



## Sino Gas & Energy Holdings Limited

ACN 124 242 422

### Notice of Annual General Meeting and Explanatory Statement

Annual General Meeting to be held at:

Time: 11.00 am (Perth time)

Date: Friday, 15 May 2015

Place: Celtic Club  
48 Ord Street  
West Perth, Western Australia

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**This is an important document and should be read in its entirety. Please read it carefully.**

**A Proxy Form is enclosed within this Notice of Annual General Meeting and Explanatory Statement.**

If you are unable to attend the Annual General Meeting, please complete the Proxy Form enclosed and return it in accordance with the instructions set out on that form. If Shareholders are in doubt as to how to vote, they should seek advice from their accountant, solicitor and/or other professional adviser without delay.

**2014 Annual Report** – Our 2014 Annual Report is available electronically at [www.sinogasenergy.com](http://www.sinogasenergy.com). Printed copies of the Annual Report have been mailed to Shareholders who selected this option.



**SINO GAS & ENERGY HOLDINGS LIMITED**  
**ACN 124 242 422**

## **LETTER TO SHAREHOLDERS**

Dear Shareholder

It is my pleasure to invite you to the 2015 Annual General Meeting (**AGM**) of Sino Gas & Energy Holdings Limited (ASX: SEH, **Sino Gas** or the **Company**) to be held on Friday, 15 May 2015 at 11.00am in Perth, Western Australia. The meeting will be held at the Celtic Club, 48 Ord Street, West Perth, Western Australia 6005. In this regard, please find following the Notice of Annual General Meeting and Explanatory Statement.

The AGM is an opportunity for shareholders to meet the Directors and Management Team of Sino Gas. At the meeting we will discuss the 2014 achievements and our plans for 2015. It provides the opportunity to ask questions either on the day, or in advance if you prefer.

If you are unable to attend the meeting in person, both my address and the Managing Director's presentation will be made available on the day on the Company's website. Also, I encourage you to appoint a proxy before the meeting to attend and vote on your behalf, either online using the share registry's website or using the enclosed proxy form (which may be returned in the envelope provided).

I encourage you to attend if you are able. We look forward to seeing you on 15 May 2015.

Yours sincerely  
Sino Gas & Energy Holdings limited

**Phil Bainbridge**  
Chairman

## NOTICE OF ANNUAL GENERAL MEETING

Notice is given that an Annual General Meeting of Shareholders of Sino Gas & Energy Holdings Limited (ACN 124 242 422) (Company or Sino Gas) will be held at the Celtic Club, 48 Ord Street, West Perth, Western Australia on Friday, 15 May 2015 commencing at 11.00 am (Perth time) (Meeting or AGM).

If you are unable to attend the Meeting you are encouraged to complete and return the proxy form attached to this Notice of Meeting. The completed proxy form must be received at the office of the Company's share registrar, Link Market Services Limited, by no later than 11.00 am (Perth time) on Wednesday, 13 May 2015.

### AGENDA

#### Ordinary Business

##### Financial Statements

To receive and consider the financial report and the reports of the Directors and of the auditor's for the financial year ended 31 December 2014.

#### 1. Resolution 1 - Remuneration Report

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **Advisory Resolution**:

*"That, for all purposes, the Directors' and Executives' Remuneration Report, included within the Directors' Report, for the year ended 31 December 2014 be adopted."*

*Voting Exclusion: The Company will disregard any votes cast on Resolution 1 by or on behalf of a Restricted Voter. However, the Company need not disregard a vote if:*

- (a) it is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on the proposed resolution; and*
- (b) it is not cast on behalf of a Restricted Voter.*

*Further, the Company will not disregard a vote cast by the Chair of the meeting as a proxy, if the appointment of the Chair expressly authorises the Chair to exercise the proxy even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel. Shareholders should note that the Chair (a Key Management Personnel) intends to vote any undirected proxies in favour of Resolution 1. Shareholders may also choose to direct the Chair to vote for or against Resolution 1 or to abstain from voting.*

#### 2. Resolution 2 - Re-Election of Mr Bernie Ridgeway as a Director

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **Ordinary Resolution**:

*"That Mr Bernie Ridgeway, who was appointed to the board of directors on 5 March 2007 and who will retire at the close of the meeting in accordance with Article 6.3(c) of the Company's Constitution, and being eligible, offers himself for re-election, be re-elected as a director of the Company."*

#### Special Business

#### 3. Resolution 3 - Performance Rights Plan Renewal

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **Ordinary Resolution**:

*"That, for the purpose of Exception 9 of Listing Rule 7.2 and sections 200B and 200E of the Corporations Act and for all other purposes, Shareholders approve the renewal of the performance rights plan (PRP) established on 23 November 2009 (inclusive of the amendments outlined in the Explanatory Statement) and the grant of Performance Rights from time to time under the PRP as an exception to Listing Rule 7.1 in accordance with the terms and conditions outlined in the Explanatory Statement."*

# NOTICE OF MEETING

*Voting Exclusion: The Company will disregard any votes cast on Resolution 3 by or on behalf of any Director or any associate of a Director. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the direction on the proxy form, or it is cast by the person chairing the Meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.*

## 4. Resolution 4 - Renewal of Company's Proportional Takeover Approval Provisions

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **Special Resolution**:

*"That the Company renew its proportional takeover provisions in the form set out in Schedule 5 of the Company's Constitution, a copy of which is tabled at the Annual General Meeting, for the purposes of section 648G of the Corporations Act."*

## 5. Resolution 5 - Approval of Grant of Performance Rights to Mr Glenn Corrie

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **Ordinary Resolution**:

*"That, for the purposes of ASX Listing Rule 10.14 and for all other purposes, approval is given for the Company to grant 2,772,105 Performance Rights, each to acquire 1 ordinary fully paid share in the Company, to Mr Glenn Corrie, a Director of the Company, (or his nominee) subject to the specified Performance Hurdles and on the terms set out in the Explanatory Statement."*

*Voting Exclusion: The Company will disregard any votes cast on Resolution 5 by Mr Glenn Corrie or any of his associates or any Director of the Company (except one that is ineligible to participate in the Performance Rights Plan or any plan in relation to the Company) and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the direction on the proxy form, or it is cast by the person chairing the Meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.*

## 6. Resolution 6 - Approval of Issue of Shares to Mr Glenn Corrie

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **Ordinary Resolution**:

*"That, for the purposes of ASX Listing Rule 10.14 and for all other purposes, approval is given for the Company to issue 695,345 ordinary fully paid shares to Mr Glenn Corrie, a Director of the Company, (or his nominee) on the terms set out in the Explanatory Statement."*

*Voting Exclusion: The Company will disregard any votes cast on Resolution 6 by Mr Glenn Corrie or any of his associates or any Director of the Company (except one that is ineligible to participate in the STI Plan or any plan in relation to the Company) and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the direction on the proxy form, or it is cast by the person chairing the Meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.*

## 7. Resolution 7 - Ratification of Issue of Securities to Macquarie Bank Limited

To consider and, if thought fit, pass, with or without amendment, the following resolution as an **Ordinary Resolution**:

*"That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, the allotment and issue of 30,000,000 Options to Macquarie Bank Limited on 1 September 2014, on the terms set out in the Explanatory Statement be ratified."*

*Voting Exclusion: The Company will disregard any votes cast on Resolution 7 by a person who has participated in the issue and any associate of such person. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the direction on the proxy form, or it is cast by the person chairing the Meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.*

# NOTICE OF MEETING

## Contingent Business of The Meeting

### 8. Resolution 8 - Board Spill Meeting (contingent resolution)

**Note – the following resolution will only be put to the Meeting if at least 25% of votes cast on Resolution 1 (to adopt the remuneration report) are “against” that resolution. If less than 25% of the votes cast on Resolution 1 are against that resolution, then there will be no second strike and Resolution 8 will not be put to the Meeting.**

If put, the Meeting is to consider, with or without amendment, the following resolution as an **Ordinary Resolution**:

*“That, as required by Division 9 of Part 2G.2 of the Corporations Act 2001(Cth):*

- a) a meeting of the Company’s members be held within 90 days of the date of this meeting (the **Spill Meeting**);*
- b) all of the Directors in office when the Board resolution to approve the directors’ report for the financial year ended 31 December 2014 was passed (excluding the Managing Director, Mr Glenn Corrie), and who remain in office as Directors at the time of the Spill Meeting (**Vacating Directors**), cease to hold office immediately before the end of the Spill Meeting; and*
- c) resolutions to appoint persons to offices that will be vacated immediately before the end of the Spill Meeting be put to the vote at the Spill Meeting.*
- d) in accordance with section 250W of the Corporations Act, where there are no Vacating Directors, the Company need not hold the Spill Meeting.”*

*Please note that, if this Resolution is put to the Meeting, the following voting exclusions will apply.*

*Voting Exclusion: The Company will disregard any votes cast on Resolution 8 by or on behalf of a Restricted Voter. However, the Company need not disregard a vote if:*

- (a) it is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on the proposed resolution; and*
- (b) it is not cast on behalf of a Restricted Voter.*

*Further, the Company will not disregard a vote cast by the Chair of the meeting as a proxy, if the appointment of the Chair expressly authorises the Chair to exercise the proxy even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel. Shareholders should note that the Chair (a Key Management Personnel) intends to vote any undirected proxies against Resolution 8. Shareholders may also choose to direct the Chair to vote for or against Resolution 8 or to abstain from voting.*

## Other Business

To consider any other business that may be brought before the Meeting in accordance with the Company’s Constitution.

## Explanatory Statement

Shareholders are referred to the Explanatory Statement accompanying and forming part of this Notice of Annual General Meeting.

## Date for Determining Voting Entitlements

Regulation 7.11.37 of the Corporations Regulations 2001 permits the Company to specify a time, not more than 48 hours before the Meeting, at which a “snap shot” of Shareholders will be taken for the purposes of determining Shareholders’ entitlements to vote at the Meeting.

The Directors have determined that all Shares of the Company on the register as at 5.00 pm (Perth time), 13 May 2015 shall, for the purposes of determining voting entitlements at the Meeting, be taken to be held by the persons registered as holding the Shares at that time.

# NOTICE OF MEETING

## Appointment of Proxies

Please note that:

- (a) a member of the Company entitled to attend and vote at the Meeting is entitled to appoint a Proxy;
- (b) a Proxy need not be a member of the Company; and
- (c) a member of the Company entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each Proxy is appointed to exercise, but where the proportion or number is not specified, each Proxy may exercise half of the votes.

**The enclosed Proxy Form for the Meeting provides further details on appointing Proxies and lodging the Proxy Form. Proxies must be returned by 11.00 am (Perth time) on 13 May 2015.**

## Voting by Proxy

A Shareholder can direct its proxy to vote for, against or abstain from voting on each resolution by marking the appropriate box in the Voting Directions section of the proxy form. If a proxy holder votes, they must cast all votes as directed. Any directed proxies that are not voted will automatically default to the Chairman, who must vote the proxies as directed.

If the Chairman is to act as your proxy in relation to Resolution 1 (Adoption of Remuneration Report) or Resolution 8 (Board Spill Meeting) (whether by appointment or by default) and you have not given directions on how to vote by marking the appropriate box in the Voting Directions section of the proxy form, the proxy form expressly directs and authorises the Chairman to cast your vote "for" Resolution 1 and "against" Resolution 8 if put to the meeting. This express authorisation is included because without it the Chairman would be precluded from casting your votes, as this resolution is connected with the remuneration of key management personnel.

Subject to the above requirements being met, the Chairman will vote all valid undirected proxies in respect of Resolutions 1 to 7 in favour of the relevant resolution, and in the case of Resolution 8 against the resolution.

If you are in any doubt as to how to vote, you should consult your professional adviser.

## Voting Online at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

Select 'Investor & Employee Login' and enter Sino Gas & Energy Holdings Ltd or the ASX code (SEH) in the Issuer name field, your Security Reference Number (SRN) or Holder Identification Number (HIN) (which is shown on the front of your proxy form), postcode and security code which is shown on the screen and click 'Login'.

Select the 'Voting' tab and then follow the prompts. You will be taken to have signed your Proxy Form if you lodge it in accordance with the instructions given on the website.

## Corporate Representative

Any corporate Shareholder wishing to appoint a person to act as its representative at the Meeting may do so by downloading and completing the 'Appointment of Corporate Representation' form from Link Market Services Limited's website – [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au). Select the Investor Services tab and click on 'Forms' and navigate to "General Forms".

By Order of the Board of Directors  
**Sino Gas & Energy Holdings Limited**



**Harry Spindler**  
Company Secretary  
Dated 30 March 2015

## EXPLANATORY STATEMENT

### Purpose of this Document

This Explanatory Statement has been prepared to assist Shareholders with their consideration of the Resolutions in the accompanying Notice of Annual General Meeting.

### 1. 2014 Financial Statements and Reports

The first item of the Notice of Annual General Meeting (**AGM**) deals with the presentation of the consolidated annual financial report of the Company for the financial year ended 31 December 2014 together with the Directors' declaration and report (**Directors' Report**) in relation to that financial year and the auditor's report on those financial statements. Shareholders should consider these documents and raise any matters of interest with the Directors when this item is being considered.

No resolution is required to be moved in respect of this item.

