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Sino Gas & Energy Holdings Limited

Interim Financial Report

For the half-year ended 30 June 2016

ACN 124 242 422

Contents

About Sino Gas & Energy Holdings Limited

Sino Gas & Energy Holdings Limited (**Sino Gas**, the **Company** ASX: SEH) is an Australian energy company focused on developing natural gas assets in the Peoples Republic of China.

Sino Gas holds a 49% joint venture interest in Sino Gas & Energy Limited (**SGE**, the **Joint Venture**) through a strategic partnership with China New Energy Mining Limited (**CNEML**). SGE has been established in Beijing since 2006 and is the operator of the Linxing and Sanjiaobei Production Sharing Contracts (**PSC**s) 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 Sanjiaobei PSC. partnered with PetroChina CBM (**PCCBM**), 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 PSC's are located in Shanxi province, North China, in the Ordos Basin and cover an area of approximately 3,000 km2. The Ordos Basin is the largest onshore 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 and around the provinces in which Sino Gas's PSC's are located and natural gas is seen as a key component of clean energy supply in China.

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 half-year ended 30 June 2016. Sino Gas is a limited liability company that is incorporated and domiciled in Australia.

At 30 June 2016, Sino Gas held 49% of the issued capital of Sino Gas & Energy Limited (the **Joint Venture** or **SGE**), which holds interests in the Linxing (64.75%)[1] and Sanjiaobei (49%)[1] Production Sharing Contracts (**PSC**s) in Shanxi Province, People's Republic of China.

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

Directors

The following persons were directors of Sino Gas & Energy Holdings Limited during the half-year and up to the date of this report:

Philip Bainbridge	(Chairman)
Glenn Corrie	(Managing Director)
Gavin Harper	(Non-Executive Director)
Bernie Ridgeway	(Non-Executive Director)
Matthew Ginsburg	(Non-Executive Director)

Significant changes in the state of affairs

Sino Gas & Energy Holdings Limited notes that on 20 July 2016, China New Energy Mining Limited (**CNEML**) completed the acquisition of MIE Holdings Corporation's (**MIE**) entire interest in Asia Gas & Energy Limited (**Asia Gas**), the holder of MIE's 51% interest in the Joint Venture, Sino Gas Energy Limited.

Total consideration paid by CNEML for the acquisition of Asia Gas was US$220 million in cash (minus working capital and net contributions adjustments of US$11.8 million).

CNEML is independent from MIE and Sino Gas.

MIE stated that the reason for the disposal of its interest in the Joint Venture was to enhance the financial strength and liquidity of the MIE Group. Copies of MIE's announcements regarding this matter can be viewed on MIE's website.

Other than the above, in the opinion of the Directors, there were no other significant changes in the state of affairs of the Group which have not been disclosed elsewhere in this report.

Review of Operations

Field operations in the first half of 2016 consisted of ongoing production from the Linxing Central Gathering Station (**CGS**), continued exploration and appraisal on Linxing (East) deep gas and drilling additional production wells for tie-in to the Linxing CGS in the second half of 2016 to support the planned ramp-up in production.

The Company maintained its solid focus on operational safety in the first half of 2016, with 230,832 Lost Time Injury free man hours recorded executing the drilling, testing and pilot production operations on the Linxing PSC and maintenance on the Sanjiaobei PSC (1H2015: 240,000 hours).

The Company announced a 22% increase in gross project 2P reserves to 1,962 Billion cubic feet (**Bcf**) with Sino Gas' share up 23% to 552 Bcf. The increase in Reserves was driven by a positive revision in Reserves on Linxing (West) and Sanjiaobei and new Reserves bookings on Linxing (East). The gross 2P reserves on Linxing (West) and Sanjiaobei increased 16% due to an increase in the estimated recovery factor partially offset by a reduction in estimated Gas Initially In Place (**GIIP**). The first Reserves and Contingent Resources were assigned on the Linxing (East) prospective area based on the discovery of gas pay and successful demonstration of commercial flow rates in multiple zones during the 2015 Work Program.

