

22 April 2013

SINO GAS & ENERGY – NOTICE OF ANNUAL GENERAL MEETING

It is our pleasure to invite you to the 2013 Annual General Meeting (**AGM**) of Sino Gas & Energy Holdings Limited (ASX: SEH, **Sino Gas** or the **Company**) to be held on Thursday, 23 May 2013 at 2.00pm in Perth, Western Australia. In this regard, please find following the Notice of Annual General Meeting and Explanatory Statement.

At the AGM, shareholder will have the opportunity to meet the Directors and ask questions regarding the Company's operations.

Items of AGM Business

Your Board is recommending the re-election of Gavin Harper and election of Robert Bearden. Gavin has over 36 years experience in the oil and gas industry in a variety of leadership roles, primarily with Chevron Corporation. He has broad experience of working in both operating and non-operating roles in complex joint ventures - in Asia, Australia and the UK. Robert has more than 30 years of experience in the upstream petroleum industry, predominantly in the areas of field development and production operations. Previously he worked for major corporations in the industry, including field executive management roles with Chevron based in Kazakhstan, Africa, Indonesia and the United States. Please refer to the Company's 2012 Annual Report for further details regarding these directors' credentials and experience.

As previously announced in January 2013, the Company completed a capital raising of A\$10.1 million, before costs, via a placement of 82,448,979 new fully paid ordinary shares at \$0.1225 per share to leading institutional investors. The Company is seeking shareholders to ratify this issue in order to refresh its 15% placement capacity pursuant to the ASX Listing Rules.

As an incentive to key management, the Board has amended its Performance Rights Plan (**PRP**) and is recommending the issue of Performance Rights (**PRs**) to Robert Bearden on the terms set out in the Explanatory Statement to the Notice. Also summarised in Annexure A to the Notice and attached is the revised PRP.

Most of the remaining items of business will be familiar to you.

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

For more information, please contact:

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Our latest announcements and presentations can be found on our website:

www.sinogasenergy.com

About Sino Gas & Energy Holdings Limited

Sino Gas & Energy Holdings Limited ("Sino Gas" ASX: SEH) is an Australian energy company focused on developing Chinese unconventional gas assets. Sino Gas holds a 49% interest in Sino Gas & Energy Limited ("SGE") through a strategic partnership completed with MIE Holdings Corporation ("MIE" SEHK: 1555) in July 2012. SGE has been established in Beijing since 2006 and is the operator of the Linxing and Sanjiaobei Production Sharing Contracts (PSCs) in the Ordos Basin, Shanxi province.

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

The PSCs are located in the Ordos Basin and cover an area of approximately 3,000km². The Ordos Basin is the second largest onshore oil and gas producing basin in China. The region has mature field developments with an established pipeline infrastructure to major markets. Rapid economic development is being experienced in the provinces in which Sino Gas' PSCs are located and natural gas is seen as a key component of clean energy supply in China.

Resources Statement & Disclaimer

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 (January 2012) and NSAI (2008). These statements were not prepared to comply with the China Petroleum Reserves Office (PRO-2005) standards or the U.S. Securities and Exchange Commission regulations and have not been verified by SGE's PSC partners CNPC and CUCBM. All resource figures quoted are 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.

ANNOUNCEMENT ENDS



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: Thursday, 23 May 2013

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.

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 Thursday, 23 May 2013 commencing at 2.00pm (Perth time).

Agenda

Ordinary Business

Financial Statements

To receive and consider the financial report and the reports of the Directors and of the Auditors for the financial year ended 31 December 2012.

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 2012 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 Gavin Harper as a Director

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

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

3. Election of Mr Robert Bearden 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 Robert Bearden who was appointed as a Director on 1 September 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."

NOTICE OF MEETING

4. Approval of Termination Benefits

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

"That, for the purposes of sections 200B and 200E of the Corporations Act and for all other purposes, approval is granted to the giving to the Qualifying Recipients referred to in the Explanatory Statement accompanying this Notice of Annual General Meeting of benefits in connection with termination or retirement from office or position of employment in the Company or a related body corporate, details of which are set out in the Explanatory Statement".

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

5. Approval of Variation to Terms of Existing Performance Rights

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 6.23.4 and for all other purposes, approval is given to vary the terms of all Performance Rights on issue 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 5 by a person who holds a performance right in the Company 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.

