



## Sino Gas & Energy Holdings Limited

ACN 124 242 422

### Notice of Annual General Meeting and Explanatory Statement

Annual General Meeting to be held at:

Time: 10.00 am (Perth time)

Date: Tuesday, 17 May 2016

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

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

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

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

**2015 Annual Report** – Our 2015 Annual Report is available electronically at [www.sinogasenergy.com](http://www.sinogasenergy.com). Printed copies of the Annual Report have been mailed to Shareholders who selected this option.



An Emerging Clean Energy Company in China

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

## INVITATION TO SHAREHOLDERS

Dear Shareholder

It is my pleasure to invite you to the 2016 Annual General Meeting (**AGM**) of Sino Gas & Energy Holdings Limited (ASX: SEH, **Sino Gas** or the **Company**) to be held on Tuesday, 17 May 2016 at 10.00am in Perth, Western Australia. The meeting will be held at the Celtic Club, 48 Ord Street, West Perth, Western Australia 6005. In this regard, please find following the Notice of Annual General Meeting and Explanatory Statement.

The AGM is an opportunity for shareholders to meet the Directors and Management Team of Sino Gas. At the meeting we will discuss the 2015 outcomes as detailed in our annual report together with our targets and plans for 2016. It provides the opportunity for shareholders to ask questions either at the meeting, or in advance if you prefer.

If you are unable to attend the meeting in person, both my address and the Managing Director's presentation will be made available on the day on the Company's website. Also, I encourage you to appoint a proxy before the meeting to attend and vote on your behalf, either online using the share registry's website or using the enclosed proxy form (which may be returned in the envelope provided). Shareholders are also invited to submit questions to the Company or its Auditor's by submitting a question online at <http://sinogasenergy.com/contact-us/>.

This year, we will be conducting a poll on all voting items at the AGM to ensure all votes are counted correctly.

We look forward to seeing you on 17 May 2016 if you are able to attend in person.

Yours sincerely  
Sino Gas & Energy Holdings limited

**Phil Bainbridge**  
Chairman

## NOTICE OF ANNUAL GENERAL MEETING

Notice is given that an Annual General Meeting of Shareholders of Sino Gas & Energy Holdings Limited (ACN 124 242 422) (Company or Sino Gas) will be held at the Celtic Club, 48 Ord Street, West Perth, Western Australia on Tuesday, 17 May 2016 commencing at 10.00 am (Perth time) (Meeting or AGM).

If you are unable to attend the Meeting you are encouraged to complete and return the proxy form attached to this Notice of Meeting. The completed proxy form must be received at the office of the Company's share registrar, Link Market Services Limited, by no later than 10.00 am (Perth time) on Sunday, 15 May 2016.

### AGENDA

#### Ordinary Business

##### Financial Statements

To receive and consider the financial report and the reports of the Directors and of the Auditor for the financial year ended 31 December 2015.

#### 1. Resolution 1 - Remuneration Report

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

*"That, for all purposes, the Directors' and Executives' Remuneration Report, included within the Directors' Report, for the year ended 31 December 2015 be adopted."*

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

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

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

#### 2. Resolution 2 - Election of Mr Matthew Ginsburg as a Director

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

*"That Mr Matthew Ginsburg, who was appointed as a Director on 28 August 2015 and who ceases to hold office in accordance with Article 6.3(j) of the Company's Constitution and, being eligible, offers himself for election, be elected as a Director."*

#### 3. Resolution 3 - Re-Election of Gavin Harper as a Director

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

*"That Mr Gavin Harper, who was appointed to the board of directors on 14 March 2008 and who will retire at the close of the meeting in accordance with Article 6.3(c) of the Company's Constitution, and being eligible, offers himself for re-election, be re-elected as a director of the Company."*