Shareholders will be given a reasonable opportunity at the Annual General Meeting to ask questions and make comments on the accounts and on the business, operations and management of the Company.

The Chairman will also provide Shareholders a reasonable opportunity to ask the Auditor questions relevant to:

- the conduct of the audit;
- the preparation and content of the independent audit report;
- the accounting policies adopted by the Company in relation to the preparation of accounts; and
- the independence of the auditor in relation to the conduct of the audit.

### 2. Resolution 1 – Remuneration Report

Included in the Directors' Report contained within the financial report for the year ended 31 December 2014 is a remuneration report that sets out the details of the remuneration of the Company's directors and executives (**Remuneration Report**). In addition, it describes the Board's remuneration policy.

The financial report for the Company for the year ended 31 December 2014 (**2014 Annual Report**) was lodged with ASX on 25 March 2015 and may be viewed on the Company's website [www.sinogasenergy.com](http://www.sinogasenergy.com) (under the "Investor" tab then the "Finance & Activity Reports" tab) or ASX's website [www.asx.com.au](http://www.asx.com.au) under the code "SEH".

The Board submits the Remuneration Report to Shareholders for their consideration and adoption by way of a non-binding advisory resolution as required by the Corporations Act.

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. 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 remuneration 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, absolute share price and production performance (which is a key value driver). Achieving a 50% payout of both the long-term and short-term incentives will require delivery of challenging budgeted outcomes. Achieving a 100% payout will require delivery of an excellent performance.

## EXPLANATORY STATEMENT

- Payout of bonus will be by cash, shares or deferred shares depending on the seniority of the employee.
- Retirement will not result in a full payout of performance rights, except in one remaining legacy circumstance.
- All new non-executive directors will receive a fixed fee with no additional consulting arrangements or share based schemes.

Shareholders will be provided with a reasonable opportunity to ask questions about, or make comments on, the Remuneration Report at the Meeting.

### The “Two Strikes Rule”

The Corporations Act requires that listed companies must put their Remuneration Report to a non-binding advisory shareholder vote at the AGM (**Remuneration Report Resolution**). The “Two Strikes Rule” was introduced by the Corporations Legislation (Improving Accountability on Director and Executive Remuneration) Act 2011 (Cth) and commenced on 1 July 2011.

Under the “Two Strikes Rule” if the Remuneration Report Resolution receives a “no” vote of 25% or more (**Strike**) at two consecutive AGMs, a resolution to spill the board in accordance with Part 2G.2, Division 9 of the Corporations Act (**Spill Resolution**) must be put to Shareholders.

If the Spill Resolution is passed as an ordinary resolution, in accordance with the Corporations Act requirements:

- (a) a meeting of the Company’s members will be held within 90 days of the date of this meeting (the **Spill Meeting**);
- (b) all of the Directors in office when the Board resolution to approve the directors’ report for the financial year ended 31 December 2014 was passed (excluding the Managing Director, Mr Glenn Corrie), and who remain in office as Directors at the time of the Spill Meeting (**Vacating Directors**), will cease to hold office immediately before the end of the Spill Meeting; and
- (c) resolutions to appoint persons to offices that will be vacated immediately before the end of the Spill Meeting be put to the vote at the Spill Meeting. The Vacating Directors, if they choose, may stand for re-election at the Spill Meeting.
- (d) in accordance with section 250W of the Corporations Act, where there are no Vacating Directors, the Company need not hold the Spill Meeting.

If the Company does not hold the Spill Meeting within 90 days after the Spill Resolution is passed, each person who is a Director of the Company at the end of that 90 day period commits an offence, even if the person was not a Director when the Spill Resolution was passed.

At the 2014 AGM, approximately 30% of votes cast in respect of the Remuneration Report Resolution were voted against the Company’s Remuneration Report. Accordingly, last year the Company received a “first Strike”. If the votes cast against this year’s Remuneration Report Resolution are again 25% or more of the total votes cast, the Company will receive its “second Strike” and will be required to put a Spill Resolution to Shareholders.

Accordingly, this Notice of Meeting includes a “conditional” Spill Resolution (Resolution 8) which will be put to Shareholders only if 25% or more of the votes cast are against Resolution 1 and the Company therefore receives a second Strike; otherwise Resolution 8 will be withdrawn.

### Voting

A voting exclusion applies to Resolution 1 in the terms set out in the Notice of Meeting. In particular, the Directors and other Restricted Voters may not vote on this Resolution and may not cast a vote as proxy, unless the appointment gives a direction on how to vote (by marking the applicable box in Step 2 of the proxy form) or the proxy is given to the Chair and expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel. The Chair will use any such proxies to vote in favour of the Resolution.

Shareholders are urged to carefully read the proxy form and provide a direction to the proxy on how to vote on this Resolution.



### 3. Resolution 2 – Re-election of Mr Bernie Ridgeway

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#### 3.1 Background

In accordance with Article 6.3(c) of the Constitution, one-third of the Directors (rounded down) shall retire from office at every Annual General Meeting of the Company. Article 6.3(f) provides that such Directors are eligible for re-election at the meeting.

In accordance with Article 6.3(c) of the Constitution, Bernie Ridgeway (a director of the Company since 5 March 2007) will retire at the end of the Annual General Meeting and will seek re-election pursuant to Resolution 2 of the Notice.

For the purposes of Resolution 2, details of the qualifications and experience of Mr Ridgeway are contained in the 2014 Annual Report.

#### 3.2 Board Comment and Recommendations

The Directors recommend that Shareholders vote in favour of Resolution 2.

### 4. Resolution 3 – Performance Rights Plan Renewal

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#### 4.1 Background

The Company's Executive, Officer and Employee Performance Rights Plan (**PRP**) requires a renewal of Shareholders approval so that performance rights issued by the Company under the plan do not count towards the Company's 15% annual limit on issuing securities without Shareholder approval.

The PRP has been the Company's primary incentive plan and has essentially replaced the Company's approved Share Option Plan. To provide more direction to shareholders on the Company's proposed incentive arrangements, the Company has not sought to seek shareholder approval of the Company's Share Option Plan in accordance with ASX Listing Rules and has decided to only seek renewed approval of the PRP at this year's Annual General Meeting.

The Company's PRP was last approved by Shareholders at the Annual General Meeting of the Company held on 30 May 2012 (**2012 AGM**). Resolution 3 seeks to renew approval of the PRP in accordance with ASX Listing Rule 7.2 (Exception 9), which would enable securities issued under the PRP over the next three years to be excluded from the calculation of the number of securities issued for the purposes of Listing Rule 7.1.

#### 4.2 Purpose of the PRP

The performance of the Company largely depends upon the quality of its directors, officers and senior management. To prosper, the Company must attract, motivate and retain a highly skilled team, and as such, the remuneration framework of the Company has been framed accordingly. The objective of this framework is to ensure remuneration is strongly aligned to the Company's performance, aimed to align executive reward with the achievement of strategic objectives and the creation of value for shareholders and is competitive and appropriate for the results delivered.

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 Criteria. 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.

#### 4.3 Listing Rule 7.2 (Exception 9)

ASX Listing Rule 7.1 allows the Company to issue a maximum of 15% of its capital in any 12 month period without requiring shareholder approval.

Listing Rule 7.2 provides certain exceptions to Listing Rule 7.1, allowing certain issues of securities to be excluded from the calculation of the number of securities issued during the 12 month period. Exception 9 of Listing Rule 7.2 provides that Listing Rule 7.1 does not apply to an issue under an employee incentive plan, if within three years before the date of issue, shareholders have approved the issue of securities under the PRP as an exception to Listing Rule 7.1.

The Board last sought and obtained approval by holders of ordinary securities to the issue of securities under the PRP as an exception to ASX Listing Rule 7.1 at the 2012 AGM. Exception 9 of Listing Rule 7.2 requires certain information to be included in the notice of general meeting as follows:

## EXPLANATORY STATEMENT

- (a) the terms of the PRP are the same as those approved by Shareholders at the 2012 AGM, save only for certain material amendments made by the Board under the terms of the plan which include:
- (i) 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;
  - (ii) 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 dependent 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.

The Company has incorporated these changes into the PRP for all executives that are now covered by the PRP.

These amendments have effect from 13 March 2015 and do not apply retrospectively to the commencement date of the PRP. Accordingly, the abovementioned changes to the PRP do not apply to those rights issued prior to 13 March 2015, however, it is noted that the Company had incorporated these changes as part of its remuneration initiatives incorporated during 2014 and included them in those Performance Rights issued to executives during 2014.

A summary of the PRP (as amended) is set out in Annexure A. Further, a copy of the amended PRP was released to the ASX on the date of release of this Notice of Meeting and will be made available to any Shareholder upon request.

- (b) Since the date of last approval of the PRP in 2012, 51,924,999 Performance Rights have been issued under the PRP to eligible participants. Of these, 18,434,932 Performance Rights have vested, 19,890,067 Performance Rights have lapsed and 13,600,000 Performance Rights are yet to meet and be assessed against rigorous long term performance conditions. Please refer to the Company's 2014 Annual Report for further details on the Company's Performance Rights.

Further, the Company intends, subject to Shareholder approval at this AGM, to issue 2,772,105 Performance Rights to its Managing Director, Glenn Corrie, in connection with his Executive Services Agreement (refer to Resolution 5).

### 4.4 Corporations Act

Pursuant to the terms of the PRP (see Resolution 3 and Annexure A for further details) where the recipient (**Qualifying Recipient**) ceases office or employment with the Company for a "Qualifying Reason" (as defined in the PRP), the Performance Rights granted to them may vest early, with the number of Performance Rights the Qualifying Recipient may be entitled to being calculated pro rata based on the proportion of the Performance Period that has elapsed as at the date of cessation of employment or office and the progress toward satisfaction of the applicable Performance Criteria in the opinion of the Board (in its absolute discretion).

Under section 200B of the Corporations Act, a company may only give a person a benefit in connection with their ceasing to hold a managerial or executive office in the company or a related body corporate if the giving of the benefit is below a certain threshold, is approved by Shareholders or an exemption applies. Broadly, the threshold is prescribed in the Corporations Act as the average annual base salary of the recipient.

The accelerated vesting of Performance Rights under the terms of the PRP is considered a "benefit" (the value of that benefit being the **Acceleration Benefit**) for the purposes of section 200B. When combined with the Qualifying Recipient's existing termination benefits (**Existing Benefits**), the Acceleration Benefit may, in some circumstances, result in the total benefit payable exceeding the limit permitted under the Corporations Act without Shareholder approval.

To the extent that the value benefit of the accelerated vesting of these Performance Rights upon retirement from office or employment may be beyond the benefit permitted to be granted by the Company under sections 200B and 200E of the Corporations Act, and to the extent that shareholders have not already approved the giving of those benefits, shareholder approval is now sought under Resolution 3.

Approval for Acceleration Benefits will apply in relation to Performance Rights granted under the PRP up to the date Resolution 3 is passed and any other rights granted under the PRP in the period ending on the 3<sup>rd</sup> anniversary of that date.

## EXPLANATORY STATEMENT

### 4.5 Value of benefit

The value of the Acceleration Benefit cannot be determined as at the date of this Explanatory Statement.

Matters, events and circumstances which are likely to affect the value of the Acceleration Benefit payable to a Qualifying Recipient include:

- (a) the number of Performance Rights held by the Qualifying Recipient prior to cessation of employment or office;
- (b) the proportion of the applicable performance period that has elapsed as at the date of cessation of employment or office; and
- (c) the Company's share price on the date of cessation of employment or office.

The Company would calculate the value of the Acceleration Benefit as being equal to the total value of the number of Performance Rights that vest, where the value of a vested Performance Right is determined as being equal to the closing market price of a share on the ASX on the ASX trading day before the date of the calculation.

In accordance with Listing Rule 10.19 the termination benefits that are or may be payable to any officer of the Company will not together exceed 5% of the equity interests of the Company unless further Shareholder approval is obtained.

### 4.6 Board Comment and Recommendations

As the Directors may have an interest in the outcome of Resolution 3, they consider that it would not be appropriate to make a recommendation to Shareholders as to how to vote in relation to Resolution 3.

## 5. Resolution 4– Renewal of Proportional Takeover Approval Provisions

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### 5.1 Background

A proportional takeover bid is one under which an offer is made for only a proportion of the securities held by each security holder. The Company's Constitution includes provisions which prohibit the registration of a transfer of shares under a proportional takeover bid unless and until a resolution to approve the bid is passed by the relevant security holders. The proportional takeover approval provisions were first inserted into the Company's Constitution on incorporation on 5 March 2007. However, the proportional takeover approval provisions will cease to have effect on 30 May 2015 unless renewed by special resolution of Shareholders.

### 5.2 Effect of Provisions Proposed to be Renewed

If the proportional takeover provisions are renewed and a proportional takeover bid is made, the Directors will be required to seek approval of the bid proceeding through a meeting of the persons entitled to vote on the resolution.

The resolution shall be taken to have been passed only if the proportion that the number of votes in favour of the resolution bears to the total number of votes on the resolution is greater than one-half. The bidder, and any associate of the bidder, will be excluded from voting. The Directors must ensure that a resolution to approve the bid is voted on before the 14<sup>th</sup> day before the last day of the bid period (**approving resolution deadline**) and, if no resolution to approve the bid has been voted on as at the end of the day before the approving resolution deadline, a resolution to approve the bid proceeding is taken to have been passed.

