

## 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, 01/05/13, 01/09/16

**Name of entity**

SINO GAS & ENERGY HOLDINGS LIMITED

**ABN**

16 124 242 422

**Quarter ended ("current quarter")**

31 December 2017

Consolidated statement of cash flows	Current quarter \$USD'000	Year to date (12 months) \$USD'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	-	-
(b) development	-	-
(c) production	-	-
(d) staff costs	(887)	(2,995)
(e) administration and corporate costs	(845)	(3,236)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	90	410
1.5 Interest and other costs of finance paid	(276)	(1,176)
1.6 Income taxes paid	(40)	(616)
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,958)</b>	<b>(7,613)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(4)	(341)
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets (*)	(219)	(3,279)

Consolidated statement of cash flows	Current quarter \$USD'000	Year to date (12 months) \$USD'000
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-
2.3 Cash flows from loans to other entities (**)	-	(5,390)
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	(277)	(1,131)
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(500)</b>	<b>(10,141)</b>

(\*) Represents the Linxing option acquired in Q2. Please see press release on 18 April 2017 for details.

(\*\*) Sino Gas & Energy Limited ("SGE") generates cash flow from operations, which are reinvested in the pilot project. Any additional funding requirements are loaned to SGE by way of shareholder loans. Item 2.3 represents Sino Gas & Energy Holding ("SGEH")'s share of such shareholder loans to SGE

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	1,425
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	(37)	(37)
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
<b>3.1 Net cash from / (used in) financing activities</b>	<b>(37)</b>	<b>1,388</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of period	30,458	44,233
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,958)	(7,613)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(500)	(10,141)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(37)	1,388

Consolidated statement of cash flows		Current quarter \$USD'000	Year to date (12 months) \$USD'000
4.5	Effect of movement in exchange rates on cash held	9	105
4.6	<b>Cash and cash equivalents at end of period</b>	<b>27,972</b>	<b>27,972</b>

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$USD'000	Previous quarter \$USD'000
5.1	Bank balances	5,138	4,452
5.2	Call deposits*	22,834	26,006
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>27,972</b>	<b>30,458</b>

(\* Note: One to three month term deposits. )

6.	Payments to directors of the entity and their associates	Current quarter \$USD'000
6.1	Aggregate amount of payments to these parties included in item 1.2	(344)
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

The amount shown in item 6.1 above represents directors' remuneration and expat expenses.

7.	Payments to related entities of the entity and their associates	Current quarter \$USD'000
7.1	Aggregate amount of payments to these parties included in item 1.2	-
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3	Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

SGE generates cash flow from operations, which are reinvested in the pilot project. Any additional funding requirements are loaned to SGE by way of shareholder loans. Item 7.2 above represents SGEH's share of such shareholder loans to SGE.

8. <b>Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$USD'000	Amount drawn at quarter end \$USD'000
8.1 Loan facilities	50,000	10,000
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

Loan facilities shown in 8.1 above represent the loan from Macquarie Bank Ltd ("Macquarie"). Refer to ASX announcement of 6 December 2016. Repayment of the currently drawn amount is due towards the end of 2018. The undrawn amount of US\$40 million is available subject to Macquarie credit committee approval.

Further to the ASX announcement of 23 January 2018, the Company has entered into a new five-year senior secured US\$100 million debt facility with Macquarie. The debt facility was used to repay the outstanding loan amount under the existing Macquarie credit facility.

9. <b>Estimated cash outflows for next quarter</b>	<b>\$USD'000</b>
9.1 Exploration and evaluation	-
9.2 Development	4,900(*)
9.3 Production	-
9.4 Staff costs	1,300
9.5 Administration and corporate costs	750
9.6 Other (provide details if material)	1,650(**)
<b>9.7 Total estimated cash outflows</b>	<b>8,600</b>

(\*) Note: SGE generates cash flow from operations, which is reinvested in the pilot project. Any additional funding requirements are loaned to SGE by way of shareholder loans. Development relates to such shareholder loans to SGE to fund SGEH's share of joint venture operations.

(\*\*) Note: The amount represents financing related costs

10. <b>Changes in tenements (items 2.1(b) and 2.2(b) above)</b>	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced		No petroleum tenements were acquired or disposed of during the quarter. Refer to Appendix A – Schedule of tenements.		
10.2 Interests in mining tenements and petroleum tenements acquired or increased				

### **Compliance statement**

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:

  
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(Director/Company secretary)

Date: 29 January 2018

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 that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, 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. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

## **Appendix A – Schedule of tenements**

Production Sharing Contract	Holder	Beneficial Interest (%)	
		Exploration	Development & Production
Linxing (LX) 1,786 km <sup>2</sup> Shanxi Province, China	Sino Gas & Energy Limited (SGE)	SGE 100%	SGE 64.75%* SGEH 5.25%* CUCBM 30.0%
Sanjiaobei (SJB) 1,124 km <sup>2</sup> 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 (SGEH) holds 49% and China New Energy Mining Limited (CNEML) 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 PetroChina Coalbed Methane Company Limited (PCCBM), a subsidiary of China National Petroleum Corporation (CNPC) and China United Coalbed Methane Company Limited (CUCBM), a subsidiary of China National Offshore Oil Corporation (CNOOC). 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 have the option to participate in the project up to their working interest. Accordingly, the PSC partners and SGE will fund their respective costs to commercialise the project. Gross production is split in accordance with the cost recovery model, similar in operation to PSCs adopted in a number of international jurisdictions. Firstly, 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.

CNPC is China's largest oil and gas company with an extensive international presence and a strong focus on the development of unconventional gas in China. CNOOC is China's third largest oil and gas company.

\*Note: As disclosed in the press release of 18 April 2017, SGEH purchased from CBM Energy (an unrelated investment company and early participant in CBM in China) an option to acquire at ODP 7.5% of SGE's interest in the Linxing PSC by paying 7.5% of historical costs and expenses. Beneficial interests are shown assuming CUCBM backs in for their 30% interest and the option is exercised. On exercise of the option, SGEH would become the largest working interest owner of the Linxing PSC.