



SINO GAS & ENERGY HOLDINGS LIMITED

ACN 124 242 422

General Meeting

To be held on Monday, 5 December 2011 commencing at 11.00 am (Perth time) at the Celtic Club, 48 Ord Street, West Perth, Western Australia.

Meeting Documents

Notice of General Meeting

Explanatory Statement

Proxy Form for General Meeting

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An Emerging Clean Energy Company in China

SINO GAS & ENERGY HOLDINGS LIMITED
ACN 124 242 422

NOTICE OF GENERAL MEETING

Notice is given that a 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 Monday, 5 December 2011 commencing at 11.00 am (Perth time).

Agenda

1. Ratification of Issue of Securities to SpringTree

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 issue to SpringTree Special Opportunities Fund, LP of:

- 4,140,846 Shares on 27 April 2011;
- 7,500,000 Shares on 27 April 2011;
- 8,750,000 Options over ordinary fully paid shares on 27 April 2011;
- 11,834,320 Shares on 25 May 2011; and
- 12,170,385 Shares on 24 June 2011,

all on the terms set out in the Explanatory Statement accompanying this Notice of General Meeting, be ratified".

Voting Exclusion: The Company will disregard any votes cast on Resolution 1 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.

2. Ratification of Tranche 1 Placement 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 issue and allotment of 90,000,000 Shares at \$0.04 per share on 26 October 2011, on the terms set out in the Explanatory Statement accompanying this Notice of General Meeting be ratified."

Voting Exclusion: The Company will disregard any votes cast on Resolution 2 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.

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3. Approval of Tranche 2 Placement 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 7.1 and for all other purposes, the Directors of the Company be authorised to issue and allot 10,000,000 Shares at \$0.04 per share on the terms set out in the Explanatory Statement accompanying this Notice of General Meeting".

Voting Exclusion: The Company will disregard any votes cast on Resolution 3 by a person who may participate in the issue or any person who may obtain a benefit if the Resolution is passed (except a benefit solely in the capacity of a holder of ordinary securities) 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.

4. Approval of Issue of Shares Pursuant to Underwriting of Share Purchase Plan

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 7.1 and for all other purposes, approval is given for the Directors to issue and allot up to 50,000,000 Shares at \$0.04 per share pursuant to the terms and conditions of the Underwriting Agreement and otherwise on the terms set out in the Explanatory Statement accompanying this Notice of General Meeting".

Voting Exclusion: The Company will disregard any votes cast on Resolution 4 by a person who may participate in the issue or any person who may obtain a benefit if the Resolution is passed (except a benefit solely in the capacity of a holder of ordinary securities) 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.

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

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

"That, for the purposes of ASX Listing Rule 10.14 and for all other purposes, approval is given for the Company to grant 4,000,000, 2011 Performance Rights, each to acquire 1 ordinary fully paid share in the Company, to Mr Gavin Harper, an Executive Director of the Company, subject to the 2011 Performance Hurdles and on the terms set out in the Explanatory Statement accompanying this Notice of General Meeting".

Voting Exclusion: The Company will disregard any votes cast on Resolution 5 by Mr Gavin Harper or any of his associates or any Director of the Company (except one that is ineligible to participate in the Performance Rights Plan or any plan in relation to the Company) and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the direction on the proxy form, or it is cast by the person chairing the Meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

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 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 Shareholder entitlements to vote at the Meeting.

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The Directors have determined that all Shares of the Company on the register as at 6.00 pm (Perth time), 3 December 2011 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 11.00 am (Perth time) on 3 December 2011.

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 31 October 2011

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 General Meeting.

1. Resolution 1 – Ratification of Issue of Securities to SpringTree

1.1 Background

On 27 April 2011 the Company entered into an agreement with SpringTree Special Opportunities Fund, LP (**SpringTree**) for funding of up to \$29.4 million over a period of 2 years (**Agreement**).

The key terms of the Agreement and the Company's rationale for entering into the Agreement and its proposed use of funds were set out in an announcement on the ASX on 27 April 2011 (**Announcement**).

