SINO Gas & Energy
www.sinogasenergy.com

2015
Annual Report

Fuelling China's Energy Needs

UNLOCKING FULL VALUE

Achievements & Milestones

2006
Acquires asset from Chevron & makes maiden gas discovery

2009
Lists on the Australian Stock Exchange

2010
Commerciality of deeper gas play established

2011
First reserve booking

2012
Project financing secured through partnership with MIE Energy

2013
Significant reserve bookings

First gas sales agreement signed

2014
First successful horizontal well

First pilot production (December)

2015
Second central gathering station brought online

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ABOUT

Sino Gas & Energy Holdings Limited (Sino Gas, ASX: SEH) is an Australian energy company focused on developing Chinese natural gas assets. Sino Gas holds a 49% joint venture interest in Sino Gas & Energy Limited (SGE) through a strategic partnership with MIE Holdings Corporation (MIE, SEHK32: 1555). SGE has been established in Beijing since 2006 and is the operator of the Linxing and Sanjiaobei Production Sharing Contracts (PSCs) in the Ordos Basin, Shanxi province.

SGE has a 64.75% interest in the Linxing PSC, partnered with CUCBM, a subsidiary of CNOOC, and a 49% interest in the Sanjiaobei PSC, partnered with PetroChina CBM, a subsidiary of CNPC. SGE has a 100% working interest during the exploration phase of the PSC, with SGE's PSC partners being entitled to back-in upon Overall Development Plan (ODP) approval, by contributing development and operating costs in line with their PSC interest.

The PSCs are located in the Ordos Basin and cover an area of approximately 3,000km^2. The Ordos Basin is the largest gas producing basin in China. The region has mature field developments with an established pipeline infrastructure to major markets. Rapid economic development is being experienced in the province in which Sino Gas' PSCs are located and natural gas is seen as a key component of clean energy supply in China.

Phil Bainbridge
Chairman

CHAIRMAN'S REPORT

Dear Shareholder, I am pleased to present to you the Company's 2015 Annual Report.

The continued decline in oil price, which weighed heavily on energy stocks globally, along with concerns about the transitioning Chinese economy and our approval delays, placed pressure on the Company's share price throughout the year and into early 2016.

Despite these challenging market conditions, Sino Gas and Energy Holdings Limited (Sino Gas, the Company) continued to make substantial progress in unlocking the significant underlying value of the Linxing and Sanjiaobei PSCs.

The Linxing Central Gathering Station (CGS) was brought on production during the year and our drilling and testing program continued to demonstrate the quality and potential of our world class Ordos basin assets. Our independent Reserve and Resources assessment was updated and we booked our fifth consecutive increase in gross mid-case 2P Reserves up 22% to ~2 trillion cubic feet (Tcf) (Sino Gas' share up 23% to 552 billion cubic feet (Bcf)); and our mid-case total project Resources increased 15% to approximately 7.7 Tcf gross (Sino Gas' share at 2.1 Tcf)[1]. Once again, the safety and environmental performance of our operations team was exemplary, with over 500,000 man hours worked without incurring a lost-time injury (LTI).

We were pleased to announce on 3 March 2016 that we had received payment for gas sales from the Linxing PSC for the pilot project. The board believes that this, together with confidence that the gas market in China will continue to outpace markets globally, increased production from the PSCs through the year, payment from Sanjiaobei and Chinese Reserve Report (CRR) approvals, should position us well to build confidence in the market as we work to realise the full value of these assets.

The Company continues to receive strong support from both the Chinese and Australian Governments as it positions itself as a low cost supplier of natural gas into one of the largest and fastest growing gas markets in the world. The Chinese Government continues to take positive action to promote natural gas as a replacement for more carbon intensive forms of energy.

Financially, we finished the year with a strong cash position of US$63 million. With the first proceeds from Linxing pilot gas sales recently received, together with a 2016 budget focused on delivering value and immediate cash flow, we are striving to ensure that we retain sufficient liquidity to materially fund ourselves through to Overall Development Plan (ODP) approval.

For the year ahead, we have three main focus areas. Firstly, finalise receipt of gas sales proceeds from our PSC partner at Sanjiaobei, having already received the first proceeds from the Linxing PSC. Secondly, with the gas sales proceeds received, ramp-up of production to total installed capacity of 25 million standard cubic feet per day (MMscf/d). Finally, secure approval of the CRR for both Linxing (West) and Sanjiaobei while continuing to progress towards ODP submissions.

We remain confident in and focussed on delivering the significant value potential that we see in both Linxing and Sanjiaobei. This is an exciting time for Sino Gas, and the Board and Management team look forward to achieving our goals on behalf of all shareholders. We would all like to thank you for your patience last year and we hope that we can continue to earn your continued support and trust as we strive to realise the full potential of our assets.

Phil Bainbridge

Chairman

2015 HIGHLIGHTS

23% increase in net 2P Reserves and 10% increase in net 2C Resources[1]

2P 23% INCREASE

10% INCREASE 2C

+20 WELLS

Extensive 20 well drilling program completed while delivering substantial cost savings

25 MMSCF PER DAY

First gas sales from Linxing Central Gathering Station, increasing total installed capacity to 25 MMscf/day

Year-over-year improvement in average flow rates, with over six wells testing at greater than 1 MMscf/day

> 1 MMSCF PER DAY

Progress towards Overall Development Plan approval

$$$

Strengthened financial position

1 Refer to Reserves and Resources statement on page 13 for full disclosure.

MANAGING DIRECTOR'S REPORT

OUR STRATEGIC IMPERATIVE IN 2016 IS TO CONTINUE TO MAXIMISE THE VALUE OF OUR ASSETS THROUGH PRODUCTION GROWTH AND MAKING SUBSTANTIAL PROGRESS TOWARDS SECURING OVERALL DEVELOPMENT PLAN APPROVALS FOR BOTH SANJIAOBEI AND LINXING IN 2017.

Glenn Corrie
Managing Director

2015 was a profoundly challenging year for the global Exploration and Production (E&P) sector with oil prices falling beyond 10 year lows. Notwithstanding, Sino Gas made substantial progress on a number of fronts strengthening its position as a low cost, high margin natural gas producer into one of the world's largest and fastest growing gas markets with a favourable supply, demand and pricing outlook. I am excited about 2016 which is shaping-up to be a transformational year for the company. With the receipt of proceeds from gas sales the company has a clear runway to unlock the full value of this large scale, world class gas asset.

The Company continued to deliver strong operational results during the year. The Linxing Central Gathering Station (CGS) was commissioned in October bringing total field-wide installed capacity to 25 million standard cubic feet per day (MMscf/d). The drilling and testing program was successful, delivering improved average flow rates with a number of wells testing at rates in excess of 1 MMscf/day, significantly above commercial thresholds. The reserves and resource potential of the blocks continued to grow and first commercial Reserves bookings were made in Linxing (East). In early March 2016, the Company started to receive payment for Linxing PSC pilot gas sales. Discussions are ongoing with our PSC partner to agree payment terms for Sanjiaobei pilot gas sales.

In 2015, natural gas prices in China came under pressure as the National Development and Reform Commission (NDRC) sought to keep gas prices competitive with competing oil product prices, which had fallen in line with the 26% fall in crude prices. A reduction in city-gate prices was announced in November 2015 and significant growth in demand was reported in the December 2015 and January 2016. Subsequent to the NDRC price change, Sino Gas & Energy Limited (SGE) renegotiated gas prices of approximately US$7 per thousand standard cubic feet (Mscf). This price remains robust verses both global gas prices and the estimated cost of developing our assets.

Government policy continues to favour increased adoption of natural gas, including incentivising sufficient supply.

During the year, SGE completed a capital investment program consisting of 20 wells, including 5 exploration wells, 13 pilot wells, 2 horizontals and the production testing of 25 zones across 20 wells, totalling US$46 million. Testing operations continued to deliver excellent results due to improved fraccing, completion design and better well placement.

We continued to strengthen our low-cost competitive advantage, realising further cost savings due to a combination of efficiency improvements and lower service costs. Vertical wells were drilled approximately 5% faster and cost 10% less than 2014. Even larger improvements were seen in the horizontal wells, where the third and fourth horizontals were drilled approximately 30% faster than the first horizontal drilled in 2013.

Our Reserves and Resource base continues to grow, underpinning the large scale, long-term potential of our assets. RISC conducted an update of project Reserves and Resources, taking into account new production data, drilling and testing results in 2015 as well as gas price forecasts. The update resulted in a 22% increase in gross 2P Reserves to approximately 2 Tcf (Sino Gas' share up 23% to 552 Bcf), including our first reserve bookings in Linxing (East). The unrisked mid-case total resource base (2P + 2C + Prospective Resources) increased 15% to 7.7 Tcf (Sino Gas' share 2.1 Tcf)[1]. The increase in Reserves was driven by both an expansion of our discovered resource area in Linxing (East) and improvements to the modelled recovery factors. Forecast gas prices fell 27% which had a direct effect on the estimated EMV. However, this impact was partially offset by increased Reserves and Resources as well as improved costs, resulting in a net decrease of only 16% to US$2.6 billion, confirming the significant commercial potential of our high margin assets.

As a Company, we have responded to the lower commodity price environment by planning a more conservative near term capital program, including reduced exploration expenditure. The shareholders of SGE approved a total SGE expenditure budget of up to $60 million. The program is focussed on progressing CRR and ODP approvals and maximising production from the two existing CGSs to reach plateau production of 25 MMscf/d during the year. A focused exploration program on Linxing (East) to define this area for CRR will also be undertaken.

The Company is in a strong financial position with US$63 million at the end of 2015. Consistent with the approved 2016 budget, we remain focussed on managing our liquidity position with the objective of materially funding ourselves through to ODP.

Our strategic imperative in 2016 is to continue to maximise the value of our assets through production growth and making substantial progress towards securing Overall Development Plan approvals for both Sanjiaobei and Linxing in 2017.

I would like to thank the team for their hard work and also acknowledge the ongoing support of our PSC partners, the Governments of both Australia and China, communities, customers and shareholders, all of whom have made a significant contribution to the excellent progress we have made. I look forward to developing the full potential of our Ordos Basin assets and delivering shareholder value.

Glenn Corrie
Managing Director

29 March 2016

Sino Gas' Unique Positioning

Low Cost Asset

US$1.20/mcf expected opex + capex[2]

Supportive Government Policy

Target to double natural gas share of energy mix by 2020

World Scale Resource Base

Gross 2P reserves > 1.9 tcf[1]

Attractive Fiscal Regime & Gas Pricing

Globally ranked top quartile in terms of profitability and government take

SINO Gas & Energy

Strong Partner Relationships

PetroChina & CNOOC

Experienced Team

Mix of foreign and local expertise

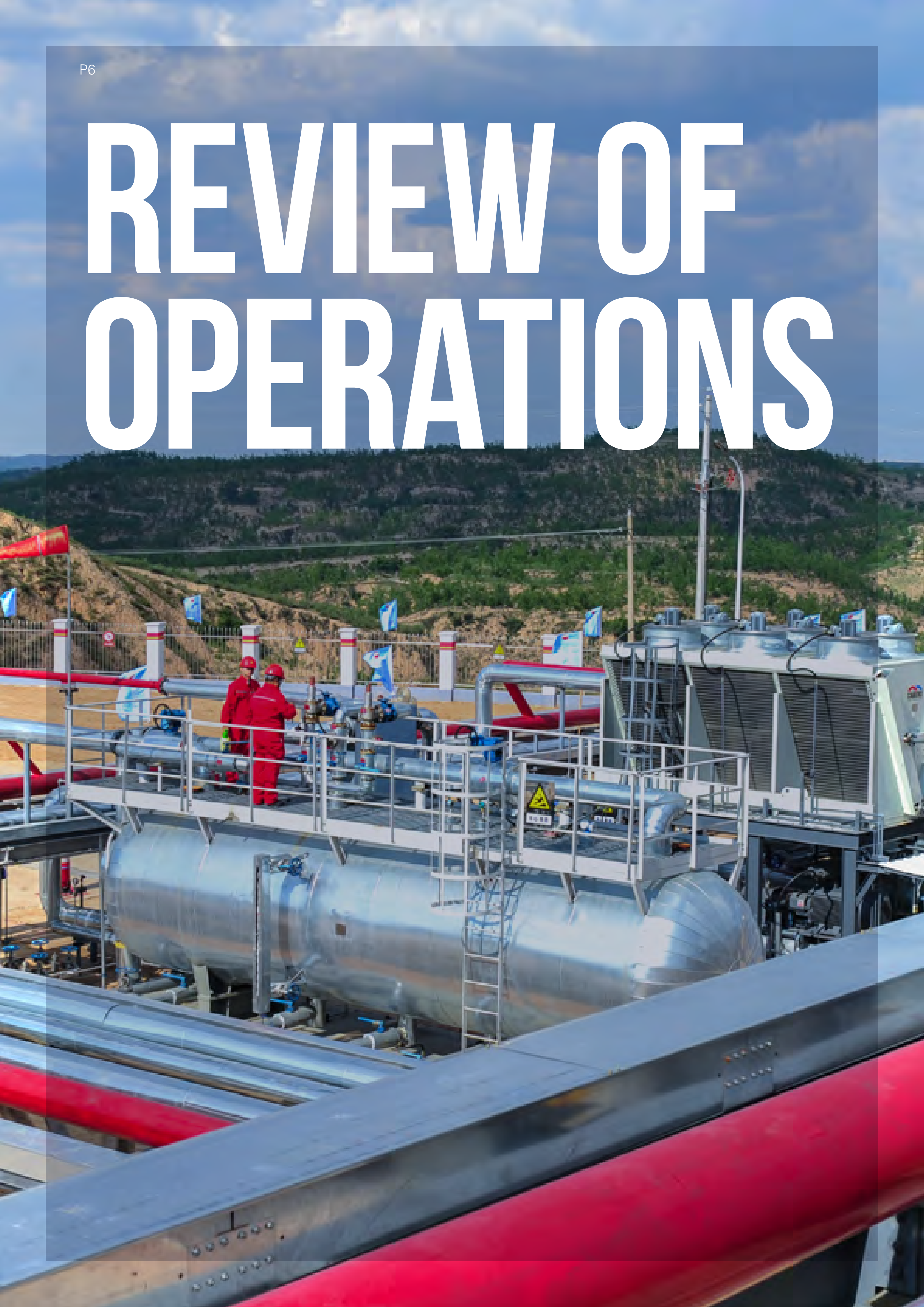
World's Largest & Fastest Growing Energy Market

2.8 billion tonnes of oil equivalent, 22% of global total

1 Refer to Reserves and Resources statement on page 13 for full disclosure.

2 EMV is based on NPV_{10} with a mid-case gas price of US$7.16/Mscf and lifting costs (opex+capex) of ~US$1.20/Mscf for mid-case Reserves, Contingent & Prospective Resources.

REVIEW OF OPERATIONS



REVIEW OF OPERATIONS

23% INCREASE IN NET 2P RESERVES AND 10% INCREASE IN NET 2C RESOURCES. A TOTAL OF 1.4 BILLION CUBIC FEET OF GAS WAS SOLD IN 2015.

FINANCIAL PERFORMANCE

Operating Results for the Year

The Consolidated Entity made a loss for the year ended 31 December 2015 of $13,037,212 (31 December 2014: profit of $832,832). As at 31 December 2015, the Consolidated Entity had cash and cash equivalents of $63,419,354 (2014: $34,140,775) and net assets of $152,969,752 (2014: $102,212,271).

