

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

SINO GAS & ENERGY HOLDINGS LIMITED

ABN

16 124 242 422

Quarter ended ("current quarter")

30 September 2012

Consolidated statement of cash flows

		Current quarter \$A'000	Year to date months \$A'000	9
Cash flows related to operating activities				
1.1	Receipts from product sales and related debtors	-	-	
1.2	Payments for (a) exploration & evaluation	-	(1,785)	
	(b) development	-	-	
	(c) production	-	-	
	(d) administration	(1,477)	(3,610)	
1.3	Dividends received	-	-	
1.4	Interest and other items of a similar nature received	25	57	
1.5	Interest and other costs of finance paid	-	-	
1.6	Income taxes paid	-	-	
1.7	Other (provide details if material)	-	-	
Net Operating Cash Flows		(1,452)	(5,338)	
Cash flows related to investing activities				
1.8	Payment for purchases of:			
	(a) prospects	-	-	
	(b) equity investments	-	-	
	(c) other fixed assets	(6)	(15)	
1.9	Proceeds from sale of:			
	(a) prospects	-	-	
	(b) equity investments	9,629	9,629	
	(c) other assets	-	-	
1.10	Loans to / (from) other entities	-	-	
1.11	Loans repaid by other entities	-	-	
1.12	Other – costs related to sale of equity investments	(2,565)	(2,565)	
Net investing cash flows		7,058	7,049	
1.13	Total operating and investing cash flows (carried forward)	5,606	1,711	

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	5,606	1,711
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	3
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	-	3
	Net increase (decrease) in cash held	5,606	1,714
1.20	Cash at beginning of quarter/year to date	439	4,317
1.21	Exchange rate adjustments to item 1.20	(103)	(89)
1.22	Cash at end of quarter	5,942	5,942

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	281
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

The amount shown in item 1.23 above represents directors' remuneration and expat expenses.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

On 6 July 2012, the Company completed a strategic partnership agreement with MIE Holdings Corporate (MIE). MIE acquired 39 million ordinary shares in Sino Gas & Energy Limited (SGE) from Sino Gas & Energy Holdings Limited (Sino Gas) for a consideration of \$9.7 million (US\$10 million). In addition, MIE will progressively invest a further US\$90 million into SGE to secure an interest of 51% in the issued capital of SGE. See Note 8 of the notes to the consolidated financial statements of the 2012 half-year accounts for more information.

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	-
4.2 Development	-
4.3 Production	-
4.4 Administration	675
Total	675

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	5,942	439
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	5,942	439

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	See Appendix A		
6.2	Interests in mining tenements acquired or increased			

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference securities (description)	-	-	-	-
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	N/A	N/A	N/A	N/A
7.3	+Ordinary securities	1,125,667,120	1,125,667,120		
7.4	Changes during quarter (a) Increases through conversion of performance rights (b) Decreases through returns of capital, buy-backs	5,250,000 -	5,250,000 -	Issue of fully paid ordinary shares following exercise of Performance Rights -	Issue of fully paid ordinary shares following exercise of Performance Rights -
7.5	+Convertible debt securities (description)	N/A			
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options (description and conversion factor)			<i>Exercise Price</i>	<i>Expiry Date</i>
		334,283,757	334,283,757	12.5 cents	31 December 2012
		1,310,000	Nil	50 cents	13 March 2013
		8,750,000	Nil	7.93 cents	25 November 2013
		30,000,000	Nil	7.5 cents	15 February 2017
7.8	Issued during quarter	Nil	N/A	N/A	N/A
7.9	Exercised during quarter	Nil	N/A	N/A	N/A
7.10	Expired during quarter	Nil	N/A	N/A	N/A
7.11	Debentures (totals only)	-	-		

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7.12	Unsecured notes <i>(totals only)</i>	-	-
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Note a: During the 3 months ending 30 September 2012, the Company issued 11,000,000 Performance Rights to Mr Robert Bearden, 5,250,000 Performance Rights were converted to ordinary shares and 7,250,000 performance rights have lapsed. At 30 September 2012, the Company has issued a total of 34,300,000 Performance Rights. These Performance Rights were issued in accordance with the Company's Performance Rights Plan as approved by shareholders. The Performance Rights, each exercisable for one ordinary share, can be exercised upon the achievement of a number of future performance hurdles.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:|



Print name:

GAVIN HARPER
Executive Chairman
31 October 2012

Appendix A

Following the completion of the strategic partnership with MIE Holdings Corporate (MIE) on 6 July 2012, MIE holds 51% of the issued share capital of Sino Gas & Energy Limited (SGE) through the investments described in item 2.1. Subsequent funding obligations are to be met in proportion to issued capital held by each shareholder in SGE (49% for Sino Gas) and failure to meet funding obligations may result in a dilution of the defaulting party's interest.

SGE has interests in two blocks under Production Sharing Contracts (PSCs) with CNPC and CUCBM. Under the terms of the PSCs, SGE (as the Foreign Contractor) is required to fund all exploration, development and associated operating costs (Qualifying Expenditure) until Overall Development Plan (ODP) approval. Upon ODP approval, the PSC partners and SGE will fund their respective costs to commercialise the project. Once in commercial production, gross production is split in accordance with the cost recovery model, similar in operation to PSCs adopted in a number of international jurisdictions. First joint operating costs are recovered before SGE recovers its Qualifying Expenditure. Once the Qualifying Expenditure is recovered, the remainder is shared between the parties (Chinese Partner and Foreign Contractor) in proportion to their interests.

China National Petroleum Company (CNPC) is one of China's largest oil and gas producers with an extensive international presence and a strong focus on the development of unconventional gas in China. CNPC's interest in the Sanjiaobei PSC is managed by its subsidiary PetroChina CBM (PCCBM).

Chinese United Coal-bed Methane (CUCBM) an affiliate of China National Offshore Oil Company (CNOOC). CBM Energy (an unrelated investment company and early participant in CBM in China) has an option with SGE to gain an interest of 5.25% at ODP approval of the Linxing PSC, by paying 7.5% of historical costs and expenses.

PSC Stakeholders and Terms

PSC	Working Interest (Exploration)	Net Interests (Development & Production)	Cost Recovery / Revenue Split
Linxing	SGE	SGE	Exploration costs are funded by SGE 100% and are recoverable from future revenues from commercial production. Exploration, development and operating costs are recovered from gross revenue in accordance with a standard cost recovery formula.
	100%	64.75% CUCBM 30.0% CBM Energy 5.25%	
Sanjiaobei	SGE	SGE 49.0%	
	100%	CNPC 51.0%	

+ See chapter 19 for defined terms.