



LIQUEFIED NATURAL GAS LIMITED
(ABN 19 101 676 779)

DECEMBER 2011 QUARTERLY REPORT

HIGHLIGHTS

Liquefied Natural Gas Limited (ASX: LNG, **Company**) is pleased to provide highlights of the Company's activities during the quarter ended 31 December 2011:

- An EPC Services and Open Book Conversion Contract (**EPCSOBC**) was signed with China Huanqiu Contracting & Engineering Corporation (**HQC**) for the Company's wholly owned LNG project at Fisherman's Landing, in the Port of Gladstone, Queensland (**LNG Project**);



Beijing, 19 January 2012: Signing of the EPCSOBC by Wang Shihong, President/CEO of HQC and Maurice Brand, Managing Director/Joint CEO of LNG Ltd

- Six months extension of the Agreement for Lease, over the Fishermans Landing LNG Project site, was granted by Gladstone Ports Corporation Limited; and
- Increase of the Company's shareholding in Metgasco Limited (**MEL**), from 8.99%, to 10.21%. The total market value of the Company's investments in MEL and Oil Basins Limited (6.65%) is approximately \$14 million.

1. Gladstone LNG Fisherman's Landing Project

Background

The Company plans to build, own and operate a 3 million tonnes per annum (*mtpa*) LNG plant at Fisherman's Landing, in the Port of Gladstone, Queensland (**LNG Project**).

The Company had commenced construction of the LNG Project in October 2009, but in March 2010 suspended construction due to Arrow Energy Limited, the proposed gas supplier, being the subject of a corporate takeover by Shell and PetroChina. The Company expended ~\$60 million in developing the LNG Project between early 2007 and March 2010.

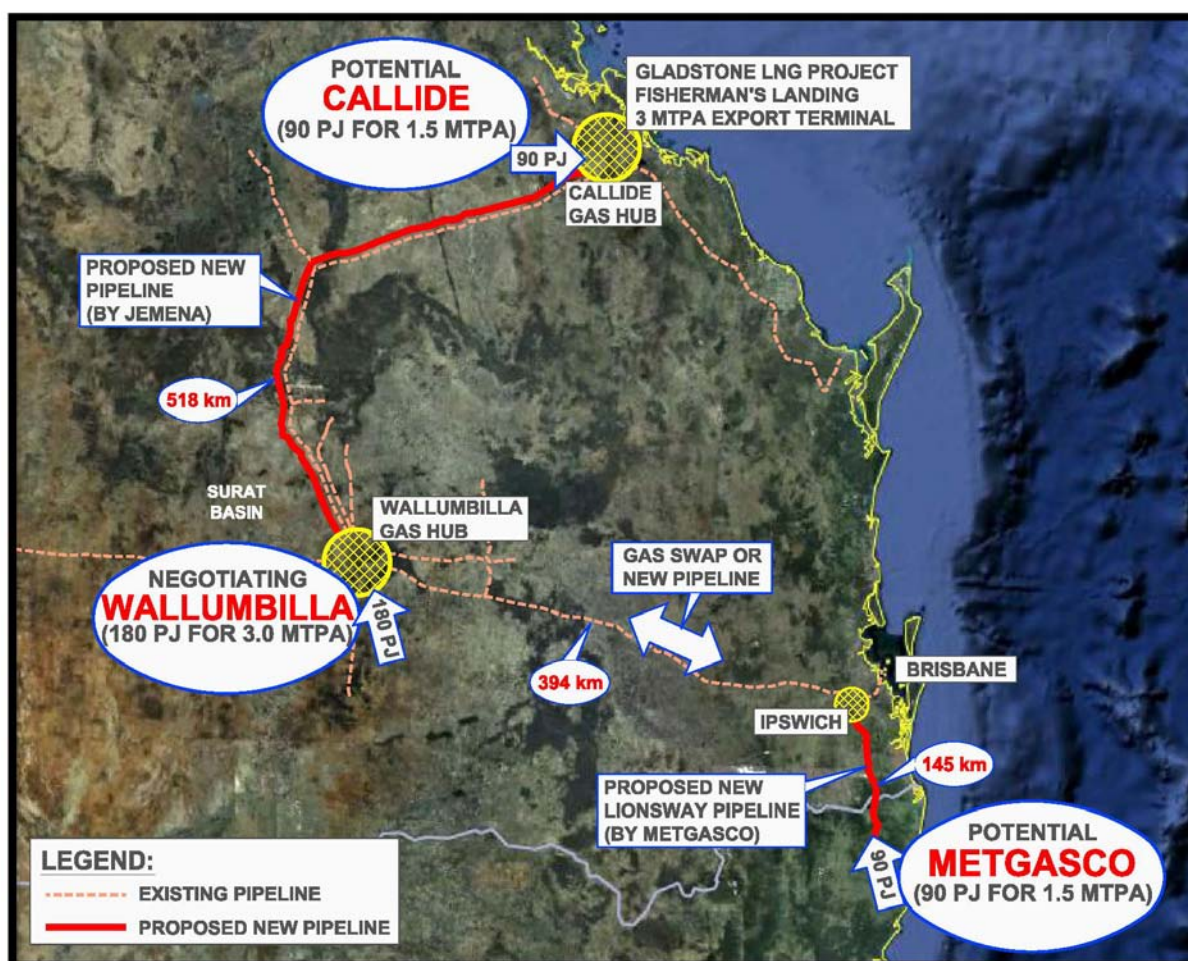
The Company has relevant approvals to recommence construction as soon as gas supply is secured and the Company and its proposed partners achieve final investment decision.