If a resolution to approve the bid is voted on and is rejected, all offers under the bid are taken to be withdrawn and each binding takeover contract for the bid is rescinded.

If the proportional takeover provisions are renewed, they will cease to apply at the end of three years after being renewed unless renewed by special resolution of Shareholders.

### 5.3 Reasons for Renewing Provisions

Directors consider that holders of bid class securities should have the opportunity to vote on any proportional takeover bid for the Company. A proportional takeover bid may enable control of the Company to pass without security holders having an opportunity to sell all of their securities to the bidder. Security holders, therefore, may be exposed to the risk of being left as a minority in the Company and of the bidder being able to acquire control of the Company without payment of an adequate premium for all of their securities.

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Takeover approval provisions lessen these risks as they allow security holders to decide whether a proportional takeover bid is acceptable and should be allowed to proceed.

### **5.4 No Awareness of any Proposal to Acquire or to Increase the Extent of a Substantial Interest in the Company**

As at the date of this Notice, no Director is aware of any proposal by any person to acquire, or increase the extent of, a substantial interest in the Company.

### **5.5 Review of Advantages and Disadvantages of Provisions**

There have been no takeover bids for the Company, either proportional or full, while the proportional takeover approval provisions have been in operation. Accordingly, there is no example against which the advantages or disadvantages of the proportional takeover approval provisions may be assessed. However, the Directors consider that there have been no disadvantages to the Company arising from inclusion of the proportional takeover provisions.

### **5.6 Potential Advantages and Disadvantages of Provisions**

Directors consider that the takeover approval provisions have no potential advantages or potential disadvantages to them as they will remain free to make whatever recommendations they consider appropriate on any proportional takeover bid that may be made.

The major potential advantage of the provisions for security holders is that they give security holders a say in determining whether a proportional takeover bid should be allowed to proceed and therefore may assist in ensuring that any proportional takeover bid is attractive to a majority of security holders.

Some potential disadvantages are that the inclusion of takeover approval provisions may reduce the likelihood of a proportional takeover bid being successful and may accordingly discourage the making of a proportional takeover bid. This may reduce the opportunity which security holders have to sell some of their securities.

### **5.7 Board Comment and Recommendations**

Directors consider that it is in the interest of security holders to have the right to vote on a proportional takeover bid and therefore recommend that Shareholders vote in favour of renewing the takeover approval provisions.

## **6. Resolution 5 – Approval of Grant of Performance Rights to Mr Glenn Corrie**

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### **6.1 Performance Rights Plan - Background**

The Company has adopted a PRP to provide ongoing incentives to executives, officers and key employees of the Company.

The PRP enables the Company to issue Performance Rights to executives, officers and employees of the Company and to issue Shares to those executives, officers and employees if they achieve the performance and vesting conditions of the Performance Rights. Please refer to Section 4 and Annexure A for further information regarding the PRP.

### **6.2 Proposal**

During 2015, the Company will be focused on ramping up production of the pilot pipeline programme and upgrading a portion of its contingent and prospective resources to reserves through the drilling and flow testing of additional wells. These activities are envisaged to culminate in the lodgement and approval of a Chinese Reserves Report with the relevant Chinese authorities and are key steps towards the ODP.

The Board proposes to issue Performance Rights in recognition of the importance of these milestones and to incentivise and motivate its executives, officers and employees.

Mr Glenn Corrie commenced as the Chief Executive Officer on 15 August 2014 and was appointed Managing Director effective from 1 January 2015. In accordance with Mr Corrie's Executive Services Agreement, Mr Corrie is entitled to receive from 1 January each year (commencing 1 January 2015) Performance Rights of a value (on the basis of a Performance Right having the same value as a Share) equivalent to 80% of annual salary, with a performance period of 3 years, with those Performance Rights to which he is entitled from 1 January 2015 to be subject to performance hurdles around absolute share price (40%), relative share price to peers (40%) and production performance (20%).

## EXPLANATORY STATEMENT

Pursuant to Resolution 5, the Company is seeking Shareholder approval for the grant of 2,772,105 Performance Rights, on the terms described in this Section of the Explanatory Statement, to Mr Glenn Corrie or his nominee. Mr Corrie is a Director of the Company.

At the date of the Notice of Meeting, Mr Corrie currently holds 7,100,000 Performance Rights.

The Company proposes to issue the Performance Rights to Mr Corrie in accordance with his executive services contract and to reflect:

- (a) that in his role as Chief Executive Officer and Managing Director, Mr Corrie will be undertaking responsibilities in relation to leading the activities of the Company; and
- (b) the likely impact that satisfaction of the performance hurdles will have on the Company's prospects and monetization of its assets, including its performance and share price; and
- (c) the increasing level of work required (both previously and planned) to achieve the performance hurdles.

The issuing of the Performance Rights also assists in the preservation of the Company's cash reserves.

A Performance Right entitles the holder to receive one fully paid ordinary share in the Company for no consideration provided that the specific Performance Hurdles (set out below) are satisfied.

The Performance Rights will be granted for no consideration and are expected to be granted within a month of the meeting but in any event no later than 12 months after the date of this meeting. If the Performance Rights issued to Mr Corrie become capable of exercise and are fully exercised by Mr Corrie, no funds will be received by the Company. The dilution effect if all Performance Rights are exercised by Mr Corrie is considered to be fairly minor but this will ultimately be dependant on the Company's share capital at the date the Performance Rights are exercised.

The Performance Rights will be subject to satisfaction of the designated **Performance Hurdles** as described below:

- (a) **Absolute Share Price Hurdle:** As regards to 1,108,842 Performance Rights, the Performance Hurdle 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	% of Performance Rights to vest
Less than \$0.40	0%
\$0.40 to \$0.70	Proportionate vesting between 0% and 100%
More than \$0.70	100%

- (b) **Relative Share Price to Peers Hurdle:** As regards to 1,108,842 Performance Rights, the Performance Hurdle 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 <sup>th</sup> percentile	0%
50 <sup>th</sup> to 90 <sup>th</sup> percentile	Proportionate vesting between 0% and 100%
More than 90 <sup>th</sup> 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

## EXPLANATORY STATEMENT

Drilling and Exploration Limited (ASX: MAD), Cooper Energy Limited (ASX:COE), Antares Energy Limited (ASX:AZZ), 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.

- (c) **Production Performance Hurdle:** As regards to 554,421 Performance Rights, the Performance Hurdle will be the average of daily production for the period of one month prior to the end of the Performance Period for online production days from the Sanjiaobei and Linxing (East and West) projects. The Performance Rights will vest as follows:

Average daily gross production	% of Performance Rights to vest
Less than 50mmscf/d	0%
50mmscf/d to 100 mmscf/d	Proportionate vesting between 0% and 80%
100 mmscf/d to 120 mmscf/d	Proportionate vesting between 80% and 100%
More than 120mmscf/d	100%

### 6.3 Terms and Conditions of Performance Rights to be issued

The general terms and conditions of the Performance Rights are summarized in Annexure A.

For the purposes of Items 5 and 7 of Annexure A (which provides that the Board will set performance criteria to be met before the Performance Rights may be exercised), the Performance Rights will be issued with the following additional terms:

- (a) The agreed performance hurdles required to be fulfilled to enable exercise of the Performance Rights are the Absolute Share Price Hurdle, Relative Share Price to Peers Hurdle and the Production Performance Hurdle as specified in 6.2 above and the performance period within which those Performance Hurdles must be met is from the date of issue until 31 December 2017 (**Performance Period**); and
- (b) The expiry period for the Performance Rights will be 1 month from the end of the Performance Period (**Expiry Date**).

### 6.4 Listing Rule 10.14

Listing Rule 10.14 provides that a listed entity must not issue equity securities under an employee incentive scheme (which includes a PRP) to a related party without Shareholder approval. The proposed grant of Performance Rights to Mr Corrie requires approval by Shareholders under the Listing Rules.

As the issue is proposed to be made under the PRP, subject to shareholders passing Resolution 3, approval is not required under Listing Rule 7.1 (which limits the number of equity securities the Company may issue within a 12 month period to not more than 15% of the total number of ordinary securities on issue without the requirement for Shareholder approval). Approval is also not required under Listing Rule 10.11 (which, in the absence of obtaining Shareholder approval under Listing Rule 10.14 would be necessary to issue securities to a related party of the Company).

The Company has formed the view that shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in relation to the issue of Performance Rights to Mr Corrie. Chapter 2E prohibits the giving of a financial benefit to a related party of a public company, unless the financial benefit has been approved by shareholders, or the giving of that benefit falls within an exception set out in Chapter 2E. Section 211 provides an exception for a benefit that comprises remuneration to an officer of a public company where such remuneration is reasonable in the circumstances of the company and that officer's particular circumstances (i.e. having regard to the responsibilities involved in such office). Accordingly, the Company considers that the exception in section 211 of the Corporations Act applies to the proposed issue of Performance Rights to Mr Corrie.

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### 6.5 Specific Disclosure of Information as Required by the Listing Rules & the Corporations Act

For the purposes of Listing Rules 10.14 and 10.15A, the following information is provided:

- (a) The number of Performance Rights to be granted to Mr Corrie is 2,772,105, each exercisable for 1 Share, subject to satisfaction of the Performance Hurdles and all other applicable terms and conditions (as set out in Section 6.3 and as summarised in Annexure A). The maximum number of Shares that may be issued upon exercise of the Performance Rights the subject of this Resolution 5 is 2,772,105 and upon exercise of the Performance Rights, the Shares will rank equally with all other Shares of the Company on issue.
- (b) No amount will be payable by Mr Corrie to acquire the Performance Rights or upon the exercise of the Performance Rights.
- (c) Details of the Performance Rights on issue are set out in the Company's 2014 Annual Report. The Company confirms that the following performance rights have been issued to directors since the date of the PRP's last shareholder approval (ie 30 May 2012):
  - (i) On 29 June 2012, and in accordance with Shareholder approval received at the Company's 2012 AGM, the Company issued Performance Rights to Mr Gavin Harper (3,300,000 Performance Rights), Mr Colin Heseltine (2,000,000 Performance Rights) and Mr Peter Mills (3,000,000 Performance Rights) on the terms set out in the notice of meeting for the 2012 AGM.
  - (ii) On 30 July 2012, the Company issued 11,000,000 Performance Rights to Mr Robert Bearden. These Performance Rights were issued to Mr Bearden prior to his appointment as a director of the Company in September 2012, and as such, shareholder approval was not required at the time. On 27 May 2013, and in accordance with Shareholder approval received at the Company's 2013 AGM, the Company issued a 15,524,999 Performance Rights to Mr Robert Bearden. Please refer to the notice of meeting for the 2013 AGM for further details the terms.
  - (iii) On 16 July 2014, the Company issued 7,100,000 Performance Rights to Mr Glenn Corrie upon acceptance of his employment as Chief Executive Officer. These Performance Rights were issued to Mr Corrie prior to his appointment as a director of the Company on 1 January 2015, and as such, shareholder approval was not required at the time.
- (d) The names of all persons referred to in Listing Rule 10.14 who are entitled to participate in the PRP are the executive Directors of the Company (and any of their associates), currently being Mr Glenn Corrie. As part of the revised remuneration framework initiatives adopted by the Company during 2014, the Company's has adopted a policy that it does not intend to make future Performance Rights offers to non-executive directors.
- (e) A voting exclusion statement is included in the Notice of Meeting.
- (f) No loan will be provided to Mr Corrie by the Company in connection with the grant of the Performance Rights or the underlying issue of Shares should the Performance Rights be exercised.
- (g) Details of any Performance Rights issued under the PRP will be published in each annual report of the Company relating to the period in which the Performance Rights were issued and, where applicable, it will be noted that approval for the issue of the Performance Rights was obtained under Listing Rule 10.14.
- (h) Any additional persons (being related parties of the Company) who become entitled to participate in the PRP after this Resolution is approved and who are not named in this Notice of Meeting will not participate until approval is obtained under Listing Rule 10.14.
- (i) Subject to approval of this Resolution, the grant of the Performance Rights referred to in this Resolution is expected to be made within 1 month of the date of the meeting (but no later than 3 years after the date of the meeting).

Please refer to Section 5 of the Notice of Meeting for details of the Voting Exclusion which applies to this Resolution.

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### 6.6 Board Comment and Recommendations

The Directors of the Company, other than Mr Corrie, recommend that Shareholders vote in favour of this Resolution for the reasons set out in above. The Directors of the Company, other than Mr Corrie, do not have any interest in the outcome of this Resolution

Mr Corrie is not entitled and does not wish to make a recommendation to Shareholders about the proposed Resolution 5 because he (or his nominee) has an interest in the outcome of the Resolution as he (or his nominee) is the proposed recipient of the Performance Rights.

### 7. Resolution 6 – Approval of Issue of Shares to Mr Glenn Corrie

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#### 7.1 STI scheme - Background

Under the terms of Mr Glenn Corrie's executive services agreement (as set out in the Company's announcement dated 16 July 2014), Mr Corrie is eligible to participate in a STI scheme under which Mr Corrie may be eligible to receive a short term incentive (**STI**) of up to 80% of his base salary, subject to satisfaction of agreed hurdles.

Mr Corrie may elect to receive the STI payment either entirely as deferred Shares or 50% as deferred Shares and 50% as an immediate monetary payment.