Dividends

No dividends were paid or declared by the Company during the year ended 31 December 2015. The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2015 (2014 nil).

Joint Venture Funding

Total capital expenditure incurred in 2015 by SGE was US$46 million and Sino Gas paid cash calls of US$25 million for its 49% share of expenditures.

Proceeds from Project Gas Sales

In early March 2016, SGE started to receive payment for gas sales from the Linxing PSC.

The Sanjiaobei PSC, which commenced pilot gas production in December 2014, obtained all regulatory approvals in November 2015 to enable the PSC partner, PCCBM to pay SGE for gas sales. Gas sales proceeds have been received by PCCBM and negotiations are ongoing for SGE to receive payment. The restart of the Sanjiaobei CGS in 2016 will be driven by progress on the receipt of gas sales proceeds.

Sino Gas' 49% share of gas sales was US$4.9 million equivalent since the commencement of pilot production, with US$4.0 million and US$0.9 million attributable to the Linxing and Sanjiaobei PSCs respectively. A total of 1.4 billion cubic feet of gas was sold in 2015.

CORPORATE ACTIVITY

Occupational Health and Safety

Sino Gas maintained its top-tier safety record for the twelve months to 31 December 2015. A total of 527,000 Lost Time Injury free hours were recorded during 2015 from the drilling, testing, seismic, gathering pipeline installation and operations at the two Central Gathering Stations (1,025,000 in 2014).

Investor Relations & Transitioning Share Register

Sino Gas maintained regular meetings with the investment community in 2015, including existing and potential investors and analysts in Australia, Asia and Europe.

The share register continues to evolve with an estimated 53% of the shares held by institutional investors at 31 December 2015, up from 51% at the end of 2014. As at 28 January 2016, the proportion of institutional investors was approximately 45%.

The Company was involved in a number of international conferences in 2015 including: Oil Council Asian Assembly in Singapore, Euroz Rottnest, the Energy, Oil and Gas Investment Summit in Sydney, Mines & Money Hong Kong, JP Morgan Energy Summit in Beijing, Jefferies Natural Gas Tour in Beijing, the JP Morgan 2015 Global Oil & Gas Investor Conference in London and the Oil & Gas Council's China Assembly in Beijing. Copies of presentations given can be found on our website, www.sinogasenergy.com

The Company held three site visits during the year which were attended by analysts, major institutional investors and financial institutions. These tours included visiting drilling pads, the Sanjiaobei and Linxing CGSs, viewing the drilling and fraccing equipment operating on the PSCs and meeting with various stakeholders including the local government, community representatives and gas buyers.

In August, representatives of the Chinese and Australian Governments, media and other stakeholders visited the site to celebrate the commissioning of the Linxing CGS.

Sino Gas maintained its position in the S&P/ASX 300 throughout the year.

Capital Raisings

On 23 April 2015, the Company announced a capital raising of A$84 million (US$66 million) before costs, through a Share Placement of 500 million shares to institutional and other investors and a Share Purchase Plan (SPP) for approximately 26 million shares to eligible retails investors. Both issuances were completed at A$0.16 per share.

Macquarie Debt Facility

The Company's drawn debt facility balance with Macquarie Bank Limited (Macquarie) remained unchanged in 2015 at US$10 million out of a total facility of up to US$50 million (with availability subject to satisfaction of conditions precedent, including Macquarie obtaining internal credit approvals).

During the year, the facility was amended such that the repayment of 15% of the outstanding loan balance of US$10 million was deferred from the end of 2015 to the end of 2016 and the availability of the uncommitted Tranche B facility of US$40 million was extended from December 2015 to June 2016.

Changes in Board of Directors & Senior Management

On 28 August 2015, the Company announced the appointment of Mr Matthew Ginsburg to the Board of Sino Gas as a non-executive director and the retirement of Mr Colin Heseltine from the Board of Sino Gas as a non-executive director. At the Company's request, Mr Heseltine has remained 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 experience and insights into the Greater China financial services sector. Matthew has spent the majority of his 29-year career living and working in Asia. This comprised positions with First Boston in Tokyo and Hong Kong, Morgan Stanley in Hong Kong and subsequently with Barclays Capital in Hong Kong, where he was head of Asia Pacific Investment Banking and a member of the Global Investment Banking Executive Committee. He left the bank in 2014. Matthew holds a B.A from Harvard and a Masters of Management from JL Kellogg Graduate School at Northwestern University.

Mr Ginsburg was appointed the Chair of the Nomination & Remuneration Committee and a Member of the Audit & Compliance Committee.

On 30 November 2015, the Company announced the appointment of Ian Weatherdon as the new Chief Financial Officer, with an effective date of 1 January 2016. Mr. Weatherdon is a Chartered Accountant with over 25 years of experience in the oil and gas industry, most recently with Talisman/Repsol in Singapore where he was Vice-President, Finance for the Asia Pacific region. Prior to that he was the Chief Financial Officer of Talisman's Joint Venture in Colombia with Ecopetrol, Equion Energia. James (Jim) Hodgson, the previous CFO, resigned from Sino Gas to pursue other opportunities.

OPERATIONAL PERFORMANCE

Gas sales agreements

During the year, the NDRC announced revised regulated city-gate gas prices for industrial users in March and November 2015. The first revision harmonised the previous two-tier pricing mechanism which resulted in a reduction in the weighted average gas price of less than 5%.

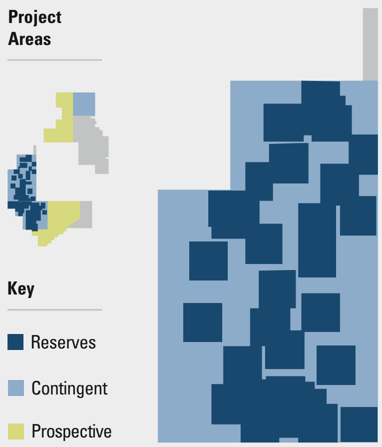
The second revision was announced in November 2015 as a result of substantially lower oil prices. The NDRC cut the regulated industrial users city-gate gas price ceiling by RMB0.7 per cubic metre (approximately US$3.10/Mscf). As a result, the Shanxi provincial city-gate gas price was reduced to RMB1.91 per cubic metre (approximately US$8.50/Mscf). The stated policy goals of the NDRC in reducing prices are to increase the share of natural gas in the energy mix by keeping prices competitive with substitute oil products such as LPGs and Fuel Oil while maintaining a robust price to incentivise ongoing investment in domestic production of natural gas. Data from the NDRC showed following the price cut, implied December demand grew at ~19% year on year and in January 2016 grew at 18% year on year. This compares to reported growth in the eleven months to November prior to the cut of only 3.7% year on year. Gas demand growth for 2015 was reported as being 5.7%.

Following the NDRC's November 2015 price revision, a revised wellhead gas sales price of RMB1.63 per cubic meter or approximately US$7.10/(Mscf) was agreed with a new local gas buyer, Shanxi Guoxin Energy (Guoxin), for Sanjiaobei gas production. The agreement is now being formalised with the PSC Partner, PetroChina Coalbed Methane Company Ltd. (PCCBM). Guoxin is owned by the Shanxi Provincial Government and operates a 5,376km pipeline network and 127 CNG/LNG filling stations, covering a significant portion of Shanxi Province.

A revised wellhead price for Linxing gas was agreed at RMB1.615 per cubic meter or ~US$7.04/Mscf with Shanxi GuoHua Energy Limited Company following the NDRC price revision in November and was applied retrospectively from 20 November 2015.

Work Program

Linxing (West)
Sino Gas 31.7%



The Linxing CGS was brought on-stream in October 2015. The start-up of the Linxing station was impacted by several issues outside of the Company's control including weather delays due to exceptionally high rainfall and delays in commissioning the third-party pressure station due to an additional safety audit required in light of a severe unrelated industrial accident elsewhere in China.

Total installed capacity of the Linxing CGS is 17 MMscf/d with one of two compressors in operation as of March 2016. As of year-end, a total of 14 wells had been tied into the Linxing CGS, including seven wells from the TB-26 area to the north of the CGS as well as seven wells from the south of the CGS, including Sino Gas' first horizontal well, TB-1H.

The Linxing CGS produced at an average uptime flow rate of 7.1 MMscf/day during the fourth quarter ending December.

Site surveying has been completed for a third CGS with an expected capacity of 18MMscf/day in the northern area of Linxing (West) to utilise the existing/potential gas volumes in the TB-2H area. The PSC partners are currently reviewing the development proposal. Construction of the facility is not currently included in the 2016 budget.

A total of 12 development wells were drilled on Linxing (West), of which five were tied into the Linxing CGS and seven to the Sanjiaobei CGS.

A significant testing program was carried out during the year across Linxing (West). In total, 19 tests were completed in 15 wells. Results have been in line with or better than expected with flow rates of 700-2,000 Mscf/d, including six above 1 MMscf/d. In particular, TB-26-1 and TB-26-4 flowed at rates of 1.2 MMscf/day and 1.5 MMscf/day respectively from unfracced zones. TB-27 recorded a flow rate of 1.8 MMscf/day from an unfracced upper zone at a wellhead pressure of 630 psi in the discovered north-east portion of the block. This is the second highest unstimulated rate achieved by a single production test in the history of the field. This was in addition to a test rate of 630 Mscf/day (calculated at standard field pressure of 200 psi) from co-mingled middle and middle-lower zones of the well in 2014.

Two horizontals were drilled during the year, TB-3H and TB-4H, completing lateral sections of 1,080m and 1,184m respectively, with TB-4H being the longest on the project to date by ~10%. Despite the longer lateral section, TB-4H was drilled in the same amount of time as TB-3H and was ~33% faster than the first horizontal well drilled in 2013. Both horizontals recorded excellent net to gross sands and are scheduled to be tested in the first half of 2016, and if successful, tied in to the Linxing CGS.

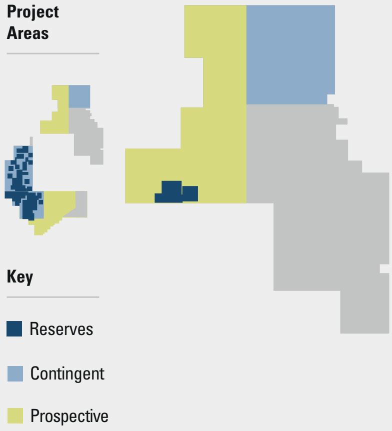
All 12 wells drilled during the year were within the previously assigned reserve area of 327km^2, which is a part of the total discovered area of 573 km^2. On Linxing (West) Net 2P Reserves increased approximately 16% to 297 Bcf and 2C Resources increased 9% to 517 Bcf due to higher recovery factor estimates, partially offset by a lower Gas Initially in Place (GIIP) estimates[1].

In 2016, the Company expects to tie-in the two horizontal wells drilled in 2015 and drill additional wells to support the ramp-up and maintain plateau at the Linxing CGS processing capacity of 17 MMscf/d.

The Company currently anticipates approval of the Linxing (West) CRR during 2016. Preparation work for submission of the ODP is ongoing with the aim of obtaining approval in 2017.

THE LINXING CGS PRODUCED AT AN AVERAGE UPTIME FLOW RATE OF 7.1 MMSCF/DAY DURING THE FOURTH QUARTER ENDING DECEMBER.

Linxing (East)
Sino Gas 31.7%



Exploration results continued to highlight the deep gas potential of the south-west portion of Linxing (East). 280km of seismic acquired in late 2014 and interpreted in 2015 was used to guide new well locations. Five exploration wells were drilled to further assess the significant underexplored deeper resource potential, including LXDG-07 and LXDG-08 which identified 22.3m and 25.5m of net pay from key reservoirs, respectively. Six zones were tested, with the highest rate being recorded at LXDG-04, which tested at a record flow rate of 2.1 MMscf/day from an upper zone.

Based on these drilling and testing results, the first Reserves were assigned of 103 Bcf gross (Sino Gas' share at 32 Bcf). In addition, 80 Bcf gross 2C Resources were assigned (Sino Gas' share at 25 Bcf). Of the 40km^2 discovered area 36 km^2 is assigned to Reserves[1]. The estimated prospective area is 294 km^2.

Additional exploration and appraisal drilling and testing is planned for 2016 to support submission of a deep gas CRR for the southwest tip of Linxing (East), which would bring total deep gas CRR submissions to three, in addition to CRR approval received on the shallow CBM portion of Linxing (East).

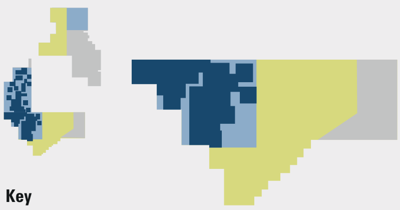
The discovered area of the Shallow CBM is unchanged at 265km^2 and dewatering operations are continuing. Preparation of the ODP is ongoing. Planning is underway to provide further data to support the submission, although drilling is not expected in 2016. Once data has been collected from these additional wells, an economic assessment will be conducted and a final investment decision made on the future development of the area.

1 Refer to Reserves and Resources statement on page 13 for full disclosure.

Sanjiaobei PSC

Sino Gas 24%

Project Areas



Key

- Reserves
- Contingent
- Prospective

During the year, production continued from the Sanjiaobei CGS which was brought on-stream in late 2014. A second compressor was commissioned in early April 2015, increasing available capacity of the facility to 8 MMscf/d with peak production reaching 6 MMscf/d during the year. Production throughout the year was limited to approximately 4 MMscf/d due to downstream constraints, in part due to delays in commissioning third-party offtake routes.

Production at the Sanjiaobei CGS was shut-in on 3 September to allow for the safe tie-in of the Linxing CGS at shared infrastructure points. Restart of the CGS was deferred as the Company finalised gas sales discussions and remained off-line at the end of the year whilst discussions continued with the PSC Partner regarding a satisfactory allocation of pilot gas sales proceeds.

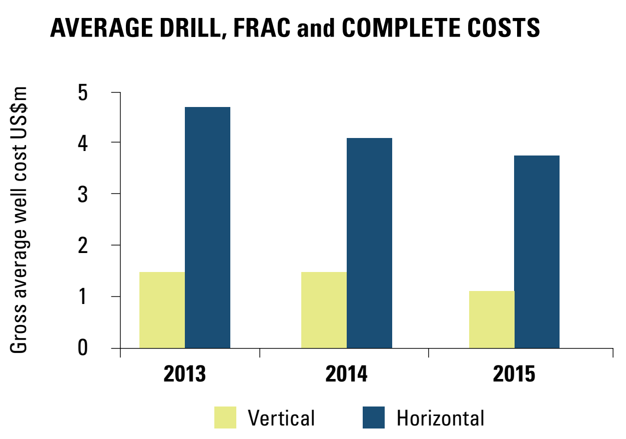
With no new exploration or appraisal wells drilled in Sanjiaobei during 2015, reserves, discovered and prospective areas were unchanged at 268km^2, 370km^2 and 595km^2 respectively. Net 2P Reserves on Sanjiaobei increased 15% to 222 Bcf and 2C Contingent Resources increased 7% to 187 Bcf due to the changes in the recovery factor and GIIP estimates[1]. 120km of additional 2D seismic acquired on the block in the fourth quarter of 2014 was interpreted in 2015 with the aim of expanding the denser seismic grid further to the east of the block. This data was used for improving well location planning.

