

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/2013

Name of entity

SINO GAS & ENERGY HOLDINGS LIMITED

ABN

16 124 242 422

Quarter ended ("current quarter")

31 December 2015

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$USD'000	Year to date 12 months \$USD'000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration & evaluation	-	-
	(b) development	-	-
	(c) production	-	-
	(d) administration	(1,556)	(6,558)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	24	232
1.5	Interest and other costs of finance paid*	(251)	(997)
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	-
	Net Operating Cash Flows	(1,783)	(7,323)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	(4)	(244)
1.9	Proceeds from sale of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.10	Loans (to)/from other entities*	(7,370)	(24,791)
1.11	Loans repaid by other entities	-	-
1.12	Other – costs related to sale of equity investments	-	-
	Net investing cash flows	(7,374)	(25,035)
1.13	Total operating and investing cash flows (carried forward)	(9,157)	(32,358)

+ See chapter 19 for defined terms.

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1.13	Total operating and investing cash flows (brought forward)	(9,157)	(32,358)
1.14	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc. (Net of share issue costs)	(74)	63,165
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Interest and other costs of finance paid	-	-
1.19	Dividends paid	-	-
1.20	Other	-	-
	Net financing cash flows	(74)	63,165
	Net increase (decrease) in cash held	(9,231)	30,807
1.21	Cash at beginning of quarter/year to date	72,422	34,141
1.22	Exchange rate adjustments to item 1.20	228	(1,529)
1.23	Cash at end of quarter	63,419	63,419

*Note: 1.5 Interest payment on Macquarie loan; 1.10 Includes Sino Gas' 49% share of cash calls to the joint venture PSC operating company, Sino Gas & Energy Limited (SGE).

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 \$USD'000
1.23	Aggregate amount of payments to the parties included in item 1.2	294
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, consulting fees and expat expenses, including relocation costs.

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

N/A

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

N/A

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$USD'000	Amount used \$USD'000
3.1 Loan facilities	50,000*	10,000
3.2 Credit standby arrangements	-	-

*Note: Tranche B of \$40m available on satisfaction of conditions precedent (including Macquarie obtaining internal credit approvals). Refer to ASX announcement 29/08/2014.

Estimated cash outflows for next quarter

	\$USD'000
4.1 Exploration and evaluation	6,500
4.2 Development	-
4.3 Production	-
4.4 Administration	1,790
Total	8,290

*Note: Exploration and evaluation relates to cash calls for 49% of SGE's qualifying PSC expenditure. Administration contains cash calls relating to 49% of the administration expenses of SGE.

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 \$USD'000	Previous quarter \$USD'000
5.1 Cash on hand and at bank	63,340	72,350
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (Funds in trust)	76	72
Total: cash at end of quarter (item 1.22)	63,419	72,422

Changes in interests in mining tenements and petroleum tenements

	Tenement reference and location	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed	No petroleum tenements were acquired or disposed of during the quarter. Refer to Appendix A – Schedule of tenements.		
6.2	Interests in mining tenements and petroleum tenements acquired or increased			

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)	Amount paid up per security (see note 3)
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	2,073,678,608	2,073,678,608		
7.4 Changes during quarter (a) Increases through issues (b) increase through conversion of performance rights				
7.5 *Convertible debt securities (description)	N/A			

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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>
		25,000,000 30,000,000*	Nil Nil	\$A0.075 \$A0.25	15 February 2017 1 September 2018
7.8	Issued during quarter	Nil	Nil	N/A	N/A
7.9	Exercised during quarter	Nil	Nil	N/A	N/A
7.10	Expired during quarter	Nil	Nil	N/A	N/A
7.11	Debentures (totals only)	-	-		
7.12	Unsecured notes (totals only)	-	-		

*Note: The vesting of 15 million of the options is prorated on drawdown of the first US\$10 million of Tranche B funds. Refer to ASX announcement 29/08/2014.

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 5).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:



Date: 29 January 2016
Managing Director

Print name: Glenn Corrie

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements and petroleum tenements acquired, exercised

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or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement or petroleum tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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Appendix A – Schedule of tenements

Production Sharing Contract	Holder	Beneficial Interest (%)	
		Exploration	Development & Production
Linxing (LX) 1,786 km ² Shanxi Province, China	Sino Gas & Energy Limited (SGE)	SGE 100%	SGE 64.75%* CUCBM 30.0% CBM Energy 5.25%
Sanjiaobei (SJB) 1,124 km ² Shanxi Province, China			SGE 49.0% PCCBM 51.0%

No petroleum tenements were acquired or disposed of during the quarter.

Sino Gas & Energy Holdings Limited holds 49% and MIE Holdings Corporation (MIE) holds 51% of the issued share capital in Sino Gas & Energy Limited (SGE). Funding obligations are met in proportion to issued capital held by each shareholder 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). CUCBM (China United Coalbed Methane) holds a 30% interest in the Linxing PSC. CUCBM is a subsidiary of CNOOC and was the original state owned enterprise formed to develop the CBM industry in China.

*Note: 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.

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