Sino Gas & Energy Holdings Limited

ACN 124 242 422

Financial Report for the Half-Year ended 30 June 2012

Corporate Information

Directors	Gavin Harper – Executive Chairman Robert Bearden – Managing Director & CEO Bernard Ridgeway – Non-Executive Director Peter Mills – Non-Executive Director Colin Heseltine – Non-Executive Director	
Company Secretary	Harry Spindler	
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Sino Gas & Energy Holdings Limited ACN 124 242 422
Interim report – 30 June 2012

Contents

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2011 and any public announcements made by Sino Gas & Energy Holdings Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001.*

Directors' report

Your directors present their report on the consolidated entity consisting of Sino Gas & Energy Holdings Limited (the "Company" or the "Group" or "Sino Gas") and the entities it controlled at the end of, or during, the half-year ended 30 June 2012. At 30 June 2012, Sino Gas & Energy Limited (SGE), which holds interests in the Linxing (64.75%) and Sanjiaobei (49%) Production Sharing Contracts (PSCs) was a wholly owned subsidiary of Sino Gas.

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

G Harper
BW Ridgeway
P Mills
C Heseltine - appointed as Non-Executive Director on 30 January 2012
SJ Lyons - resigned as Managing Director on 15 May 2012
R Bearden - appointed as Managing Director on 1 September 2012
J Chandler - resigned as Non-Executive Director on 31 August 2012

Review of operations
In the first half of 2012 Sino Gas underwent transformational changes as it moved further towards developing its Chinese gas assets. Following a successful 2011 work program, on 23 January 2012 the Company announced a substantial increase in the independent certification of reserves and resources. RISC's (Resource Investment Strategy Consultants) independent assessment evaluated (mid-case 100%)[1]:

(a) Project Reserves (2P) increase of 16% to 22 Bcf

(b) Project Mid-case contingent and prospective resources increase of approximately 40% to 3.7Tcf

(c) Increase in SGE's project NPV in developing the mid-case Contingent and Prospective resources of 96% to US$2.3 billion

To address the value gap between the Company's market capitalisation and value of the resources, Argonaut was appointed as corporate advisor to pursue non-dilutive funding to progress the existing and future exploration projects towards development. Following the appointment:

(a) A financing process commenced targeting sophisticated investors across Australia and Asia

(b) A landmark strategic partnership agreement was signed with MIE Holdings Corporation (MIE) to provide $90 million in funding on the Sanjiaobei and Linxing blocks to fund the PSCs work programs through to development

(c) A series of road shows took place across Australia, Hong Kong and Singapore to raise the awareness in the investment community of Sino Gas' potential

Mr Robert Bearden commenced as President and CEO in May, marking the completion of an extensive board and executive strengthening process. He has already been very active in the Company's marketing strategy and actively working with our new strategic partner implementing the PSC work programs.

In April, SGE agreed work programs with its Chinese PSC partners, which included the drilling of 17 new wells and 270km of seismic acquisition across both PSCs, aimed at delivering Chinese Reserve Report approvals in 2013. Work program preparations in the first half of the year included tendering for vendors, selection of well locations, and pad preparations. Now with funding in place, Sino Gas is moving forward with its new strategic partner to fully implement the approved seismic and drilling work programs across its PSCs. The Company is also advancing plans to secure gas sales agreements to commence pilot programs from previously drilled wells.

[1]*Figures are 100% project mid-case for Linxing West & Sanjiaobei determined by Society of Petroleum Engineers Petroleum Resource Management Systems (SPE PRMS). Project NPV10 is based on a mid-case gas price of US$7.64/mscf. Lifting costs (opex+capex) ~US$2/mscf mid-case.*

Sino Gas & MIE Strategic Partnership
The strategic partnership completed on 6 July 2012 with MIE Holdings Corporation (MIE) was a landmark deal for the Company. It combines MIE's financial strength, on-ground operational capability and Chinese regulatory experience with Sino Gas' gas projects and technical expertise.