Pilot production continued during the half year from the Linxing CGS which was brought online during the second half of 2015. Average production from January 1 to May 30 was 6.3 Million standard cubic feet per day (**MMscf/d**) with production uptime of approximately 99%. The Linxing CGS was shut in during June 2016 as gas sales volumes fell below minimum operating limits due to lower seasonal demand and delays in agreeing an adjustment of natural gas prices to a summer rate as a result of the MIE divestment process which was ongoing at the time. Immediately after completion of the MIE divestment in July 2016, the summer rate was agreed and the Linxing CGS was restarted. As a result, production for the first half of 2016 averaged 5.3 MMscf/d. The Sanjiaobei CGS remained shut-down during the period pending agreement of pilot gas sales proceeds allocation with PetroChina CBM (**PCCBM**). With the key terms on the Sanjiaobei PSC gas sales proceeds allocation being agreed after the end of the first half, preparation works have commenced to allow for the safe resumption of the Sanjiaobei CGS with production expected to be brought on-stream during the second half of 2016.

[1] Assumes SGE's PSC partners take up their full entitlements to back-in upon Overall Development Plan (**ODP**) approval, by contributing development and operating costs in line with their PSC interest (ie CUCBM take their entitlement of 30% interest in the Linxing PSC and PCCBM take their entitlement to 51% in the Sanjiaobei PSC) and CBM Energy's (an unrelated investment company) option to acquire an interest of 5.25% in the Linxing PSC by paying 7.5% of back costs is exercised. SGE has a 100% working interest during the exploration phase of the PSC,

In the first half of 2016, 8 new wells were drilled including 5 exploration wells on Linxing (East) and 3 pilot wells on Linxing (West). An additional 2 wells were drilling on Linxing (West) at the end of the first half. Further exploration and appraisal success on Linxing (East) was observed, including LXDG-08 which tested at 2.7 MMscf/d, the highest Company recorded production test from a vertical/deviated well. LXDG-09 tested at 1.4MMscf/d from two comingled zones. LXDG-07 tested at 970 thousand standard cubic feet per day (**Mscf/d**) from a single zone. These wells were drilled outside of the reserve area as of the year end 2015 assessment and are expected to expand the reserve area in the year end 2016 assessment.

During the first half, an additional Gas Sales Agreement (**GSA**) was signed with Xing Xian Huasheng (**Huasheng**) for gas supply of up to 10.5 MMscf/d from the Linxing CGS. Huasheng will be supplying gas to a large Chinalco alumina plant which is situated on the Linxing PSC and is converting from coal-fired to gas-fired power, in-line with environmental directives from the Chinese Government to reduce air pollution.

As a result of lower seasonal demand, the PSC Partners agreed on a temporary reduction in the price of gas sold from the Linxing CGS during the third quarter to RMB1.4 per cubic meter (~US$6/Mscf). Revised pricing is expected to be negotiated for gas sold starting in the fourth quarter 2016 when winter heating demand increases.

Work on the Chinese Reserve Reports (**CRR**s) continued during the first half of 2016 on both Sanjiaobei and Linxing (West) in conjunction with our PSC partners. Joint Management Committee approval was received on Sanjiaobei and is progressing through PetroChina's technical review. The Company is awaiting feedback from its PSC partner on the Linxing (West) CRR.

Agreement has been reached with both of our PSC partners on the allocation of pilot gas sales proceeds. All gas sales proceeds have been received from the Linxing PSC and first receipt from the Sanjiaobei PSC is expected in the second half of 2016 upon finalisation of the formal agreements.

On 1 January 2016, Ian Weatherdon commenced employment as the Company's new Chief Financial Officer. 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.

The statements of Reserves and Resources in this interim report have been independently determined to Society of Petroleum Engineers (SPE) Petroleum Resource Management System (PRMS) standards as at 31 December 2015 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. 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 (i.e. CUCBM take their entitlement of 30% interest in the Linxing PSC and PCCBM take their entitlement to 51% in the Sanjiaobei PSC) and CBM Energy's option to acquire an interest of 5.25% in the Linxing PSC (by paying 7.5% of back costs) is exercised. 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.

Financial Results and Position

The consolidated entity recorded a loss from continuing operations for the six months ended 30 June 2016 of US$4,407,573 (2015 half-year loss of US$5,883,868), which included a net loss of US$379,056 (2015 half-year profit of US$609,228) related to the Company's share of net income of SGE.

Sino Gas' cash position at the end of the period was US$58 million. The Company has drawn down US$10 million of the Macquarie debt facility.

