



**LIQUEFIED NATURAL GAS LIMITED**  
(ABN 19 101 676 779)

**SEPTEMBER 2011 QUARTERLY REPORT HIGHLIGHTS**

- **Placement proceeds** of \$20.144 million were received on the 7 July 2011 from China Huanqiu Contracting & Engineering Corporation (**HQC**), resulting in HQC now being the Company's largest shareholder. HQC is wholly owned by China National Petroleum Corporation (**CNPC**).
- The Queensland Government has **granted Pipeline Licence 161** which will enable the Company's wholly owned subsidiary Gladstone LNG Pty Ltd (subject to various licence conditions) to connect future gas supply from the Callide Infrastructure Corridor to the Company's wholly owned LNG project at Fisherman's Landing, in the Port of Gladstone, Queensland (**Fisherman's Landing LNG Project**). The pipeline will initially be capable of supplying 520 TJ/day (180 PJ/year), being sufficient for LNG production of 3 million tonnes per annum.
- The Company **executed** an Interim Front End Engineering and Design agreement with Jemena Queensland Gas Pipeline (1) Pty Ltd and Jemena Queensland Gas Pipeline (2) Pty Ltd (**Jemena**) for the potential expansion of Jemena's Queensland Gas Pipeline (**QGP**), from Wallumbilla to Gladstone.
- The Company increased its **shareholding in Metgasco Limited** to 8.99%. Metgasco holds 100% of the largest uncontracted gas reserves (2,547 3P of certified gas reserves) on the east coast of Australia and has the potential to supply gas for at least one LNG train, of 1.5 million tonnes per annum production capacity, as well as domestic markets in New South Wales and Queensland.
- **Australian patent approval** was granted on 29 September 2011, for the Company's wholly developed and owned LNG process technology, "a method and system for production of liquid natural gas", (**OSMR**<sup>®</sup>). The OSMR<sup>®</sup> patent has a term of 20 years ending on 7 July 2028.
- **Cash** as at 18 October 2011 was approximately \$17 million. Based on the Company's targeted gas supply and delivery plans, the Company is fully funded through to a final investment decision for its 3 million tonnes per annum Fisherman's Landing LNG Project.
- **Current Assets** as at 18 October 2011 include the Company's strategic 8.99% shareholding in Metgasco Limited (**ASX: MEL**) and 7.49% shareholding in Oil Basins Limited (**ASX: OBL**). These investments have a present market value of approximately \$14 million.

## 1. Fisherman's Landing LNG Project



*An artist's impression of the Gladstone LNG Project at night.*

The Fisherman's Landing LNG Project plant design is based on two LNG trains, each of a guaranteed 1.5 million tonnes per annum LNG production capacity. The current nameplate design capacity of each LNG train is 1.9 million tonnes per annum, which allows for production of up to 3.8 million tonnes per annum based on two LNG trains.

