

A large, intense fire or gas flare erupting from a wellhead in a desert landscape. The fire is bright orange and yellow, with a thick plume of smoke rising into the sky. The background is a clear, light blue sky. The foreground shows the wellhead structure and some equipment.

Sino Gas & Energy Holdings Limited

ACN 124 242 422

Half-Year Financial Report for the
Half-Year ended 30 June 2010

Helping to build a Better Clean Energy Future for China

Picture: TB-07 well flow test – May 2010

Directors	Samuel Snyder – Non Executive Chairman Stephen Lyons – Managing Director John Chandler – Non Executive Director Gavin Harper – Executive Director Bernard Ridgeway – Non Executive Director
Company Secretary	Paul Mason
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Directors' Report

The Directors of Sino Gas & Energy Holdings Limited (the "Company" or "SGEH" or the "Group" or "Sino Gas") present their report together with the half-year Financial Report of the Company and its controlled entity for the half-year ended 30 June 2010.

In order to comply with the provisions of the Corporations Act 2001, the Directors' report as follows:

(a) Directors and Company Secretary

The names of the Directors of the Company during or since the end of the financial half-year are:

Name	Role
S G Snyder	Non Executive Chairman
S J Lyons	Managing Director
J Chandler	Non Executive Director
G Harper	Executive Director
B W Ridgeway	Non Executive Director
P Mason	Company Secretary

(b) Review of Operations

2010 Work Program

Sino Gas is implementing its 2010 work program to generate the data to confirm gas reserves on its Tuban Prospect.

A strong start has been made to this program with significant commercial gas flows on its TB-07 well and commercial flows on its TB-05 well.

The program being implemented is designed to upgrade a portion of the Company's large Contingent Resources to Reserves. The principal components of the program are well testing and a series of new wells to demonstrate geological control over the area designated for reserves approval.

The first activity in the program involved the flow testing of the TB-07 and TB-05 Gas Discovery Wells.

The TB-07 well was flow tested in late May 2010. Following perforation of the key reservoir extremely encouraging gas flows were encountered and for that reason it was decided not to fracture stimulate the well in the current flow testing campaign.

The TB-07 well is estimated to have a flow rate of 2,900,000 scf/day at 200 psi Tubing Head Pressure (THP) which is significantly in excess of Sino Gas's commerciality targets.

Similarly, the TB-05 well which was fracture stimulated in late June and into July 2010 also demonstrated flow rates in line with Sino Gas's commerciality targets. The TB-05 well is estimated to have a flow rate of 500,000 scf/day at 200 psi.

Forward well locations have been designed to leverage off the success of the TB-07 and TB-05 flow tests.

Based on the very high flow rates achieved on Sino Gas's TB-07 Gas Discovery Well, the Company is in the process of assessing a number of close offset well-locations.

These wells will be drilled within approximately 3km of each other in order to provide reasonable control over the area to be targeted for reserves approval.

Sino Gas announced on 7 September 2010 that drilling had commenced (spudding) on its TB-08 well. The TB-08 well is a step-out well from the very successful TB-07.

Depending on the results obtained on the TB-08 well, it is intended that following drilling and analysis to fracture stimulate the well.

Following the drilling of the TB-08 well, it is intended that the TB-09 well be drilled. Sino Gas has started the road and site work preparation for the TB-09 well.

Directors' Report

The location for the intended TB-02 – TB04 infill well is being refined by the Company in conjunction with its partners on the Sanjiaobei Production Sharing Contract (PetroChina Coal Bed Methane (PCCBM)). Sino Gas is also in the process of refining the program for the fracture stimulation of its TB-04 well with PCCBM and its fracking program.

Sino Gas's recent successful flow tests have underpinned the commencement of significant activity towards a Pilot program.