Total capital expenditures incurred by the Joint Venture were US$14.2 million for the first half of 2016. After taking into account gas sales proceeds to fund expenditures, SGE cash called Sino Gas US$1.9 million during the period.

During the first half of 2016, US$10.9 million gross was received by the Joint Venture with respect to gas sold from the Linxing PSC since the commencement of pilot production. Ongoing gas sales proceeds are received on a monthly basis.

Sino Gas anticipates that historical gas sales proceeds from the Sanjiaobei PSC will be received in the second half of 2016 once the pilot gas sales allocation agreement is finalised.

To preserve financial flexibility, the two repayments of US$1.5 million each on the Macquarie facility due during the first half were deferred to the end of 2016 with the agreement of Macquarie. In addition, it was agreed with Macquarie to extend the potential availability of Tranche B (US$40 million) to December 2016. The amount drawn on the Macquarie facility remains unchanged at US$10 million.

During the period, the joint venture transferred approximately US$1 million of gas sales proceeds from Mainland China to Hong Kong and converted them to US dollars, demonstrating the free transferability and convertibility of gas sales proceeds.

Events occurring after the reporting period

As announced by the Company on 25 July 2016, the Joint Venture company, Sino Gas & Energy Limited and its PSC partner, PCCBM reached an agreement on the allocation of pilot gas sales proceeds sourced from the Sanjiaobei PSC. Supporting formal agreements and documentation are currently being finalised for execution.

Under the terms of the key principles agreed, gas sold from the Sanjiaobei PSC during the pilot production phase, up until Overall Development Plan (**ODP**) approval, is to be allocated in accordance with the PSC terms up to a production threshold of 3 Bcf. Gas volumes in excess of the threshold will be allocated 30% to the Joint Venture company and 70% to PCCBM. The Joint Venture's share of Sanjiaobei revenue and cost recovery pools after ODP remain unchanged by this agreement.

Other than the above, the Company is not aware of any material subsequent events.

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 6.

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

Glenn Corrie
Managing Director

Perth

30 August 2016

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Auditor's Independence Declaration to the Directors of Sino Gas & Energy Holdings Limited

As lead auditor for the review of Sino Gas & Energy Holdings Limited for the half-year ended 30 June 2016, I declare to the best of my knowledge and belief, there have been:

a. no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

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

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

Ernst & Young

D A Hall
Partner
Perth
30 August 2016

DH:VH:SINO:010

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the half-year ended 30 June 2016

	Notes	**30 June 2016 US$**	30 June 2015 US$
Revenue			
Other revenue		101,248	41,813
Other Income			
Foreign exchange gain		57,224	-
Expenses			
Financing costs		(807,179)	(2,106,515)
Depreciation and amortisation		(56,992)	(43,296)
Share-based compensation		(271,182)	(407,068)
General and administration		(3,051,636)	(2,547,131)
Foreign exchange loss		-	(1,430,899)
Share of net income/(loss) of joint venture accounted for using the equity method	1(i)	(379,056)	609,228
Loss before income tax		(4,407,573)	(5,883,868)
Income tax expense		-	-
Loss for the period attributable to shareholders		(4,407,573)	(5,883,868)
Total comprehensive loss for the period		(4,407,573)	(5,883,868)
Loss per share for loss attributable to shareholders:		Cents	Cents
Basic loss per share		(0.21)	(0.26)
Diluted loss per share		(0.21)	(0.26)

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 30 June 2016

	Notes	30 June 2016 US$	31 December 2015 US$
ASSETS			
Current assets			
Cash and cash equivalents	2(i)	57,509,211	63,419,354
Trade and other receivables		418,959	366,269
Loan receivable from joint venture	1(iii)	472,606	353,438
Total current assets		58,400,776	64,139,061
Non-current assets			
Interest in joint venture accounted for using equity method	1(ii)	47,750,051	50,126,564
Loan receivable from joint venture	1(iii)	52,876,945	48,933,348
Property, plant and equipment		280,435	328,757
Total non-current assets		100,907,431	99,388,669
Total assets		159,308,207	163,527,730
LIABILITIES			
Current liabilities			
Trade and other payables		683,443	1,093,515
Provisions		43,161	53,345
Borrowings	2(ii)	9,703,302	9,411,118
Total current liabilities		10,429,906	10,557,978
Total liabilities		10,429,906	10,557,978
Net assets		148,878,301	152,969,752
EQUITY			
Issued capital	2(iv)	174,892,183	174,793,004
Reserves		10,070,269	9,853,326
Accumulated losses		(36,084,151)	(31,676,578)
Total equity		148,878,301	152,969,752

