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ABN: 19 101 676 779

CONTACT DETAILS

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BOARD OF DIRECTORS

Richard Jonathan Beresford
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

David Michael Gardner
Company Secretary

ISSUED CAPITAL
As at 31 December 2012

267,699,015 shares
3,310,000 options
1,500,000 performance rights

SUBSTANTIAL SHAREHOLDERS

China HQC – 19.89%
Copolos Group – 9.94%
Dart Energy Limited – 5.18%



LIQUEFIED NATURAL GAS LIMITED December 2012 Quarterly Report



Quarterly highlights

Project developments:

Fisherman's Landing LNG Project, Gladstone, Queensland (FLLNG Project)

- Site Agreement for Lease extended to 31 December 2013.
- PetroChina Australia acquires Molopo Energy Limited's Queensland gas assets.
- PetroChina Australia and the Company continue to co-operate, under a Letter of Intent, to secure gas for the project.
- Project capital cost remains on budget.

Magnolia LNG Project, Lake Charles, Louisiana, United States (MLNG Project)

- Site Option to Lease term sheet signed over a 90 acres site, on an existing LNG shipping channel, in the Port of Lake Charles.
- Plans for the Company's stage 1 \$US 2.2 billion LNG export facility at the Port of Lake Charles announced by Louisiana Economic Development.
- Application lodged with the US Department of Energy for LNG exports of up to 4 mtpa to countries which have a free trade agreement with the United States.
- Discussions being advanced with potential project partners and investors.

Corporate developments:

- Cash balance of \$4.5 million as at 31 December 2012.
- Largest shareholder in Metgasco Limited (7.8% - market value 31 December 2012, \$6.5 million), which has substantial gas permit interests and certified reserves in Northern NSW, Australia.

Outlook:

FLLNG Project (Australia)

- Main focus is the continuation of work with project partners to secure adequate gas supply for the first LNG train.
- Ongoing work, with China Huanqiu Contracting & Engineering Corp (**HQC**), to finalise a fixed price engineering, procurement and construction contract.

MLNG Project (United States)

- Obtain US Department of Energy LNG export approval.
- Ongoing work to secure project partners and investors.
- Lodge a Pre File Application with the US Government, to commence the project permits and approvals process, for formal filing in 2013.

Review of project developments

Fisherman's Landing LNG Project, Gladstone, Queensland – 100% owned

- **Project capital costs on budget**

During the December 2012 Quarter the Company confirmed that the estimated capital cost remains on budget at \$US 1.1 billion.

This capital cost includes the engineering, procurement and construction (**EPC**) for the first LNG train of 1.5 million tonnes per annum (**mtpa**) guaranteed LNG production capacity, including a 22km connecting gas pipeline, gas treatment, liquefaction plant, 200,000m³ LNG tank, jetty and ship loading facility and supporting infrastructure. The estimated cost also includes the Company's share of dredging and dredge material disposal, under contract with Gladstone Ports Corporation Limited, plus other project costs such as owner's costs, project management, insurance, financing costs and site lease payments during the construction period.

The total capital cost estimate of \$US 1.1 billion is consistent with the Company's reported estimates since January 2012, based on a similar project scope, and is materially the same as the total capital cost based on the SKEC Group and Laing O'Rourke joint EPC cost proposal in March 2010.

- **Site Agreement for Lease extended to 31 December 2013**

During the December 2012 Quarter Gladstone Ports Corporation Limited granted a 12 month extension in the term of the Agreement for Lease (**Site Agreement**), to 31 December 2013. The Site Agreement:

- relates to the site for the Company's 3 mtpa LNG project, comprising two LNG trains each with 1.5 mtpa guaranteed LNG production capacity; and
- includes, as an annexure, the agreed form of long term Site Lease, which provides for a lease term of 25 years, plus 2 x 5 year term extension options.

The full 12 month extension is subject to the Company's written confirmation, by 30 June 2013, of access to gas supply and execution of a commercial tolling agreement with PetroChina International Investments (Australia) Pty Ltd (**PetroChina Australia**).

Based on current progress and the continuing support of HQC and the CNPC group, Directors are confident that the Company can satisfy both the gas supply and tolling agreement requirements by no later than 30 June 2013.

PetroChina Australia is related to HQC, the Company's largest shareholder (19.89%) and selected EPC contractor for the project's first LNG train.

- **Gas supply**

PetroChina Australia

PetroChina Australia and the Company have executed a non-binding Letter of Intent in relation to securing gas supply for the project.

The Letter of Intent, amongst other things, states the intent of PetroChina Australia and the Company to work together to secure sufficient gas for the project's first LNG train. This includes Molopo Energy Limited's Queensland gas assets, which were acquired by PetroChina Australia during the December 2012 Quarter. PetroChina Australia is now the operator of the associated Joint Venture with Mitsui E&P Australia, which holds an ~33% to 38% interest in the gas permits.