Sino Gas has started the technical design for Pilot production programs on each of the PSC areas with its partners, China United Coal Bed Methane (CUCBM) and PCCBM. It is intended that gas produced will be sold into local markets, initially as Compressed Natural Gas (CNG). Sino Gas is also working with established buyers of gas and distributors of CNG in China's Shanxi Province.

Sino Gas is strengthening its management team and technical resources to support its forward work programs.

In early August 2010, Sino Gas appointed Mr Frank Fu to the position of Chief Operating Officer (COO). Mr Fu has an 18 year career in oil, gas and Coal Bed Methane (CBM), including 14 years with Phillips and ConocoPhillips both in China and the USA. Prior to joining Sino Gas, Mr Fu was in charge of offshore rig operations for ConocoPhillips in China's Bohai Bay. Mr Fu manages Sino Gas's operations in China.

Sino Gas also announced recently, that Mr Gavin Harper has transitioned to an Executive Director and will transition to Chairman at 31 December 2010 following the retirement of Mr Sam Snyder. Mr Harper has extensive experience in the oil and gas industry, primarily with Chevron Corporation. In particular, at the current time Mr Harper is leading the Company's very active program towards a Pilot development.

Capital Raising & Debt Retirement

On 25 June 2010, Sino Gas announced the completion of a capital raising gross funds of \$27.5 million. This amount was inclusive of the conversion of \$1.8 million interest liability at an issue price of 20 cents per share. The gross amount raised was also before costs associated with the raising.

The capital raising was undertaken through a Rights Issue and was underwritten by Patersons Securities Limited.

As a part of the Rights Issue 776,428,061 new shares were issued at 3.3 cents per share and 295,285,567, 12.5 cent options, expiring on 31 December 2012 were issued.

The funds from the Rights Issue were initially applied to repay a secured convertible note of \$11.4 million and an unsecured convertible note of \$2.2 million.

Following these repayments the Company is debt free and together with current cash resources has approximately \$12.78 million to apply to its forward work program.

Financial Result and Financial Position

The consolidated entity made a net profit for the six months ended 30 June 2010 of \$558,319 (half year ended 30 June 2009: loss of \$2,590,919).

As at 30 June 2010 the consolidated entity cash position was \$12.78 million (30 June 2010: \$5.8 million) and had net assets of \$36.75 million (31 December 2009: \$11.4 million).

(c) Auditor's Independence Declaration

The auditor's independence declaration is included on page 7 of the Financial Report.

Directors' Report

Signed in accordance with a resolution of the directors made pursuant to s306(3) of the Corporations Act 2001.

On behalf of the Directors



Mr Stephen J Lyons

Managing Director

PERTH, Western Australia, 13 September 2010

Independent Auditor's Review Report to the Members of Sino Gas & Energy Holdings Limited

We have reviewed the accompanying half-year financial report of Sino Gas & Energy Holdings Limited, which comprises the condensed statement of financial position as at 30 June 2010, and the condensed statement of comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 8 to 18.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of Sino Gas & Energy Holdings Limited's financial position as at 30 June 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Sino Gas & Energy Holdings Limited ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Auditor's Independence Declaration

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

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Deloitte Touche Tohmatsu.

DELOITTE TOUCHE TOHMATSU



Neil Smith
Partner
Chartered Accountants
Perth, 13 September 2010

The Board of Directors
Sino Gas and Energy Holdings Limited
Level 4, 105 St Georges Terrace
PERTH WA 6000

13 September 2010

Dear Directors

Sino Gas and Energy Holdings Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Sino Gas and Energy Holdings Limited.

As lead audit partner for the review of the financial statements of Sino Gas and Energy Holdings Limited for the half-year ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Neil Smith
Partner

Directors' Declaration

The directors declare that:

- (a) in the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (b) in the directors' opinion the attached financial statements and notes thereto are in accordance with the Corporations Regulations 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to s303(5) of the Corporations Act 2001.