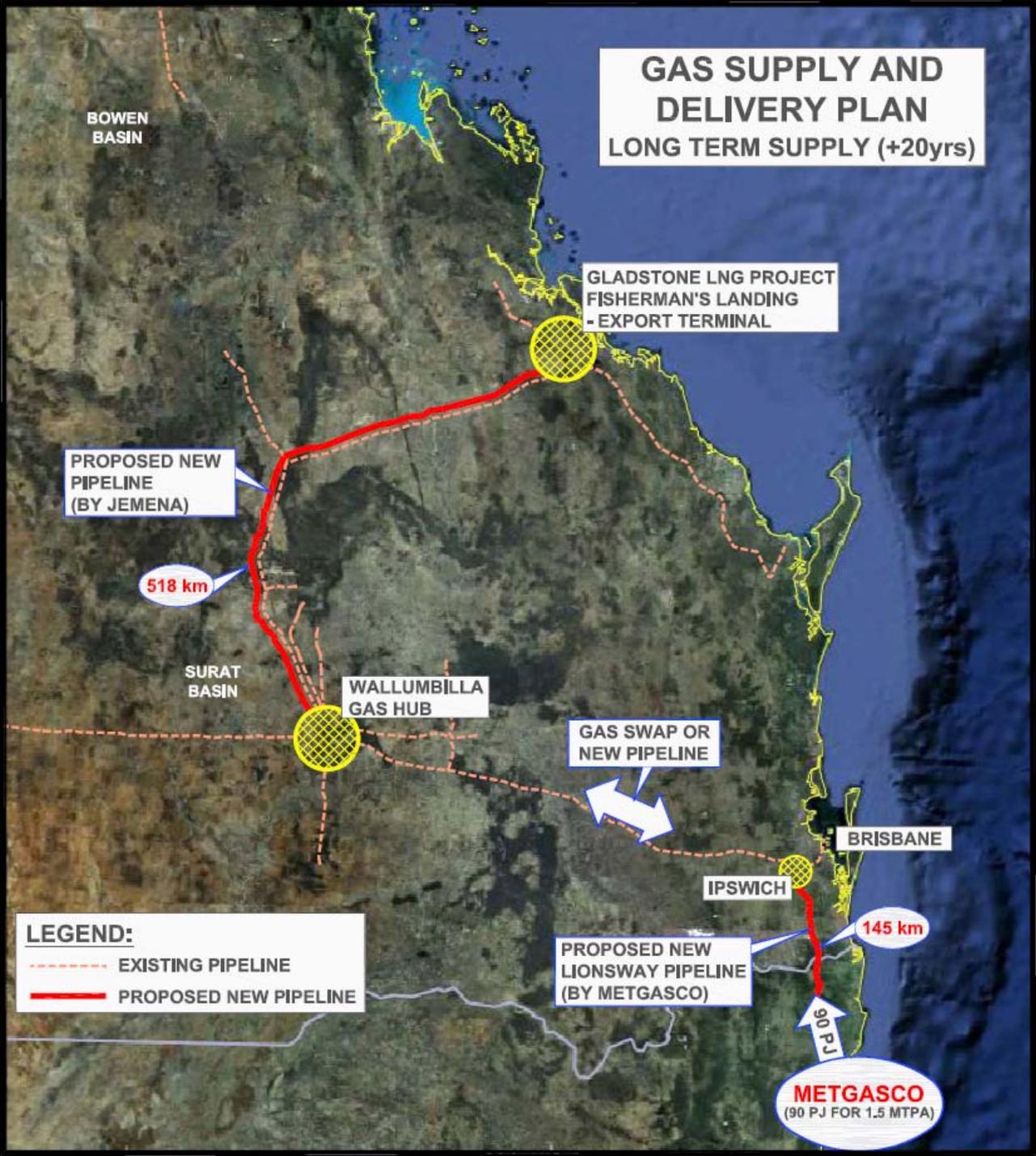
The shared vision with HQC is for the Fisherman's Landing LNG Project to provide first LNG production in 2014/15.

In order to achieve this core objective, HQC and the Company are actively:

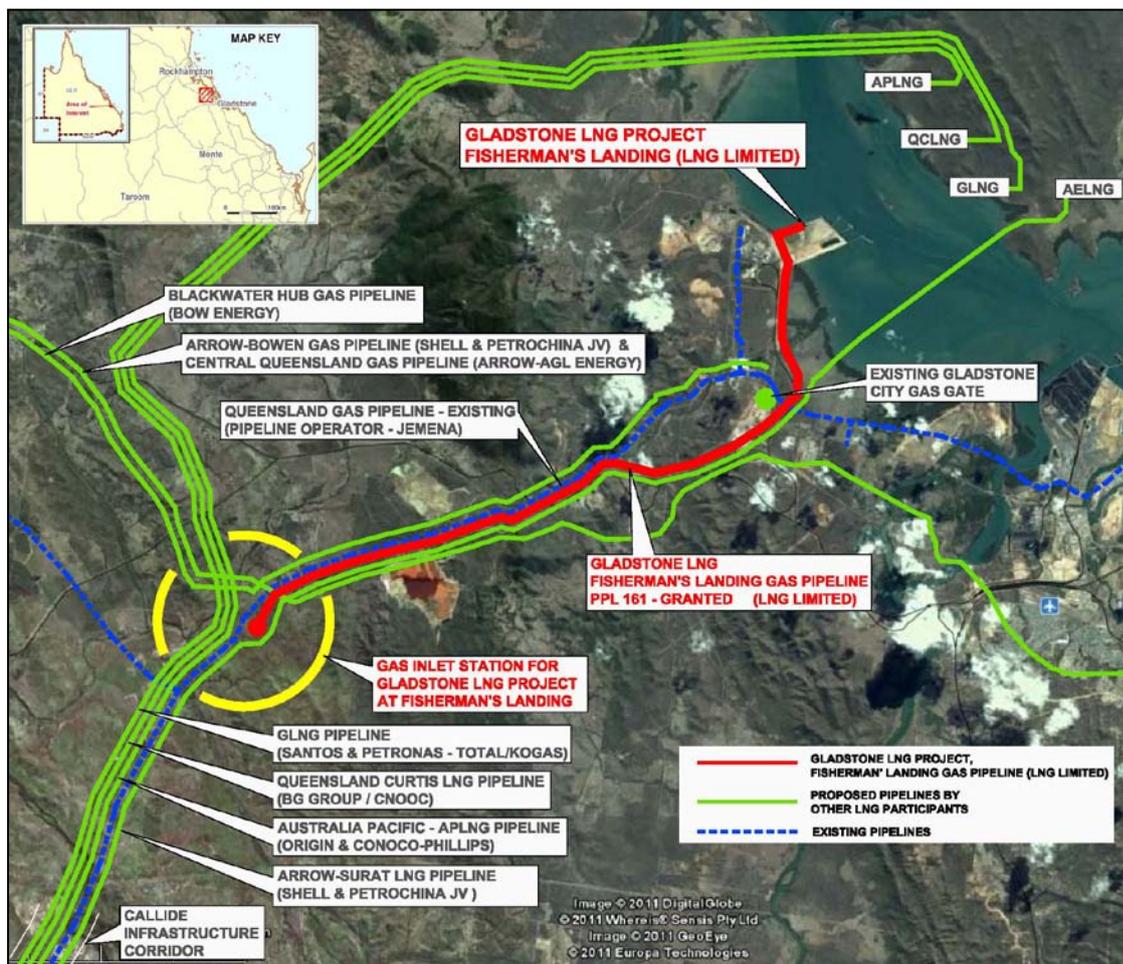
- negotiating with companies capable of supplying gas in 2014/15, with gas delivery to either Callide or Wallumbilla;
- negotiating with Jemena on approvals and schedules such that their existing QGP gas pipeline to Gladstone can be upgraded for gas supply to the first LNG train in late 2014 and a second LNG train in 2015;
- completing the front end engineering design (**FEED**) based on the Company's OSMR<sup>®</sup> LNG process technology, from which HQC will prepare a fully termed EPC proposal;
- updating capital cost estimates and negotiating key EPC contract terms with HQC which will allow HQC to recommence construction as soon as agreements for gas supply have been secured and a final investment decision achieved;
- progressing potential LNG offtake with the CNPC group; and
- working on a debt and equity funding plan for the first LNG train.

The Company is also reviewing gas supply options with Metgasco Limited under a Memorandum of Understanding, executed by Metgasco Limited and the Company in late 2010.

The Company is the largest shareholder in Metgasco Limited, with an 8.99% shareholding.



*Gas supply and delivery plan to bring gas to the Fisherman's Landing LNG Project*



*PPL 161 pipeline route and location of other existing and planned gas pipelines*