It is the intention of PetroChina Australia and the Company to enter into a tolling agreement in relation to gas supplied by PetroChina Australia. Under this arrangement the gas would be delivered to the LNG project and the Company would receive a capacity fee and tolling fee to liquefy, store and load the LNG onto LNG ships arranged by PetroChina Australia, or its designated LNG buyer.

Metgasco Limited

The Company is Metgasco Limited's largest shareholder (7.8%) and, as previously announced, has executed a Memorandum of Understanding with Metgasco Limited to evaluate potential gas supply to the LNG project.

During the December 2012 Quarter, the Company completed a detailed review of Metgasco Limited's gas reserves, announced exploration and appraisal program and long term gas supply capacity. The Company will be holding discussions with Metgasco Limited, during the March 2013 Quarter, to consider the findings of, and recommendations from, the Company's review.

• **EPC Contract**

The Company and HQC continue to cooperate under an EPC Services & Open Book Conversion Contract to finalise a fixed EPC price and negotiate a fixed price EPC contract.

Magnolia LNG Project, Lake Charles, Louisiana, United States – 100% owned

The Company made further progress in relation to the proposed Magnolia LNG Project.

The project comprises the proposed development of an 8 mtpa LNG project on a 90 acres site, in an established LNG shipping channel in the Lake Charles District. The development is based on the staged development of 4 x 2 mtpa LNG production trains using the Company's wholly owned OSMR[®] LNG process technology and the completed LNG plant front end engineering and design of the Company's Fisherman's Landing LNG Project.

Important foundation steps have been achieved in a short time frame and the Company is very pleased with the support it has received from the Lake Charles Harbour and Terminal District Authority and Louisiana Economic Development.

Progress during the December 2012 Quarter included:

- Application lodged with the US Department of Energy for LNG exports of up to 4 mtpa to countries which have a free trade agreement with the United States. Approval is anticipated in the March 2013 Quarter.
- A Site Option to Lease term sheet was signed with the Port of Lake Charles Harbour & Terminal District (**Port Authority**). The Site Term Sheet includes the agreed key terms of a proposed definitive and exclusive Site Option to Lease and the actual Site Lease. Key terms include:
 - 3 year term to exercise the option to lease, subject to the payment of nominal annual option fees.
 - The 3 year period is to allow adequate time to obtain all necessary approvals prior to committing to the full terms of the Site Lease.
 - On exercise of the option to lease, an initial Site Lease term of 30 years, with 4 x 10 year extension terms, exercisable at the Company's sole discretion subject to the Company being in full compliance with the terms of the Site Lease.
 - Agreed Site Lease annual rent payments, Minimum Annual Guaranteed fee (based on 2 mtpa of LNG production), and a Throughput Fee for LNG production in excess of 2 mtpa.

- Ability to develop an LNG export and/or import facility, subject to the obtaining, and compliance with, all necessary approvals.
- The Parties have agreed to target the execution of Definitive Agreements in March 2013.
- The Company has commenced work on the project's Pre File Application, which is required to be submitted to the Federal Energy Regulatory Committee and represents the commencement of the required permits and approvals process.



LNG Technology and Patents

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.

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 LNG project economics.

The OSMR[®] process is planned to be used in the Company's 3 mtpa Fisherman's Landing LNG Project and the proposed Magnolia LNG Project in Louisiana, United States.

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 only filed in Australia and USA).

The Company is also progressing a 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>					
	Patent Status				
Country *	Filed	Published	Examination in Progress	Accepted	Granted
Australia	✓	✓		✓	✓
Canada	✓	✓	✓		
China	✓	✓	✓	✓	✓
ARIPO	✓	✓	✓		
OAPI	✓	✓		✓	✓
Eurasia	✓	✓	✓	✓	✓
Europe	✓	✓	✓		
Hong Kong	✓				✓
India	✓	✓	✓		
Indonesia	✓	✓	✓		
Israel	✓	✓		✓	
Japan	✓	✓	✓		
New Zealand	✓	✓	✓	✓	
Philippines	✓	✓	✓		
Singapore	✓	✓	✓	✓	✓
South Africa	✓	✓		✓	✓
Ukraine	✓	✓	✓	✓	✓
Vietnam	✓	✓	✓		

* Note: Patent applications have also been filed in Brazil, South Korea and USA.

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

* Note: Patent application has also been filed in USA.

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

* *Note: Patent applications have also been filed in Philippines, South Korea 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.

Review of corporate developments

- No exploration expenditure was incurred by the Company during the quarter.
- Due to the unexpected delays in securing gas supply for the Fisherman's Landing LNG Project, and as a measure of goodwill, the Company's directors have agreed to an effective 20% reduction in salary. The salary reduction commenced from 1 January 2013 and is subject to further review in June 2013.

1. Capital Structure (as at 31 December 2012)

Class of Security	Issued	Quoted
Fully Paid Ordinary Shares	267,699,015	267,699,015
Options Issued	3,310,000	-
Performance Rights	1,500,000	-

2. Appendix 5B – attached to this quarterly report.

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; and
- Dalian LNG receiving terminal.

