



Sino Gas & Energy Holdings Limited ACN 124 242 422

Interim Financial Report

30 June 2015

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This interim financial report does not include all the notes of the type normally included in an annual financial report.

Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2014 and any public announcements made by Sino Gas & Energy Holdings Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Directors' Report

Your directors present their report on the consolidated entity ("the Group") consisting of Sino Gas & Energy Holdings Limited (the "Company" or "Sino Gas") and the entities it controlled at the end of, or during, the half-year ended 30 June 2015. At 30 June 2015, Sino Gas held 49% of the issued capital in joint venture Sino Gas & Energy Limited (SGE), which holds interests in the Linxing (64.75%) and Sanjiaobei (49%) Production Sharing Contracts (PSCs) in Shanxi Province, People's Republic of China. The presentation currency of the Group is United States dollars.

Directors

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

P Bainbridge
G Corrie – Appointed as Managing Director on 1 January 2015
G Harper
BW Ridgeway
C Heseltine – Retired on 28 August 2015
M Ginsburg – Appointed as Non-executive Director on 28 August 2015

Review of operations

Field operations in the first half of 2015 focused on the pilot production program at the Sanjiaobei Central Gathering Station (CGS) and the preparations for first gas from the Linxing CGS, to allow for a significant ramp up in production over the second half.

Following the successful 2014 drilling and testing program, the Company announced significant reserves maturation and value growth in the independent assessment of its reserves and resources in March 2015. RISC identified a 166% increase in gross Proved (1P) Reserves to over 1.2 trillion cubic feet (tcf) and a 51% increase in gross Proved plus Probable (2P) reserves to over 1.6 tcf (Sino Gas share 350 bcf and 448 bcf respectively)¹. As a result, Sino Gas' share of Project EMV increased a further 36% to US\$3.1 billion with its share of Project Reserves alone more than doubling to US\$1.5 billion².

The Sanjiaobei CGS, which was brought onstream in December 2014, delivered strong results with limited facility downtime and very good well performance. Over 95% facility uptime was recorded, producing an average of 4.2 million standard cubic feet per day (MMscf/d) with a maximum rate of ~6 MMscf/d. Initial start-up and commercial issues downstream of Sino Gas' operations resulted in gas offtake volumes lagging behind installed processing capacity. However, management believes these issues will be resolved shortly, allowing production to increase towards installed capacity. With seven months of production data observed, individual well results continue to show very good performance, providing ongoing reinforcement of the geological model and well deliverability expectations.

On 10 March 2015, the Company announced finalisation of the Gas Sale Agreement (GSA) for gas sales from the Linxing CGS. Gas will be sold to the Shanxi GuoHua Energy Limited Company (GuoHua) and exported via the Yuji pipeline. Progress on the Linxing CGS was slightly delayed due to poor weather conditions, however construction of the station was completed and commissioning operations commenced during the first half. Gathering lines for the first phase of wells to be tied into the Linxing CGS have also been completed. The seven wells planned to be initially tied in will be from south of the Linxing CGS and includes TB-1H, the first horizontal well that tested at a rate of 4.93 MMscf/d (refer to announcement 15 July 2014).

In the first half of 2015, 13 new wells were drilled including two exploration wells, 10 vertical development wells and 1 horizontal well. The two exploration wells, LXDG-4 and LXDG-5, were both drilled in the prospective area of Linxing East and discovered 32m and 10m of net gas pay, respectively. The drilling program has achieved a ~10% reduction in average costs for vertical and deviated wells compared to the 2014 full year average. This was due to a combination of ongoing efficiency improvements and improved drilling and service costs as a result of subdued activity levels in China driven by lower oil prices. The efficiency improvements were even more significant on the horizontal wells where the most recent well, TB-3H, was drilled approximately 30% faster than the first horizontal well, TB-1H.

The successful 2014 testing program continued in the first half of 2015. Well TB-27 located in the discovered north/west portion of the Linxing block recorded 1.8 MMscf/d from an unfractured reservoir unit at 630 psi. This is the second highest unstimulated rate achieved by a single production test in the history of the field. In addition, a further five production tests were performed during the half with results ranging from ~240 thousand cubic feet per day (Mscf/d) to ~1,000 Mscf/d (including one co-mingled test), within the expected range.