6. Approval of Grant of Performance Rights to Mr Robert Bearden

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 15,525,000 Performance Rights, each to acquire 1 ordinary fully paid share in the Company, to Mr Robert Bearden, Managing 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 6 by Mr Robert Bearden 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.

7. Ratification of Issue of Shares

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 82,448,979 fully paid ordinary shares on 4 January 2013, 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 7 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 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.

NOTICE OF MEETING

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), 21 May 2013 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 21 May 2013.

Corporate Representative

If a representative of a Shareholder corporation is to attend the Meeting, the attached "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 22 April 2013

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.

2012 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 2012 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.

1. Resolution 1 – Remuneration Report

Included in the Directors' Report contained within the financial report for the year ended 31 December 2012 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 2012 (**2012 Annual Report**) was lodged with ASX on 28 March 2013 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 2013 AGM, and then again at the 2014 AGM, the Company will be required to put a resolution to the 2014 AGM, to approve the calling of an extraordinary general meeting (spill resolution). If more than 50% of eligible votes cast are in favour of the spill resolution, the Company must convene an extraordinary general meeting (spill meeting) within 90 days of the 2014 AGM. All of the Directors who were in office when the 2014 Directors' Report was approved, other than the Managing Director, will (if desired) need to stand for re-election at the spill meeting.

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

Voting

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

Shareholders are urged to carefully read the proxy form.

EXPLANATORY STATEMENT

2. Resolution 2 – Re-election of Mr Gavin Harper

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

In accordance with Article 6.3(c) of the Constitution, Mr Gavin Harper (a director of the Company since March 2008) 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 Harper are contained in the 2012 Annual Report.

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

3. Resolution 3 – Election of Robert Bearden

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 Robert Bearden, being a director appointed since the Company's last Annual General Meeting, retires at the meeting, and being eligible, offers himself for election as a Director.

For the purposes of Resolution 3 details of the qualifications and experience of Mr Robert Bearden are contained in the 2012 Annual Report.

The Directors recommend that Shareholders vote in favour of Resolution 3.

4. Resolution 4 – Approval of Termination Benefits

4.1 Introduction

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**) and further approved and refreshed for the purposes of ASX Listing Rule 7.2 (Exception 9) at the Annual General Meeting of the Company in May 2012 (**2012 AGM**).

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 and otherwise in accordance with the PRP – please refer to Annexure A for further information regarding the current terms of the PRP.

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 are satisfied or as otherwise prescribed under the PRP.

Pursuant to the terms of the PRP as approved by shareholders, where the recipient (**Qualifying Recipient**) ceases office or employment with the Company for a "Qualifying Reason" (as defined in the PRP and which includes Retirement, total permanent disability and death), the Performance Rights granted to them will vest early (provided they have been held for more than 6 months) either proportionately (if held for between 6 months and 18 months) or in full (if held for 18 months or more).

Under section 200B of the Corporations Act, a company may only give a person a benefit in connection with their ceasing to hold a managerial or executive office in the company or a related body corporate if the giving of the benefit is below a certain threshold, is approved by Shareholders or an exemption applies. Broadly, the threshold is prescribed in the Corporations Act as the average annual base salary of the recipient.

The accelerated vesting of Performance Rights under the terms of the PRP is considered a "benefit" (the value of that benefit being the **Acceleration Benefit**) for the purposes of section 200B. When combined with the Qualifying Recipient's existing termination benefits (**Existing Benefits**), the Acceleration Benefit may, in some circumstances, result in the total benefit payable exceeding the limit permitted under the Corporations Act without Shareholder approval.

EXPLANATORY STATEMENT

To the extent that the value benefit of the accelerated vesting of these Performance Rights upon retirement from office or employment may be beyond the benefit permitted to be granted by the Company under sections 200B and 200E of the Corporations Act, and to the extent that shareholders have not already approved the giving of those benefits, shareholder approval is now sought under Resolution 4.

Approval for Acceleration Benefits will apply in relation to Performance Rights granted under the PRP up to the date Resolution 4 is passed and any other rights granted under the PRP in the period ending on the 3rd anniversary of that date.