On behalf of the Directors



Mr Stephen J Lyons

Managing Director

PERTH, Western Australia, 13 September 2010

Condensed Consolidated Statement of Comprehensive Income

for the half year ended 30 June 2010

	Notes	Consolidated	
		Six months ended 30 June 2010	Six months ended 30 June 2009
		\$	\$
Continuing Operations			
Other revenue	2	60,674	10,673
Other gains and losses	2	1,848,480	-
Total revenue		1,909,154	10,673
Operating expenses		(40,125)	81,668
Financing costs		(889,078)	(914,351)
Fund raising expenses		-	(366,960)
Depreciation and amortisation expense		(21,715)	(44,197)
Share-based payment		(19,778)	(55,808)
Foreign exchange gain / (loss)		283,923	(810,307)
Impairment of exploration assets		-	(410,777)
Other expenses		-	333,345
General and administration expenses		(664,062)	(414,205)
Profit/(loss) before income tax expense		558,319	(2,590,919)
Income tax expense		-	-
Profit/(loss) for the period		558,319	(2,590,919)
Other comprehensive income			
Exchange differences arising from translation of foreign operations		708,923	(1,369,720)
Total comprehensive income/(loss) for the period		1,267,242	(3,960,639)
Earnings per share:			
Basic earnings per share (cents)		0.32	(2.24)
Diluted earnings per share (cents)		0.32	(2.24)

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Financial Position

As at 30 June 2010

	Notes	Consolidated	
		30 June 2010	31 December 2009
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	7	12,783,491	5,829,527
Trade and other receivables		109,099	126,399
Prepayments		68,116	35,572
Total current assets		12,960,706	5,991,498
Non-current assets			
Plant and equipment		36,880	49,355
Deferred exploration and evaluation expenditure	3	25,809,431	22,139,076
Total non-current assets		25,846,311	22,188,431
Total assets		38,807,017	28,179,929
LIABILITIES			
Current liabilities			
Trade and other payables		1,999,047	1,930,009
Provisions		53,506	52,078
Financial liabilities and borrowings	4	-	14,793,249
Total current liabilities		2,052,553	16,775,336
Total liabilities		2,052,553	16,775,336
Net assets		36,754,464	11,404,593
EQUITY			
Issued capital	5	53,393,827	30,435,715
Reserves		2,308,434	474,994
Accumulated losses		(18,947,797)	(19,506,116)
Total equity		36,754,464	11,404,593

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Cash Flows

for the half year ended 30 June 2010

	Notes	Consolidated	
		Six months ended 30 June 2010	Six months ended 30 June 2009
		\$	\$
Cash Flows From Operating Activities			
Receipts from customers		-	-
Payments to suppliers and employees		(440,236)	(348,014)
Interest received		60,894	10,672
Interest and financing costs paid		-	-
Income tax paid		-	17,959
Net cash used in Operating Activities		(379,342)	(319,383)
Cash Flows From Investing Activities			
Payment for plant and equipment		(7,754)	(6,357)
Payment for exploration expenditure		(2,755,519)	(2,766,090)
Net cash used in Investing Activities		(2,763,273)	(2,772,447)
Cash Flows From Financing Activities			
Proceeds from issue of equity securities		25,622,126	-
Share issue costs (net of tax)		(2,003,580)	(68,134)
Proceeds from borrowings		-	2,000,000
Repayment of borrowings		(13,599,583)	-
Net cash provided by Financing Activities		10,018,963	1,931,866
Net increase/(decrease) in Cash Held		6,876,348	(1,159,964)
Cash at the beginning of the Financial Period		5,829,527	3,149,807
Effects of exchange rate changes on the balance of cash held in foreign currencies		77,616	(57,046)
Cash at the end of the Financial Period	7	12,783,491	1,932,797