As set out in the Announcement, the proceeds from the issue of the securities under the Agreement have been and will be used by the Company to fund its appraisal program. As at 24 October 2011, further drawdowns under the Agreement were postponed for 4 months. In addition, presently, there are no outstanding amounts due to SpringTree under the Agreement and extinguishment of the convertible security and settlement for the collateral shares, both issued in April 2011, has been / will be effected.

1.2 Listing Rule 7.4

Listing Rule 7.4 provides that an issue of equity securities without approval of shareholders under listing rule 7.1 is treated as having been made with approval for the purposes of listing rule 7.1 if:

- (a) the issue of securities did not breach listing rule 7.1; and
- (b) holders of ordinary securities subsequently approve the issue.

Listing Rule 7.1 prevents a listed company from issuing securities in excess of 15% of its issued capital at any point in time unless the issue of those securities is approved by shareholders.

The effect of this Resolution 1 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 General Meeting.

1.3 Technical Information required by Listing Rule 7.5

In compliance with Listing Rule 7.5, the following information is provided:

- (a) The number of securities allotted:
 - 4,140,846 ordinary fully paid shares on 27 April 2011;
 - 7,500,000 ordinary fully paid shares on 27 April 2011
 - 8,750,000 Options over ordinary fully paid shares on 27 April 2011;
 - 11,834,320 ordinary fully paid shares on 25 May 2011; and
 - 12,170,385 ordinary fully paid shares on 24 June 2011,
- (b) The Securities listed above in paragraph 1.3(a) were issued for the following issue prices:
 - 4,140,846 ordinary fully paid shares at \$0.064 per share (in payment of the commencement fee for the Agreement);
 - 7,500,000 ordinary fully paid shares at nil per share (issued as collateral shares under the terms of the Agreement);

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- 8,750,000 Options for nil consideration (to be exercised for an aggregate of \$693,875 if exercised) ;
 - 11,834,320 ordinary fully paid shares at \$0.051 per share; and
 - 12,170,385 ordinary fully paid shares at \$0.049 per share,
- (c) The terms of the Securities listed above in paragraph 1.3(a) are:
- Ordinary Shares: The Shares rank pari passu with existing Shares of the Company.
- Unlisted Options: The terms of the unlisted options are: 8,750,000 unlisted options over ordinary shares exercisable at \$0.0793 per option into Shares on or before 25 November 2013 and subject to the further terms and conditions set out in Annexure A.
- (d) The allottee of the Securities listed above in paragraph 1.3(a) was: SpringTree Special Opportunities Fund LP.
- (e) The funds raised from the issue of the Securities have been and will be used for funding the Company's appraisal program.
- (f) A voting exclusion statement is included in the Notice accompanying this Explanatory Statement.

2. Resolution 2 – Ratification of Placement of Shares to Investors

2.1 Background

On 24 October 2011, the Company announced to ASX that it had entered into a mandate with Patersons Securities Limited (**Patersons**) to place 100,000,000 shares at 4 cents per share to raise approximately \$4,000,000, in two separate tranches (**Placement**).

On 26 October 2011, the Company issued 90,000,000 Shares (**Tranche 1 Placement Shares**) of the Placement. This Resolution 2 therefore seeks the approval of Shareholders to ratify the issue of the Tranche 1 Placement Shares.

2.2 Listing Rule 7.4

Listing Rule 7.4 provides that an issue of equity securities without approval of shareholders under listing rule 7.1 is treated as having been made with approval for the purposes of listing rule 7.1 if:

- (a) the issue of securities did not breach listing rule 7.1; and
- (b) holders of ordinary securities subsequently approve the issue.

Listing Rule 7.1 prevents a listed company from issuing securities in excess of 15% of its issued capital at any point in time unless the issue of those securities is approved by shareholders.

The effect of this Resolution 2 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 General Meeting.

