



LIQUEFIED NATURAL GAS LIMITED

September 2012 Quarterly Report

Quarterly Highlights

Corporate Developments:

- The Company's Annual General Meeting will be held at the Celtic Club, 48 Ord Street, West Perth, Western Australia, on Thursday 22 November 2012 at 3:00pm (WST).
- Cash balance of \$6.7 million, as at 30 September 2012.
- Largest shareholder in Metgasco Limited (8.82%) worth \$7.4m at current market prices. Metgasco Limited has substantial gas permit interests and certified reserves in Northern NSW.
- Patents granted in Eurasia for "A Method and System for Production of LNG" (**OSMR®**) and Singapore for "Boil-Off Gas Treatment Process and System". Both technologies are 100% developed and owned by the Company.

Fisherman's Landing LNG Project Developments:

- Important progress was achieved during the quarter in relation to the Company's 100% owned, 3 million tonnes per annum, Fisherman's Landing LNG Project, at Fisherman's Landing, Port of Gladstone, Queensland (**LNG Project**).
- PetroChina International Investment (Australia) Pty Ltd's (**PetroChina Australia**) acquisition of Molopo Energy Limited's Queensland coal seam gas assets is now unconditional and scheduled for completion on 1 November 2012.
- PetroChina Australia and the Company signed a Letter of Intent, to progress a Tolling Agreement for the delivery of PetroChina Australia gas to the LNG Project for liquefaction, storage and loading onto LNG ships arranged by PetroChina Australia.
- The Company and Metgasco Limited, under a Memorandum of Understanding dated 24 September 2010, continue to evaluate commercial gas supply options for the LNG Project.
- The Company, and associated parties, continue to progress their due diligence of Westside Corporation Limited, which has gas permit interests and certified reserves, in Queensland. However, as previously communicated, there is no certainty that the discussions and the due diligence program will result in a transaction.
- The Company and China Huanqiu Contracting & Engineering Corporation (**HQC**), being the Company's largest shareholder and preferred engineering, procurement and construction (**EPC**) contractor, made significant progress on the EPC Contract and HQC's fixed lump sum turnkey EPC price for the LNG Project.

1. Fisherman's Landing LNG Project (LNG Project)

Background:



An artist's illustration of the First LNG Train

The Company commenced construction of the LNG Project in October 2009, but in March 2010 suspended construction due to the proposed gas supplier, Arrow Energy Limited, being taken over by Shell and PetroChina.

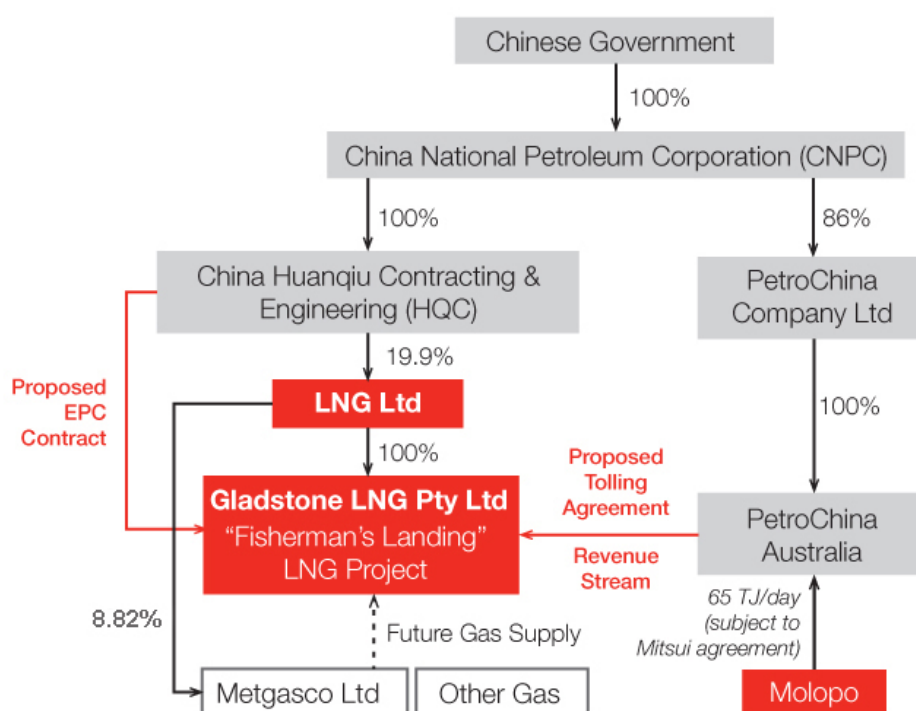
The Company expended ~\$60 million in developing the LNG Project between early 2007 and March 2010.