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Changes in Equity

for the half year ended 30 June 2010

CONSOLIDATED	Notes	Ordinary Shares	Equity Settled Benefits Reserve	Foreign Currency Translation Reserve	Equity Component Reserve	Accumulated Losses	Total Attributable to Equity Holders of the Company
		\$	\$	\$	\$	\$	\$
Balance at 1 January 2009		21,010,645	270,596	1,441,090	-	(14,614,477)	8,107,854
Loss for the period		-	-	-	-	(2,590,919)	(2,590,919)
Exchange differences arising on translation of foreign operations		-	-	(1,369,720)	-	-	(1,369,720)
Total comprehensive income for the period		-	-	(1,369,720)	-	(2,590,919)	(3,960,639)
<i>Transactions with owners in their capacity as owners</i>							
Recognition of convertible notes equity component		-	-	-	195,939	-	195,939
Issue of shares		3,630,000	-	-	-	-	3,630,000
Share based payments		-	55,808	-	-	-	55,808
Balance at 30 June 2009		24,640,645	326,404	71,370	195,939	(17,205,396)	8,028,962
Balance at 1 January 2010		30,435,715	1,310,861	(1,031,806)	195,939	(19,506,116)	11,404,593
Profit for the period		-	-	-	-	558,319	558,319
Exchange differences arising on translation of foreign operations		-	-	708,923	-	-	708,923
Total comprehensive income for the period		-	-	708,923	-	558,319	1,267,242
<i>Transactions with owners in their capacity as owners</i>							
Issue of shares		25,906,655	-	-	-	-	25,906,655
Share issue costs		(2,948,543)	-	-	-	-	(2,948,543)
Share based payments		-	1,124,517	-	-	-	1,124,517
Balance at 30 June 2010		53,393,827	2,435,378	(322,883)	195,939	(18,947,797)	36,754,464

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Notes to the Condensed Financial Report

for the half year ended 30 June 2010

1 Significant Accounting Policies

Corporate Information

The financial report of Sino Gas & Energy Holdings Ltd (the Company) for the half year ended 30 June 2010 was authorised for issue in accordance with a resolution of directors. Sino Gas & Energy Holdings Ltd is a company incorporated in Australia and limited by shares, which are publicly traded on the Australian Securities Exchange.

Statement of Compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 "Interim Financial Reporting". Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 134 "Interim Financial Reporting". The half-year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

Basis of preparation

The condensed financial statements have been prepared on the basis of historical cost, except for the revaluations of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian Dollars unless otherwise noted.

For the purpose of preparing the half-year financial report, the half year has been treated as a discrete reporting period.

Accounting Policies

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's December 2009 annual financial report for the financial period ended 31 December 2009, except the standards and interpretations described below. These accounting policies are consistent with Australian Accounting Standard and with International Financial Reporting Standards.

From 1 January 2010 the Company has adopted the following Standards and Interpretations:

- AASB 3 Business Combinations (2008), AASB 127 Consolidated and Separate Financial Statements (2008), AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 and AASB 2008-11 Amendments to Australian Accounting Standard - Business Combinations Among Not-for-Profit Entities
- AASB 2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project - AASB 2008-8 Amendments to Australian Accounting Standards - Eligible Hedged Items
- AASB 2009-4 Amendments to Australian Accounting Standards arising from the Annual Improvements Process - AASB 2009-7 Amendments to Australian Accounting Standards
- Interpretation 17 Distributions of Non-Cash Assets to Owners and AASB 2008-13 Amendments to Australian Accounting Standards arising from AASB Interpretation 17 Distributions of Non-Cash Assets to Owners

The adoption of these standards and interpretations did not have any effect on the financial position or performance of the Company.

Certain Australian Accounting Standards and Australian Accounting Interpretations have recently been issued or amended but are not yet effective. The Company has not elected to early adopt any new standards or amendments.