To this end, approval is sought in respect of any future grant of Performance Rights under the PRP, as well as in respect of the 15,525,000 Performance Rights proposed to be granted to Mr Bearden pursuant to Resolution 6 and the following potential Qualifying Recipients (in the event of loss of office or cessation of employment for a Qualifying Reason) who were granted the following number of Performance Rights under the PRP previously and currently hold Performance Rights including: Gavin Harper (Executive Chairman): 14,300,000 Performance Rights, Robert Bearden (Chief Executive Officer and Managing Director): 9,625,000 Performance Rights and a further 19,250,000 (including 6,000,000 Performance Rights held amongst other directors of the Company) held by other officers and staff.

The Company notes that the Acceleration Benefit is already provided for under the existing terms of the PRP. However, without the approval the subject of this resolution, the Company may be unable to provide the full extent of the Acceleration Benefit in certain circumstances as intended.

4.2 Value of benefit

The value of the Acceleration Benefit cannot be determined as at the date of this Explanatory Statement.

Matters, events and circumstances which are likely to affect the value of the Acceleration Benefit payable to a Qualifying Recipient include:

- (a) The number of Performance Rights held by the Qualifying Recipient prior to cessation of employment or office;
- (b) The proportion of the applicable performance period that has elapsed as at the date of cessation of employment or office; and
- (c) The Company's share price on the date of cessation of employment or office.

The Company would calculate the value of the Acceleration Benefit as being equal to the total value of the number of Performance Rights that vest, where the value of a vested Performance Right is determined as being equal to the closing market price of a share on ASX on the ASX trading day before the date of the calculation.

In accordance with Listing Rule 10.19 the termination benefits that are or may be payable to any officer of the Company will not together exceed 5% of the equity interests of the Company unless further Shareholder approval is obtained.

4.3 If Resolution 4 is passed, what can the Company do?

If Resolution 4 is passed it will give the Company authority to issue or cause the transfer of shares on the exercise of any vested rights that the Qualifying Recipient may hold upon the occurrence of an event that gives rise to a Qualifying Reason or accelerated vest of their Performance Rights, even if the value of the associated Acceleration Benefit, when combined with their existing termination benefits (if any) exceeds the threshold otherwise permitted under the Corporations Act (broadly, their average annual base salary remuneration).

The Board (other than Mr Harper and Mr Bearden who have an interest in the outcome of Resolution 4 given their executive status with the Company under their existing Employment Contracts) considers the proposing of this Resolution to be appropriate and reasonable and recommends that all eligible Shareholders vote in favour.

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5. Resolution 5 – Approval of Variation of Terms of Existing Performance Rights

5.1 Background

As noted in section 4.1, the Company established a Performance Rights Plan in 2009, which has been subject to approval by Shareholders. Pursuant to the PRP, the Board may amend, with retrospective effect, the terms of the PRP and also Performance Rights that have been granted under the PRP. Any amendment must be made in accordance with the Listing Rules and shareholder approval to the extent necessary. As a result of the Board recognising a potential need for certain changes to be made to the PRP, amendments have been made to take account of the change to the Company's group structure, which now comprises the parent company, Sino Gas & Energy Holdings Limited and Sino Gas & Energy Limited (in which the Company holds a 49% interest). Accordingly, the definition of Group has been expanded from the Company and any subsidiary to also include each body corporate that is an associated entity of the Company under Division 6 of Part 1.2 of the Corporations Act, provided that if an associated entity, the Company holds 30% or more of the voting power of the associated entity.

The PRP has also been amended to provide that the Board has a discretion under the PRP to permit accelerated vesting of Performance Rights in circumstances of cessation of office or employment for a Qualifying Reason (refer Annexure A) where a holder ceases to be employed with the Company but continues to hold office in the Company (or a company in in the group) and vice versa.

Clause 13.2 of the PRP now reads as follows (with the amendments in italics):

"If the cessation of the Participant's employment or office is due to a Qualifying Reason (and the Employee is not immediately employed by, or appointed an officeholder of, another company within the Group *unless the Board requests the Employee to remain in such employment or office or in such other circumstances as the Board in its discretion may determine*) 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 summary of the current terms of the PRP (including item 9 which relates to the above amendment) is provided in Annexure A to this Explanatory Statement and a full copy of the latest PRP will (or has been) released to the ASX on or about the date the Notice of Meeting is despatched to Shareholders.