The Company maintained its solid focus on operational safety in the first half of 2015, with approximately 240,000 OH&S incident free manhours recorded executing the seismic, drilling and testing programs (1H14 480,000 hours).

Glenn Corrie was appointed to the Board of Sino Gas as Managing Director effective 1 January 2015. Furthermore, on 28 August 2015, Mr Matthew Ginsburg was appointed to the Board of Sino Gas as a non-executive director and Mr Colin Heseltine retired from the Board of Sino Gas as a non-executive director. At the Company's request, Mr Heseltine will remain on the Board of Sino Gas & Energy Limited (SGE), Sino Gas' Joint Venture operating subsidiary. Mr Ginsburg is an experienced former investment banker who has extensive relationships and insights into the Greater China financial services sector, and has spent the majority of his 29 year career living and working in Asia.

¹ The statements of Reserves and Resources in this interim report have been independently determined to Society of Petroleum Engineers (SPE) Petroleum Resource Management System (PRMS) standards as at 31 December 2014 by internationally recognised oil and gas consultants RISC (Announced 3 March 2015) using probabilistic estimation methods. These statements were not prepared to comply with the China Petroleum Reserves Office (PRO-2005) standards or the U.S. Securities and Exchange Commission regulations and have not been verified by SGE's PSC partners CNPC and CUCBM. EMV is the probability weighted net present value (NPV), including the range of project NPVs and the risk of the project not progressing. All resource figures quoted are unrisks mid-case unless otherwise noted. Sino Gas' attributable net Reserves & Resources assumes PSC partner back-in upon ODP approval (i.e CUCBM take their entitlement of 30% interest in Linxing PSC and CNPC take their entitlement to 51% in the Sanjiaobei PSC), CBM Energy's option to acquire an interest of 5.25% in the Linxing PSC (by paying 7.5% of back costs) is exercised, and MIE fulfil funding obligations under the strategic partnership agreement. Reserves & Resources are net of 4% in-field fuel for field compression and field operations. Reference point is defined to be at the field gate. No material changes have occurred in the assumptions and subsequent work program exploration and appraisal results have been in line with expectations. ² Estimated Monetary Value (EMV) is based on NPV10 with a mid-case gas price of US\$9.76/Mscf and lifting costs (opex+capex) of ~US\$1.3/Mscf for mid-case Reserves, Contingent & Prospective Resources.

Financial Result and Financial Position

The consolidated entity recorded a loss from continuing operations for the six months ended 30 June 2015 of US\$5,883,868 (2014 half-year profit of US\$8,206,512). A net profit of US\$609,228 (2014 half-year loss of \$273,678) was recorded on the Company's share of net income of its joint venture in SGE.

Sino Gas' cash position at the end of the period was US\$77.9 million. The Company has drawn down US\$10 million of the \$50 million Macquarie debt facility.

Sino Gas was cash called US\$17.1 million six months to 30 June in relation to its 49% share of the PSC and administrative expenditure of Sino Gas & Energy Limited (SGE).

On 23 April 2015, the Company announced a capital raising of A\$80 million through a Share Placement of 500 million shares at A\$0.16/share for institutional and other investors and the opening of a Share Purchase Plan (SPP) for eligible retail investors at the same price. Subscriptions were received for approximately 26 million shares via the SPP at A\$0.16 per share, raising a total of A\$4.165 million before costs. At the General Meeting held on 4 June 2015, all resolutions put to the shareholders regarding the Share Placement, including directors' participation, were duly passed and final settlement was completed on 9 June 2015.

Proceeds from the Placement and SPP will be used to fund the Company's expenditure requirements towards Overall Development Plan (ODP) including the aggressive build-out of production through drilling, and adding new central gathering stations, and continued exploration activity. The proceeds will also provide additional working capital, the flexibility to repay debt, and a position of financial strength for the Company in its commercial dealings as well as general corporate purposes.