## 2. Metgasco Limited (ASX code MEL)

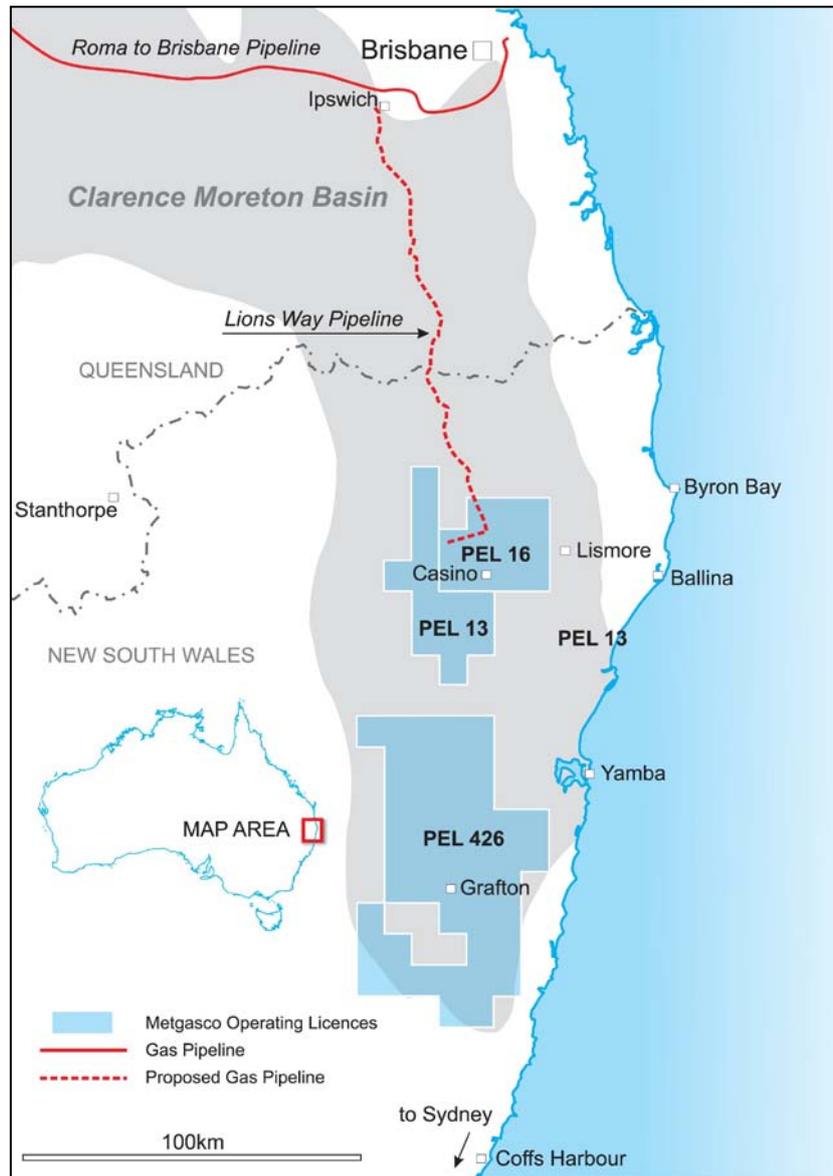
The Company is the largest shareholder in MEL with an 8.99% shareholding.

Reserves	PEL 13	PEL 16	Metgasco Total
1P		2.7	2.7
2P	31.2	396.7	427.9
3P	302.4	2,239.3	2,541.7
2C Contingent Resource	1,334.1	1,177.4	2,511.5

*PEL 13 and 16 - Independently Certified CSG Reserves (Petajoules) as at 14 July 2011*

MEL has 100% ownership of significant onshore conventional and unconventional gas acreage in the Clarence Moreton Basin (NSW), known as PEL 16; PEL 13 and PEL 426. See location map below:

MEL recently raised over \$21 million through a share placement of \$6 million and a share purchase plan of \$15 million.



*Metgasco's acreage position in Clarence Moreton Basin, NSW*

### 3. Oil Basins Limited (ASX Code OBL)

The Company is the largest shareholder in OBL with a 7.49% shareholding.

OBL is an oil and gas exploration and development company with projects in the offshore Gippsland Basin of South-Eastern Australia, the onshore Canning Basin of Western Australia and more recently the offshore waters of the Carnarvon Basin. The Company aims to establish strategic production hubs near known mature basins.

All areas of interest are situated in proven hydrocarbon regions of Australia and nearby, to established infrastructure hubs.

Of particular interest to the Company is the OBL asset - onshore Canning Basin (Backreef Area and Derby Block) which has potential oil, coal seam gas and unconventional shale gas.

OBL continues to undertake further in-house geophysical and petrophysical studies of the areas.

### 4. Company's Other LNG Activities

The Company is actively evaluating other LNG project opportunities both in Australia and overseas. While the Fisherman's Landing LNG Project is based on 1.5 million tonnes per annum LNG trains, the LNG plant design and technology is flexible and can be scaled (increased or decreased) to meet the specific requirements of each LNG project.

On the completion of the updated Fisherman’s Landing LNG Project FEED revised EPC capital cost estimate by HQC, which the Company expects will be consistent with its internal estimates, the Company is of the view that there will be an increased impetus in pursuing these other opportunities.

## 5. LNG Technology Pty Ltd

LNG Technology Pty Ltd, owned 100% by the Company, is the LNG technology research and development entity within the group and the owner of the OSMR® LNG process technology.