# NOTICE OF MEETING

## Special Business

### 4. Resolution 4 - Approval of Grant of Performance Rights to Mr Glenn Corrie (Managing Director)

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

*"That, for the purposes of ASX Listing Rule 10.14 and for all other purposes, approval is given for the Company to grant 7,580,692 Performance Rights, each to acquire 1 ordinary fully paid share in the Company, to Mr Glenn Corrie, a Director of the Company, (or his nominee) subject to the specified Performance Hurdles and on the terms set out in the Explanatory Statement."*

*Voting Exclusion: The Company will disregard any votes cast on Resolution 4 by Mr Glenn Corrie or any of his associates or any Director of the Company (except one that is ineligible to participate in the Performance Rights Plan or any plan in relation to the Company) and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the direction on the proxy form, or it is cast by the person chairing the Meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.*

### 5. Resolution 5 - Appointment of Auditor

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

*"That, subject to PricewaterhouseCoopers receiving consent from ASIC to resign as auditor, pursuant to section 327B of the Corporations Act 2001 (Cth) and for all other purposes, Ernst & Young be appointed as auditor of the Company."*

## Other Business

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

## Explanatory Statement

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

## Date for Determining Voting Entitlements

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

The Directors have determined that all Shares of the Company on the register as at 10.00 am (Perth time), 15 May 2016 shall, for the purposes of determining voting entitlements at the Meeting, be taken to be held by the persons registered as holding the Shares at that time.

## Appointment of Proxies

Please note that:

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

**The enclosed Proxy Form for the Meeting provides further details on appointing Proxies and lodging the Proxy Form. Proxies must be returned by 10.00 am (Perth time) on 15 May 2016.**

# NOTICE OF MEETING

## Voting by Proxy

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

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

Subject to the above requirements being met, the Chairman will vote all valid undirected proxies in respect of Resolutions 1 to 5 in favour of the relevant resolution.

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

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

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

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

## Meeting notes – Voting by Poll

The Chairman will vote undirected proxies on, and in favour of, all resolutions set out in this Notice.

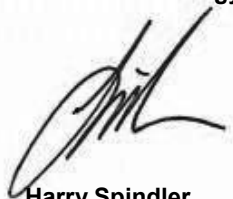
The Chairman will call a poll for all proposed resolutions. Please refer to the Notice of Meeting and Explanatory Statement for further information on the proposed resolutions and applicable voting exclusions.

The Chairman's decision on the validity of a direct vote, vote cast by a proxy or vote cast in person, is conclusive.

## Corporate Representative

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

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



**Harry Spindler**  
Company Secretary  
Dated 11 April 2016

## EXPLANATORY STATEMENT

### Purpose of this Document

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

### 1. 2015 Financial Statements and Reports

The first item of the Notice of Annual General Meeting (**AGM**) deals with the presentation of the consolidated annual financial report of the Company for the financial year ended 31 December 2015 together with the Directors' declaration and report (**Directors' Report**) in relation to that financial year and the auditor's report on those financial statements. Shareholders should consider these documents and raise any matters of interest with the Directors when this item is being considered.

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

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

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

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

### 2. Resolution 1 – Remuneration Report

Included in the Directors' Report contained within the financial report for the year ended 31 December 2015 is a remuneration report that sets out the details of the remuneration of the Company's directors and executives (**Remuneration Report**). In addition, it describes the Board's remuneration policy.

The financial report for the Company for the year ended 31 December 2015 (**2015 Annual Report**) was lodged with ASX on 29 March 2016 and may be viewed on the Company's website [www.sinogasenergy.com](http://www.sinogasenergy.com) (under the "Investors" tab then the "Financial Reports" tab) or ASX's website [www.asx.com.au](http://www.asx.com.au) under the code "SEH".

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

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

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

The remuneration framework comprises:

- Remuneration will be based on a fixed pay and benefits, a short-term incentive and a long-term incentive. The short-term incentive will be assessed annually based on key short-term performance measures. The long-term incentive will be assessed over three years based on relative share price, share price and operational and development metrics. Achieving a 50% payout of both the long-term and short-term incentives will require delivery of challenging budgeted outcomes. Achieving a 100% payout will require delivery of an excellent performance.
- Payout of bonus will be by cash, shares or deferred shares depending on the seniority of the employee.

