



Schematic Site Layouts for the proposed 8 mtpa or greater Magnolia LNG Project in the Port of Lake Charles, Louisiana, USA (left) and the 8 mtpa or greater Bear Head LNG Project, in Richmond County, Nova Scotia, Canada (right)

December 2016

Quarterly Highlights and Appendix 4C

A Message from the Managing Director and Chief Executive Officer

Liquefied Natural Gas Limited (**LNGL** or the **Company**) is positioned for success in 2017 and beyond. Our North American projects have successfully achieved milestones that provide indisputable evidence that Magnolia LNG and Bear Head LNG should be at the forefront of supplying the next wave of global LNG demand.

The Magnolia LNG project enters 2017 shovel ready and first in-line to satisfy demand for new LNG supply. Our team is solely focused on completing our marketing of Magnolia LNG's offtake capacity in order to take FID (a financial investment decision). The project has all required FERC and DoE permits and approvals, has construction price certainty through its industry competitive LSTK EPC contract price with KSJV, certainty of gas supply, equity via a commitment from Stonepeak Infrastructure Partners, and a debt financing process led by BNP Paribas.

For LNG buyers attempting to determine which US greenfield LNG project is most likely to succeed and thus to contract with, you must look no further than Magnolia LNG. Once bankable offtake is sold, Magnolia LNG will move straight to financial close and construction. The project has no other obligations to meet.

As LNG developments are considered, Magnolia LNG is the most viable greenfield liquefaction project in the world today.

Likewise, Bear Head LNG has completed its regulatory permitting process. Bear Head markets itself as a viable outlet for stranded Canadian natural gas resources looking for economic access to global LNG markets, demand, and pricing. Bear Head is uniquely positioned as a key component of an East Coast Canada export strategy. Our Fisherman's Landing LNG site remains a viable project as our team looks to find feed gas supply in sufficient quantities to progress towards an FID decision.

In keeping with our promise to shareholders, we have managed our liquidity closely consistent with our stated plans. We closed December 2016 with the Company's total cash position at A\$59.9 million. The Company has no debt.

We look forward to building on our 2016 accomplishments in 2017.

Yours sincerely,

Gregory M. Vesey, Managing Director and Chief Executive Officer

Liquefied Natural Gas Limited

ASX Code: LNG
 OTC ADR: LNGLY
 ABN: 19 101 676 779

CONTACT DETAILS

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BOARD OF DIRECTORS

Paul J. Cavicchi
 Chairman
Gregory M Vesey
 Managing Director and Chief Executive Officer
Leeanne Kay Bond
 Non-Executive Director
Richard Jonathan Beresford
 Non-Executive Director
D. Michael Steuert
 Non-Executive Director
Philip D. Moeller
 Non-Executive Director

ISSUED CAPITAL as at 31st Dec 2016

Shares on Issue	512,027,825
Performance Rights	13,200,298
ADRs on Issue	3,064,789

SUBSTANTIAL SHAREHOLDERS as at 31st Dec '16

Top 20 Shareholders	55.4%
North American	46.8%
- Baupost Group, LLC	12.2%
- Valinor Management, LLC	8.2%
Directors & Management	1.0%

QUARTER HIGHLIGHTS

Magnolia LNG:

- On 23 November 2016, the US Federal Energy Regulatory Commission (**FERC**) issued its Order on Rehearing fully reaffirming its 15 April 2016 authorization of the proposed Magnolia LNG export facility. In doing so, FERC entirely rejected the Sierra Club's arguments, basing its rejection largely on recent decisions from U.S. federal appeals courts that have found FERC's approach is proper and consistent with U.S. Supreme Court precedent.
- Following receipt of the FERC's Order on Rehearing, the US Department of Energy (**DoE**) granted the Magnolia LNG project authorization to export liquefied natural gas from the proposed facility in Lake Charles, Louisiana, USA to countries with which the United States has not entered into a free trade agreement (non-FTA approval) on 1 December 2016.
- On 6 December 2016, Magnolia LNG and Meridian LNG Holdings Corp announced a further extension of certain conditions precedent for the Meridian LNG offtake agreement from 31 December 2016 to 30 November 2017. All other provisions of the governing agreements not specifically amended by this extension remain in full force and effect.
- Magnolia LNG is in the process of agreeing a further extension of the validity period of the current binding engineering, procurement, and construction (EPC) contract with KSJV (a KBR – SKE&C joint venture led by KBR). Both LNGL and KSJV are intent to continue their Magnolia LNG relationship through a further extension of the binding lump sum turnkey (LSTK) EPC contract. As an interim step, on 23 December 2016, the companies announced an extension of the EPC contract through January 31, 2017 as a bridge to agreement on a longer term extension.