On the 29 September 2011, the Company was granted a full patent in Australia for its OSMR® process.

The OSMR® process is based on a proven simple single mixed refrigerant system with the addition of conventional combined heat and power and ammonia refrigeration technology to significantly enhance the plant performance (LNG output and overall process efficiency).

This results in a plant cost of around half that of competing technologies (based on \$/tpa) and an overall plant efficiency which is around 30% better than others (with a 30% reduction in carbon emissions). This, together with the Company’s plant and construction strategy, substantially improves project economics.

The OSMR® process is planned to be used in the Company’s 3 million tonnes per annum Fisherman’s Landing LNG Project, with HQC currently preparing a detailed EPC proposal. The Company will shortly commence negotiations with HQC on a licence agreement for use of the technology at the Fisherman’s Landing LNG Project.

The Company continues to further its international patent applications, which cover two engineering design features (being the basis of the Company’s OSMR® process), entitled:

- A Method and System for Production of Liquid Natural Gas; and
- Improvements to the OSMR® process (applications have only been filed in Australia and the United States).

The Company is also progressing patent application over another wholly developed and owned process, entitled “Boil-off Gas Treatment Process and System”.

The current status of patent applications filed by the Company in various countries is as follows:

<i>OSMR® Process</i>					
Country *	Patent Status				
	Filed	Published	Examination in Progress	Accepted	Granted
Australia	✓	✓		✓	✓
China	✓	✓	✓		
ARIPO	✓	✓	✓		
OAPI	✓	✓		✓	✓
Eurasia	✓	✓	✓		
Europe	✓	✓	✓		
India	✓	✓	✓		
Japan	✓	✓	✓		
South Africa	✓	✓		✓	
Ukraine	✓	✓	✓		
Vietnam	✓	✓	✓		

\* Note: Patent applications have also been filed in Brazil, Canada, Hong Kong, Indonesia, Israel, New Zealand, Philippines, South Korea, Singapore and USA.

<i>OSMR<sup>®</sup> Process Further Improvements</i>					
	Patent Status				
Country*	Filed	Published	Examination in Progress	Accepted	Granted
Australia	✓	✓	✓		

\* Note: Patent applications have also been filed in USA.

<i>BOG Treatment Process</i>					
	Patent Status				
Country*	Filed	Published	Examination in Progress	Accepted	Granted
Australia	✓	✓			
China	✓	✓		✓	✓
ARIPO	✓	✓	✓		
OAPI	✓	✓		✓	✓
Brazil	✓	✓	✓		
Eurasia	✓	✓	✓		
Europe	✓	✓	✓		
India	✓	✓	✓		
Indonesia	✓	✓	✓		
Japan	✓	✓	✓		
New Zealand	✓	✓		✓	
South Africa	✓	✓		✓	✓
Ukraine	✓	✓		✓	
Vietnam	✓	✓	✓		

\* Note: Patent applications have also been filed in Canada, Hong Kong, Israel, Philippines, South Korea, Singapore and USA.

Although most jurisdictions have differing methods to progress patents, the following stages are typical of the patent grant process:

1. Patent applications are filed in a particular country;
2. Patents are then published;
3. Patents are examined and an examination report may be issued;
4. A response is filed, by the applicant, to the examination report (if required);
5. If all is in order, a patent is accepted and open for third party opposition; and
6. In the absence of any valid third party opposition the patent is granted for a term of 20 years.

## 6. Exploration Expenditure

No exploration expenditure was incurred by the Company during the quarter.

## 7. Capital Structure (as at 18 October 2011)

Class of Security	Issued	Quoted
Fully Paid Ordinary Shares	267,699,015	267,699,015
Options Issued	6,680,000	-
Performance Rights	2,250,000	-

## 8. Appendix 5B - Attached to this quarterly report.

## 9. Corporate Information (as at 18 October 2011)

**ASX Code:** LNG

### Directors :

Richard Jonathan Beresford	Non-Executive Chairman
Fletcher Maurice Brand	Managing Director & Joint Chief Executive Officer
Wang Xinge	Executive Director & Joint Chief Executive Officer
Leeanne Kay Bond	Non-Executive Director
Zhang Gaowu	Non-Executive Director
Paul William Bridgwood	Director & Chief Technical Officer
Norman Marshall	Director & Chief Financial Officer