## EXPLANATORY STATEMENT

- Retirement will not result in a full payout of performance rights, except in one remaining legacy circumstance.
- All non-executive directors will receive a fixed fee with no additional consulting arrangements or share based schemes.

The 2015 Short Term Incentive (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, a 55% payout was calculated. 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 was assessed at 28% of base salary (US\$117,600).

However, given the industry climate and the prevailing share price, Mr Corrie and Mr Fu elected to forfeit their 2015 bonus entitlement.

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

### The "Two Strikes Rule"

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

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

At the 2015 AGM, approximately 3.9% of votes cast in respect of the Remuneration Report Resolution were voted against the Company's Remuneration Report. Accordingly, the company did not record a strike at the 2015 AGM.

Please note that, if at least 25% of the votes cast are against adoption of the Remuneration Report at the Meeting, and then again at the 2017 AGM, the Company will be required to put a resolution to the 2017 AGM, to approve the calling of an extraordinary general meeting (**spill resolution**). If more than 50% of eligible votes cast are in favour of the spill resolution, the Company must convene an extraordinary general meeting (**spill meeting**) within 90 days of the 2017 AGM. All of the Directors who were in office when the 2016 Directors' Report was approved, other than the Managing Director, will (if desired) need to stand for re-election at the spill meeting.

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

### Voting

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

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

## 3. Resolution 2 – Election of Mr Matthew Ginsburg as a Director

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### 3.1 Background

Article 6.2(a) of the Company's Constitution allows the Directors to, at any time, appoint a person to be a Director to fill a casual vacancy or in addition to the existing Directors, but only where the total number of Directors does not at any time exceed the maximum number of Directors specified by the Constitution. Any Director so appointed holds office only until the next following annual general meeting and is then eligible for election.

## EXPLANATORY STATEMENT

In accordance with Article 6.3(j) of the Company's Constitution, Mr Matthew Ginsburg, being a Director appointed since the Company's last annual general meeting, retires at the Meeting, and being eligible, offers himself for election as a Director.

For the purposes of Resolution 2 details of the qualifications and experience of Mr Matthew Ginsburg are detailed in the ASX Announcement dated 28 August 2015 and contained in the 2015 Annual Report.

### 3.2 Board Comment and Recommendations

The Directors, other than Mr Ginsburg, recommend that Shareholders vote in favour of Resolution 2. The Chair of the Meeting intends to vote undirected proxies in favour of Resolution 2.

## 4. Resolution 3 – Re-election of Mr Gavin Harper as Non-Executive Director

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### 4.1 Background

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

In accordance with Article 6.3(c) of the Constitution, Mr Gavin Harper (a director of the Company since 14 March 2008) will retire at the end of the Annual General Meeting and will seek re-election pursuant to Resolution 3 of the Notice.

For the purposes of Resolution 3, details of the qualifications and experience of Mr Harper are contained in the 2015 Annual Report.

### 4.2 Board Comment and Recommendations

The Directors, other than Mr Harper, recommend that Shareholders vote in favour of Resolution 3. The Chair of the Meeting intends to vote undirected proxies in favour of Resolution 3.

## 5. Resolution 4 – Approval of Grant of Performance Rights to Mr Glenn Corrie (Managing Director)

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### 5.1 Performance Rights Plan - Background

The Company has adopted a Performance Rights Plan (**PRP**) to provide ongoing incentives to executives, officers and key employees of the Company.

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

The PRP is the Company's long term incentive plan. In accordance with the company's remuneration framework, the long-term incentive for executives, officers and employees will be assessed over three years based on relative share price, share price and strategic milestones. Achieving a 50% payout of both the long-term and short-term incentives will require delivery of challenging budgeted outcomes. Achieving a 100% payout will require delivery of an excellent performance.

### 5.2 Proposal

Over the next three years, the Company will be focused on:

- increasing shareholder value by gaining greater recognition for the underlying value of the assets and continuing to derisk the assets through development approvals and applying technology to further improve the asset values ; and
- securing Chinese Reserve Reports (CRR) and Overall Development Program (ODP) approvals.

