Liquefied Natural Gas Ltd
5 Ord Street, West Perth
Perth 6005 Western Australia
Tel: (618) 9366 3700
Fax: (618) 9366 3799
Email: lng@lnglimited.com.au
Website: www.lnglimited.com.au
ABN: 19 101 676 779

22 November 2012

Dear Shareholder

Joint Chief Executive Officers' Update

Cathy and I are delighted to provide a brief update on the Company's progress and our goals for 2013.

Before inviting Cathy to address shareholders, I wish to briefly summarise what has been achieved in 2011 and 2012 as these two years have consolidated the foundations for 2013 and beyond.

During 2011, the Company successfully "bedded" down its strategic relationship with HQC through the HQC investment in LNG as a major shareholder, and additionally the HQC introduction and endorsement of LNG to the wider CNPC group. The common joint objective between HQC and LNG has been to recommence the Fisherman's Landing LNG project as soon as possible. Valuable relationships have been forged between our two companies, and today, shareholders have supported this relationship and re-elected Cathy as an Executive Director and Gavin as a Non-Executive Director for the next three years.

Throughout 2012, the Company, together with HQC, focussed on three principal objectives:

Firstly, to recommence the engineering, procurement and construction activities for Fisherman's Landing based on a "modular LNG plant concept" in order to better control costs and schedule, and additionally to be capable of offering a ~1.9mpta LNG plant package – to be made available globally - requiring only minor modifications according to the particular gas supply specification. This is evidenced by both parties entering into an EPC open book services contract, which will in turn result in a bankable EPC contract. This EPC contract will be in the form of a fixed, lump-sum turnkey contract, so that the Company can successfully manage construction risks and in particular, the cost pressures that have materially affected many Australian resource projects. We plan to announce more about the EPC contract before the end of this year.

Secondly, to agree and actively implement the gas supply plan for Fisherman's Landing. The Company's role has been to identify opportunities, undertake early due diligence and then to work with HQC and the CNPC group on converting these gas opportunities into gas supply for Fisherman's Landing. The success of this partnership and relationship has resulted in the successful acquisition by PetroChina Australia of the Molopo Energy Ltd gas assets in Queensland as announced on 1 November 2012. We are now supporting and collaborating on further sources of gas supply.

Thirdly, to consider and agree a business model that reflects the expertise, resources and financial capabilities of each of the parties. This review, taking into account the different ownership of upstream and downstream assets, resulted in the Company decision for the Fisherman's Landing business model to be structured on a Tolling Model, at least for the first train. Under a Tolling Model, LNG will not need to enter into Gas Sales and Purchase Agreements, Gas Transportation Agreements or LNG Sales and Purchase Agreements. This greatly reduces project risks, project documentation and simplifies the entire transaction. It is this Tolling Agreement that will create financial returns for LNG shareholders (coupled with the revenue from the license fees for the Company's wholly owned OSMR® liquefaction technology).

On 2 August 2012, LNG and PetroChina entered into a Letter of Intent for Molopo gas and other gas that PetroChina Australia may source to be supplied to Fisherman's Landing confirming that the parties, in good faith, will negotiate a Tolling Agreement. This third objective has been evidenced with the execution of this Letter of Intent.

In summary, the foundations have been set in 2012 for the Company to enter into an EPC contract with HQC in early 2013; to sign a Tolling Agreement with PetroChina Australia; and to finalise project financing for the Fisherman's Landing LNG project. Achievement of these three activities will allow for the parties to make a Final Investment Decision in 2013.

It is important that shareholders have an understanding of the above relationships, and the commitments that have been given to fully support the Fisherman's Landing LNG Project.

I would now like to introduce my Co-Chief Executive Officer, Cathy Wang, to provide further insight on the support of HQC and CNPC Group and our combined objectives for 2013.

Firstly I would like to thank Shareholders for supporting my re-election for the next three years, and also the shareholder support for the re-election of Mr Gavin Zhang as a Non-Executive Director. I look forward to meeting more shareholders in the months ahead.

The parent company of HQC is China National Petroleum Corporation (CNPC) which is the number 1 oil and gas company in China and is currently ranked Number 5 in the Fortune 500 Global Companies. The CNPC Group operates in 13 countries and has a staff of over 1.6 million people. The ultimate mission for CNPC is to ensure that at all times China has long term energy security. Energy supply is critical for China; and it must be secured and supplied using "world best practices" in areas of cost; efficiency; low greenhouse gas emissions; and sustainability. Additionally this energy supply should be sourced from a range of geographical locations and countries. Australia figures prominently as one of the countries for investment that fits these targets.

In order to achieve "world best practice" at a sustainable cost, CNPC and its business units, including HQC, are continuously researching and investing in global best available technology and expertise. This is what attracted HQC to invest in LNG and now has the full support of the wider CNPC group.

The CNPC Group always looks for ways to cooperate and support its sister companies to achieve their individual goals and execute their particular strategies. The CNPC Group cooperation with HQC is evidenced by the Letter of Intent with PetroChina Australia. PetroChina Australia's role is to invest in and arrange gas supply for the Fisherman's Landing LNG plant. PetroChina has the gas exploration and production expertise with the financial resources to supply gas; HQC has the expertise and financial resources to achieve its objective to enter into an EPC contract to build the LNG plant. As a result, LNG achieves its objective to ensure that an LNG plant is built in Gladstone using the Company's OSMR® liquefaction technology.

My role this year has been to actively support and promote LNG and the Fisherman's Landing LNG project within the wider CNPC group. Positive results have been achieved, as outlined by Maurice, with more work still to be undertaken before we can achieve a Final Investment Decision for Fisherman's Landing LNG project in Gladstone in 2013. The CNPC group is committed to provide all required support for the project and is as keen as all shareholders to ensure that the project proceeds as soon as possible. The investment by PetroChina to date, and the underlying requirement to invest many hundreds of million dollars to deliver gas to Gladstone, is testament to this commitment.

Our principal goal in 2013 is to achieve the recommencement of construction for the Fisherman's Landing LNG project.

I am confident that with the strong support from CNPC, and the EPC contracting capability of HQC, and our OSMR® LNG technology, that the Fisherman's Landing will be successful.

Finally, Maurice and I take this opportunity to thank the Company's staff, management and our fellow directors and shareholders for all their support and assistance during the year.

We are enthusiastic about 2013 and beyond.

Sincerely

Maurice Brand
Joint Chief Executive Officer

Cathy Wang
Joint Chief Executive Officer