

ASX ANNOUNCEMENT

19 April 2012

SINO GAS – NOTICE OF ANNUAL GENERAL MEETING

Dear Shareholder,

It is my pleasure to invite you to the 2012 Annual General Meeting (AGM) of Sino Gas & Energy Holdings Limited (ASX:SEH, Sino Gas), to be held on Wednesday 30 May 2012 at 2pm in Perth, Western Australia.

2011 has been a year of outstanding operational progress, driving substantial reserve, resource and project value growth. Sino Gas is advancing transformational changes as it moves from explorer to first stage production, and continues to implement a strategy to commercialise large scale gas assets in China.

At the AGM Shareholders will have the opportunity to meet with Robert Bearden, who will commence as the Company's President and Chief Executive Officer on 18 May 2012.

Sino Gas is presently finalising its 2012 work programs with our Chinese partners, CNPC/PetroChina on the Sanjiaobei PSC and CUCBM/CNOOC on the Linxing PSC, with new work expected to commence during May 2012.

The 2012 program will involve additional wells, well testing and seismic as the company continues preparations for a maiden Chinese Reserves Report, a critical step in the development of both the Sanjiaobei and Linxing projects. Sino Gas is also in the process of finalising responses to tenders for contracts for the work program.

Extensive Pilot feasibility studies are also underway for an LNG pilot on the Linxing project and the continuation and expansion of the CNG pilot on the Sanjiaobei project. These pilots are expected to be increasingly cashflow positive as additional wells are added, as well as being a key requirement of the Chinese Reserves Report process.

Corporate Financing

As shareholders would be aware, Sino Gas has engaged Argonaut as Corporate and Financial Advisors to identify funding opportunities as the Company progresses towards development of its significant projects in China.

Together with Argonaut, Sino Gas has been active over the Asia Pacific region in the past month and we are excited by the degree of interest in the Company's very attractive asset position in China.

Further updates on all of these matters will be provided in the period leading up to, and at, the AGM.

Items of AGM Business

Your Board is recommending the re-election of Bernie Ridgeway and election of Peter Mills and Colin Heseltine to the Board. Bernie was a formation director and shareholder of Sino Gas and has been instrumental in the Company obtaining and adding significant value to its large Chinese acreage position. Peter brings extensive technical leadership with 30 years' experience in the areas of field development and production management. Colin has had a long career as a diplomat in North East Asia and brings a valuable perspective to an Australian company doing business in China.

In line with the strategy to continue to strengthen its leadership team and provide sufficient flexibility as it does so, shareholder approval is also being sought to increase the total pool fees available to pay Non-Executive Directors from \$500k to \$750k per annum.

As an incentive reflecting the increasing work required to implement the Company's strategy, the Board is recommending the issue of Performance Rights (PRs) to each of Peter Mills, Colin Heseltine and myself on the terms set out in the Explanatory Statement to the Notice.

The vesting of the PRs are aligned to events that the company believes will continue to drive shareholder value:

- achievement of the Chinese Reserves Report and Overall Development Plan approval;
- exercise of the Company's listed options; and
- share price appreciation.

Also summarized in Annexure A to the Notice and attached is the revised Performance Rights Plan.

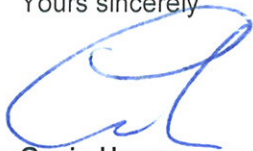
As previously advised, Argonaut were issued with 30 million options exercisable at 7.5 cents upon the achievement of various vesting conditions, including meeting share price thresholds of 15 cents and 25 cents as well as development funding. We are asking shareholders to ratify this issue in order to refresh the Company's 15% placement capacity.

Most of the remaining items of business will be familiar to you, including the motion to approve the Company's Remuneration Report and a change of auditors to PricewaterhouseCoopers.

Your Directors believe that the proposals set out in the Notice, and described in the Explanatory Statement, are in the best interests of both the Company and its shareholders. We unanimously recommend that you vote in favour of all of the resolutions, as we intend to do in respect of our own beneficial holdings, to the degree we do not have an interest in the resolution.

I trust that you are able to join us at the meeting and take advantage of the opportunity to meet and talk with the Board.

Yours sincerely



Gavin Harper
Executive Chairman

ENDS

For more information, please contact:

Sino Gas & Energy

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About Sino Gas & Energy Holdings Limited

Sino Gas & Energy Holdings Limited (ASX: SEH) is an Australian energy company focused on developing Chinese unconventional gas assets. The Company has operated in Beijing since 2005 and holds a portfolio of unconventional gas assets in China through Production Sharing Contracts (PSC's).

The PSC's are located in Shanxi province in the Ordos Basin and cover an area of 3,000km². The Ordos Basin is the second largest onshore oil and gas producing basin in China. The area has mature field developments with an established pipeline infrastructure to major markets. Rapid economic development is being experienced in 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. The statements of resources in this Release have been independently determined to Society of Petroleum Engineers (SPE) Petroleum Resource Management Systems (SPE PRMS) standards by internationally recognized oil and gas consultants RISC Pty Ltd. All resource figures quoted are mid case - 100% unless otherwise noted.

Certain statements included in this announcement may constitute forward-looking statements. Any forward-looking statements are based on current assumptions and forecasts and are not guarantees or predictions of future performance. Such statements involve known and unknown risks, uncertainties and other factors, many of which are beyond our control, and which may cause actual results to differ materially from those expressed in the forward-looking statements. Accordingly, Sino Gas, its directors, officers and agents do not give any assurance or guarantee that the occurrence of the events referred to in this document will occur as contemplated.

Additional information on Sino Gas can be found at www.sinogasenergy.com



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: 2.00 pm (Perth time)

Date: Wednesday, 30 May 2012

Place: Celtic Club
48 Ord Street
WEST PERTH WA 6005

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

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

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



An Emerging Clean Energy Company in China

SINO GAS & ENERGY HOLDINGS LIMITED
ACN 124 242 422

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that an Annual General Meeting of Shareholders of Sino Gas & Energy Holdings Limited will be held at the Celtic Club, 48 Ord Street, West Perth, Western Australia on Wednesday, 30 May 2012 commencing at 2.00 pm (Perth time).

Agenda

Ordinary Business

Financial Statements

To receive and consider the financial report and the reports of the Directors and of the auditor's for the financial year ended 31 December 2011.

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 2011 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. Re-Election of Mr Bernie Ridgeway as a Director

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

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

3. Election of Mr Peter Mills as a Director

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

"That, for all purposes, Mr Peter Mills, who was appointed as a Director on 1 November 2011 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."

NOTICE OF MEETING

4. Election of Mr Colin Heseltine as a Director

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

"That, for all purposes, Mr Colin Heseltine, who was appointed as a Director on 30 January 2012 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."

5. Increase in Maximum Annual Non Executive Directors' Fees

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

"That, for the purposes of the Corporations Act, Listing Rule 10.17 and Article 6.5 of the Company's Constitution, and for all other purposes, approval is given for the maximum aggregate amount of fees which may be paid to the Non Executive Directors for their services as Directors be increased by an amount of \$250,000 per annum from \$500,000 per annum to \$750,000 per annum."

Voting Exclusion: The Company will disregard any votes cast on Resolution 5 by or on behalf of any Director or any associate of a Director. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the direction on the proxy form, or it is cast by the person chairing the Meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

6. Performance Rights Plan Renewal

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

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

Voting Exclusion: The Company will disregard any votes cast on Resolution 6 by or on behalf of any Director or any associate of a Director. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the direction on the proxy form, or it is cast by the person chairing the Meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

7. Share Option Plan Renewal

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

"That, for the purpose of Exception 9 of Listing Rule 7.2 and for all other purposes, Shareholders approve the renewal of the Company's Employee Share Option Plan (ESOP) established on 14 March 2008 and the issue of securities under the ESOP from time to time as an exception to Listing Rule 7.1 in accordance with the terms and conditions outlined in the Explanatory Statement."

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

8. Renewal of Company's Proportional Takeover Approval Provisions

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

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

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9. Approval of Grant of Performance Rights to Mr Peter Mills

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, Chapter 2E of the Corporations Act and for all other purposes, approval is given for the Company to grant 3,000,000 Performance Rights, each to acquire 1 ordinary fully paid share in the Company, to Mr Peter Mills, a Non-Executive Director of the Company, (or his nominee) subject to the specified Performance Hurdles and on the terms set out in the Explanatory Statement accompanying this Notice of Annual General Meeting".

Voting Exclusion: The Company will disregard any votes cast on Resolution 9 by Mr Peter Mills 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.

10. Approval of Grant of Performance Rights to Mr Colin Heseltine

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, Chapter 2E of the Corporations Act and for all other purposes, approval is given for the Company to grant 2,000,000 Performance Rights, each to acquire 1 ordinary fully paid share in the Company, to Mr Colin Heseltine, a Non-Executive Director of the Company, (or his nominee) subject to the specified Performance Hurdles and on the terms set out in the Explanatory Statement accompanying this Notice of Annual General Meeting".

Voting Exclusion: The Company will disregard any votes cast on Resolution 10 by Mr Colin Heseltine 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.

11. Approval of Grant of Performance Rights to Mr Gavin Harper

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 3,300,000 Performance Rights, each to acquire 1 ordinary fully paid share in the Company, to Mr Gavin Harper, an Executive Director of the Company, (or his nominee) subject to the specified Performance Hurdles and on the terms set out in the Explanatory Statement accompanying this Notice of Annual General Meeting".

Voting Exclusion: The Company will disregard any votes cast on Resolution 11 by Mr Gavin Harper 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.

12. Ratification of Issue of Securities to Argonaut

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

"That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, the allotment and issue of 30,000,000 Options to Argonaut Investments Pty Limited on 15 February 2012, on the terms set out in the Explanatory Statement accompanying this Notice of Annual General Meeting, be ratified."

Voting Exclusion: The Company will disregard any votes cast on Resolution 12 by a person who has participated in the issue and any associate of such person. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the direction on the proxy form, or it is cast by the person

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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.

13. Appointment of Auditor

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

"That PricewaterhouseCoopers, having been duly nominated by a member of the Company and consented in writing to act, be appointed as registered 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.

Snap Shot Time

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 2.00 pm (Perth time), 28 May 2012 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.

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 2.00 pm (Perth time) on 28 May 2012.

Corporate Representative

If a representative of a Shareholder corporation is to attend the Meeting, a "Corporate Representative Certificate" should be completed and produced prior to the meeting.