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



## EXPLANATORY STATEMENT

Mr Glenn Corrie commenced as the Chief Executive Officer on 15 August 2014 and was appointed Managing Director effective from 1 January 2015. In accordance with Mr Corrie's Executive Services Agreement, Mr Corrie is entitled to receive from 1 January each year Performance Rights of a value (on the basis of a Performance Right having the same value as a Share) equivalent to 80% of annual salary, with a performance period of 3 years.

Pursuant to Resolution 4, the Company is seeking Shareholder approval for the grant of 7,580,692 Performance Rights, on the terms described in this Section of the Explanatory Statement, to Mr Glenn Corrie or his nominee. Mr Corrie is a Director of the Company.

At the date of the Notice of Meeting, Mr Corrie currently holds 6,472,105 Performance Rights.

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

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

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

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

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

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

- (a) **Absolute TSR Hurdle:** As regards to 2,274,208 Performance Rights, the Performance Hurdle will be the percentage change in the share price of the Company. The Performance Rights will vest as follows:

Company share price change	% of Performance Rights to vest
Less than 30% compound growth p.a	0%
30% compound growth p.a	30%
>30% and <50% compound growth p.a	Pro-rata
50% compound growth p.a	75%
>50% and <70% compound growth p.a	Pro-rata
70% or more compound growth p.a	100%

The share price comparison will be based on the last 5 trading day volume weighted average price of ordinary shares quoted on the applicable stock exchange in December 2015 (A\$0.076) and immediately prior to the end of the Performance Period (31 December 2018).

## EXPLANATORY STATEMENT

- (b) **Relative TSR Hurdle:** As regards to 2,274,208 Performance Rights, the Performance Hurdle will be the percentage increase in the share price of the Company relative to the Peer Group (as below or subject to any variations considered necessary by the Board). The Performance Rights will vest as follows:

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

The Peer Group comprises: Green Dragon Gas Ltd (LSE: GDG), MIE Holdings (SEHK: 1555), AAG (SEHK: 2686), Sino Oil and Gas (SEHK: 0702), Beach Energy Limited (ASX:BPT), Senex (ASX:SXY), AWE Limited (ASX:AWE), Horizon Limited (ASX:HZN), Tap Oil Limited (ASX:TAP), Karoon Gas Australia Limited (ASX:KAR), Buru (ASX:BRU), Sundance Energy Limited (ASX:SEA), Cooper Energy Limited (ASX:COE), Carnarvon Petroleum Limited (ASX: CVN).

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 31 December 2015 and immediately prior to the end of the Performance Period (31 December 2018).

- (c) **Operational Performance Hurdle:** As regards to 3,032,276 Performance Rights, the Performance Hurdle will be the approval by the relevant Chinese authorities of an Overall Development Plan (ODP) on either the Linxing or Sanjiaobei PSC to enable Sino to proceed to full-field development.

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

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

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

- (a) The agreed performance hurdles required to be fulfilled to enable exercise of the Performance Rights are the Absolute TSR Hurdle, Relative TSR Hurdle and the Operational Performance Hurdle as specified in 5.2 above and the performance period within which those Performance Hurdles must be met is from the date of issue until 31 December 2018 (**Performance Period**); and
- (b) The expiry period for the Performance Rights will be 3 months from the end of the Performance Period (**Expiry Date**).