As Mr Corrie commenced employment on 15 August 2014, the STI payment for the year ended 31 December 2014 is pro-rated to reflect the proportion of the year for which Mr Corrie was employed. Having regard to the applicable hurdles, the Board has calculated Mr Corrie's STI payment as US\$106,080. Please refer to the Company's 2014 Annual Report for details on the 2014 STI assessment calculation.

Mr Corrie has elected to receive the STI payment entirely as deferred Shares. Under the terms of the STI scheme:

- (a) the number of Shares Mr Corrie is entitled to is calculated based on the 5 day volume weighted average price for the Company's Shares for the period immediately prior to 31 December 2014, being A\$0.186. Accordingly, a maximum of 695,345 Shares will be issued to Mr Corrie; and
- (b) the issue of the Shares to Mr Corrie will be deferred to after 31 December 2015 (being 12 months from the date Mr Corrie became entitled to the STI payment). If Mr Corrie terminates his executive services agreement for any reason prior to 31 December 2015, the number of Shares to be issued will be pro-rated based on the number of days elapsed between 31 December 2014 and 31 December 2015 as at the date of cessation of employment. If the Company terminates the executive services agreement for any reason, Mr Corrie's entitlement to Shares will not change.

#### 7.2 Listing Rule 10.14

Listing Rule 10.14 provides that a listed entity must not issue equity securities under an employee incentive scheme (which includes the STI scheme) to a related party without Shareholder approval. The proposed grant of Shares to Mr Corrie requires approval by Shareholders under the Listing Rules.

As the issue is proposed to be made under Listing Rule 10.14, approval is not required under Listing Rule 7.1 (which limits the number of equity securities the Company may issue within a 12 month period to not more than 15% of the total number of ordinary securities on issue without the requirement for Shareholder approval). Approval is also not required under Listing Rule 10.11 (which, in the absence of obtaining Shareholder approval under Listing Rule 10.14 would be necessary to issue securities to a related party of the Company).

The Company has formed the view that shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in relation to the issue of Shares to Mr Corrie. Chapter 2E prohibits the giving of a financial benefit to a related party of a public company, unless the financial benefit has been approved by shareholders, or the giving of that benefit falls within an exception set out in Chapter 2E. Section 211 provides an exception for a benefit that comprises remuneration to an officer of a public company where such remuneration is reasonable in the circumstances of the company and that officer's particular circumstances (i.e. having regard to the responsibilities involved in such office). Accordingly, the Company considers that the exception in section 211 of the Corporations Act applies to the proposed issue of Shares to Mr Corrie.



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### 7.3 Specific Disclosure of Information as Required by the Listing Rules & the Corporations Act

For the purposes of Listing Rules 10.14 and 10.15A, the following information is provided:

- (a) The maximum number of Shares to be issued to Mr Corrie is 695,345 Shares.
- (b) No amount will be payable by Mr Corrie to acquire the Shares (as he receives the Shares in lieu of receipt of his STI bonus payment).
- (c) The STI scheme, to the effect of the ability to convert STI bonus payments into Shares, is particular to Mr Corrie and no other person is currently entitled to participate in it.
- (d) A voting exclusion statement is included in the Notice of Meeting.
- (e) No loan will be provided to Mr Corrie by the Company in connection with the issue of the Shares.
- (f) Details of any Shares issued under the STI scheme will be published in each annual report of the Company relating to the period in which the Shares were issued and, where applicable, it will be noted that approval for the issue of the Shares was obtained under Listing Rule 10.14.
- (g) Any additional persons (being related parties of the Company) who become entitled to participate in the STI scheme after this Resolution is approved and who are not named in this Notice of Meeting will not participate until approval is obtained under Listing Rule 10.14.
- (h) Subject to approval of this Resolution, the grant of the Shares referred to in this Resolution is expected to be made in or around January 2016 (but no later than 12 months after the date of the meeting).

### 7.4 Board Comment and Recommendations

The Directors of the Company, other than Mr Corrie, recommend that Shareholders vote in favour of this Resolution for the reasons set out in above. The Directors of the Company, other than Mr Corrie, do not have any interest in the outcome of this Resolution

Mr Corrie is not entitled and does not wish to make a recommendation to Shareholders about the proposed Resolution 6 because he (or his nominee) has an interest in the outcome of the Resolution as he (or his nominee) is the proposed recipient of the Shares.

## 8. Resolution 7 – Ratification of Issue of Securities to Macquarie Bank Limited

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### 8.1 Background

In August 2014 the Company entered into facility agreements with Macquarie Bank Limited (**Macquarie**) for a structured term debt facility of up to US\$50 million (**Facility**). The key terms of the Facility were set out in an announcement on ASX on 29 August 2014 (**Announcement**) and detailed in the Company's 2014 Annual Report.

On 1 September 2014, in connection with the Facility, the Company issued to Macquarie Bank Limited 30 million Options, each exercisable at \$0.25 on or before 1 September 2018.

Of the above options, 15 million are subject to escrow restrictions, cancellation provisions and only become exercisable on a pro-rata proportion to the drawdown of the first US\$10 million of the US\$40 Tranche B facility (for example should the company drawdown US\$5 million under the Tranche B Facility, 7.5 million options will vest and become capable of being exercised). Options which have not become exercisable before 20 December 2015 in accordance with their vesting terms above, may be cancelled by the Company with no consideration payable to Macquarie. At the date of this notice, the Company has not drawn down any funds under the Tranche B Facility. Please refer to Annexure B for further details on the terms of these options.

### 8.2 ASX Listing Rules 7.1 and 7.4

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue during any 12 month period any equity securities, or other securities with rights to conversion to equity (such as an option), if the number of those securities exceeds 15% of the number of securities on issue at the commencement of that 12 month period.

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ASX Listing Rule 7.4 sets out an exception to ASX Listing Rule 7.1. It provides that where a company in general meeting ratifies a previous issue of securities made pursuant to ASX Listing Rule 7.1 (and provided that the previous issue did not breach Listing Rule 7.1) those securities will be deemed to have been made with shareholder approval for the purpose of ASX Listing Rule 7.1.

Ratification by the Shareholders of the Company is now sought pursuant to ASX Listing Rule 7.4 in order to reinstate the Company's capacity to issue up to 15% of its issued capital, if required, in the next 12 months without Shareholder approval.

The effect of this Resolution 7 is that the Company, for the purposes of Listing Rule 7.1 will be able to refresh its 15% placement capacity with effect from the date of the Annual General Meeting.

### 8.3 Technical Information required by Listing Rule 7.5

ASX Listing Rule 7.5 requires that the following information be provided to Shareholders in relation to the Shares the subject of Resolution 7:

- (a) the total number of Options issued by the Company to Macquarie Bank Limited on 1 September 2014 was 30,000,000;
- (b) the Options were issued in consideration of Macquarie agreeing to enter into the Facility. No funds were raised from the issue of the Options. Shareholders should note that the Company will, however, receive subscription monies totalling \$7,500,000 if all of the Options the subject of Resolution 7 are exercised;
- (c) the terms of the Options are set out in Annexure B;
- (d) the Options were allotted to Macquarie Bank Limited;
- (e) no funds were raised from the issue of the Options; and
- (f) a voting exclusion statement is included in the Notice of Meeting.

### 8.4 Board Comment and Recommendations

The Directors recommend that Shareholders vote in favour of Resolution 7.

## CONTINGENT BUSINESS

### 9. Resolution 8 - Board Spill Meeting (Contingent Business)

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**Resolution 8 (the Spill Resolution) is a contingent resolution and will only be put to the Meeting and voted on if 25% or more of the votes cast on Resolution 1 are cast against the adoption of the 2014 remuneration report, which means the Company would receive a "second strike". If less than 25% of votes cast are against the Remuneration Report at the Annual General Meeting, then there will be no "second strike" and Resolution 8 will not be put to the Meeting.**

#### 9.1 Mechanics of the potential Spill Meeting

Shareholders should note the following if the Spill Resolution is approved and a Spill Meeting is required to be held by the Company.

- (a) All of the Directors who remain in office as Directors at the time of the Spill Meeting and were in office when the Board resolution to approve the director's report for the financial year ended 31 December 2014 was passed (but excluding the Managing Director), being each of:
  - (i) Mr Gavin Harper;
  - (ii) Mr Bernie Ridgeway;
  - (iii) Mr Colin Heseltine; and
  - (iv) Mr Philip Bainbridge,

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(the **Relevant Directors**), will automatically vacate their office immediately before the end of the Spill Meeting unless they are willing to stand for re-election and are re-elected at the Spill Meeting. For the avoidance of doubt, this includes Mr Bernie Ridgeway despite this Director already being subject to re-election at this Meeting.

- (b) No voting exclusions will apply to any resolutions appointing Directors at a Spill Meeting. Accordingly there is no barrier for any Shareholder exercising their voting rights to support the re-appointment of the existing Directors at a subsequent Spill meeting. If the Spill Resolution is passed, each of the Relevant Directors intends to stand for re-election at the Spill Meeting and if such Spill Meeting is held, may vote their own shares in support of their re-appointment.
- (c) Shareholders will be able to put forward their own nominees for consideration and potential election at the Spill Meeting.

The Corporations Act requires the Company to have a minimum of three directors. If, following the Spill Meeting, the Company has fewer than three directors (including the Managing Director), then the persons with the highest percentage of votes in favour of their election at the Spill Meeting are taken to be appointed, even if less than half the votes cast on the resolution were in favour of their appointment. If two or more persons have the same percentage of votes in favour of their appointment, the other Directors will choose one of those persons as the appointed Director.

The 3rd edition of the ASX Corporate Governance Council's Corporate Principles and Recommendations recommend that a listed entity should have a Board of an appropriate size, composition, skills and commitment to enable it to discharge its duties effectively. The Board also should be large enough to comprise a variety of perspectives and skills, and to represent the best interests of the Company as a whole. The skills and experience matrix of the current members of the Board may not be reflected in the Board elected as a result of the Spill Meeting.

### 9.2 Consequences of voting “for” the Spill Resolution

The impact of the Spill Resolution on the composition of the Board should be considered carefully by Shareholders.

If the Spill Resolution is put to the Meeting and passes:

- (a) The Company will need to incur expenses (including legal, printing, mail out and registry costs) which the board estimates will be in excess of \$10,000.
- (b) The Spill Meeting is likely to disrupt the Board and the Company's focus away from core business operations due to the necessary diversions of resources and time towards organising the Spill Meeting.
- (c) There will be uncertainty as to the composition and continuity of the Board until the Spill Meeting is held. Such uncertainty may create instability within the Company and may have a negative effect on the Company's share price, and potentially on its operations.

### 9.3 Board Comment and Recommendations:

If Resolution 8 is put to Shareholders and you support your current Directors and wish them to continue as Directors, you should vote **against** the Spill Resolution (Resolution 8).

If it is required to be put to the Meeting, the Board unanimously recommends that Shareholders vote **against** Resolution 8.

## 10. Glossary

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In this Explanatory Statement, the following terms have the following meanings unless the context otherwise requires:

**2009 AGM** means the Annual General Meeting of the Company held on 23 November 2009.

**2012 AGM** means the Annual General Meeting of the Company held on 30 May 2012.

**2012 Annual Report** means the financial report for the Company for the year ended 31 December 2012 lodged with ASIC on 28 March 2013.

**2013 AGM** means the Annual General Meeting of the Company held on 23 May 2013

**2013 Annual Report** means the financial report for the Company for the year ended 31 December 2013 lodged with ASIC on 27 March 2014.

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**2014 AGM** means the Annual General Meeting of the Company held on 30 May 2014.

**2014 Annual Report** means the financial report for the Company for the year ended 31 December 2014 lodged with ASIC on 25 March 2015.

**2015 AGM** means the Annual General Meeting of the Company to be held on 15 May 2015.

**Annexure** means an annexure to the Explanatory Statement.

**ASX** means ASX Limited or the Australian Securities Exchange, as the context requires.

**Board** means the board of Directors of the Company.

**Closely Related Party** has the meaning given in section 9 of the Corporations Act.

**Company** means Sino Gas & Energy Holdings Limited ACN 124 242 422.

**Constitution** means the Constitution of the Company.

**Corporations Act** means *Corporations Act* 2001 (Cth).

**Director** means a Director of the Company.

**Directors' Report** means the Directors' declaration and report included in the 2014 Annual Report.

**Explanatory Statement** means this explanatory statement accompanying the Notice of Meeting.

**Key Management Personnel** means the key management personnel of the Company being the Directors of the Company and those other persons having authority for planning, directing and controlling the activities of the Company, directly or indirectly. The Remuneration Report the subject of Resolution 1 identifies the Company's key management personnel for the financial year ended 31 December 2014.

**Meeting, AGM or Annual General Meeting** means the Annual General Meeting of the Company to be held at 11.00 am (Perth time) on Friday, 15 May 2015.

**Non-Executive Director** means a non-executive Director of the Company.

**Notice or Notice of Meeting** means the notice of meeting accompanying this Explanatory Statement.

**ODP or Overall Development Program** means an overall development plan required in China to move to development.

**Option** means an option to subscribe for a Share.

**Perth time** means the time in Perth, Western Australia.

**PSC** means the Company's interest in Production Sharing Contract(s) in the Ordos Basin China.

**PRP** means the Company's Executive, Officer and Employee Performance Rights Plan as approved at the 2009 AGM (as amended) and as announced to the market in full on the date of release of this Notice.

