



LIQUEFIED NATURAL GAS LIMITED
(ABN 19 101 676 779)

JUNE 2011 QUARTERLY REPORT – HIGHLIGHTS

- Placement transaction completed with China Huanqiu Contracting & Engineering Corporation (**HQCEC**), wholly owned by China National Petroleum Corporation (**CNPC**), investing A\$20.144 million to become the Company's largest shareholder. This follows the signing of an agreement for a Strategic Private Placement of 19.9% on 27 January 2011.



Signing of the Term Sheet on 27 January 2011 by Mr Wang Shihong, President and Chief Executive Officer of HQCEC and Mr Richard Beresford, Chairman of LNG LTD.

- The HQCEC placement funds are to be applied towards the development of the Company's wholly owned 3 million tonnes per annum (**mtpa**) Fisherman's Landing LNG Project, at the Port of Gladstone, Queensland, Australia.
- In relation to the Fisherman's Landing LNG Project, the Company is now actively working with HQCEC, in relation to:
 - securing of gas supply and LNG offtake for the 3.0 mtpa LNG production capacity, comprising two LNG trains each with a guaranteed 1.5 mtpa production capacity;
 - provision by HQCEC of a fully termed engineering, procurement, construction and commissioning proposal for the first LNG train; and
 - equity and debt financing requirements for the first LNG train.

- The appointment by the Company of Madam Wang Xinge (HQCEC, Senior Vice President) as joint Chief Executive Officer and an Executive Director and Mr Zhang Gaowu (HQCEC, Finance and Assets Management Division) as a Non Executive Director. Madam Wang has already visited the Fisherman's Landing LNG Project site (see photograph below) and assumed direct involvement in the Company's gas supply strategy.

Pictured: Left to Right

Steven Della Mattea (LNG's Infrastructure Manager)

Madam Wang Xinge (LNG Executive Director and joint CEO), and

Mr John Hall, Laing O'Rourke Gladstone Site Representative at the Fisherman's Landing LNG site in Gladstone, Queensland



- The Company is positive on the progress being made to secure gas for the Fisherman's Landing LNG Project and expects to be able to provide shareholders with further details in the September 2011 quarter. The Company remains confident that it will secure gas for the project, with the financial and technical credibility of HQCEC providing potential gas suppliers with increased confidence in the delivery of the Fisherman's Landing LNG Project.
- The Company's gas delivery plan for the Fisherman's Landing LNG Project provides for two main gas delivery locations, being the **Wallumbilla Gas Hub** and **Callide Gas Hub** (see location plan on page 3). The existing Queensland Gas Pipeline (**QGP**), owned and operated by Jemena Queensland Gas Pipeline (1) Pty Ltd and Jemena Queensland Gas Pipeline (2) Pty Ltd (**Jemena**), currently operates from Wallumbilla to Gladstone with its route running through the Callide Gas Hub.
- In June 2011, Jemena completed a Pre-Front End Engineering Design study which confirms that the existing QGP from Wallumbilla to Gladstone can be expanded to allow for gas supply to the first LNG train in 2014 and then further expanded to provide for gas supply in 2015 for a second LNG train.



- On 14 July 2011, the Company announced that it had progressed its OSMR[®] LNG process technology patent applications and received acceptance of, and/or been granted, patents in several national and regional jurisdictions to protect the two primary inventions and one improvement, which are 100% developed and owned by the Company.
- On 20 July 2011, the Company advised shareholders of the effect of the proposed Carbon Tax on the Fisherman's Landing LNG Project including a comparison with a number of other global LNG plants. As detailed in the announcement the OSMR[®] LNG process has several comparative advantages over existing LNG process technologies, including around half the capital cost and around 30% greater efficiency (around 30% less carbon tax impact).
- Cash as at 28 July 2011 was approximately A\$27 million. Based on the Company's current gas supply and gas delivery plan, the Company is fully funded through to a Final Investment Decision for the 3 mpta Fisherman's Landing LNG Project.
- Current Assets as at 28 July 2011 included the Company's strategic shareholding in Metgasco Limited (**ASX:MEL**) – see page 5 for further details; and in Oil Basins Limited (**ASX:OBL**) – see page 6 for further details. Currently these investments are valued at approximately A\$5.2 million.

