

ASX Code: LNG
ABN: 19 101 676 779

CONTACT DETAILS

Ground Floor,
5 Ord Street,
West Perth 6005,
Western Australia

Tel: (08) 9366 3700
Fax: (08) 9366 3799
E: LNG@LNGLimited.com.au
W: www.lnglimited.com.au
W: www.magnoliaLNG.com

BOARD OF DIRECTORS

Richard Jonathan Beresford
Chairman

Fletcher Maurice Brand
Managing Director & Joint Chief
Executive Officer

Yao Guihua
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 30 September 2013

310,829,015 shares
860,000 options
750,000 performance rights

SUBSTANTIAL SHAREHOLDERS

China HQC – 17.13%
Copolos Group – 8.68%



LIQUEFIED NATURAL GAS LIMITED September 2013 Quarterly Report



Quarterly Highlights

Magnolia LNG Project, Lake Charles, Louisiana, United States (Magnolia LNG, LLC "MLNG" – 100% owned)

- Definitive agreement signed with Stonepeak Partners LP (**Stonepeak**) for:
 - Full equity funding requirement from Financial Close, estimated at US\$660 million, for construction and commissioning of the Magnolia LNG Project's (**MLNG Project**) initial two LNG trains (4 mtpa). Based on current estimates Stonepeak will hold approximately 50% of MLNG's equity from Financial Close and the Company will retain 50%;
 - Payment to the Company at Financial Close of a US\$66 million success fee;
 - Payment to the Company of up to US\$50 million in OSMR® technology license fees, based on 8 mtpa, with 50% payable at Financial Close and 50% at Commercial Operations Date; and
 - Stonepeak to assist MLNG to negotiate and execute all definitive project agreements and to arrange the estimated US\$1,540 million of project debt finance.
- MLNG filed applications for an additional 4 mtpa of LNG exports to US Free Trade Agreement (**FTA**) countries (now totalling 8 mtpa) and up to 8 mtpa of LNG exports to non FTA countries.
- Draft binding Tolling Agreement submitted to Brightshore Overseas Ltd (an affiliate of Gunvor) for up to 2 mtpa of plant production capacity.
- Gas Natural SDG SA executed a Heads of Agreement to enter into a Tolling Agreement for up to 2 mtpa of plant production capacity.
- Three Monthly Progress Reports were filed with the US Federal Energy Regulatory Commission (**FERC**) during the quarter. FERC is the primary approval authority for US LNG projects.
- MLNG established a company and project office in Houston, USA.

Corporate

- Madam Yao Guihua joined the Board of Directors, as Joint Chief Executive Officer, to replace Madam Wang Xinge.
- A placement of 40 million new shares in the Company, at \$0.20/share, raised \$8 million. The placement was oversubscribed.
- 3,130,000 shares were issued, raising \$646,345, pursuant to a Share Purchase Plan.
- Cash balance of \$8.4 million as at 30 September 2013.

Outlook & Objectives:

Corporate Objectives

- To finalise development funding plans for the MLNG Project through to Financial Close.
- To implement a full investor relations plan to enable Australian investors and shareholders to understand the potential value of the MLNG Project.

MLNG Project, Lake Charles, Louisiana, United States

- Conclude and execute a definitive Tolling Agreement with Brightshore Overseas, Ltd.
- Conclude and execute a definitive Tolling Agreement with Gas Natural SDG SA.
- Select a preferred Engineering, Procurement and Construction (**EPC**) Contractor and confirm the Company's EPC capital cost estimate;
- Appoint a Financial Advisor, to work with MLNG and Stonepeak in securing long term project debt financing of US\$1,540 million.
- Execute a Precedent Agreement for the capacity rights to transport 1.4 bcf of gas (sufficient for 8 mtpa) by the Kinder Morgan Louisiana Pipeline, to the MLNG Project site.
- Select parties to enter into Tolling Agreements for LNG trains 3 and 4.
- Submit pre-filing application to FERC and request that they grant formal filing in early 2014.
- Establish a project office in Lake Charles (close to the project site).
- The Company will continue to provide a monthly status report posted through the ASX and included on both the Company's website and MLNG's website

Fisherman's Landing LNG Project, Gladstone, Queensland

- Pending the securing of gas supply, the project is effectively on a care and maintenance program.

Review of project developments

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

The Company continues to make significant progress in relation to its proposed MLNG Project.

The MLNG Project comprises the proposed development of an 8 mtpa LNG export project on a 108 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 for the Company's Fisherman's Landing LNG Project, in Gladstone, Australia.



Further 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 (**Port Authority**) and all local stakeholders, including state entities such as Louisiana Economic Development.

