (which were held in escrow pending completion of its funding obligations and then released proportionally from escrow and converted into ordinary shares in SGE on a 6 monthly basis) and in part in the form of US\$23.7 million in loan note repayable by SGE from recovered qualifying expenditure on the PSC blocks once commercial production commences (such loan mechanism to ensure that Sino Gas and MIE recover agreed portions – US\$63 million and US\$90 million respectively).

The interest in SGE is accounted for in the consolidated financial statements using the equity method of accounting. Sino Gas' economic interest in SGE as at 31 December 2014 was 49% (2013: 61.92%). Information regarding the joint venture is set out below:

	2014 \$	Restated 2013* \$
Share of joint venture assets and liabilities		
Current assets (i)	11,867,393	7,356,960
Non-current assets	104,955,770	83,110,322
Total assets	116,823,163	90,467,282
Current liabilities (ii)	33,258,291	43,211,054
Non-current liabilities (iii)	33,431,355	7,513,004
Total liabilities	66,689,646	50,724,058
Net assets	50,133,517	39,743,224
Share of joint venture revenue, expenses and results		
Revenues (iv)	3,338	1,629
Expenses (v)	(860,798)	(1,126,423)
Loss from continuing operations (vi)	(857,460)	(1,124,794)
Total comprehensive income	(857,460)	(1,124,794)
Share of joint venture's capital commitments	2,368,519	3,536,778

**All amounts presented in respect of prior periods have been restated as outlined in Note 2.*

(i) Includes share of cash and cash equivalents of \$9,855,783 (2013: \$5,545,465)

(ii) Includes share of current financial liabilities of \$2,702,091 (2013: \$2,590,478)

(iii) Includes share of non-current financial liabilities of \$21,837,464 (2013: nil)

(iv) Includes share of interest income of \$3,338 (2013: \$1,629)

(v) Includes share of depreciation and amortisation of \$30,683 (2013: \$40,203) and no interest expense (2013: nil)

(vi) No income tax expense was recorded in the year ending 31 December 2014 (2013: nil)

No dividends were paid by joint venture for the year ending 31 December 2014 (2013: Nil).

SGE had no recorded contingent liabilities as at 31 December 2014 (2013: Nil).

The Company is not aware of any significant restrictions on the ability of the joint venture to transfer funds to the Company in the form of cash dividends, or to repay loans or advances made by the entity.

(b) Net gain on dilution of equity interest in joint venture

	2014	Restated 2013*
	\$	\$
Share of equity contributed into joint venture	20,015,612	15,860,748
Dilution of interest in net assets	(12,414,167)	(8,046,119)
Net gain on dilution of equity interest in joint venture	7,601,445	7,814,629

**All amounts presented in respect of prior periods have been restated as outlined in Note 2.*

(c) Movements in interest in joint venture accounted for using equity method

	2014	Restated 2013*
	\$	\$
Balance at the beginning of the financial period	39,743,224	33,053,389
Net gain on dilution of equity interest in joint venture	7,601,445	7,814,629
Share of movement in share based payment reserve	287,168	-
Capital contribution (refer to Note 11)	3,359,140	-
Share of net loss of associates accounted for using the equity method	(857,460)	(1,124,794)
Balance at the end of the financial period	50,133,517	39,743,224

**All amounts presented in respect of prior periods have been restated as outlined in Note 2.*

23 Events occurring after the reporting period

Subsequent to year end no events have occurred which materially impact the financial statements for the reporting period.

24 Reconciliation of profit after income tax to net cash outflow from operating activities

	31 December 2014	Restated 31 December 2013*
	\$	\$
Profit/(loss) for the year	832,832	(1,018,905)
Depreciation and amortisation of non-current assets	27,259	15,865
Share-based payments expense	479,086	1,150,705
Fundraising costs expensed	166,227	132,165
Transaction costs amortised	331,817	-
Foreign exchange loss on cash & cash equivalents	1,033,183	2,479,739
Net gain on dilution of equity interest in joint venture	(7,601,445)	(7,814,629)
Share of loss from joint venture	857,460	1,124,794
(Increase) decrease in trade and other receivables	(141,834)	(36,548)
(Increase) decrease in other assets	(148,559)	(22,899)
(Increase) decrease in current payables	240,522	(29,357)
(Increase) decrease in provisions	97,166	189,960
Net cash outflow from operating activities	(3,826,286)	(3,829,110)

*All amounts presented in respect of prior periods have been restated as outlined in Note 2.

25 Earnings per share

	2014 Cents	Restated 2013* Cents
(a) Basic earnings per share		
Total basic earnings/(loss) per share attributable to the ordinary equity holders of the company	0.05	(0.08)
(b) Diluted earnings per share		
Total diluted earnings/(loss) per share attributable to the ordinary equity holders of the company	0.05	(0.08)

*All amounts presented in respect of prior periods have been restated as outlined in Note 2.

(c) Reconciliations of earnings used in calculating earnings per share

	2014	Restated 2013*
	\$	\$
Basic earnings per share		
Profit/(loss) attributable to the ordinary equity holders of the company used in calculating basic earnings per share	832,832	(1,018,905)
Diluted earnings per share		
Profit attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	832,832	(1,018,905)

*All amounts presented in respect of prior periods have been restated as outlined in Note 2.

(d) Weighted average number of shares used as the denominator

	2014	2013
	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	1,535,181,521	1,262,552,167
Adjustments for calculation of diluted earnings per share:		
Options and performance rights	52,766,290	54,600,915
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	1,587,947,811	1,317,153,082

26 Share-based payments

(a) Share-based payment expenses

The expense recognised for share based payments during the financial year ended 31 December 2014, is as follows:

	2014	Restated 2013*
	\$	\$
Performance rights expense (b)	464,534	1,150,705
Options expense (c)	166,227	132,165
Deferred shares (d)	14,552	-
Total share based payments	645,313	1,282,705

*All amounts presented in respect of prior periods have been restated as outlined in Note 2.