Since July 2011, the Company has been actively working with its major shareholder, HQC (a wholly owned subsidiary of China National Petroleum Corporation), to secure gas supply and recommence development of the LNG Project.

The Company anticipates making significant progress in the securing of gas supply in the first half of 2012.

Gas Supply and Delivery Plan

The Company has been actively progressing potential gas supply during the quarter to three gas hubs, being Wallumbilla, Callide and Ipswich. See map below:



Callide – Between 2013 and 2018, five new intersecting gas pipelines are planned to be in operation in Callide, some 21 kilometres from the LNG Project site at Fisherman's Landing. The Company holds pipeline license PPL 116 to connect gas from Callide to Fisherman's Landing and several gas suppliers are capable of supplying the Company with gas at Callide.

Wallumbilla - The Company is focusing on several gas suppliers who are capable of supplying gas at Wallumbilla, near Roma in Queensland. After certain upgrades to the gas infrastructure this will allow for gas supply to Gladstone utilising the existing Queensland Gas Pipeline (**QGP**) owned and operated by Jemena. The QGP is the only existing operating pipeline to Gladstone that passes through Callide. This is an essential component of the LNG Project gas supply plan, in order to successfully achieve the Company's target of gas supply in 2015, for the first LNG train of 1.5 mtpa guaranteed LNG production capacity.

Subject to the availability of gas, the Company then plans a further gas infrastructure upgrade for a second LNG train.

Ipswich - In the longer term, gas supply may be available at Ipswich from companies such as Metgasco Limited. Gas supply at Ipswich may be swapped with gas supply at Wallumbilla or interconnected between Ipswich and Wallumbilla. The Company has commenced an evaluation of the interconnection options.

Gladstone Ports Corporation (GPC) Agreement for Lease - Fisherman's Landing

During the quarter, the Company presented its gas supply plans and other material LNG Project issues to GPC. GPC agreed to extend the Company's Agreement for Lease to 30 June 2012 and, subject to gas supply arrangements and other project requirements, the Company will have a further six months to progress to a final investment decision.