Significant progress was made in the first half of 2015 towards resolving the outstanding commercial matters to complete the final steps of the payment process for gas sales proceeds to flow through to the joint venture operator. During this start-up phase, various governmental approvals are required in the People's Republic of China (PRC) to allow for transfer of funds from the Chinese PSC Partners to SGE as the foreign joint venture operator. Sino Gas has been actively working with all relevant stakeholders pursuing these approvals. Total production sold to local buyers for the year to 30 June 2015 was 745 million standard cubic feet, equating to US\$6.17 million (net of VAT). Revenue of US\$5.6 million has been recognised by SGE for the period ending 30 June 2015, in accordance with the PSCs and gas sales contracts in place. Proceeds have started to be received by PSC partners (CUCBM and PCCBM) in relation to existing pilot production, with distributions to be made to SGE once relevant approvals have been received.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

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

A handwritten signature in dark ink, appearing to read 'Glenn Corrie', is positioned above the printed name and title.

Glenn Corrie
Managing Director

Perth
31 August 2015



Auditor's Independence Declaration

As lead auditor for the review of Sino Gas & Energy Holdings Limited for the half-year ended 30 June 2015, I declare that to the best of my knowledge and belief, there have been:

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

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

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

Nick Henry
Partner
PricewaterhouseCoopers

Perth
31 August 2015

Sino Gas & Energy Holdings Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 30 June 2015

		Half-year	
	Notes	2015	2014
		\$	\$
Revenue from continuing operations			
Other revenue		41,813	595,439
Share of net income of joint venture accounted for using the equity method	5	609,228	(273,678)
Other Income			
Net gain on dilution of equity interest in joint venture	5	-	7,601,445
Foreign exchange gain		-	2,449,771
Expenses			
Financing costs	3	(2,106,515)	-
Foreign exchange loss		(1,430,899)	-
Fundraising costs expensed		-	(166,227)
Depreciation expense		(43,296)	(10,551)
Share-based payment expense		(407,068)	(107,386)
General and administration expenses		(2,547,131)	(1,882,301)
(Loss)/profit before income tax expense		(5,883,868)	8,206,512
Income tax expense		-	-
(Loss)/profit for the period attributable to the ordinary equity holders of the Company		(5,883,868)	8,206,512
Total comprehensive (loss)/income for the period attributable to the ordinary equity holders of the Company		(5,883,868)	8,206,512
		Cents	Cents
(Loss)/earnings per share for earnings attributable to the ordinary equity holders of the Company:			
Basic earnings per share		(0.26)	0.54
Diluted earnings per share		(0.26)	0.52

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

Sino Gas & Energy Holdings Limited
Consolidated balance sheet
As at 30 June 2015

	Notes	30 June 2015 \$	31 December 2014 \$
ASSETS			
Current assets			
Cash and cash equivalents		77,883,487	34,140,775
Trade and other receivables		411,358	327,177
Loan receivable from joint venture	2	285,367	-
Total current assets		<u>78,580,212</u>	<u>34,467,952</u>
Non-current assets			
Plant and equipment		192,205	185,488
Interest in joint venture accounted for using equity method	5	50,942,320	50,133,517
Loan receivable from joint venture	2	38,625,958	24,628,641
Total non-current assets		<u>89,760,483</u>	<u>74,947,646</u>
Total assets		<u>168,340,695</u>	<u>109,415,598</u>
LIABILITIES			
Current liabilities			
Trade and other payables		108,052	655,483
Provisions		34,774	97,166
Borrowings	3	2,767,575	572,772
Total current liabilities		<u>2,910,401</u>	<u>1,325,421</u>
Non-current liabilities			
Borrowings	3	5,302,070	5,877,906
Total non-current liabilities		<u>5,302,070</u>	<u>5,877,906</u>
Total liabilities		<u>8,212,471</u>	<u>7,203,327</u>
Net assets		<u>160,128,224</u>	<u>102,212,271</u>
EQUITY			
Contributed equity	4	174,852,780	111,613,442
Reserves		9,798,678	9,238,195
Accumulated losses		(24,523,234)	(18,639,366)
Total equity		<u>160,128,224</u>	<u>102,212,271</u>

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Sino Gas & Energy Holdings Limited
Consolidated statement of changes in equity
For the half-year ended 30 June 2015

