



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, in Richmond County, Nova Scotia, Canada (right)

September 2016

Quarterly Highlights and Appendix 4C

A Message from the Managing Director and Chief Executive Officer

Liquefied Natural Gas Limited's (LNGL or the **Company**) focus continues to be threefold: complete marketing of Magnolia LNG's offtake capacity to progress this project through financing and into construction; finalize Bear Head LNG regulatory permitting, engineering, and the marketing of liquefaction tolling capacity; and preserving our existing liquidity through effective cash management. The LNGL executives and staff are committed to delivering these key objectives.

The Company's total cash position as at 30 September 2016 was A\$61.7 million and there is no debt.

The LNG industry is currently challenged by an LNG supply / demand imbalance. However, the Company's business model of mid-scale LNG export projects, using our wholly owned patented OSMR® liquefaction process technology, positions the Company for long-term global success due, in part, to our industry leading low cost solutions.

LNGL believes in long-term global demand growth for natural gas and sees the market becoming short supply beginning in 2021/2022. We believe our Company is uniquely positioned to provide relief at the front part of the 2021/2022 demand window reflecting the advanced approval stage of our two North American projects, Magnolia LNG and Bear Head LNG, which combined can deliver up to 16 mtpa of liquefaction capacity into the market in this timeframe and up to 20 mtpa or greater by 2024, under existing permits.

I look forward to meeting our shareholders who are able to attend the Annual General Meeting to be held at Fraser's Kings Park, Fraser Avenue, Kings Park, West Perth, Western Australia on Thursday 17 November 2016 at 2:30pm (AWST). If you have any queries, please contact our Perth office on (08) 9366 3700.

Yours sincerely,

Gregory M. Vesey, Managing Director and Chief Executive Officer

Liquefied Natural Gas Limited

ASX Code: LNG
OTC ADR: LNGLY
ABN: 19 101 676 779

CONTACT DETAILS

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BOARD OF DIRECTORS

Richard Jonathan Beresford
Chairman
Gregory M Vesey
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 as at 30th Sept 2016

Shares on Issue	510,961,326
Performance Rights	11,692,635
Unlisted Options on Issue	1,000,000
ADRs on Issue	3,047,718

SUBSTANTIAL SHAREHOLDERS as at 30th Sept '16

Top 20 Shareholders	54.6%
North American	47.8%
- Baupost Group, LLC	12.2%
- Valinor Management, LLC	8.2%
Directors & Management	< 1.0%



QUARTER HIGHLIGHTS

Magnolia LNG:

- LNGL continues to focus on marketing efforts to secure tolling agreements and examine technical improvements in the OSMR technology and plant modular design to further reduce costs.
- With the receipt of the formal Federal Energy Regulatory Commission (**FERC**) Order Granting Authorization issued on 15 April 2016, the Magnolia LNG project has been fully authorized to site, construct, and operate facilities for the Magnolia LNG export project. The subsequent processes under the FERC Order are legal in nature, associated with addressing a request for rehearing filed by the Sierra Club within the 30-day statutory period for such actions. FERC is provided under law with 30 days to answer the request for rehearing, at which time they can: a) accept the request; b) deny the request; or c) "toll" the request, which then provides FERC with unspecified additional time to consider and respond. The issuance of a "Tolling Order" is standard practice by the FERC. It is important to recognize that the Rehearing process outlined above is a legal process and is not directly related to the actual initiation of site work. The FERC Order granted on 15 April 2016 provides Magnolia with the fundamental authorization to proceed. LNGL continues to await the FERC's final decision regarding its conclusions on the merits of the rehearing request.
- FERC has issued additional data requests associated with Magnolia LNG's Implementation Plan and initial Site Preparation package. These requests are unrelated to the aforementioned Tolling Order or the rehearing process. Magnolia LNG is diligently and timely responding to these requests for additional information.

Bear Head LNG:

- The Nova Scotia Environment approved Bear Head LNG's Greenhouse Gas and Air Emission Management Plan for its liquefied natural gas facility on the Strait of Canso in Richmond County, Nova Scotia (ASX Release dated 13 July 2016).
- Bear Paw Pipeline Corporation Inc. (**Bear Paw**), an indirect wholly owned subsidiary of LNGL, received Nova Scotia Utility and Review Board approval to construct a 62.5 km natural gas pipeline from Goldboro, Nova Scotia to the proposed Bear Head LNG liquefied natural gas export facility in Point Tupper, Richmond County, Nova Scotia (ASX Release dated 3 August 2016).

Corporate:

- In July 2016, LNGL announced staff reductions resulting in a more streamlined organisation having a lower, more sustainable fixed cost base. These actions further the Company's commitment to our previously announced cost management strategy (ASX Release dated 21 July 2016).
- On 1 August 2016 Mr Maurice Brand stepped down as an Executive Director with LNGL. Mr Brand was the founder and former Managing Director and Chief Executive Officer of Liquefied Natural Gas Limited, which listed on the ASX in September 2004 (ASX Release dated 29 July 2016).
- LNGL announced that its current non-executive Chairman, Mr Richard J Beresford, plans to step down from the Chairmanship but remain as a non-executive Director on the Company's Board. Subject to his re-election as a director at the Annual General Meeting on 17 November 2016, Mr

Paul J Cavicchi shall replace Mr Beresford as Chairman of the Board from that date (ASX Release dated 5 September 2016).

