LNG The Energy Link

Schematic Site Layouts for the proposed 8 mtpa or greater Magnolia LNG Project in the Port of Lake Charles, Louisiana, USA (left) and the 8 mtpa or greater Bear Head LNG Project, Nova Scotia, Canada (right)

December 2015

Quarterly Highlights and Appendix 4C

A Message from the Managing Director and Chief Executive Officer

Liquefied Natural Gas Limited (**LNGL**) holds a strong competitive position in the mid-scale LNG industry with our three LNG projects: Magnolia LNG, in Lake Charles, Louisiana, USA; Bear Head LNG in Richmond County, Nova Scotia, Canada; and Fisherman's Landing LNG, in Queensland, Australia. All three projects have essentially achieved full permitting and regulatory approval, have completed project engineering to advanced stages, and are ready to progress to construction. Our patented OSMR® technology platform provides substantial competitive cost and efficiency advantages.

Like others in the energy industry, current weakness in energy markets and other factors have affected LNGL's progress in signing binding offtake to enable the projects to move at planned pace to FID, financial close, and construction. LNGL's ongoing work program reflects the impact of slowing industry conditions and includes:

- Commercial focus on signing binding offtake agreements for Magnolia LNG;
- Placing on hold our EPC and related contracts;
- Finishing residual engineering, regulatory and permitting work on our projects;
- Maintaining the projects in "ready mode" to enable fast track ramp-up once sufficient levels of binding offtake agreements are signed; and
- Prudently managing our cost base.

LNGL had approximately A$114 million at 1 January 2016 (inclusive of restricted and unrestricted funds). In applying our cost management strategy our existing cash position can sustain us through to the end of 2018. We believe that within this timeframe we will conclude sufficient offtake agreements to progress one or more of our projects to FID and financial close.

We remain confident in our fundamental view of global gas demand and the role the LNG industry has in meeting that demand. LNGL is well placed to participate in that delivery through execution of its Energy Link strategy.

Highlights

- Magnolia LNG signed a lump sum turnkey EPC contract with KBR lead KSJV
- Signed strategic alliance agreements with Siemens, Chart and EthosEnergy
- FERC issued the FEIS for the Magnolia LNG project
- The necessary waiting periods under U.S. law have elapsed and the FERC may issue the FERC Order on the Magnolia LNG at any time
- Appointment of experienced LNG executives: Anthony Gelotti as LNGL's Chief Development Officer and John Baguley as LNGL's Chief Technical Officer
- Appointment of Philip D. Moeller as NED, replacing Madam Yao Guihua

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BOARD OF DIRECTORS

Richard Jonathan Beresford
Chairman

Fletcher Maurice Brand
Managing Director and Chief Executive Officer

Leeanne Kay Bond
Non-Executive Director

Paul J. Cavicchi
Non-Executive Director

D. Michael Steuert
Non-Executive Director

Philip D. Moeller
Non-Executive Director

ISSUED CAPITAL

Shares on Issue	503,227,606
Performance Rights	16,582,858
Unlisted Options on Issue	2,509,000
ADRs on Issue	2,033,542

SUBSTANTIAL SHAREHOLDERS

Top 20 Shareholders	58.3%
North American	~ 50.0%
- Baupost Group, LLC	11.4%
- Valinor Management, LLC	10.3%
Directors & Management	1.9%

Magnolia LNG Project, Lake Charles, Louisiana, United States (Magnolia LNG)

Magnolia LNG advanced its project milestones significantly during the past six-months. Achieved milestones included the signing of a legally binding lump sum turnkey (**LSTK**) engineering, procurement and construction contract (**EPC Contract**) with the KBR-SKE&C joint venture (**KSJV**), receipt of the Final Environmental Impact Statement (**FEIS**) from the United States Federal Energy Regulatory Commission (**FERC**), and the signing of an up to 2 million tonnes per annum (**mtpa**) offtake agreement with Meridian LNG Holdings Corp. (**Meridian LNG**). The following narrative outlines the specifics of these milestone achievements.

On 16 November 2015, LNGL announced it had agreed a LSTK EPC Contract with KSJV in relation to the Magnolia LNG project.