(b) Employee performance rights plan

The Company has established an employee Performance Rights Plan (PRP) which was approved by shareholders at the 2009 annual general meeting. The Plan allows for the issue of performance rights to directors, officers, executives and employees from time to time. Pursuant to the PRP, the Directors are responsible for determining those eligible to receive performance rights, the conditions attaching to the performance rights and, generally, other matters associated with the performance rights that the Directors consider appropriate to take into account. The quantum of performance rights granted is at the discretion of the Directors and is generally based on seniority and level of contribution to the strategic goals of the Company. A performance right is the right to receive one fully paid ordinary share for nil consideration should set hurdles be achieved including performance related and tenure of employment, amongst others.

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The revised remuneration framework included amendments to performance rights granted during 2014 and the Company's PRP (subject to shareholder approval at the 2015 AGM) including, primarily, the deletion of Retirement and the reference to ceasing office as a result of retirement by rotation in accordance with the Company's constitution as a Qualifying Reason for the vesting of all rights. The revised PRP now includes provision to award initially on a pro-rata basis depended upon the length of the Performance Period expired and secondly, the progress towards satisfaction of the applicable Performance Criteria in the opinion of the Board in the event of the revised Qualifying Reasons. These changes were adopted as part of the performance rights granted during 2014 and apply to all Executives and further performance rights issued under the revised PRP. However, these changes do not apply to those performance rights issued prior to January 2014.

The movements in Performance Rights during the financial year ended 31 December 2014 are as follows:

	31-Dec-14 No	31-Dec-14 Weighted average exercise price	31-Dec-14 Weighted average grant fair value	31-Dec-13 No	31-Dec-13 Weighted average exercise price	31-Dec-13 Weighted average grant fair value
Outstanding at the beginning of the year	35,958,333	-	\$0.079	44,550,000	-	\$0.056
Granted during the year	12,600,000	-	\$0.121	16,524,999	-	\$0.095
Forfeited or lapsed during the year	(15,903,729)	-	\$0.074	(8,772,052)	-	\$0.029
Exercised during the year	(15,504,604)	-	\$0.091	(16,344,614)	-	\$0.052
Outstanding at the end of the year	17,150,000	-	\$0.103	35,958,333	-	\$0.079

With the exception of a number of performance rights that were granted to Mr Corrie as part of his recruitment, all future performance rights will be based on a three year performance period.

Summary of Performance Rights granted

The following table illustrates the number and weighted average grant fair value at grant date of Performance Rights granted as share based payments and outstanding at 31 December 2014.

Class	Exercise price	Grant date	Expiry date	Key terms	No. of shares under performance rights	Weighted average grant fair value at grant date (US\$)
Performance Rights	Nil	30-Aug-11	30-Aug-16	(bb) (ii) & (iii))	1,800,000	\$0.060
Performance Rights	Nil	17-Nov-11	17-Nov-16	(bb) (ii) & (iii)	1,000,000	\$0.041
Performance Rights	Nil	30-May-12	29-Sep-15	(bb) (iii)	1,000,000	\$0.052
Performance Rights ⁱ	Nil	24 Dec 2013	30 Jun 2015 & 31 Mar 2015	(mm) & (nn)	750,000	\$0.066
Performance Rights	Nil	16 Jul 2014	15 Aug 2015, 31 Jan 2017 & 31 Jan 2018	(oo), (pp), (qq)	7,100,000	\$0.137
Performance Rights	Nil	5 Aug 2014	31 Jan 2018	(qq)	4,500,000	\$0.103
Performance Rights	Nil	29 Sept 2014	31 Jan 2017 & 31 Jan 2018	(pp), (qq)	1,000,000	\$0.093
					17,150,000	\$0.103

i. Pursuant to their terms and conditions, these performance rights lapsed on 1 January 2015.

The fair value of the services received in return for performance rights granted are measured by reference to the fair value of the performance rights granted. The fair value of the services is recognised as an expense on a straight line basis over the

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vesting period and is determined by multiplying the fair value per performance right by the number of performance rights expected to vest.

The probability of achieving market performance conditions (ie absolute share price (ASP) and relative share price to peers (SPTP)) is incorporated into the determination of the fair value per performance right. No adjustment is made to the expense for performance rights that fail to meet the market condition. The number of performance rights expected to vest based on achievement of non-market conditions (production performance (PP) and service condition (tenure), are adjusted over the vesting period in determining the expense to be recognised in the consolidated income statement.

The fair value of performance rights with the absolute share price and relative share price to peers performance measure is calculated at the date of grant using the Monte-Carlo simulation model, taking into account, amongst other things, the impact of the performance condition. The fair value of performance rights with the production performance, and tenure rights is calculated using valuation pricing model. The fair value is measured at the grant date by an independent valuer.

The contractual exercise period of the performance rights set out in the previous tables is used as an input into the model. The Company has assumed an exercise price of nil and a dividend yield of nil. Other inputs in relation to options and performance rights are:

No. issued	Valuation date	Share price (US\$)	Expiry date	Expected Volatility	Risk free interest rate	Weighted average fair value granted	Weighted average fair value granted			
							SPTP	ASP	PP	Tenure
3,400,000	16 Jul 2014	\$0.177	15 Aug 2015	-	-	\$0.177	-	-	-	\$0.177
1,480,000	16 Jul 2014	\$0.177	31 Jan 2017	50%	2.50%	\$0.074	\$0.121	\$0.028	-	-
370,000	16 Jul 2014	\$0.177	31 Jan 2017	-	-	\$0.177	-	-	\$0.177	-
1,480,000	16 Jul 2014	\$0.177	31 Jan 2018	50%	2.50%	\$0.084	\$0.131	\$0.037	-	-
370,000	16 Jul 2014	\$0.177	31 Jan 2018	-	-	\$0.177	-	-	\$0.177	-
3,600,000	5 Aug 2014	\$0.177	31 Jan 2018	50%	2.5%	\$0.084	\$0.131	\$0.037	-	-
900,000	5 Aug 2014	\$0.177	31 Jan 2018	-	-	\$0.177	-	-	\$0.177	-
400,000	29 Sept 2014	\$0.170	31 Jan 2017	50%	2.5%	\$0.069	\$0.113	\$0.026	-	-
100,000	29 Sept 2014	\$0.170	31 Jan 2017	-	-	\$0.170	-	-	\$0.170	-
400,000	29 Sept 2014	\$0.170	31 Jan 2018	50%	2.5%	\$0.078	\$0.122	\$0.035	-	-
100,000	29 Sept 2014	\$0.170	31 Jan 2018	-	-	\$0.170	-	-	\$0.170	-