2.3 Technical Information required by Listing Rule 7.5

In compliance with Listing Rule 7.5, the following information is provided:

- (a) The number of securities issued and allotted pursuant to the Tranche 1 Placement is 90,000,000 fully paid ordinary shares.
- (b) The issue price of the Tranche 1 Placement Shares was 4 cents per share, to raise a total of \$3,600,000.
- (c) The placement shares rank pari passu with existing Shares of the Company.

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- (d) The Tranche 1 Placement Shares were allotted and issued to a number of sophisticated investor clients of Patersons pursuant to section 708 of the Corporations Act and to exempt overseas investors. None of the allottees were related parties of the Company.
- (e) The funds raised from the issue of the securities will be used for funding the Company's appraisal program, repayment of outstanding monies with Springtree and working capital.
- (f) A voting exclusion statement is included in the Notice accompanying this explanatory statement.

3. Resolution 3 – Approval of Placement of Shares to Investors

3.1 Background

As noted in section 2.1 above, on 24 October 2011, the Company announced to ASX that it had entered into a mandate with Patersons Securities Limited (**Patersons**) to place 100,000,000 shares at 4 cents per share to raise approximately \$4,000,000, in two tranches (**Placement**). The Tranche 1 Placement was issued on 26 October 2011.

This Resolution 3 seeks the approval of Shareholders to approve the issue of the remaining shares in the Placement being 10,000,000 Shares (**Tranche 2 Placement Shares**) at \$0.04 per Share (**Tranche 2 Placement**), which subject to requisite shareholder approval, the Directors intend to issue immediately after the meeting.

3.2 Listing Rule 7.1

Subject to certain exceptions, Listing Rule 7.1 restricts a company from issuing or agreeing to issue equity securities in any 12 month period which amount to more than 15% of the Company's ordinary securities on issue at the commencement of that period without shareholder approval. Accordingly the Company seeks Shareholder approval under Listing Rule 7.1.

The Shares described in this Resolution 3 are to be issued under Shareholder approval and the Company seeks Shareholder approval of the issue for the purposes of Listing Rule 7.1 so that the Company will have the flexibility to issue further securities should the need or opportunity arise.

3.3 Technical Information required by Listing Rule 7.3

In compliance with Listing Rule 7.3, the following information is provided:

- (a) The number of Shares to be issued and allotted by the Company is 10,000,000 Shares.
- (b) It is anticipated that the Shares will be issued and allotted on one date immediately after the Meeting but, in any event, no later than 3 months after the date of the meeting (or such longer period as ASX may allow).
- (c) The issue price of the Tranche 2 Placement Shares will be 4 cents per share, to raise a total of \$600,000
- (d) The Tranche 2 Placement Shares will be allotted and issued to the same sophisticated and exempt investors that participated in the Tranche 1 Placement. None of the investors will be related parties of the Company.
- (e) The Placement Shares will rank pari passu with existing Shares of the Company.
- (f) The funds raised from the issue of the securities will be used for funding the Company's high impact appraisal program and working capital.
- (g) A voting exclusion statement is included in the Notice accompanying this explanatory statement.

4. Resolution 4 – Approval of Issue of Shares Pursuant to Underwriting of Share Purchase Plan

4.1 Background

On 24 October 2011 the Company announced that, together with the Placement referred to in Resolutions

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2 and 3 above, it would be undertaking a share purchase plan to offer Shareholders the right to subscribe for additional Shares on the company up to a limit of \$15,000 per shareholder (**SPP**). The aggregate maximum amount presently intended to be raised under the SPP is \$2,000,000 (**Maximum Amount**). The Placement and SPP Shares are offered at the same price. The Company has the ability (but not the obligation) to take oversubscriptions beyond the Maximum Amount.

The Company has entered into a conditional underwriting agreement with Patersons whereby Patersons has agreed to underwrite the SPP to ensure the Company raises the Maximum Amount of \$2,000,000 under the SPP (**Underwriting Agreement**). For the reasons outlined below, the issue of Shares via the Underwriting Agreement is conditional upon Shareholders approving this resolution.

4.2 ASX Listing Rules

A summary of the requirements of ASX Listing Rule 7.1 is outlined at Resolution 3 above.