- Mr Andrew Gould was appointed to the position of Joint Company Secretary following the departure of Mr David Gardner. Mr Gould's new role is in addition to his existing role as Group Development Manager (ASX Release dated 5 September 2016).

Security movements:

- On 4 July 2016, 100,000 shares were issued on exercise of options at \$0.28 per share. On 4 August 2016, 259,000 shares were issued on exercise of options at an average \$0.27 per share. On 5 August 2016, 400,000 shares were issued on exercise of options at \$0.28 per share.
- At the date of this report, there are 1,000,000 options outstanding, having an option expiration date of 20 December 2016 with a strike price of A\$0.465.
- On 6 July 2016, 6,224,720 Ordinary Shares were issued from conversion of 6,245,402 Performance Rights and 2,752,329 Performance Rights lapsed.
- On 7 September 2016, 5,060,500 Incentive Rights (involving: 3,169,580 Performance Rights and 1,890,920 Retention Rights) were issued.

Financial Position:

During the three-months ended 30 September 2016, net operating cash outflow was A\$8.1 million, which is approximately one-half the cash outflow in the June quarter 2016 of A\$16.0 million. Management expects net cash outflows to continue to trend lower reflecting execution of the Company's liquidity management plan. Management believes the liquidity management plan remains on course to deliver this goal of liquidity into 2019 but acknowledges there remain risks to realising the goal.

LNGL's total cash balance as at 30 September 2016 was A\$61.7 million, which compares to A\$71.4 million as at 30 June 2016, reflecting a net reduction in reported cash of A\$9.7 million. As disclosed in the Appendix 4C, the total net reduction in cash was A\$8.3 million consisting of outflows of \$8.1 million relating to operations, an outflow of A\$409,000 relating to investing activities, and a net inflow of A\$197,000 relating to financing activities. The remainder of the reported reduction in cash relates to an unrealized foreign exchange translation effect of A\$1.4 million.

Included in the A\$8.3 million of net cash outflow in the three-month period were one-time payments of A\$2.5 million relating to the staff reduction occurring in the quarter. LNGL maintains a material portion of its existing cash and cash equivalents denominated in US dollars. The preponderance of forecasted cash outflows will be denominated in US dollars, supporting maintenance of a majority of cash and cash equivalents denominated in US dollars as a foreign exchange risk mitigation strategy. Because LNGL's reporting currency is Australian dollars, the US dollar denominated cash balances are translated to Australian dollars at each balance sheet date, with the net effect reflected as unrealized gain (loss) from translation as a period end-to-period end reconciling item in reported cash balances.

The Company has no debt.

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 and amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

Liquefied Natural Gas Limited

ABN

19 101 676 779

Quarter ended ("current quarter")

30 September 2016

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	130	130
1.2 Payments for		
(a) research and development/patents	(95)	(95)
(b) LNG project development	(1,617)	(1,617)
(c) advertising and marketing	-	-
(d) leased assets	(1)	(1)
(e) staff costs *	(5,930)	(5,930)
(f) administration and corporate costs	(1,181)	(1,181)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	77	77
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	499	499
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(8,118)	(8,118)

* Line item includes A\$2.5 million of one-time payments relating to staff reductions occurring in the quarter

Appendix 4C
Quarterly report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(409)	(409)
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(409)	(409)
3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	209	209
3.4 Transaction costs related to issues of shares, convertible notes, rights or options	(12)	(12)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-

Appendix 4C
Quarterly report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	197	197

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	71,457	71,457
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(8,118)	(8,118)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(409)	(409)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	197	197
4.5 Effect of movement in exchange rates on cash held	(1,439)	(1,439)
4.6 Cash and cash equivalents at end of quarter	61,688	61,688

Appendix 4C
Quarterly report for entities subject to Listing Rule 4.7B

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	57,503	67,177
5.2 Call deposits	4,185	4,280
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	61,688	71,457

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	320
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

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

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

Not applicable.

Appendix 4C
Quarterly report for entities subject to Listing Rule 4.7B

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		
Not applicable.		

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development/patent costs	-
9.2 LNG project development	1,387
9.3 Advertising and marketing	-
9.4 Leased assets	1
9.5 Staff costs	2,839
9.6 Administration and corporate costs	2,253
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	6,480

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	n/a	n/a
10.2 Place of incorporation or registration	n/a	n/a
10.3 Consideration for acquisition or disposal	n/a	n/a
10.4 Total net assets	n/a	n/a
10.5 Nature of business	n/a	n/a

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here:
Joint Company Secretary

Date: 28 October 2016

Print name: Andrew Gould

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 that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.