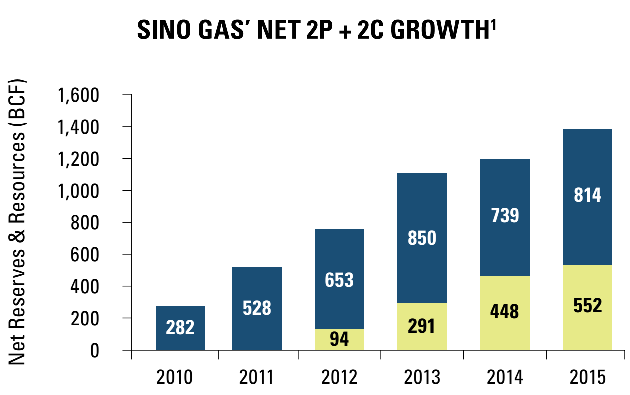
Four wells on the SJB23 pad were perforated during the year, of which SJB23-D1 tested at a flow rate of 1.8 MMscf/day from an unstimulated low level zone. This is the highest rate recorded from a well on the Sanjiaobei PSC to date. Three pilot production wells drilled in 2015 are planned to be tied in to the Sanjiaobei CGS in 2016. A total of 34 wells have been drilled on the block.

All regulatory approvals were obtained for Sanjiaobei in November 2015 and the Company is now focussed on making progress to securing outstanding payment for gas sales prior to re-commencing production.

The Sanjiaobei CRR is progressing through technical review and approval is currently anticipated mid-year. The Company is focussed on progressing toward ODP approval in 2017.

A SECOND COMPRESSOR WAS COMMISSIONED IN EARLY APRIL 2015, INCREASING AVAILABLE CAPACITY OF THE FACILITY TO 8 MMSCF/D WITH PEAK PRODUCTION REACHING 6 MMSCF/D DURING THE YEAR.

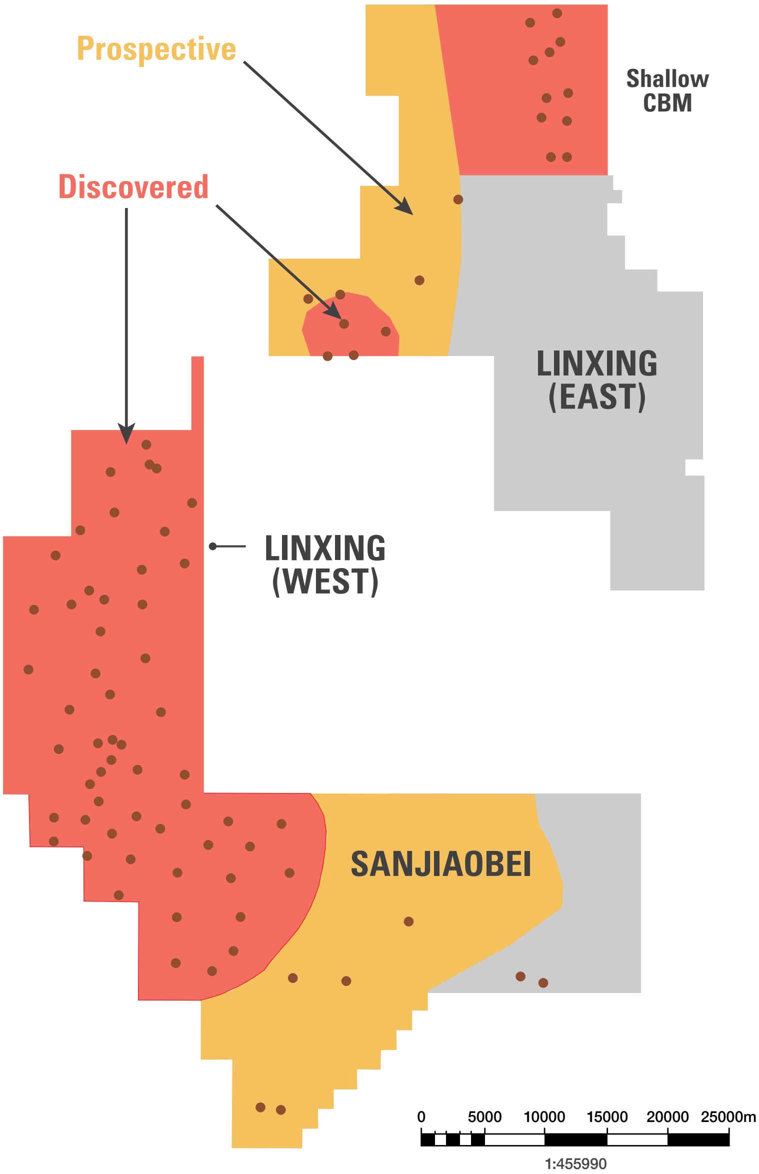




1 Refer to Reserves and Resources statement on page 13 for full disclosure.

RESERVES AND RESOURCES STATEMENT

RESULTS FROM THE 20 WELLS DRILLED IN 2015 (114 CUMULATIVE WELLS) AND THE INTERPRETATION OF 570KM OF SEISMIC LINES (CUMULATIVE 2,790KM) WERE REVIEWED FOR THE UPDATED RESERVES AND RESOURCES ASSESSMENT AS AT 31 DECEMBER 2015.



Overview

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

Results from the 20 wells drilled in 2015 (114 cumulative wells) and the interpretation of 570km of seismic lines (cumulative 2,790km) were reviewed for the updated Reserves and Resources assessment as at 31 December 2015, as well as the results from the pilot testing through the first central gathering stations on the Sanjiaobei and Linxing PSCs.

Key Results

- The Linxing PSC is divided into Linxing (West) and Linxing (East). Linxing (West) is considered to be fully discovered, with Reserves and Contingent Resources assigned. The Linxing (East) resource area is divided into a deep gas discovered/ prospective area to the west of a major fault and a shallow CBM area east of the fault.
- Similarly, the Sanjiaobei Resource area is divided into a discovered area in the northwest supported by well and well test data, and a prospective area to the south and east where mobile gas has yet to be demonstrated. A series of faults separate the prospective area from an area further east where the formations are shallow and no Resources are assigned.
- The discovered areas contain Reserves and Contingent Resources. The prospective area contains Prospective Resources.
- The PSCs contain gas in both the coal seams and the sandstones which are vertically adjacent to and interbedded with the coals. The coals are largely too deep (800 to 2000m) for economic CBM development but gas resources are contained in the adjacent sandstone beds. The coals are shallower to the east of the fault in Linxing (East) and resources are being evaluated in a shallow CBM pilot.
- Since RISC's 31 December 2014 evaluation, new wells have resulted in the first discovered area in the Linxing (East) area of 40km^2, increasing the discovered area in the Linxing PSC to 613km^2. Discovered areas on Linxing (West) and Sanjiaobei are unchanged since the 31 December 2014 evaluation. Total discovered area has increased 4% to 983km^2.
- In 2015, Reserves were assigned to an additional 24 successful wells (96 cumulative) and the adjacent well spacings in the discovered areas. Reserves are assigned to an area of 13km^2 (2 adjacent well spacing) surrounding each successful well, unchanged from 2014. In Linxing (East) deep gas area, the area around successfully tested LXDG-03 and LXDG-04 are assigned Reserves, increasing the reserve area by 36km^2. As a result, total reserve area increased 7% to 631km^2. Other Resources in the discovered area are classified as Contingent Resources - contingent upon further appraisal and firm development plans.
- Gross 2P Reserves have increased 22% and gross mid-case discovered resources (Reserves and Contingent Resources) have increased 15% as a result of the increased reserve area and higher estimated recovery factor due to further model refinement, partially offset by lower total Gas Initially in Place (GIIP) estimates due to lower average net pay encountered in the 2015 wells.
- Developed producing 2P Reserves net to Sino Gas increased from 8 Bcf at YE2014 to 16 Bcf due to the increase in the number of wells tied into the Sanjiaobei and Linxing central gathering stations.
- Gross Prospective Resources have increased 15% due to higher recovery factor assumptions, offset in part due to the maturation of Prospective Resources in Linxing (East) to Reserves and Contingent Resources and reduction in GIIP estimates.
- The shallow CBM pilot test in the north-east of Linxing (East) has continued to produce gas at an average gas rate of approximately 1,300 m3/d (44 Mscf/d) per well. Development would not be economic at this gas rate. RISC modelling indicates that the gas rates may increase to economic rates with continued de-watering, although this remains uncertain. 109 to 431 Bcf of Contingent Resources are estimated, contingent upon economic gas rates being demonstrated. Their development is not included in the economic evaluation.
- PSC expiry is 2028 for Linxing and 2033 for Sanjiaobei, although PSC extensions may be possible. The PSCs are currently in the exploration phase which has been extended several times. Extensions to the exploration phase do not affect the PSC expiry date.

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

Sino Gas' Attributable Net Reserves & Resources						
	1P Reserves[2] (Bcf)	2P Reserves[2] (Bcf)	3P Reserves[2] (Bcf)	2C Contingent Resources (Bcf)	P50 Prospective Resources[1] (Bcf)	EMV_{10} (US$million)
31 December 2015	362	552	751	814	733	2,569
31 December 2014	350	448	557	739	649	3,076
Change (+/-)%		+23% (2P)		+10%	+13%	-16%
100% Total Project Reserves & Resources						
31 December 2015	1,250	1,962	2,723	2,831	2,954	N/A

Sino Gas' Net Developed Producing Reserves			
	1P Reserves[2] (Bcf)	2P Reserves[2] (Bcf)	3P Reserves[2] (Bcf)
Developed Producing Reserves	10	16	22
Undeveloped Reserves	352	536	729
Total Reserves	**362**	**552**	**751**

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

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

Sino Gas & Energy Limited's (SGE) interest in the Linxing PSC with CUCBM is 64.75% and 49% for the Sanjiaobei PSC held with PCCBM. SGE has a 100% working interest during the exploration phase of the PSC, with SGE's PSC partners being entitled to back-in upon Overall Development Plan (ODP) approval, by contributing development and operating costs in line with their PSC interest. Sino Gas and Energy Holdings Limited owns 49% of the issued capital of SGE and MIE owns 51% of the issued capital of SGE. Refer to Note 1. Interests in Joint Ventures in the notes to the consolidated financial statements for more information.

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

Sino Gas' Attributable Economic Value	NPV_{10} Mid-case (US$million)	EMV_{10} (US$million)
Reserves	1,284	1,285
Contingent	763	689
Prospective	1,022	595
		2,569

EMV is based on NPV_{10} with a mid-case gas price of US$7.16/Mscf inflated at 3.75% per annum and average lifting costs (opex+capex) of ~US$1.20/Mscf (inclusive of inflation at 2.5% per annum) for mid-case Reserves, Contingent & Prospective Resources.

Reconciliation of Sino Gas' Attributable Net Reserves and Resources

	1P Reserves (Bcf)	2P Reserves (Bcf)	3P Reserves (Bcf)	2C Contingent Resources (Bcf)
31 December 2014	350	448	557	739
Revisions from drilling	13	105	195	75
Production	-1	-1	-1	0
31 December 2015	**362**	**552**	**751**	**814**

INFORMATION ON THE RESERVES AND RESOURCES IN THIS ANNUAL REPORT IS BASED ON AN INDEPENDENT EVALUATION CONDUCTED BY RISC OPERATIONS PTY LTD (RISC), A LEADING INDEPENDENT PETROLEUM ADVISORY FIRM.

Reserves and Resources Methodology

The statements of Reserves and Resources in this annual report have been independently determined to Society of Petroleum Engineers (SPE) Petroleum Resource Management System (PRMS) standards by internationally recognised oil and gas consultants RISC (Announced 10 March 2016) using probabilistic and deterministic 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. Project NPV_{10} is based on a mid-case wellhead gas price of US$7.16/Mscf inflated at 3.75% per annum and average lifting costs (opex+capex) of US$1.20/Mscf (inclusive of inflation at 2.5% per annum) for mid-case Reserves, Contingent & Prospective Resources. All Resource figures quoted are unrisked mid-case unless otherwise noted. Sino Gas' attributable net Reserves & Resources assumes PSC partner back-in upon ODP approval, CBM Energy's option to acquire an interest of 5.25% in the Linxing PSC (by paying 7.5% of back costs) is exercised, and MIE fulfil funding obligations under the strategic partnership agreement. Reserves & Resources are net of 4% in-field fuel for field compression and field operations. Reference point is defined to be at the field gate. No material changes have occurred in the assumptions and subsequent work program exploration and appraisal results have been in line with expectations.

Qualified Reserves and Resources Evaluator

Information on the Reserves and Resources in this annual report is based on an independent evaluation conducted by RISC Operations Pty Ltd (RISC), a leading independent petroleum advisory firm. The evaluation was carried out by RISC under the supervision of Mr. Peter Stephenson, RISC Partner, in accordance with the SPE-PRMS guidelines. Mr. Stephenson has a M.Eng in Petroleum Engineering and 30 years of experience in the oil and gas industry. Mr. Stephenson is a member of the SPE and MIChemE and consents to the inclusion of this information in this release. RISC believes that the Reserves and Resource assessment fairly represents the available data.

RISC is an independent advisory firm that evaluates resources and projects in the oil and gas industry. RISC offers the highest level of technical, commercial and strategic advice to clients around the world. RISC services include the preparation of independent reports for listed companies in accordance with regulatory requirements. RISC is independent with respect to Sino Gas in accordance with the Valmin Code, ASX listing rules and ASIC requirements.

Reserves and Resources Governance

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

DIRECTORS' REPORT

Directors' Report

Your directors present their report on the consolidated entity (the "Company" or the "Group" or "Sino Gas") consisting of Sino Gas & Energy Holdings Limited and the entities it controlled at the end of, or during, the year ended 31 December 2015. Sino Gas is a limited liability company that is incorporated and domiciled in Australia.

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

All amounts are presented in United States Dollars (US$), unless otherwise stated.

(a) Directors

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

P Bainbridge	(Chairman) – Board member since 14 April 2014
G Corrie	(Managing Director) – appointed Managing Director on 1 January 2015
G Harper	(Non-Executive Director) – Board member since 14 March 2008
B Ridgeway	(Non-Executive Director) – Board member since 5 March 2007
M Ginsburg	(Non-Executive Director) – appointed 28 August 2015
C Heseltine	(Non-Executive Director) – Board member from 30 January 2012 to 28 August 2015

(b) Principal activities

The Company's principal continuing activities during the course of the year were exploring, appraising and producing onshore natural gas resources in China through its investment in SGE.

(c) Dividends

No dividends were paid or declared to shareholders during the financial year (2014: Nil).

(d) Operating Results for the year

The Consolidated Entity made a loss for the year ended 31 December 2015 of $13,037,212 (31 December 2014: profit of $832,832). As at 31 December 2015, the Consolidated Entity had cash and cash equivalents of $63,419,354 (2014: $34,140,775) and net assets of $152,969,752 (2014: $102,212,271).

(e) Review of Operations

The review of operations of the Group is contained in the Chairman's and Managing Director's Reports on pages 2 and 4 respectively, and the Review of Operations on pages 7 to 15 of the Annual Report and forms part of this report.

(f) Significant changes in the state of affairs

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

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

Subsequent to year end the following key events have occurred:

- On 10 March 2016, the Company announced the results of an independent Reserves and Resources assessment from RISC as at 31 December 2015. Refer to page 11 for a statement of the Reserves and Resources.
- On 3 March 2016, the Company announced the first receipt of gas sales proceeds from the Linxing PSC.
- On 29 March 2016, the Company announced a record deviated single zone flow rate and receipt of outstanding Linxing pilot gas sales proceeds.
- Ian Weatherdon joined the Company as Chief Financial Officer on 1 January 2016.