Listing Rule 7.2 Exception 15 provides an exception to the requirement to seek Shareholder approval for the issue of Shares where the Company undertakes a share purchase plan. In order to comply with the exception in Listing Rule 7.2:

- (a) The security purchase plan must comply with ASIC Class Order 09/425;
- (b) The number of shares to be issued under the security purchase plan must not exceed 30% of the number of fully paid ordinary shares already on issue; and
- (c) The issue price for the shares under the security purchase plan must be at least 80% of the average market price for securities in that class calculated over the last 5 days on which sales in the securities were recorded either before the day on which the issue was announced or before the day on which the issue is made.

The SPP to be undertaken by the Company complies with the requirements of Listing Rule 7.2, Exception 15 such that shareholder approval is not required for the purposes of ASX Listing Rule 7.1. However, the issue of Shares pursuant to the Underwriting Agreement does not fall within an exception to Listing Rule 7.1.

Accordingly, the approval of Shareholders for the purposes of ASX Listing Rule 7.1 is sought to enable the Company to issue Shares to Patersons or any of its sub-underwriters not subscribed for by Shareholders under the SPP.

4.3 Total number of Shares to be issued

The Company is seeking the approval of Shareholders to enable it to issue up to 50,000,000 Shares to Patersons or its sub-underwriters, as this is the maximum number of Shares that the Company will be seeking to issue under the SPP and for which Patersons has agreed to underwrite.

However, the Company will only issue that number of Shares to Patersons or its sub-underwriters that equals the number of Shares not subscribed for by Shareholders under the SPP.

The Directors consider it unlikely that no Shareholders would subscribe for their allocation under the SPP, and the Directors encourage all Shareholders to consider subscribing for New Shares under the SPP consistent with their overall investment strategy. Therefore the Directors consider it unlikely that they will issue all of the 50,000,000 Shares to Patersons, its sub-underwriters or its nominees, and it is possible, if a large number of Shareholders subscribe under the SPP to the Maximum Amount, that none of the 50,000,000 Shares under this Resolution 4 would be issued.

None of the subscribers pursuant to this issue under the Underwriting Agreement will be related parties of the Company.

By approving the issue the Company will retain its flexibility to issue equity securities in the future up to its 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

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4.4 Technical Information required by Listing Rule 7.3

In compliance with Listing Rule 7.3, the following information is provided:

- (a) The maximum number of Shares to be issued and allotted by the Company is 50,000,000 Shares.
- (b) It is anticipated that the Shares will be issued and allotted on one date immediately after the Meeting but, in any event, no later than 3 months after the date of the meeting (or such longer period as ASX may allow).
- (c) The issue price of the New Shares will be 4 cents per share, to raise a total of up to \$2,000,000
- (d) The Shares will be allotted and issued pursuant to the terms and conditions of the Underwriting Agreement between the Company and Patersons to either Patersons or its sub-underwriters. None of the investors will be related parties of the Company.
- (e) The Placement Shares will rank pari passu with existing Shares of the Company.
- (f) The funds raised from the issue of the securities will be used for funding the Company's high impact appraisal program and working capital.
- (g) A voting exclusion statement is included in the Notice accompanying this explanatory statement.

5. Resolution 5 – Approval of Grant of Performance Rights to Gavin Harper

5.1 Performance Rights Plan - Background

At the Company's Annual General Meeting (**2009 AGM**) held on 23 November 2009, Shareholders approved the establishment of a performance rights plan (**PRP**) to provide ongoing incentives to executives, officers and key employees of the Company.

The PRP enables the Company to issue performance rights to executives, officers and employees of the Company (**Performance Rights**) and to issue Shares to those executives, officers and employees if they achieve the performance and vesting conditions of the Performance Rights.

To date, following requisite approvals at the Company's 2009 AGM and also at a General Meeting held in December 2010 (**2010 EGM**), Performance Rights have been issued under the PRP to certain directors of the Company, comprising 2009 Performance Rights and 2010 Performance Rights under the PRP. The Company has also issued 2010 Performance Rights to key executives and employees of the Company based in China. The terms, including the performance hurdles which require satisfaction to enable conversion, of the 2009 Performance Rights and the 2010 Performance Rights are set out in the meeting materials for the 2009 AGM and the 2010 EGM respectively.