5.2 Listing Rules

Pursuant to Listing Rule 6.23.4, a change to the terms of options which is not prohibited under Listing Rule 6.23.3 can only be made with shareholder approval. Performance Rights issued under the PRP are considered options for the purposes of Listing Rule 6.23.4.

5.3 Proposal

In accordance with Listing Rule 6.23.4, the Company seeks shareholder approval to amend, with retrospective effect, the terms of those Performance Rights previously granted, in order to align them with the amended terms of the PRP. A summary of the current terms of the PRP (as amended) are set out in Annexure A. As at the date of this Notice of Meeting, there are currently 43,175,000 Performance Rights on issue and, subject to the approval of Resolution 5 the terms of all of those Performance Rights would be adjusted with retrospective effect so as to bring them into line with the amendments described in section 5.1 and align them with the amended terms of the PRP.

The amendments to the PRP do not change the amount payable by the recipients on vesting (which is nil) or the number of Performance Rights held by those recipients.

Performance Rights currently on issue, as at the date of the Notice of Meeting (and which would, relevantly, be impacted if Resolution 5 is approved by Shareholders and the holder subsequently ceased employment for a Qualifying Reason but remained in office as a director of the Company and/or Sino Gas & Energy Limited) include: Gavin Harper (Executive Chairman) holding 14,300,000 Performance Rights and Robert Bearden (Chief Executive Officer and Managing Director) holding 9,625,000 Performance Rights (with a further new issue of 15,525,000 Performance Rights proposed under the terms of the current PRP subject to approval of Resolution 6) .

Please refer to Resolution 5 of the Notice of Meeting for details of the Voting Exclusion which applies to this Resolution.

EXPLANATORY STATEMENT

6. Resolution 6 – Approval of Grant of Performance Rights to Mr Robert Bearden

6.1 Background

As noted in section 4.1, the PRP enables the Company to issue Performance Rights to executives, officers and employees of the Company and to issue or transfer Shares to those executives, officers and employees if they achieve the performance and vesting conditions of the Performance Rights and otherwise in accordance with the PRP – please refer to Annexure A for further information regarding the PRP.

6.2 Proposal

Pursuant to Resolution 6, the Company is seeking Shareholder approval for the grant of 15,525,000 Performance Rights, on the terms described in this Section of the Explanatory Statement, to Mr Robert Bearden or his nominee. Mr Bearden is the Company's Chief Executive Officer and since September 2012, the Managing Director. Pursuant to Mr Bearden's executive employment agreement with the Company (commencing on 17 May 2012) he had the right to participate in the PRP and to be granted Performance Rights equal to 1% of the issued share capital of the Company.

In 2012 the Company granted Mr Bearden 11,000,000 Performance Rights under the terms of the PRP.

In April 2013, the Company varied Mr Bearden's executive employment agreement so as to increase (subject to necessary shareholder approval) his entitlement to be granted Performance Rights equal to 2% of the issued share capital of the Company. Further, in April 2013, Mr Bearden voluntarily agreed to lapse 1,375,000 Performance Rights. The Performance Hurdle to be met in respect of the lapsed 1,375,000 Performance Rights was the submission of all three Chinese Reserve Reports for Sanjiaobei, Linxing East and Linxing West by no later than 31 December 2013. As noted in prior announcements to ASX, it is not expected that all three Chinese Reserve Reports will be submitted prior to year end. The lapsing of these 1.375 million Performance Rights is not conditional on shareholders approving Resolution 6.

At the date of the Notice of Meeting, Mr Bearden currently holds 9,625,000 Performance Rights.

The Board considers that in light of the change of circumstances of the Company, having secured a strategic partner, MIE Holdings Corporation (**MIE**) in mid 2012 (and after agreement to issue Mr Bearden's initial Performance Rights) and also the work undertaken by the Company, in conjunction with MIE, towards scheduling the 2013 works program, the new Performance Rights the subject of Resolution 6, together with the initial remaining 9,625,000 Performance Rights issued in 2012, comprise a reasonable and appropriate equity incentive package for Mr Bearden which is appropriately linked to the Company's status and progress toward its objectives. The Company proposes to issue the Performance Rights the subject of Resolution 6 to Mr Bearden to reflect:

- (a) that in his role as Chief Executive Officer and Managing Director, Mr Bearden will be undertaking 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; and
- (b) the likely impact that satisfaction of the performance hurdles will have on the Company's prospects and monetization of its assets, including its performance and share price.