Key Terms of Performance Rights granted

The terms of the performance rights as at 31 December 2014 are listed below:

Performance hurdles under legacy remuneration framework prior to 2014

- (bb) The Performance Right is to be satisfied by the issue or procurement of fully paid ordinary shares in the respective portions when the applicable performance hurdle is met.

Performance Hurdle (i): Start of sale of gas under a Pilot Development Program approved by the relevant Chinese authorities. Performance Rights will be exercisable when the start of sale of gas occurs on a Pilot Development Program approved by the relevant Chinese authorities in connection with the Company's interests in the PSC.

Performance Hurdle (ii): Performance Rights will be exercisable when a Reserves Report is approved by the relevant Chinese authorities in connection with the Company's interests in the PSC. This hurdle was achieved in June 2014. Performance rights on issue as at 31 December 2014 carry a 1 year restriction period on their exercise.

Performance Hurdle (iii): Performance Rights will be exercisable on approval by the relevant Chinese authorities of an ODP to enable the Company to proceed to development on the PSC, with such ODP to include a minimum 100 billion cubic feet of gas and a minimum 12% internal rate of return (such minimum thresholds being calculated by the Board of Directors of the Company based on reports from suitably qualified experts). If the Company does not proceed to either or both of a Pilot Development Program and approval of a Reserves Report, Performance Rights exercisable under Performance Hurdle (bb)(i) & (ii) will be exercisable upon satisfaction of Performance Hurdle (iii).

(mm) The Performance Right is to be satisfied by the issue or procurement of fully paid ordinary shares in the respective portions when the applicable performance hurdle is met. Performance rights will become exercisable upon the submission of an agreed corporate restructuring proposal which provides Sino with direct ownership into all of its PSC's, for government approval of the modification to the PSC's. Such proposal is required to be agreed by Sino and MIE Holdings Ltd and have received in principal agreement by the Chinese partners.

(nn) The Performance Right is to be satisfied by the issue or procurement of fully paid ordinary shares in the respective portions when the applicable performance hurdle is met. Performance rights will become exercisable if the Company's Share price on ASX reaches at least \$0.50 for 5 continuous trading days.

(oo) The Performance Right is to be satisfied by the issue or procurement of fully paid ordinary shares in the respective portions when the applicable performance hurdle is met. The performance hurdle, to be assessed as at the date that is the end of the Performance Period, is the employee remaining employed by the Company. Clause 13.2 of the PRP does not apply to these performance rights.

Performance hurdles under revised remuneration framework for 2014 onwards

(pp) & (qq) The Performance Right is to be satisfied by the issue or procurement of fully paid ordinary shares in the respective portions when the applicable performance hurdle is met.

The performance rights will vest and become exercisable subject to the following Performance Criteria (as that term is defined in the PRP), to be assessed as at the date that is the end of the Performance Periods 31 December 2016 for (pp) and 31 December 2016 for (qq) hurdles:

- (i) With respect to 40%, the Performance Criteria will be the percentage increase in the share price of the Company relative to the Peer Group (as below or subject to any variations considered necessary by the Board). The Performance Rights will vest as follows:

Company ranking against Peer Group	% of Performance Rights to vest
Less than 50 th percentile	0%
50 th to 90 th percentile	Proportionate vesting between 0% and 100%
More than 90 th percentile	100%

The Peer Group comprises: Green Dragon Gas Ltd (LSE: GDG), MIE Holdings (SEHK: 1555), Far East Energy (US:FEEC), Sino Oil and Gas (SEHK: 0702), Beach Energy Limited (ASX:BPT), Senex (ASX:SXY), Drillsearch Energy Limited (ASX:DLS), AWE Limited (ASX:AWE), Horizon Limited (ASX:HZN), Tap Oil Limited (ASX:TAP), Karoon Gas Australia Limited (ASX:KAR), Buru (ASX:BRU), Great Eastern Energy Corporation (LSE:GEEC), Sundance Energy Limited (ASX:SEA), Maverick Drilling and Exploration Limited (ASX: MAD), Cooper Energy Limited (ASX:COE), Antares Energy Limited (ASX:AZZ), and Pancontinental Oil and Gas NL (ASX:PCL).

The share price comparison will be based on the 90 day volume weighted average price of ordinary shares quoted on the applicable stock exchange immediately prior to the date of issue of the Performance Rights and immediately prior to the

end of the Performance Period.

- (ii) With respect to 40%, the Performance Criteria will be the 5 day volume weighted average share price of the Company (as at the last trading day of the Performance Period). The Performance Rights will vest as follows:

Company share price		
31 December 2016	31 December 2017	% of Performance Rights to vest
Less than \$0.30	Less than \$0.40	0%
\$0.30 to \$0.60	\$0.40 to \$0.70	Proportionate vesting between 0% and 100%
More than \$0.60	More than \$0.70	100%

- (iii) With respect to 20%, the Performance Criteria will be the average of daily gross production measured in million standard cubic feet per day (MMscf/d) for the period of one month prior to the end of the Performance Period for online production days. The Performance Rights will vest as follows:

Average daily gross production		
31 December 2016	31 December 2017	% of Performance Rights to vest
Less than 25 MMscf/d	Less than 50 MMscf/d	0%
25 MMscf/d to 50 MMscf/d	50 MMscf/d to 100 MMscf/d	Proportionate vesting between 0% and 80%
50 MMscf/d to 60 MMscf/d	100 MMscf/d to 120 MMscf/d	Proportionate vesting between 80% and 100%
More than 60 MMscf/d	More than 120 MMscf/d	100%

(c) Share Options

Share options granted to suppliers

The following table illustrates the number and weighted average exercise prices of share options issued as share based payments to suppliers which are outstanding at 31 December 2014.