Bear Head LNG:

- By release dated 23 December 2016, Bear Paw Pipeline Corporation Inc. (**Bear Paw**), an indirect wholly owned subsidiary of LNGL, announced receipt of its environmental assessment (**EA**) approval from Nova Scotia Environment (**NSE**) for its natural gas pipeline. Bear Paw is proposing to construct and operate a 62.5 km natural gas pipeline from Goldboro to the proposed Bear Head LNG liquefied natural gas export facility in Point Tupper, Richmond County, Nova Scotia. The Goldboro to Point Tupper pipeline connects Bear Head LNG to the North American natural gas pipeline network.

Corporate:

- Following the close of the Annual General Meeting on 17 November 2016, Mr Paul Cavicchi became Chairman of LNGL's Board of Directors. The previous Chairman, Mr Richard Beresford, remains on the LNGL Board as Non-Executive Director.

Security movements:

- On 25 November 2016, 1,000,000 new ordinary shares were issued following the exercise of 1,000,000 options, at an Exercise Price of A\$0.46 per share, in relation to capital raising

advisory services from Foster Stockbroking. At the date of this report, there are no further options issued and outstanding.

- On 30 November 2016, 1,600,000 Incentive Rights (960,000 Performance Rights and 640,000 Retention Rights) were issued to Greg Vesey (Managing Director & CEO of LNGL) following approval at the 2016 AGM on 17 November 2016.
- On 2 December 2016, 66,499 ordinary shares were issued from the conversion of 73,111 Non-Executive Director (NED) Rights.
- On 13 December 2016, 732,304 NED Rights were issued following approval at the 2016 AGM on 17 November 2016.
- The number of performance rights reported to the ASX on 13 December 2016 in the Appendix 3B totalling 13,311,098 reduced by 226,807 to 13,084,291 due to the forfeiture of Performance Rights by a staff member who left the Company.
- On 27 January 2017, 952,137 ordinary shares were issued from the conversion of 952,992 Incentive Rights relating to a 2014 Incentive Rights grant held by Mr Paul Bridgwood, a former KMP (key management personnel) and employee of LNGL. Upon vesting, the number of Performance Rights outstanding reduced from 13,084,291 to 12,131,299.

Financial Position:

During the three-months ended 31 December 2016, net operating cash outflow was A\$5.1 million, representing a reduction of 37% compared to the net operating cash outflow of A\$8.1 million for the three-months ended 30 September 2016. Management believes the liquidity management plan remains on course to deliver its goal of liquidity into 2019 but acknowledges there remain risks to realizing the goal.

LNGL's total cash balance as at 31 December 2016 was A\$59.9 million, which compares to A\$61.7 million as at 30 September 2016, reflecting a net reduction in reported cash of A\$1.8 million. The change in reported cash between periods benefited from foreign exchange movements on US dollar denominated cash holdings. As disclosed in the Appendix 4C, the total net reduction in cash of A\$1.8 million consisted of outflows of A\$5.1 million relating to operations, no investing activities, and a net inflow of A\$0.4 million relating to financing activities. The remainder of the reported reduction in cash relates to an unrealized foreign exchange translation effect of A\$2.9 million.

LNGL maintains a material portion of its existing cash and cash equivalents denominated in US dollars. The preponderance of forecasted cash outflows are denominated in US dollars, supporting maintenance of a majority of cash and cash equivalents denominated in US dollars as a foreign exchange risk mitigation strategy. Because LNGL's reporting currency is Australian dollars, the US dollar denominated cash balances are translated to Australian dollars at each balance sheet date, with the net effect reflected as unrealized gain (loss) from translation as a period end-to-period end reconciling item in reported cash balances.

The Company has no debt.