(h) Future Developments

Business strategy

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

In 2016, the Company aims to deliver on this strategy by meeting the following objectives:

Corporate Focus – Continue with the long term planning for full field development while ramping-up pilot production across both PSCs to installed capacity. Position for further production growth.

Operational Focus – Obtain approval of Chinese Reserve Reports (CRR) for Linxing West and Sanjiaobei. Continued growth of the resource base with a selective exploration and appraisal program and submission of an additional CRR for the Linxing (East) south/west portion.

Technology Focus – Continue to deploy technology such as advanced down-hole completion technology, improved drilling and fraccing techniques and use of extended well test data to maximise reservoir deliverability and single well productivity to optimise full field development.

Financing Focus – Protect and build upon the current strong financial position. Finalise receipt of pilot revenue and increase cash flow from operations with the ramp-up of pilot production.

Shareholder Focus - Gain fuller recognition for the underlying value of the Company's assets by meeting operational and regulatory approval milestones, including progressing the pilot production program and achieving CRR approvals while progressing ODP approvals and long term funding arrangements.

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

Material business risks

Management have identified the following business risks which have the potential to impact Sino Gas' operational and financial performance and provided the following summary of how these risks are managed:

Material Business Risk	Risk Management Analysis
Changes in the fiscal, tax and regulatory environment in the People's Republic of China and Australia	The Company monitors potential changes in the fiscal, tax and regulatory environment and the impact on its business operations. Training is provided to staff and regular engagement is maintained with professional advisors to keep abreast of upcoming changes impacting the Company.
Delays in obtaining regulatory approvals impacting the Company's ability to fully develop the gas assets	The Company takes appropriate steps to understand approval requirements and maintain close relationships with PSC partners and local authorities to obtain the required permits to carry out field development work.
Currency and commodity price fluctuations	The Company continuously monitors its currency exposures and employs hedging techniques as appropriate. SGE's natural gas proceeds and the majority of payments to suppliers are denominated in RMB. The Company monitors government policies and pricing trends and seeks to employ competitive processes to ensure that it optimises the value of gas sales.
Significant changes in reserves and resources estimates	An independent review of reserves and resources estimates is conducted on an annual basis and determined to Society of Petroleum Engineers (SPE) Petroleum Resource Management Systems (PRMS) standards by internationally recognised oil and gas consultants. Ah-hoc assessments are conducted with third-party consultants to review new exploration and appraisal data to optimise work program activity.
Actual future well production which varies from current estimates and forecasts impacting the total amount of gas sold	The Company gathers and interprets data to continuously refine its understanding of the reservoirs' characteristics and productivity. Careful monitoring of production is conducted to accurately determine well and reservoir performance. Vertical wells are able to access multiple reservoirs mitigating the impact of poor performance from any one reservoir.
Work programs that do not meet estimated schedules and budgets due to external factors	Annually approved work programs and budgets, the business environment and regulatory environment are monitored and communications with the Company's joint venture partner and SGE are maintained to minimise the impact of external events such as delays in regulatory approvals, availability of equipment and adverse weather.

Material Business Risk	Risk Management Analysis
Inherent health, safety and environmental risks associated with field operations	A comprehensive system of HSE procedures is maintained by SGE. Training to international standards is provided on safe work practices to all levels of staff to protect employee and contractor safety. SGE has systems and processes in place to ensure ongoing compliance and periodically audits its own compliance with HSE procedures.
Credit risk of suppliers, customers and partners	The Company and SGE have systems and processes in place to assess the credit risk of suppliers, customers and partners. Contracting & procurement procedures are in place to ensure suppliers meet required standards and payment terms are clearly defined. Agreements are in place with PSC Partners for the sale of gas to third-party buyers. Appropriate contract remedies are in place in the event of potential default.
Inherent social sustainability risks	The Company manages its social sustainability risks by maintaining good relationships with its joint venture partners and relevant government departments. A branch office has been established and designated community liaison officers are responsible for engaging community stakeholders. Social impact assessments are conducted as a part of development approvals.

The Company has adopted a comprehensive framework of rules, relationships, systems and processes regulating the exercise of authority within the Company. The corporate governance policies and practices of the Company are reflective of the Company's current status, its major activities being the exploration for and development and production of natural gas in China. The Company's corporate governance statement for the period can be found on our Company website at http://sinogasenergy.com/about-seh/corporate-governance/.

(i) Information on Directors & Company Secretary

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

P Bainbridge

Non-Executive Chairman

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

Experience and expertise

Philip joined the company in April 2014 as a Non-Executive Director and was appointed to Chairman in August 2014.

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

Other current directorships

Beach Energy Limited (Non-Executive Director)

PNG Sustainable Development Program (Non-Executive Director)

Sino Gas & Energy Limited Director

Former directorships in last 3 years

Drillsearch Energy Limited (Non-Executive Director)

Special responsibilities

Chairman of the board

Member of Nomination & Remuneration Committee

Sino Gas & Energy Limited Director

Interests in Shares, Options and Performance Rights

1,861,173 Ordinary Shares

G Corrie

Managing Director

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

Experience and expertise

Glenn joined the Company as Chief Executive Officer on 15 August 2014 and was appointed to the Board as Managing Director effective 1 January 2015.

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

Other current directorships

Sino Gas & Energy Limited Director

Former directorships in last 3 years

None

Special responsibilities

Sino Gas & Energy Limited Director

Interests in Shares, Options and Performance Rights

4,982,922 Ordinary Shares, 695,345 Deferred Shares, 6,472,105 Performance Rights

G Harper

Non-Executive Director

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

Experience and expertise

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

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

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

Other current directorships

Renewable Heat and Power Limited (Chairman)

Omega Resources Limited (Chairman)

Pilot Energy Limited (ASX:PGY) (formerly called Rampart Energy Limited) (Chairman)

Former directorships in last 3 years

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

Special responsibilities

Member of Nomination & Remuneration Committee and Audit & Compliance Committee

Interests in Shares, Options and Performance Rights

15,507,240 Ordinary Shares

B Ridgeway

Non-Executive Director

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

Experience and expertise

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

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

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

Other current directorships

Imdex Limited since 23 May 2000 (ASX: IMD)

Former directorships in last 3 years

None

Special responsibilities

Chair of Audit & Compliance Committee

Member of Nomination & Remuneration Committee

Interests in Shares, Options and Performance Rights

11,455,000 Ordinary Shares

M Ginsburg

Non-Executive Director

B.A. from Harvard College and a Masters in Management from the J.L. Kellogg Graduate School of Management at Northwestern University in 1992

Experience and expertise

Matthew was appointed to the Board on 28 August 2015.

Matthew is an experienced former investment banker who has extensive experience and insight into the Greater China financial services sector. Matthew is resident of Hong Kong and has spent the majority of his 28-year career living and working in Asia. This comprised positions with First Boston in Tokyo and Hong Kong, Morgan Stanley in Hong Kong and subsequently with Barclays Capital in Hong Kong, where he was head of Asia Pacific Investment Banking and a member of the Global Investment Banking Executive Committee until mid-2014.

Other current directorships

None

Former directorships in last 3 years

None

Special responsibilities

Chair of Nomination & Remuneration Committee

Member of Audit & Compliance Committee

Interests in Shares, Options and Performance Rights

1,830,000 Ordinary Shares

C Heseltine

Non-Executive Director (resigned 28 August 2015)

B. Bus

Experience and expertise

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

Colin was appointed China Strategic Consultant to the Company on 22 July 2011 and both the board and China based management team have benefited from his extensive knowledge of doing business in the Asian region.

Colin elected to retire from the Sino Gas Board, effective 28 August 2015. Mr Heseltine has been an active non-executive director on the Sino Gas Board since January 2012 and has made an important contribution to the company through his relationship and insights at the political levels in China and Australia.

Colin continues to serve as a non-executive director on the Sino Gas & Energy Limited (SGE) Board where his skills and relationships continue to assist SGE in its relationships with its Chinese stakeholders and partners, including achieving key Chinese regulatory approvals.

Other current directorships

Sino Gas & Energy Limited

Former directorships in last 3 years

None

Special responsibilities

Chair of Nomination & Remuneration Committee (retired 28 August 2015)

Member of Audit & Compliance Committee (retired 28 August 2015)

Sino Gas & Energy Limited Director

H Spindler

Company Secretary

B. Bus, CA, A Fin

Experience and expertise

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

Other current directorships

None

Former directorships in last 3 years

None

Interests in Shares, Options and Performance Rights

66,422 Ordinary Shares

(j) Directors' Shareholdings

The interests of Directors in the share capital of the Company as at the date of this report are detailed in section (i) of the Directors reports, pages 19 to 22.

(k) Directors' Meetings & Committee Meetings

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

	Meetings of Directors		Meetings of Audit & Compliance Committee	
	Eligible to attend	Attended	Held	Attended
P Bainbridge	10	10	-	-
G Corrie – appointed 1 January 2015	10	10	-	-
G Harper	10	10	2	2
BW Ridgeway	10	10	2	2
C Heseltine – retired 28 August 2015	7	7	2	2
M Ginsburg – appointed 28 August 2015	4	4	-	-

All matters for consideration by the Nomination & Remuneration Committee were addressed at meetings of the Directors.

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

Audit Committee	Nomination and Remuneration Committee
B Ridgeway (Chair)	M Ginsburg (Chair)
M Ginsburg	P Bainbridge
G Harper	B Ridgeway
	G Harper

(l) Remuneration Report

The Directors are pleased to present your Company's remuneration report for the period up to 31 December 2015. The report sets out remuneration information for Sino Gas and Energy Holdings Limited's non-executive directors (NEDs), executive directors and other key management personnel.

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

1) Overview of remuneration framework for 2015
2) Remuneration governance
3) Directors and key management personnel (KMP) disclosed in the report
4) Executive remuneration policy and framework
5) Relationship between remuneration and Company performance
6) Non-Executive Remuneration
7) Details of remuneration
8) Service agreements
9) Share-based payments
10) Shareholdings

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

1) Overview of remuneration framework for 2015

In 2014, the Company implemented a revised remuneration framework following industry consultation and benchmarking to other ASX listed energy companies. The Company did not receive any specific feedback at the AGM on its remuneration practices. This framework was used throughout 2015 and recognises 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 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 share price performance as well as key operational /development metrics, which are recognised as key value drivers. Achieving a 50% payout of both short and long-term incentives will require delivery of challenging budgeted outcomes. Achieving a 100% payout will require outstanding delivery performance.
- Payout of bonus will be by cash, shares or deferred shares depending on the seniority of the employee.
- Resignation will not automatically result in a full payout of performance rights.
- Non-executive directors will receive a fixed fee with no additional consulting arrangements or share based schemes.

It is the Company's intent to move all directors and employees onto a common framework.

The Nominations and Remuneration Committee will continue to monitor the framework to ensure it remains consistent with industry trends, competitive to the market and has the desired effect of driving company performance for shareholders.

2) Remuneration governance

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

The remuneration framework in 2015 was implemented, after consulting widely in the industry and benchmarking to other ASX listed energy companies.

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

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

The following persons acted as directors during the financial year:

Mr P J Bainbridge	Chairman
Mr G Corrie	Managing Director – Appointed 1 January 2015
Mr G Harper	Non-Executive Director
Mr B Ridgeway	Non-Executive Director
Mr C Heseltine	Non-Executive Director – Retired 28 August 2015
Mr M Ginsburg	Non-Executive Director – Appointed 28 August 2015

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

Mr J Hodgson	Chief Financial Officer - Resigned 18 December 2015
Mr F Fu	Chief Operating Officer
Mr H Spindler	Company Secretary

4) Executive remuneration policy and framework

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

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

1. Fixed Pay and Benefits

Mr Glenn Corrie's fixed pay has been benchmarked to ASX listed peers and has been structured around the median level. Mr Corrie's base pay was US$540,000 per annum (inclusive of superannuation) for the year ending 31 December 2015. It is the intention of the board that Mr Corrie's base pay will be reviewed on an annual basis. Reflecting the challenging industry environment, Mr Corrie's base pay will not be increased in 2016. Mr Corrie is eligible for usual expatriate benefits, comprising housing and utilities, medical insurance, schooling, Mandarin lessons, relocation expenses and annual flights to home base.

Mr Frank Fu's base pay is US$420,000 per annum. Mr Fu is eligible for the provision of family medical insurance, schooling and local transportation. Mr Fu's base remuneration will be unchanged in 2016.

2. Short term incentive (STI)

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

Mr Glenn Corrie has the opportunity to earn up to 80% of base salary. Mr Corrie can elect whether to take this payment as 100% deferred shares (1 year) or 50% in deferred shares and 50% in cash. In addition, Mr Corrie has the opportunity to earn an additional 70% of base salary in the event of a major transformational arrangement, subject to agreed performance hurdles. There were no transformational arrangements in 2015.

Mr Frank Fu has the opportunity to earn up to 50% of his base salary in STI.

The 2015 STI scheme was based on a number of factors comprising HSSE (10% weighting), production (20%), Reserves and resource addition (20%), CRR approvals (15%), financial strength (10%), relationship management (10%) and corporate targets (15%) such as strategy and market interaction.

Based on these hurdles, the Board approved a 55% payout following an assessment of performance. As a result, Mr Corrie's 2015 STI entitlement was assessed as 44% of base salary (US$237,600) and Mr Fu's 2015 STI entitlement (US$117,600) was calculated at 28% of base salary. Given the industry climate and the share price underperformance, Mr Corrie and Mr Fu elected to forfeit their 2015 STI entitlement.

It is the intention that the STI performance measures in 2016 will comprise HSSE, production, CRR approvals, technology application, financial strength and key business milestones, including the finalisation of gas sales receipts. Performance will be measured against a sliding scale of performance outcomes.

3. Long Term Incentive (LTI)

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

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

With the exception of a number of performance rights that may be granted to Executives as part of a recruitment package, all future performance rights will be based on a three-year performance period.

The performance rights will vest and become exercisable subject to the following Performance Criteria (as that term is defined in the PRP), to be assessed as at the date that is the end of the Performance Periods 31 December 2016 for (pp) and 31 December 2016 for (qq) hurdles, as defined in Note 12 to the financial statements.

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

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

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

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

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

Company share price (A$)

31 December 2016	31 December 2017	% of Performance Rights to vest
Under $0.30	Under $0.40	0%
$0.30 to $0.60	$0.40 to $0.70	Proportionate vesting between 0% and 100%
Over $0.60	Over $0.70	100%

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

Average daily gross production

31 December 2016	31 December 2017	% of Performance Rights to vest
Under 25 MMscf/d	Under 50 MMscf/d	0%
25 - 50 MMscf/d	50 - 100 MMscf/d	Proportionate vesting between 0% and 80%
50 - 60 MMscf/d	100 - 120 Mscf/d	Proportionate vesting between 80% and 100%
Over 60 MMscf/d	Over 120MMscf/d	100%

The fair value of the services received in return for performance rights granted are measured by reference to the fair value of the performance rights granted. The fair value of the services is recognised as an expense on a straight line basis over the vesting period and is determined by multiplying the fair value per performance right by the number of performance rights expected to vest.

5) Relationship between remuneration and Company performance

The table below sets out summary information about the Consolidated Entity's earnings and movements in share price for the five years to 31 December 2015.