Highlights of the strategic partnership include:

(a) MIE to invest US$100 million to acquire 51% of Sino Gas' subsidiary that holds the Sanjiaobei and Linxing PSCs in Shanxi Province, People's Republic of China

(b) MIE is one of the leading independent onshore upstream oil companies in China. In 2011, MIE produced over 10,000 barrels of oil per day (net) and drilled over 450 wells in its China operation

(c) MIE has extensive experience in delivering Sino-Foreign PSCs through regulatory approval to production

(d) Sino Gas and MIE execute Mutual Co-operation Agreement for future co-operation targeting new projects

Commenting on the transaction, Sino Gas' Executive Chairman, Mr Gavin Harper said: "We are delighted to have secured this landmark agreement with MIE, which represents an outstanding outcome for Sino Gas shareholders. Not only do we get MIE's financial strength but also their proven ability to deliver Sino-Foreign PSCs through CRR and ODP and critical ability to operate in a highly profitable manner in China."

The first SGE board meeting following the transaction was held in August 2012, with both shareholders committing to completing the 2012 work programs and agreeing to work towards developing 2013 work programs with the respective PSC partner aimed at delivering Chinese Reserve Reports for approval.

Financial Result and Financial Position

The consolidated entity made a net loss for the six months ended 30 June 2012 of $3,006,072 (half-year ended 30 June 2011: loss of $2,430,537).

As at 30 June 2012 the consolidated entity cash position was $439,392 (31 December 2011: $4.3 million) of which $176,134 was attributable to continuing operations and a net asset position for the consolidated entity was $33.6 million (31 December 2011: $35.5 million).

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 3.

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

Robert Bearden
Managing Director & CEO

Perth
11 September 2012

Auditor's Independence Declaration

As lead auditor for the review of Sino Gas & Energy Holdings Limited for the half year ended 30 June 2012, I declare that to the best of my knowledge and belief, there have been:

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

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

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

Nick Henry
Partner
PricewaterhouseCoopers

11 September 2012

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	Notes	**Half-year 2012 $**	Half-year 2011 $
Continuing Operations			
Other revenue		**32,092**	48,942
Other losses		**-**	(625,067)
Financing costs		**-**	(264,600)
Fundraising costs expensed		**(1,037,492)**	-
Operating expenses		**(111,617)**	(199,347)
Share-based payment expense	5	**(245,014)**	(258,518)
Foreign exchange gain / (loss)		**104,158**	(37,092)
General and administration expenses		**(1,325,155)**	(493,202)
Loss before income tax expense		**(2,583,028)**	(1,828,884)
Income tax expense		**-**	-
Loss from continuing operations		**(2,583,028)**	(1,828,884)
Loss from discontinued operations	9	**(423,044)**	(601,653)
Loss for the half-year		**(3,006,072)**	(2,430,537)
Other comprehensive income / (expense)			
Exchange differences on translation of foreign operations		**16,111**	(1,129,800)
Total comprehensive loss for the period		**(2,989,961)**	(3,560,337)
		Cents	Cents
Loss per share for loss from continuing operations attributable to the ordinary equity holders of the Company:			
Basic earnings per share		**(0.23)**	(0.19)
Diluted earnings per share		**(0.23)**	(0.19)
Loss per share for loss attributable to the ordinary equity holders of the Company:			
Basic earnings per share		**(0.27)**	(0.26)
Diluted earnings per share		**(0.27)**	(0.26)

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

	Notes	**30 June 2012 $**	31 December 2011 $
ASSETS			
Current assets			
Cash and cash equivalents	7	**176,134**	4,317,338
Trade and other receivables		**34,961**	193,610
Other current assets		**52,410**	185,055
Total current assets		**263,505**	4,696,003
Non-current assets			
Plant and equipment		**-**	116,155
Deferred exploration and evaluation expenditure	3	**-**	39,589,959
Assets of SGE classified as held for sale	9	**42,363,207**	-
Total non-current assets		**42,363,207**	39,706,114
Total assets		**42,626,712**	44,402,117
LIABILITIES			
Current liabilities			
Trade and other payables		**628,304**	8,748,875
Provisions		**58,545**	118,726
Liabilities of SGE classified as held for sale	9	**8,317,305**	-
Total current liabilities		**9,004,154**	8,867,601
Total liabilities		**9,004,154**	8,867,601
Net assets		**33,622,558**	35,534,516
EQUITY			
Contributed equity	4	**60,321,166**	60,321,166
Reserves	5	**(1,255,963)**	(2,350,077)
Accumulated losses		**(25,442,645)**	(22,436,573)
Total equity		**33,622,558**	35,534,516