5.2 2011 Performance Rights

During 2011, the Company has been focusing on upgrading a portion of its significant contingent and prospective resources to reserves through the drilling and flow testing of additional wells and establishing a Pilot Development Program. These activities will culminate in the lodgement and approval of a Reserves Report with the relevant Chinese authorities and are key steps towards the ODP.

The Board proposes issuing further performance rights (**2011 Performance Rights**) to its executive Chairman to recognise the importance of these initial milestones in the lead up to the ODP.

The 2011 Performance Rights will be subject to satisfaction of the designated **2011 Performance Hurdles** as described below:

- (a) **Performance Hurdle 1:** Approval of a Reserves Report by the relevant Chinese authorities. Half of the 2011 Performance Rights will be exercisable when a Reserves Report is approved by the relevant Chinese authorities in connection with the Company's interests in the PSC.

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- (b) **Performance Hurdle 2:** Approval of Overall Development Plan by the relevant Chinese authorities. Half of the 2011 Performance Rights will be exercisable on approval by the relevant Chinese authorities of an ODP to enable the Company to proceed to development on the PSC, with such ODP to include a minimum 100 billion cubic feet of gas and a minimum 12% internal rate of return (such minimum thresholds being calculated by the Board of Directors of the Company based on reports from suitably qualified experts). If Performance Hurdle 1 was not satisfied earlier, Performance Rights exercisable under Performance Hurdle 1 will be exercisable upon satisfaction of Performance Hurdle 2,

Each of these steps is of importance in its own right as well as being on the critical path to full commercial production and sale of gas. Accordingly each of them has been set as a performance hurdle for the 2011 Performance Rights as the Company builds momentum to achieve full commercial production and in parallel an anticipated increasing share price and shareholder value. The approval of a Reserves Report by the relevant Chinese authorities is of critical significance in moving to development and is an essential requirement of approval of the ODP in China. It is technically complex and will link in to the definition of the development strategy of the PSC and the definition of ongoing commercial arrangements with the Chinese government. The establishment of Reserves by the Company is seen by the Board as an important value driver for shareholders. The next key step would be the approval of the ODP. The ODP will be a detailed and comprehensive plan for the development of the PSC, dealing with the drilling of production wells, engineering, procurement of plant and facilities, extraction techniques, gas sales, employment of local labour, environmental and other government approvals and other required commercial arrangements. It will involve considerable liaison with a number of Chinese government offices, including local government and local communities. Again this will involve significant work to put these arrangements in place. The Board sees this step as a significant indicator of the Company's move to full commercial production and therefore as a key driver of value for shareholders.

Subject to shareholder approval, the Company proposes issuing 2011 Performance Rights, subject to the 2011 Performance Hurdles, to Mr Harper pursuant to Resolution 5 as described further below.

5.3 Proposed Grant to Mr Harper

Resolution 5 deals with the proposed grant to Mr Harper, the Company's Executive Chairman, or his nominee, of 4,000,000 2011 Performance Rights as described further in sections 5.2 and 5.3 above. The Company proposes to issue the 2011 Performance Rights to Mr Harper to reflect:

- (a) that in his role as Executive Chairman, Mr Harper will be undertaking further responsibilities in relation to leading the activities of the Company to development, and accordingly the Board are of the view that he should be granted further Performance Rights;
- (b) the increasing level of work required from Mr Harper (both previously and planned) to assist in achieving the 2011 Performance Hurdles; and
- (c) 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 2011 Performance Rights also assists in the preservation of the Company's cash reserves as the issue serves to partially remunerate Mr Harper.

The 2011 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 2011 Performance Rights issued to Mr Harper, become capable of exercise and are fully exercised by Mr Harper, no funds will be received by the Company. The dilution effect if all 2011 Performance Rights are exercised by Mr Harper is considered to be fairly minor but this will ultimately be dependant on the Company's share capital at the date the Performance Rights are exercised.