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

for the half-year ended 30 June 2016

	Notes	Contributed equity US$	Equity settled benefits reserves US$	Accumulated losses US$	Total attributable to equity holders of the Company US$
Balance at 1 January 2016		174,793,004	9,853,326	(31,676,578)	152,969,752
Loss for the half-year		-	-	(4,407,573)	(4,407,573)
Total comprehensive loss for the half-year		-	-	(4,407,573)	(4,407,573)
Transactions with owners in their capacity as owners:					
Issue of shares	2(iv)	99,179	(99,179)	-	-
Performance rights expense		-	316,122	-	316,122
		99,179	216,943	-	316,122
Balance at 30 June 2016		174,892,183	10,070,269	(36,084,151)	148,878,301
Balance at 1 January 2015		111,613,442	9,238,195	(18,639,366)	102,212,271
Loss for the half-year		-	-	(5,883,868)	(5,883,868)
Total comprehensive loss for the half-year		-	-	(5,883,868)	(5,883,868)
Transactions with owners in their capacity as owners:					
Issue of shares	2(iv)	65,870,975	-	-	65,870,975
Share issue costs	2(iv)	(2,631,637)	-	-	(2,631,637)
Performance rights expense		-	495,132	-	495,132
Deferred shares		-	65,351	-	65,351
		63,239,338	560,483	-	63,799,821
Balance at 30 June 2015		174,852,780	9,798,678	(24,523,234)	160,128,224

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

for the half-year ended 30 June 2016

	Notes	**30 June 2016 US$**	30 June 2015 US$
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of goods and services tax)		(3,601,159)	(3,664,732)
Interest received		41,759	174,909
Interest paid		(514,996)	(487,547)
Net cash used in operating activities		(4,074,396)	(3,977,370)
Cash flows from investing activities			
Payments for plant and equipment		(9,031)	(50,013)
Loans to joint venture	1(iii.b)	(1,901,200)	(17,116,409)
Repayment of loans from joint venture	1(iii.a)	-	2,745,947
Net cash used in investing activities		(1,910,231)	(14,420,475)
Cash flows from financing activities			
Proceeds from issue of equity securities	2(iv)	-	65,870,975
Share issue costs (net of tax)	2(iv)	-	(2,631,637)
Net cash provided by financing activities		-	63,239,338
Net increase (decrease) in cash and cash equivalents		(5,984,627)	44,841,493
Cash and cash equivalents at the beginning of the half-year		63,419,354	34,140,775
Effects of exchange rate changes on cash and cash equivalents		74,484	(1,098,781)
Cash and cash equivalents at end of the half-year	2(i)	57,509,211	77,883,487

The above Consolidated Statement of Cash flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

General information

These financial statements are general purpose condensed financial statements prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and Interpretations, and comply with other requirements of the law.

These financial statements are the consolidated financial statements of the Group consisting of Sino Gas & Energy Holdings Limited (the **Company** or **Sino Gas**) and its subsidiaries (the **Group**). Sino Gas & Energy Holdings Limited is a for profit entity for the purpose of preparing the consolidated financial statements.

These general purpose condensed financial statements were authorised for issue by the directors on 30 August 2016.

Basis of Preparation

The condensed consolidated interim financial report for the half-year reporting period ended 30 June 2016 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

These financial statements have been prepared under the historical cost convention. All amounts are presented in United States dollars (**US$**), unless otherwise noted.

This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2015 and any public announcements made by Sino Gas & Energy Holdings Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001 and the previous interim reporting period.

The accounting policies adopted are consistent with those of the previous financial year, except for the new or revised accounting standards which became effective for the annual reporting period commencing 1 January 2016, the impact of which on the current year was not material and there was no impact on the comparative figures.

1. Sino Gas & Energy Joint Venture

(i) *Position and performance of Sino Gas's interest in the SGE joint venture*

In 2012, the Company entered into agreements with Asia Gas and Energy Limited (**Asia Gas**) to establish a jointly controlled corporation between Sino Gas & Energy Holdings Limited and Asia Gas in Sino Gas & Energy Limited (**SGE**) for the principal purpose of the exploration, development and production of natural gas pursuant to two production sharing contracts (PSCs), Linxing PSC block and Sanjiaobei PSC block, both located on the eastern flank of the Ordos Basin in the People's Republic of China (the PRC).