1. Fisherman's Landing LNG Project



An artist's impression of the Gladstone LNG Project.

The Fisherman's Landing LNG Project comprises the development of a 3 mtpa LNG project, at Fisherman's Landing (Berth No.5), in the Port of Gladstone, Queensland. The plant design is based on two LNG trains, each of a guaranteed 1.5 mtpa LNG production capacity. The current nameplate capacity of each LNG train is 1.75 mtpa which allows production of up to 3.5 mtpa based on two LNG trains.

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

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

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

2. Metgasco Limited (ASX code MEL)

The Company is the largest shareholder in MEL with a 4.56% shareholding.

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.

In July 2011, MEL made two significant announcements:

i. Increase in Gas Reserves.

For the first time, reserves have been certified in PEL 13 as a result of drilling just two wells on the eastern boundary, Bowerbird E01 and Bowerbird E02. The reserves and resources are included in just 21% of the PEL 13 area.

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

ii. Significant early gas production from CSG pilot wells.

In PEL 16, MEL has been producing from its lead pilot well, Corella P11, for more than three years with the peak gas production rate continuing to climb steadily over this period to exceed 210,000 standard cubic feet per day (*scfd*). Corella P18 has also been performing above expectations with rates of more than 100,000 scfd, some 30% above forecast, despite the short in seam length of the lateral well.

The Harrier PO1 CSG pilot well has now achieved a rate of 230,000 scfd and is expected to increase significantly once the well is fully dewatered.



Metgasco's acreage position in Clarence Moreton Basin, NSW

Both the reserves and resource upgrade and the early pilot gas production results augers well for MEL in its pursuit of commercialisation options of its reserves for both domestic use and LNG export potential.

It is the intention of the Company to conclude its Pre-Feasibility Study with MEL on gas supply for the Company's Fisherman's Landing LNG project in the September 2011 quarter. This study is in accordance with a MOU executed late 2010 between the companies.

Capital Raising

During the quarter, MEL completed a share placement of A\$6.2m for working capital purposes and announced a share purchase plan to raise further capital which is planned to close during July 2011.

3. Oil Basins Limited (ASX Code OBL)

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

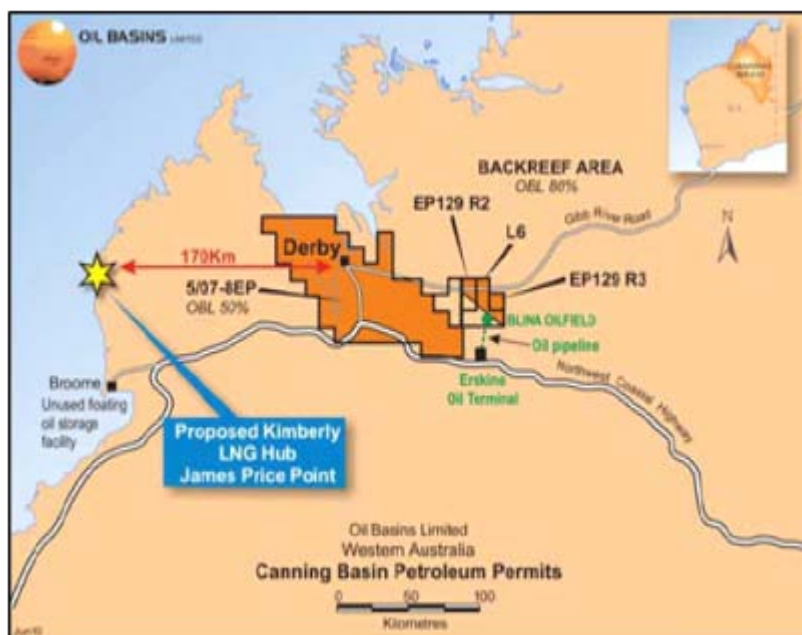
OBL is involved in exploration for oil and gas in the offshore Gippsland Basin of South-Eastern Australia, the onshore Canning Basin of Western Australia and more recently the offshore waters of the Carnarvon Basin. All areas of interest are situated in proven hydrocarbon regions of Australia and nearby, 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 (CSG) and unconventional shale gas (USG).