5.4 Terms and Conditions of 2011 Performance Rights to be issued

The general terms and conditions of the Performance Rights were set out in the Explanatory Statement issued by the Company in relation to the Company's 2009 AGM and are reproduced in Annexure B.

For the purposes of Items 5 and 7 of Annexure B (which provides that the Board will set performance criteria to be met before the 2011 Performance Rights may be exercised), the 2011 Performance Rights will be issued with the following additional terms:

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- (a) The agreed performance hurdles required to be fulfilled to enable exercise of the Performance Rights are the 2011 Performance Hurdles (refer section 5.2 above) and the performance period within which the 2011 Performance Hurdles must be met is no later than 3 years from the date of grant of the Performance Rights (**Performance Period**); and
- (b) The expiry period for the Performance Rights will be the date that is three years and 14 days after the date of grant (**Expiry Date**).

5.5 Listing Rule 10.14

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

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

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

5.6 Specific Disclosure of Information as Required by the Listing Rules

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

- (a) The number of Performance Rights to be granted to Mr Harper is 4,000,000, each exercisable for 1 Share, subject to satisfaction of the 2011 Performance Hurdles and all other applicable terms and conditions (as set out in section 5.2 and as summarised in Annexure B). The maximum number of Shares that may be issued upon exercise of the 2011 Performance Rights the subject of this Resolution 5 is 4,000,000 and upon exercise of the 2011 Performance Rights, the Shares will rank equally with all other shares of the Company on issue.
- (b) No amount will be payable by Mr Harper to acquire the Performance Rights or upon the exercise of the Performance Rights.
- (c) The establishment of the PRP was approved by Shareholders at the Company's 2009 AGM. On 8 November 2010, and in accordance with Shareholder approval received at the Company's 2009 AGM, the Company issued 2009 Performance Rights to Mr Stephen Lyons (1,000,000 Performance Rights), Mr John Chandler (750,000 Performance Rights) and Mr Gavin Harper (750,000 Performance Rights) on the terms set out in the notice of meeting for the 2009 AGM. On 22 February 2011, and in accordance with Shareholder approval received at the Company's 2010 EGM, the Company issued 2010 Performance Rights to Mr Stephen Lyons (6,000,000 Performance Rights), Mr John Chandler (4,500,000 Performance Rights) and Mr Gavin Harper (6,250,000 Performance Rights) on the terms set out in the notice of meeting for the 2010 EGM. Further during 2011, the Company issued an additional 10,750,000 2010 Performance Rights to key Chinese employees (consistent with the terms of the 2010 Performance Rights, and the particulars of the performance criteria to be satisfied to enable exercise, as set out in the meeting materials for 2010 EGM). No other Performance Rights have been issued under the PRP. However, the Company intends, subject to Shareholder approval at this Meeting, to issue 4,000,000 Performance Rights as per Resolution 5 to Mr Harper.
- (d) The names of all persons referred to in Listing Rule 10.14 entitled to participate in the PRP are the following Directors of the Company (and any of their associates) being Mr Stephen Lyons, Mr Gavin Harper, Mr John Chandler and Mr Bernie Ridgeway.
- (e) A voting exclusion statement is included in the Notice of Meeting.

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- (f) Subject to the approval of this Resolution 5, the issue of the Performance Rights referred to in this Resolution will be issued in or about December 2011 (but in any event no later than the date that is 3 years after the date of this meeting).
- (g) Details of any Performance Rights issued under the PRP will be published in each annual report of the Company relating to the period in which the Performance Rights were issued and, where applicable, it will be noted that approval for the issue of the Performance Rights was obtained under Listing Rule 10.14.
- (h) Any additional persons (being related parties of the Company or persons referred to in Listing Rule 10.14) who become entitled to participate in the PRP after this Resolution was approved and who are not named in this notice of meeting will not participate until approval is obtained under Listing Rule 10.14.
- (i) No loan will be provided to Mr Harper by the Company in connection with the issue of the Performance Rights or the underlying issue of Shares should the 2011 Performance Rights be exercised.