Sino Gas' economic interest in SGE as at 30 June 2016 was 49% (2015: 49%) whilst MIE's interest was 51% (2015: 51%).

On 20 July 2016, China New Energy Mining Limited (**CNEML**) completed the acquisition of MIE Holdings Corporation's entire interest in Asia Gas (the holding company of MIE's interest in SGE) for a cash payment of US$220 million (minus working capital and net contributions adjustments of US$11.8 million).

Information regarding the joint venture is set out below:

Sino Gas's 49% Share of SGE	30 June 2016 US$	31 December 2015 US$
Statement of financial position		
Current assets	2,848,216	7,533,684
Non-current assets	130,038,480	125,383,565
Total Assets	132,886,696	132,917,249
Current liabilities	20,663,111	22,269,174
Non-current liabilities	64,473,534	60,521,511
Total Liabilities	85,136,645	82,790,685
Sino Gas' Share of Net Assets in SGE	47,750,051	50,126,564
Statement of profit and loss	**30 June 2016**	30 June 2015
Revenue	2,559,923	2,845,958
Expenses	(1,816,988)	(1,460,444)
Depreciation and amortisation expense	(1,121,991)	(776,286)
Profit (loss) before income tax	(379,056)	609,228
Income tax expense	-	-
Profit (loss) for the period attributable to Sino Gas	(379,056)	609,228

No dividends were paid by SGE for the half year ended 30 June 2016 (2015: Nil). SGE had no recorded contingent liabilities as at 30 June 2016 (2015: Nil). The Company's share of SGE's capital commitments was US$2,214,757 as at 30 June 2016 (31 December 2015: US$2,263,152).

(ii) *Interest in SGE joint venture*

Financing transactions between Sino Gas and its investment in SGE take the form of both equity investments and loans to the joint venture.

Sino Gas' equity investment in the SGE joint venture	30 June 2016 US$	31 December 2015 US$
Balance at the beginning of the financial period	50,126,564	50,133,517
Share of movement in share based payment reserve	44,940	155,358
Capital contribution	255,659	3,702,929
Elimination of capitalised interest	(2,298,056)	(3,478,468)
Share of net loss of associates accounted for using the equity method	(379,056)	(386,772)
Balance at the end of the financial period	47,750,051	50,126,564

The investment in SGE is classified as a joint venture in that parties to the joint arrangement share joint control by virtue that unanimous consent is required to undertake key activities of the venture. Accordingly, Sino Gas accounts for its interest in SGE using the equity method, after initially being recognised at cost in the consolidated statement of financial position.

Over and above the direct equity investment in SGE, Sino Gas finances SGE in the form of shareholder loans (refer note 1(iii)) which may attach to it beneficial financing terms which, under Australian Accounting Standards, may be deemed equity contributions to the investee determined as the difference between the fair value of the shareholder loans applying market rates and the original value of the loans.

Over the term of the loan, adjustments are necessary to the carrying amount of the investment in SGE, where interest charged to SGE on loans from Sino Gas have been capitalised in the underlying records of SGE to the costs of qualifying assets as required under Australian Accounting Standards. The adjustment requires the recognition of the interest income earned by Sino Gas to be applied against the investment in SGE to the extent that it would give rise to a mismatch of inter-related interest income and expense in the consolidated profit and loss.

The interest charged to SGE was not repaid in the current or comparative period. Instead it has been capitalised to the principal on the loan between Sino Gas and SGE in 2016 US$2,298,056 (2015: US$3,478,468).

(iii) *Loans to the SGE joint venture*

Sino Gas' loans to the SGE joint venture		30 June 2016 US$	31 December 2015 US$
Interest free loan	(a)	472,606	353,438
Interest bearing loan	(b)	52,876,945	48,933,348
Total loan receivable		53,349,551	49,286,786

a) Interest free loan to Sino Gas & Energy Limited

This loan is interest free, denominated in US dollars, unsecured and repayable on demand.