	31 December 2011	31 December 2012	31 December 2013	31 December 2014	31 December 2015
Revenue (USD)	81,800	78,281	372,090	1,114,073	232,056
Net profit (loss) after tax (USD)	(4,375,492)	486,076	(1,018,905)	832,832	(13,037,212)
Dividends (USD)	-	-	-	-	-
Basic earnings (loss) per share (USD cents)	(0.45)	0.04	(0.08)	0.05	(0.70)
Diluted earnings (loss) per share (USD cents)	(0.45)	0.03	(0.08)	0.05	(0.70)
Share price at the start of the year (AUD cents)	7	3	13	20	19
Share price at the end of the year (AUD cents)	3	13	20	19	7.8

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

6) Non-executive remuneration

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

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

There will be no additional fees or share based payments for existing or new Non-Executive Directors.

The Board has agreed that there will be no increase in fees for 2016.

7) Details of remuneration

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

	Short-term employee benefits				Post-employment benefits	Share-based payments			
2015	**Cash salary and fees**	**STI**	**Non-monetary**	**Other benefits**	**Superannuation**	**Deferred Shares**	**Performance rights**	**Total**	**% relating to share-based payments**
	$	**$**	**$**		**$**	**$**	**$**	**$**	
Directors									
P Bainbridge, Chairman	164,020	-	-	-	-	-	-	164,020	0.0%
G Harper, Non-Executive Director	82,043	-	-	-	-	-	-	82,043	0.0%
C Heseltine, Non-Executive Director	38,917	-	-	-	17,072	-	-	55,989	0.0%
B Ridgeway, Non-Executive Director	74,880	-	-	-	7,114	-	-	81,994	0.0%
M Ginsburg, Non-Executive Director	26,050	-	-	-	-	-	-	26,050	0.0%
G Corrie, Managing Director	540,000	-	220,807	-	-	31,587	428,601	1,220,995	37.7%
Sub-total of directors	**925,910**	**-**	**220,807**	**-**	**24,186**	**31,587**	**428,601**	**1,631,091**	
Executives									
J Hodgson, Chief Financial Officer	302,735	-	192,574	120,835	-	-	-	616,144	0.0%
F Fu, Chief Operating Officer	421,223	-	92,790	-	-	-	74,213	588,226	12.6%
H Spindler, Company Secretary	53,410	-	-	-	-	-	-	53,410	0.0%
Total key management personnel compensation (group)	**1,703,278**	**-**	**506,171**	**120,835**	**24,186**	**31,587**	**502,814**	**2,888,871**	

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

Details of remuneration (continued)

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

(i) Mr Corrie can elect to take his STI as 100% deferred shares of 1 year (695,345 shares) or 50% in deferred shares (347,673 shares) and 50% in cash subject to shareholder approval. In March 2015, Mr Corrie elected to receive his 2014 STI payment as 100% deferred shares which was subsequently approved by Shareholders in May 2015.

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

8) Service agreements

G Corrie commenced with the Company as Chief Executive Officer on 15 August 2014 under an employment contract which may be terminated with 6 months' notice. The contract sets out a fixed compensation package denominated in United States Dollars, is reviewable annually and extendable by agreement. The contract also provides for the provision of necessary housing, a vacation travel allowance, insurance, schooling and other benefits normal in arrangements for an expatriate employee based in Beijing. In the event that employment is terminated by Sino Gas without cause, Mr Corrie is entitled to a payment of six months' salary. In the event that employment is terminated by Sino Gas by reason of redundancy after the first twelve months, Mr Corrie is entitled to three months' salary per completed year of service, up to a maximum of nine months. Performance rights equal to 80% of base salary are awarded annually, with a performance period of three years. Performance hurdles to be agreed at the time of award.

I Weatherdon commenced as Chief Financial Officer on 1 January 2016 under an employment contract which may be terminated with three months' notice. The contract sets out a fixed compensation package denominated in United States Dollars, is reviewable annually and extendable by agreement. The contract also provides for the provision of necessary housing, a vacation travel allowance, insurance and other benefits normal in arrangements for an expatriate employee based in Beijing. In the event that employment is terminated by Sino Gas without cause, Mr Weatherdon is entitled to a payment of three months' salary. In the event that employment is terminated by Sino Gas by reason of redundancy, after the first 12 months, Mr Weatherdon is entitled to three months' salary per completed year of service, up to a maximum of six months. Performance rights equal to 50% of base salary are awarded annually from 1 January 2016, with a performance period of three years. Performance hurdles to be agreed at the time of award.

J Hodgson was appointed Chief Financial Officer on 2 October 2013 under a three-year contract. The contract sets out a fixed compensation package denominated in United States Dollars, is reviewable annually and extendable by agreement. The contract also provides for the provision of necessary housing, a vacation travel allowance, insurance and other benefits normal in arrangements for an expatriate employee based in Beijing. Following Mr Hodgson's departure on 18 December 2015, a payment was made for early contract termination of three months' salary and unused entitlements.

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

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

C Heseltine retired from the Board during 2015 but remained on the Board of the Joint Venture operating company, SGE.

No director or member of senior management appointed during the year received a payment as part of consideration for agreeing to hold the position.

9) Share-based payments

Performance Rights Plan

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

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

2015 Issues to Key Management Personnel

During the financial year ended 31 December 2015, the Company issued 3,772,105 Performance Rights to the following Director and senior management. The 2015 Executive and Senior Management incentive hurdles were based on absolute share price performance (40%), relative share price performance compared to peers (40%) and production performance (20%).

Name	Exercise price	Grant date	Issue date	Expiry date	Key terms (refer to Note 12)	Performance Rights at 31 Dec 2015 No.	Grant date fair value (US$)
G Corrie	Nil	15 May 2015	5 Jun 2015	31 Jan 2018	(qq)	2,772,105	$0.032, $0.076 & $0.133
J Hodgson	Nil	5 Jun 2015	5 Jun 2015	31 Jan 2018	(qq)	1,000,000	$0.027, $0.069 & $0.119

During the financial year ended 31 December 2015, 5,400,000 and 1,750,000 Performance Rights issued to the following directors and senior management were exercised or lapsed either voluntarily or due to termination of employment, respectively:

Name	Exercise / Lapsed	Grant & Issue date	Expiry date	Key terms (refer to Note 12)	No of Performance Rights Lapsed/Exercised
C Heseltine	Exercised	17 Nov 2011	17 Nov 2016	(bb) (ii) & (iii)	1,000,000
C Heseltine	Exercised	30 May 2012	29 Sept 2015	(bb) (iii)	1,000,000
G Corrie	Exercised	16 Jul 2014	15 Aug 2015	(oo)	3,400,000
J Hodgson	Lapsed	24 Dec 2013	31 Mar 2015 & 30 June 2015	(mm) & (nn)	750,000
J Hodgson	Lapsed	5 Jun 2015	31 Jan 2018	(qq)	1,000,000

As at 31 December 2015, 10,972,105 Performance Rights are on issue to the following directors and senior management:

Name	Grant date	Issue date	Expiry date	Key terms (refer to Note 12)	Performance Rights at 31 Dec 2015 No.
G Corrie	16 Jul 2014	16 Jul 2014	31 Jan 2017	(pp)	1,850,000
G Corrie	16 Jul 2014	16 Jul 2014	31 Jan 2018	(qq)	1,850,000
G Corrie	15 May 2015	5 Jun 2015	31 Jan 2018	(qq)	2,772,105
F Fu	5 Aug 2014	5 Aug 2014	31 Jan 2018	(qq)	4,500,000
					10,972,105

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

Performance Right series (by issued date)	No. of Performance Rights	Grant date per accounting standards	Expiry date	Grant date fair value (US$)	Key terms (refer to Note 12)	% Vested
16 Jul 2014	7,100,000	16 Jul 2014	15 Aug 2015, 31 Jan 2017 & 31 Jan 2018	$0.177, $0.121, $0.028, $0.131 & $0.037	(oo) (pp) (qq)	47.9%
5 Aug 2014	4,500,000	5 Aug 2014	31 Jan 2018	$0.131, $0.037 & $0.177	(qq)	0%
5 Jun 2015	2,772,105	15 May 2015	31 Jan 2018	$0.032, $0.076 & $0.133	(qq)	0%
5 Jun 2015	1,000,000	5 Jun 2015	31 Jan 2018	$0.027, $0.069 & $0.119	(qq)	0%

10) Shareholdings

As at 31 December 2015, the directors and senior management held ordinary shares, deferred shares and performance rights as listed below:

	31 December 2015			31 December 2014		
31 December 2015	**Ordinary Shares**	**Deferred Shares**	**Performance Rights**	**Ordinary Shares**	**Deferred Shares**	**Performance Rights**
Directors						
P Bainbridge, Chairman	1,861,173	-	-	926,200	-	-
G Corrie, Managing Director	4,982,922	695,345	6,472,105	-	-	7,100,000
G Harper, Non-Executive Director	15,507,240	-	-	14,450,990	-	-
B Ridgeway, Non-Executive Director	11,455,000	-	-	11,455,000	-	-
M Ginsburg, Non-Executive Director	1,830,000			-	-	-
C Heseltine (retired 28 August)	-	-	-	1,300,000	-	2,000,000
Sub-total of directors	**35,636,335**	**695,345**	**6,472,105**	**28,132,190**	**-**	**9,100,000**
Executives						
F Fu, Chief Operating Officer	-	-	4,500,000	-	-	4,500,000
H Spindler, Company Secretary	66,422	-	-	66,422	-	-
J Hodgson (resigned 18 December)	-	-	-	250,000	-	750,000
Total key management personnel (group)	**35,702,757**	**695,345**	**10,972,105**	**28,448,612**	**-**	**14,350,000**

(m) Proceedings on behalf of the company

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

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

(n) Indemnification of Officers and Auditors

During the financial year, the Company paid premiums to insure the Directors, Company Secretary, and certain executive officers of the Company against claims (and related costs) brought against an individual while performing their normal duties (unless such claims relate to a dishonest or fraudulent act omission, or was for personal profit or advantage to which there was no legal entitlement). The Company has entered into Deeds of Insurance, Access and Indemnity with the Directors and Company Secretary of the Company and certain officers to the extent permitted by the Corporations Act 2001.

The Company has not otherwise, during or since the end of the financial year, indemnified or agreed to indemnify an auditor of the Company.

(o) Environmental Regulation

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

(p) Shares under Options

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

Grant Date	Expiry Date	Exercise price (A$)	Number on issue
15 Feb 2012	15 Feb 2017	$0.075	25,000,000
1 Sept 2014 #	1 Sept 2018	$0.25	30,000,000
			55,000,000

 # Of these Options, 15,000,000 are subject to an escrow arrangement. If they remain subject to escrow arrangement as at 30 June 2016, the Company may cancel those options with no consideration payable.

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

Shares issued on the exercise of options

There were no shares issued by the Company during the year ended 31 December 2015 on the exercise of options, nor has there been any ordinary shares issued since 31 December 2015 upon the exercise of options.

Movement in Share Options

There have been no share options issued during the year ended 31 December 2015. No further share options have been issued since that date.

During the year, 5,000,000 options issued on 15 February 2012 (exercise price A$0.075, expiry date 15 February 2017) lapsed on 24 January 2015 as the vesting condition, of a closing share price of A$0.25 for a continuous 30-day period, had not been satisfied as required in accordance with the options terms and conditions. No further share options have lapsed or expired issued since 31 December 2015.

(q) Performance Rights

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

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

Class of shares	Exercise price	Grant date	Issue date	Expiry date	Key terms (refer to Note 12)	No. of shares under performance rights
Ordinary shares	Nil	30 Aug 2011	30 Aug 2011	30 Aug 2016	(bb) (iii)	750,000
Ordinary shares	Nil	16 Jul 2014 & 29 Sept 2014	16 Jul 2014 & 29 Sept 2014	31 Jan 2017	(pp)	2,350,000
Ordinary shares	Nil	16 Jul 2014, 5 Aug 2014 & 29 Sept 2014	16 Jul 2014, 5 Aug 2014 & 29 Sept 2014	31 Jan 2018	(qq)	6,850,000
Ordinary shares	Nil	15 May 2015	6 Jun 2015	31 Jan 2018	(qq)	2,772,105
Ordinary shares	Nil	19 Jan 2016	19 Jan 2016	1 May 2017	(oo)	1,500,000
						14,222,105

Movement in Performance Rights

During the financial year ended 31 December 2015, the Company issued 3,772,105 Performance Rights to eligible participants:

Grant date & Issue date	Expiry date	Key terms (refer to Note 12)	Performance Rights at 31 Dec 2015 No.
15 May 2015	31 Jan 2018	(qq)	2,772,105
5 Jun 2015	31 Jan 2018	(qq)	1,000,000

Please refer to Note 12(a) of the financial statements for further details of Performance Rights issued during the year.

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

Grant date & Issue date	Expiry date	Key terms (refer to Note 12)	No.
19 Jan 2016	1 May 2017	(oo)	1,500,000

During the financial year ended 31 December 2015, 2,300,000 Performance Rights lapsed due to their terms and conditions or termination of employment and 5,900,000 Performance Rights were exercised, as detailed below:

Exercise / Lapsed	Exercise price	Grant date & Issue date	Expiry date	Key terms (refer to Note 12)	No of Performance Rights
Exercised *	Nil	17 Nov 2011	17 Nov 2016	(bb) (ii) & (iii)	1,000,000
Exercised *	Nil	30 Aug 2011	30 Aug 2016	(bb) (ii)	500,000
Lapsed	Nil	30 Aug 2011	30 Aug 2016	(bb) (ii) & (iii)	550,000
Exercised *	Nil	30 May 2012	29 Sept 2015	(bb) (iii)	1,000,000
Lapsed	Nil	24 Dec 2013	31 Mar 2015 & 30 Jun 2015	(mm) & (nn)	750,000
Exercised	Nil	16 Jul 2014	15 Aug 2015	(oo)	3,400,000
Lapsed	Nil	5 Jun 2015	31 Jan 2018	(qq)	1,000,000

* Settled through the purchase of treasury shares on market.

No performance rights have lapsed since the end of the financial year.

(r) Non-audit services

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

Details of the amounts paid or payable to the auditor (PwC) for audit and non-audit services provided during the year are set out in Note 8 of the Financial Statements.

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

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

(s) Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 36.