LNG Plant Front End Engineering Design (FEED)

During the quarter, HQC completed the LNG plant FEED and provided the Company with a revised Engineering, Procurement and Construction (**EPC**) cost estimate of US\$760 million, using the Company's wholly owned OSMR[®] technology process. The estimated EPC contract price is for one LNG train, including LNG tank and related infrastructure (but excluding dredging and associated works), with a design LNG production capacity of ~1.9 mtpa and guaranteed LNG production capacity of 1.5 mtpa.

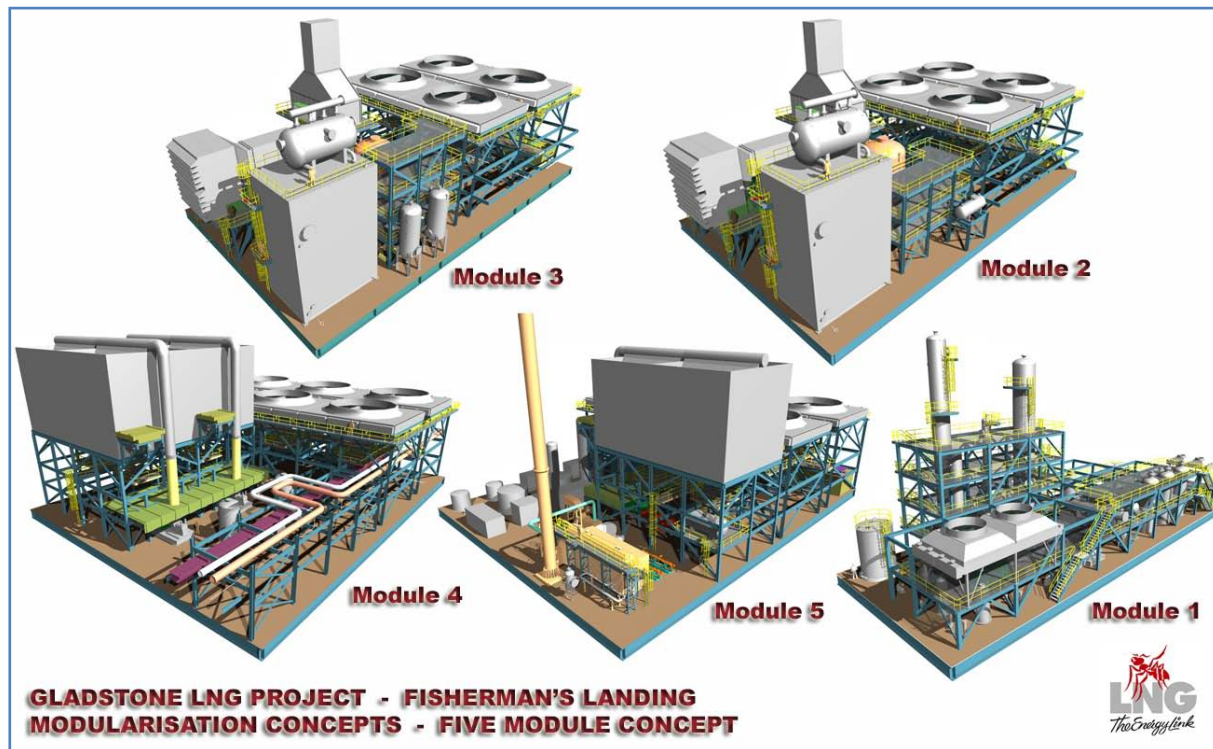
Based on the estimated EPC contract price, the Company's total estimated development cost, including dredging and other development and financing costs, remains at ~\$1.1 billion for one LNG train.



The LNG plant site layout has now been finalised

LNG Plant Module Design Concept

The Company has developed a 5 module design approach for the LNG plant, which will minimise on-site construction, reduce costs and allow the overall project construction schedule to be accelerated.



Five Module Concept to enable shipping of the LNG Plant to Fisherman's Landing

EPC Services and Open Book Conversion (EPCSOBC)

On 19 January 2012, the Company and HQC entered into an EPCSOBC contract.