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



Harry Spindler
Company Secretary
Dated 18 April 2012

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. 2011 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 2011 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 2011 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 2011 (**2011 Annual Report**) was lodged with ASX on 7 March 2012 and may be viewed on the Company's website www.sinogasenergy.com (under the "Investor" tab then the "Finance & Activity Reports" tab) or ASX's website 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.

Please note that, if at least 25% of the votes cast are against adoption of the Remuneration Report at the 2012 AGM, and then again at the 2013 AGM, the Company will be required to put a resolution to the 2013 AGM, to approve the calling 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 2013 AGM. All of the Directors who were in office when the 2013 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 (by marking the applicable box in Step 1 of the proxy form). The Chair will use any such proxies to vote in favour of the Resolution.

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

3. Resolution 2 – Re-election of Bernie Ridgeway

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

In accordance with Article 6.3(c) of the Constitution, Bernie Ridgeway (a director of the Company since 5 March 2007) will retire at the end of the Annual General Meeting and will seek re-election pursuant to Resolution 2 of the Notice. For the purposes of Resolution 2, details of the qualifications and experience of Mr Ridgeway are contained in the 2011 Annual Report.

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

4. Resolutions 3 & 4 – Election of Peter Mills & Colin Heseltine

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.

In accordance with Article 6.3(j) of the Company's Constitution, Mr Peter Mills and Mr Colin Heseltine, being directors appointed since the Company's last Annual General Meeting, retire at the meeting, and being eligible, each offer themselves for election as a Director.

For the purposes of Resolutions 3 and 4 details of the qualifications and experience of Mr Peter Mills and Mr Colin Heseltine are contained in the 2011 Annual Report.

The Directors recommend that Shareholders vote in favour of Resolutions 3 and 4.

5. Resolution 5 – Increase in Maximum Annual Non-Executive Directors' Fees

Shareholder approval is being sought to increase the total pool of fees available from which to pay fees to Non-Executive Directors. The current maximum aggregate amount which Shareholders have approved to be paid as fees to the Non-Executive Directors is \$500,000 per annum. However, given the recent growth of the Company and the composition of the Board, it is considered that this level should be increased in order to attract and retain directors of calibre required to effectively guide and monitor the business of the Company and to maintain directors' fees in line with market conditions.

Details of the amounts paid to each Non-Executive Director for the year ended 31 December 2011 are set out in the Remuneration Report contained in the 2011 Annual Report.

Article 6.5 of the Company's Constitution and Listing Rule 10.17 provide that the remuneration of Directors may not be increased except pursuant to a resolution passed at a general meeting of the Company where notice of the suggested increase has been given to Shareholders in the notice convening the meeting. The Company's Constitution also provides that this amount may be divided among the Directors in the manner and in such proportions as they shall from time to time agree, or in default of agreement, equally.

For the purposes of article 6.5 of the Constitution and Listing Rule 10.17, Shareholder approval is sought to increase the maximum aggregate amount which can be paid as fees to the Non-Executive Directors by \$250,000 from \$500,000 to \$750,000 per annum.

In addition to the reasons stated above, the Company considers it necessary to increase the aggregate amount payable to Non-Executive Directors in order to:

- (a) attract and retain the calibre of Director required to ensure the quality of management at Board level is maintained at a high level; and
- (b) provide the Company with flexibility within the Shareholder approved amount to increase the number of Non-Executive Directors should suitable and qualified candidates be identified; and
- (c) provide the Company with flexibility within the Shareholder approved amount to increase Non-Executive Directors' fees in line with fees for similar companies and market conditions should it be deemed appropriate in the future; and

EXPLANATORY STATEMENT

- (d) ensure that Non-Executive Directors are reasonably remunerated considering the additional legal duties and potential liabilities of Directors of publically listed entities.

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

6. Resolution 6 – Performance Rights Plan Renewal

In 2009, the Company adopted an Executive, Officer and Employee Performance Rights Plan (**PRP**), which was approved by Shareholders at the Annual General Meeting of the Company on 23 November 2009 (**2009 AGM**). That approval, given for the purposes of Listing Rule 7.2, is due to expire on 23 November 2012. The purpose of Resolution 6 is to renew that approval.

Pursuant to ASX Listing Rule 7.2 (Exception 9), Resolution 6 seeks Shareholder approval to the issue of securities of the Company under, and pursuant to, the rules of the PRP as an exception to Listing Rule 7.1 for a period of 3 years.

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

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

Resolution 6 proposes that Shareholders consider and renew approval of the PRP in accordance with ASX Listing Rule 7.2 (Exception 9), which would enable securities issued under the PRP over the next three years to be excluded from the calculation of the number of securities issued for the purposes of Listing Rule 7.1.

The Board last sought and obtained approval by holders of ordinary securities to the issue of securities under the PRP as an exception to ASX Listing Rule 7.1 at the 2009 AGM. Exception 9 of Listing Rule 7.2 requires certain information to be included in the notice of general meeting as follows:

- (a) the terms of the PRP are the same as those approved by Shareholders at the 2009 AGM, save only for certain amendments made by the Board under the terms of the plan which include the deletion of the need for the exercise of any discretion by the Board in specific circumstances including the occurrence of an Event and the occurrence of certain criteria comprising a Qualifying Reason (both as defined in Part A of Annexure A) and also to increase the proportion of Performance Rights a participant would receive if cessation of employment or office occurred for a Qualifying Reason and 18 months or more have passed since the date of grant. These amendments have been made with retrospective effect to the commencement date of the PRP. A summary of the PRP (as amended) is set out in Part A of Annexure A. Further, a copy of the PRP was released to ASX on the date of release of this Notice of Meeting and will be made available to any Shareholder upon request.
- (b) Details of the Performance Rights issued since the date of last approval on 23 November 2009 are as follows:

Class	Exercise price	Grant date	Expiry date	Applicable Performance Hurdles (refer below and Part B of Annexure A)	No. of shares under performance rights
Performance Rights	Nil	8 Nov 2010	8 Nov 2015	(a)	2,500,000
Performance Rights	Nil	22 Feb 2011	8 Mar 2014	(b)	16,750,000
Performance Rights	Nil	16 May 2011	16 May 2016	(b)	3,500,000
Performance Rights	Nil	30 Aug 2011	30 Aug 2016	(b)	4,500,000
Performance Rights	Nil	17 Nov 2011	17 Nov 2016	(b)	750,000

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Performance Rights	Nil	30 Aug 2011	30 Aug 2016	(b) (ii) & (iii)	2,000,000
Performance Rights	Nil	17 Nov 2011	17 Nov 2016	(b) (ii) & (iii)	1,000,000
Performance Rights	Nil	12 Dec 2011	26 Dec 2014	(b) (ii) & (iii)	4,000,000

Further, the Company intends, subject to Shareholder approval at this AGM, to issue 8,300,000 Performance Rights as per Resolutions 9, 10 and 11 to Directors of the Company. As announced to ASX on 28 February 2012, the Company also intends to issue 11,000,000 Performance Rights to its Robert Bearden in connection with his appointment as President and Chief Executive Officer.

As the Directors may have an interest in the outcome of Resolution 6, they consider that it would not be appropriate to make a recommendation to Shareholders as to how to vote in relation to Resolution 6.

7. Resolution 7 – Share Option Plan Renewal

The Company's Employee Share Option Plan (**ESOP**) was established on 14 March 2008, prior to listing of the Company on ASX, and its full terms and conditions were released to ASX on 9 September 2009 in the Company's prospectus and as part of the Company's listing and pre-quotation disclosure.

Pursuant to ASX Listing Rule 7.2 (Exception 9), Resolution 7 seeks Shareholder approval to the issue of securities of the Company under, and pursuant to, the rules of the ESOP as an exception to Listing Rule 7.1 for a period of 3 years.

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

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

Resolution 7 proposes that Shareholders consider and renew approval of the ESOP in accordance with ASX Listing Rule 7.2 (Exception 9), which would enable securities issued under the ESOP over the next three years to be excluded from the calculation of the number of securities issued for the purposes of Listing Rule 7.1.

Shareholder approval under Listing Rule 7.2 (Exception 9) of the existing Options issued under the ESOP was not required as the terms of the ESOP were set out in the Company's listing prospectus and such Options were issued prior to the Company's listing on ASX.

For the purpose of Exception 9 of Listing Rule 7.2, the following information is provided:

- (a) The full terms and conditions of the ESOP were announced by the Company to ASX on 9 September 2009 and are unchanged. A summary of the terms of the ESOP is included in Annexure B. There have been no Options issued under the ESOP since the Company listed on ASX on 9 September 2009.
- (b) Details of the securities issued under the ESOP are as follows (prior to the Company's listing on ASX):

Number of Options on Issue	Exercise Price	Expiry Date
1,310,000	\$0.50	13 March 2013

8. Resolution 8 – Renewal of Proportional Takeover Approval Provisions

8.1 Background

A proportional takeover bid is one under which an offer is made for only a proportion of the securities held by each security holder. The Company's Constitution includes provisions which prohibit the registration of a transfer of shares under a proportional takeover bid unless and until a resolution to approve the bid is passed

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by the relevant security holders. The proportional takeover approval provisions were first inserted into the Company's Constitution on incorporation on 5 March 2007. However, the proportional takeover approval provisions will cease to have effect on 23 November 2012 unless renewed by special resolution of Shareholders.

8.2 Effect of Provisions Proposed to be Renewed

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

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

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

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

8.3 Reasons for Renewing Provisions

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

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

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

As at the date of this Notice, no Director is aware of any proposal by any person to acquire, or increase the extent of, a substantial interest in the Company. However, the Directors note the Company's announcement on 30 January 2012 in regard to the appointment of Argonaut Capital Limited as corporate and financial advisors to the Company which appointment may result in such a proposal.

8.5 Review of Advantages and Disadvantages of Provisions

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

8.6 Potential Advantages and Disadvantages of Provisions

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

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

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

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

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9. Resolution 9 – Approval of Grant of Performance Rights to Mr Peter Mills

9.1 Performance Rights Plan - Background

At the Company's 2009 AGM held on 23 November 2009, Shareholders approved the establishment of the PRP to provide ongoing incentives to executives, officers and key employees of the Company.

The PRP enables the Company to issue Performance Rights to executives, officers and employees of the Company and to issue Shares to those executives, officers and employees if they achieve the performance and vesting conditions of the Performance Rights. Please refer to Section 6 and Annexure A for further information regarding the PRP.