Notes to the Condensed Financial Report

for the half year ended 30 June 2010

2 Other revenues and Other gains and losses

	Notes	Consolidated	
		Six months ended 30 June 2010	Six months ended 30 June 2009
		\$	\$
Other revenue			
Other revenue consisted of the following:			
Finance revenue		60,674	10,673
Other gains and losses			
Other gains and losses consisted of the following:			
Net gain arising on derivative liabilities		297,119	
Net gain on settlement of financial liabilities		1,551,141	-
		1,848,260	-

3 Deferred Exploration and Evaluation Expenditure

	Consolidated	
	30 June 2010	31 December 2009
	\$	\$
Exploration		
At cost	25,809,431	22,139,076
Provision for impairment	-	-
Written down value	25,809,431	22,139,076

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

	6 months to 30 June 2010	6 months to 31 December 2009
Exploration		
Carrying amount at the beginning of the financial period	22,139,076	21,586,106
Additions	2,615,310	979,020
Impairment	-	-
Impact of foreign exchange	1,055,045	(426,050)
Carrying amount at the end of the financial period	25,809,431	22,139,076

Recoverability of the carrying amount of exploration assets is dependent on the successful exploration, development and commercial exploitation or sale of the Production Sharing Contracts (PSC's).

Notes to the Condensed Financial Report

for the half year ended 30 June 2010

The carrying amounts above represent the Company's interest in the Linxing and Sanjiaobei PSC's.

The exploration period in respect to the Sanjiaobei PSC expired on 31 August 2008. The Chinese CBM industry is being restructured such that certain assets held by CUCBM will now be held by both CUCBM and Petrochina CBM (PCCBM). The Sanjiaobei PSC is one such asset that is being transferred from CUCBM to PCCBM. This restructure however has caused delays in the approval of the extension of the exploration period. Following the execution of a Modification Agreement between the Company, Chevron and PCCBM to effect this extension and also deal with the transfer of Chevron's 50% gross working interest to SGE it will be lodged with MOFCOM for approval. The agreement will be effective following MOFCOM approval.

The Company and PCCBM have been in discussions and negotiations in respect to the extension of the exploration period on the Sanjiaobei PSC and also the forward exploration programme on the PSC, which were the focal point at the Joint Management Committee Meeting held in August 2010. The Directors have been closely working with PCCBM and Chevron to achieve the necessary approvals.

4 Borrowings

		Consolidated	
		30 June 2010	31 December 2009
		\$	\$
Convertible loan from related party	(i)	-	12,588,897
Convertible note issued to related party	(ii)	-	1,906,877
Derivative liability	(iii)	-	297,475
		<u>-</u>	<u>14,793,249</u>

- (i) The convertible loan issued to Imdex Limited was settled during the current period, as a result of a cash repayment of \$11,391,087 and the issue of 9,178,350 ordinary shares at an issue price of \$0.20 per share for the remaining balance of \$1,835,670. The ordinary shares have been recorded at fair value on the date of the issue resulting in a gain recognised in the Statement of Comprehensive Income of \$1,551,141.

The convertible loan was secured via a fixed and floating charge over the assets of Sino Gas & Energy Limited. This fixed and floating charge is been discharged following repayment of the convertible loan.

- (ii) The convertible note issued to China Opportunity SA SICAR was settlement during the current period via a cash repayment for the outstanding balance of \$2,208,496.
- (iii) The derivative liability arose from the conversion option given to Imdex Limited. As the convertible loan has been extinguished during the period, the conversion option was fair valued prior to repayment and the movement of the fair value of \$297,119 has been recognised in the Statement of Comprehensive Income.