Backreef Area: The potential oil discovery is a result of drilling in the Backreef area in October/November 2010. OBL has commissioned new geophysical and geological work to assist with its evaluation and interpretation of this potential new oil area and expects to be able to provide the results to shareholders in the September quarter. OBL is also assessing potential CSG and, in particular, USG resources. On 21 July 2011 OBL released a comprehensive Independent Experts Report on the Backreef area as well as permit 5/07-8 EP, known as the Derby Block.

Derby Block: During this quarter, OBL was appointed as the USG operator, having been appointed as the CSG operator on 26 March 2010. The Derby Block is well situated in the Kimberley region (see location map below) with a large unconventional gas potential which prompted a Strategic Alliance Agreement to be signed between OBL and the Company during the December 2010 quarter, to jointly investigate the development of an LNG project in North Western Australia (**Kimberley LNG Project**). The Kimberley LNG Project is based on utilising the potential large resources of conventional and unconventional gas contained within the Canning Basin, including gas contained within OBL's acreage and that of its joint venture partners. The proposed Kimberley LNG Project will benefit from the advanced development work undertaken by the Company for its Fisherman's Landing LNG Project.

The Company is currently reassessing its strategic shareholding position in OBL as well as the long term gas supply potential for a mid scale LNG project.



Oil Basin Limited's Canning Basin Interest Locations

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 tonne 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 by HQCEC, and revised EPC capital costs, 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.

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 mtpa Fisherman's Landing LNG Project. HQCEC is currently preparing an EPC proposal based on the OSMR[®] process. The Company will shortly commence negotiations with HQCEC 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[®] technology), entitled:

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

On 14 July 2011 the Company issued a status report on the progress being made in various countries and jurisdictions in relation to the two patents and one improvement patent.

6. Exploration Expenditure

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

7. Capital Structure (as at 28 July 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 28 July 2011)

ASX Code: LNG

Directors **:

Richard Jonathan Beresford	Non-Executive Chairman
Fletcher Maurice Brand	Managing Director/Chief Executive Officer
Leeanne Kay Bond	Non-Executive Director
Paul William Bridgwood	Director/Chief Technical Officer
Norman Marshall	Director/Chief Financial Officer

Company Secretary:

David Michael Gardner

Registered Office:

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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 28 July 2011):

China Huanqiu Contracting & Engineering Corporation (*HQCEC*)
Copulos Group
Dart Energy Limited
Paul William Bridgwood
Sasigas Nominees Pty Ltd <Fletcher M Brand Family A/C>

*** Madam Wang Xinge and Mr Zhang Gaowu will officially join the Board of Directors on 1 August 2011*

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 10 in revenue amongst 2010 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 China Huanqiu Contracting & Engineering Corporation (HQCEC):

HQCEC is a technology-focused engineering, procurement, construction, consulting, R&D, manufacturing and project management group with over 9,500 employees. HQCEC 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
- Is a likely EPC contractor for the Tangshan LNG receiving terminal near Beijing.

Additionally, HQCEC 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.

HQCEC is wholly owned by CNPC.

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 June 2011

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter	Year to date (12 months)
		\$A'000	\$A'000
1.1	Receipts from customers & ATO	87	961
1.2	Payments to suppliers and employees		
	(a) exploration and evaluation	-	-
	(b) project development	(1,069)	(6,380)
	(c) production	-	-
	(d) administration and others	(975)	(5,665)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	157	690
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other – R&D tax concession rebate	-	50
Net operating cash flows		(1,800)	(10,344)
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	(5)	(26)
	(d) shares	-	(6,407)
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	-	-
Net investing cash flows		(5)	(6,433)
1.13	Total operating and investing cash flows (carried forward)	(1,805)	(16,777)