9.2 Proposal

During 2012, the Company is focused on upgrading a portion of its significant contingent and prospective resources to reserves through the drilling and flow testing of additional wells and establishing a Pilot Development Program. These activities are envisaged to culminate in the lodgement and approval of a Reserves Report with the relevant Chinese authorities and are key steps towards the ODP.

The Board proposes to issue further Performance Rights in recognition of the importance of these initial milestones in the lead up to the ODP and to incentivise and motivate its directors, executives, officers and employees.

Pursuant to Resolution 9, the Company is seeking Shareholder approval for the grant of 3,000,000 Performance Rights, on the terms described in this Section of the Explanatory Statement, to Mr Peter Mills or his nominee. Mr Mills is a Non-Executive Director of the Company.

The Company proposes to issue the Performance Rights to Mr Mills to reflect:

- (a) 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
- (b) the increasing level of work required from Directors (both previously and planned) to achieve the performance hurdles and the ODP.

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

Shareholders should note that the practice of granting options to non-executive directors as a part of their remuneration package is not in accordance with the ASX Corporate Governance Council's, Principles of Good Corporate Governance and Best Practice Recommendations (Second Edition). However, the Board considers that equity participation by way of the grant of Performance Rights to Mr Mills is appropriate for the Company at this time having regard to the critical role he will play in achieving the relevant specified performance hurdles.

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 15 months after the date of this meeting. If the Performance Rights issued to Mr Mills become capable of exercise and are fully exercised by Mr Mills, no funds will be received by the Company. The dilution effect if all Performance Rights are exercised by Mr Mills is considered to be fairly minor but this will ultimately be dependant on the Company's share capital at the date the Performance Rights are exercised.

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

- (a) **Reserves Report Performance Hurdle:** Approval of a Reserves Report by the relevant Chinese authorities. Half of the Performance Rights issued to Mr Mills under Resolution 9 will be exercisable on satisfaction of the Reserves Report Performance Hurdle.
- (b) **ODP Performance Hurdle:** Approval of the Overall Development Plan by the relevant Chinese authorities. This Performance Hurdle is subject to the minimum gas and IRR criteria stated in paragraph (a) of Part B of Annexure A. Half of the Performance Rights issued to Mr Mills under Resolution 9 will be exercisable on satisfaction of the ODP Performance Hurdle. If the Reserves Report Performance Hurdle was not satisfied earlier, Performance Rights exercisable under that performance hurdle will be exercisable upon satisfaction of the ODP Performance Hurdle.

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Each of these steps is of importance in its own right as well as being on the critical path to full commercial production and sale of gas. Accordingly each of them has been set as a performance hurdle for the Performance Rights as the Company builds momentum to achieve full commercial production and, in parallel, an anticipated increasing share price and shareholder value.

The approval of a Reserves Report by the relevant Chinese authorities is of critical significance in moving to development and is an essential requirement of approval of the ODP in China. It is technically complex and will link in to the definition of the development strategy of the PSC and the definition of ongoing commercial arrangements with the Chinese government. The establishment of reserves by the Company is seen by the Board as an important value driver for Shareholders.

The next key step would be the approval of the ODP. The ODP will be a detailed and comprehensive plan for the development of the PSC, dealing with the drilling of production wells, engineering, procurement of plant and facilities, extraction techniques, gas sales, employment of local labour, environmental and other government approvals and other required commercial arrangements. It will involve considerable liaison with a number of Chinese government offices, including local government and local communities. Again this will involve significant work to put these arrangements in place. The Board sees this step as a significant indicator of the Company's move to full commercial production and therefore as a key driver of value for Shareholders.

9.3 Terms and Conditions of Performance Rights to be issued

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

For the purposes of Items 5 and 7 of Part A 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 Reserves Report Performance Hurdle and the ODP Performance Hurdle as specified in 9.2 above and the performance period within which those Performance Hurdles must be met is no later than 3 years from the date of grant of the Performance Rights (**Performance Period**); and
- (b) The expiry period for the Performance Rights will be the date that is 3 years and 3 months after the date of grant (**Expiry Date**).

9.4 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 Mills requires approval by Shareholders under the Listing Rules.

As the issue will 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).

9.5 Chapter 2E

Chapter 2E of the Corporations Act regulates the provision by a public company of financial benefits to its related parties. In particular, section 208 of the Corporations Act prohibits a public company giving a financial benefit to a related party unless one of a number of exceptions applies or Shareholder approval is obtained.

A "financial benefit" is defined in the Corporations Act in broad terms and expressly includes a public company issuing securities. Section 208 of the Corporations Act provides that for a public company to give a financial benefit to a related party of that company, the public company must:

- (a) obtain the approval of members in the way set out in sections 217 to 227; and
- (b) give the benefit within 15 months after the approval.

For the purpose of this Meeting and in accordance with section 228 of the Corporations Act a related party of the Company includes:

- (a) a Director; and

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- (b) an entity controlled by a Director.

Accordingly, Resolution 9 seeks Shareholder approval for the grant of the Performance Rights to Mr Peter Mills (or his nominee) for the purposes of Chapter 2E of the Corporations Act.

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

For the purposes of Listing Rules 10.14 and 10.15A and Chapter 2E of the Corporations Act, the following information is provided:

- (a) The related party of the Company to whom the financial benefit is to be given for the purposes of Resolution 9 is Mr Mills (or his nominee) and the financial benefit to Mr Mills consists of the grant to him of 3,000,000 Performance Rights.
- (b) The number of Performance Rights to be granted to Mr Mills is 3,000,000, each exercisable for 1 Share, subject to satisfaction of the Performance Hurdles and all other applicable terms and conditions (as set out in Section 9.3 and as summarised in Part A of Annexure A). The maximum number of Shares that may be issued upon exercise of the Performance Rights the subject of this Resolution 9 is 3,000,000 and upon exercise of the Performance Rights, the Shares will rank equally with all other Shares of the Company on issue.
- (c) No amount will be payable by Mr Mills to acquire the Performance Rights or upon the exercise of the Performance Rights.
- (d) Details of the Performance Rights on issue are set out in Section 6. The Company confirms that:
 - (i) On 8 November 2010, and in accordance with Shareholder approval received at the Company's 2009 AGM, the Company issued 2009 Performance Rights to Mr Stephen Lyons (1,000,000 Performance Rights), Mr John Chandler (750,000 Performance Rights) and Mr Gavin Harper (750,000 Performance Rights) on the terms set out in the notice of meeting for the 2009 AGM.
 - (ii) On 22 February 2011, and in accordance with Shareholder approval received at the Company's 2010 EGM, the Company issued 2010 Performance Rights to Mr Stephen Lyons (6,000,000 Performance Rights), Mr John Chandler (4,500,000 Performance Rights) and Mr Gavin Harper (6,250,000 Performance Rights) on the terms set out in the notice of meeting for the 2010 EGM.
 - (iii) Further during 2011, the Company issued an additional 11,750,000 Performance Rights to key Chinese employees. Details regarding the terms of these Performance Rights issued to key Chinese employees are set out on the Company's 2011 Annual Report.
 - (iv) On 12 December 2011, and in accordance with Shareholder approval received at the Company's 2011 EGM, the Company issued 4,000,000 2011 Performance Rights to Mr Gavin Harper on the terms set out in the notice of meeting for the 2011 EGM.
 - (v) No other Performance Rights have been issued under the PRP. However, the Company intends, subject to Shareholder approval at this Meeting and renewal of approval of the PRP pursuant to Resolution 6, to issue 8,300,000 Performance Rights as per Resolutions 9, 10 and 11 to Directors of the Company (or their nominees). The Company also intends to issue Performance Rights to Mr Robert Bearden, new President and CEO.
- (e) The names of all persons referred to in Listing Rule 10.14 who are entitled to participate in the PRP are the following Directors of the Company (and any of their associates) being Mr Stephen Lyons, Mr Gavin Harper, Mr John Chandler, Mr Bernie Ridgeway, Mr Peter Mills and Mr Colin Heseltine.
- (f) A voting exclusion statement is included in the Notice of Meeting.
- (g) No loan will be provided to Mr Mills by the Company in connection with the grant of the Performance Rights or the underlying issue of Shares should the Performance Rights be exercised.
- (h) 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.

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- (i) 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.
- (j) 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 15 months after the date of the meeting).
- (k) The Directors of the Company, other than Mr Mills, recommend that Shareholders vote in favour of this Resolution for the reasons set out in paragraphs 9.6(q), 9.6(r) and 9.6(t) below. The Directors of the Company, other than Mr Mills, do not have any interest in the outcome of this Resolution.
- (l) Mr Mills is not entitled and does not wish to make a recommendation to Shareholders about the proposed Resolution 9 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.
- (m) The Company was admitted to the official list of ASX on 9 September 2009. The highest and lowest price respectively on the ASX for the Company's Shares in the past 12 months was \$0.094 on 26 and 27 March 2012 and \$0.034 on 10 January 2012. The closing share price of the Company's shares on 17 April 2012, being the latest practicable date before the date of this Notice of Meeting was \$0.076.
- (n) If only the 3,000,000 Performance Rights the subject of Resolution 9 are exercised and 3,000,000 Shares are subsequently issued, then based on the Company's fully paid share capital (which as at the date of this Notice of Meeting is 1,120,417,120 Shares) existing Shareholders would be diluted by approximately 0.27%.
- (o) Mr Mills currently does not have a relevant interest in the Company's securities. If the Performance Rights the subject of this Resolution 9 are approved, and subsequently become exercisable and only these are exercised, Mr Mills will have a relevant interest in 3,000,000 Shares in the Company which will amount to approximately 0.27% of the Company based on the Company's share capital as at the date of this Notice of Meeting (if no other Shares are issued).
- (p) The current remuneration paid to Mr Mills for his services as Director is \$75,000 together with \$10,000 (plus superannuation) for his services on the Planning Committee and Nomination and Remuneration Committee. In addition, Mr Mills currently provides consulting services to the Company as required on usual and standard terms. Mr Mills does not currently receive any other remuneration or emoluments from the Company.
- (q) The primary purpose of the grant of the Performance Rights is to provide a performance incentive for Mr Mills and to align the performance incentive of Mr Mills to the interests of the Company and Shareholders. Given this purpose, the Directors do not consider that there is any material opportunity cost or benefit foregone to the Company in granting the Performance Rights.
- (r) The Board determined the number of the Performance Rights to be issued to Mr Mills based on his expected contribution to the Company and the likely/expected impact that this will have on the Company's performance, including on the Company's share price performance in the event the Performance Hurdles to the Performance Rights are met.
- (s) ASIC requires that when seeking shareholder approval for the issue of securities to a related party pursuant to Chapter 2E, shareholders must be provided with a valuation of those securities. The Company has undertaken a valuation so as to estimate a value for the Performance Rights subject to the Reserves Report Hurdle and the ODP Performance Hurdle, respectively. A summary of the valuation, including the key assumptions used, is set out in Annexure C. The approximate value being received by Mr Mills from the grant of the Performance Rights is summarised in the table provided at Annexure C.
- (t) The Directors consider that the incentive represented by the grant of the Performance Rights is a cost effective and efficient incentive when compared to other forms of incentive such as cash, bonuses or greater remuneration. The Directors also note that as the Company currently has only limited capital, other cash based incentive alternatives are not currently preferred, nor readily available to it.
- (u) Other than the information set out in this Explanatory Statement, neither the Directors nor the Company are aware of any additional information that would be reasonably required by the Shareholders to enable them to make a decision in relation to whether the grant of the Performance Rights to Mr Mills is in the best interests of the Company.