Contract highlights:

- EPC Contract LSTK cost of US$4.354 billion for four LNG trains and associated facilities
- EPC guaranteed production of 7.6 mtpa, or 0.8 mtpa greater than previous guidance
- The EPC Contract LSTK plant design utilises LNGL's patented OSMR® technology
- Installed capacity EPC contract cost/tonne range of US$495 to US$544 based on final design at FID
- LNG plant fuel gas consumption of 8%, or 92% feed gas production efficiency guaranteed
- EPC Contract LSTK price is valid to 30 April 2016

The EPC Contract covers the engineering, procurement and construction of four LNG production trains with design capacity of 2 mtpa or greater each, inclusive of sub-contractor costs for all key components (turbines, cold boxes, etc.), two 160,000m³ full containment storage tanks, LNG marine and ship loading facilities, supporting infrastructure, mobilisation and de-mobilisation costs, contractor insurances, etc., and all required post-FID approvals and licenses.

In addition to the EPC Contract with KSJV, strategic alliances with other key contractors were agreed during the period. These alliances established terms and conditions with suppliers of key components of the OSMR® technology design for Magnolia LNG as well as for future LNGL projects.

On 30 July 2015, LNGL announced a strategic alliance agreement (**SAA**) with Chart Industries, Inc. (**Chart**) through Chart's wholly owned subsidiary, Chart Energy & Chemicals, Inc., and on 24 August 2015, LNGL announced two other key SAAs with Siemens Energy Inc**.** (**Siemens**) and EthosEnergy Group (**EthosEnerg**y), respectively. The Chart SAA provides for the design and manufacture of brazed aluminium heat exchangers and LNG liquefaction cold boxes, while the Siemens SAA provides the OSMR® main process compressor equipment and the EthosEnergy SAA provides for operations and maintenance services. The global alliance agreements call for Chart, Siemens, and EthosEnergy to each work collaboratively with LNGL on both current and future Company projects.

The use of global alliance agreements with key suppliers is central to LNGL's strategy to produce standardized, repeatable designs and processes across all its projects and operations.

On 13 November 2015, LNGL announced the FERC issuance of the FEIS for the Magnolia LNG project, inclusive of the associated Kinder Morgan Louisiana Pipeline (**KMLP**) Lake Charles Expansion Project. Issuance of the FEIS represented the culmination of the FERC staff's environmental, reliability, and safety review of the Magnolia LNG and KMLP projects. In completing the unified FEIS for the two projects, the FERC conducted a comprehensive environmental, safety and security review analyzing publicly available data, input from other federal and state agencies, comments from interested stakeholders, and detailed information that Magnolia LNG and KMLP provided regarding the construction and operation of the LNG facility and related natural gas pipeline infrastructure. The next step in the FERC process is for the FERC Commissioners to act on Magnolia LNG and KMLP's respective applications by releasing the FERC Order. The necessary waiting period under U.S. law has now elapsed and the FERC may issue their Order for the project at any time.

On 23 July 2015, LNGL announced that Magnolia LNG had signed a legally binding agreement with Meridian LNG for firm capacity rights for up to 2 mtpa. Under the liquefaction tolling agreement (**LTA**), Magnolia LNG will provide liquefaction services to Meridian LNG over the term of the contract in return for monthly capacity payments. Meridian LNG is responsible for procurement and delivery of feed gas to the liquefaction plant and for arranging all LNG shipping required to transport the LNG from the liquefaction plant to its customers.

Meridian LNG intends to deliver the LNG to Port Meridian, its Höegh LNG operated floating re gasification terminal in the UK with the gas delivered to E.ON Global Commodities under a 20-year gas sales agreement executed and announced by Meridian LNG on 23 April 2015.

Key terms of the LTA include:

- Initial term of 20 years, with option to extend by a further 5 years;
- Firm annual capacity of 1.7 mtpa with a further 300,000 tonnes per annum to be offered at Magnolia LNG's discretion; and

- Conditions precedent, including that Magnolia LNG achieves financial close no later than 31 December 2016.

Bear Head LNG Project, Nova Scotia, Canada (Bear Head LNG)

Bear Head LNG holds all key federal, provincial, and local regulatory approvals and permits required to commence site construction. The following describes milestone events over the past six-months.