1.13	Total operating and investing cash flows (brought forward)	(1,805)	(16,777)
1.14a	Cash flows related to financing activities		
	Proceeds from issue of shares and exercise of share options	140	429
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)
	Net financing cash flows	137	418
	Net increase/(decrease) in cash held	(1,668)	(16,359)
1.20	Cash at beginning of quarter/year	9,477	24,401
1.21	Net foreign exchange differences	(50)	(283)
1.22	Cash at end of quarter*	7,759	7,759

*On 12th July 2011 \$20.144m was received from HQCEC under the Share Placement agreement.

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	308
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	\$ 270,333 (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	1,895
4.3	Production	-
4.4	Administration	976
	Total	2,871

Note: On 12th July 2011, a cash inflow of \$20.144m was received from HQCEC under the Share Placement agreement.

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	1,814	1,340
5.2	Term Deposit	5,945	8,137
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
	Total: cash at end of quarter (item 1.22)	7,759	9,477

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				
	(a) Increases through issues	-	-	-	-
	(b) Decreases through returns of capital, buy-backs, redemptions	-	-	-	-
	(c) Conversion to fully paid ordinary shares	-	-	-	-
7.3	*Ordinary securities	214,449,015	214,449,015	-	-
7.4	Changes during quarter				
	(a) Increases through issues	-	-	-	-
	(b) Increases through conversion of options	350,000	350,000	-	-
	(c) Decreases through returns of capital, buy-backs	-	-	-	-
7.5	*Convertible debt securities (description)	-	-	-	-
7.6	Changes during quarter				
	(a) Increases through issues	-	-	-	-
	(b) Decreases through securities matured, converted	-	-	-	-

7.7	Options	<i>Number</i>		<i>Exercise price</i>	<i>Expiry date</i>
	(a) Options over ordinary shares, exercisable at 40 cents	-	-	40 cents	30 May 2011
	(b) Options over ordinary shares, exercisable at 68 cents	60,000	-	68 cents	30 November 2012
	(c) Options over ordinary shares, exercisable at 66.7 cents	2,490,000	-	66.70 cents	10 December 2012
	(d) Options over ordinary shares, exercisable at 88 cents	1,100,000	-	88 cents	9 September 2013
	(e) Options over ordinary shares, exercisable at 84 cents	150,000	-	84 cents	17 September 2013
	(f) Options over ordinary shares, exercisable at 62.1 cents	1,750,000	-	62.10 cents	30 April 2014
	(g) Options over ordinary shares, exercisable at 69.2 cents	410,000	-	69.20 cents	2 February 2012
	(h) Options over ordinary shares, exercisable at 74.2 cents	410,000	-	74.20 cents	2 August 2012
	(i) Options over ordinary shares, exercisable at 79.2 cents	310,000	-	79.20 cents	2 August 2014
	TO TAL O PTIO NS ISSUED	6,680,000			
7.8	Options issued during quarter :	-	-	-	-
	TO TAL				
7.9	Options exercised during quarter	<i>Number</i>		<i>Exercise price</i>	<i>Expiry date</i>
	(a) Options over ordinary shares, exercisable at 40 cents	350,000	-	40 cents	30 May 2011
	TO TAL	350,000			
7.10	Options expired/cancelled during quarter	<i>Number</i>		<i>Exercise price</i>	<i>Expiry/cancellation date</i>
	TO TAL O PTIO NS EXPIRED/ CANCELLED	-	-	-	-

7.11	Performance Rights	<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
	TOTAL PERFORMANCE RIGHTS	2,250,000			
7.12	Performance rights issued during quarter:	<i>Number</i>		<i>Exercise price</i>	<i>Expiry date</i>
	TOTAL PERFORMANCE RIGHTS ISSUED DURING QUARTER	-	-	-	-
7.13	Performance rights exercised during quarter	-	-	-	-
7.14	Performance rights expired/cancelled during quarter	-	-	-	-
7.11	Debentures (totals only)	-	-	-	-
7.12	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

29 July 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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