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 HQC, its major shareholder and a wholly owned subsidiary of China National Petroleum Corporation (**CNPC**), to secure gas supply and recommence development of the LNG Project.

GLADSTONE LNG PROJECT OWNERSHIP FLOWCHART AND GAS SUPPLY PLAN

The chart on the right illustrates the relationship between CNPC, HQC, PetroChina Australia and the Company's wholly owned subsidiary, Gladstone LNG Pty Ltd.



Gas Supply Plan:

The full gas requirement for each LNG train, with a guaranteed LNG production capacity of 1.5 mtpa, is 260 terajoules a day (**TJ/d**), being equivalent to 90 petajoules a year (**PJ/y**).

However, based on the Company's technology, its lower capital costs and the availability of existing infrastructure at Fisherman's Landing, the LNG Project is operational and economically viable, without any modification to the LNG plant design, with gas supply of less than 130 TJ/d (45 PJ/y).

The Company has therefore been negotiating for minimum gas supply of 130 TJ/d, with gas supply parties that have aggregate uncontracted deliverable gas reserves of at least 760 PJ and potential for deliverable gas reserve growth.

The Company's gas supply strategy incorporates all of the following:

- A. Tolling Agreement:** A gas supplier will arrange to supply its own gas to the LNG Project and arrange its own LNG buyer. The Company receives, from the gas supplier, a guaranteed monthly capacity payment, plus a tolling fee to process, liquefy and store the gas as LNG. The Company is also responsible to load the LNG onto LNG ships arranged by the gas supplier's LNG buyer.

The above is the basis of the Letter of Intent between PetroChina Australia and the Company.

- B. Gas Purchases Agreement:** The Company purchases the gas at an agreed price and delivery point and can control sale of the LNG to its preferred LNG buyer. Negotiations are progress with gas suppliers under this type of agreement.
- C. Upstream Resource Purchase:** The Company acquires its own gas resource and is responsible for the gas field development, as well as selecting an LNG buyer. The gas resource may be wholly owned or in joint venture with other parties. The equity gas parties would either enter into their own LNG buyer arrangement or, as is more usual, agree to appoint one party as the marketing agent on behalf of the joint venture (the LNG is then sold to one or more LNG buyers on behalf of the joint venture).

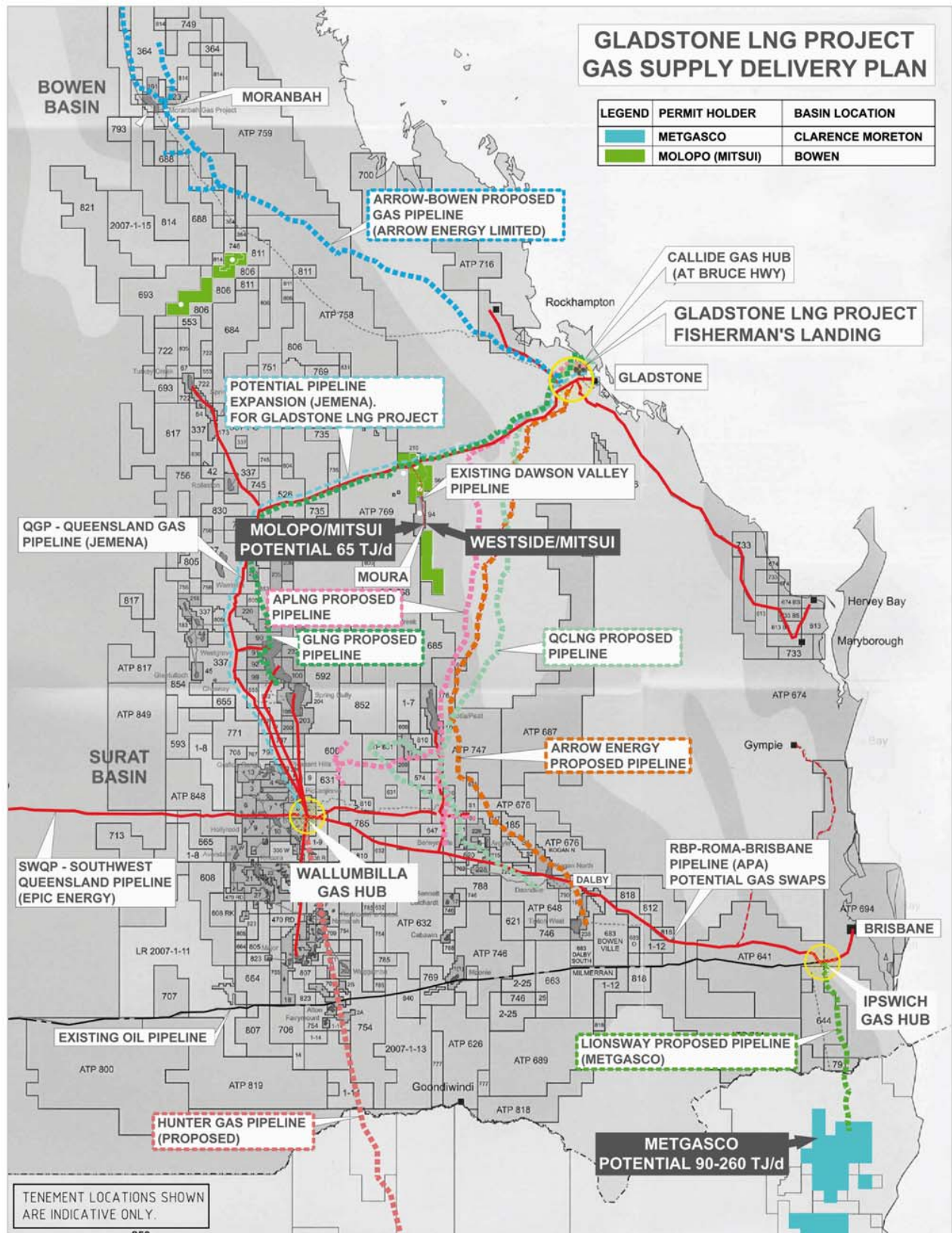
In relation to acquiring its own gas resources, the Company has previously advised that, as part of its gas supply initiatives, it has been holding discussions with Westside Corporation Limited (**ASX:WCL**) to explore potential transaction opportunities.