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Please refer to Section 9 of the Notice of Meeting for details of the Voting Exclusion which applies to this Resolution.

10. Resolution 10 – Approval of Grant of Performance Rights to Mr Colin Heseltine

10.1 Proposal

Please refer to Section 6 and Section 9.1 for details regarding the background to the Company's PRP.

During 2012, the Company is focused on upgrading a portion of its significant contingent and prospective resources to reserves through the drilling and flow testing of additional wells and establishing a Pilot Development Program. These activities are envisaged to culminate in the lodgement and approval of a Reserves Report with the relevant Chinese authorities and are key steps towards the ODP.

The Board proposes to issue further Performance Rights in recognition of the importance of these initial milestones in the lead up to the ODP and to incentivise and motivate its directors, executives, officers and employees.

Pursuant to Resolution 10, the Company is seeking Shareholder approval for the grant of 2,000,000 Performance Rights, on the terms described in this Section of the Explanatory Statement, to Mr Colin Heseltine or his nominee. Mr Heseltine is a Non-Executive Director of the Company.

The Company proposes to issue the Performance Rights to Mr Heseltine to reflect:

- (a) 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
- (b) the increasing level of work required from Directors (both previously and planned) to achieve the performance hurdles and the ODP.

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

Shareholders should note that the practice of granting options to non-executive directors as a part of their remuneration package is not in accordance with the ASX Corporate Governance Council's, Principles of Good Corporate Governance and Best Practice Recommendations (Second Edition). However, the Board considers that equity participation by way of the grant of Performance Rights to Mr Heseltine is appropriate for the Company at this time having regard to the critical role he will play in achieving the relevant specified performance hurdles.

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 15 months after the date of this meeting. If the Performance Rights issued to Mr Heseltine become capable of exercise and are fully exercised by Mr Heseltine, no funds will be received by the Company. The dilution effect if all Performance Rights are exercised by Mr Heseltine is considered to be fairly minor but this will ultimately be dependant on the Company's share capital at the date the Performance Rights are exercised.

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

- (a) **Reserves Report Performance Hurdle:** Approval of a Reserves Report by the relevant Chinese authorities. Half of the Performance Rights issued to Mr Heseltine under Resolution 10 will be exercisable on satisfaction of the Reserves Report Performance Hurdle.
- (b) **ODP Performance Hurdle:** Approval of the Overall Development Plan by the relevant Chinese authorities. This Performance Hurdle is subject to the minimum gas and IRR criteria stated in paragraph (a) of Part B of Annexure A. Half of the Performance Rights issued to Mr Heseltine under Resolution 10 will be exercisable on satisfaction of the ODP Performance Hurdle. If the Reserves Report Performance Hurdle was not satisfied earlier, Performance Rights exercisable under that performance hurdle will be exercisable upon satisfaction of the ODP Performance Hurdle.

For the reasons outlined above, each of these steps is of importance in its own right as well as being on the critical path to full commercial production and sale of gas and the Board consider the same to be a key driver of value for shareholders.

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10.2 Terms and Conditions of Performance Rights to be issued

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

For the purposes of Items 5 and 7 of Part A 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 Reserves Report Performance Hurdle and the ODP Performance Hurdle as specified in 10.1 above and the performance period within which such Performance Hurdles must be met is no later than 3 years from the date of grant of the Performance Rights (**Performance Period**); and
- (b) The expiry period for the Performance Rights will be the date that is 3 years and 3 months after the date of grant (**Expiry Date**).

10.3 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 Heseltine requires approval by Shareholders under the Listing Rules.

As the issue will 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).

10.4 Chapter 2E

Chapter 2E of the Corporations Act has application to the issue of Performance Rights to Mr Colin Heseltine (or his nominee) for the same reasons as set out in Section 9.5 in relation to Mr Mills.

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

For the purposes of Listing Rules 10.14 and 10.15A, and Chapter 2E of the Corporations Act, the following information is provided:

- (a) The related party of the Company to whom the financial benefit is to be given for the purposes of Resolution 10 is Mr Heseltine (or his nominee) and the financial benefit to Mr Heseltine consists of the grant to him of 2,000,000 Performance Rights.
- (b) The number of Performance Rights to be granted to Mr Heseltine is 2,000,000, each exercisable for 1 Share, subject to satisfaction of the Performance Hurdles and all other applicable terms and conditions (as set out in Section 10.2 and as summarised in Part A of Annexure A). The maximum number of Shares that may be issued upon exercise of the Performance Rights the subject of this Resolution 10 is 2,000,000 and upon exercise of the Performance Rights, the Shares will rank equally with all other Shares of the Company on issue.
- (c) No amount will be payable by Mr Heseltine to acquire the Performance Rights or upon the exercise of the Performance Rights.
- (d) A summary of all Performance Rights currently on issue is set out in Section 6 and Section 9.6(d) above.
- (e) The names of all persons referred to in Listing Rule 10.14 who are entitled to participate in the PRP are the following Directors of the Company (and any of their associates) being Mr Stephen Lyons, Mr Gavin Harper, Mr John Chandler, Mr Bernie Ridgeway, Mr Peter Mills and Mr Colin Heseltine.
- (f) A voting exclusion statement is included in the Notice of Meeting.
- (g) No loan will be provided to Mr Heseltine by the Company in connection with the grant of the Performance Rights or the underlying issue of Shares should the Performance Rights be exercised.

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- (h) 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.
- (i) 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.
- (j) 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 15 months after the date of the meeting).
- (k) The Directors of the Company, other than Mr Heseltine, recommend that Shareholders vote in favour of this Resolution for the reasons set out in paragraphs 10.5(r), 10.5(s) and 10.5(u) below. The Directors of the Company, other than Mr Heseltine, do not have any interest in the outcome of this Resolution.
- (l) Mr Heseltine is not entitled and does not wish to make a recommendation to Shareholders about the proposed Resolution 10 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.
- (m) The Company was admitted to the official list of ASX on 9 September 2009. The highest and lowest price respectively on the ASX for the Company's Shares in the past 12 months was \$0.094 on 26 and 27 March 2012 and \$0.034 on 10 January 2012. The closing share price of the Company's shares on 17 April 2012, being the latest practicable date before the date of this Notice of Meeting was \$0.076.
- (n) If only the 2,000,000 Performance Rights the subject of Resolution 10 are exercised and 2,000,000 Shares are subsequently issued, then based on the Company's fully paid share capital (which as at the date of this Notice of Meeting is 1,120,417,120 Shares) existing Shareholders would be diluted by approximately 0.18%.
- (o) Mr Heseltine currently does not have a relevant interest in the Shares of the Company. Mr Heseltine does hold an interest in 1,000,000 Performance Rights issued in November 2011 (which are subject to the Performance Hurdles set out in Section b(ii), b(iii) of Part B of Annexure A).
- (p) If the Performance Rights the subject of Resolution 10 are approved, and subsequently become exercisable and only these are exercised, Mr Heseltine will have a relevant interest in 2,000,000 Shares in the Company which will amount to approximately 0.18% of the Company based on the Company's share capital as at the date of this Notice of Meeting. If the Performance Rights the subject of this Resolution 10 are approved, and subsequently become exercisable and each of the other Performance Rights held by Mr Heseltine are also exercised, Mr Heseltine will have a relevant interest in 3,000,000 Shares in the Company which will amount to approximately 0.27% of the Company based on the Company's share capital as at the date of this Notice of Meeting (if no other Shares are issued).
- (q) The current remuneration paid to Mr Heseltine for his services as Director is \$75,000 together with \$10,000 (plus superannuation) for his services on the Planning Committee and Audit and Compliance Committee. In addition, Mr Heseltine currently provides consulting services to the Company as required on usual and standard terms. Mr Heseltine does not currently receive any other remuneration or emoluments from the Company.
- (r) The primary purpose of the grant of the Performance Rights is to provide a performance incentive for Mr Heseltine and to align the performance incentive of Mr Heseltine to the interests of the Company and Shareholders. Given this purpose, the Directors do not consider that there is any material opportunity cost or benefit foregone to the Company in granting the Performance Rights.
- (s) The Board determined the number of the Performance Rights to be issued to Mr Heseltine based on his expected contribution to the Company and the likely/expected impact that this will have on the Company's performance, including on the Company's share price performance in the event the Performance Hurdles to the Performance Rights are met.
- (t) ASIC requires that when seeking shareholder approval for the issue of securities to a related party pursuant to Chapter 2E, shareholders must be provided with a valuation of those securities. The Company has undertaken a valuation so as to estimate a value for the Performance Rights subject to the Reserves Report Performance Hurdle and the ODP Performance Hurdle 2, respectively. A summary of the valuation including the key assumptions used is also set out in Annexure C. The

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approximate value being received by Mr Heseltine from the grant of the Performance Rights is summarised in the table provided at Annexure C.

- (u) The Directors consider that the incentive represented by the grant of the Performance Rights is a cost effective and efficient incentive when compared to other forms of incentive such as cash, bonuses or greater remuneration. The Directors also note that as the Company currently has only limited capital, other cash based incentive alternatives are not currently preferred, nor readily available to it.
- (v) Other than the information set out in this Explanatory Statement, neither the Directors nor the Company are aware of any additional information that would be reasonably required by the Shareholders to enable them to make a decision in relation to whether the grant of the Performance Rights to Mr Heseltine is in the best interests of the Company.