	Notes	Contributed equity	Equity settled benefit reserves	Accumulated losses	Total attributable to equity holders of the Company
		\$	\$	\$	\$
Balance at 1 January 2014		111,613,881	6,932,735	(19,472,198)	99,074,418
Profit for the half-year		-	-	8,206,512	8,206,512
Total comprehensive income for the half-year		-	-	8,206,512	8,206,512
Transactions with owners in their capacity as owners:					
Performance rights expense		-	107,386	-	107,386
Options expense		-	166,227	-	166,227
Share issue costs	4	(439)	-	-	(439)
		(439)	273,613	-	273,174
Balance at 30 June 2014		111,613,442	7,206,348	(11,265,686)	107,554,104
Balance at 1 January 2015		111,613,442	9,238,195	(18,639,366)	102,212,271
Loss for the half-year		-	-	(5,883,868)	(5,883,868)
Total comprehensive loss for the half-year		-	-	(5,883,868)	(5,883,868)
Transactions with owners in their capacity as owners:					
Issue of shares	4	65,870,975	-	-	65,870,975
Share issue costs	4	(2,631,637)	-	-	(2,631,637)
Performance rights expense		-	495,132	-	495,132
Deferred shares		-	65,351	-	65,351
		63,239,338	560,483	-	63,799,821
Balance at 30 June 2015		174,852,780	9,798,678	(24,523,234)	160,128,224

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

Sino Gas & Energy Holdings Limited
Consolidated statement of cash flows
For the half-year ended 30 June 2015

	Notes	Half-year 2015 \$	2014 \$
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of GST)		(3,664,732)	(2,160,582)
Interest received		174,909	595,439
Interest paid		(487,547)	-
Net cash used in operating activities		<u>(3,977,370)</u>	<u>(1,565,143)</u>
Cash flows from investing activities			
Payments for plant and equipment		(50,013)	(6,510)
Loan to joint venture	2	(17,116,409)	(612,056)
Repayment of loan from joint venture	2	2,745,947	-
Net cash used in investing activities		<u>(14,420,475)</u>	<u>(618,566)</u>
Cash flows from financing activities			
Proceeds from issue of shares and options (net of share issue costs)	4	63,239,338	(439)
Transaction costs associated with structured term debt facility		-	(389,385)
Net cash provided by/(used in) financing activities		<u>63,239,338</u>	<u>(389,824)</u>
Net increase/(decrease) in cash and cash equivalents		44,841,493	(2,573,533)
Cash and cash equivalents at the beginning of the half-year		34,140,775	57,269,668
Effects of exchange rate changes on cash and cash equivalents		(1,098,781)	2,450,194
Total cash and cash equivalents at end of the half-year		<u>77,883,487</u>	<u>57,146,329</u>

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

1 Basis of preparation of half-year report

This condensed consolidated interim financial report for the half-year reporting period ended 30 June 2015 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. Sino Gas & Energy Holdings Limited is a for profit entity for the purpose of preparing the financial statements.

This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2014 and any public announcements made by Sino Gas & Energy Holdings Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the previous interim reporting period.

The accounting policies adopted are consistent with those of the previous financial year, except for the new or revised accounting standards which became effective for the annual reporting period commencing 1 January 2015, the impact of which on the current year was not material and there was no impact on the comparative figures.

2 Loans Receivable

	30 June	31 December
	2015	2014
	\$	\$
Interest free loan to Sino Gas & Energy Limited (i)		
Carrying amount at the beginning of the year	2,962,685	2,224,070
Payback of loan	(2,745,947)	-
Non-cash loans advanced	68,629	97,861
Total interest free loans	<u>285,367</u>	<u>2,962,685</u>
Interest bearing loan to Sino Gas & Energy Limited (ii)		
Carrying amount at the beginning of the year	21,665,956	-
Advances to Sino Gas & Energy Limited	17,116,409	24,892,000
Interest	2,364,764	133,096
Fair value adjustment	(2,476,275)	(3,359,140)
Other non-cash movements	(44,896)	-
Total interest bearing loans	<u>38,625,958</u>	<u>21,665,956</u>
Total loans receivable from Sino Gas & Energy Limited	<u>38,911,325</u>	<u>24,628,641</u>

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

(ii) This loan has a variable interest rate which is benchmarked against the People's Bank of China five year borrowing rate (6.15% as at 30 June 2015), denominated in US dollars and unsecured. It has been classified as non-current based on the repayment terms of the loan agreement.