(t) Auditor

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

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

Glenn Corrie
Managing Director
Perth

29 March 2016

pwc

Auditor’s Independence Declaration

As lead auditor for the audit of Sino Gas & Energy Holdings Limited for the year ended 31 December 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 audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Nick Henry
Partner
PricewaterhouseCoopers

Perth
29 March 2016

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FINANCIALS

Consolidated statement of profit or loss and other comprehensive income

for the year ended 31 December 2015

		2015	2014
		$	$
Revenue			
Interest income		232,056	1,114,073
Other Income			
Net gain on dilution of equity interest in joint venture	1(ii)	-	7,601,445
Expenses			
Financing costs	3(iii)	3,957,553	660,036
Fundraising costs expensed		-	166,227
Depreciation and amortisation		106,301	27,259
Share-based compensation	12	567,225	479,086
General and administration	4	6,399,110	4,650,614
Foreign exchange loss		1,852,307	1,042,004
Share of loss of joint venture accounted for using the equity method	1(i)	386,772	857,460
Profit (loss) before income tax		(13,037,212)	832,832
Income tax expense	5	-	-
Profit (loss) for the year attributable to shareholders		(13,037,212)	832,832
Total comprehensive income (loss) for the year		(13,037,212)	832,832
Earnings (loss) per share for earnings (loss) attributable to shareholders:		Cents	Cents
Basic earnings (loss) per share	11	(0.70)	0.05
Diluted earnings (loss) per share	11	(0.70)	0.05

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

Consolidated statement of financial position
as at 31 December 2015

	Notes	2015 $	2014 $
ASSETS			
Current assets			
Cash and cash equivalents	2,3	63,419,354	34,140,775
Trade and other receivables		366,269	327,177
Loan receivable from joint venture	1(iv)	353,438	-
Total current assets		64,139,061	34,467,952
Non-current assets			
Interest in joint venture accounted for using equity method	1(iii)	50,126,564	50,133,517
Loans receivable	1(iv)	48,933,348	24,628,641
Property, plant and equipment		328,757	185,488
Total non-current assets		99,388,669	74,947,646
Total assets		163,527,730	109,415,598
LIABILITIES			
Current liabilities			
Trade and other payables		1,093,515	655,483
Provisions		53,345	97,166
Borrowings	3(iii)	9,411,118	572,772
Total current liabilities		10,557,978	1,325,421
Non-current liabilities			
Borrowings	3(iii)	-	5,877,906
Total liabilities		10,557,978	7,203,327
Net assets		152,969,752	102,212,271
EQUITY			
Contributed equity	3(i)	174,793,004	111,613,442
Reserves	3(ii)	9,853,326	9,238,195
Accumulated losses		(31,676,578)	(18,639,366)
Total equity		152,969,752	102,212,271

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

Consolidated statement of changes in equity
for the year ended 31 December 2015

	Notes	Contributed equity $	Equity settled benefits reserves $	Accumulated losses $	Total attributable to equity holders of the Company $
Balance at 1 January 2015		111,613,442	9,238,195	(18,639,366)	102,212,271
Loss for the year		-	-	(13,037,212)	(13,037,212)
Total comprehensive loss for the year		-	-	(13,037,212)	(13,037,212)
Transactions with owners in their capacity as owners:					
Issue of shares	3(i)	65,870,975	-	-	65,870,975
Share issue costs	3(i)	(2,691,413)	-	-	(2,691,413)
Purchase of treasury shares	3(i)	(160,492)	-	-	(160,492)
Transfer of shares for the settlement of performance rights	3(i)	160,492	(160,492)	-	-
Performance rights	3(ii)	-	690,996	-	690,996
Deferred shares	3(ii)	-	84,627	-	84,627
		63,179,562	615,131	-	63,794,693
Balance at 31 December 2015		174,793,004	9,853,326	(31,676,578)	152,969,752
Balance at 1 January 2014		111,613,881	6,932,735	(19,472,198)	99,074,418
Profit for the year		-	-	832,832	832,832
Total comprehensive income for the year		-	-	832,832	832,832
Transactions with owners in their capacity as owners:					
Share issue costs	3(i)	(439)	-	-	(439)
Performance rights	3(ii)	-	751,702	-	751,702
Deferred shares	3(ii)	-	14,552	-	14,552
Option expense	3(ii)	-	1,539,206	-	1,539,206
		(439)	2,305,460	-	2,305,021
Balance at 31 December 2014		111,613,442	9,238,195	(18,639,366)	102,212,271

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

Consolidated statement of cashflows
for the year ended 31 December 2015

	Notes	2015 $	2014 $
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of goods and services tax)		(6,406,536)	(4,561,092)
Interest received		232,056	980,977
Interest paid		(997,113)	(246,171)
Net cash used in operating activities	10	(7,171,593)	(3,826,286)
Cash flows from investing activities			
Payments for plant and equipment		(249,575)	(139,313)
Loans to joint venture		(27,536,749)	(25,534,403)
Repayment of loans from joint venture		2,745,947	-
Net cash used in investing activities		(25,040,377)	(25,673,716)
Cash flows from financing activities			
Proceeds from issue of equity securities	3(i)	65,870,975	-
Share issue costs (net of tax)	3(i)	(2,691,413)	(5,502)
Purchase of treasury shares		(160,492)	-
Proceeds from borrowings		-	10,000,000
Borrowing related transaction costs		-	(2,590,206)
Net cash provided by financing activities		63,019,070	7,404,292
Net increase (decrease) in cash and cash equivalents		30,807,100	(22,095,710)
Cash and cash equivalents at the beginning of the year		34,140,775	57,269,668
Effects of exchange rate changes on cash and cash equivalents		(1,528,521)	(1,033,183)
Cash and cash equivalents at end of the year	3	63,419,354	34,140,775

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

Notes to the consolidated financial statements
for the year ended 31 December 2015

Notes to the Financial Statements

These financial statements are the consolidated financial statements of the Group consisting of Sino Gas & Energy Holdings Limited and its subsidiaries (the Group). The financial statements are presented in United States dollars.

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

The financial statements were authorised for issue by the directors on 29 March 2016.

Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Sino Gas is a for-profit entity for the purpose of preparing the financial statements.

The consolidated financial statements of the Group also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

(i) *Critical accounting judgements and key sources of estimation uncertainty*

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Judgements and estimates which are material to the financial report are found in the following notes: 1. Interest in Joint Ventures and 12. Share Based Payments.

(ii) *Principles of consolidation*

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

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

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

The group has formed a trust to administer its performance rights plan, which is consolidated into the group accounts.

(iii) *Foreign currency translation*

The functional and presentation currency of the Company and its subsidiaries continues to be United States dollars.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

1. Interests in joint ventures

(i) *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 Sino Gas & Energy Limited (SGE) as a joint venture. 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 was comprised of US$66.3 million of converting redeemable preference shares (CRPS) in SGE (which by of the end of 2014 had fully converted to ordinary shares) and

US$23.7 million by way of a 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).

SGE is funded by loans from its shareholders. The loan has a variable interest rate and is discounted at the average cost of borrowing for SGE's shareholders. An interest free loan is also in place in relation to intercompany expense reimbursements.

Sino Gas' economic interest in SGE as at 31 December 2015 was 49% (2014: 49%). Information regarding the joint venture is set out below:

	2015	2014
	$	$
Share of joint venture assets and liabilities		
Current Assets	7,533,684	11,867,393
Non-current assets	125,383,565	104,955,770
Total Assets	**132,917,249**	**116,823,163**
Current liabilities	22,269,174	33,258,291
Non-current liabilities	60,521,511	33,431,355
Total Liabilities	**82,790,685**	**66,689,646**
Net Assets	**50,126,564**	**50,133,517**
Share of joint venture revenue, expenses and results		
Sales	3,863,309	-
Other revenue	1,630	3,338
Operating expenses	(2,488,296)	-
Depreciation and amortisation expense	(913,758)	(30,683)
Finance costs (net)	68,127	(279,167)
General and administration expenses	(917,784)	(550,948)
Profit (loss) before income tax	(386,772)	(857,460)
Income tax expense	-	-
Loss for the year attributable to shareholders	(386,772)	(857,460)
Total comprehensive loss	**(386,772)**	**(857,460)**

No dividends were paid by SGE for the year ending 31 December 2015 (2014: Nil). SGE had no recorded contingent liabilities as at 31 December 2015 (2014: Nil). The Company's share of SGE's capital commitments was $ 2,263,151 as at 31 December 2015 (2014: 2,368,519).

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

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

Under the equity method, the Company's share of the profits or losses of the joint venture is recognised in profit or loss. Profits or losses on transactions establishing the joint venture and transactions with the joint venture are eliminated to the extent of the Group's ownership interest until such time as they are realised by the joint venture on consumption or sale. Interest capitalised on the intercompany loan is treated as an unrealised downstream transaction and eliminated under the equity method.

A loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

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

Critical accounting estimates and judgement

Recoverability of investment in SGE

The Company undertakes a review of its investment in SGE whenever events or changes indicate that its carrying value may exceed its estimated net recoverable amount. The process of estimating the recoverable amount requires significant judgement in evaluation and assessing future commodity prices, Reserves and Resources, production costs, sustainable capital requirements, foreign exchange rates, discount rates and income tax rates. In analysing the recoverability of its investment in SGE, management has considered both its interest in the joint venture accounted for using the equity method and the loans to SGE. A discounted cash flow model at a real discount rate of 10% has been used to determine the recoverable amount of the Company's investment in SGE.

The discounted cash flow model prepared as at 31 December 2015 is based on internal estimates which have been corroborated with external data and third-party consultants. The model includes independently assessed 2P Reserves and assumes a real discount rate of 10%, wellhead price of $7.16/Mscf inflated at 3.75% per year, average lifting costs (opex+capex) inclusive of inflation of 2.5% per year of US$1.20/Mscf, current Chinese corporate tax and VAT rates applicable under the PSCs, and a constant USD/Renminbi (CNY) exchange rate of 6.45. Based on current economic conditions and information available, no reasonably possible change in a key assumption used in the model would expect to result in a material impairment.

From this analysis management have determined that its investment in SGE is not impaired.

Recognition of revenue on pilot gas accounted for using equity method

Revenue in SGE is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to SGE and the revenue can be reliably measured. Natural gas revenues earned prior to entering commercial production are offset against deferred exploration and evaluation expenditures. For the financial period revenue has been recognised on production relating to the Linxing production sharing contract. Management determined that revenue for Sanjiaobei should not be recognised since the amount of its share of gas sales in the PSC could not be reliably measured as the PSC Partner informed SGE recently that it no longer agreed with the stated production allocation for the pilot phase.

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

	2015	2014
	$	$
Share of equity contributed into joint venture	-	20,015,612
Dilution of interest in net assets	-	(12,414,167)
Net gain on dilution of equity interest in joint venture	-	7,601,445

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

	2015	2014
	$	$
Balance at the beginning of the financial period	50,133,517	39,743,224
Net gain on dilution of equity interest in joint venture	-	7,601,445
Share of movement in share based payment reserve	155,358	287,168
Capital contribution - refer to (iv)(b)	3,702,929	3,359,140
Elimination of capitalised interest - refer to (iv)	(3,478,468)	-
Share of net loss of associates accounted for using the equity method	(386,772)	(857,460)
Balance at the end of the financial period	50,126,564	50,133,517

(iv) *Loan receivable*

	2015	2014
	$	$
Interest free loan (a)	353,438	2,962,685
Interest bearing loan (b)	48,933,348	21,665,956
Total loan receivable	49,286,786	24,628,641

a) Interest free loan to Sino Gas & Energy Limited

This loan is interest free, denominated in US dollars, unsecured and repayable on demand. The balance as at 31 December has been classified as current based on management's expectation that the loan will be repaid within one year.

	2015	2014
	$	$
Carrying amount at the beginning of the year	2,962,685	2,224,070
Advances to Sino Gas & Energy Limited	136,700	738,615
Repayments from Sino Gas & Energy Limited	(2,745,947)	-
Interest free loan receivable	353,438	2,962,685

b) Interest bearing loan to Sino Gas & Energy Limited

The loan is denominated in US dollars, unsecured and has an interest rate which is benchmarked against the People's Bank of China five year borrowing rate. As at 31 December 2015 the rate was 6.15% (2014: 6.15%). It has been classified as non-current based on the repayment terms of the loan agreement.

	2015	2014
	$	$
Carrying amount at the beginning of the year	21,665,956	-
Advances to Sino Gas & Energy Limited	27,536,749	24,892,000
Interest on principal	3,478,468	133,096
Fair value adjustment on initial recognition	(3,702,929)	(3,359,140)
Other non-cash movements	(44,896)	-
Interest bearing loan receivable	48,933,348	21,665,956

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

At initial recognition, loans are measured at fair value plus transaction costs that are directly attributable to the acquisition of the loans. Loans are subsequently carried at amortised cost using the effective interest method. The difference between the fair value of the loans provided to the joint venture and the amount of funds advanced in substance represents an equity contribution in the joint venture and is recognised by the Company as an addition to its investment in the joint venture.

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

2. Financial Risk Management

(i) Capital risk management

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

Under the terms of the Macquarie borrowing facility, the Company is required to comply with a number of covenants. Refer to Note 3 for details.

The capital structure of the Group consists of equity attributable to equity holders of the Company, comprising issued capital, reserves and accumulated loss. The Company has a representative office in China while its joint venture SGE operates as a registered foreign business and is not subject to externally imposed capital requirements.

Equity funding and debt has been used to fund the operations of the Group to date.

Categories of financial instruments

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

Financial risk management objectives

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

The Board of Directors of the Company monitor the Group's risks on an ongoing basis. The Group does not use derivative financial instruments as part of its risk management process.

(ii) Foreign currency risk management

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

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

31 December 2015	In AUD	In USD	In CNY	Total in USD
Assets				
Cash and cash equivalents	5,754,250	57,416,881	248,223	63,419,354
Trade and other receivables	22,297	149,931	194,041	366,269
Loans receivable	-	49,286,786	-	49,286,786
Liabilities				
Trade and other payables	58,088	1,035,427	-	1,093,515
Borrowings	-	10,083,042	-	10,083,042

31 December 2014	In AUD	In USD	In CNY	Total in USD
Assets				
Cash and cash equivalents	23,110,992	10,731,336	298,447	34,140,775
Trade and other receivables	56,473	132,546	138,158	327,177
Loans receivable	-	27,987,781	-	27,987,781
Liabilities				
Trade and other payables	58,504	596,979	-	655,483
Borrowings	-	10,082,048	-	10,082,048

The following exchange rates applied during the year:

	Average rate		Reporting date	
	2015	2014	31 December 2015	31 December 2014
	$	$	$	$
1 AUD equates to USD	0.752	0.903	0.731	0.820
1 CNY equates to USD	0.159	0.162	0.154	0.161

Foreign currency sensitivity

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

	2015		2014	
	AUD	CNY	AUD	CNY
	$	$	$	$
Increase				
Impact on profit for the year: increase/(decrease)	(571,846)	(44,226)	(2,310,896)	(43,661)
Decrease				
Impact on profit for the year: increase/(decrease)	571,846	44,226	2,310,896	43,661

(iii) Interest rate risk management

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

The Group's fixed interest rate financial instruments are carried at amortised cost and are not subject to interest rate risk, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rate.

The following table details the weighted average interest rate (WAIR) of the Group's floating rate interest bearing assets and liabilities.

	WAIR	2015	WAIR	2014
		$		$
Assets				
Cash and cash equivalents	0.15%	63,340,361	2.00%	34,140,775
Loans receivable	9.26%	48,933,348	9.26%	25,025,096
		112,273,709		59,165,871
Liabilities				
Interest bearing loans and borrowings	10.16%	10,083,042	9.75%	10,082,048

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

Impact on profit for the year	Increase/(decrease)	
	2015	2014
	$	$
1% increase in interest rates	446,020	661,556
1% decrease in interest rates	(446,020)	(661,556)

The impact of a 1% increase or decrease in interest rate on loans receivable is $156,100/($156,100) for 2015 and $10,863/($10,863) for 2014. However, these amounts have no impact on the Group's pre-tax profit or loss, as the interest income on loans receivable is eliminated under equity accounting method (refer to note 1(iv)(b)).

(i) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of the Company. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and ensuring there are appropriate plans in place to finance these future cash flows.