Please refer to Section 10 of the Notice of Meeting for details of the Voting Exclusion which applies to this Resolution.

11. Resolution 11 – Approval of Grant of Performance Rights to Mr Gavin Harper

11.1 Proposal

Please refer to Section 6 and Section 9.1 for details regarding the background to the Company's PRP.

During 2012, the Company is focused on upgrading a portion of its significant contingent and prospective resources to reserves through the drilling and flow testing of additional wells and establishing a Pilot Development Program. These activities are envisaged to culminate in the lodgement and approval of a Reserves Report with the relevant Chinese authorities and are key steps towards the ODP.

Pursuant to Resolution 11, the Company is seeking Shareholder approval for the grant of 3,300,000 Performance Rights, on the terms described in this Section of the Explanatory Statement, to Mr Gavin Harper or his nominee. Mr Harper is the Company's Executive Chairman.

The Company proposes to issue the Performance Rights to Mr Harper to reflect:

- (a) that in his role as Executive Chairman, Mr Harper will be undertaking further responsibilities in relation to leading the activities of the Company and accordingly the Board are of the view that he should be granted further Performance Rights;
- (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 from Directors (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 as the issue serves to partially remunerate Mr Harper.

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 3 years after the date of this meeting. If the Performance Rights issued to Mr Harper, become capable of exercise and are fully exercised by Mr Harper, no funds will be received by the Company. The dilution effect if all Performance Rights are exercised by Mr Harper is considered to be fairly minor but this will ultimately be dependant on the Company's share capital at the date the Performance Rights are exercised.

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

- (a) **Options Exercise Performance Hurdle:** The number of Performance Rights which will become exercisable after the expiry date of the Listed Options will be calculated using the following formula:

$$\text{NPR} = ((\text{OE} / 334,283,757) * 1,650,000)$$

where:

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NPR = Number of exercisable Performance Rights, provided that such number shall have a maximum of 1,650,000.

OE = Number of Listed Options exercised between the date of this Notice of Meeting and 31 December 2012.

- (b) **Options Exercise / \$0.25c Performance Hurdle:** The number of Performance Rights which will become exercisable after the expiry date of the Listed Options and subject to the Company's Share price on ASX having reached at least \$0.25 for 5 continuous trading days will be calculated using the following formula:

$$NPR = ((OE / 334,283,757) * 825,000)$$

where:

NPR = Number of exercisable Performance Rights, provided that such number shall have a maximum of 825,000.

OE = Number of Listed Options exercised between the date of this Notice of Meeting and 31 December 2012.

- (c) **Options Exercise / \$0.40c Performance Hurdle:** The number of Performance Rights which will become exercisable after the expiry date of the Listed Options and subject to the Company's Share price on ASX having reached at least \$0.40 for 5 continuous trading days are exercised will be calculated using the following formula:

$$NPR = ((OE / 334,283,757) * 825,000)$$

where:

NPR = Number of exercisable Performance Rights, provided that such number shall have a maximum of 825,000.

OE = Number of Listed Options exercised between the date of this Notice of Meeting and 31 December 2012.

11.2 Terms and Conditions of Performance Rights to be issued

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

For the purposes of Items 5 and 7 of Part A 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 Options Exercise Performance Hurdle, the Options Exercise / \$0.25c Performance Hurdle and the Options Exercise / \$0.40c Performance Hurdle as specified in Section 11.1 above and the performance period within which these Performance Hurdles must be met is no later than 31 December 2013 (**Performance Period**); and
- (b) The expiry period for the Performance Rights will be the date that is 3 months after the expiry of the Performance Period (**Expiry Date**).

11.3 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 Harper requires approval by Shareholders under the Listing Rules.

As the issue will 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 Harper. Chapter 2E prohibits the giving of

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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 of 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 Harper.

11.4 Specific Disclosure of Information as Required by the Listing Rules

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 Harper or his nominee is 3,300,000, each exercisable for 1 Share, subject to satisfaction of the Performance Hurdles and all other applicable terms and conditions (as set out in Section 11.2 and as summarised in Part A of Annexure A). The maximum number of Shares that may be issued upon exercise of the Performance Rights the subject of this Resolution 11 is 3,300,000 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 Harper to acquire the Performance Rights or upon the exercise of the Performance Rights.
- (c) A summary of all Performance Rights currently on issue is set out in Section 6 and Section 9.6(d) above.
- (d) The names of all persons referred to in Listing Rule 10.14 who are entitled to participate in the PRP are the following Directors of the Company (and any of their associates) being Mr Stephen Lyons, Mr Gavin Harper, Mr John Chandler, Mr Bernie Ridgeway, Mr Peter Mills and Mr Colin Heseltine.
- (e) A voting exclusion statement is included in the Notice of Meeting.
- (f) Subject to the approval of this Resolution 11, the issue of the Performance Rights referred to in this Resolution will be issued in or about June 2012 (but in any event no later than the date that is 3 years after the date of this meeting).
- (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 or persons referred to in Listing Rule 10.14) 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) No loan will be provided to Mr Harper by the Company in connection with the issue of the Performance Rights or the underlying issue of Shares should the Performance Rights be exercised.

The Directors of the Company, other than Mr Harper, recommend that Shareholders vote in favour of this Resolution. The Directors of the Company, other than Mr Harper, do not have any interest in the outcome of this Resolution

Please refer to Section 11 of the Notice of Meeting for details of the Voting Exclusion which applies to this Resolution.

12. Resolution 12 – Ratification of Issue of Securities to Argonaut

12.1 Background

In January 2012 the Company entered into an agreement with Argonaut Capital Limited (**Argonaut**) for provision of corporate and financial advisory services (**Agreement**). The key terms of the Agreement and the Company's rationale for entering into the Agreement were set out in an announcement on ASX on 30 January 2012 (**Announcement**).

On 15 February 2012, in connection with the appointment of Argonaut, the Company issued to Argonaut's nominee, Argonaut Investments Pty Ltd, 30 million Options, each exercisable at 7.5 cents on or before

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15 February 2017, such Options only being exercisable if performance related vesting conditions are met, including achieving share price thresholds of \$0.15 and \$0.25 and funding to achieve field development of the Linxing and Sanjiaobei projects as set out in Annexure D.

12.2 ASX Listing Rules 7.1 and 7.4

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

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

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

The effect of this Resolution 12 is that the Company, for the purposes of Listing Rule 7.1 will be able to refresh its 15% placement capacity with effect from the date of the Annual General Meeting.

12.3 Technical Information required by Listing Rule 7.5

ASX Listing Rule 7.5 requires that the following information be provided to Shareholders in relation to the Shares the subject of Resolution 12:

- (a) the total number of Options issued by the Company to Argonaut Investments Pty Ltd on 15 February 2012 was 30,000,000;
- (b) the issue price of each option was \$0.0001 per Option. Shareholders should note that the Company will, however, receive subscription monies totalling \$2,250,000 if all of the Options the subject of Resolution 12 are exercised;
- (c) the terms of the Options are set out in Annexure D;
- (d) the Options were allotted to Argonaut Investments Pty Ltd;
- (e) the funds raised from the issue of the Options together with any funds raised on exercise of the Options, will be utilised by the Company for working capital purposes; and
- (f) a voting exclusion statement is included in the Notice of Meeting.

The Directors recommend that Shareholders vote in favour of Resolution 12.

13. Resolution 13 - Appointment of Auditor

It is proposed that the Company's existing auditors, Deloitte Touche Tohmatsu will resign as auditors at the Annual General Meeting and subject to Shareholder approval, be replaced by PricewaterhouseCoopers. 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. A nomination has been received from a member of the Company to appoint PricewaterhouseCoopers as auditors to the Company. A copy of the nomination is attached to this Explanatory Statement at Annexure E in accordance with section 328B(3) of the Corporations Act. Pursuant to the Corporations Act, PricewaterhouseCoopers have consented in writing to act as auditor to the Company, and have not withdrawn that consent prior to the date of this Notice.

The Board recommends that Shareholders vote in favour of this Resolution.

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14. Glossary

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

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

2010 EGM means the General Meeting of the Company held on 14 December 2010.

2011 Annual Report means the financial report for the Company for the year ended 31 December 2011 lodged with ASX on 7 March 2012.

2011 EGM means the General Meeting of the Company held on 5 December 2011.

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.

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

Constitution means the Constitution of the Company.

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

Director means a Director of the Company.

Directors' Report means the Directors' declaration and report included in the 2011 Annual Report.

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

Listed Options means an option to subscribe for a Share at a price of \$0.125 on or before 31 December 2012 which are quoted on ASX (SEHOC).

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 2011.

Meeting, AGM or Annual General Meeting means the Annual General Meeting of the Company to be held at 2.00 pm (Perth time) on Monday, 30 May 2012.

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

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

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

Option means an option to subscribe for a Share.

Perth time means the time in Perth, Western Australia.

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

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

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

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

Reserves Report means the procedure whereby a competent, professional, certified reservoir engineer or geoscientist prepares an independent reserves assessment for a reservoir, field or group of fields.

Restricted Voter means Directors, Key Management Personnel and their related entities.

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.

\$ means Australian dollars.

ANNEXURE A – SUMMARY OF TERMS OF PERFORMANCE RIGHTS PLAN

RE RESOLUTIONS 6, 9, 10 & 11

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 employee 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:
 - (a) 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 in the same class which would be issued were each outstanding Performance Right or offer or option to acquire unissued Shares, being an offer made or option or Performance Right acquired pursuant to an employee equity scheme of the Company extended only to employees or Directors of a member of the Group, to be accepted or exercised (as the case may be), exceeds five (5) per cent of the total number of issued Shares in the Company as at the time of the offer.
 - (b) In calculating the number of Shares which may be the subject of a grant of Performance Rights pursuant to Item 2(a) any offer made, or option acquired or share issued by way of or as a result of:
 - i) an offer to a person situated at the time of receipt of the offer outside Australia; or
 - ii) an offer that did not need disclosure to investors because of section 708 of the Corporations Act, or
 - iii) any other offer permitted by Class Order 03/184 of the Australian Securities & Investment Commission (as may be amended from time to time) to be exempted, or
 - iv) shares subject to options or Performance Rights which have lapsedshall be disregarded.
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 has become entitled to not less than 50% of the Shares;

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- (c) 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;
 - (d) the Company passes a resolution for voluntary winding up; or
 - (e) 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, Retirement 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) the Participant ceasing to hold office in a company within the Group as a result of retirement by rotation and not being re-elected as a Director or in the event of removal by the shareholders of the Participant as a Director of the Company; or
 - iv) any other reason as determined by the Board in its absolute discretioneach of which in (i) to (iv) 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);
 - (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 and:
- (a) provided that the cessation date is in excess of 6 months and 18 months or less after the date of grant, that number of Performance Rights which is proportional to the number of days the Participant was employed or in office as compared to the applicable performance period for the Performance Right will become immediately exercisable;
 - (b) if the cessation date is in excess of 18 months after the date of grant, all Performance Rights will become immediately exercisable; and
 - (c) 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

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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.