**Performance Rights** means a performance right issued pursuant to the PRP which is exercisable for 1 Share subject to the satisfaction of any performance hurdle and any other applicable terms and conditions.

**Performance Hurdles** means the performance hurdles, as specified and as applicable on a case by case basis, which are to be satisfied in connection with a Performance Right.

**Restricted Voter** means Directors, Key Management Personnel and their Closely Related Parties.

**Section** means a section of the Explanatory Statement.

**Share** means a fully paid ordinary share in the capital of the Company.

**Shareholder** means a holder of a Share.

**Spill Meeting** has the meaning given to that term in section 2 of this Explanatory Statement.

**Spill Resolution** has the meaning given to that term in section 2 of this Explanatory Statement.

**Short Term Incentive** means the short term incentive payable under the STI Plan.

**STI Plan** means the short term incentive scheme as it applies between the Company and Mr Glenn Corrie in accordance with the terms of Mr Corrie's employment agreement, as set out in the Company's announcement dated 16 July 2014.

**Vacating Directors** has the meaning given to that term in section 2 of this Explanatory Statement.

**\$** means Australian dollars.

**ANNEXURE A – SUMMARY OF TERMS OF PERFORMANCE RIGHTS PLAN****RE RESOLUTIONS 3 & 5****PART A**

1. Under the PRP the Directors may offer to grant Performance Rights to any Director or company secretary or any full-time or part-time or casual employee or contractor of the Company (or a member of the Group) or a controlled entity at the Board's discretion or a person whom the Board determines is eligible to receive grants of Performance Rights under the Plan (**Eligible Person**). The Board will have regard to the Eligible Person's length of service, potential contribution to the growth and profitability of the Company or an associated company and any other matter which the Directors consider relevant.
2. Under the PRP, the Directors shall not offer or issue any Performance Rights to any Eligible Person in accordance with the PRP if the number of Shares to be received on the exercise of the Performance Rights, when aggregated with the number of Shares issued or that may be issued as a result of offers made at any time during the previous 3 year period, exceeds five (5) per cent of the total number of issued Shares in the Company as at the time of making the offer.
3. Following receipt of the offer, an Eligible Person or an associate of an Eligible Person may apply for Performance Rights up to the number specified in the offer. No consideration is payable by an Eligible Person to the Company in respect of the grant of a Performance Right.
4. Performance Rights may not be offered to a Director or his or her associates without prior Shareholder approval.
5. The Board will set performance criteria to be met before the Performance Rights may be exercised (**Performance Criteria**).
6. The exercise price (if any) payable on the exercise of a Performance Right shall be determined by the Board, in its absolute discretion at the time of offering the Performance Rights.
7. The exercise period of each Performance Right shall be determined by the Board in its absolute discretion (**Expiry Date**). However, Performance Rights will only be able to be exercised once the Performance Criteria set by the Board in respect of a Performance Right have been met within the performance period set by the Board.
8. Notwithstanding item 7, all Performance Rights will be free of any restrictions on exercise if a specified Event has occurred. An Event occurs when:
  - (a) a takeover bid is made to the holders of Shares;
  - (b) a statement is lodged with ASX to the effect that a person or group of associated persons has become entitled to not less than 50% of the Shares;
  - (c) a person or group of associated persons having a relevant interest in, subsequent to the adoption of this Plan, sufficient Shares to give it or them the ability, in general meeting, to replace all or a majority of the Directors in circumstances where such ability was not already held by a person associated with such person or group of associated persons;
  - (d) pursuant to an application made to the court, the court orders a meeting to be held in relation to a proposed compromise or arrangement for the purpose of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other companies;
  - (e) the Company passes a resolution for voluntary winding up; or
  - (f) an order is made for the compulsory winding up of the Company.
9. Notwithstanding item 7, Performance Rights may expire prior to the Expiry Date in the following circumstances:
  - (a) the cessation of the Participant's employment or office which is not due to:
    - i) the death, Total and Permanent Disability, or redundancy of the Participant;
    - ii) the Participant ceasing to be employed by a company within the Group as a result of a company ceasing to be a member of the Group, or a company in the Group selling a business it conducts to someone other than to another company in the Group;
    - iii) any other reason as determined by the Board in its absolute discretion each of which in (i) to (ii) above are a "Qualifying Reason".
  - (b) the transfer or purported transfer of the Performance Right without the Board's prior written consent (where such transfer is otherwise not permitted by the terms of the Performance Right);

## ANNEXURE A

- (c) a determination of the Board that the Participant has acted fraudulently, dishonestly or in breach of the Participant's obligations to the Company or any company in the Group and the Performance Right is to be forfeited; and
- (d) the Participant notifying the Company that the Participant wishes the Performance Right to lapse.

If the cessation of the Participant's employment or office is due to a Qualifying Reason:

- (a) the maximum number of Performance Rights the Participant may be entitled to will be calculated pro rata based on the proportion of the Performance Period that has elapsed as at the date of cessation of employment or office; and
- (b) the number of Performance Rights the Participant will be entitled to will be calculated as a proportion of the maximum number calculated pursuant to clause (a) above, based pro rata on the progress toward satisfaction of the applicable Performance Criteria in the opinion of the Board (in its absolute discretion), and such number of Performance Rights will be immediately exercisable (and the balance of the Performance Rights will lapse); and
- (c) if cessation occurs after all Performance Criteria have been satisfied, other than any criteria that is solely attributable to the Participant's tenure with the Company in employment or office (e.g. vesting conditions which require the passage of time after all other Performance Criteria have already been satisfied), all Performance Rights held by such Participant will become immediately exercisable,

provided that in each case, such Performance Rights must be exercised within 3 months of the date of cessation.

10. All Shares issued upon the exercise of Performance Rights will upon the allotment rank pari passu with all existing Shares in the capital of the Company. If the Shares are quoted, the Company will apply for quotation by ASX of all Shares allotted pursuant to the exercise of Performance Rights. However, the Company will not apply for official quotation by ASX of the Performance Rights.
11. A Performance Right may only be transferred in accordance with their terms of issue or otherwise with the prior written consent of the Board.
12. In the event of any reconstruction (including a consolidation, subdivision, reduction or return) of the issued capital of the Company, then the number of Performance Rights to which each holder of Performance Rights is entitled or the exercise price of the Performance Rights or both will be reconstructed in the manner required by the ASX Listing Rules.
13. A Performance Right does not entitle a participant to participate in new issues of securities to holders of Shares, unless the Performance Right has been exercised and a Share has been issued or transferred to the Participant in respect of that Performance Right, before the record date for determining entitlements to securities under the new issue.
14. If the Company makes a bonus issue, the number of Shares over which a Performance Right is exercisable will be increased by the number of Shares which the holder of the Performance Right would have received if the Performance Right had been exercised before the record date for the bonus issue. The exercise price will not change.
15. If the Company makes a rights issue, the number of Shares over which a Performance Right is exercisable will not be increased by the number of Shares which the holder of the Performance Right would have received if the Performance Right had been exercised before the record date for the rights issue. The exercise price will also not change.
16. Any notice of exercise of a Performance Right received by the Company will be deemed to be a notice of the exercise of the Performance Right on the first business day after the date of receipt of the notice.
17. Shares provided to a Participant on the exercise of Performance Rights will be held on trust for that Participant by the Trustee for the duration of the restriction period (as determined by the Board) in accordance with the terms of the PRP and the trust deed to be established for the purposes of the PRP.
18. The Directors may alter, delete or add to the provisions of the PRP without obtaining the consent of Shareholders of the Company provided such alterations or deletions are consistent with the ASX Listing Rules.
19. The rules of the PRP shall be construed in accordance with the laws of Western Australia and each Performance Right holder submits to the exclusive jurisdiction of the Courts of Western Australia.

## **ANNEXURE B —SUMMARY OF TERMS AND CONDITIONS OF OPTIONS**

On 1 September 2014, in connection with the Facility, the Company issued to Macquarie Bank Limited 30 million Options, each exercisable at \$0.25 on or before 1 September 2018.

### **Standard Terms and Conditions applying to all options**

#### **1 Definitions**

In these conditions the following expressions have the following meanings:

**Bonus Issue** has the meaning given in Chapter 19 of the ASX Listing Rules.

**Cleansing Notice** means a notice complying with sections 708A(5)(e) and (6) of the Corporations Act.

**Company** means Sino Gas & Energy Holdings Limited ABN 16 124 242 422.

**Exercise Period** means, in relation to an Option, the period commencing on (and including) the date of grant of the Option and ending at 2:00 pm (Perth time) on the Expiry Date.

**Exercise Price** means, in respect of an Option, \$0.25

**Expiry Date** means 1 September 2018.

**Pro-rata Issue** has the meaning given in Chapter 19 of the ASX Listing Rules.

#### **2 Entitlement on exercise of Options**

Each option (**Option**) entitles its Holder (or a nominee of its Holder) upon exercise to subscribe for and be issued one Share on and subject to these terms and conditions.

#### **3 Exercise of Options**

##### **3.1 Exercise Notice**

- (1) The Holder may at any time during the Exercise Period give a notice to the Company exercising all or a specified number of Options (**Exercise Notice**).
- (2) An Exercise Notice must be in writing and in the form set out and must be delivered to the registered office of the Company (or such other place as the Company may notify Holders in writing).
- (3) An Exercise Notice must be given to the Company together with payment of the Exercise Price for each of the Options exercised.
- (4) An Exercise Notice for an Option received by the Company before 2 pm (Perth time) on any day will be deemed to be a notice of the exercise of that Option as at the date of receipt and otherwise will be deemed to be a notice of the exercise of the Option as at the next Business Day.

##### **3.2 Payments and Conversion**

All payments in connection with the exercise of Options must be made by bank cheque or electronic funds transfer.

##### **3.3 Ranking of Shares issued on exercise**

Shares issued upon exercise of Options will be fully paid and rank equally in all respects with all other issued Shares from the date of issue.

##### **3.4 Expiry Date**

Any Option which has not been exercised by 2:00 pm (Perth time) on the Expiry Date will lapse.

An Exercise Notice is not effective if it is received by the Company after 2:00 pm (Perth time) on the Expiry Date.

#### **4 Quotation and on-sale of Shares**

If Shares are quoted on ASX at the time of exercise of the Options, the Company must make an application to ASX for quotation of the number of Shares issued upon exercise of Options no later than 2 Trading Days after the issue of those Shares.

If the Company is able to comply with the requirements of sections 708A(S)(e) and (6) of the Corporations Act, the Company must issue to ASX a Cleansing Notice no later than the Trading Day after the relevant issue of Shares on exercise of the Options.

## ANNEXURE B

If the Company is unable to comply with the requirements of sections 708A(5)(e) and (6) of the Corporations Act to issue a Cleansing Notice. The Company must lodge with ASIC and ASX a prospectus which complies with the Corporations Act no later than the Trading Day after the relevant issue of Shares on exercise of the Options (or such longer period as the Holder may agree acting reasonably).

### 5 Quotation of Options

The Options will not be quoted on any stock exchange.

### 6 New, Bonus and Pro-Rata Issues

#### 6.1 General

- (1) A Holder cannot participate in a new issue of securities in the Company unless the Options are exercised and the resultant Shares are issued prior to the record date to determine entitlements in respect of the new issue of securities.
- (2) A Holder does not participate in any dividends unless the Options are exercised and the resultant Shares are issued prior to the record date to determine entitlements to the dividend.
- (3) The Company will ensure that any record date referred to in clause 6.1(1) or clause 6.1(2) will be at least 10 Business Days after the new issue of securities or dividend (as applicable) is announced by the Company on ASX.

#### 6.2 Bonus Issues

If there is a Bonus Issue to the holders of Shares in the Company, then the number of Shares into which each Option is entitled to be exercised will be increased by the number of Shares which the Holder would have received under the Bonus Issue if each Option had been exercised before the record date for the Bonus Issue.

#### 6.3 Pro-rata Issue

If the Company makes a Pro-rata Issue (except a Bonus Issue) to the holders of Shares, the Exercise Price shall be reduced according to the following formula:

$$O^1 = O - \frac{E[P - (S+D)]}{N + 1}$$

where:

- $O^1$  = the new Exercise Price;
- $O$  = the old Exercise Price;
- $E$  = the number of Shares into which each Option is entitled to be exercised;
- $P$  = the value of a Share at the time the Pro-rata rights issue is made as determined by an accountant independent of the Company, or if the Shares are listed on the ASX, the average closing trading price per Share (weighted by reference to volume) during the five (5) trading days ending on the day immediately before the relevant record date for that Pro-rata Issue;
- $S$  = the subscription price for a Share under the Pro-rata Issue;
- $D$  = any dividend due but not yet paid on existing Shares (which will not include the new Shares to be issued under the Pro-rata Issue);
- $N$  = the number of Shares with rights or entitlements that must be held to receive a right to 1 new Share.