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

	< 6 months	6-12 months	1-5 years	> 5 years	Total	Carrying Amount
	$	$	$	$	$	$
December 2015						
Trade and other payables	1,093,515	-	-	-	1,093,515	1,093,515
Interest bearing loans and borrowings	3,468,460	7,320,006	-	-	10,788,466	9,411,118
	4,561,975	7,320,006	-	-	11,881,981	10,504,633

	< 6 months	6-12 months	1-5 years	> 5 years	Total	Carrying Amount
	$	$	$	$	$	$
December 2014						
Trade and other payables	655,483	-	-	-	655,483	655,483
Interest bearing loans and borrowings	498,342	2,014,397	9,198,473	-	11,711,213	6,450,678
	1,153,825	2,014,397	9,198,473	-	12,366,696	7,106,161

(ii) Credit risk management

The Group's maximum exposure to credit risk is the carrying amount of those assets as indicated in the statement of financial position. Credit risk on financial instruments refers to the potential financial loss to the Group that may result from counter parties failing to meet their contractual obligations. The Group manages its counterparty credit risk by limiting its transactions to counterparties of sound credit worthiness. The Group faced no significant credit exposures at the balance sheet date.

(iii) Fair value of financial instruments

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

3. Capital Management

		2015 $	2014 $
Equity and reserves			
Issued Capital	(i)	174,793,004	111,613,442
Reserves	(ii)	9,853,326	9,238,195
Accumulated losses		(31,676,578)	(18,639,366)
		152,969,752	102,212,271
Net Cash position			
Cash and cash equivalents		63,419,354	34,140,775
Less total interest-bearing debt	(iii)	(9,411,118)	(6,450,678)
		54,008,236	27,690,097

(i) Issued capital

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

Issued and Paid Up Capital	No. of Shares	$
Balance at 1 January 2015	1,544,247,358	111,613,442
Issue of shares through allotments (a)	526,031,250	65,870,975
Purchase of treasury shares	(2,500,000)	(160,492)
Transfer of treasury shares for the settlement of performance rights (ii)	2,500,000	160,492
Issue of shares through conversion of performance rights (b)	3,400,000	-
Share issue costs	-	(2,691,413)
	2,073,678,608	174,793,004
Balance at 1 January 2014	1,453,304,154	111,613,881
Issue of shares through allotments (c)	75,438,600	-
Issue of shares through conversion of performance rights (d)	15,504,604	-
Share issue costs	-	(439)
	1,544,247,358	111,613,442

(a) 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 29 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$47,738,064 ($36,870,970). 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.

(b) During 2015, the Company issued 3,400,000 fully paid ordinary shares following the exercise of Performance Rights under the Company's Performance rights plan.

(c) On 2 January 2014, the Company issued 75,438,600 fully paid ordinary shares to institutional and sophisticated investors at $0.20 to raise $13.4 million. The proceeds for these shares were received in 2013.

(d) During 2014, the Company issued 15,504,604 fully paid ordinary shares following the exercise of Performance Rights under the Company's Performance rights plan.

Where any group company purchases the Company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from the equity reserves attributable to the owners of Sino Gas as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of Sino Gas.

(ii) Reserves

	2015	2014
	$	$
Option Reserve	5,788,508	5,788,508
Performance Rights Reserve	3,965,639	3,435,135
Deferred shares Reserve	99,179	14,552
Equity Settled Benefits Reserve	9,853,326	9,238,195

This reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration and to suppliers as payments for services. The equity settled benefits reserve arises on the grant of share options to directors and senior executives under the Employee Share Option Plan, performance rights to directors and senior executives under the Performance Rights Plan and other share based payments under the Company's short term incentive scheme. Refer to Note 12 for further information.

	2015	2014
Movements in options during the year	$	$
Balance at the beginning of the financial year	5,788,508	4,249,302
Options issued to Macquarie Bank (iii)	-	1,372,979
Share option expense (a)	-	166,227
Balance at the end of the financial year	5,788,508	5,788,508

Movements in performance rights during the year		
Balance at the beginning of the financial year	3,435,135	2,683,433
Performance rights expense (b)	535,638	464,534
Transfer of shares for the settlement of performance rights	(160,492)	-
Share of movement in joint venture's share based payment reserve	155,358	287,168
Balance at the end of the financial year	3,965,639	3,435,135

Movements in deferred shares during the year		
Balance at the beginning of the financial year	14,552	-
Exchange of short-term employee benefit entitlement for deferred shares	53,040	-
Deferred shares expense 12(iii)	31,587	14,552
Balance at the end of the financial year	99,179	14,552

(a) Share options

30,000,000 unlisted options with an exercise price of $0.075 were issued on 15 February 2012 in relation to the appointment of the Company's corporate advisor. These options were valued using the Black-Scholes model (20,000,000 options) and Barrier Option (10,000,000 options) pricing models. An amount of $166,227 was expensed as fundraising costs in the period ended 31 December 2014. The expiry date for the options is 15 February 2017.

(b) Performance rights

Each performance right is exercisable for one ordinary share at nil consideration should set hurdles be achieved. During the period, 5,900,000 performance rights were exercised and 2,300,000 were forfeited by employees and directors.

(iii) Borrowings

	2015	2014
Current borrowings	$	$
Principal	10,000,000	1,500,000
Transaction costs (less amortisation)	(671,924)	(1,009,276)
Interest accrued	83,042	82,048
Total current borrowings	9,411,118	572,772

Non-Current Borrowings		
Principal	-	8,500,000
Transaction costs (less amortisation)	-	(2,622,094)
Total non-current borrowings	-	5,877,906
Total borrowings	9,411,118	6,450,678

The full amount of Tranche A funds ($10 million) of the debt facility was drawn down in September 2014. The balance is due in quarterly repayments of 15% starting 31 March 2016, with the final payment of 65% due on 31 December 2016. The interest rate is Libor + 9.75%. Tranche B funds of $40,000,000 may be drawn down subject to compliance with the financial covenants and internal credit approval of Macquarie Bank Limited. The original Tranche B availability expiry date of Tranche B from was extended from December 2015 to June 2016.

Borrowings are initially recognised at fair value, net of transaction costs incurred, with subsequent measurement at amortised cost using the effective interest rate method. Under the effective interest rate method, the difference between the amount initially recognised and the redemption amount is recognised in profit or loss over the period of the borrowings on an effective interest basis. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date.

	2015	2014
Financing costs	**$**	$
Interest expense	998,107	328,219
Transaction costs amortised	2,959,446	331,817
Total financing costs	3,957,553	660,036

Cash transaction costs of $2,590,206 were incurred in establishing the loan facility, and have been allocated pro-rata based on fair value to the borrowings and options to which they are directly attributable.

To the extent there is no evidence that it is probable that Tranche B will be drawn down, the related transaction costs are amortised over the availability period. All Tranche B transaction costs were expensed during the year.

Upon the draw down of Tranche A, 30 million four year options were issued with an exercise price of A$0.25 per share, of which 15 million options are issued under no conditions and 15 million options vest pro rata based on the drawdown of the first $10 million of Tranche B funds.

The 15 million options granted to Macquarie Bank Limited with no conditions were valued at $0.0915 per share at the grant date of 28 August 2014. The resulting $1,372,972 has been included in the transaction costs of borrowing with a corresponding increase in equity.

Options issued on borrowing facilities are measured at fair value on the grant date using the Black-Scholes option pricing model.

Sino Gas has complied with the financial covenants of its borrowing facility during the 2015 reporting period.

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

4. Expenses

	2015	2014
	$	$
General and administration expenses		
Administration expenses	587,741	373,043
Professional fees	1,808,117	607,186
Employment costs	3,214,321	3,103,110
Travel	419,507	264,612
Office expenses	245,184	172,960
Other	124,240	129,703
Total general and administration expenses	6,399,110	4,650,614

5. Income Tax Expense

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

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill.

Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred tax balances relating to tax losses and deductible temporary differences are only recognised if it is probable that they will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the Company to make estimates related to expectations of future taxable income and taxation laws, including the extent to which such laws are expected to change in the future, in Australia and the People's Republic of China.

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

Current or deferred income tax expense recorded during the year was nil (2014: nil).

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

	2015	2014
	$	$
Profit (loss) before income tax expense	(13,037,212)	832,832
Tax at the Australian tax rate of 30% (2014: 30%)	(3,911,164)	249,850
Less: Non-deductible and non-assessable non-temporary items	356,254	142,999
Previously unrecognised tax losses and deferred tax asset used to reduce deferred tax expense	-	(392,849)
Net change in the unrecognised deferred tax asset on tax losses carried forward	3,554,910	-
Income tax expense	-	-

(ii) Deferred tax balances

	2015	2014
	$	$
Provisions and accruals	89,163	188,167
Unrealised foreign exchange loss	555,693	312,601
Business related costs	852,506	466,077
Costs of issued capital	161,485	-
Other non-current assets	1,874,145	1,007,742
Tax losses	2,504,568	4,065,089
Deferred tax asset	6,037,559	6,039,676
Investment under equity accounting	(6,037,559)	(6,039,676)
Deferred tax liability	(6,037,559)	(6,039,676)
Net deferred tax balance	-	-

(iii) Tax losses

	2015	2014
	$	$
Unused tax losses for which no deferred tax asset has been recognised	16,835,322	3,940,644
Potential tax benefit @ 30%	5,050,597	1,182,195

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

6. Commitments

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

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

	2015 $	2014 $
Within one year	493,512	584,065
Later than one year but not later than five years	11,136	324,517
	504,648	908,582

7. Key management personnel disclosures

Key management personnel compensation	2015 $	2014 $
Short-term employee benefits	2,330,284	2,351,576
Post-employment benefits	24,186	41,366
Share-based payments	534,401	455,857
	2,888,871	2,848,799

Detailed remuneration disclosures are provided in the remuneration report on pages 23 to 32.

8. Remuneration of auditors

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

	2015 $	2014 $
PwC Australia		
Audit and review of financial statements	91,057	71,544
Taxation services	111,605	40,191
Other Non-Audit Services: Other consulting services	9,474	41,839
Total remuneration of PwC Australia	212,136	153,574
PwC China		
Taxation services	13,630	77,939
Other Non-Audit Services: Other consulting services	-	53,299
Total remuneration of network firms of PwC Australia	13,630	131,238
Total auditors' remuneration	225,766	284,812

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

9. Events occurring after the reporting period

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

10. Reconciliation of profit (loss) after income tax to net cash outflow from operating activities

	2015 $	2014 $
Profit (loss) for the year	(13,037,212)	832,832
Depreciation and amortisation of non-current assets	106,301	27,259
Share-based payments expense	567,225	479,086
Fundraising costs expensed	-	166,227
Transaction costs amortised	2,959,446	331,817
Foreign exchange loss on cash & cash equivalents	1,528,521	1,033,183
Net gain on dilution of equity interest in joint venture	-	(7,601,445)
Share of loss from joint venture	386,772	857,460
Other non-cash items	(37,765)	(148,559)
(Increase) decrease in trade and other receivables	(39,092)	(141,834)
Increase (decrease) in current payables	438,032	240,522
Increase (decrease) in provisions	(43,821)	97,166
Net cash outflow from operating activities	(7,171,593)	(3,826,286)

11. Earnings (loss) per share

	2015 Cents	2014 Cents
Basic earnings per share		
Total basic earnings (loss) per share attributable to the ordinary equity holders of the company	(0.70)	0.05
Diluted earnings per share		
Total diluted earnings (loss) per share attributable to the ordinary equity holders of the company	(0.70)	0.05

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

	2015 $	2014 $
Basic earnings per share		
Profit (loss) attributable to the ordinary equity holders of the company used in calculating basic earnings (loss) per share	(13,037,212)	832,832
Diluted earnings per share		
Profit (loss) attributable to the ordinary equity holders of the company used in calculating diluted earnings (loss) per share	(13,037,212)	832,832

Weighted average number of shares used as the denominator

	2015 Number	2014 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	1,864,484,721	1,535,181,521
Adjustments for calculation of diluted earnings per share:		
Options and performance rights	-	52,766,290
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	1,864,484,721	1,587,947,811

12. Share-based payments

The expense recognised for share based payments during the financial year ended 31 December 2015 is as follows:

	2015 $	2014 $
Performance rights expense (a)	535,638	464,534
Options expense (b)	-	166,227
Deferred shares expense (c)	31,587	14,552
Total share based payments	567,225	645,313

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

a) Employee performance rights plan

In 2014, the Company revised its Performance Rights Plan (PRP) including, primarily, the deletion of Retirement and the reference to ceasing office as a Qualifying Reason for the vesting of all rights. The revised PRP now includes, in the event of occurrence of a Qualifying Reason, a provision to award on a pro-rata basis depending upon the length of the Performance Period expired and secondly, the progress towards satisfaction of the applicable Performance Criteria in the opinion of the Board. These changes were adopted as part of the performance rights granted during 2014 and apply to all Executives and performance rights issued under the revised PRP. However, these changes do not apply to those performance rights issued prior to January 2014.

The movements in Performance Rights during the financial year ended 31 December 2015 are as follows:

	2015		2014	
	No	**Weighted average grant fair value**	**No**	**Weighted average grant fair value**
Outstanding at the beginning of the year	17,150,000	$0.103	35,958,333	$0.079
Granted during the year	3,772,105	$0.068	12,600,000	$0.121
Forfeited or lapsed during the year	(2,300,000)	$0.063	(15,903,729)	$0.074
Exercised during the year	(5,900,000)	$0.123	(15,504,604)	$0.091
Outstanding at the end of the year	12,772,105	$0.091	17,150,000	$0.103

The weighted average share price at the date of exercise for performance rights exercised during the financial year ended 31 December 2015 was $0.063 (2014: $0.174).

With the exception of a number of performance rights that were granted to Mr Corrie as part of his recruitment and performance rights that may be granted to Executives as part of a recruitment package, all future performance rights will be based on a three year performance period. The following table details the number and weighted average grant fair value at grant date of Performance Rights outstanding at year end.

Grant date	Expiry date	Key terms	No. of shares under performance rights	Weighted average grant fair value at grant date (US$)
31 December 2015				
30 Aug 2011	30 Aug 2016	(bb) (iii)	750,000	$0.060
16 Jul 2014	31 Jan 2017 & 31 Jan 2018	(pp), (qq)	3,700,000	$0.099
5 Aug 2014	31 Jan 2018	(qq)	4,500,000	$0.103
29 Sept 2014	31 Jan 2017 & 31 Jan 2018	(pp), (qq)	1,000,000	$0.093
15 May 2015	31 Jan 2018	(qq)	2,772,105	$0.070
			12,722,105	$0.091
31 December 2014				
30 Aug 11	30 Aug 16	(bb) (ii) & (iii)	1,800,000	$0.060
17 Nov 11	17 Nov 16	(bb) (ii) & (iii)	1,000,000	$0.041
30 May 12	29 Sep 15	(bb) (iii)	1,000,000	$0.052
24 Dec 2013	31 Mar 2015 & 30 Jun 2015	(mm) & (nn)	750,000	$0.066
16 Jul 2014	15 Aug 2015, 31 Jan 2017 & 31 Jan 2018	(oo), (pp), (qq)	7,100,000	$0.137
5 Aug 2014	31 Jan 2018	(qq)	4,500,000	$0.103
29 Sept 2014	31 Jan 2017 & 31 Jan 2018	(pp), (qq)	1,000,000	$0.093
			17,150,000	$0.103

The Performance Rights are satisfied by the issue or procurement of fully paid ordinary shares when the applicable performance hurdle is met.

Performance hurdles under legacy remuneration framework prior to 2014

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

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

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

(mm): Performance rights will become exercisable upon the submission for government approval of an agreed corporate restructuring proposal which provides Sino with direct ownership of each of its PSCs. Such proposal is required to be agreed by Sino and MIE Holdings Ltd and have received in principal agreement by the Chinese partners.