HQC was appointed in March 2011 as the EPC contractor for the Tangshan LNG receiving terminal near Beijing due to be completed in 2013.

HQC is the EPC contractor for the Ansai LNG plant (500,000 tpa) in China using its own technology. The LNG plant was commissioned in the second half of 2012.

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 PetroChina Australia and PetroChina

Both PetroChina Australia (100% owned), and PetroChina (full name being PetroChina International Investment Company Limited, 86% owned) are subsidiaries of CNPC.

PetroChina is one of the largest and dominant producers and distributors in the oil and gas industry in China and was established as a "joint stock" company with limited liability by CNPC in 1999. PetroChina trades on the New York Stock Exchange, Stock Exchange of Hong Kong and the Shanghai Stock Exchange.

Since foundation, PetroChina has established and improved its standard corporate governance structure in order to transform itself into an international energy company with strong competitiveness.

PetroChina's direction for future development is "green", as PetroChina will strive to provide cleaner, more efficient and high-quality energy resources. In particular, they will accelerate their efforts to develop natural gas, which will be the new engine of and pillar for the Company's future growth.

Appendix 5B

Mining exploration entity quarterly report

Name of entity

LIQUEFIED NATURAL GAS LIMITED

ABN

19 101 676 779

Quarter ended ("current quarter")

31 December 2012

Consolidated statement of cash flows

	Current quarter	Year to date (6 months)
	\$A'000	\$A'000
Cash flows related to operating activities		
1.1 Receipts from customers & ATO	2	10
1.2 Payments to suppliers and employees		
(a) exploration and evaluation	-	-
(b) project development	(1,689)	(3,148)
(c) production	-	-
(d) administration and others	(604)	(1,298)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	68	149
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other – R&D tax concession rebate	-	-
Net operating cash flows	(2,223)	(4,287)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(1)	(6)
(d) shares	-	-
1.9 Proceeds from sale of:		
(a) Prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
(d) shares	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other	-	-
Net investing cash flows	(1)	(6)
1.13 Total operating and investing cash flows (carried forward)	(2,224)	(4,293)

1.13	Total operating and investing cash flows (brought forward)	(2,224)	(4,293)
1.14a	Cash flows related to financing activities		
	Proceeds from issue of shares and exercise of share options	-	-
1.14	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	-	-
	Net financing cash flows	-	-
	Net increase/(decrease) in cash held	(2,224)	(4,293)
1.20	Cash at beginning of quarter/year	6,741	8,837
1.21	Net foreign exchange differences	6	(21)
1.22	Cash at end of quarter	4,523	4,523

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	445
1.24	Aggregate amount of loans to the parties included in item 1.10	-
1.25	Explanation necessary for an understanding of the transactions	
	Payments pursuant to 1.23 comprise: Non-Executive Directors' Fees \$58,130 (excl. GST); and Executive Directors' Remuneration \$386,549.	

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	1,764
4.3	Production	-
4.4	Administration	674
	Total	2,438

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	1,078	1,096
5.2	Deposits at call	3,445	5,645
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
	Total: cash at end of quarter (item 1.22)	4,523	6,741

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	Preference +securities B Class	-	-	-	-
7.2	Changes during quarter	-	-	-	-
7.3	+Ordinary securities	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	-	-	-	-
7.5	+Convertible debt securities (description)	-	-	-	-
7.6	Changes during quarter	-	-	-	-

7.7	Options	<i>Number</i>		<i>Exercise price</i>	<i>Expiry date</i>
	(a) Options over ordinary shares, exercisable at 88 cents	1,100,000	-	88 cents	9 September 2013
	(b) Options over ordinary shares, exercisable at 84 cents	150,000	-	84 cents	17 September 2013
	(c) Options over ordinary shares, exercisable at 62.1 cents	1,750,000	-	62.10 cents	30 April 2014
	(d) Options over ordinary shares, exercisable at 79.2 cents	310,000	-	79.20 cents	2 August 2014
	TOTAL OPTIONS ISSUED	3,310,000			
7.8	Options issued during quarter	-	-	-	-
7.9	Options exercised during quarter	-	-	-	-

7.10	Options expired/ cancelled during quarter				
	(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
	TOTAL OPTIONS EXPIRED/ CANCELLED	2,550,000			
7.11	Performance Rights	<i>Number</i>		<i>Exercise price</i>	<i>Expiry date</i>
	(a) 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
	TOTAL PERFORMANCE RIGHTS	1,500,000			
7.12	Performance rights issued during quarter	-	-	-	-
7.13	Performance rights exercised during quarter	-	-	-	-
7.14	Performance rights expired/ cancelled during quarter	-	-	-	-
7.11	Debentures <i>(totals only)</i>	-	-	-	-

7.12	Unsecured notes (totals only)	-	-	-	-
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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

31 January 2013

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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