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

	Notes	Contributed equity	Equity settled benefits reserves	Foreign currency translation reserves	Equity component reserves	Accumulated losses	Total attributable to equity holders of the Company
		$	$	$	$	$	$
Balance at 1 January 2011		**52,808,853**	**3,068,354**	**(6,510,060)**	**195,939**	**(18,438,739)**	**31,124,347**
Loss for the half-year		-	-	-	-	(2,430,537)	(2,430,537)
Other comprehensive loss		-	-	(1,129,800)	-	-	(1,129,800)
Total comprehensive loss for the half-year		**-**	**-**	**(1,129,800)**	**-**	**(2,430,537)**	**(3,560,337)**
Transactions with owners in their capacity as owners:							
Transfer to retained earnings		-	-	-	(195,939)	195,939	-
Issue of shares		1,704,357	-	-	-	-	1,704,357
Share issue costs		(97,908)	-	-	-	-	(97,908)
Issue of performance rights		-	258,518	-	-	-	258,518
Share based payment		-	406,415	-	-	-	406,415
		1,606,449	664,933	-	(195,939)	195,939	2,271,382
Balance at 30 June 2011		**54,415,302**	**3,733,287**	**(7,639,860)**	**-**	**(20,673,337)**	**29,835,392**
Balance at 1 January 2012		**60,321,166**	**4,004,266**	**(6,354,343)**	**-**	**(22,436,573)**	**35,534,516**
Loss for the half-year		-	-	-	-	(3,006,072)	(3,006,072)
Other comprehensive income		-	-	16,111	-	-	16,111
Total comprehensive expense for the half-year		**-**	**-**	**16,111**	**-**	**(3,006,072)**	**(2,989,961)**
Transactions with owners in their capacity as owners:							
Issue of performance rights	5	-	245,014	-	-	-	245,014
Issue of options	5	-	832,989	-	-	-	832,989
		-	1,078,003	-	-	-	1,078,003
Balance at 30 June 2012		**60,321,166**	**5,082,269**	**(6,338,232)**	**-**	**(25,442,645)**	**33,622,558**

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

	Notes	Half-year 2012 $	2011 $
Cash flows from operating activities			
Payments to suppliers and employees		**(2,133,505)**	(1,489,713)
Interest received		**32,450**	50,274
Net cash used in operating activities		**(2,101,055)**	(1,439,439)
Cash flows from investing activities			
Payments for plant and equipment		**(9,339)**	(24,780)
Payments for exploration expenditure		**(1,785,098)**	(5,872,206)
Net cash used in investing activities		**(1,794,437)**	(5,851,986)
Cash flows from financing activities			
Proceeds from issue of options		**3,000**	1,200,000
Proceeds from issue of convertible security		**-**	600,000
Share issue costs (net of tax)		**-**	(85,240)
Net cash provided by financing activities		**3,000**	1,714,760
Net decrease in cash and cash equivalents		**(3,892,492)**	(5,576,665)
Cash and cash equivalents at the beginning of the half-year		**4,317,338**	8,278,256
Effects of exchange rate changes on cash and cash equivalents		**14,546**	(95,021)
Total cash and cash equivalents at end of the half-year		**439,392**	-
Reclassified to held for sale	9	**(263,258)**	-
Cash and cash equivalents from continuing operations at end of the half-year	7	**176,134**	2,606,570

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

1 Basis of preparation of half-year report

This condensed consolidated interim financial report for the half-year reporting period ended 30 June 2012 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001.*

This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2011 and any public announcements made by Sino Gas & Energy Holdings Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001.*

The presentation currency of the Company is Australian dollars. The functional currency of the Company is United States dollars. The functional currency of the Chinese representative office, the Chinese PSC Operations and the corporate office is United States dollars.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Working capital deficiency

For the period ended 30 June 2012, the Group had a working capital deficiency of $8,740,649, which was largely attributable to the balance of trade creditors relating to SGE's exploration work program. As discussed in note 8, on 6 July 2012, as a result of the completion of the strategic partnership agreement with MIE Holdings Corporation (MIE), the Parent Company received $9.7 million (US$10 million). Furthermore, funding designated by MIE for qualifying PSC expenditure will be used to settle trade creditors of the SGE subsidiary. After taking into consideration the subsequent cash inflows, the Board of Directors believe that the Group has sufficient cash to enable it to pay its debts as and when they fall due for at least 12 months from the date of this report.