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 Bearden.

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 Bearden, become capable of exercise and are fully exercised by Mr Bearden, no funds will be received by the Company. The dilution effect if all Performance Rights are exercised by Mr Bearden 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.

As regards 5,306,250 of the Performance Rights the subject of Resolution 6, exercise will be subject to satisfaction of the designated **Performance Hurdles** as described below:

- (a) The Performance Period (as that term is defined in the PRP) is no later than 31 December 2013.

EXPLANATORY STATEMENT

- (b) The Performance Criteria (as that term is defined in the PRP) required to be fulfilled within the Performance Period in (a) immediately above to enable exercise of the Performance Rights is:
- (i) 1,768,750 Performance Rights will become exercisable if the Company's Share price on ASX reaches at least \$0.40 for 5 continuous trading days;
 - (ii) 1,768,750 Performance Rights will become exercisable if the Company's Share price on ASX reaches at least \$0.25 for 5 continuous trading days; and
 - (iii) 1,768,750 Performance Rights will become exercisable if a Pilot Production approved by one of the PSC partners in connection with either Sanjiaobei or Linxing and supported by a Gas Sales Agreement is producing 100,000 cubic meters per day on at least 5 days.

As regards 1,047,916 of the Performance Rights, exercise will be subject to satisfaction of the designated **Performance Hurdles** as described below:

- (a) The Performance Period (as that term is defined in the PRP) is no later than 30 June 2014.
- (b) The Performance Criteria (as that term is defined in the PRP) required to be fulfilled within the Performance Period in (a) immediately above to enable exercise of the Performance Rights is if the Chinese Reserve Report for Sanjiaobei is submitted.

As regards 1,047,916 of the Performance Rights, exercise will be subject to satisfaction of the designated **Performance Hurdles** as described below:

- (a) The Performance Period (as that term is defined in the PRP) is no later than 30 June 2014.
- (b) The Performance Criteria (as that term is defined in the PRP) required to be fulfilled within the Performance Period in (a) immediately above to enable exercise of the Performance Rights is if the Chinese Reserve Report for Linxing East is submitted.

As regards 1,047,917 of the Performance Rights, exercise will be subject to satisfaction of the designated **Performance Hurdles** as described below:

- (a) The Performance Period (as that term is defined in the PRP) is no later than 31 December 2014.
- (b) The Performance Criteria (as that term is defined in the PRP) required to be fulfilled within the Performance Period in (a) immediately above to enable exercise of the Performance Rights is if the Chinese Reserve Report for Linxing West is submitted.

As regards 7,075,000 of the Performance Rights, exercise will be subject to satisfaction of the designated **Performance Hurdles** as described below:

- (a) The Performance Period (as that term is defined in the PRP) is no later than 1 June 2015.
- (b) The Performance Criteria (as that term is defined in the PRP) required to be fulfilled within the Performance Period in (a) immediately above to enable exercise of the Performance Rights is:
 - (i) 1,768,750 Performance Rights will become exercisable if the Company has been successfully relisted or dual listed on the stock exchange selected by the Board of the Company no later than 1 February 2015 as being the appropriate stock exchange for the Company for optimum share price valuation;
 - (ii) 1,768,750 Performance Rights will become exercisable if a debt financing facility (or such other alternative financing as may have been agreed by the Board of the Company) is in place for the Company to provide adequate funding for the Company's obligations for full field development of either or both of Sanjiaobei or Linxing;
 - (iii) 1,768,750 Performance Rights will become exercisable if, post approval of the Overall Development Plan, production has been established for both the Sanjiaobei PSC and Linxing PSC; and
 - (iv) 1,768,750 Performance Rights will become exercisable if initial exploration work programs, sufficient to provide a preliminary assessment of resource potential and to avoid the relinquishment of any prospective areas, have been completed for all of Sanjiaobei PSC and for all of Linxing PSC.

EXPLANATORY STATEMENT

- (c) As regards the Performance Criteria applicable to the 7,075,000 Performance Rights described above and presently having a Performance Period ending on 1 June 2015, the Board may in its discretion at any time prior to 31 December 2013 determine that any one or more of the 2 identified financial and 2 identified operational performance criteria are not appropriate based on the Company's then prevailing performance, activities or status during the prior year, and may vary or substitute those criteria for such other performance criteria, as may be set by the Board at the end of 2013 by written notice to Mr Bearden.