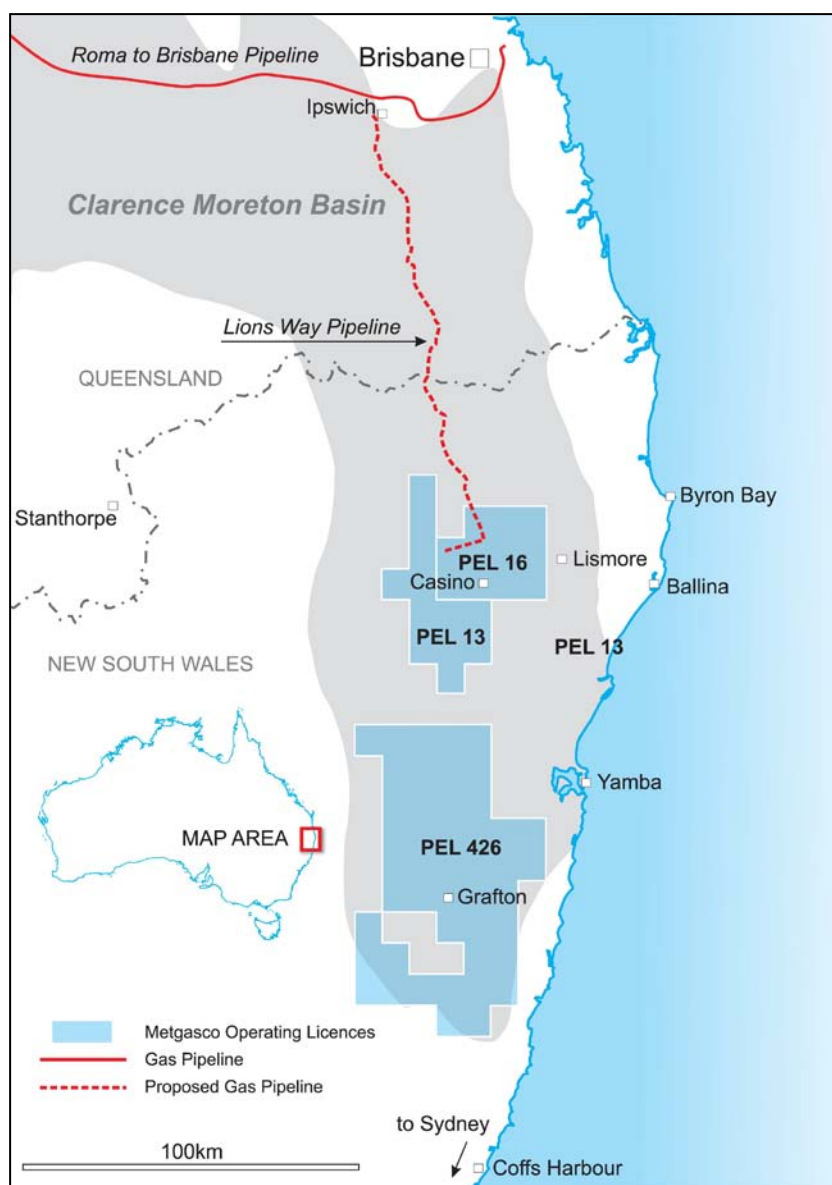
The Company and HQC will now:

- Proceed on an open book basis to progress the detailed engineering design and agree a fixed lump sum EPC contract price, based on the Company's LNG plant module design concept and OSMR[®] liquefaction technology;
- Negotiate and enter into a definitive and legally binding bankable EPC contract based on an agreed EPC Contract Term Sheet included in the EPCSOBC Contract; and
- Finalise the LNG plant construction and commissioning schedule.

The Company and HQC are targeting to complete each of the above activities by 30 June 2012.