Discontinued Operations

Following the completion of the strategic partnership with MIE on 6 July 2012, MIE holds 51% of the issued share capital of SGE through the investments described in note 8. SGE will become a jointly controlled entity as the SGE Shareholders' Agreement requires unanimous board approval of the annual budget, the annual work program and budget, the overall development program and to enter into, vary or terminate any sales agreement. As a result the Company will deconsolidate the assets and liabilities of SGE and recognise its interest in SGE using the equity method of accounting.

As at 30 June 2012, the operating results of SGE have been treated as a discontinued operation and the assets and liabilities held for resale.

Impacts of standards issued but not yet applied by the entity

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from AASB 139 *Financial Instruments: Recognition and Measurement* and have not been changed. The Group has not yet decided when to adopt AASB 9.

2 Segment information

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

3 Deferred exploration and evaluation expenditure

	30 June 2012 $	31 December 2012 $
Exploration		
At cost	41,708,982	39,589,959
Classified as held for sale (Note 9)	(41,708,982)	-
	-	39,589,959

Reconciliation of the carrying amount of exploration expenditure at the beginning and end of the financial period

	6 months ended 30 June 2012 $	12 months ended 31 December 2012 $
Exploration		
Carrying amount at the beginning of the financial period	39,589,959	28,656,049
Additions	2,036,327	10,740,422
Impact of foreign exchange	82,696	193,488
Classified as held for sale	(41,708,982)	-
Carrying amount at the end of the financial period	-	39,589,959

Recoverability of the carrying amount of exploration assets is dependent on the successful exploration, development and commercial exploitation or sale of the Production Sharing Contracts (PSCs). Amortisation of the costs carried forward for the production phase is not being recognised pending commencement of production. The carrying amounts above represent the costs that SGE has incurred on both its Linxing and Sanjiaobei PSCs. The PSC contracts regulate the cooperation between SGE and the Chinese partners to the contracts. The PSCs are 30-35 year contracts divided into three periods: exploration, development and production. SGE is currently in the exploration period on both PSCs.

In respect of the Linxing PSC, SGE has received formal approval from the Ministry of Commerce (MOFCOM) for a two year extension of the exploration period to 31 August 2013. The exploration period on the Sanjiaobei PSC expired on 31 August 2008 and is in the process of being extended. As part of the restructure of the Chinese CBM industry the Sanjiaobei PSC was transferred from CUCBM to CNPC however completion of this process has been delayed. In September 2011, the Sanjiaobei PSC was formally transferred to CNPC. Sino Gas is working with CNPC to conclude the extension of the Exploration Period.

4 Contributed equity

	30 June 2012 $	31 December 2011 $
Issued and paid up capital	$ 60,321,166	$ 60,321,166
Number of shares	1,120,417,120	1,120,417,120

5 Reserves

	Notes	30 June 2012 $	31 December 2011 $
Foreign currency translation reserve	(i)	(6,338,232)	(6,354,343)
Equity settled Share Based Payment reserve	(ii)	5,082,269	4,004,266
		(1,255,963)	(2,350,077)

(i) Movements in foreign currency translation reserve

Balance at the beginning of the financial period		(6,354,343)	(6,510,060)
Translation of foreign operation		16,111	155,717
Closing balance at 30 June 2012		(6,338,232)	(6,354,343)

(ii) Movements in equity settled benefits reserve

		30 June 2012 Number	30 June 2012 Amount $
Movements in options during the period			
Balance at the beginning of the financial period		344,343,757	3,431,188
Issue of options to financial advisors	(iii)	30,000,000	832,989
Closing balance at 30 June 2012		374,343,757	4,264,177
Movements in performance rights during the period			
Balance at the beginning of the financial period		35,000,000	573,078
Issue of performance rights to directors and management	(iv)	11,800,000	290,620
Less performance rights lapsed unexercised	(iv)	(6,500,000)	(45,606)
Closing balance at 30 June 2012		40,300,000	818,092
Total closing balance at 30 June 2012		414,643,757	5,082,269

(i) Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences relating to the translation from United States Dollars, being the functional currency of the Company's foreign operations in China and its corporate office, into Australian dollars are brought to account by entries made directly to the foreign currency translation reserve, as described in Note 1 to the annual report for the year ended 31 December 2011.