For further information, contact:

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Chief Financial Officer
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ABOUT LIQUEFIED NATURAL GAS LIMITED

LNGL is an ASX listed company (Code: **LNG** and OTC ADR: **LNGLY**) whose portfolio consists of 100% ownership of the following companies:

- Magnolia LNG LLC (**Magnolia LNG**), a US-based subsidiary, which is developing an 8 mtpa or greater LNG export terminal, in the Port of Lake Charles, Louisiana, USA;
- Bear Head LNG Corporation Inc. (**Bear Head LNG**), a Canadian based subsidiary, which is developing an 8 - 12 mtpa LNG export terminal in Richmond County, Nova Scotia, Canada;
- Bear Paw Pipeline Corporation Inc. (**Bear Paw**), which is proposing to construct and operate a 62.5 km gas pipeline lateral to connect gas supply to Bear Head LNG;
- Gladstone LNG Pty Ltd, a subsidiary which plans to develop the 3.5 mtpa Fisherman's Landing LNG (**FLLNG**) project at the Port of Gladstone in Queensland, Australia; and
- LNG Technology Pty Ltd, a subsidiary which owns and develops the Company's **OSMR**[®] LNG liquefaction process, a mid-scale LNG business model that plans to deliver lower capital and operating costs, faster construction, and improved efficiency, relative to larger traditional LNG projects.

Liquefied Natural Gas Limited

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Disclaimer

Forward-looking statements may be set out within this correspondence. Such statements are only predictions, and actual events or results may differ materially. Please refer to our forward-looking statement disclosure contained on our website at www.LNGLimited.com.au and to the Company's Annual Report and Accounts for a discussion of important factors, which could cause actual results to differ from these forward-looking statements. The Company does not undertake any obligation to update publicly, or revise, forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required.

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

Liquefied Natural Gas Limited

ABN

19 101 676 779

Quarter ended ("current quarter")

31 December 2016

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers/tax authorities	188	318
1.2 Payments for		
research and development/patents	(16)	(111)
LNG project development	(1,000)	(2,616)
advertising and marketing	-	-
leased assets	(1)	(2)
staff costs	(2,899)	(8,829)
administration and corporate costs	(1,484)	(2,665)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	70	147
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	499
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(5,142)	(13,259)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
2. Cash flows from investing activities		
2.1 Payments to acquire:		
property, plant and equipment	-	(409)
businesses (see item 10)	-	-
investments	-	-
intellectual property	-	-
other non-current assets	-	-
2.2 Proceeds from disposal of:		
property, plant and equipment	-	-
businesses (see item 10)	-	-
investments	-	-
intellectual property	-	-
other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	-	(409)
3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	465	674
3.4 Transaction costs related to issues of shares, convertible notes, rights or options	(6)	(18)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-

+ See chapter 19 for defined terms
1 September 2016

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	459	656

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	61,688	71,457
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(5,142)	(13,259)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(409)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	459	656
4.5	Effect of movement in exchange rates on cash held	2,883	1,443
4.6	Cash and cash equivalents at end of quarter	59,888	59,888

5. Reconciliation of cash and cash equivalents		Current quarter \$A'000	Previous quarter \$A'000
at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts			
5.1	Bank balances	34,681	57,503
5.2	Call deposits	25,207	4,185
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	59,888	61,688

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	212
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	

Payments to directors is dependent on each individual's scheme of arrangement and may include salaries, directors' fees, bonuses, and superannuation payments to executive and non-executive directors.

7. Payments to related entities of the entity and their associates	Current quarter \$A'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	

Not applicable.

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
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.		

Not applicable.

9.	Estimated cash outflows for next quarter	\$A'000
9.1	Research and development/patent costs	-
9.2	LNG project development	1,478
9.3	Advertising and marketing	-
9.4	Leased assets	1
9.5	Staff costs	4,027
9.6	Administration and corporate costs	688
9.7	Other (provide details if material)	-
9.8	Total estimated cash outflows	6,194

10.	Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1	Name of entity	N/a	N/a
10.2	Place of incorporation or registration	N/a	N/a
10.3	Consideration for acquisition or disposal	N/a	N/a
10.4	Total net assets	N/a	N/a
10.5	Nature of business	N/a	N/a

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:



Date: 30 January 2017

(Director/Company secretary)

Print name: Andrew Gould

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.
2. This quarterly report has been prepared in accordance with Australian Accounting Standards, and the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report.