Current	30 June 2016 US$	31 December 2015 US$
Carrying amount at the beginning of the year	353,438	2,962,685
Advances to Sino Gas & Energy Limited	119,168	136,700
Repayments from Sino Gas & Energy Limited	-	(2,745,947)
Interest free loan receivable	472,606	353,438

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 30 June 2016 the rate was 6.15% (2015: 6.15%). It has been classified as non-current based on the repayment terms of the loan agreement. The weighted average interest rate (WAIR) is 6.15% (2015: 6.15%).

Non-current	30 June 2016 US$	31 December 2015 US$
Carrying amount at the beginning of the year	48,933,348	21,665,956
Advances to Sino Gas & Energy Limited	1,901,200	27,536,749
Interest on principal	2,298,056	3,478,468
Fair value adjustment on initial recognition	(255,659)	(3,702,929)
Other non-cash movements	-	(44,896)
Interest bearing loan receivable	52,876,945	48,933,348

2. Capital Management

(i) Cash and cash equivalents

Net Cash position		30 June 2016 US$	31 December 2015 US$
Cash and cash equivalents		57,509,211	63,419,354
Less total interest-bearing debt	(ii)	(9,703,302)	(9,411,118)
		47,805,909	54,008,236

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity 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. For the purposes of the cash flow statement, cash and cash equivalents include cash and cash equivalents as set out above.

Foreign denomination of cash and cash equivalents held	30 June 2016 US$	31 December 2015 US$
In AUD	1,334,128	5,754,250
In USD	55,791,517	57,416,881
In CNY	383,566	248,223
Total in USD	57,509,211	63,419,354

(ii) Borrowings

Current borrowings	30 June 2016 US$	31 December 2015 US$
Principal	10,000,000	10,000,000
Transaction costs (less amortisation)	(382,375)	(671,924)
Interest accrued	85,677	83,042
Total current borrowings	9,703,302	9,411,118
Total borrowings	9,703,302	9,411,118

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 date.

The weighted average interest rate is 10.42% (2015: 10.16%) and entirely denominated in USD.

The full amount of Tranche A funds (US$10 million) of the debt facility was drawn down in 2014. The balance is due in two repayments of 15% on 30 September 2016 and 85% on 31 December 2016. The interest rate is Libor + 9.75%. Tranche B funds of US$40 million may be drawn down subject to compliance with the financial covenants and internal credit approval of Macquarie Bank Limited. The Tranche B availability expiry is 16 December 2016.

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

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

(iii) Fair value of financial instruments

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

(iv) Issued capital and reserves

		30 June 2016 US$	31 December 2015 US$
Issued capital	(a)	174,892,183	174,793,004
Reserves	(b)	10,070,269	9,853,326
Accumulated losses		(36,084,151)	(31,676,578)
		148,878,301	152,969,752

a) 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	US$
Balance at 1 January 2016	2,073,678,608	174,793,004
Issue of shares through conversion of deferred shares	695,345	99,179
Balance at 30 June 2016	2,074,373,953	174,892,183
Balance at 1 January 2015	1,544,247,358	111,613,442
Issue of shares through allotments	526,031,250	65,870,975
Share issue costs	-	(2,631,637)
Balance at 30 June 2015	2,070,278,608	174,852,780

b) Reserves

Reserves are 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.

	30 June 2016 **US$**	31 December 2015 US$
Option Reserve	5,788,508	5,788,508
Performance Rights Reserve	4,281,761	3,965,639
Deferred shares Reserve	-	99,179
Equity Settled Benefits Reserve	10,070,269	9,853,326

3. 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:

	30 June 2016 US$	30 June 2015 US$
Within one year	602,846	528,082
Later than one year but not later than five years	462,631	156,966
	1,065,477	685,048

4. Events occurring after the reporting period

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

In the directors' opinion:

(a) the financial statements and notes set out on pages 7 to 14 are in accordance with the *Corporations Act 2001,* including:

   i. complying with Accounting Standard AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

   ii. giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the half-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.

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

Glenn Corrie
Managing Director
Perth

30 August 2016

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Report on the half-year financial report to the members of Sino Gas & Energy Holdings Limited

We have reviewed the accompanying half-year financial report of Sino Gas & Energy Holdings Limited, which comprises the statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Sino Gas & Energy Holdings Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Conclusion

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

a. giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the half-year ended on that date; and

b. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young

D A Hall
Partner
Perth
30 August 2016