3 Borrowings

	30 June 2015	31 December 2014
	\$	\$
Current borrowings		
Principal	4,500,000	1,500,000
Transaction costs (less amortisation)	(1,817,169)	(1,009,276)
Interest accrued	84,744	82,048
Total current borrowings	2,767,575	572,772

	30 June 2015	31 December 2014
	\$	\$
Non-Current Borrowings		
Principal	5,500,000	8,500,000
Transaction costs (less amortisation)	(197,930)	(2,622,094)
Total non-current borrowings	5,302,070	5,877,906
Total borrowings	8,069,645	6,450,678

(a) Secured liabilities

Transaction costs of \$2,072,165 in relation to Tranche B of Macquarie loan were reclassified to current borrowings during the period. Amortisation of transaction costs has been included in financing costs for the period.

(b) Financial covenants

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

(c) Assets pledged as security

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

4 Contributed equity

	30 June 2015 No.	31 December 2014 No.
Issued and Paid Up Capital		
Fully paid ordinary shares	174,852,780	111,613,442
Number of shares	2,070,278,608	1,544,247,358
Movement in ordinary share capital		
	Number of shares	\$
Balance at 1 January 2015	1,544,247,358	111,613,442
Issue of shares through allotments (i)	526,031,250	65,870,975
Share issue costs	-	(2,631,637)
	2,070,278,608	174,852,780
	Number of shares	\$
Balance at 1 January 2014	1,453,304,154	111,613,881
Issue of shares through allotments (ii)	75,438,600	-
Issue of shares through conversion of performance rights	15,504,604	-
Share issue costs	-	(439)
Closing balance at 31 December 2014	1,544,247,358	111,613,442

(i) Issue of shares pursuant to a Share Placement and Share Purchase Plan

On 23 April 2015, the Company announced a capital raising of A\$80 million through a Share Placement of 500 million shares at A\$0.16 per share and a Share Purchase Plan (SPP) for eligible retail investors at the same price. Tranche 1 was settled on 23 April 2015 with the issue of 201,637,103 shares at A\$0.16 per share to raise A\$32,261,936 (\$25,803,742). Tranche 2 was settled on 9 June 2015 with the issue of 298,362,897 shares at A\$0.16 per share to raise A\$47,738,063 (\$36,870,971). The SPP closed on 21 May 2015, with subscriptions received for a total of 26,031,250 shares at A\$0.16 per share totalling A\$4,165,000 (\$3,196,263) and was subsequently settled on 28 May 2015.

On 2 January 2014, 75,438,600 ordinary shares were allocated relating to the second tranche of the placement completed on 31 December 2013. On 3 January 2013, the Company completed the placement of 82,448,979 new fully paid ordinary shares to two leading institutional investors at \$0.1225 per share.

(ii) Issue of shares through conversion of performance rights

On 10 February 2014, the Company issued 1,714,286 ordinary shares from the conversion of performance rights.

5 Interests in joint ventures

(a) Joint ventures

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

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

The interest in SGE is accounted for in the consolidated financial statements using the equity method of accounting. Sino Gas' economic interest in SGE as at 30 June 2015 was 49% (2014: 49%). Information regarding the joint venture is set out below:

	30 June 2015 \$	31 December 2014 \$
Share of joint venture assets and liabilities		
Current assets	6,955,171	11,867,393
Non-current assets	115,286,134	104,955,770
Total assets	122,241,305	116,823,163
Current liabilities	21,137,313	33,258,291
Non-current liabilities	50,161,672	33,431,354
Total liabilities	71,298,985	66,689,646
Net Assets	50,942,320	50,133,517
Share of joint venture's capital commitments	2,402,748	2,368,519
	Half-year	
	2015	2014
	\$	\$
Share of joint venture revenue, expenses and results		
Revenue	2,845,958	29,555
Expenses	(2,236,730)	(302,933)
Loss before income tax	609,228	(273,678)

SGE had no recorded contingent liabilities as at 30 June 2015 (2014: Nil).