6.3 Terms and Conditions of Performance Rights to be issued

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

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

- (a) The agreed performance hurdles required to be fulfilled to enable exercise of the Performance Rights are the Performance Hurdles described in section 6.2 above and the performance period within which these Performance Hurdles must be met is no later than Performance Periods as set out in section 6.2 above; and
- (b) The expiry period for the Performance Rights will be the date that is 3 months after the expiry of the applicable Performance Period (**Expiry Date**).

6.4 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 Bearden 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 approval would, in the absence of obtaining Shareholder approval under Listing Rule 10.14, 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 Bearden. Chapter 2E prohibits the giving of a financial benefit to a related party of a public company, unless the financial benefit has been approved by shareholders, or the giving of that benefit falls within an exception set out in Chapter 2E. Section 211 provides an exception for a benefit that comprises remuneration to an officer of a public company where such remuneration is reasonable in the circumstances of the company and that officer's particular circumstances (i.e. having regard to the responsibilities involved in such office). Accordingly, the Company considers that the exception in section 211 of the Corporations Act applies to the proposed issue of Performance Rights to Mr Bearden.

6.5 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 Bearden or his nominee is 15,525,000, each exercisable for 1 Share, subject to satisfaction of the Performance Hurdles and all other applicable terms and conditions (as set out in Section 6.3 and as summarised in Annexure A). The maximum number of Shares that may be issued upon exercise of the Performance Rights the subject of this Resolution 6 is 15,525,000 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 Bearden to acquire the Performance Rights or upon the exercise of the Performance Rights.
- (c) 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 Robert Bearden, Mr Gavin Harper, Mr Bernie Ridgeway, Mr Peter Mills and Mr Colin Heseltine.
- (d) A voting exclusion statement is included in the Notice of Meeting.

EXPLANATORY STATEMENT

- (e) Subject to the approval of this Resolution 6, the issue of the Performance Rights referred to in this Resolution will be issued in or about June 2013 (but in any event no later than the date that is 3 years after the date of this meeting).
- (f) 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.
- (g) 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.
- (h) No loan will be provided to Mr Bearden 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 Bearden, recommend that Shareholders vote in favour of this Resolution. The Directors of the Company, other than Mr Bearden, do not have any interest in the outcome of this Resolution.

Please refer to Resolution 6 of the Notice of Meeting for details of the Voting Exclusion which applies to this Resolution.

7. Resolution 7 – Ratification of Issue of Shares

7.1 Background

In December 2012 the Company entered into agreements with clients of Argonaut Capital to place shares as set out in an announcement on ASX on 27 December 2012 (**Announcement**).

On 4 January 2013 the Company issued 82,448,979 new fully paid ordinary shares pursuant to those placement agreements.

7.2 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 7 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.

7.3 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 7:

- (a) the total number of shares issued by the Company on 4 January 2013 was 82,448,979;
- (b) the issue price of each share was \$0.1225;
- (c) the terms of the shares rank equally with all fully paid ordinary shares on issue;
- (d) the shares were allotted to clients of Argonaut Capital who are sophisticated and professional investors;

EXPLANATORY STATEMENT

- (e) the funds raised from the issue of the shares will be utilised by the Company to provide funding 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 7.

8. 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.

2012 AGM means the Annual General Meeting of the Company held in May 2012.

2012 Annual Report means the financial report for the Company for the year ended 31 December 2012 lodged with ASX on 28 March 2013.

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.

Employment Contracts means the employment contracts governing the executive roles between the Company and each of Mr Harper and Mr Bearden respectively, the key terms of which are disclosed in the 2012 Annual Report.

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

Key Management Personnel means the key management personnel of the Company being the Directors of the Company and those other persons having authority for planning, directing and controlling the activities of the Company, directly or indirectly. The Remuneration Report the subject of Resolution 1 identifies the Company's key management personnel for the financial year ended 31 December 2012.

Meeting, AGM or Annual General Meeting means the Annual General Meeting of the Company to be held at 2.00pm (Perth time) on 23 May 2013.

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 and the 2012 AGM (as amended) – a full copy of the latest PRP being released to the ASX on or about the date this Notice of Meeting is despatched to Shareholders.