#### 6.4 Reconstructions of Capital

- (1) Subject to clause 6.4(2):
  - (a) if the Company consolidates its Shares, the number of Options shall be consolidated in the same ratio as the Shares and the Exercise Price shall be amended in the inverse proportion to that ratio;
  - (b) if the Company subdivides its Shares, the number of Options shall be subdivided in the same ratio as the Shares and the Exercise Price must be amended in inverse proportion to that ratio;



## ANNEXURE B

- (c) if the Company returns any capital to the holders of Shares in cash or in kind (including any cash dividend, any distribution pursuant to a reduction or buy-back of share capital or any in specie distribution of the cash assets of the Company or otherwise), the number of Options must remain the same, and the Exercise Price must be reduced by the same amount as the amount returned in relation to each Share;
  - (a) if the Company reduces its capital by a cancellation of paid up capital that is lost or not represented by available assets and there is no cancellation of Shares, the number of Options and the Exercise Price must remain unaltered;
  - (b) if the Company cancels Shares on a pro rata basis, the number of Options shall be reduced in the same ratio as the Shares and the Exercise Price of each Option shall be amended in inverse proportion to that ratio; and
  - (c) in the event of any other reconstruction of the issued capital of the Company, the number of Options or the Exercise Price, or both, must be reorganised so that the Holder does not receive a benefit that holders of Shares will not receive.
- (2) In the event of any reorganisation including subdivision, consolidation, reduction, return or cancellation of the issued capital of the Company on or prior to the Expiry Date, the rights of a Holder will be changed to the extent necessary to comply with the applicable ASX Listing Rules governing reorganisations in force at the time of the reorganisation:
  - (a) but with the intention that such reconstruction will not result in any benefits being conferred on the Holder which are not conferred on holders of Shares; and
  - (b) subject to the provisions with respect to rounding of entitlements as sanctioned by a meeting of shareholders approving a reconstruction of capital, in all other respects the terms for the exercise of the Options will remain unchanged.

### 6.5 Change in holding company

To the maximum extent permissible by Law, if the Company ceases to be the ultimate holding company of its corporate group or merges with another company, whether by way of scheme of arrangement otherwise, and shares in a new holding company of the Company or merged company (as applicable) become admitted to quotation, or are already quoted, on the official list of any stock exchange, the Company must procure that the relevant company promptly issues the Holder with options in that relevant company in exchange for the Options. Those options must have the same material value and be issued on the same terms as the Options save for any changes or variations required by any Law (of any jurisdiction) in force at any time or the rules of the relevant stock exchange.

## 7 Transfer of Options and issuance of Shares

Each Option may only be transferred, assigned or sold by the Holder to, and any Holder or nominee of a Holder to whom any Shares are to be issued upon exercise of an Option must be, a person who is a professional investor (as defined in section 9 of the Corporations Act) or a sophisticated investor (pursuant to section 708(8) of the Corporations Act). The Company may refuse to register any purported transfer of Options and may refuse to issue any Shares in breach of this clause.

The Holder represents and warrants by delivery of an Exercise Notice that it (or, as applicable, its nominee) is a person who is a professional investor (as defined in section 9 of the Corporations Act) or a sophisticated investor (pursuant to section 708(8) of the Corporations Act).

## 8 Miscellaneous

### 8.1 Holders bound by Constitution

A Holder is bound by these conditions and the constitution of the Company insofar as the constitution relates to or governs the Options and the Shares issued upon exercise of the Options.

### 8.2 Governing law

- (1) These conditions are to be construed according to and is governed by the laws of New South Wales, Australia.

## ANNEXURE B

- (2) Each of the Company and the Holder submits to the exclusive jurisdiction of the courts in and of New South Wales in relation to any dispute arising under these conditions.

### 9 Escrow and Cancellation Provisions applying to 15 Million Options

Of the 30 million Options issue to Macquarie, 15 million are subject to escrow restrictions, cancellation as set out below:

#### 9.1 Escrow

- (1) Macquarie (or its nominee) must hold, and may not exercise, transfer, assign or sell, such number of Facility A Options determined in accordance with the following formula (ignoring any fractional number):

$$A = 15,000,000 - ((B \div 10,000,000) \times 15,000,000)$$

Where:

**A** is the number of Facility A Options (as defined in the Facility Agreement) subject to the escrow arrangements in this clause 9.1(1); and

**B** is the lesser of (i) the aggregate amount which the Company has drawn under Facility B (as defined in the Facility Agreement) and (ii) US\$10,000,000.

- (2) The Facility A Options subject to this clause 10.1 will be identified in the Option Certificates in respect of those Options by incorporating the following statement in the relevant Option Certificates:

*[insert number of options subject to escrow] options that are the subject of this Option Certificate are subject to clause 5 (Facility A Options Escrow) of the option deed dated [date] between the Company and Macquarie Bank Limited.*

- (3) The number of Facility A Options that are the subject of escrow under clause 9.1(1) will be re-calculated at the time of each draw by the Company under Facility B and at the time of each draw Macquarie will notify the Company of the revised number of Facility A Options that are the subject of the escrow arrangements under clause 9.1(1). Following notification and subject to compliance by Macquarie with clause 9.1(1), the Facility A Options will be automatically released from escrow and may immediately be exercised, transferred, assigned or sold by Macquarie (or its nominee) at its discretion.
- (4) Upon a change in the number of Facility A Options that are the subject of the escrow arrangements under clause 9.1(1), the Company must issue a new Option Certificate to Macquarie (or its nominee) in accordance with clause 9.4.

#### 9.2 Cancellation

If any Facility A Options remain subject to the escrow arrangements in clause 9.1 as at the Facility B Expiry Date, the Company may cancel those Facility A Options from immediately after the Facility B Expiry Date with no consideration payable to Macquarie (or its nominee).

## LODGE YOUR VOTE



### ONLINE

[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)



### BY MAIL

Sino Gas & Energy Holdings Limited  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235 Australia



### BY FAX

+61 2 9287 0309



### BY HAND

Link Market Services Limited  
1A Homebush Bay Drive, Rhodes NSW 2138



### ALL ENQUIRIES TO

Telephone: +61 1300 554 474

## LODGE A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given above by **11:00am (Perth time) on Wednesday, 13 May 2015**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



### ONLINE

[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form).

## HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

### YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes.

**Please note: you cannot change ownership of your shares using this form.**

### APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

### DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form, including where the Resolution is connected directly or indirectly with the remuneration of KMP.

### VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

### APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- return both forms together.

### SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

**Individual:** where the holding is in one name, the holder must sign.

**Joint Holding:** where the holding is in more than one name, either shareholder may sign.

**Power of Attorney:** to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

### CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au).

**IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING, PLEASE BRING THIS FORM WITH YOU.  
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**

NAME SURNAME  
ADDRESS LINE 1  
ADDRESS LINE 2  
ADDRESS LINE 3  
ADDRESS LINE 4  
ADDRESS LINE 5  
ADDRESS LINE 6



X99999999999

## PROXY FORM

I/We being a member(s) of Sino Gas & Energy Holdings Limited and entitled to attend and vote hereby appoint:

### APPOINT A PROXY



the Chairman of the Meeting (mark box)

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Annual General Meeting of the Company to be held at **11:00am (Perth time) on Friday, 15 May 2015 at the Celtic Club, 48 Ord Street, West Perth, Western Australia 6005** (the Meeting) and at any postponement or adjournment of the Meeting.

**Important for Resolutions 1 and 8:** If the Chairman of the Meeting is your proxy, either by appointment or by default, and you have not indicated your voting intention below, you expressly authorise the Chairman of the Meeting to exercise the proxy in respect of Resolutions 1 and 8 even though the Resolutions are connected directly or indirectly with the remuneration of a member of Key Management Personnel (KMP).

**The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business except Resolution 8 where undirected proxies will be voted against the resolution (if considered at the Meeting).**

### VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting.

Please read the voting instructions overleaf before marking any boxes with an ☒.

**Please Note:** to fully inform shareholders in exercising their right to vote, please be aware that if the Chairman of the Meeting is appointed as your proxy (or becomes your proxy by default), the Chairman of the Meeting intends to vote available proxies in the manner set out beside each resolution. This reflects the recommendation of the Board or certain directors (as the case may be).

#### ORDINARY BUSINESS

1 Remuneration Report

For Against Abstain\*

☐☐☐

FOR

2 Re-Election of Mr Bernie Ridgeway as a Director

☐☐☐

FOR

#### SPECIAL BUSINESS

3 Performance Rights Plan Renewal

☐☐☐

FOR

4 Renewal of Company's Proportional Takeover Approval Provisions

☐☐☐

FOR

5 Approval of Grant of Performance Rights to Mr Glenn Corrie

☐☐☐

FOR

6 Approval of Issue of Shares to Mr Glenn Corrie

☐☐☐

FOR

7 Ratification of Issue of Securities to Macquarie Bank Limited

☐☐☐

FOR

#### CONTINGENT BUSINESS

**Note:** Resolution 8 will only be considered at the Meeting if 25% or more of the votes cast on Resolution 1 are against that Resolution. If you mark the "For" box to vote for Resolution 8, you are directing your proxy to vote for the holding of a special meeting of members to consider the spill of the whole of the Company's Board other than the Managing Director.

8 Board Spill Meeting (contingent resolution)

☐☐☐

AGAINST



\* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

### SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Joint Shareholder 2 (Individual)

Joint Shareholder 3 (Individual)

Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

SEH PRX501F

# Sino Gas & Energy Holdings Limited Executive, Officer and Employee Performance Rights Plan

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Sino Gas & Energy Holdings Limited ACN 124 242 422

(Restated and amended as at 13 March 2015)

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# Sino Gas and Energy Holdings Limited Executive, Officer and Employee Performance Rights Plan

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## 1. Definitions and interpretation

### 1.1 Definitions

In this Plan:

**Account of a Participant** means an account maintained by the Trustee in accordance with the Trust Deed which, among other things, records the number of Shares provided to a Participant following the exercise of Performance Rights.

**ASTC Settlement Rules** means the settlement rules of ASX Settlement and Transfer Corporation Pty Limited ACN 008 504 532.

**ASX** means ASX Limited ACN 008 624 691.

**Board** means all or some of the Directors acting as the board of Sino.

**Certificate** means a certificate setting out the number of Performance Rights to which a Participant is entitled.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Director** means a director of Sino.

**Employee** means:

- (a) a person whom the Board determines to be in the permanent full-time or part-time employment of a company in the Group (including a Director or a company secretary of a company in the Group who holds salaried employment with that company on a full time or part time basis);
- (b) a person whom, in the Board's discretion it determines to be eligible to participate in the Plan and whom is an officer of a company in the Group including any Director or company secretary regardless of whether that person holds salaried employment or not;
- (c) a person whom the Board determines to be a contractor or casual employee who is, or might reasonably be expected to be, engaged to work the number of hours that are the pro-rata equivalent of 40% or more of a comparable full time position with a company in the Group; or
- (d) a person whom the Board determines is eligible to receive grants of Performance Rights under the Plan.

**Event** means:

- (a) a takeover bid is made to the holders of Shares;
- (b) a statement is lodged with the ASX to the effect that a person or group of associated persons has become entitled to not less than 50% of the Shares;



- (c) a person or group of associated persons having a relevant interest in, subsequent to the adoption of this Plan, sufficient Shares to give it or them the ability, in general meeting, to replace all or a majority of the Directors in circumstances where such ability was not already held by a person associated with such person or group of associated persons;
- (d) pursuant to an application made to the court, the court orders a meeting to be held in relation to a proposed compromise or arrangement for the purpose of or in connection with a scheme for the reconstruction of Sino or its amalgamation with any other companies;
- (e) Sino passes a resolution for voluntary winding up; or
- (f) an order is made for the compulsory winding up of Sino.

**Expiry Date** means the expiry of the Exercise Period.

**Exercise Period** means the period during which the Performance Right must be exercised before it will lapse as notified to the Participant in accordance with clause 5.1(f).

**Exercise Price** means the amount (if any) which is payable on the exercise of a Performance Right as determined by the Board. If no determination is made, the applicable Exercise Price is nil.

**Group** means Sino and each body corporate that is either a subsidiary or an associated entity of Sino under Division 6 of Part 1.2 of the Corporations Act, provided that if an associated entity, Sino holds 30% or more of the voting power of the associated entity.

**Holding Lock** has the meaning given to that term in the ASTC Settlement Rules.

**Listing Rules** means the ASX Listing Rules.

**Offer Closing Date** means the last date for acceptance of an offer of Performance Rights.

**Participant** means an Employee who is participating in, or has been invited to participate in, the Plan.

**Performance Criteria** means the performance criteria set by the Board in respect of a Performance Share which must be met before a Performance Right can be exercised.

**Performance Period** means the period (which unless specified otherwise commences from the date of grant) determined by the Board in respect of which the Board will assess the performance of the Participant or the Group, or both (as applicable) against the Performance Criteria.

**Performance Right** means a right granted under the Plan to acquire a Share (whether by subscription or transfer).

**Plan** means this plan, which is known as the Sino Gas and Energy Holdings Limited Executive, Officer and Employee Performance Rights Plan.

**Qualifying Reason** means:

- (a) the death, Total and Permanent Disability or redundancy of the Participant;

- (b) the Participant ceasing to be employed by, or ceasing to hold office in, a company within the Group as a result of a company ceasing to be a member of the Group, or a company in the Group selling a business it conducts to someone other than to another company in the Group;
- (c) any other reason as determined by the Board in its absolute discretion.