Progress during the September 2013 Quarter included:

1. Execution of a legally binding Equity Commitment Agreement between Stonepeak and MLNG. The equity commitment comprises two documents, namely:
 - i. Equity Commitment Agreement, which governs the relationship, cooperation, rights and obligations between Stonepeak and the Company through to Financial Close; and
 - ii. Magnolia LLC Agreement, which sets out the respective rights and obligations of Stonepeak and the Company from Financial Close, including the construction and funding of the MLNG Project, the management and governance of the project, the allocation and distribution of the project's future profits, and other related matters. The Magnolia LLC Agreement serves the same purpose as a Joint Operating/Venture Agreement or Shareholder Agreement would in Australia.

This marks a major milestone for the Company in the development of the MLNG Project with equity funding plans for the project's construction and operations now in place. The key terms of the Equity Commitment Agreement include:

- Stonepeak will commit to provide 100% of the project equity at Financial Close, which is estimated to be US\$660 million. Stonepeak will receive an approximate 50% interest in the MLNG Project (based on a pre-determined internal rate of return) in exchange for the project equity funding;
- The Company will receive a one-off success fee on the project reaching Financial Close, calculated at 3% of the total project capital cost (the fee is currently estimated to be US\$66 million);
- Stonepeak has approved the payment by MLNG to the Company of an OSMR® technology license fee of US\$25 million for LNG trains 1 and 2, with 50% payable at Financial Close and 50% payable at Commercial Operations Date. A further payment of US\$25 million will be payable for LNG trains 3 and 4 under the same terms;
- Stonepeak will assist the Company in securing long term project debt financing, which is estimated at US\$1,540 million. In this regard, Stonepeak will work with the Company in ensuring all material project agreements and other documents are in a bankable form. Stonepeak and the Company have selected three parties to present final proposals for the role of Project Financial Advisor; and
- Stonepeak is immediately entitled to appoint one manager to the Board of MLNG, with no voting rights prior to Financial Close and the commencement of Stonepeak's project equity financing contribution.

The Company's US advisor, New York based EAS Advisors, LLC, introduced the Company to Stonepeak and assisted the Company in the completion of the Equity Commitment Agreement.

2. MLNG, has applied to the United States Department of Energy (**DOE**) to:

- Export up to 8 mtpa of LNG from the MLNG Project to countries that do not have a Free Trade Agreement with the United States, and
- Export an additional 4 mtpa of LNG to countries that currently and in the future may have a Free Trade Agreement (**FTA**) with the United States. The DOE already granted MLNG authorization to export up to 4 mtpa of LNG to FTA countries, in February 2013.

Potential new tolling parties have increased LNG demand from the MLNG Project to over 8mtpa. The increased level of DOE approvals being sought will allow MLNG to progress Tolling Agreements for the additional two LNG trains, each of 2 mtpa.

If approval is granted by DOE the MLNG Project will have the flexibility to export its full LNG production capacity of 8 mtpa to FTA countries, non-FTA countries, or a mix of both.

3. A Tolling Agreement – Term Sheet (**Agreement**) was executed with Brightshore Overseas Ltd (**Brightshore**), an affiliate of Gunvor Group. The Agreement details the key terms to be included in a legally binding tolling agreement, including:

- Brightshore shall be responsible to deliver gas, including gas usage for the LNG plant, at its own expense, to the MLNG Project for liquefaction, storage, and delivery onto LNG ships arranged by Brightshore;
- A term of 20 years from first LNG production, plus a five year extension option at Brightshore's election;
- MLNG shall reserve, for Brightshore, firm LNG production capacity of 1.7 mtpa, plus 0.3 mtpa of interruptible capacity, in total being equivalent to one LNG train;
- Brightshore will pay to the Company:

- Fixed Monthly Capacity Fee over the 20 years, that totals approximately US\$3.7 billion;
 - Fixed Monthly Operating and Maintenance Fee, which increases in line with US inflation; and
 - Variable Operating and Maintenance Fee based on actual LNG production and which increases in line with US inflation;
- Brightshore will also pay a Fixed Monthly Bonus Capacity Fee in the event that the MLNG Project obtains authorization from DOE for the export of LNG to countries that do not have a Free Trade Agreement with the United States;
 - Brightshore will be provided certain preferential rights, as a foundation customer of the MLNG Project; and
 - The parties' agreement to work together with the intention to agree a legally binding Tolling Agreement. The Company has submitted a preliminary first draft of the Tolling Agreement to Brightshore.
4. Gas Natural SDG S.A has entered into a Heads of Agreement for LNG production capacity rights of up to 2 mtpa and has commenced their project due diligence program.
 5. MLNG has opened an office at 1001 McKinney Building, Suite 400, Houston Texas, and will gradually recruit additional staff to be based in Houston, and later at the MLNG Project site.