PART B

Key Terms of Performance Rights – Performance Hurdles applicable:

- (a) **ODP Performance Hurdle:** Certain Performance Rights are exercisable into fully paid ordinary shares of the Company when the following applicable performance hurdle is met, with 1/3 being exercisable on satisfying the performance hurdle and 1/3 lots annually thereafter. The performance hurdle is the approval by the relevant Chinese authorities of an Overall Development Plan (ODP) to enable the Company to proceed to development on the PSC with such ODP to include a minimum 100 billion cubic feet of gas and to provide a minimum 12% internal rate of return (such minimum thresholds being calculated by the Board of Directors of the Company based on reports from suitably qualified experts). This performance hurdle must be met within 3 years from the date of grant of the performance right subject to extension of this performance period by the Board under the terms of the PRP and subject to any necessary shareholder approvals.

The ODP Performance Hurdle is presently estimated to be met by approximately 30 June 2013.
- (b) Certain Performance Rights are exercisable into fully paid ordinary shares of the Company when the following three applicable performance hurdles are met:
 - (i) **Pilot Gas Sales Performance Hurdle:** Start of sale of gas under a Pilot Development Program approved by the relevant Chinese authorities. Approximately 2/7 of the Performance Rights issued prior to the date of the AGM with these three performance hurdles the subject of this clause (b) will be exercisable when the start of sale of gas occurs on a Pilot Development Program approved by the relevant Chinese authorities in connection with the Company's interests in the PSC.
 - (ii) **Approval of Reserves Report Performance Hurdle:** Approval of a Reserves Report by the relevant Chinese authorities. Approximately 2/7 of the Performance Rights issued prior to the date of the AGM with these three performance hurdles the subject of this clause (b) will be exercisable when a Reserves Report is approved by the relevant Chinese authorities in connection with the Company's interests in the PSC. If the Company decides not to proceed to a Pilot Development Program then those Performance Rights exercisable under the Pilot Gas Sales Performance Hurdle will be exercisable upon satisfaction of the Approval of Reserves Report Performance Hurdle.

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- (iii) **ODP Performance Hurdle:** Approval of the Overall Development Plan by the relevant Chinese authorities (with the same criteria as set out in (a) immediately above). Approximately 3/7 of the Performance Rights issued prior to the date of the AGM with these three performance hurdles the subject of this clause (b) will be exercisable on satisfaction of the ODP Performance Hurdle. If the Company does not proceed to either or both of a Pilot Development Program and approval of a Reserves Report, Performance Rights exercisable under the Pilot Gas Sales Performance Hurdle and the Approval of Reserves Report Performance Hurdle will be exercisable upon satisfaction of the ODP Performance Hurdle.

The performance hurdles referred to in (b)(i), (ii), and (iii) above are estimated to be met approximately on 30 June 2012, 31 December 2012, and 30 June 2013, respectively.

ANNEXURE B - SUMMARY OF TERMS OF SHARE OPTION PLAN

The Directors have adopted the Sino Gas & Energy Holdings Limited Employee Share Option Plan (**ESOP**) to assist in the recruitment, reward, retention and motivation of executives and other key employees. A summary of the key terms and conditions of the ESOP is set out below:

Eligibility

The Board may offer free employee options (**Employee Options**) to persons (**Eligible Persons**) who are directors, officers or employees who are from time to time engaged in full or part-time work for SGEH or any subsidiary. Upon receipt of such an offer, the Eligible Person may nominate an associate acceptable to the Board to be issued with the Employee Options. Employee Options may not be offered to a director or his or her associates except where approval is given by the Shareholders in general meeting.

Exercise price

The exercise price for the Employee Options will be the greater of: the market value of Shares on the date which the Employee Options are issued or any greater price determined by the Board.

Transferability

Employee Options may not be transferred without the approval of the Board, except that the holder may at any time transfer all or any of his/her Employee Options to his/her spouse or to a company the majority of the issued shares in which are beneficially owned by the holder or to any trust that the holder is a beneficiary.

Restrictions

The Board may not offer Employee Options under the plan if the total number of Shares which would be issued in the event that each Employee Option was exercised; together with the number of Shares or Employee Options to acquire such Shares issued pursuant to all employee or executive share plans during the previous 5 years, exceeds 5% of the total number of the issued Shares as at the date of the offer (disregarding exempt offers made under any exemptions permitted by ASIC Class Order 03/184).

Applicable laws

Employee Options may only be issued or exercised within the limitations imposed by the Corporations Act and with the ASX Listing Rules.

Exercise periods

The Board will determine the exercise periods for the Employee Options (save that no Employee Options may be exercised prior to the first anniversary of their issue). It is expected that the majority of the Employee Options will be exercisable in 1/3 lots in each of the first 3 years after their issue. The Employee Options shall expire 5 years from the date of issue (or such other date as determined by the Board). Although, if a change of control event occurs or is likely to occur, the Board will declare an Employee Option to be free of any conditions of exercise.

Manner of exercise

An Employee Option is only exercisable by the holder lodging with SGEH a notice of exercise in the form attached to the plan. The notice must specify the number of Employee Options being exercised and be delivered to SGEH together with the payment of the exercise price for those Employee Options and the option certificate covering the Employee Options being exercised.

Ceasing to be eligible

If an Eligible Person ceases employment with SGEH in the following circumstances:

- (a) death or total permanent disability;
- (b) retirement;
- (c) redundancy; or
- (d) any other circumstances approved by the Board,

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the Employee Options may be exercised within one year of SGEH receiving notice of the specified event and SGEH acknowledging in writing that such event satisfies the above requirements, or any longer period permitted by the Board. If not exercised in that time, the Employee Options lapse.

Forfeit of Options

If an Eligible Person voluntarily resigns from employment with SGEH otherwise than to take up employment with a subsidiary, acts fraudulently, dishonestly, in breach of obligations to SGEH or any subsidiary, or any other reason as determined by the Board then the Employee Options issued for that person will automatically lapse and be forfeited (unless otherwise determined by the Board).

Lapse of Options

Unexercised Employee Options will automatically lapse 5 years after they are issued.

Subscription

The holder of Employee Options is entitled to subscribe (in respect of each Employee Option held) for one Share at the exercise price set at the time of issue.

Ranking

Shares issued pursuant to the exercise of Employee Options will in all respects rank equally and carry the same rights and entitlements as other Shares on issue.

Bonus issues and rights issues

There are no participating rights or entitlements inherent in the Employee Options and holders will not be entitled to participate in any new issue or bonus issue of Shares which may be offered to Shareholders during the currency of the Employee Options. However, SGEH will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 7 Business Days after the issue is announced. This will give Employee Option holders the opportunity to exercise their Employee Options prior to the date for determining entitlements to participate in any such issue.

Quotation

The Employee Options will not be quoted on ASX. However, application will be made to ASX for quotation of the Shares allotted pursuant to the exercise of the Employee Options.

Variation

The ESOP may be amended by an ordinary resolution of the members of the Company in general meeting. The Board is also permitted to make certain technical and non-substantive amendments to the ESOP.

Reconstruction

If at any time the issued capital of SGEH is reconstructed (including reconstruction, consolidation, subdivision, share buy-back, reduction or return of capital), all rights of Employee Option holders are to be changed in a manner consistent with the ASX Listing Rules. In all other circumstances, the holder has no rights to a change in the exercise price or a change in the number of shares over which the Employee Option may be exercised.

ANNEXURE C – VALUATION OF PERFORMANCE RIGHTS

The Performance Rights issued by the Company are not quoted on the ASX and as such have no quoted market price.

A Performance Right is similar in nature to an option. There are various formulae models which are commonly applied in determining the theoretical value of options, such as the Black-Scholes Model and Binomial Option Pricing Model. However, where the Performance Right is to be exercised for nil consideration, the value of the Performance Rights as calculated under these models will be equal to the Company's underlying share price as at the valuation date. As such, considerations such as share price volatility, market interest rates and the time prior to the expiry date have no bearing on the valuation.

The Board has obtained independent advice from DMR Corporate Pty Ltd to assist in the determination of the value of the Performance Rights and the valuation undertaken for the purposes of valuing the Performance Rights proposed to be issued pursuant to Resolutions 9 and 10 has been based on valuation principals set out in AASB 2 Share Based Payments.

In valuing the Performance Rights, the Board and DMR Corporate Pty Ltd have considered the Company's underlying share price as at the valuation date (being the value of the Performance Rights which would be obtained under a theoretical application of the Black-Scholes Model and Binomial Option Pricing Model) and then discounted this value firstly to take into consideration the lack of marketability of the Performance Rights and secondly to take into account the possibility of the relevant performance hurdle not being met by the expiry date.

The key assumptions are set out in the table below and the Performance Rights were valued as follows:

Indicative valuation per Performance Right - Reserves Report Performance Hurdle)	\$0.0548 each
Indicative valuation per Performance Right - ODP Performance Hurdle	\$0.0470 each
Assumptions:	
Valuation date	26 March 2012
Share price ¹	\$0.087
Exercise price	Nil
Expiry date	3 years & 3 months
Dividend yield	Nil
Marketability Discount ²	10%
Reserves Report Hurdle Discount ³	30%
ODP Performance Hurdle Discount ³	40%

1. In the above table, the share price of \$0.087 is based on the seven day volume weighted average price of Shares traded on ASX for the period ending on 22 March 2012.
2. The marketability discount in the above table takes into consideration the lack of liquidity of the Performance Right in comparison with ordinary shares which are freely tradable. The marketability discount and hurdle discount discounts the raw valuation of a Performance Right from \$0.087 to a probability adjusted valuation of \$0.0548 and \$0.0470.
3. The hurdle discount in the above table has been set based on the probability of the hurdle being met as estimated by the Company.