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.

Qualifying Recipient has the meaning defined in section 4.1 of the Explanatory Statement.

Qualifying Reason has the meaning defined in the PRP and summarised in Annexure A.

EXPLANATORY STATEMENT

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.

Retirement has the meaning defined in the PRP and summarised in Annexure A.

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

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, including a subsidiary or an associated entity in which the Company holds 30% or more of the voting power) 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 lapsed,
 shall 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;

ANNEXURE A

- (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 (being retirement from employment or office at age 55 or over) 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 discretion,each 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 the Employee is not immediately employed by, or appointed an officeholder of, another company within the Group unless the Board requests the Employee to remain in such employment or office or in such other circumstances as the Board in its discretion may determine) then:
- (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) if cessation occurs after all Performance Criteria have been satisfied, other than any criteria that is solely attributable to the Participant's tenure with the Company in employment or office (e.g. vesting conditions which require the passage of time after all other Performance Criteria have already been satisfied), all Performance Rights held by such Participant will become immediately exercisable,
- provided that in each case, such Performance Rights must be exercised within 3 months of the date of cessation.
10. All Shares issued upon the exercise of Performance Rights will upon the allotment rank *pari passu* with all existing Shares in the capital of the Company. If the Shares are quoted, the Company will apply for quotation by ASX of all Shares allotted pursuant to the exercise of Performance Rights. However, the Company will not apply for official quotation by ASX of the Performance Rights.
11. A Performance Right may only be transferred in accordance with their terms of issue or otherwise with the prior written consent of the Board.

ANNEXURE A

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

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 2.00 pm (Perth time) Tuesday, 21 May 2013

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 or update your securityholding, 24 hours a day, 7 days a week:

www.investorcentre.com

Access the annual report:

www.sinogasenergy.com

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, and to the extent permitted by law, 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, Western Australia on Thursday, 23 May 2013 at 2.00 pm (Perth time) and at any adjournment or postponement of that Meeting.

Important for Items 1, 4, 5 and 6 - If the Chairman of the Meeting is your proxy or is appointed as your proxy by default.
By marking this box, you are expressly authorising the Chairman of the Meeting to vote in accordance with the Chairman's voting intentions on Items 1, 4, 5 and 6 as set out in the Notice of Meeting. If you do not mark this box, and you have not otherwise directed your proxy how to vote on Items 1, 4, 5 and 6, the Chairman of the Meeting will not cast your votes on Items 1, 4, 5 and 6, and your votes will not be counted in computing the required majority if a poll is called on these items.
If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Items 1, 4, 5 and 6 by marking the appropriate box in step 2 below.
The Chairman of the Meeting intends to vote all available proxies in favour of each item of business.

☐ I/We expressly authorise the Chairman of the Meeting to vote in accordance with the Chairman's voting intentions on Items 1, 4, 5 and 6 (except where I/we have indicated a different voting intention below) and acknowledge that the Chairman of the Meeting may exercise my/our proxy even though Items 1, 4, 5 and 6 are connected directly or indirectly with the remuneration of a member of key management personnel (which includes the Chairman) and with respect to Items 4, 5 and 6, even if the Chairman of the Meeting has an interest in the outcome of Items 4, 5 and 6, and that votes cast by the Chairman, other than as proxy holder, would be disregarded because of that interest.

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.

	For	Against	Abstain
1. Remuneration Report	☐	☐	☐
2. Re-Election of Mr Gavin Harper as a Director	☐	☐	☐
3. Election of Mr Robert Bearden as a Director	☐	☐	☐
4. Approval of Termination Benefits	☐	☐	☐
5. Approval of Variation to Terms of Existing Performance Rights	☐	☐	☐
6. Approval of Grant of Performance Rights to Mr Robert Bearden	☐	☐	☐
7. Ratification of Issue of Shares	☐	☐	☐

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

Securityholder 2

Securityholder 3

Sole Director and Sole Company Secretary

Director

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

(Restated and amended as at 17 April 2013)

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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 either a subsidiary or an associated entity of Sino under Division 6 of Part 1.2 of the Corporations Act, provided that if an associated entity, Sino holds 30% or more of the voting power of the associated entity.

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 be entitled to receive 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 unless the Board requests the Employee to remain in such employment or office or in such other circumstances as the Board in its discretion may determine) 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.