On 20 July 2015, LNGL announced that the U.S. Department of Energy (**DOE**) granted Bear Head LNG authorization to export up to 440 bcf per year of U.S. natural gas to Canada, and up to 8 mtpa of liquefied natural gas from Canada to free trade agreement countries.

On 17 August 2015, LNGL announced that Canada's National Energy Board (**NEB**) had granted Bear Head LNG Corporation and Bear Head LNG (USA), LLC (collectively, Bear Head LNG) authorization to export LNG from Bear Head LNG's project site on the Strait of Canso in Nova Scotia.

The NEB licensing decision approved Bear Head LNG's application for authority to export up to 8 mtpa of LNG from Canada starting in 2019, with expanded authority to increase production to 12 mtpa in 2024. The export license extends for a period of 25 years from the date of first LNG export. Bear Head was also granted a license to import 1.2 bcf per day of natural gas from the U.S., an amount adequate to produce the authorized annual LNG exports.

Bear Head LNG Corp. has applied to the U.S. DOE for authority to import for subsequent export up to 250 bcf per year of Canadian natural gas by pipeline that is “in transit” through the U.S., back into Canada for delivery to Bear Head LNG's proposed liquefied natural gas export facility. This authorization would allow a portion of the Bear Head LNG’s natural gas requirements to come from sources in Western and Central Canada, enhancing commercial supply options.

Fisherman’s Landing LNG Project, Gladstone, Queensland (FLLNG)

The major focus for the FLLNG Project is to secure adequate gas supply for the first LNG train. Management continues to work this requirement with several parties, including potential gas supply from Tri-Star Petroleum Company with whom LNGL has signed a non-binding memorandum of intent.

The Gladstone Ports Corporation (**GPC**) extended LNGL’s Site Agreement for Lease at Fisherman’s Landing Project site to 31 March 2016. Discussions with the GPC are taking place regarding a further extension of the lease.

The Queensland Government’s Department of Natural Resources and Mines approved extension of the dates for completion of construction (associated with the LNG Facility) for the Petroleum Facility Licence 18 and the Petroleum Pipeline Licence 161 to 31 December 2017.

OSMR Technology

During the quarter the Company received confirmation that a patent had been granted in Japan for OSMR process. Patents have now been granted in countries and jurisdictions for the OSMR patent in USA, Canada, Australia, Japan, South Korea, China, Eurasia, OAPI, ARIPO, Brunei, Singapore, Hong Kong, Israel, New Zealand, Philippines, South Africa and Ukraine.

Corporate

Board of Director Announcements

- Philip D. Moeller became a Non-Executive Director (**NED**) of LNGL in December 2015. Mr Moeller is the Company’s third US-based NED following the appointments of Paul Cavicchi in October 2014 and Mike Steuert in February 2015. Former Commissioner Philip D. Moeller left the FERC in October 2015 as the second-longest serving member in the history of FERC. While serving on the Commission he focused on policies that encouraged the construction of additional electric transmission and interstate natural gas infrastructure and policies, which promoted well-functioning wholesale markets. He was a national leader in promoting improved coordination between the electric industry and the natural gas industries as the United States moves toward burning significantly more natural gas to meet electricity demand.
- Madam Yao Guihua retired as a NED of LNGL after the 2015 AGM on 19 November 2015. Ms Guihua held the NED role since August 2013 when her employer, China Huanqiu Contracting and Engineering Corporation (HQC), was a major shareholder in the Company.

Share Movements

- On 13 August 2015, 60,000 shares were issued on the exercise of options. At the date of this report, there are 2,509,000 options outstanding.
- On 18 November 2015, 74,405 shares were issued on the vesting of NED Rights.

Personnel

- On 18 August 2015, LNGL announced the appointment of Ms Kinga Doris as General Counsel and Joint Company Secretary. Ms Doris is responsible for all statutory, securities, regulatory and other legal activities of the LNGL group as well as management of outside legal counsel across all operations and global project activities.
- On 20 November 2015, LNGL announced the appointment of Mr Anthony Gelotti as Chief Development Officer based in Houston, Texas, USA. Mr Gelotti's responsibilities include assisting in the close-out of the full production capacity of Magnolia LNG, developing new North America and international opportunities for mid-scale LNG projects, and conducting M&A activities. In addition, Mr John Baguley, Chief Operating Officer for Magnolia LNG, assumed the additional responsibilities of LNGL Chief Technical Officer.
- Ms Doris, Mr Gelotti, and Mr Baguley are part of LNGL's senior leadership team reporting to Maurice Brand, LNGL's Managing Director and Chief Executive Officer.