	Number of options	Exercise price per option	Latest exercise date	Fair value at grant date
A\$0.075 Options expiring 15 Feb 2017 *	10,000,000	A\$0.075	15 Feb 2017	\$0.0526
A\$0.075 Options expiring 15 Feb 2017 *	10,000,000	A\$0.075	15 Feb 2017	\$0.0526
A\$0.075 Options expiring 15 Feb 2017 *	5,000,000	A\$0.075	15 Feb 2017	\$0.0290
A \$0.075 Options expiring 15 Feb 2017 *, **	5,000,000	A\$0.075	15 Feb 2017	\$0.0333
Total options	30,000,000			

* These options were issued to Argonaut, as part of an agreement with Argonaut Capital Limited (Argonaut) for provision of corporate and financial advisory services. ** These options lapsed on 24 January 2015 in accordance with their vesting terms and conditions. The options lapsed as the vesting condition of maintaining a closing share price of \$0.25 for a continuous 30 Day period had not been met.

Summary of share options movements

The movements in options granted as share-based payments during the financial year ended 31 December 2014 are as follows:

	31-Dec-14	31-Dec-14	31-Dec-13	31-Dec-13
	No	Weighted average exercise price	No	Weighted average exercise price
Outstanding at the beginning of the year	30,000,000	\$0.075	371,077,061	\$0.121
Granted during the year	-	-	-	-
Exercised during the year	-	-	(36,015,345)	\$0.114
Expired during the year	-	-	(305,061,716)	\$0.127
Outstanding at the end of the year	30,000,000	\$0.075	30,000,000	\$0.075
Exercisable at the end of the year	25,000,000	\$0.075	15,000,000	\$0.075

The options noted above are unlisted.

Since the end of the financial year:

- (i) 5,000,000 unlisted options with an exercise price of \$0.075 lapsed on 24 January 2015 in accordance with their vesting terms and conditions. The options lapsed as the vesting condition of maintaining a closing share price of \$0.25 for a continuous 30 Day period had not been met.

Employee share option plan

In 2008, the Company established an Employee Share Option Plan (ESPO) which was subsequently renewed by shareholders at the Company's 2012 Annual General Meeting.

The Performance Rights Plan is the Company's primary incentive plan and has essentially replaced the ESPO.

During the year ended 31 December 2014, there has been no employee share options issued to employees (2013: Nil).

(d) Deferred shares – executive short-term incentive scheme

Under the company's short-term incentive (STI) scheme, the Managing Director receives 50% of the annual STI achieved in deferred shares and can elect to receive 50% in the form of deferred shares or in cash. The issue of the shares is deferred for 12 months from the date the executive became entitled to the STI payment (issue date).

If the eligible executive terminates his or her employment for any reason prior to the issue date, the number of Shares to be issued will be pro-rated based on the number of days elapsed between the entitlement date and the issue date as at the date of cessation of employment. If the Company terminates the executives' employment for any reason, the entitlement to Shares will not change.

The number of deferred shares to be granted is determined based on the dollar value of the achieved STI divided by five day volume weighted average price at which the company's shares are traded on the ASX prior to satisfaction of the STI hurdles. With respect to the 2014 STI payment, the 5 day VWAP applied is A\$0.186.

27 Parent entity financial information

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	2014	Restated 2013*
	\$	\$
Statement of financial position		
Current assets	34,467,848	57,521,483
Total assets	104,528,835	101,676,029
Current liabilities	1,325,421	457,220
Total liabilities	7,203,327	457,220
Net Assets	97,325,508	101,218,809
<i>Shareholders' equity</i>		
Contributed equity	111,613,442	111,613,881
Reserves	8,951,028	6,932,735
Accumulated Losses	(17,327,807)	(9,619,067)
Loss for the year	(5,911,155)	(7,708,740)
	97,325,508	101,218,809

**All amounts presented in respect of prior periods have been restated as outlined in Note 2.*

(b) Contingent liabilities

The company is not aware of any contingencies relating specifically to the parent entity (2013: nil).

In the directors' opinion:

- (a) the financial statements and notes set out on pages 47 to 88 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the financial year ended on that date, and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the directors.



Glenn Corrie
Director
Perth

25 March 2015



Independent auditor's report to the members of Sino Gas & Energy Holdings Ltd

Report on the financial report

We have audited the accompanying financial report of Sino Gas & Energy Holdings Ltd (the company), which comprises the consolidated statement of financial position as at 31 December 2014, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Sino Gas & Energy Holdings Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the consolidated entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

PricewaterhouseCoopers, ABN 52 780 433 757

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Independent auditor's report to the members of Sino Gas & Energy Holdings Ltd (cont'd)

Auditor's opinion

In our opinion:

- (a) the financial report of Sino Gas & Energy Holdings Ltd is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
- (b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 29 to 41 of the directors' report for the year ended 31 December 2014. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Sino Gas & Energy Holdings Ltd for the year ended 31 December 2014 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Nick Henry

Nick Henry
Partner

Perth
25 March 2015

Corporate Governance Statement

The Company has adopted a comprehensive framework of rules, relationships, systems and processes regulating the exercise of authority within the Company. The Board has adopted the following corporate governance policies and charters, copies of which are available on the Company's website (www.sinogasenergy.com):

Board Charter

- Audit and Compliance Committee Charter;
- Nomination & Remuneration Committee Charter;
- Procedure for the selection and appointment of new directors;
- Share Trading Policy;
- Information on Procedures for the selection and appointment of the External Auditor and Audit Partner Rotation;
- Procedures for complying with the Disclosure Requirements and ensuring Senior Management accountability;
- Shareholder Communications Policy;
- Description of Risk Management Policy;
- Description of the Performance Evaluation Procedure for the Board and Individual Directors;
- Code of Conduct; and
- Diversity Policy.