2. Metgasco Limited (ASX code MEL)

The Company increased its shareholding in MEL during the December 2011 quarter to 10.21% and remains the largest shareholder.



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

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.

MEL's reserves (*below*) are of sufficient size to supply 90 PJ of gas for one LNG train of 1.5 million tonnes per annum guaranteed production capacity.

MEL's acreage position in Clarence Moreton Basin, NSW

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

It is recommended that Company shareholders visit the website of MEL www.metgasco.com.au to fully appraise MEL's business activities.

3. Oil Basins Limited (ASX Code OBL)

The Company is the largest shareholder in OBL with a 6.66% shareholding.

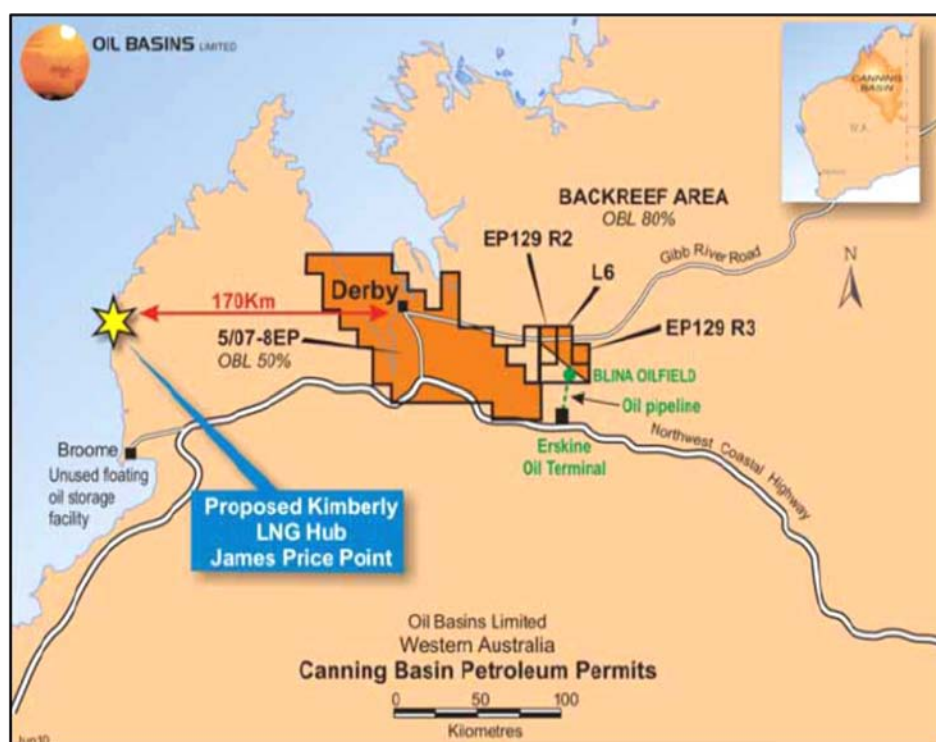
During the quarter OBL raised \$1,104,025 via a share purchase plan in which the Company participated.

OBL is involved in exploration for oil and gas in:

- onshore Canning Basin of Western Australia;
- offshore Carnarvon Basin waters of Western Australia; and
- offshore Gippsland Basin waters of South-Eastern Australia.

All assets are situated in good hydrocarbon locations and are strategically close to existing or future development infrastructure.

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



Oil Basins Limited's Canning Basin Interest Location

It is recommended that Company shareholders visit the website of OBL www.oilbasins.com.au to fully appraise OBL's business activities.

4. Company's Other LNG Activities

Whilst the Company is monitoring other LNG opportunities in Australia and overseas, the main focus remains on the delivery of the Company's wholly owned Fisherman's Landing LNG Project, in Gladstone, Queensland.

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 million tonnes per annum Fisherman's Landing LNG Project. The Company has also commenced negotiations with HQC on a technology cooperation agreement in relation to the marketing of the OSMR[®] process for use elsewhere in the world.