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

Pending the securing of gas supply, this project is effectively on a care and maintenance program.

Review of research and development activities

LNG Technology and Patents – 100% owned

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 8 mtpa 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	✓	✓		✓	✓
Brunei					✓
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	✓	✓	✓	✓	✓
USA	✓	✓	✓		

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

* Note: Patent applications have also been filed in 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

1. Capital Structure (as at 30 September 2013)

Class of Security	Issued	Quoted
Fully Paid Ordinary Shares	310,829,015	310,829,015
Options Issued	860,000	-
Performance Rights	750,000	-

Placement

The Company completed a placement of 40 million new fully paid ordinary shares on 7 August 2013 at \$0.20 each (**Placement**), to Australian and international institutional and sophisticated investors, to raise \$8 million. The Placement was completed within the 15% placement capacity available to the Company, under ASX Listing Rule 7.1.

The \$8 million will be used to fund the Company's:

- 100% owned Magnolia LNG Project; and
- general working capital requirements.

Foster Stockbroking Pty Ltd acted as Lead Manager to the Placement and the Company's US advisor was New York based EAS Advisors, LLC (via Merriman Capital Inc.).

Share Purchase Plan

Eligible shareholders were invited to participate in a Share Purchase Plan (**SP Plan**) which opened on Friday 9 August 2013 and closed on Friday 30 August 2013.

The Company raised \$646,345 via the issue of 3,130,000 securities at \$0.2065 per share which were issued free of brokerage and commissions.

Annual General Meeting

The Annual General Meeting of the Company will be held at the Celtic Club, 48 Ord Street, West Perth, Western Australia, on Monday 25 November 2013 at 3:00pm (WST).

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

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 2013

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	-	-
1.2	Payments to suppliers and employees		
	(a) exploration and evaluation	-	-
	(b) project development	(1,785)	(1,785)
	(c) production	-	-
	(d) administration and others	(903)	(903)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	22	22
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	(2,666)	(2,666)
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	(2)	(2)
	(d) shares	-	-
1.9	Proceeds from sale of:		
	(a) Prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
	(d) shares	442	442
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other	-	-
	Net investing cash flows	440	440
1.13	Total operating and investing cash flows (carried forward)	(2,226)	(2,226)

1.13	Total operating and investing cash flows (brought forward)	(2,226)	(2,226)
1.14a	Cash flows related to financing activities Proceeds from issue of shares and exercise of share options	8,646	8,646
1.14b	Less : Share issue costs	(494)	(494)
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	8,152	8,152
	Net increase/(decrease) in cash held	5,926	5,926
1.20	Cash at beginning of quarter/year	2,528	2,528
1.21	Net foreign exchange differences	(1)	(1)
1.22	Cash at end of quarter	8,453	8,453

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	306
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 \$54,504 (excl. GST); and Executive Directors' Remuneration \$251,006.	

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	4,000
4.3	Production	-
4.4	Administration	800
	Total	4,800

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	1,508	382
5.2	Deposits at call	6,945	2,146
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
	Total: cash at end of quarter (item 1.22)	8,453	2,528

Changes in interests in mining tenements

		Tenement reference	Nature of interest	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 (cents)	Amount paid up per security (cents)
7.1	Preference securities	-	-	-	-
7.2	Changes during quarter	-	-	-	-
7.3	*Ordinary securities	310,829,015	310,829,015	-	-
7.4	Changes during quarter (a) Increases through issues:				
	(i) Share placement	40,000,000	40,000,000	20 cents	20 cents
	(ii) Share purchase plan	3,130,000	3,130,000	20.65 cents	20.65 cents
	(b) Increases through conversion of options	-	-		
	(c) Decreases through returns of capital, buy-backs	-	-		
	TOTAL CHANGES	43,130,000	43,130,000		
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 62.1 cents	550,000	-	62.10 cents	30 April 2014
	(b) Options over ordinary shares, exercisable at 79.2 cents	310,000	-	79.20 cents	2 August 2014
	TOTAL OPTIONS	860,000			
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 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
	TOTAL OPTIONS EXPIRED	1,250,000			
7.11	Performance Rights				
	(a) Performance rights exercisable at 84.4 cents	750,000	-	84.4 cents	10 January 2014
	TOTAL PERFORMANCE RIGHTS	750,000			
7.12	Performance rights issued during quarter	-	-	-	-
7.13	Performance rights exercised during quarter	-	-	-	-
7.14	Performance rights expired/cancelled during quarter	<i>Number</i>		<i>Exercise price</i>	<i>Expiry date</i>
		-	-	-	-
7.15	Debentures (totals only)	-	-	-	-
7.16	Unsecured notes (totals only)	-	-	-	-

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 October 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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