The WCL Board granted the Company, and associated parties, non-exclusive access to conduct due diligence, which is continuing. No set timeframe has been established for completion of this process and there is no guarantee that a definitive transaction will be agreed. The Company will keep shareholders informed of any material developments.

In addition to WCL, the Company has been in negotiation with other parties in relation to potential transaction opportunities focussing on the acquisition of their gas reserves and resource potential.

Gas Delivery Plan:

The Company has been actively progressing the above gas supply strategies, based on gas delivery to one or more of three gas hubs, being Wallumbilla, Callide and Ipswich.



EPC Services and Open Book Conversion (EPCSOBC)

On 19 January 2012, the Company and HQC entered into an EPCSOBC contract. This contract was awarded following HQC's completion of the front end engineering design and provision to the Company of a revised engineering, procurement and construction (**EPC**) cost estimate of US\$760 million, using the Company's wholly owned OSMR[®] LNG process technology.

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 Company and HQC are actively working to finalise a fixed lump sum EPC contract price, and EPC contract based on the Company's LNG plant module design concept and OSMR[®] liquefaction technology.

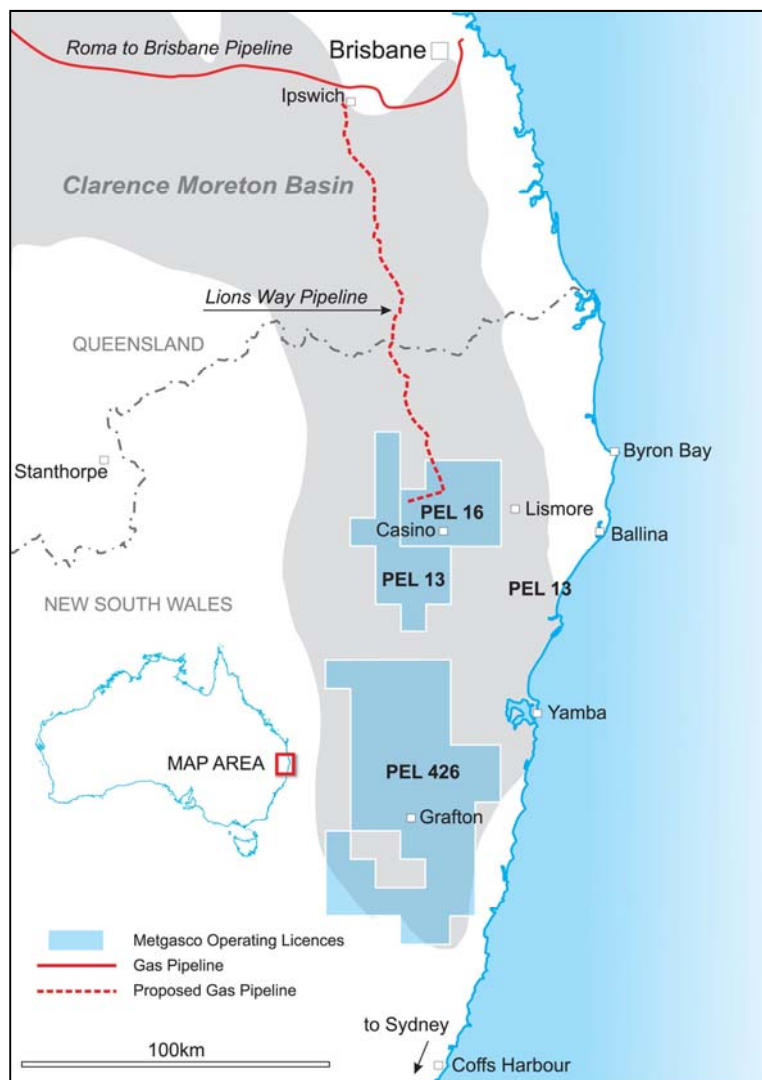
Gladstone Ports Corporation (GPC) Agreement for Lease - Fisherman's Landing:

The Company's has an Agreement for Lease, over the LNG Project site, with the Gladstone Ports Corporation Limited, which presently expires on 31 December 2012. The Agreement for Lease includes, as an annexure, the agreed form of Lease (20 years plus 2 x 5 year options) to be executed on the Company meeting the gas supply condition precedent.

During the current (December 2012) quarter, it is the Company's intention to seek a further extension in the Agreement for Lease term. Subject to concluding gas supply arrangements and other project requirements, the Company will have a further six months to progress to final investment decision for the LNG Project.

2. Metgasco Limited (ASX code MEL)

The Company remains the largest shareholder in Metgasco Limited (**Metgasco**) with an 8.82% shareholding.



Metgasco 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 under a Memorandum of Understanding, executed by Metgasco and the Company on 24 September 2010.

Metgasco's reserves (*below*) are of sufficient size to supply 90 PJ of gas for one LNG train of 1.5 mtpa guaranteed production capacity.

It is recommended that Company shareholders visit the Metgasco website www.metgasco.com.au for further details on Metgasco's business activities.

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 31 July 2012.
(Independently Certified Reserves by Timothy Hower of MHA Petroleum consultants under PRMS guidelines. MHA has consented to the use of this information by the Company).*

Major Metgasco developments during the September 2012 Quarter included:

- the NSW Government's announcement of new regulations and codes of practice for gas exploration and development in NSW;
- the renewal of Metgasco's PEL 13 and PEL 16 exploration licences;
- the approval of Metgasco's first production lease, PPLA 9 (actual numbering/title still to be confirmed);
- offer to Metgasco of a new exploration licence, PEL 130, immediately adjacent to PEL 13;
- continued progress with local sales gas initiatives, with Pacific Intermodal and companies proposing compressed natural gas distribution and sales options;
- submission of a revised water management plan for Metgasco's exploration activities;
- further preparation for the planned drilling program, with Metgasco's new Drilling and Production Manager commencing work in August 2012; and
- the placement of new shares to raise \$10.2m to fund the ongoing drilling program and the initiation of a share purchase plan to allow pre-placement shareholders to participate under the same terms as the placement.

3. Company's Other LNG Activities

- during the quarter the Company identified a specific opportunity and will advise shareholders of material progress; and
- the Company is continuing to monitor other LNG opportunities.

4. 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 LNG project economics.

The OSMR[®] process is planned to be used in the Company's 3 mtpa 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 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	✓	✓	✓		
India	✓	✓	✓		
Indonesia	✓	✓	✓		
Japan	✓	✓	✓		
New Zealand	✓	✓	✓	✓	
Singapore	✓	✓	✓		
South Africa	✓	✓		✓	✓
Ukraine	✓	✓	✓	✓	✓
Vietnam	✓	✓	✓		

* Note: Patent applications have also been filed in Brazil, Hong Kong, Israel, Philippines, 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>					
	Patent Status				
Country*	Filed	Published	Examination in Progress	Accepted	Granted
Australia	✓	✓			
Canada	✓	✓	✓		