(ii) Equity settled Share Based Payment reserve

This Share Based payment reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration and to suppliers as payments for services. The equity settled benefits reserve arises on the grant of share options to senior executives under the Employee Share Option Plan, the grant of performance rights to senior executives under the Performance Rights Plan and option based payments to suppliers. Amounts are transferred out of the reserve and into issued capital when the options or performance rights are exercised.

(iii) Options

30,000,000 unlisted options with an exercise price of $0.075 were issued on 15 February 2012 in relation to the appointment of Argonaut as the Company's corporate advisor. These options were valued using the Black-Scholes Model (20,000,000 options) and the Barrier Option (10,000,000 options) pricing model. An amount of $832,989 has been expensed as fundraising costs in the period ended 30 June 2012.

(iv) Performance Rights

Each performance right is exercisable for one ordinary share at nil consideration. Shareholders approved the issue of 8,300,000 Performance Rights at the Company's AGM on May 30 2012 to directors. In addition 3,500,000 performance rights were issued to management during the period. 6,500,000 performance rights were forfeited by resigning employees.

6 Commitments for expenditure and contingencies

(a) Commitments for expenditure

SGE intends to continue the appraisal of its Linxing and Sanjiaobei PSCs. Under the terms of the PSCs, SGE has minimum spend obligations on the Linxing and Sanjiaobei PSCs and the requirements of the Ministry of Land & Resources (MOLAR), as described in more detail below.

Annual minimum spend per 2012

	Remaining Minimum Spend $	Full year $
PSC		
Linxing	1,859,417	2,871,425
Sanjiaobei	666,083	1,722,135
Total	**2,525,500**	**4,593,560**

The amounts set out in the table above do not include general and administrative expenses. The minimum spend noted above is determined in Chinese Renminbi and have been converted to Australian Dollars at the rate prevailing at balance sheet date. The minimum spend amounts reflect SGE's 100% gross working interest in the Linxing and Sanjiaobei PSCs. As a result of strategic partnership with MIE closed on 6 July 2012, this obligation is now a requirement of the jointly controlled entity and the Company is required to fund 49% of the remaining minimum spend after MIE has completed its initial funding of US$90 million. However, if MIE defaults on the US$90 million investment, to maintain the currency of the PSCs the Company will be required to fund the shortfall.

(b) Operating lease commitments

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

	30 June 2012 $	31 December 2011 $
Non-cancellable operating lease commitments		
Not longer than 1 year	174,902	191,602
Longer than 1 year and not longer than 5 years	873	30,060
	175,775	221,662

7 Notes to the condensed consolidated statements of cash flows

For the purposes of the Condensed Consolidated Statement of Cash Flows, cash and cash equivalents includes cash on hand and in banks and investment in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the period as shown in the Condensed Consolidated Statement of Cash Flows is reconciled to the related items in the Condensed Consolidated Balance Sheet as follows:

	30 June 2012 $	31 December 2011 $
Total cash and cash equivalents	439,392	4,317,338
Reclassified to held for sale	(263,258)	-
	176,134	4,317,338

8 Events occurring after the reporting period

On 6 July 2012, the Company completed a strategic partnership agreement with MIE. MIE acquired 39 million ordinary shares (14.29% interest of existing shares) in SGE from Sino Gas for a consideration of $ 9.7 million (US$10 million). In addition, MIE will progressively invest a further US$90 million into SGE as described below to secure an interest of 51% in the issued share capital of SGE.

The US$90 million investment to be made by Asia Power and Energy Corporation (Asia Power, a wholly owned MIE subsidiary) is comprised of converting redeemable preference shares in SGE (to be held in escrow pending completion of Asia Power's funding obligations and then released proportionally from escrow and converted into ordinary shares in SGE on a 6 monthly basis, or alternatively, redeemed by SGE if Asia Power defaults on its funding obligations) and in part in the form of a loan note repayable by SGE from recovered Qualifying Expenditure on the PSC blocks once commercial production commences (such loan mechanism to ensure that Sino Gas and Asia Power recover agreed portions – US$63 million and US$90 million respectively, as may be adjusted under the terms of the Purchase and Subscription Agreement – via the cost recovery model under the PSCs).