EXPLANATORY STATEMENT

6. Glossary

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

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

Meeting or **General Meeting** means the General Meeting of the Company to be held at 11.00 am (Perth time) on 5 December 2011.

New Shares means the Shares offered to Shareholders (and new investors) under the Placement and the SPP.

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.

Option means an option to subscribe for a Share.

Patersons means Patersons Securities Limited.

Perth time means the time in Perth, Western Australia.

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.

SPP means the Share Purchase Plan, details of which are set out in the SPP Offer Document sent to Shareholders on or about 28 October 2011.

Underwriter means Patersons, as underwriter of the SPP.

\$ means Australian dollars.

ANNEXURE A – TERMS OF OPTIONS RE RESOLUTION 1

1.1 Nature of Options:

- (a) Each Option shall grant the holder of that Option the right but not the obligation to be issued by the Company one Share at \$0.0793 (**Option Exercise Price**).
- (b) Each Option shall be exercisable, by the Option holder at any time after the time of its grant and on or prior to 25 November 2013 (**Option Expiration Date**), after which time it will lapse.

1.2 Exercise of Options

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

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

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

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

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

- (a) the number of the Shares to which each Option holder is entitled on exercise of the outstanding Options shall be reduced or increased in the same proportion as, and the nature of the Shares shall be modified to the same extent that, the issued capital of the Company is consolidated, subdivided or reconstructed (subject to the same provisions with respect to rounding of entitlements as sanctioned by the meeting of shareholders approving the consolidation, subdivision or reconstruction); and
- (b) an appropriate adjustment shall be made to the Option Exercise Price of the outstanding Options, with the intent that the total amount payable on exercise of the Options shall not alter.

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

- 1.6 Cumulative Adjustments:** Full effect shall be given to the provisions of clauses 1.3 to 1.5 above, as and when occasions of their application arise and in such manner that the effects of the successive applications of them are cumulative, the intention being that the adjustments they progressively effect will be such as to reflect, in relation to the Shares issuable on exercise of the Options outstanding, the adjustments which on the occasions in question are progressively effected in relation to Shares already on issue.
- 1.7 Notice of Adjustments:** Whenever the number of Shares over which an Option is exercisable, or the Option Exercise Price, is adjusted pursuant to these terms, the Company shall give notice of the adjustment to all the Option holders, within one (1) Business Day.
- 1.8 Rights Prior to Exercise:** Prior to its exercise, an Option does not confer a right on the Option holder to participate in a new issue of securities by the Company.
- 1.9 Redemption:** The Options shall not be redeemable by the Company.
- 1.10 Assignability and Transferability:** The Options shall be freely assignable and transferable, subject to the provisions of Chapter 6D of the Corporations Act and the applicable US state and federal securities law.

ANNEXURE B – SUMMARY OF TERMS OF PERFORMANCE RIGHTS PLAN RE RESOLUTION 5

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 controlled entity at the Board's discretion or to a person whom the Board determines is, or controls a company which is, engaged as a consultant to provide that person's services to a company in the Group (**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):
 - i) any offer made, or option acquired or share issued by way of or as a result of:
 - ii) an offer to a person situated at the time of receipt of the offer outside Australia; or
 - iii) an offer that did not need disclosure to investors because of section 708 of the Corporations Act, or
 - iv) 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
 - v) 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, the Board, in their discretion, may declare all Performance Rights to be free of any restrictions on exercise if the Board are of the opinion that 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 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 the Company or its amalgamation with any other companies;
- (d) the Company passes a resolution for voluntary winding up; or
- (e) an order is made for the compulsory winding up of the Company.

9. Notwithstanding item 7, Performance Rights may expire prior to the Expiry Date in the following circumstances:

- (a) the cessation of the Participant's employment or office which is not due to:
 - i) the death, Total and Permanent Disability, Retirement or redundancy of the Participant as determined by the Board in its absolute discretion;
 - 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 Participants 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 provided that the cessation date is in excess of 6 months 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 (provided that such number of Performance Rights are exercised within 3 months of the date of cessation), save that in circumstances where the cessation is due to a Qualifying Reason and such 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.