**Record Date** has the meaning given to that term in the Listing Rules.

**Restriction Period** means, in respect of a Share provided on the exercise of a Performance Right, the period commencing on the date of allocation of the Share to the Participant and ending on the earliest of:

- (a) the date determined by the Board for the purposes of the restrictions contained in clause 10 and notified to the Participant in accordance with clause 5.1(g);
- (b) the date the Participant is no longer employed by, or holds office in, a company in the Group, unless the Board determines otherwise;
- (c) the date an Event occurs;
- (d) the date Sino approves a Withdrawal Notice; and
- (e) the date the Board, in its sole and absolute discretion, determines that the restrictions contained in clause 10 be released.

**Security Interest** has the meaning as defined in the Trust Deed.

**Share** means a fully paid ordinary share in the capital of Sino.

**Sino** means Sino Gas & Energy Holdings Limited ACN 124 242 422.

**Total and Permanent Disablement** means, in relation to an Employee, that the Employee has, in the opinion of the Board, after considering such medical and other evidence as it sees fit, become incapacitated to such an extent as to render the Employee unlikely ever to engage in any occupation for which he or she is reasonably qualified by education, training or experience.

**Trust** means the Sino Gas and Energy Holdings Limited Equity Plan Trust.

**Trust Deed** means the trust deed that establishes the Trust, as amended from time to time.

**Trustee** means the trustee from time to time of the Trust.

**Withdrawal Notice** means a written notice given by (or deemed to be given by) a Participant to Sino in accordance with clause 12.

## 1.2 Interpretation

In this Deed:

- (a) headings are for convenience only and do not affect interpretation;

and unless the context indicates a contrary intention:

- (b) an obligation or a liability assumed by, or a right conferred on, two or more persons binds or benefits them jointly and severally;

- (c) **"person"** includes an individual, the estate of an individual, a corporation, an authority, an association or a joint venture (whether incorporated or unincorporated), a partnership and a trust;
- (d) a reference to a party includes that party's executors, administrators, successors and permitted assigns, including persons taking by way of novation and, in the case of a trustee, includes a substituted or an additional trustee;
- (e) a reference to a document (including this Deed) is to that document as varied, novated, ratified or replaced from time to time;
- (f) a reference to a statute includes its delegated legislation and a reference to a statute or delegated legislation or a provision of either includes consolidations, amendments, re-enactments and replacements;
- (g) a word importing the singular includes the plural (and vice versa), and a word indicating a gender includes every other gender;
- (h) a reference to a party, clause, schedule, exhibit, attachment or annexure is a reference to a party, clause, schedule, exhibit, attachment or annexure to or of this Deed, and a reference to this Deed includes all schedules, exhibits, attachments and annexures to it;
- (i) if a word or phrase is given a defined meaning, any other part of speech or grammatical form of that word or phrase has a corresponding meaning;
- (j) **"includes"** in any form is not a word of limitation; and
- (k) a reference to "\$" and **"dollar"** is to Australian currency.

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## **2. Performance Right Plan**

Subject to any necessary approvals of the shareholders of Sino required by law or by the Listing Rules, the Board may grant Performance Rights to any one or more of the Employees of the Group having regard to:

- (a) each Employee's length of service with the Group;
- (b) the potential contribution of the Employee to the Group; and
- (c) any other matters which the Board considers relevant.

Performance Rights granted by the Board will be subject to the terms of this Plan.

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## **3. Administration of the Plan**

### **3.1 Administration by the Board**

The Plan will be administered by the Board and the Trustee in accordance with the terms of this Plan and the Trust Deed.

### **3.2 Board's power and discretion**

Any power or discretion which is conferred on the Board by this Plan must be exercised by the Board in the interests or for the benefit of Sino. In exercising any such power or discretion, the Board is not under any fiduciary or other obligation to any other person.

### **3.3 Delegation by the Board**

Any power or discretion which is conferred on the Board by this Plan may be delegated by the Board to a committee consisting of such Directors, other officers, or employees of Sino, or any combination of such persons, as the Board thinks fit.

### **3.4 Decisions are final**

The decision of the Board as to the interpretation, effect or application of this Plan, the exercise by the Board of any power or discretion under this Plan or the giving of any consent or approval by the Board in connection with this Plan will be final and conclusive.

### **3.5 Board may suspend or cancel the Plan**

The Board may from time to time suspend the operation of this Plan and may at any time cancel this Plan. The suspension or cancellation of this Plan will not prejudice the existing rights (if any) of Participants.

### **3.6 Documents**

Sino and the Trustee may from time to time require a Participant to complete and return such additional documents as may be required by law to be completed by the Participant or such other documents which the Sino or the Trustee considers should, for legal or taxation reasons, be completed by the Participant.

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## **4. Rights of Participants**

Except as expressly provided in this Plan, nothing in this Plan:

- (a) confers on any Employee the right to receive any Performance Rights;
- (b) confers on any Participant the right to continue as an Employee of Sino or any of its subsidiaries;
- (c) affects any rights which Sino or a subsidiary may have to terminate the employment or office of any Employee;
- (d) may be used to increase damages in any action brought against Sino or a subsidiary in respect of any such termination; or
- (e) confers on an Employee any expectation to become a Participant.

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## **5. Grant of Performance Rights**

### **5.1 Offer**

An offer of Performance Rights to an Employee must be in writing and must specify:

- (a) the date of the offer;
- (b) the number of Performance Rights the subject of the offer;
- (c) the Offer Closing Date;
- (d) the Performance Criteria and Performance Period;

- (e) the Exercise Price (if any);
- (f) the Exercise Period;
- (g) the Restriction Period; and
- (h) such other terms and conditions relating to the offer of the Performance Rights as the Board may determine in its absolute discretion.

## **5.2 Acceptance**

To accept an offer made under clause 5.1, the Employee must submit an acceptance form (in the form prescribed by Sino) on or prior to the Offer Closing Date. The acceptance form must include:

- (a) a notification that the Employee accepts the offer;
- (b) confirmation that the Employee agrees to be bound by the terms of this Plan and the Trust Deed; and
- (c) if so required by Sino, the agreement of the Employee to the placing of a Holding Lock on any Shares provided on the exercise of the Performance Rights.

## **5.3 When offer may not be accepted**

An Employee may not accept an offer made under clause 5.1, and no Performance Rights will be granted to the Employee in respect of such an offer, if at the date of purporting to accept the offer:

- (a) he or she is no longer an Employee;
- (b) he or she has given his or her employer within the Group notice of his or her resignation as an Employee; or
- (c) he or she has been given notice of dismissal from employment or office or if, in the opinion of the Board, he or she has tendered his or her resignation to avoid such dismissal.

## **5.4 Grant of Performance Rights**

If an Employee has accepted an offer in accordance with clause 5.2, Sino will:

- (a) grant the Performance Rights to the Employee on a date which is after the Offer Closing Date; and
- (b) issue the Employee with a Certificate in respect of the Performance Rights.

An Employee has no entitlement to a Performance Right until granted in accordance with this clause.

## **5.5 Nature of Performance Rights**

Each Performance Right is a right to be issued with or transferred (at Sino's election) a single Share. A Participant does not have a legal or beneficial interest in any Share by virtue of acquiring or holding a Performance Right. A Participant's rights under the Performance Right are purely contractual and personal. In particular, a Participant is not entitled to participate in or

receive any dividends or other shareholder benefits until the Performance Right has been exercised and a Share has been allocated or transferred to the Participant as a result of the exercise of the Performance Right.

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## **6. Restrictions on grant of Performance Rights**

### **6.1 Overriding restrictions**

Notwithstanding the terms of this Plan or the terms of any particular Performance Right as granted, no Performance Right may be offered, granted or exercised if to do so:

- (a) would contravene the Corporations Act or the Listing Rules;
- (b) would contravene the local laws or customs of the Employee's country of residence; or
- (c) in the opinion of the Board would require actions which are onerous or impractical.

### **6.2 5% limit on issue of Shares**

In the case of an offer of Performance Rights for issue, the number of Shares to be received on the exercise of the Performance Rights, when aggregated with the number of Shares issued or that may be issued as a result of offers made at any time during the previous 3 year period under:

- (a) an employee incentive scheme covered by Class Order 14/1000 (as may be amended from time to time); or
- (b) an ASIC exempt arrangement of a similar kind to an employee incentive scheme,

must not exceed 5% of the total number of issued Shares in that class as at the time of making the offer.

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## **7. Restrictions on transfer of Performance Rights**

### **7.1 Board consent required**

Subject to clause 7.2, Performance Rights may only be transferred in accordance with their terms of issue or otherwise with the prior written consent of the Board which will only be given in exceptional circumstances.

### **7.2 Death or mental incapacity**

A legal personal representative of a Participant may be recognised by Sino as a holder of the Participant's Performance Right in circumstances where either the Participant has died or the Participant's estate is liable to be dealt with under the laws relating to mental health, on the production to Sino of documents or other evidence which Sino may reasonably require to establish the entitlement of the legal personal representative.

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## **8. Exercise of Performance Rights**

### **8.1 Right to exercise**

A Performance Right (which has not otherwise lapsed under clause 8.2) may be exercised by a Participant if:

- (a) the Performance Criteria relating to the Performance Right has been met within the Performance Period and any vesting conditions or criteria set out in the offer made to the Participant in respect of the Performance Right have been met;
- (b) an Event occurs, in which case the Performance Criteria relating to the Performance Right and any other vesting conditions or criteria set out in the offer made to the Participant in respect of the Performance Right (including conditions related to the Participant's tenure with the Company in employment or office or elapsing of time) will be deemed to have been met;
- (c) clause 13.2 applies (in which case the Performance Criteria relating to the Performance Right and any other vesting conditions or criteria set out in the offer made to the Participant in respect of the Performance Right, including conditions related to the Participant's tenure with the Company in employment or office or elapsing of time, will be deemed to have been met); or
- (d) the Performance Right has otherwise become exercisable under this Plan.

## **8.2 Lapse of Performance Rights**

- (a) A Performance Right which has not been exercised will lapse on the first to occur of:
  - (i) the Expiry Date or expiry of the Exercise Period;
  - (ii) the cessation of the Participant's employment or office in accordance with clause 13;
  - (iii) the transfer or purported transfer of the Performance Right without the Board's prior written consent (where such transfer is otherwise not permitted by the terms of the Performance Right);
  - (iv) a determination of the Board that the Participant has acted fraudulently, dishonestly or in breach of the Participant's obligations to Sino or any company in the Group and the Performance Right is to be forfeited; and
  - (v) the Participant notifying Sino that the Participant wishes the Performance Right to lapse.
- (b) Upon the lapse of a Performance Right under this clause 8.2, the Participant will have no further rights or entitlements in relation to that Performance Right.

## **8.3 Method of exercise of Performance Rights**

A Performance Right that is entitled to be exercised may be exercised by a Participant lodging with Sino:

- (a) a notice of exercise of the Performance Right in the form (if any) prescribed by Sino;
- (b) the Certificate relating to the Performance Right; and
- (c) payment of the applicable Exercise Price (if any).

## **8.4 Minimum number for exercise**

- (a) Performance Rights must be exercised in multiples of 500, unless the Participant exercises all Performance Rights able to be exercised at that time. The exercise of

some Performance Rights only does not affect the Participant's right to exercise other Performance Rights at a later time.

- (b) If the Participant exercises less than all Performance Rights represented by a Certificate, Sino will cancel the Certificate and issue a new Certificate for the balance.

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## **9. Shares provided on exercise**

### **9.1 Issue or transfer of Shares on exercise**

Subject to any adjustments under clause 14, each Performance Right entitles the Participant to one Share when exercised in accordance with clause 8.3. At its election, Sino must either issue or procure the transfer of the relevant number of Shares to the Participant on the exercise of the Participant's Performance Rights.

### **9.2 Shares to be held by Trustee**

Any Shares provided to a Participant following the exercise of Performance Rights will be registered in the name of the Trustee and are to be held by the Trustee on behalf of the Participant on the terms of this Plan and the Trust Deed. The Participant will be entitled to receive any dividends which are paid or declared in respect of the Shares which are held by the Trustee on behalf of the Participant.

### **9.3 Shares rank equally**

Shares issued on the exercise of Performance Rights will rank equally with all other Shares from the date of issue and will be entitled to receive any dividends that have a Record Date for determining entitlements which is on or after the date of issue.

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## **10. Restrictions on dealing in Shares**

### **10.1 Shares held on trust during Restriction Period**

- (a) Shares provided to a Participant on the exercise of Performance Rights will be held on trust for that Participant by the Trustee for the duration of the Restriction Period in accordance with the terms of this Plan and the Trust Deed.
- (b) The Trustee must not assign, transfer, sell, encumber, create a Security Interest over or otherwise deal with the Shares or any legal or beneficial interest in the Shares during the Restriction Period except as provided for in this Plan, the Trust Deed or the terms of the relevant Performance Rights.

### **10.2 Dealing in Shares during Restriction Period**

- (a) A Participant must not assign, transfer, sell, encumber, create a Security Interest over or otherwise deal with the Shares provided on the exercise of Performance Rights or any legal or beneficial interest in such Shares during the Restriction Period except as provided for in this Plan, the Trust Deed or the terms of the relevant Performance Rights.
- (b) A Participant may deal with a Share provided on exercise of a Performance Right or any legal or beneficial interest in such a Share following the end of the Restriction Period.