To the extent that they are applicable, and practicable, the Company has adopted the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations (2nd Edition) (*ASX Corporate Governance Recommendations*).

Commensurate with the spirit of the ASX Corporate Governance Recommendations, the Company has followed each ASX Corporate Governance Recommendation where the Board has considered it to be an appropriate benchmark for corporate governance practices, taking into account factors such as the size of the Company and the Board, the resources available and the activities of the Company. Where, after due consideration, the Company's corporate governance practices depart from the ASX Corporate Governance Recommendations, the Board has set out at the end of the Corporate Governance Statement its "if not, why not" report.

Corporate governance policies and practice of the Company are reflective of the Company's current status and its major activities being the appraisal of unconventional gas projects in China. As the Company's activities develop in size, nature and scope, the Board will reconsider and review the Company's corporate governance structures.

Role of the Board

The Board operates pursuant to a formal Board Charter, which sets out the responsibilities, structure and conduct of the Board, a copy of which is available on the Company's website.

The Board of the Company is responsible for:

- the overall operation and stewardship of the Company and its subsidiaries;
- charting the direction, strategies and financial objectives for the Company; and
- monitoring the implementation of those policies, strategies and financial objectives,

and is committed to protecting and enhancing shareholder values and conducting the Company's business ethically and in accordance with the highest standards of corporate governance.

The objective of the Board is to provide an acceptable rate of return to the Company's shareholders that takes into account the interests of its employees, customers, suppliers, lenders and the wider community.

Each of the Directors, when representing the Company, must act in the best interests of the shareholders of the Company and in the best interests of the Company as a whole.

Each Director has the right to seek independent professional advice on matters relating to his position as a director of the Company at the Company's expense, subject to the prior approval of the Chairman, which shall not be unreasonably withheld.

The Board recognises the importance of ensuring that the performance of the Board is reviewed regularly against appropriate measures. The Board have adopted a formal Performance Evaluation Procedure. A copy of the Performance Evaluation Procedure is available on the Company's website. A performance evaluation of the Board, individual directors, senior executives and various Board committees, did take place for the financial year ended 31 December 2014.

The skills, experience and expertise relevant to the position of each director in office at the date of this report and their term of office is set out in the Directors' Report.

The Board is assisted by the Audit and Compliance Committee, and the Nomination & Remuneration Committee.

Audit and Compliance Committee

The Company has established an Audit and Compliance Committee.

The Committee is responsible for assisting the Board of the Company in ensuring financial integrity and credibility of financial reporting for SGEH. The Board formalised this arrangement and adopted a formal Audit and Compliance Committee Charter to govern the responsibilities, structure and conduct of the Audit and Compliance Committee.

The roles of the Audit and Compliance Committee are to:

- assist the Board to discharge their responsibility for externally reported financial information and, ensuring financial integrity and credibility of that reporting;
- ensure that management has in place a process to identify and manage financial reporting risks;
- seek to improve the quality of financial reporting, control systems and corporate governance of the Group;
- oversee external audit functions; and
- monitor and ensure that the Group conforms with financial requirements of the Corporations Act, the ASX Listing Rules (as applicable) and any other relevant legislation or regulatory authority.

The Committee consists of a minimum of three members of whom the majority are non-executive directors. At the date of this report, the Committee members are Mr Bernie Ridgeway (Committee Chairman), Mr Gavin Harper and Mr Colin Heseltine.

A copy of the Audit and Compliance Committee Charter is available on the Company's website.

Details of directors' attendance at meetings are detailed in the Directors' Report.

Nomination & Remuneration Committee

The Company has established a Nomination & Remuneration Committee.

The Nomination & Remuneration Committee was established to assist the Board in establishing policies and practices which:

- enable the Company to attract and retain executives and directors who will create sustainable value for members and other stakeholders;
- assist the Board to maintain a Board that has an appropriate mix of skills and experience which can contribute to the successful management of the Company and create sustainable value for shareholders;
- fairly and responsibly reward executives and directors having regard to the performance of the Company, the performance of the executive and the external compensation environment; and
- comply with all relevant legislation and regulations including the ASX Listing Rules (as applicable) and the Corporations Act.

The Committee consists of a minimum of three members of whom a majority are non-executive directors. At the date of this report, the Committee members are Mr Colin Heseltine (Committee Chairman), Mr Bernie Ridgeway, Mr Gavin Harper and Mr Phil Bainbridge.

Further information as to the responsibilities, structure and conduct of the Nomination & Remuneration Committee is contained in the Committee's Charter, a copy of which is available on the Company's website.

Details of directors' attendance at meetings are detailed in the Directors' Report.

Risk Management Policy

The Company is focused on ensuring that there are adequate structures and procedures in place to identify, assess monitor and manage risk and is taking steps to address the practical implementation of risk management policies. A summary of the Company's Risk Management Policy is available on the Company's website.

Although the Company has considered the establishment of a separate risk management committee, the Company believes that it is crucial for all Board members to be part of the risk management process, and that the Board, the Audit and Compliance Committee provide adequate oversight of the Company's risk management and internal controls.

In accordance with the Company's Risk Management Policy, the Board oversees the establishment, implementation and annual review of the Company's risk management policies as part of the Board approval process for the strategic plan. To assist the Board to conduct the annual review, management and key executives are required to report to the Board on any material risks identified, how those risks are being managed, the implementation of any risk management or internal control system, and whether any breaches of the risk management policies have occurred during the preceding 12 months.