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

In the 6 months to 30 June 2014, \$43.85 million was cash called relating to qualifying PSC expenditure, representing \$11.53 million in loan notes and \$32.32 million towards cumulative redeemable preference shares (CRPS) to be converted into ordinary shares. All CRPS were converted during 2014 and hence no gain on dilution was recorded in the half-year ending 30 June 2015.

	Half-year	
	2015	2014
	\$	\$
Net gain on dilution of equity interest in joint venture		
Share of equity contributed into joint venture	-	20,015,613
Dilution of interest in net assets	-	(12,414,167)
	-	7,601,446

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

	Half-year	
	2015	2014
	\$	\$
Balance at the beginning of the financial period	50,133,517	39,743,224
Capital contribution (refer to Note 2)	2,476,275	-
Elimination of capitalised loan interest (refer to Note 2)	(2,364,764)	-
Share of equity contributed into joint venture	-	20,015,613
Dilution of interest in net assets	-	(12,414,167)
Share of movement in share based payment reserve	88,064	-
Share of net profit/(loss) of associates accounted for using the equity method	609,228	(273,678)
Balance at the end of the financial period	<u>50,942,320</u>	<u>47,070,992</u>

6 Events occurring after the reporting period

Subsequent to the period end, the Company issued 3.4 million ordinary shares on 14 August 2015 from the conversion of performance rights.

In the directors' opinion:

- (a) the financial statements and notes set out on pages 6 to 14 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the half-year ended on that date, and
- (b) there are reasonable grounds to believe that the Sino Gas & Energy Holdings Limited will be able to pay its debts as and when they become due and payable.

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



Glenn Corrie
Managing Director

Perth
31 August 2015



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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Sino Gas & Energy Holdings Limited (the Company), which comprises the consolidated balance sheet as at 30 June 2015, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for Sino Gas & Energy Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Sino Gas & Energy Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757

Brookfield Place, 125 St Georges Terrace, PERTH WA 6000, GPO Box D198, PERTH WA 6840

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Liability limited by a scheme approved under Professional Standards Legislation.



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Sino Gas & Energy Holdings Limited is not in accordance with the *Corporations Act 2001* including:

- a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the half-year ended on that date;
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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A handwritten signature in blue ink, appearing to read "Henry", with a stylized flourish at the end.

Nick Henry
Partner

Perth
31 August 2015

Corporate Directory

Board of Directors

Philip Bainbridge
Chairman

Glenn Corrie
Managing Director

Gavin Harper
Non-Executive Director

Bernard Ridgeway
Non-Executive Director

Matthew Ginsburg
Non-Executive Director

Company Secretary

Harry Spindler

Registered Office

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Subiaco, Western Australia 6008

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Fax: +61 8 9388 3701

Beijing Representative Office

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Chaoyang District Beijing 100027
People's Republic of China

Ph: +86 10 8458 3001
1300 746 642
(LOCAL CALL WITHIN AUSTRALIA)

Fax: +86 10 8458 3101

Web: www.sinogasenergy.com

Email: ir@sinogasenergy.com

Auditors

PricewaterhouseCoopers

Level 15, Brookfield Place
125 St Georges Terrace
Perth, Western Australia 6000

Legal Advisors – Australia

HopgoodGanim

Level 27, Allendale Square
77 St Georges Terrace
Perth, Western Australia 6000

Allen & Overy

Level 27 Exchange Plaza
2 The Esplanade
Perth, Western Australia 6000

Legal Advisors – China

Jun He Law Offices

Level 20, China Resources Building
8 Jianguomenbei Avenue
Beijing 100005
People's Republic of China

Jones Day

Level 32, China World Office 1
1 Jianguomenwai Avenue
Beijing 100004
People's Republic of China

Share Registry

Link Market Services

152 St Georges Terrace
Perth, Western Australia 6000

Ph: +61 1300 554 474
Email: registers@linkmarketservices.com.au

ASX Code

SEH (ordinary shares)