The converting redeemable preference shares issued to Asia Power, when combined with the purchase of existing ordinary shares from the Company, results in Asia Power holding 51% of the issued share capital of SGE from closing (with Sino Gas holding the remaining 49%).

For the interim reporting period ended 30 June 2012, SGE was a wholly owned subsidiary of Sino Gas. An SGE Shareholders' Agreement was effected on July 6 2012, which establishes joint control between Sino Gas and MIE. As the transaction had not occurred at 30 June 2012 the financial effects of this transaction have not been brought to account. The Company will recognise the financial effects of the transaction in the accounts for the year ended 31 December 2012, including recognising its interest in SGE under the equity method prescribed by *AASB 131 Interests in Joint Ventures*. Although the agreement was completed for accounting purposes on 6 July 2012, the transaction created a taxing event before 30 June 2012. The taxable gain in respect of the transaction will be offset by prior year tax losses of the Group as at 30 June 2012, resulting in no income tax expense being recorded for the half-year ended 30 June 2012.

On 3 September 2012, the Company announced that Mr. John Chandler, Non-Executive Director, retired from the board on 31 August 2012, and Mr. Robert Bearden has been appointed to the board as Managing Director, effective 1 September 2012.

On 7 September 2012, the Company issued 5,250,000 fully paid ordinary shares following the exercising of performance rights under the Company's Performance Rights Plan.

9 Discontinued operation

(a) Description

As a result of the strategic partnership described in note 8, as at 30 June 2012 the operating results of SGE have been treated as a discontinued operation and the assets and liabilities of SGE held for resale. Financial information relating to the discontinued operation for the period to the date and the assets and liabilities held for resale is set out below.

(b) Financial performance and cash flow information

Financial performance and cash flow information of the discontinued operation for the six months ended 30 June 2012 are set out below:

	6 months ended 30 June 2012 $	**6 months ended 30 June 2011 $**
Other revenue	358	1,332
Other income	223	-
Financing costs	(1,923)	-
Depreciation and amortisation expense	(25,227)	(25,199)
Share based payment	-	(21,105)
Foreign exchange loss	(33,534)	(63,160)
General and administration expenses	(362,941)	(493,521)
Loss before tax for the period from discontinued operations	(423,044)	(601,653)
Income tax expense	-	-
Loss after tax for the period from discontinued operations	(423,044)	(601,653)

(b) Financial performance and cash flow information(cont'd)

	6 months ended 30 June 2012 $	**6 months ended 30 June 2011 $**
Net cash outflow used in operating activities	(1,028,763)	(748,906)
Net cash outflow used in investing activities	(1,794,437)	(5,851,986)
Net cash provided by financing activities	2,930,999	117,761
Net increase/(decrease) in cash generated by the discontinued operation	107,799	(6,483,131)

(c) Carrying amounts of assets and liabilities

Carrying amounts of assets and liabilities as at 30 June 2012:

	30 June 2012 $
Plant and equipment	100,168
Deferred exploration and evaluation expenditure	41,708,982
Cash and cash equivalents	263,258
Trade and other receivables	103,508
Other current assets	187,291
Total assets	42,363,207
Trade and other payables	8,213,018
Provisions	104,287
Intercompany loan from parent	33,488,245
Total liabilities	41,805,550
Net assets	557,657

In the directors' opinion:

(a) the financial statements and notes set out on pages 4 to 13 are in accordance with the *Corporations Act 2001,* including:
   (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
   (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the half-year ended on that date, and

(b) there are reasonable grounds to believe that the Sino Gas & Energy Holdings Limited will be able to pay its debts as and when they become due and payable.

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

Robert Bearden
Managing Director & CEO

Perth
11 September 2012

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Sino Gas & Energy Holdings Limited, which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for the Sino Gas & Energy Holdings Limited Group (the consolidated entity). The consolidated entity comprises both Sino Gas & Energy Holdings Limited (the company) and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Sino Gas & Energy Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

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Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the half-year ended on that date; and

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

PricewaterhouseCoopers

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Nick Henry
Partner

Perth
11 September 2012