- 10. All Shares issued upon the exercise of Performance Rights will upon the allotment rank *pari passu* with all existing Shares in the capital of the Company. If the Shares are quoted, the Company will apply for quotation by ASX of all Shares allotted pursuant to the exercise of Performance Rights. However, the Company will not apply for official quotation by ASX of the Performance Rights.
- 11. A Performance Right may only be transferred in accordance with their terms of issue or otherwise with the prior written consent of the Board.
- 12. In the event of any reconstruction (including a consolidation, subdivision, reduction or return) of the issued capital of the Company, then the number of Performance Rights to which each holder of Performance Rights is entitled or the exercise price of the Performance Rights or both will be reconstructed in the manner required by the ASX Listing Rules.
- 13. A Performance Right does not entitle a participant to participate in new issues of securities to holders of Shares, unless the Performance Right has been exercised and a Share has been issued or transferred to the Participant in respect of that Performance Right, before the record date for determining entitlements to securities under the new issue.

14. If the Company makes a bonus issue, the number of Shares over which a Performance Right is exercisable will be increased by the number of Shares which the holder of the Performance Right would have received if the Performance Right had been exercised before the record date for the bonus issue. The exercise price will not change.
15. If the Company makes a rights issue, the number of Shares over which a Performance Right is exercisable will not be increased by the number of Shares which the holder of the Performance Right would have received if the Performance Right had been exercised before the record date for the rights issue. The exercise price will also not change.
16. Any notice of exercise of a Performance Right received by the Company will be deemed to be a notice of the exercise of the Performance Right on the first business day after the date of receipt of the notice.
17. Shares provided to a Participant on the exercise of Performance Rights will be held on trust for that Participant by the Trustee for the duration of the restriction period (as determined by the Board) in accordance with the terms of the PRP and the trust deed to be established for the purposes of the PRP.
18. The Directors may alter, delete or add to the provisions of the PRP without obtaining the consent of Shareholders of the Company provided such alterations or deletions are consistent with the ASX Listing Rules.
19. The rules of the PRP shall be construed in accordance with the laws of Western Australia and each Performance Right holder submits to the exclusive jurisdiction of the Courts of Western Australia.

A copy of the PRP will be sent free of charge to any Shareholder on request.

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 11:00am (Perth Time) Saturday 3 December 2011

How to Vote on Items of Business

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

Appointment of Proxy

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

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

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

A proxy need not be a securityholder of the Company.

Signing Instructions

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

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

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

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

Attending the Meeting

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

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

Turn over to complete the form →



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

www.investorcentre.com

- Review your securityholding
- Update your securityholding

Your secure access information is:

SRN/HIN: I999999999



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

I ND

Proxy Form

Please mark to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

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

the Chairman of the Meeting **OR**

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

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the General Meeting of Sino Gas & Energy Holdings Limited to be held at the Celtic Club, 48 Ord Street, West Perth, Western Australia on Monday, 5 December 2011 at 11:00am (Perth Time) and at any adjournment of that meeting.

Important for Resolution 5: If the Chairman of the Meeting is your proxy and you have not directed him/her how to vote on Resolution 5 below, please mark the box in this section. If you do not mark this box and you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your votes on Resolution 5 and your votes will not be counted in computing the required majority if a poll is called on this Item. The Chairman of the Meeting intends to vote undirected proxies in favour of Resolution 5.

I/We acknowledge that the Chairman of the Meeting may exercise my proxy even if he/she has an interest in the outcome of that Item and that votes cast by him/her, 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
Resolution 1	Ratification of Issue of Securities to SpringTree	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Ratification of Tranche 1 Placement Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Approval of Tranche 2 Placement Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Approval of Issue of Shares Pursuant to Underwriting of Share Purchase Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Approval of Grant of Performance Rights to Mr Gavin Harper	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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

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

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name

Contact Daytime Telephone

Date

____/____/____

SEH

1 3 9 4 8 5 A

Computershare