In particular the Audit and Compliance Committee provide assistance to the Board in monitoring compliance with the Risk Management Policy. The Audit and Compliance Committee is responsible for monitoring and ensuring an appropriate assessment process has been established and undertaken for monitoring financial reporting risk and internal controls instituted and annually reviewing internal and external audit programs/reports to ensure that, where deficiencies in controls or procedures have been identified, appropriate remedial action is taken by management. The Board and Managing Director oversees that management has in place a process to identify the principal risks of the Company's business, examining the Company's risk profile and monitoring and ensuring an appropriate assessment process has been established and undertaken for monitoring corporate risk and the internal controls (including information systems) instituted.

In addition, the Board requires the Managing Director and the Chief Financial Officer to state in writing that:

- the Company's risk management and internal control system to manage the Company's material risks are being managed effectively; and
- the Company's financial reports are founded on a sound system of risk management and internal control and that system is operating effectively in all material respects in relation to financial reporting risks.

The Board has received a statement to this effect from the Managing Director and the Chief Financial Officer equivalent for the year ended 31 December 2014.

Code of Conduct

The Company has adopted a formal Code of Conduct to address matters relevant to the Company's legal and other obligations to its stakeholders.

The Code of Conduct applies equally to all employees, directors and officers of SGEH, each of whom must discharge their duties at the highest level of honesty and integrity, in good faith and having regard to the position and the organisations goals and objectives of the Company. A copy of the Code of Conduct is available on the Company's website.

Share Trading Policy

The Share Trading Policy regulates dealings by Directors, officers and employees in securities issued by the Company.

The Share Trading Policy imposes basic trading restrictions on all employees of the Company who possess inside information and additional trading restrictions on all Directors and any of their associates. A copy of the Share Trading Policy is available on the Company's website.

Procedures for compliance with disclosure requirements

The procedures for complying with disclosure requirements and ensuring senior management accountability have been adopted to ensure that SGEH complies with its disclosure requirements and to ensure that ASX is properly informed of matters which may have a material impact on the price at which SGEH securities are traded.

A copy of the Company's policy is available on the Company's website.

Shareholder Communication Policy

The Board aims to ensure that shareholders are informed of all major developments affecting SGEH's state of affairs. In particular, the Board believes that communicating with shareholders by electronic means, particularly through its website, is an efficient way of distributing information in a timely and convenient manner.

The Company's website includes a section on the Company's corporate governance policies and practices, and a news section, containing copies of ASX announcements made by the Company

A copy of the Shareholder Communication Policy adopted by the company is available on the Company's website.

Diversity Policy

The Company has adopted a diversity policy to guide the Company's employees and board of directors in developing and achieving its diversity objectives. The Company values diversity among our workforce. The Company seeks to employ, retain and develop employees for the long term, assisting in their development and the development of the culture and values of the Company. This is done by promoting the value of different perspectives, ideas and benefits brought by engaging widely with all employees.

Corporate Governance Statement

The Company recognises that a talented and diverse workforce is a key competitive advantage and that success is a reflection of the quality and skills of its people. Diversity assists the business in achieving its objectives and delivering for its stakeholders by enabling it to attract and retain the most qualified and experienced individuals to the workforce. The Company seeks to develop a culture of diversity within the Company whereby a mix of skills and diverse backgrounds are employed by the Company at all levels. The Company values the benefits brought to it by employees from a variety of backgrounds including gender, age, cultural and religious background, education, geographical location, ethnicity, experience and flexibility.

The Company strives to develop and maintain a diverse and skilled workforce through transparent recruitment processes; promotion of an inclusive workplace culture that values and utilises the contribution of all employees backgrounds, experiences and perspective through improved awareness of the benefits of workforce diversity; facilitation of diversity in the workplace by developing programs that promote growth for all employees, so each may reach their full potential, and providing maximum benefit for the Company; reviewing the demographic profile at all levels of the Company (considering any patterns or gaps that are apparent) and setting measureable objectives to encourage diversity within the Company.

The Board will develop objectives that work towards ensuring that the Company benefits from a diverse workplace. In respect to the Company's China operations these objectives will be developed in a manner appropriate to that context.

The Company's workforce gender profile:

	2014		2013	
	Male (%)	Female (%)	Male (%)	Female (%)
Board Representation	100	-	100	-
Key Senior management representation	100	-	100	-
Group representation	53	47	50	50

A copy of the Diversity Policy is available on the Company's website.

Explanations for departures from ASX Corporate Governance Recommendations

The Board sets out below, on an "if not, why not" basis, disclosure of any ASX Corporate Governance Recommendations that have not been adopted by the Company during the financial year ended 31 December 2014, together with the reasons why they have not been adopted.

It is noted that the Board structure and composition changed throughout the year and at the date of this report, the company does comply with the following recommendations, and did so for a significant portion of the year ended 31 December 2014.

Principle 2 – Recommendation 2.1

Notification of Departure

Since late June 2014, the Board has consisted of a majority of independent Directors however, did not do so for the entire year. The ASX Corporate Governance Recommendations provide for a test of independence as set out in Box 2.1 of the ASX Corporate Governance Recommendations (*Independence Test*). In accordance with the Independence Test, and as a result of information obtained from Directors' Independence Questionnaires:

Director	Nature of Interest
<i>Current board members</i>	
Mr Phil Bainbridge is considered to be independent.	Not applicable
Mr Glenn Corrie is not considered to be independent	Mr Corrie is the CEO and from 1 January 2015, the Managing Director
Mr Gavin Harper is not considered to be independent	Mr Harper previously acted as the Executive Chairman of the Company. On 1 July 2013, Mr Harper became the Non-Executive Chairman however, there has not been a period of at least 3 years since ceasing his executive employment.

