



ASX RELEASE

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LNGL EXTENDS GLADSTONE LEASE & SIGNS MOI TO PROGRESS GAS SUPPLY

Highlights

- Gladstone Ports Corporation has extended LNGL's Fisherman's Landing LNG Project (FLLNG) site Agreement for Lease until 31 March 2016, with an option for another year
- LNGL has signed a non-binding memorandum of intent (MOI) for gas supply with Tri-Star Petroleum Company (Tri-Star). Tri-Star has certain gas tenures in Queensland which could supply gas to FLLNG
- The Tri-Star MOI involves FLLNG processing Tri-Star's potentially significant gas reserves to produce 1.5 million tonnes per annum (mtpa) of LNG over a 20 year term
- The Tri-Star gas supply would support FLLNG development to proceed with the first LNG train of 1.5 mtpa
- Letter of Intent issued by PetroChina Australia in July 2012 to work with LNGL on securing gas supply to FLLNG remains valid
- Discussions are taking place with potential LNG buyers for supply to the Asian market
- No significant capital will be committed until binding agreements have been materially advanced, targeting 2015
- No resources will be diverted from either the Magnolia LNG or Bear Head LNG Projects
- While LNGL currently holds 100% ownership of FLLNG, the Company will consider all project financing options in parallel with the progress of binding agreements

Liquefied Natural Gas Limited (ASX: LNG; OTC ADR: LNGLY) (LNGL or the Company) today announced that its 100% owned subsidiary, Gladstone LNG Pty Ltd has:

- **Agreed a Variation to the Agreement for Lease with the Gladstone Ports Corporation until 31 March 2016 in two phases.** The first phase is an extension of the term from 1 November 2014 to 31 March 2015, with the Company paying an Option Fee of \$500,000 and the second phase, at the Company's election, is a further extension to 31 March 2016, with the payment of a further Option Fee of \$1 million. There are no other material changes to the Agreement for Lease, which was initially signed on 4 May 2010;
- **Executed a non-binding MOI for a proposed gas sales agreement (GSA) with Tri-Star.** Tri-Star and LNGL will work together to negotiate a legally binding GSA heads of agreement for 90 PJ/year of gas (260 TJ/d) from Tri-Star's gas reserves for a term of 20 years. The parties, with the selected LNG buyer, will negotiate a tolling agreement for the processing of the Tri-Star gas through FLLNG to produce 1.5 mtpa of LNG; and

- **Commenced discussions with a number of LNG buyers for supply of the potential 1.5 mtpa of LNG from the first train to the Asian market.** The proposed commercial agreements will incorporate a tolling agreement with the Company and a GSA with Tri-Star. These agreements will support the development of FLLNG's first LNG train.

The Company plans to apply a similar tolling business model for FLLNG to that applied for its Magnolia LNG and Bear Head LNG projects in North America. Under this model, the Company takes no commodity risk and receives a fee to provide all liquefaction and LNG storage services. This model allows the Company to receive a monthly fee, typically over a 20 year term, with the toller contractually responsible for supply and transport of the gas to the FLLNG plant as well as for LNG sales and transport to LNG buyers.

The Company's Managing Director Maurice Brand said, "the Variation to the Agreement for Lease with Gladstone Ports Corporation and MOI with Tri-Star are major steps towards recommencing the development of FLLNG".

Mr Brand further said "shareholders need to be aware that a number of steps need to be finalised before the project could recommence, including executing a legally binding GSA; tolling agreement; engineering, procurement, construction and commissioning contract and project financing of both equity and a debt facility".

As the Company had expended ~A\$70 million on development and early construction works from mid-2007 to early 2010, the cost to update the project documentation, negotiate new commercial agreements and re-cost the FLLNG development is expected to be minimal. No significant capital will be committed until a number of the binding agreements are materially advanced. The Company will consider all FLLNG project financing options in parallel with the progress of binding project agreements.

The indicative project timetable is for FLLNG to recommence construction to coincide with Tri-Star's date of first gas supply to the project. The construction of the project is expected to take approximately 36 months from Financial Close.

The Company is moving forward with engagement of a Brisbane based LNG executive to assist the LNGL Management team in updating FLLNG's development plan, project schedule and all commercial agreements. The executive will work with Andrew Gould, LNGL Group Development Manager.

Mr Brand said, "the Board's decision to move forward with the FLLNG project would not compromise the delivery of Magnolia LNG Financial Close, targeted for mid-2015, or progress on the development of Bear Head LNG".

About Tri-Star Petroleum Company (Tri-Star)

http://www.tri-starpetroleum.com.au/images/PDF/tri-star-interests_map.pdf

Tri-Star, a pioneer of the Queensland Coal Seam Gas (CSG) industry, was founded in Texas, USA and has extensive CSG, coal and petroleum exploration and development experience throughout the US and Australia. Tri-Star's gas prospects and reserves are located in the Surat, Bowen, Georgina and Pedirka Basins.

About the Fisherman's Landing LNG Project (FLLNG)

The FLLNG Project comprises the development of a mid-scale, 3.8 mtpa liquefied LNG plant on a 24ha mainland site in the Port of Gladstone in Queensland, Australia. The plant will treat and liquefy gas into LNG for loading onto LNG ships for export.

The Company has received all necessary approvals for a 3 mtpa plant and will be submitting applications for the required approvals to increase the LNG plant production capacity to 3.8 mtpa in the future.

In October 2009, the Company commenced construction at the FLLNG site. In March 2010, the Company placed FLLNG on hold following the announcement of the acquisition of the project's gas supplier, Arrow Energy Ltd, by PetroChina and Shell.

The Company plans to develop the FLLNG project in two stages, with Stage 1 comprising a 21 km gas pipeline, LNG processing train (Train 1), 180,000m³ LNG storage tank and jetty/ship loading facilities for up to 153,000m³ LNG ships. Stage 1 will have a guaranteed LNG production capacity of 1.5 mtpa and a design capacity of 1.9 mtpa.

Stage 2 will comprise a second LNG processing train (Train 2), which will double the LNG design capacity to 3.8 mtpa. No additional LNG storage tank capacity or jetty/ship loading facilities will be required for Train 2. The site has the potential for further expansion, subject to all necessary approvals.

For further information contact:

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Figure 1: Fisherman's Landing LNG Project Site in the Port of Gladstone, Queensland, Australia



Figure 2: Site Construction at Fisherman's Landing (March 2010) showing Earthworks and Tank Piling Deep Soil Mixing