Financial Position

During the December quarter 2015, net operating cash outflow was A$44.046 million, which compares with the September quarter 2015 figure of A$31.395 million. LNGL's total cash balance as at 31 December 2015 was A$114 million. Management expects net operating cash outflow in the quarter ending 31 March 2016 to reduce relative to net operating cash outflows for the quarter ended 31 December 2015, reflecting implementation of the Company's cost management strategy. The Company has no debt.

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Rule 4.7B

Appendix 4C

Quarterly report
for entities admitted
on the basis of commitments

Name of entity

Liquefied Natural Gas Limited

ABN	Quarter ended ("current quarter")
19 101 676 779	31 December 2015

Consolidated statement of cash flows

	Cash flows related to operating activities	Current quarter $A'000	Year to date (6 months) $A'000
1.1	Receipts from customers	(966)	-
1.2	Payments for:		
	(a) staff costs	(4,716)	(9,547)
	(b) patent costs	(36)	(121)
	(c) LNG project development	(29,444)	(57,080)
	(d) leased assets	(1)	(2)
	(e) other working capital	(9,085)	(9,085)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	202	395
1.5	Interest and other costs of finance paid	-	(1)
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	-
	Net operating cash flows	(44,046)	(75,441)

		Current quarter $A'000	Year to date (6 months) $A'000
1.8	Net operating cash flows (carried forward)	(44,046)	(75,441)
	Cash flows related to investing activities		
1.9	Payment for acquisition of:		
	(a) businesses (item 5)	-	-
	(b) equity investments	-	-
	(c) intellectual property	-	-
	(d) physical non-current assets	(10)	(40)
	(e) other non-current assets	-	-
1.10	Proceeds from disposal of:		
	(a) businesses (item 5)	-	-
	(b) equity investments	-	-
	(c) intellectual property	-	-
	(d) physical non-current assets	-	-
	(e) other non-current assets	-	-
1.11	Loans to other entities	-	-
1.12	Loans repaid by other entities	-	-
1.13	Other (provide details if material)	-	-
	Net investing cash flows	(10)	(40)
1.14	**Total operating and investing cash flows**	(44,056)	(75,481)
	Cash flows related to financing activities		
1.15	Proceeds from issues of shares, options, etc.	-	16
1.16	Proceeds from sale of forfeited shares	-	-
1.17	Proceeds from borrowings	-	-
1.18	Repayment of borrowings	-	-
1.19	Dividends paid	-	-
1.20	Other (provide details if material)	-	-
	Net financing cash flows	-	16
	Net increase (decrease) in cash held	(44,056)	(75,465)
1.21	Cash at beginning of quarter/year to date	164,167	177,604
1.22	Exchange rate adjustments to item 1.20	(6,340)	11,632
1.23	**Cash at end of quarter**	113,771	113,771

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
1.24	Aggregate amount of payments to the parties included in item 1.2	511
1.25	Aggregate amount of loans to the parties included in item 1.11	-

1.26 Explanation necessary for an understanding of the transactions

Payments to directors include salaries, directors' fees, bonuses and superannuation payments to executive and non-executive directors.

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

Not applicable.

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

Not applicable.

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available $A'000	Amount used $A'000
3.1	Loan facilities	N/a	N/a
3.2	Credit standby arrangements	N/a	N/a

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
4.1 Cash on hand and at bank	109,476	159,708
4.2 Deposits at call	4,295	4,459
4.3 Bank overdraft	-	-
4.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.23)	113,771	164,167

Acquisitions and disposals of business entities

	Acquisitions *(Item 1.9(a))*	Disposals *(Item 1.10(a))*
5.1 Name of entity	N/a	N/a
5.2 Place of incorporation or registration	N/a	N/a
5.3 Consideration for acquisition or disposal	N/a	N/a
5.4 Total net assets	N/a	N/a
5.5 Nature of business	N/a	N/a

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.

Sign here: ______________________________ Date: 29 January 2016
Joint Company Secretary

Print name: David Gardner