(nn) Performance rights will become exercisable if the Company's Share price on the ASX reaches at least A$0.50 for 5 continuous trading days.

(oo) The performance hurdle, to be assessed as at the date that is the end of the Performance Period, is the employee remaining employed by the Company. Clause 13.2 of the PRP allowing performance rights to be issued pro rata based on the progress towards satisfaction of the applicable Performance Criteria does not apply to these performance rights.

Performance hurdles under revised remuneration framework for 2014 onwards

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

The performance rights will vest and become exercisable subject to the following Performance Criteria (as that term is defined in the PRP), to be assessed as at the date that is the end of the Performance Periods 31 December 2016 for (pp) and 31 December 2017 for (qq) hurdles.

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

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

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

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

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

Company share price (A$)

31 December 2016	31 December 2017	% of Performance Rights to vest
Under $0.30	Under $0.40	0%
$0.30 to $0.60	$0.40 to $0.70	Proportionate vesting between 0% and 100%
Over $0.60	Over $0.70	100%

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

Average daily gross production

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

The fair value of the services received in return for performance rights granted are measured by reference to the fair value of the performance rights granted. The fair value of the services is recognised as an expense on a straight line basis over the vesting period and is determined by multiplying the fair value per performance right by the number of performance rights expected to vest.

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

Critical accounting estimates and judgement

Valuation of performance rights granted during the year

The fair value of performance rights related to absolute share price and relative share price to peers' performance measure is calculated at the date of grant using the Monte-Carlo simulation model, taking into account, amongst other things, the impact of the performance condition. The fair value of performance rights related to production performance, and tenure rights is calculated using a binominal valuation pricing model. The fair value is measured at the grant date by an independent valuer. The Company has assumed an exercise price of nil and a dividend yield of nil. Other inputs in relation to options and performance rights are:

							Weighted average fair value granted		
No. issued	Valuation date	Share price (US$)	Expiry date	Expected Volatility	Risk free interest rate	Weighted average fair value granted	SPTP	ASP	PP
2,217,684	15 May 2015	$0.133	31 Jan 2018	60%	2.04%	$0.054	$0.076	$0.032	-
554,421	15 May 2015	$0.133	31 Jan 2018	-	-	$0.133	-	-	$0.133
800,000	5 Jun 2015	$0.119	31 Jan 2018	60%	2.06%	$0.048	$0.069	$0.027	-
200,000	5 Jun 2015	$0.119	31 Jan 2018	-	-	$0.119	-	-	$0.119

b) Share Options

The following table details the number and weighted average exercise prices of share options issued to one of the Company's corporate advisors at an exercise price of A$0.075 which are outstanding at 31 December 2015.

Number of options	Fair value at grant date	Expiry Date
10,000,000	$0.0526	15 Feb 2017
10,000,000	$0.0526	15 Feb 2017
5,000,000	$0.0290	15 Feb 2017
25,000,000		

5,000,000 unlisted options (with a fair value at grant date of $0.0333) lapsed on 24 January 2015 in accordance with their vesting terms and conditions. The options lapsed as the vesting condition of maintaining a closing share price of A$0.25 for a continuous 30 Day period had not been met. No option other movements were recorded in the period or prior year.

Note 3(iii) includes a summary of the key terms and conditions of the 30,000,0000 four year options that were issued to Macquarie in 2014.

c) Deferred shares – executive short-term incentive scheme

Under the Company's short-term incentive (STI) scheme, the Managing Director receives 50% of the annual STI achieved in deferred shares and can elect to receive 50% in the form of deferred shares or in cash.

The issue of the shares is deferred for 12 months from 31 December 2014. G Corrie holds an interest in 695,345 deferred shares to be issued after 31 December 2015.

The number of deferred shares to be granted is determined based on the dollar value of the achieved STI divided by five day volume weighted average price at which the Company's shares are traded on the ASX prior to satisfaction of the STI hurdles.

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

The fair value is measured at the grant date of the shares based on the closing share price. Such fair value of deferred shares granted to employees under the short-term incentive scheme is recognised as an expense and in the equity settled benefits reserve over the relevant service period, being the year to which the bonus relates and the year of deferral.

Fair value of deferred shares	**2015**	**2014**
Number of rights to deferred shares	347,672	347,673
Fair value (per share)	$0.13	$0.15

The fair value of the deferred shares granted on 31 December 2014 was $0.15. In 2015, Mr Corrie elected to receive the remaining 50% of his 2014 STI award as 347,672 deferred shares, which have been valued based on the closing share price of the day they were approved by shareholders at $0.13.

13. Parent entity financial information

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

	2015	2014
	$	$
Statement of financial position		
Current assets	63,785,622	34,467,848
Total assets	162,350,847	104,528,835
Current liabilities	10,557,977	1,325,421
Total liabilities	10,557,977	7,203,327
Net Assets	151,792,870	97,325,508
Shareholders' equity		
Contributed equity	174,793,004	111,613,442
Reserves	9,410,800	8,951,028
Accumulated Losses	(23,238,962)	(17,327,807)
Loss for the year	(9,171,972)	(5,911,155)
Total equity	151,792,870	97,325,508

The Company is not aware of any contingencies relating specifically to the parent entity (2014: nil).

14. Other accounting policies

(i) Revenue recognition

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

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

(ii) Exploration and Evaluation Expenditure

Areas of interest are recognised at the cash generating unit level, being the smallest grouping of assets generating independent cash flows, which usually is represented by an individual gas field. For the Company this is determined at the level of each PSC.

Exploration expenditure for each area of interest is carried forward as an asset provided that one of the following conditions is met:

(i) such costs are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; or

(ii) exploration activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of recoverable reserves, and active and significant operations in relation to the area are continuing.

Exploration expenditure which fails to meet at least one of the conditions outlined above is written off.

Exploration and evaluation expenditure are no longer classified as such when the technical feasibility and commercial viability of extracting a mineral resource are demonstrable.

Economically recoverable reserves are reassessed annually.

Estimation of Proved Reserves

Proved Reserves are those quantities of petroleum that by analysis of geoscience and engineering data can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations. Economic conditions include consideration of changes in existing prices. The Company's reserve estimates were prepared for each well.

Proved Reserves cannot be measured exactly. Reserve estimates are based on many factors related to reservoir performance that require evaluation by the engineers interpreting the available data, as well as price and other economic factors. The reliability of these estimates at any point in time depends on both the quality and quantity of the technical and economic data, and the production performance of the reservoirs as well as engineering judgement. Consequently, reserve estimates are subject to revision as additional data become available during the producing life of a reservoir. When a commercial reservoir is discovered, Proved Reserves are initially determined based on limited data from the first well or wells. Subsequent data may better define the extent of the reservoir and additional production performance. Well tests and engineering studies will likely improve the reliability of the reserve estimate. The evolution of technology may also result in the application of improved recovery techniques such as supplemental or enhanced recovery projects, or both, which have the potential to increase Reserves beyond those envisioned during the early years of a reservoir's producing life.

In general, changes in the technical maturity of Reserves resulting from new information becoming available from development and production activities and change in oil and gas price have tended to be the most significant cause of annual revisions.

(iii) Leases

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

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

(iv) Cash and cash equivalents

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

(v) Trade receivables

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

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

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

Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

(vi) Plant and equipment

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

The cost of oil and gas properties is amortised at the field level based on the unit of production method. Unit of production rates are based on total proved natural gas reserves and incorporate estimated future capital required to produce such proved reserves. Proved natural gas reserves are the estimated quantities of natural gas which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions.

The depreciation rate applicable to plant and equipment is generally 10% to 67% per annum.

(vii) Impairment

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(viii) Trade and other payables

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

(ix) Employee Benefits

Wages, salaries, annual leave and sick leave

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

(x) Share Options

Share based payments to suppliers

Equity-settled share-based payments to suppliers are measured at the fair value of goods or services received, unless that fair value cannot be estimated reliably. If the fair value of the goods or services received cannot be estimated reliably, the Company, measures their fair value indirectly, by reference to the fair value of share options granted. In this case, the fair value is measured by the use of the Black-Scholes option pricing model or the securities quoted price.

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

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

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

(xi) Provisions

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

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

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

(xii) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares from *continuing* operations and discontinued operations disclosed separately

- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares *issued* during the year and excluding treasury shares (note 3(i)).

Diluted earnings per share

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

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

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

(xiii) Goods and Services Tax (GST)

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

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

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

(iv) *Related party transactions*

Disclosures relating to balances and transactions with related parties are disclosed in notes 1. Interest in Joint Ventures and 7. Key management personnel disclosures. The ultimate Australian controlling entity and the ultimate parent entity is Sino Gas & Energy Holdings Limited.

(xiv) Segment information

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

(xv) Parent entity financial information

The financial information for the parent entity, Sino Gas & Energy Holdings Limited, disclosed in Note 13 has been prepared on the same basis as the consolidated financial statements, except as set out below.

Investments in subsidiaries, associates and jointly controlled entities

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

Share-based payments

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

(xvi) New accounting standards and interpretations

The Company has adopted new or revised accounting standards which became effective for the annual reporting period commencing on 1 January 2015.

The adoption of the *AASB 2014-1 Amendments to Australian Accounting Standards Part A: Annual Improvements 2010-2012 and 2011-2013 Cycles* did not have any impact on the current or prior period.

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2015 reporting periods.

The Group has not yet determined the extent of the impact of the following standards:

AASB 9 Financial Instruments (effective from 1 January 2018)

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting.

AASB 15 Revenue from contracts with customers (effective from 1 January 2018)

AASB 15 introduces a new framework for accounting for revenue and will replace AASB 118 Revenue, AASB 111 Construction Contracts and IFRIC 13 Customer Loyalty Programs. AASB 15 establishes principals for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The new standard is based on the principal that revenue is recognised when control of a good or service transfers to a customer, therefore the notion of control replaces the exiting notion of risks and rewards.

IFRS 16 Leases (effective from 1 January 2019)

One of the key changes to IFRS 16 Leases is that lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. IFRS 16 will result in lessees recognising most leases on the statement of financial position.

In the directors' opinion:

(a) the financial statements and notes set out on pages 38 to 62 are in accordance with the *Corporations Act 2001*, including:

i. complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

ii. giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the financial year ended on that date, and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Basis of Preparation note on page 43 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

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

Glenn Corrie
Managing Director
Perth

29 March 2015

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

Report on the financial report

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

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In the Basis of Preparation note on page 43, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor’s responsibility

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

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

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

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757
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Independent auditor's report to the members of Sino Gas & Energy Holdings Limited (cont'd)

Auditor's opinion

In our opinion:

(a) the financial report of Sino Gas & Energy Holdings Limited is in accordance with the *Corporations Act 2001,* including:

 (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the year ended on that date; and

 (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in the Basis of Preparation note on page 43.

Report on the Remuneration Report

We have audited the remuneration report included in pages 23 to 32 of the directors' report for the year ended 31 December 2015. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Sino Gas & Energy Holdings Limited for the year ended 31 December 2015 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

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Nick Henry
Partner

Perth
29 March 2016

Additional Securities Exchange Information

1. Number of holders of equity securities

The shareholder information set out below was applicable as at 14 March 2016.

(a) Ordinary share capital

Distribution of ordinary shares

The Company has a total of 2,073,678,608 fully paid ordinary shares on issue. At shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands. There were 355 holders holding less than a marketable parcel.

The number of securities, by size of holding:

Holding			No. of Holders	Fully Paid Shares
1	-	1,000	128	6,090
1,001	-	5,000	161	589,888
5,001	-	10,000	231	1,959,202
10,001	-	100,000	1,389	70,975,027
100,001	and over		1,258	2,000,148,401
Total Number of holders			3,168	2,073,678,608

Note: 3,400,000 ordinary shares are subject to voluntary escrow until 14 August 2016.

Twenty largest holders of ordinary shares

Name	Ordinary shares	
	Number held	% of Issued Share Capital
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	344,975,013	16.64
J P MORGAN NOMINEES AUSTRALIA LIMITED	295,335,273	14.24
NATIONAL NOMINEES LIMITED	177,046,641	8.54
CITICORP NOMINEES PTY LIMITED	134,136,995	6.47
BNP PARIBAS NOMS PTY LTD <DRP>	45,978,456	2.22
ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C>	37,932,683	1.83
NERO RESOURCE FUND PTY LTD NERO RESOURCE FUND	32,053,140	1.55
CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	30,943,222	1.49
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	29,191,356	1.41
MARFORD GROUP PTY LTD	20,133,896	0.97
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	17,378,358	0.84
AZURE SEA LTD	16,399,896	0.79
SHL PTY LTD <SH LEE FAMILY ACCOUNT>	15,000,000	0.72
DURBIN SUPERANNUATION PTY LTD <DURBIN FAMILY S FUND A/C>	12,100,000	0.58
KEEBLE NOMINEES PTY LTD <RIDGEWAY SM SUPER A/C>	11,155,000	0.54
BNP PARIBAS NOMINEES PTY LTD <JARVIS A/C NON TREATY DRP>	9,901,979	0.48
SALTY NOMINEES PTY LTD <SALTY A/C>	9,800,000	0.47
MR PETER JOHN BOX	9,708,331	0.475
SKYE ALBA PTY LTD <THE SKYE ALBA FUND A/C>	9,590,370	0.46
MR ROSS EDWARD GUSTAFSON <VESTY SUPER FUND A/C>	8,781,325	0.42
Total Top Twenty Holders	**1,267,541,934**	**61.13**
Total Remaining Holders Balance	**806,136,674**	**38.87**
Total	**2,073,678,608**	**100.00**

(b) Options

Distribution of options

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

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

Of these Options, 15,000,000 are subject to an escrow arrangement. If they remain subject to escrow arrangements as at 30 June 2016, the Company may cancel those options with no consideration payable.

The number of securities, by size of holding:

Unlisted Options

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

Largest holders of unquoted options holding more than 20%

Unlisted options - $0.075, expire 15 February 2017

Shareholder	No. of options	% of total
Argonaut Investments Pty Ltd	25,000,000	100.00
Total	25,000,000	100.00

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

Largest holders of unquoted options holding more than 20%

Unlisted options - $0.25, expire 1 September 2018

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

(c) Performance Rights

Distribution of performance rights

The Company has a total of 14,222,105 performance rights on issue held by 5 holders. All of these performance rights have been issued pursuant to the Company's Performance Rights Plan.

During the year ended 31 December 2015, the Trustee of the Company's Performance Right Plan purchased 2,500,000 ordinary shares on market at an average price of A$0.089 per share which have been transferred to eligible participants upon the exercise of 2,500,000 performance rights.

The number of performance rights, by size of holding:

Size of Holding	No of holders	Number
1 - 1,000	-	-
1,001 - 5,000	-	-
5,001 - 10,000	-	-
10,001 - 100,000	-	-
100,001 and over	5	14,222,105
Total Number of Holders	5	14,222,105

2. Substantial Shareholders

The Company has received the following substantial shareholder notices:

Name	No. of Shares	% of Issued Share Capital
FIL Limited and associated entities	150,650,332	9.77%
Commonwealth Bank of Australia and associated entities	128,228,740	6.19%
Kinetic Investment Partners Pty Ltd	94,257,037	6.11%

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

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SEH (ordinary shares)

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Legal Advisors – Australia

HopgoodGanim

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Allen & Overy

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Legal Advisors – China

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