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 a patent application over another wholly developed and owned process, entitled "Boil-off Gas Treatment Process and System". On 5 December 2011, the Company was granted a full patent in New Zealand.

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

OSMR [®] Process					
	Patent Status				
Country *	Filed	Published	Examination in Progress	Accepted	Granted
Australia	✓	✓		✓	✓
China	✓	✓	✓		
ARIPO	✓	✓	✓		
OAPI	✓	✓		✓	✓
Eurasia	✓	✓	✓	✓	
Europe	✓	✓	✓		
India	✓	✓	✓		
Indonesia	✓	✓	✓		
Japan	✓	✓	✓		
South Africa	✓	✓		✓	✓
Ukraine	✓	✓	✓		
Vietnam	✓	✓	✓		

* Note: Patent applications have also been filed in Brazil, Canada, Hong Kong, Israel, New Zealand, Philippines, South Korea, Singapore 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>					
	Patent Status				
Country*	Filed	Published	Examination in Progress	Accepted	Granted
Australia	✓	✓			
China	✓	✓		✓	✓
ARIPO	✓	✓	✓		
OAPI	✓	✓		✓	✓
Brazil	✓	✓	✓		
Eurasia	✓	✓	✓		
Europe	✓	✓	✓		
Hong Kong	✓	✓	✓		
India	✓	✓	✓		
Indonesia	✓	✓	✓		
Japan	✓	✓	✓		
New Zealand	✓	✓		✓	✓
South Africa	✓	✓		✓	✓
Ukraine	✓	✓		✓	
Vietnam	✓	✓	✓		

* *Note: Patent applications have also been filed in Canada, 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 30 January 2012)

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 30 January 2012)

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:

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

Substantial Shareholders:

China Huanqiu Contracting & Engineering Corporation
Copulos 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; 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. It is expected that the plant will be commissioned in the first 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 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")

31 December 2011

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter	Year to date (6 months)
		\$A'000	\$A'000
1.1	Receipts from customers & ATO	24	79
1.2	Payments to suppliers and employees		
	(a) exploration and evaluation	-	-
	(b) project development	(1,768)	(3,135)
	(c) production	-	-
	(d) administration and others	(475)	(1,247)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	227	398
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other – R&D tax concession rebate	-	61
Net operating cash flows		(1,992)	(3,844)
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	(13)	(19)
	(d) shares	(10,867)	(10,882)
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		(10,880)	(10,901)
1.13	Total operating and investing cash flows (carried forward)	(12,872)	(14,745)

1.13	Total operating and investing cash flows (brought forward)	(12,872)	(14,745)
1.14a	Cash flows related to financing activities		
	Proceeds from issue of shares and exercise of share options	-	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)	(5)
	Net financing cash flows	(3)	20,139
	Net increase/(decrease) in cash held	(12,875)	5,394
1.20	Cash at beginning of quarter/year	26,121	7,759
1.21	Net foreign exchange differences	(76)	17
1.22	Cash at end of quarter*	13,170	13,170

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	496
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 \$42,500 (excl. GST); and Executive Directors' Remuneration \$453,275.	

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	2,793
4.3	Production	-
4.4	Administration	665
	Total	3,458

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	1,725	1,176
5.2	Term Deposit	11,445	24,945
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
	Total: cash at end of quarter (item 1.22)	13,170	26,121

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	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				
	(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 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
	TOTAL OPTIONS ISSUED	6,680,000	-		
7.8	Options issued during quarter :	-	-	-	-
	TOTAL				
7.9	Options exercised during quarter	<i>Number</i>		<i>Exercise price</i>	<i>Expiry date</i>
	(a) Options over ordinary shares	-	-	-	-
	TOTAL				
7.10	Options expired/cancelled during quarter	<i>Number</i>		<i>Exercise price</i>	<i>Expiry/cancellation date</i>
	TOTAL OPTIONS 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

31 January 2012

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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