### 5.4 Listing Rule 10.14

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

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

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

## EXPLANATORY STATEMENT

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

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

- (a) The number of Performance Rights to be granted to Mr Corrie is 7,580,692, each exercisable for 1 Share, subject to satisfaction of the Performance Hurdles and all other applicable terms and conditions (as set out in Section 5.3 and as summarised in Annexure A). The maximum number of Shares that may be issued upon exercise of the Performance Rights the subject of this Resolution 4, assuming all performance milestones are satisfied in full, is 7,580,692 and upon exercise of the Performance Rights, the Shares will rank equally with all other Shares of the Company on issue.
- (b) No amount will be payable by Mr Corrie to acquire the Performance Rights or upon the exercise of the Performance Rights.
- (c) Details of the Performance Rights on issue are set out in the Company's 2015 Annual Report. The Company confirms that the following performance rights have been issued to directors since the date of the PRP's last shareholder approval (i.e. 15 May 2015):
  - (i) On 5 June 2015, and in accordance with Shareholder approval received at the Company's 2015 AGM, the Company issued 2,772,105 Performance Rights to Mr Glenn Corrie on the terms set out in the notice of meeting for the 2015 AGM.
- (d) The names of all persons referred to in Listing Rule 10.14 who are entitled to participate in the PRP are the executive Directors of the Company (and any of their associates), currently being Mr Glenn Corrie. As part of the Company's remuneration framework initiatives adopted during 2014, the Company's has adopted a policy that it does not intend to make future Performance Rights offers to non-executive directors.
- (e) A voting exclusion statement is included in the Notice of Meeting.
- (f) No loan will be provided to Mr Corrie by the Company in connection with the grant of the Performance Rights or the underlying issue of Shares should the Performance Rights be exercised.
- (g) Details of any Performance Rights issued under the PRP will be published in each annual report of the Company relating to the period in which the Performance Rights were issued and, where applicable, it will be noted that approval for the issue of the Performance Rights was obtained under Listing Rule 10.14.
- (h) Any additional persons (being related parties of the Company) who become entitled to participate in the PRP after this Resolution is approved and who are not named in this Notice of Meeting will not participate until approval is obtained under Listing Rule 10.14.
- (i) Subject to approval of this Resolution, the grant of the Performance Rights referred to in this Resolution is expected to be made within 1 month of the date of the meeting (but no later than 3 years after the date of the meeting).

Please refer to Section 4 of the Notice of Meeting for details of the Voting Exclusion which applies to this Resolution.

### 5.6 Board Comment and Recommendations

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

Mr Corrie is not entitled and does not wish to make a recommendation to Shareholders about the proposed Resolution 4 because he (or his nominee) has an interest in the outcome of the Resolution as he (or his nominee) is the proposed recipient of the Performance Rights.

The Chair of the Meeting intends to vote undirected proxies in favour of Resolution 4.

### **6. Resolution 5 - Appointment of Auditor**

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#### **6.1 Background**

It is proposed that the Company's existing auditors, PricewaterhouseCoopers will resign as auditors at the Annual General Meeting and subject to Shareholder approval, be replaced by Ernst & Young. The Corporations Act requires Shareholders to appoint an auditor at the Annual General Meeting if there is a vacancy in the office of auditor of the Company.

PricewaterhouseCoopers is currently the Company's auditor. During this time, it has conducted the audit with due care, independence and competence. The Board has undertaken a detailed review of the accounting firms with the necessary capabilities to conduct the Company's audit. As a result of that review, the Board considers it timely to recommend the appointment of Ernst & Young as auditor of the Company. Under the Corporations Act, members must approve the appointment of a new auditor.

PricewaterhouseCoopers has applied to ASIC to resign as auditor. ASIC must consent to PricewaterhouseCoopers' resignation for it to be effective which would occur from the conclusion of the 2016 Annual General Meeting. Ernst & Young has provided its written consent to its appointment as auditor, subject to the ASIC consenting to the resignation of PricewaterhouseCoopers as auditor and approval by Shareholders.

A nomination has been received from a member of the Company to appoint Ernst & Young as auditors to the Company, assuming that ASIC consents to the resignation of PricewaterhouseCoopers as auditor. A copy of the nomination is attached to this Explanatory Statement at Annexure B in accordance with section 328B(3) of the Corporations Act.

#### **6.2 Board Comment and Recommendations**

The Board recommends that Shareholders vote in favour of this Resolution. The Chair of the Meeting intends to vote undirected proxies in favour of Resolution 5.