Using the valuation derived above, the value of the financial benefit for the purposes of Resolutions 9 and 10 is set out below:

Name of Related Party	Resolution	Performance Rights	Total Value
Mr Peter Mills	9	3,000,000	\$152,700
Mr Colin Heseltine	10	2,000,000	\$101,800

ANNEXURE D - TERMS AND CONDITIONS OF OPTIONS**1.1 Nature of Options:**

- (a) Each Option shall grant the holder of that Option the right but not the obligation to be issued by the Company one Share at \$0.075 (**Option Exercise Price**).
- (b) Subject to the vesting conditions (as set out in clause 1.2 below) (**Vesting Conditions**), each Option shall be exercisable, by the Option holder at any time after the time of its grant and on or prior to 15 February 2017 (**Option Expiration Date**), after which time it will lapse.
- (c) If the applicable Vesting Conditions are not satisfied prior to the date which is 24 January 2014, the Options will lapse, save for the Vesting Conditions referred to in clause 1.2(c) below which if not satisfied prior to the date which is 24 January 2015, the Options will lapse.

1.2 Vesting Conditions

- (a) 10 million Options shall vest upon the Company completing a financing of at least \$25 million (or such other amount agreed between the Company and Argonaut Capital Limited);
- (b) 5 million Options shall vest upon the closing share price of the Company being at least \$0.15 for a continuous 30 day period; and
- (c) 5 million Options shall vest upon the closing share price of the Company being at least \$0.25 for a continuous 30 day period;
- (d) 10 million Options shall vest upon the Company completing, subsequent to the financing in 1.2(a) above, a financing of at least \$100 million (or such other amount agreed between the Company and Argonaut Capital Limited);
- (e) In the event of the occurrence of a change of Control of the Company, all Options not already vested, immediately vest. For the purposes of these terms, Control has the same meaning as in the Corporations Act (Cth) 2001; and
- (f) upon the termination of the mandate between the Company and Argonaut Securities dated 24 January 2012 under clause 11, all Options which have not yet vested shall immediately lapse.

1.3 Exercise of Options

An Option holder may exercise any of its Options at any time prior to their expiration, by delivery of:

- (a) an Option Exercise Form to the Company during normal business hours on any Business Day at the Company's principal executive offices on or prior to the Option Expiration Date; and
- (b) payment of an amount equal to the Option Exercise Price multiplied by the number of Shares in respect of which the Options are being exercised at the time.

1.4 Bonus Issues: If prior to an exercise of an Option, the Company makes an issue of Shares by way of capitalisation of profits or out of its reserves (other than pursuant to a dividend reinvestment plan), pursuant to an offer of such Shares to at least all the holders of Shares resident in Australia, then on exercise of the Option, the number of Shares over which an Option is exercisable shall be increased by the number of Shares which the holder of the Option would have received if the Option had been exercised before the date on which entitlements to the issue were calculated.

1.5 Rights Issues: There will be no change to the exercise price of an Option or the number of shares over which an Option is exercisable in the event of the Company making a pro rata issue of shares or other securities to holders of ordinary shares in the Company (other than a bonus issue).

1.6 Reconstruction of Capital: In the event of a consolidation, subdivision or similar reconstruction of the issued capital of the Company, and subject to such changes as are necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation:

- (a) the number of the Shares to which each Option holder is entitled on exercise of the outstanding Options shall be reduced or increased in the same proportion as, and the nature of the Shares shall

ANNEXURE D

be modified to the same extent that, the issued capital of the Company is consolidated, subdivided or reconstructed (subject to the same provisions with respect to rounding of entitlements as sanctioned by the meeting of shareholders approving the consolidation, subdivision or reconstruction); and

- (b) an appropriate adjustment shall be made to the Option Exercise Price of the outstanding Options, with the intent that the total amount payable on exercise of the Options shall not alter.

If, prior to the expiry of the Options, there is a reorganisation of the issued capital of the Company, the rights of the holder of the Options will be changed to the extent necessary to comply with the ASX Listing Rules applying to reorganisations at that time.

- 1.7 Cumulative Adjustments:** Full effect shall be given to the provisions of clauses 1.3 to 1.5 above, as and when occasions of their application arise and in such manner that the effects of the successive applications of them are cumulative, the intention being that the adjustments they progressively effect will be such as to reflect, in relation to the Shares issuable on exercise of the Options outstanding, the adjustments which on the occasions in question are progressively effected in relation to Shares already on issue.
- 1.8 Notice of Adjustments:** Whenever the number of Shares over which an Option is exercisable, or the Option Exercise Price, is adjusted pursuant to these terms, the Company shall give notice of the adjustment to all the Option holders, within one (1) Business Day.
- 1.9 Rights Prior to Exercise:** Prior to its exercise, an Option does not confer a right on the Option holder to participate in a new issue of securities by the Company. The Company must give the holder at least 6 business days' notice of the record date for determining entitlements to that new issue in accordance with the ASX Listing Rules.
- 1.10 Redemption:** The Options shall not be redeemable by the Company.
- 1.11 Assignability and Transferability:** The Options shall be freely assignable and transferable, subject to the provisions of Chapter 6D of the Corporations Act. Within 2 days after the issue of Shares upon exercise of the Options, the Company shall apply to ASX for those Shares to be admitted to quotation. The holder warrants to the Company that at the time of issue of such Shares it will be an exempt person for the purposes of section 708 of the Corporations Act and the Company will use reasonable endeavours to issue a notice in satisfaction of section 708A(5) of the Corporations Act within 5 business days of the issue of such Shares.
- 1.12 No Quotation:** The Company will not apply to have the Options quoted on ASX and the Options will carry no dividend or voting rights.

ANNEXURE E – NOMINATION FOR AUDITOR APPOINTMENT

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

30 March 2012

Dear Sir

Subject: Nomination of Auditor

In accordance with the provisions of section 328B of the *Corporations Act* 2001, Petra Cotes Pty Ltd as trustee for The Macondo Trust, being a member of Sino Gas & Energy Holdings Limited, hereby nominates PricewaterhouseCoopers for appointment as auditor of that company.

Yours faithfully

A handwritten signature in dark ink, appearing to read 'Rory McGoldrick', with a stylized flourish at the end.

Rory McGoldrick
Sole Director/Secretary
Petra Cotes Pty Ltd <Macondo Trust A/C>
PO Box 5002
St Georges Terrace
Perth WA 6831

Lodge your vote:



By Mail:

Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:

(within Australia) 1300 850 505
(outside Australia) +61 3 9415 4000

000001 000 SEH
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Proxy Form

For your vote to be effective it must be received by 2:00pm (Perth Time) Monday 28 May 2012

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, 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 sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the information tab, "Downloadable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

Turn over to complete the form ➔



View your securityholder information, 24 hours a day, 7 days a week:

www.investorcentre.com



Review your securityholding



Update your securityholding

Your secure access information is:

SRN/HIN: I9999999999



PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

☐

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

IND

Proxy Form

Please mark ☒ to indicate your directions

STEP 1

Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Sino Gas & Energy Holdings Limited hereby appoint

☐ the Chairman of the Meeting

OR

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Annual General Meeting of Sino Gas & Energy Holdings Limited to be held at the Celtic Club, 48 Ord Street, West Perth on Wednesday, 30 May 2012 at 2:00pm (Perth Time) and at any adjournment of that meeting.

Important for Items 1, 5, 6, 7, 9, 10 & 11 - If the Chairman of the Meeting is your proxy or is appointed as your proxy by default
By marking this box, you are directing the Chairman of the Meeting to vote in accordance with the Chairman's voting intentions on Item 1 as set out below and in the Notice of Meeting and you are also expressly authorising the Chairman of the Meeting to exercise your proxy on Items 5, 6, 7, 9, 10 & 11.
If you do not mark this box, and you have not directed your proxy how to vote on Items 1, 5, 6, 7, 9, 10 & 11 the Chairman of the Meeting will not cast your votes on Items 1, 5, 6, 7, 9, 10 & 11 and your votes will not be counted in computing the required majority if a poll is called on these items. If you appoint the Chairman of the Meeting as your proxy you can direct the Chairman how to vote by either marking the boxes in Step 2 below (for example if you wish to vote against or abstain from voting) or by marking this box (in which case the Chairman of the Meeting will vote in favour of Items 1, 5, 6, 7, 9, 10 & 11.
The Chairman of the Meeting intends to vote all available proxies in favour of Items 1, 5, 6, 7, 9, 10 & 11.

☐

I/We direct the Chairman of the Meeting to vote in accordance with the Chairman's voting intentions on Item 1 (except where I/we have indicated a different voting intention below) and I/we also expressly authorise the Chairman of the Meeting to exercise my/our proxy on Items 5, 6, 7, 9, 10 & 11. I/We acknowledge that the Chairman of the Meeting may exercise my proxy even though Items 1, 5, 6, 7, 9, 10 & 11 are connected directly or indirectly with the remuneration of a member of key management personnel.

STEP 2

Items of Business

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

ORDINARY BUSINESS

	For	Against	Abstain		For	Against	Abstain
Item 1				Item 8			
Remuneration Report				Renewal of Company's Proportional Takeover Approval Provisions			
Item 2				Item 9			
Re-Election of Mr Bernie Ridgeway as a Director				Approval of Grant of Performance Rights to Mr Peter Mills			
Item 3				Item 10			
Election of Mr Peter Mills as a Director				Approval of Grant of Performance Rights to Mr Colin Heseltine			
Item 4				Item 11			
Election of Mr Colin Heseltine as a Director				Approval of Grant of Performance Rights to Mr Gavin Harper			
Item 5				Item 12			
Increase in Maximum Annual Non Executive Directors' Fees				Ratification of Issue of Securities to Argonaut			
Item 6				Item 13			
Performance Rights Plan Renewal				Appointment of Auditor			
Item 7							
Share Option Plan Renewal							

The Chairman of the Meeting intends to vote all available proxies in favour of each item of business

SIGN

Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name

Contact Daytime Telephone

Date

/

/

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

Sino Gas & Energy Holdings Limited ACN 124 242 422



LAWYERS

Level 4, 105 St George's Terrace, Perth, Western Australia 6000 | Phone +61 8 9486 8111 | Facsimile +61 8 9226 1696
PO Box Z 5312, St George's Terrace, Perth, Western Australia 6831

Contact: Robyn Ferguson | rferguson@qlegal.com.au | SIN2001 | © Reserved by Q Legal

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

1. Definitions and interpretation

1.1 Definitions

In this Plan:

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

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

ASX means ASX Limited ACN 008 624 691.