Director	Nature of Interest
Mr Bernie Ridgeway is considered to be independent	Mr Ridgeway is the Managing Director of Imdex Limited which prior to 28 July 2014, was a substantial shareholder of the Company
Mr Colin Heseltine is considered to be independent	Not applicable
<i>Previous board members during 2014</i>	
Mr Robert Bearden is not considered to be independent	Mr Bearden was the Managing Director & CEO until his retirement in June 2014

Materiality thresholds were not applicable in determining the independence of directors.

Explanation for Departure

The Board has been structured such that its composition and size will enable it to effectively discharge its responsibilities and duties. Each Director has appropriate industry experience and specific expertise relevant to the Company's business and level of operations.

The Board considers that its structure and size is, and will continue to be, appropriate in the context of the Company's strategic plans. The Company considers that the non-independent Directors possess the skills and experience suitable for building the Company. During the year, the Board composition did change with the appointment of Phil Bainbridge (independent Chairman) and the Board intends to continue to monitor its composition as the Company's operations evolve.

All directors are aware that they are required to bring an independent judgment to bear on Board decisions. Where a potential conflict of interest may arise, involved Directors must, unless the remaining Directors resolve otherwise, withdraw from deliberations concerning the matter. Further each Director has the right to seek independent professional advice at the expense of the Company.

Principle 2 – Recommendation 2.2

Notification of departure

Since 29 August 2014, Mr Phil Bainbridge has acted as Chairman of the Company. Prior to this time, Mr Gavin Harper acted as Chairman of the Company. Although Mr Bainbridge is an Independent Chairman, during the entire year the Chairman did not satisfy the Independence Test provided by the ASX Corporate Governance Recommendations during Mr Harper's appointment as Chair as for the reasons set out above.

Explanation for Departure

While the Board recognises the importance of independence in decision making, it believed that Mr Harper was the most appropriate person to hold the position of Chairman during the period of his appointment. With the appointment of Mr Bainbridge as Chairman during the year, the Company currently complies with this recommendation.

Principle 2 & 8 – Recommendation 2.4 & 8.1

Notification of departure

The Company has established a nomination and remuneration committee of which its current members are Mr Colin Heseltine (Committee Chairman), Mr Phil Bainbridge & Mr Bernie Ridgeway and Mr Gavin Harper. Presently, the Committee does meet the independence and non-executive recommendation as provided by the ASX Corporate Governance Recommendations. Mr Bainbridge was appointed as a member of the committee in June 2014 and Mr Ridgeway became an independent director from July 2014. Prior to this time, the majority of committee members did not satisfy the Independence Test provided by the ASX Corporate Governance Recommendations as for the reasons set out above.

Explanation for departure:

During the year, the Company has taken steps in reviewing its committee composition and as at the date of this report, and for a significant portion of the year, the nomination and remuneration committee has consisted of a majority of independent directors.

The Board has been structured such that its composition and size will enable it to effectively discharge its responsibilities and duties. Each Director has the appropriate industry experience and specific expertise relevant to the Company's business

and level of operations.

While the Board recognises the importance of independence in decision making and committee membership, it believes that during the period of non-compliance with the abovementioned recommendation, the committee operated efficiently and its members were the most appropriate persons for this position at that time. All directors are aware that they are required to bring an independent judgment to bear on committee recommendations and Board decisions. Where a potential conflict of interest may arise, involved members must, unless the remaining members resolve otherwise, withdraw from deliberations concerning the matter.

Principle 4 – Recommendation 4.2

Notification of departure

The Company has established an Audit & Compliance committee of which its current members are Mr Bernie Ridgeway (Committee Chairman), Mr Gavin Harper and Mr Colin Heseltine. At the date of this report and since July 2014, Mr Ridgeway is considered to be an independent director however, during the entire year, Mr Bernie Ridgeway did not satisfy the Independence Test provided by the ASX Corporate Governance Recommendations as for the reasons set out above. As such, the committee was not chaired by an independent director for the period of January to July 2014 as recommended by the recommendations.

Since 28 July 2014, Mr Ridgeway did satisfy the independence tests and the Audit & Compliance Committee has been chaired by an Independent Chairman.

Explanation for departure:

The Board has been structured such that its composition and size will enable it to effectively discharge its responsibilities and duties. Each Director has the appropriate industry experience and specific expertise relevant to the Company's business and level of operations.

While the Board recognises the importance of independence in decision making and committee membership, it believes that during the period of non-compliance with the abovementioned recommendation, the committee operated efficiently and its Chair and its members were the most appropriate persons for this position at that time. All directors are aware that they are required to bring an independent judgment to bear on committee recommendations and Board decisions. Where a potential conflict of interest may arise, involved members must, unless the remaining members resolve otherwise, withdraw from deliberations concerning the matter.

During the year, the composition of the committee changed and as a result, the Company is now in compliance with these recommendations.

Additional Securities Exchange Information

1. Number of holders of equity securities

The shareholder information set out below was applicable as at 18 March 2015.

(a) Ordinary share capital

Distribution of ordinary shares

The Company has a total of 1,544,247,358 fully paid ordinary shares on issue. At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands. There were 155 holders holding less than a marketable parcel.

The number of securities, by size of holding:

Holding	No. Of Holders	Fully Paid Shares
1 - 1,000	118	5,960
1,001 - 5,000	185	671,236
5,001 - 10,000	226	1,969,341
10,001 - 100,000	1,418	72,318,141
100,001 and over	909	1,469,282,680
Total Number of holders	2,856	1,544,247,358