### **10.3 Additional restriction mechanisms**

The Board may prescribe such other mechanisms as it considers necessary to give effect to the restrictions on dealing reflected in this clause 10, including the placing of a Holding Lock on Shares provided on the exercise of Performance Rights.

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## **11. Forfeiture of Shares**

### **11.1 Risk of forfeiture**

A Share provided to a Participant on the exercise of a Performance Right is provided on the condition that it will be forfeited upon the Participant perpetrating fraud as against Sino or any other member of the Group, acting dishonestly or committing a breach of the Participant's obligations to Sino or other member of the Group which would justify the Participant's termination as an Employee without notice.

### **11.2 When risk of forfeiture ceases**

The right of Sino to cause a Share provided to a Participant to be forfeited under clause 11.1 ceases:

- (a) upon the Participant ceasing to be employed by, or ceasing to hold office in, a company in the Group other than by reason of the Participant's fraud or dishonesty or a breach of the Participant's obligations to Sino or another members of the Group;
- (b) upon the sale or transfer of the Share by the Participant to a third party; or
- (c) 10 years from the date of the grant of the Performance Right in respect of which the Share was issued or transferred.

### **11.3 Sino to notify and record forfeiture**

When a Share is forfeited under clause 11.1, Sino must:

- (a) notify the Participant that the Share is forfeited; and
- (b) record the forfeiture and date of forfeiture in the register of shareholders.

A failure to do this does not invalidate the forfeiture.

### **11.4 Consequences of forfeiture**

The forfeiture of a Share extinguishes:

- (a) the Participant's interest in the Share; and
- (b) all claims against Sino in respect of the Share.

### **11.5 Disposal of forfeited Share**

Subject to the Corporations Act and the Listing Rules:

- (a) the Participant grants to Sino an irrevocable power of attorney to sell, dispose, transfer or otherwise deal with a forfeited Share on any terms and in any way the Board may determine, with such power able to be exercised by Sino in the event that the Share is liable to be forfeited; and

- (b) if Sino sells, disposes, transfers or otherwise deals with a forfeited Share pursuant to clause 11.5(a), then the Participant acknowledges and agrees that:
  - (i) the Participant is not entitled to any proceeds in respect of such dealing;
  - (ii) the Board and Sino are not under any obligation to act in the interests of the Participant or to account to the Participant in respect of such dealing; and
  - (iii) Sino must pay the net proceeds (if any) of any such dealing to the Trustee.

## **11.6 Annulment of forfeiture**

Before any sale, disposal, transfer or other dealing with a forfeited Share under clause 11.5 is completed, the Board may annul the forfeiture.

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## **12. Withdrawal Notice**

### **12.1 Submission of a Withdrawal Notice**

Subject to clause 12.3, a Participant may submit a Withdrawal Notice to Sino in respect of some or all of the Shares credited to the Account of the Participant under this Plan once the Restriction Period relating to those Shares has expired

### **12.2 Content of a Withdrawal Notice**

A Withdrawal Notice given by a Participant under clause 12.1 must:

- (a) be signed by the Participant;
- (b) be in the form (if any) prescribed by the Sino;
- (c) specify the number of Shares the subject of the notice;
- (d) contain a request that the Shares be withdrawn from the Trust and either sold on behalf of the Participant or transferred to the Participant (or his or her nominee); and
- (e) if necessary, request an end to the Restriction Period relating to the Shares.

### **12.3 Deemed submission of a Withdrawal Notice**

A Participant is deemed to have submitted a Withdrawal Notice in respect of those Shares credited to the Account of the Participant under the Plan, and requesting the transfer of those Shares to the Participant, where the Participant has not otherwise submitted a valid Withdrawal Notice to Sino for a period of 90 days after the end of the Restriction Period relating to those Shares.

### **12.4 Timing of submission or consideration of a Withdrawal Notice**

The Board may:

- (a) prescribe the times at which a Participant may submit a Withdrawal Notice; and
- (b) adopt procedures for the consideration of a Withdrawal Notice which may, among other things, specify the times, intervals or periods at or during which the Board will consider whether or not to approve a Withdrawal Notice.

## **12.5 Approval or rejection of Withdrawal Notice**

- (a) Subject to this clause 12, the Board may approve or reject a Withdrawal Notice in its absolute discretion.
- (b) The Board must not unreasonably withhold its approval of a Withdrawal Notice that is validly submitted in accordance with this clause 12. For the avoidance of doubt, nothing in this clause 12.5(b) requires the Board to:
  - (i) deal with or approve a Withdrawal Notice at an earlier time than the time permitted for submission of a Withdrawal Notice or the next time specified under any procedure adopted by the Board under clause 12.4(b);
  - (ii) deal with or approve a Withdrawal Notice prior to the end of the Restriction Period relating to the Shares in question; or
  - (iii) approve a Withdrawal Notice where the Board is permitted by clause 12.6 to reject or decline to act on the Withdrawal Notice.

## **12.6 Repayment of moneys owed by a Participant**

If a Participant owes money to any company in the Group or the Trustee, the Board may reject or decline to act on a Withdrawal Notice that is submitted, or deemed to be submitted, by the Participant until arrangements have been made for the payment of that money which are satisfactory to the Board.

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## **13. Cessation of Employment or Office**

### **13.1 Cessation of employment or office**

Subject to clauses 13.3 and 13.4, where an Employee ceases to be employed by, or ceases to hold office in, a company within the Group (and is not immediately employed by, or appointed an officeholder of, another company within the Group) other than because of a Qualifying Reason, any rights of the Employee relating to Performance Rights which have not already become exercisable will automatically lapse.

### **13.2 Qualifying Reason**

Where an Employee ceases to be employed by, or ceases to hold office in, a company within the Group (and is not immediately employed by, or appointed an officeholder of, another company within the Group unless the Board requests the Employee to remain in such employment or office or in such other circumstances as the Board in its discretion may determine) because of a Qualifying Reason, the number of Performance Rights that Employee is entitled to (other than Performance Rights which have already become exercisable in relation to which clause 13.3 shall apply) will be calculated and allocated to the Employee on the following basis:

- (a) the maximum number of Performance Rights the Employee may be entitled to will be calculated pro rata based on the proportion of the Performance Period that has elapsed as at the date of cessation of employment or office; and
- (b) the number of Performance Rights the Employee will be entitled to will be calculated as a proportion of the maximum number calculated pursuant to clause 13.2(a), based pro rata on the progress toward satisfaction of the applicable Performance Criteria in the opinion of the Board (in its absolute discretion), and such number of Performance Rights will be immediately exercisable in accordance with clause 8.3 (and the balance

of the Performance Rights will lapse), save that they must be exercised within 3 months from the date of cessation of employment or office.

### **13.3 Cessation after end of Performance Period**

Where an Employee ceases to be employed by, or ceases to hold office in, a company within the Group (and is not immediately employed by, or appointed an officeholder of, another company within the Group) for any reason after the end of a Performance Period or after the Performance Rights have otherwise become exercisable but before Shares (pursuant to Performance Rights which have become exercisable but are yet to be exercised) have been allocated, Sino must allocate (within 3 months from the date of cessation of employment or office) the number of Shares to which the Employee is entitled.

### **13.4 Board may allocate Shares**

Notwithstanding clause 13.1, 13.2 or 13.3 the Board may, in its absolute discretion, allocate additional Shares, or the cash equivalent, to Employees at the end of the Performance Period or upon cessation of employment or office where, in the Board's view, there are special circumstances under which it would be unfair not to allocate Shares.

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## **14. Participation in future issues**

### **14.1 Participation generally**

A Performance Right does not entitle a participant to participate in new issues of securities to holders of Shares, unless:

- (a) the Performance Right has been exercised; and
- (b) a Share has been issued or transferred to the Participant in respect of that Performance Right,

before the Record Date for determining entitlements to securities under the new issue.

### **14.2 Notice**

Sino must give notice to Participants who are entitled to exercise their Performance Rights of any new issue of securities not less than 10 Business Days before the Record Date for determining entitlements to securities under the new issue.

### **14.3 Bonus issues**

If Sino makes a bonus issue of Shares or other securities pro rata to holders of Shares (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) and no Shares have been allotted or transferred to the Participant in respect of a Performance Right before the Record Date for determining entitlements to the bonus issue then the rights attaching to that Performance Right will be altered as follows:

- (a) the number of Shares which the Participant is entitled to acquire on exercise of the Performance Right (S) is determined by the formula:

$$S = N + (N \times R)$$

where:

N = The number of Shares per Performance Right which the Participant is entitled to acquire for on the Record Date to determine entitlements to the bonus issue;

R = The number of Shares (including fractions) offered under the bonus issue for each Share held; and

(b) the Exercise Price per Performance Right will not be changed.

#### 14.4 Rights issues

If Sino makes an offer of Shares pro rata to all or substantially all holders of Shares (whether or not an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) then neither the exercise price per Performance Right nor the number of Shares which the Participant is entitled to acquire for on exercise of the Performance Right will be changed.

#### 14.5 Reconstruction

(a) In the event of any reconstruction of the issued ordinary capital of Sino before the exercise of a Performance Right, the number of Shares attaching to each Performance Right will be reconstructed in the manner specified below.

(b) If the manner is not specified then the Board will determine the reconstruction. In any event the reconstruction will not result in any additional benefits being conferred on Participants which are not conferred on shareholders of Sino (subject to the same provisions with respect to rounding of entitlements as sanctioned by the meeting of shareholders approving the reconstruction of capital) and in all other respects the terms for the exercise of Performance Rights will remain unchanged.

(c) In the case of any reconstruction of the issued capital of Sino, the exercise price of the Performance Right will not be changed.

(d) In the event of any consolidation or sub-division of shares or reduction or cancellation of capital then the reconstruction will be determined by the following formulae:

(i) Consolidation; and

(ii) Subdivision:

$$S = C \times \frac{B}{A}$$

(iii) Reduction of capital by return of share capital:

$$S = C$$

(iv) Reduction of capital by cancellation of ordinary shares that is either lost or not represented by available assets:

$$S = C$$

- (v) Pro rata cancellation of fully paid ordinary shares (not within paragraphs (iii) or (iv)):

$$S = C \times \frac{B}{A}$$

where:

- A = The total number of Shares in issue before the capital reconstruction;
- B = The total number of Shares in issue after the capital reconstruction;
- C = The number of Shares which the Participant is entitled to acquire on exercise of an Performance Right before the reconstruction;
- S = The number of Shares which the Participant is entitled to acquire on exercise of a Performance Right after the reconstruction.

## **14.6 Advice**

Sino must give notice to each Participant of any adjustment to the number of Shares which the Participant is entitled to acquire on exercise of a Performance Right or the Exercise Price (if any).

## **14.7 Aggregation**

If Performance Rights are exercised simultaneously then the Participant may aggregate the number of Shares or fractions of Shares or other securities to which the Participant is entitled to acquire under those Performance Rights. Fractions in the aggregate number only will be disregarded in determining the total entitlement to subscribe.

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## **15. Quotation of Performance Right and Shares**

Performance Rights will not be quoted on ASX. Provided that other Shares are listed at the time, Sino will make application to ASX for official quotation of Shares issued on the exercise of Performance Rights as soon as practicable after the issue of those Shares.

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## **16. Amendment of these Rules**

### **16.1 Power to amend**

Subject to clauses 16.2 and 16.3, Sino may at any time by written instrument or by resolution of the Board, amend all or any of the provisions of this Plan (including this clause 16).

### **16.2 Limitations of amendment power**

No amendment of the provisions of this Plan may reduce the rights of any Participant in respect of Performance Rights granted under the Plan prior to the date of the amendment, other than an amendment introduced primarily:

- (a) for the purpose of complying with, or conforming to, present or future State, Territory or Commonwealth legal requirements governing or regulating the maintenance or operation of the Plan or like plans;
- (b) to correct any manifest error or mistake; or

- (c) to enable the Trustee or any body corporate in the Group to comply with the Corporations Act or the Listing Rules or relevant instruments of relief granted by the Australian Securities and Investments Commission from time to time.

### **16.3 Listing Rules**

No amendment may be made except in accordance with, and in the manner stipulated (if any) by, the Listing Rules.

### **16.4 Retrospective effect**

Subject to the above provisions of this clause 16, any amendment made pursuant to clause 16.1 may be given such retrospective effect as is specified in the written instrument or resolution by which the amendment is made and, if so stated, the amendments to this Plan have the effect of automatically amending the terms of all granted but unexercised Performance Rights.

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## **17. Notices**

Any notice regarding Performance Rights granted under the Plan will be sent to the registered address of the Participant as recorded in the register of Participant's maintained by Sino for the purposes of this Plan.

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## **18. Non-Australian residents**

When a Performance Right is granted under the Plan to a person who is not a resident of Australia the provisions of the Plan apply subject to such alterations or additions as the Board determines having regard to any applicable or relevant laws, matters of convenience and desirability and similar factors which may have application to the Participant or to any Group company in relation to the Performance Right.

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## **19. Governing law and jurisdiction**

This Plan is governed by and must be construed in accordance with the laws of Western Australia. All disputes arising in connection with or under this Plan must be submitted to the exclusive jurisdiction of the courts of Western Australia and the courts competent to determine appeals from those courts.