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

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

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

Director means a director of Sino.

Employee means:

- (a) a person whom the Board determines to be in the permanent full-time or part-time employment of a company in the Group (including a Director or a company secretary of a company in the Group who holds salaried employment with that company on a full time or part time basis);
- (b) a person whom, in the Board's discretion it determines to be eligible to participate in the Plan and whom is an officer of a company in the Group including any Director or company secretary regardless of whether that person holds salaried employment or not; or
- (c) a person whom the Board determines is eligible to receive grants of Performance Rights under the Plan.

Event means:

- (a) a takeover bid is made to the holders of Shares;
- (b) a statement is lodged with the ASX to the effect that a person has become entitled to not less than 50% of the Shares;
- (c) pursuant to an application made to the court, the court orders a meeting to be held in relation to a proposed compromise or arrangement for the purpose of or in connection with a scheme for the reconstruction of Sino or its amalgamation with any other companies;

- (d) Sino passes a resolution for voluntary winding up; or
- (e) an order is made for the compulsory winding up of Sino.

Expiry Date means the expiry of the Exercise Period.

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

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

Group means Sino and each body corporate that is a subsidiary of Sino under Division 6 of Part 1.2 of the Corporations Act.

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

Listing Rules means the ASX Listing Rules.

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

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

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

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

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

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

Qualifying Reason means:

- (a) the death, Total and Permanent Disability, Retirement or redundancy of the Participant;
- (b) the Participant ceasing to be employed by, or ceasing to hold office in, a company within the Group as a result of a company ceasing to be a member of the Group, or a company in the Group selling a business it conducts to someone other than to another company in the Group;
- (c) the Participant ceasing to hold office in a company within the Group as a result of retirement by rotation in accordance with Article 6.3(b) of the Company's Constitution and not being re-elected as a Director of the Company or in the event of removal by the shareholders of the Participant as a Director of the Company in accordance with Article 6.3(h) of the Company's Constitution and section 203D of the Corporations Act; or

- (d) any other reason as determined by the Board in its absolute discretion.

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

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

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

Retirement means, in relation to a Participant, the retirement by the Participant from employment or office with any body corporate in the Group at age 55 or over.

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

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

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

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

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

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

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

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

1.2 Interpretation

In this Deed:

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

and unless the context indicates a contrary intention:

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

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

2. Performance Right Plan

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

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

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

3. Administration of the Plan

3.1 Administration by the Board

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

3.2 Board's power and discretion

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

3.3 Delegation by the Board

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

3.4 Decisions are final

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

3.5 Board may suspend or cancel the Plan

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

3.6 Documents

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

4. Rights of Participants

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

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

5. Grant of Performance Rights

5.1 Offer

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

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

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

5.2 Acceptance

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

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

5.3 When offer may not be accepted

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

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

5.4 Grant of Performance Rights

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

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

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

5.5 Nature of Performance Rights

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

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

6. Restrictions on grant of Performance Rights

6.1 Overriding restrictions

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

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

6.2 5% limit on issue of Shares

- (a) In the case of an offer of Performance Rights for issue, the number of Shares to be received on the exercise of the Performance Rights when aggregated with the number of Shares in the same class which would be issued were each outstanding Performance Right or offer or option to acquire unissued Shares, being an offer made or option or Performance Right acquired pursuant to an employee equity scheme of Sino extended only to employees or directors of a member of the Group, to be accepted or exercised (as the case may be) must not exceed 5% of the total number of issued Shares in that class as at the time of the offer.
- (b) In calculating the number of Shares which may be the subject of an offer of Performance Rights:
 - (i) any offer made or Performance Right acquired or issued by way of or as a result of:
 - A. an offer to a person situated outside Australia at the time of receipt of the offer; or
 - B. an offer that did not need disclosure to investors because of section 708 of the Corporations Act; or
 - C. any other offer permitted by Class Order 03/184 of the Australian Securities & Investment Commission (as may be amended from time to time) to be exempted, or
 - (ii) Shares subject to options or Performance Rights which have lapsed, shall be disregarded.

7. Restrictions on transfer of Performance Rights

7.1 Board consent required

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

7.2 Death or mental incapacity

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

8. Exercise of Performance Rights

8.1 Right to exercise

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

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

8.2 Lapse of Performance Rights

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

8.3 Method of exercise of Performance Rights

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

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

8.4 Minimum number for exercise

- (a) Performance Rights must be exercised in multiples of 500, unless the Participant exercises all Performance Rights able to be exercised at that time. The exercise of some Performance Rights only does not affect the Participant's right to exercise other Performance Rights at a later time.
- (b) If the Participant exercises less than all Performance Rights represented by a Certificate, Sino will cancel the Certificate and issue a new Certificate for the balance.

9. Shares provided on exercise

9.1 Issue or transfer of Shares on exercise

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

9.2 Shares to be held by Trustee

Any Shares provided to a Participant following the exercise of Performance Rights will be registered in the name of the Trustee and are to be held by the Trustee on behalf of the Participant on the terms of this Plan and the Trust Deed. The Participant will not be entitled to any dividends which are paid or declared in respect of the Shares which are held by the Trustee on behalf of the Participant.

9.3 Shares rank equally

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

10. Restrictions on dealing in Shares

10.1 Shares held on trust during Restriction Period

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

10.2 Dealing in Shares during Restriction Period

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

10.3 Additional restriction mechanisms

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

11. Forfeiture of Shares

11.1 Risk of forfeiture

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

11.2 When risk of forfeiture ceases

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

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

11.3 Sino to notify and record forfeiture

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

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

A failure to do this does not invalidate the forfeiture.

11.4 Consequences of forfeiture

The forfeiture of a Share extinguishes:

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

11.5 Disposal of forfeited Share

Subject to the Corporations Act and the Listing Rules:

- (a) the Participant grants to Sino an irrevocable power of attorney to sell, dispose, transfer or otherwise deal with a forfeited Share on any terms and in any way the Board may determine, with such power able to be exercised by Sino in the event that the Share is liable to be forfeited; and
- (b) if Sino sells, disposes, transfers or otherwise deals with a forfeited Share pursuant to clause 11.5(a), then the Participant acknowledges and agrees that:
 - (i) the Participant is not entitled to any proceeds in respect of such dealing;
 - (ii) the Board and Sino are not under any obligation to act in the interests of the Participant or to account to the Participant in respect of such dealing; and
 - (iii) Sino must pay the net proceeds (if any) of any such dealing to the Trustee.

11.6 Annulment of forfeiture

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

12. Withdrawal Notice

12.1 Submission of a Withdrawal Notice

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

12.2 Content of a Withdrawal Notice

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

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

12.3 Deemed submission of a Withdrawal Notice

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

12.4 Timing of submission or consideration of a Withdrawal Notice

The Board may:

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

12.5 Approval or rejection of Withdrawal Notice

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

12.6 Repayment of moneys owed by a Participant

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

13. Cessation of Employment or Office

13.1 Cessation of employment or office

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

13.2 Qualifying Reason

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

- (a) if less than six months of the Performance Period relating to those Performance Rights has elapsed at the date of cessation of employment or office, all of the Performance Rights will lapse; and
- (b) if:
 - (i) between six months and eighteen months of the Performance Period relating to those Performance Rights has elapsed at the date of cessation of employment or office, the number of Performance Rights the Employee will be entitled to will be calculated on the following basis:

Step 1

Calculate the number of days from the beginning of the Performance Period up to and including the date of cessation of employment or office;

Step 2

Divide the result from Step 1 by the number of days in the Performance Period;

Step 3

Multiply the number of Performance Rights for that Employee which could have been allocated at the end of the Performance Period by the result from Step 2,

and such number of Performance Rights will be immediately exercisable in accordance with clause 8.3 (and the balance of the Performance Rights will lapse), save that they must be exercised within 3 months from the date of cessation of employment or office; or

- (ii) more than eighteen months of the Performance Period relating to those Performance Rights has elapsed at the date of cessation of employment or office, then clause 13.2(b)(i) shall not apply and the Employee will be entitled to all such Performance Rights which will be immediately exercisable in accordance with clause 8.3, save that they must be exercised within 3 months from the date of cessation of employment or office; and
- (c) if six months or more of the Performance Period relating to those Performance Rights has elapsed at the date of cessation of employment or office, and at the date of cessation of employment or office 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 will be immediately exercisable in accordance with clause 8.3, save that they must be exercised within 3 months from the date of cessation of employment or office.

13.3 Cessation after end of Performance Period

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

13.4 Board may allocate Shares

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

14. Participation in future issues

14.1 Participation generally

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

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

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

14.2 Notice

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

14.3 Bonus issues

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

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

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

where:

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

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

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

14.4 Rights issues

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

14.5 Reconstruction

- (a) In the event of any reconstruction of the issued ordinary capital of Sino before the exercise of a Performance Right, the number of Shares attaching to each Performance Right will be reconstructed in the manner specified below.
- (b) If the manner is not specified then the Board will determine the reconstruction. In any event the reconstruction will not result in any additional benefits being conferred on Participants which are not conferred on shareholders of Sino (subject to the same provisions with respect to rounding of entitlements as sanctioned by the meeting of shareholders approving the reconstruction of capital) and in all other respects the terms for the exercise of Performance Rights will remain unchanged.
- (c) In the case of any reconstruction of the issued capital of Sino, the exercise price of the Performance Right will not be changed.
- (d) In the event of any consolidation or sub-division of shares or reduction or cancellation of capital then the reconstruction will be determined by the following formulae:

- (i) Consolidation; and

- (ii) Subdivision:

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

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

$$S = C$$

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

$$S = C$$

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

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

where:

A = The total number of Shares in issue before the capital reconstruction;

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

14.6 Advice

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

14.7 Aggregation

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

15. Quotation of Performance Right and Shares

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

16. Amendment of these Rules

16.1 Power to amend

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

16.2 Limitations of amendment power

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

- (a) for the purpose of complying with, or conforming to, present or future State, Territory or Commonwealth legal requirements governing or regulating the maintenance or operation of the Plan or like plans;
- (b) to correct any manifest error or mistake; or
- (c) to enable the Trustee or any body corporate in the Group to comply with the Corporations Act or the Listing Rules or relevant instruments of relief granted by the Australian Securities and Investments Commission from time to time.

16.3 Listing Rules

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

16.4 Retrospective effect

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

17. Notices

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

18. Non-Australian residents

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

19. Governing law and jurisdiction

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