### Company Secretary:

David Michael Gardner

### Registered Office:

Ground Floor,  
5 Ord Street,  
West Perth 6005,  
Western Australia  
Telephone: (08) 9366 3700  
Facsimile: (08) 9366 3799  
Email: LNG@LNGLimited.com.au  
Website: www.lnlimited.com.au

### Substantial Shareholders (as at 18 October 2011):

China Huanqiu Contracting & Engineering Corporation (*HQC*)  
Cipulos Group  
Dart Energy Limited

***About China Huanqiu Contracting & Engineering Corporation (HQC):***

HQC is a technology-focused engineering, procurement, construction, consulting, R&D, manufacturing and project management group with over 9,500 employees. HQC has delivered more than 2,000 projects over its 50 years of operation including the execution and delivery of:

- Guangdong LNG receiving terminal;
- Jiangsu LNG receiving terminal near Shanghai;
- Dalian LNG receiving terminal; and
- Appointed in March 2011 as the EPC contractor for the Tangshan LNG receiving terminal near Beijing due to be completed in 2013.

Additionally, HQC is the EPC contractor for the Ansai LNG plant (500,000 tpa) in China using its own technology which is scheduled to be commissioned later in 2011.

HQC is wholly owned by CNPC.

***About China National Petroleum Corporation (CNPC):***

CNPC is China's largest oil (54% share) and gas (82% share) producer and supplier. Additionally, it is within the Top 5 global oil and gas companies, with over 1.6 million employees, and is ranked 6 amongst 2011 Fortune Global 500 companies.

CNPC has oil and gas assets and interests in 29 countries and presence in almost 70 countries. It owns businesses covering petroleum exploration & production, natural gas & pipelines, refining & marketing, oilfield services, engineering construction, equipment manufacturing, R&D, capital management, finance and insurance services.

CNPC is a state owned company.

***About Jemena:***

Jemena is a unique Australian infrastructure company that builds, owns and maintains a combination of major electricity, gas and water assets. It is a nation-wide operation, and manages more than \$9 billion worth of Australian utilities assets, and employs more than 2,300 people.

Jemena specialises in both the transmission and distribution of electricity and gas; and combines the skills and experience of renowned Australian electricity and gas infrastructure companies. Jemena is a key outsourcing partner of electricity, gas and water utility companies to deliver innovative infrastructure solutions that support the vital daily electricity, gas and water needs of millions of Australians.

Jemena is wholly owned by Singapore Power.

# Appendix 5B

## Mining exploration entity quarterly report

Name of entity

LIQUEFIED NATURAL GAS LIMITED

ABN

19 101 676 779

Quarter ended ("current quarter")

30 September 2011

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter	Year to date (3 months)
	\$A'000	\$A'000
1.1 Receipts from customers & ATO	55	55
1.2 Payments to suppliers and employees		
(a) exploration and evaluation	-	-
(b) project development	(1,367)	(1,367)
(c) production	-	-
(d) administration and others	(771)	(771)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	171	171
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other – R&D tax concession rebate	61	61
<b>Net operating cash flows</b>	<b>(1,851)</b>	<b>(1,851)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(6)	(6)
(d) shares	(15)	(15)
1.9 Proceeds from sale of:		
(a) exploration licences	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other	-	-
<b>Net investing cash flows</b>	<b>(21)</b>	<b>(21)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(1,872)</b>	<b>(1,872)</b>

1.13	Total operating and investing cash flows (brought forward)	(1,872)	(1,872)
1.14a	<b>Cash flows related to financing activities</b> Proceeds from issue of shares and exercise of share options	20,144	20,144
1.14b	Less : Share issue costs	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Repayment of finance lease principal & interest	(3)	(11)
	<b>Net financing cash flows</b>	20,141	20,141
	<b>Net increase/(decrease) in cash held</b>	18,269	18,269
1.20	Cash at beginning of quarter/year	7,759	7,759
1.21	Net foreign exchange differences	93	93
1.22	<b>Cash at end of quarter</b>	<b>26,121</b>	<b>26,121</b>

### 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	428
1.24	Aggregate amount of loans to the parties included in item 1.18	-
1.25	Explanation necessary for an understanding of the transactions	
	Payments pursuant to 1.23 comprise:	
	Non-Executive Directors' Fees	\$ 37,500 (excl. GST); and
	Executive Directors' Remuneration	\$ 390,533 (excl. GST)

### 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
	None in this quarter.
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
	None in this quarter.