Notes to the Condensed Financial Report

for the half year ended 30 June 2010

5 Issuance of Equity Securities

	Consolidated	
	30 June 2010	31 December 2009
	\$	\$
Issued and Paid Up Capital		
Fully paid ordinary shares	53,393,827	30,435,715
	<u>53,393,827</u>	<u>30,435,715</u>

Movement in ordinary share capital Consolidated	30 June 2010	
	Number of shares	\$
Balance at the beginning of the financial period	149,165,158	30,435,715
Issue of shares pursuant to prospectus issued (i)	776,428,061	25,622,126
Issue of shares from the conversion of portion of convertible loan note (ii)	9,178,350	284,529
Share issue costs	-	(2,948,543)
Closing balance at end of the financial period	<u>934,771,569</u>	<u>53,393,827</u>

- (i) On 25 June 2010, the Company completed a Rights Issue. As a result of this raising 776,428,061 ordinary shares were issued at \$0.033 per share.
- (ii) On 25 June 2010, Imdex Limited converted \$1,835,670 of their convertible loan to 9,178,350 ordinary shares of SGEH. The share price of the ordinary shares at conversion date was \$0.031, which resulted in a fair value of the ordinary shares issued of \$284,529. The difference of \$1,551,141 between the fair value of the ordinary shares issued and the financial liability has been recognised in the Statement of Comprehensive Income for the half year ended 30 June 2010.

6 Commitments for Expenditure and Contingencies

(a) Commitments for expenditure

The Company intends to continue the evaluation of its Linxing and Sanjiaobei PSC's. Under the terms of the PSC's, the Company has minimum spend obligations on the Linxing and Sanjiaobei PSC's and the requirements of the Ministry of Land & Resources (MOLAR), as described in more detail below.

	Remaining Minimum Spend for 2010 Calendar Year	Annual Minimum Spend Per Calendar year \$
PSC		
Linxing	1,384,458	4,471,549
Sanjiaobei	-	1,923,859
Total	<u>1,384,458</u>	<u>6,395,408</u>

The amounts set out in the table above do not include general and administrative expenses. The minimum spend noted above is determined in Chinese Renminbi and have been converted to Australian Dollars at the rate prevailing at balance date. The minimum spend amounts reflect SGE's 100% gross working interest in the Linxing and Sanjiaobei PSC's.

Notes to the Condensed Financial Report

for the half year ended 30 June 2010

In respect to the Sanjiaobei PSC, as set out in Note 3, the Company is in the process of formalising the extension of the exploration period on the Sanjiaobei PSC which will be effective following MOFCOM approval.

The annual minimum spend for the calendar year ended 31 December 2010 will be determined by the Company and PCCBM as part of the process of formalising the extension of the PSC. The annual minimum spend per calendar year disclosed above is in accordance with the PSC as it currently stands. The Company believes it has spent over and above their minimum spend requirements in past years.

(b) Lease commitments

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

	Consolidated	
	30 June 2010	31 December 2009
	\$	\$
Non-cancellable operating lease commitments		
Not longer than 1 year	98,420	171,259
Longer than 1 year and not longer than 5 years	-	-
Longer than 5 years	-	-
	98,420	275,241

7 Notes to the Statement of Cash Flows

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

	Consolidated	
	30 June 2010	30 June 2009
	\$	\$
Cash and cash equivalents	12,783,491	1,932,797

8 Segment Information

The Company operates in one business segment being the gas and energy sector and one geographical sector being the Peoples Republic of China.

Notes to the Condensed Financial Report

for the half year ended 30 June 2010

9 Subsequent Events

Subsequent to the half-year end the Company:

- (i) On the 11 August 2010, the Company appointed Mr Frank Fu to the position of Chief Operating Officer;
- (ii) In August 2010, the performance rights that were approved in the Annual General Meeting in November 2009, under the Company's Performance Rights Plan to the directors were formally granted to Mr Stephen Lyons, Mr John Chandler and Mr Gavin Harper; and
- (iii) On 2 September 2010, the Company announced that Mr Sam Snyder will retire as Non Executive Chairman and Director effective 31 December 2010, and will be replaced by Mr Gavin Harper.

No other matter or circumstance has arisen that has significantly affected, or may significantly affect, the operations of the Company and its subsidiary, the results of those operations or the state of affairs of the Company and its subsidiary in subsequent periods that is not otherwise disclosed in the consolidated financial statements.