China	✓	✓		✓	✓
ARIPO	✓	✓	✓		
OAPI	✓	✓		✓	✓
Brazil	✓	✓	✓		
Eurasia	✓	✓	✓		✓
Europe	✓	✓	✓		
Hong Kong	✓	✓	✓	✓	✓
India	✓	✓	✓		
Indonesia	✓	✓	✓		
Japan	✓	✓	✓		
New Zealand	✓	✓		✓	✓
Singapore	✓	✓	✓		✓
South Africa	✓	✓		✓	✓
Ukraine	✓	✓		✓	✓
Vietnam	✓	✓	✓		

** Note: Patent applications have also been filed in Israel, 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

1. Exploration Expenditure

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

2. Capital Structure (as at 22 October 2012)

Class of Security	Issued	Quoted
Fully Paid Ordinary Shares	267,699,015	267,699,015
Options Issued	5,860,000	-
Performance Rights	1,500,000	-

3. Appendix 5B - Attached to this quarterly report.

4. Corporate Information (as at 22 October 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,
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Western Australia
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Facsimile: (08) 9366 3799
Email: LNG@LNGLimited.com.au
Website: www.lnglimited.com.au

Substantial Shareholders:

China Huanqiu Contracting & Engineering Corporation (HQC)	19.89%
Copulos Group	9.94%
Dart Energy Limited	5.37%

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 and LNG Limited's operations staff helped with its commissioning.

HQC is wholly owned by China National Petroleum Corporation.

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 2012 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")

30 September 2012

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (3 months) \$A'000
1.1	Receipts from customers & ATO	7	7
1.2	Payments to suppliers and employees		
	(a) exploration and evaluation	-	-
	(b) project development	(1,460)	(1,460)
	(c) production	-	-
	(d) administration and others	(693)	(693)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	81	81
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		(2,065)	(2,065)
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	(5)	(5)
	(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		(5)	(5)
1.13	Total operating and investing cash flows (carried forward)	(2,070)	(2,070)

1.13	Total operating and investing cash flows (brought forward)	(2,070)	(2,070)
1.14a	Cash flows related to financing activities		
	Proceeds from issue of shares and exercise of share options	-	-
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	-	-
	Net financing cash flows	-	-
1.20	Net increase/(decrease) in cash held	(2,070)	(2,070)
1.21	Cash at beginning of quarter/year	8,837	8,837
1.22	Net foreign exchange differences	(26)	(26)
	Cash at end of quarter*	6,741	6,741

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	450
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 \$63,130 (excl. GST); and Executive Directors' Remuneration \$386,634.	

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	1,445
4.3	Production	-
4.4	Administration	755
	Total	2,200

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	1,096	1,391
5.2	Deposits at call	5,645	7,446
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
	Total: cash at end of quarter (item 1.22)	6,741	8,837

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 (a) Options over ordinary shares, exercisable at 68 cents (b) Options over ordinary shares, exercisable at 66.7 cents (c) Options over ordinary shares, exercisable at 88 cents (d) Options over ordinary shares, exercisable at 84 cents (e) Options over ordinary shares, exercisable at 62.1 cents (f) Options over ordinary shares, exercisable at 79.2 cents TOTAL OPTIONS ISSUED	<i>Number</i> 60,000 2,490,000 1,100,000 150,000 1,750,000 310,000 5,860,000	- - - - - -	<i>Exercise price</i> 68 cents 66.70 cents 88 cents 84 cents 62.10 cents 79.20 cents	<i>Expiry date</i> 30 November 2012 10 December 2012 9 September 2013 17 September 2013 30 April 2014 2 August 2014
7.8	Options issued during quarter : TOTAL	-	-	-	-
7.9	Options exercised during quarter (a) Options over ordinary shares TOTAL	-	-	-	-
7.10	Options expired/cancelled during quarter (a) Options over ordinary shares, exercisable at 74.2 cents TOTAL OPTIONS EXPIRED/ CANCELLED	410,000 410,000	-	74.20 cents	2 August 2012
7.11	Performance Rights (a) Performance rights exercisable at 79.1 cents (b) Performance rights exercisable at 84.4 cents TOTAL PERFORMANCE RIGHTS	750,000 750,000 1,500,000	- -	79.1 cents 84.4 cents	10 January 2013 10 January 2014
7.12	Performance rights issued during quarter: TOTAL	<i>Number</i> -	-	<i>Exercise price</i> -	<i>Expiry date</i> -

7.13	Performance rights exercised during quarter TOTAL	-	-	-	-
7.14	Performance rights expired/cancelled during quarter (a) Performance rights exercisable at 73.8 cents TOTAL PERFORMANCE RIGHTS EXPIRED/ CANCELLED	750,000 750,000	-	73.8 cents	10 July 2012
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 (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.



David Michael Gardner
Company Secretary

30 October 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 6: Exploration for the Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply 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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