## Financing facilities available

		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	Project development	1,306
4.3	Production	-
4.4	Administration	520
	<b>Total</b>	<b>1,826</b>

## 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	1,176	1,814
5.2	Term Deposit	24,945	5,945
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
	<b>Total: cash at end of quarter (item 1.22)</b>	<b>26,121</b>	<b>7,759</b>

## 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	-	-	-	-
6.2	Interests in mining tenements acquired or increased	-	-	-	-

## Issued and quoted securities at end of current quarter

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	<b>Preference +securities B Class</b>	-	-	-	-
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions (c) Conversion to fully paid ordinary shares	- - -	- - -	- - -	- - -
7.3	<b>+Ordinary securities</b>	267,699,015	267,699,015	-	-
7.4	Changes during quarter (a) Increases through issues  (b) Increases through conversion of options  (c) Decreases through returns of capital, buy-backs	53,250,000  - -	53,250,000  - -	-  - -	-  - -
7.5	<b>+Convertible debt securities (description)</b>	-	-	-	-
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	- -	- -	- -	- -

7.7	<b>Options</b>	<i>Number</i>		<i>Exercise price</i>	<i>Expiry date</i>
	(a) Options over ordinary shares, exercisable at 68 cents	60,000	-	68 cents	30 November 2012
	(B) Options over ordinary shares, exercisable at 66.7 cents	2,490,000	-	66.70 cents	10 December 2012
	(c) Options over ordinary shares, exercisable at 88 cents	1,100,000	-	88 cents	9 September 2013
	(d) Options over ordinary shares, exercisable at 84 cents	150,000	-	84 cents	17 September 2013
	(e) Options over ordinary shares, exercisable at 62.1 cents	1,750,000	-	62.10 cents	30 April 2014
	(f) Options over ordinary shares, exercisable at 69.2 cents	410,000	-	69.20 cents	2 February 2012
	(g) Options over ordinary shares, exercisable at 74.2 cents	410,000	-	74.20 cents	2 August 2012
	(h) Options over ordinary shares, exercisable at 79.2 cents	310,000	-	79.20 cents	2 August 2014
	<b>TOTAL OPTIONS ISSUED</b>	<b>6,680,000</b>	-		
7.8	Options issued during quarter :	-	-	-	-
	<b>TOTAL</b>				
7.9	Options exercised during quarter	<i>Number</i>		<i>Exercise price</i>	<i>Expiry date</i>
	(a) Options over ordinary shares	-	-	-	-
	<b>TOTAL</b>				
7.10	Options expired/cancelled during quarter	<i>Number</i>		<i>Exercise price</i>	<i>Expiry/cancellation date</i>
	<b>TOTAL OPTIONS EXPIRED/ CANCELLED</b>	-	-	-	-

7.11	<b>Performance Rights</b>	<i>Number</i>		<i>Exercise price</i>	<i>Expiry date</i>
	(a) Performance rights exercisable at 73.8 cents	750,000	-	73.8 cents	10 July 2012
	(b) Performance rights exercisable at 79.1 cents	750,000	-	79.1 cents	10 January 2013
	(b) Performance rights exercisable at 84.4 cents	750,000	-	84.4 cents	10 January 2014
	<b>TOTAL PERFORMANCE RIGHTS</b>	<b>2,250,000</b>			
7.12	Performance rights issued during quarter:	<i>Number</i>		<i>Exercise price</i>	<i>Expiry date</i>
	<b>TOTAL PERFORMANCE RIGHTS ISSUED DURING QUARTER</b>	-	-	-	-
7.13	Performance rights exercised during quarter	-	-	-	-
7.14	Performance rights expired/cancelled during quarter	-	-	-	-
7.11	<b>Debentures</b> <i>(totals only)</i>	-	-	-	-
7.12	<b>Unsecured notes</b> <i>(totals only)</i>	-	-	-	-

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



David Michael Gardner  
Company Secretary

20 October 2011

### 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 acquired, exercised 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, 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 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* applies to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting 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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