Twenty largest holders of ordinary shares

Name	Ordinary shares
	Number held Percentage of issued shares
J P MORGAN NOMINEES AUSTRALIA LIMITED	229,976,732 14.89
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	219,862,766 14.24
NATIONAL NOMINEES LIMITED	159,996,176 10.36
CITICORP NOMINEES PTY LIMITED	156,620,775 10.14
BNP PARIBAS NOMS PTY LTD	29,454,115 1.91
ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD	23,764,957 1.54
SHL PTY LTD	20,000,000 1.30
AZURE SEA LTD	16,399,896 1.06
CITICORP NOMINEES PTY LIMITED	15,995,729 1.04
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	15,356,984 0.99
KEEBLE NOMINEES PTY LTD	11,155,000 0.72
MARFORD GROUP PTY LTD	10,832,590 0.70
MR PETER JOHN BOX	9,708,331 0.63
SKYE ALBA PTY LTD	9,590,370 0.62
BNP PARIBAS NOMINEES PTY LTD	9,350,000 0.61
MR ROSS EDWARD GUSTAFSON	8,550,000 0.55
SALTY NOMINEES PTY LTD	7,750,000 0.50
DURBIN SUPERANNUATION PTY LTD	6,900,000 0.45
ZERO NOMINEES PTY LTD	6,848,500 0.44
BT PORTFOLIO SERVICES LIMITED	6,747,748 0.44
Total Top Twenty Holders	974,860,669 63.13%
Total Remaining Holders Balance	569,386,689 36.87%

2. Options

Distribution of options

The Company has a total of 55,000,000 unlisted options. The options are summarised below:

Details	Number on issue	Exercise Price	Expiry date
Unlisted	25,000,000	\$0.075	15 Feb 2017
Unlisted	30,000,000	\$0.25	1 Sep 2018

The number of securities, by size of holding:

Unlisted Options

7.5 cent options		
Size of Holding	No of holders	Options
1 - 1,000	-	-
1,001 - 5,000	-	-
5,001 - 10,000	-	-
10,001 - 100,000	-	-
100,001 and over	1	25,000,000
Total Number of Holders	1	25,000,000

Largest holders of unquoted options holding more than 20%

Unlisted options - \$0.075, expire 15 February 2017

Shareholder	No. of options	% of total
Argonaut Capital Limited	25,000,000	100.00
Total	25,000,000	100.00

25 cent options		
Size of Holding	No of holders	Options
1 - 1,000	-	-
1,001 - 5,000	-	-
5,001 - 10,000	-	-
10,001 - 100,000	-	-
100,001 and over	1	30,000,000
Total Number of Holders	1	30,000,000

Largest holders of unquoted options holding more than 20%

Unlisted options - \$0.25, expire 1 September 2018

Shareholder	No. of options	% of total
Macquarie Bank Limited	30,000,000	100.00
Total	30,000,000	100.00

(b) Performance Rights

Distribution of performance rights

The Company has a total of 15,850,000 performance rights on issue held by 5 holders. All of these performance rights have been issued pursuant to the Company's Performance Rights Plan.

The number of performance rights, by size of holding:

Size of Holding	No of holders	Number
1 - 1,000	-	-
1,001 - 5,000	-	-
5,001 - 10,000	-	-
10,001 - 100,000	-	-
100,001 and over	5	15,850,000
Total Number of Holders	5	15,850,000

3. Substantial Shareholders

The company has received the following substantial shareholder notices:

Name	No. of Shares	% of Issued Share Capital	No. of options	Option terms
FIL Limited and associated entities	150,650,332	9.77%	-	-
Commonwealth Bank of Australia and associated entities	118,446,505	7.68%	-	-
Kinetic Investment Partners Pty Ltd	94,257,037	6.11%	-	-

4. Schedule of Tenements

PSC	Holder	Beneficial Interest (%)		Cost Recovery / Revenue Split
		Exploration	Development & Production	
Linxing (LX) 1,786 km ² * Shanxi Province, China	Sino Gas & Energy Limited (SGE)	SGE100%	SGE 64.75% CUCBM 30.0% CBM Energy 5.25%	Exploration costs are funded by SGE 100% and are recoverable from future revenues from commercial production.
Sanjiaobei (SJB) 1,124 km ² Shanxi Province, China			SGE 49.0% CNPC 51.0%	

*On the 17th of December 2014, the Linxing exploration license was updated to reflect unprospective acreage on which SGE has agreed to allow coal mining to be conducted.

Following the completion of the strategic partnership with MIE Holdings Corporate (MIE) on 6 July 2012, MIE holds a 51% interest in the issued share capital of Sino Gas & Energy Limited (SGE) through the investments described in Note 22 to the consolidated financial statements. Subsequent funding obligations are to be met in proportion to issued capital held by each shareholder in SGE (49% for Sino Gas) and failure to meet funding obligations may result in a dilution of the defaulting party's interest.

SGE has interests in two blocks under Production Sharing Contracts (PSCs) with CNPC and CUCBM. Under the terms of the PSCs, SGE (as the Foreign Contractor) is required to fund all exploration, development and associated operating costs (Qualifying Expenditure) until Overall Development Plan (ODP) approval. Upon ODP approval, the PSC partners and SGE will fund their respective costs to commercialise the project. Once in commercial production, gross production is split in accordance with the cost recovery model, similar in operation to PSCs adopted in a number of international jurisdictions. First joint operating costs are recovered before SGE recovers its Qualifying Expenditure. Once the Qualifying Expenditure is recovered, the remainder is shared between the parties (Chinese Partner and Foreign Contractor) in proportion to their interests.

China National Petroleum Company (CNPC) is one of China's largest oil and gas producers with an extensive international presence and a strong focus on the development of unconventional gas in China. CNPC's interest in the Sanjiaobei PSC is managed by its subsidiary PetroChina CBM (PCCBM).

Chinese United Coal-bed Methane (CUCBM) an affiliate of China National Offshore Oil Company (CNOOC). CBM Energy (an unrelated investment company and early participant in CBM in China) has an option with SGE to gain an interest of 5.25% at ODP approval of the Linxing PSC, by paying 7.5% of historical costs and expenses.

Board Of Directors

Philip Bainbridge

Chairman

Glenn Corrie

Managing Director

Gavin Harper

Non-Executive Director

Bernard Ridgeway

Non-Executive Director

Colin Heseltine

Non-Executive Director

Company Secretary

Harry Spindler

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Allen & Overy

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Legal Advisors – China

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ACN

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