# EXPLANATORY STATEMENT

## 7. Glossary

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

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

**2015 Annual Report** means the financial report for the Company for the year ended 31 December 2015 lodged with ASX on 29 March 2016.

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

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

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

**Business Day** means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

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

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

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

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

**CRR** means Chinese Reserve Report.

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

**Directors' Report** means the Directors' declaration and report included in the 2015 Annual Report.

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

**Key Management Personnel** means the key management personnel of the Company being the Directors of the Company and those other persons having authority for planning, directing and controlling the activities of the Company, directly or indirectly. The Remuneration Report the subject of Resolution 1 identifies the Company's key management personnel for the financial year ended 31 December 2015.

**Meeting, AGM or Annual General Meeting** means the Annual General Meeting of the Company to be held at 10.00 am (Perth time) on Tuesday, 17 May 2016.

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

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

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

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

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

**PRP** means the Company's Executive, Officer and Employee Performance Rights Plan as approved at the 2009 AGM (as amended) and as announced to the market in full on 30 March 2015.

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

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

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

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

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

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

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

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

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

**\$** means Australian dollars.

**ANNEXURE A – SUMMARY OF TERMS OF PERFORMANCE RIGHTS PLAN****RE RESOLUTION 4****PART A**

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

## ANNEXURE A

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

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

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

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

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

## ANNEXURE B

### ANNEXURE B – NOMINATION FOR AUDITOR APPOINTMENT

The Secretary  
Sino Gas & Energy Holdings Limited  
311-313 Hay St Subiaco  
PERTH WA 6008

8 April 2016

Dear Sir's

**Subject: Nomination of Auditor**

In accordance with the provisions of section 328B of the Corporations Act 2001, LJM Capital Corporation Pty Ltd, being a member of Sino Gas & Energy Holdings Limited, hereby nominate Ernst & Young for appointment as auditor of that company.

Yours faithfully

A handwritten signature in dark ink, appearing to read 'Luke Martino', with a long horizontal stroke extending to the right.

**Luke Martino**  
Sole Director  
LJM Capital Corporation Pty Ltd  
PO Box 8282  
Subiaco East WA 6008



## LODGE YOUR VOTE

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

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

 **BY FAX**  
+61 2 9287 0309

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

 **ALL ENQUIRIES TO**  
Telephone: 1300 554 474

## PROXY FORM

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

### APPOINT A PROXY

☐ **the Chairman of the Meeting (mark box)**

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

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Annual General Meeting of the Company to be held at **10:00am (Perth time) on Tuesday, 17 May 2016 at the Celtic Club, 48 Ord Street, West Perth, Western Australia 6005** (the **Meeting**) and at any postponement or adjournment of the Meeting.

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

**The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.**

### VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting. Please read the voting instructions overleaf before marking any boxes with an ☒.

#### Resolutions

	For	Against	Abstain*		For	Against	Abstain*
1 Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	5 Appointment of Auditor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Election of Mr Matthew Ginsburg as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
3 Re-Election of Gavin Harper as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
4 Approval of Grant of Performance Rights to Mr Glenn Corrie (Managing Director)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				



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

### SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Joint Shareholder 2 (Individual)

Joint Shareholder 3 (Individual)

Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

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

## HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

### YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

### APPOINTMENT OF PROXY

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

### DEFAULT TO CHAIRMAN OF THE MEETING

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

### VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

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

### APPOINTMENT OF A SECOND PROXY

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

To appoint a second proxy you must:

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

### SIGNING INSTRUCTIONS

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

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

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

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

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

### CORPORATE REPRESENTATIVES

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

### LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **10:00am (Perth time) on Sunday, 15 May 2016**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

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



#### ONLINE

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

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



#### BY MAIL

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



#### BY FAX

+61 2 9287 0309



#### BY HAND

delivering it to Link Market Services Limited\*  
1A Homebush Bay Drive  
Rhodes NSW 2138

\* During business hours (Monday to Friday, 9:00am–5:00pm)

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