

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

CONTACT DETAILS

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BOARD OF DIRECTORS

Richard Jonathan Beresford
Chairman

Fletcher Maurice Brand
Managing Director & Joint Chief
Executive Officer

Yao Guihua
Executive Director & Joint Chief
Executive Officer

Leeanne Kay Bond
Non-Executive Director

Zhang Gaowu
Non-Executive Director

David Michael Gardner
Company Secretary

ISSUED CAPITAL
As at 31 March 2014

355,829,015 shares
5,360,000 options

SUBSTANTIAL
SHAREHOLDERS

China HQC – 14.97%
Copulos Group – 7.03%



LIQUEFIED NATURAL GAS LIMITED

March 2014 Quarterly Report




Quarterly Highlights

Magnolia LNG Project, Lake Charles, Louisiana, United States (Magnolia LNG, LLC "MLNG" – 100% owned)

- A Technical Services Agreement (**TS Agreement**) was executed with SK E&C USA, Inc, a wholly owned subsidiary of SK Engineering and Construction Co. Ltd., of Korea (**SKEC Group**). The TS Agreement relates to the ongoing engineering, procurement and construction (**EPC**) activities for MLNG's planned 8 million tonne per annum (**mtpa**) Magnolia LNG Project, in Lake Charles, Louisiana, United States (**MLNG Project**). The TS Agreement follows a Memorandum of Understanding that was executed by the parties earlier in the quarter.
- The US Department of Energy (**DOE**) granted authorisation to export an additional 4 mtpa of LNG to Free Trade Agreement (**FTA**) countries with the United States. This follows the DOE's initial approval granted on 26 February 2013 to export up to 4 mtpa of LNG to FTA countries.
- Mr John G. Baguley has been appointed as Chief Operating Officer and Rick R. Cape has been appointed as Chief Commercial Officer for the MLNG Project based in Houston, USA.
- Three Monthly Progress Reports were filed with the US Federal Energy Regulatory Commission (**FERC**) during the quarter. FERC is the primary approval authority for US LNG projects in regard to permitting and environmental approvals.
- MLNG established a project office in Lake Charles, Louisiana, USA.

Corporate

- A placement of 10 million new shares in the Company, at \$0.42/share, raised \$4.20 million (pre costs).
- The current balance of American Depositary Receipts (**ADRs**) trading on the OTC International platform in the United States stands at over 42,000.



The Company's ADRs trade under the symbol "**LNGLY**" and represent 1 ADR for every 40 ordinary Company shares.

- Cash balance of \$12.5 million as at 31 March 2014.

Outlook & Objectives:

Corporate Objectives

- To finalise development funding plans for the MLNG Project through to Final Investment Decision targeted for late 2014 and Financial Close targeted for mid 2015.
- To continue to implement a full investor relations plan to enable Australian investors and shareholders to understand the potential value of the MLNG Project.

MLNG Project, Lake Charles, Louisiana, United States

- Conclude and execute definitive Tolling Agreements with Brightshore Overseas, Ltd, Gas Natural SDG SA, LNG Holdings Corp., and other parties.
- Submit application to FERC and request that MLNG be permitted to File its application at the end of April 2014 for FERC's authorisation for the siting, construction, ownership MLNG Project.
- The Company will continue to provide monthly status reports posted through the ASX and included on both the Company's website and MLNG's website.

Fisherman's Landing LNG Project, Gladstone, Queensland

- Pending the securing of gas supply, the project is effectively on a care and maintenance program.

Review of project developments

Magnolia LNG Project, Lake Charles, Louisiana, United States – 100% owned

The Company continues to make significant progress in relation to its proposed MLNG Project.

The MLNG Project comprises the proposed development of an 8 mtpa LNG export project on a 115 acres site, in an established LNG shipping channel in the Lake Charles District. The development is based on the staged development of 4 x 2 mtpa LNG production trains using the Company's wholly owned OSMR® LNG process technology and the completed LNG plant front end engineering and design for the Company's Fisherman's Landing LNG Project, in Gladstone, Australia.



Further important foundation steps have been achieved in a short time frame and the Company is very pleased with the support it has received from the Lake Charles Harbour and Terminal District (**Port Authority**) and all local stakeholders, including state entities such as Louisiana Economic Development.

Progress during the March 2014 Quarter included:

1. Execution of a Technical Services Agreement (**TS Agreement**) with SK E&C USA, Inc, a wholly owned subsidiary of SK Engineering and Construction Co. Ltd., of Korea (**SKEC Group**). The TS Agreement relates to the ongoing engineering, procurement and construction (**EPC**) activities for MLNG have planned 8 mtpa MLNG Project.

Under the TS Agreement the SKEC Group will, amongst other things:

- Continue to review all the pre-front end engineering design (**FEED**) information and data included in the preliminary Resource Reports submitted to the Federal Energy Regulatory Commission (**FERC**).
- Assist MLNG to complete the final Resource Reports as part of MLNG's filing application to FERC, which is targeted for submission by the end of April 2014.
- Complete the FEED for the Magnolia LNG Project including gas pre-treatment facilities, 4 LNG trains (each with nominal LNG production capacity of 2 mtpa), 2 x 160,000m³ full containment storage tanks, jetty and ship loader facilities and all related infrastructure and services. Refer to the attached Magnolia LNG Project layout.

- Prepare a detailed lump sum turn-key (**LSTK**) EPC cost estimate on an open book basis by 28 November 2014.
 - Negotiate and agree with MLNG a detailed LSTK EPC Contract “Term Sheet”, which is targeted for completion by 30 June 2014.
 - Negotiate and agree a definitive and binding LSTK EPC Contract based on the Term Sheet.
2. The United States Department of Energy (**DOE**), has granted authorisation for MLNG to export an additional 4 mtpa of LNG, from its proposed MLNG Project. This follows the DOE’s initial approval granted on 26 February 2013 to export up to 4 mtpa of LNG to Free Trade Agreement (**FTA**) countries with the United States.

The DOE authorisation is valid for first LNG sales to commence within 10 years and then for a period of 25 years from first LNG sales. LNG sales are permitted to all existing, and any future, countries that have, or enter into, a Free Trade Agreement with the Government of the United States.

3. Very good progress is being made with each of the proposed tolling parties towards legally binding Liquefaction Tolling Agreements (LTA). The increasing profile of the MLNG Project has resulted in a number of new parties expressing interest to enter into a LTA.
4. Work is progressing towards the submission of the application to FERC requesting that MLNG be permitted to File its application at the end of April 2014 for FERC’s authorisation for the siting, construction, ownership MLNG Project.
5. Mr John G. Baguley has been appointed as Chief Operating Officer and Rick R. Cape as Chief Commercial Officer for the MLNG Project. Both executives will be based in Houston, USA, and report directly to the President of MLNG, Maurice Brand.
- John G. Baguley has over 30 years’ experience with the global EPC company, KBR, Inc., including the last 13 years as a Project Director in the delivery of front end engineering design and EPC services for major LNG plants and projects in Indonesia, Australia, Canada, China, Taiwan and Malaysia. In addition to his project roles, John has also supported KBR in a corporate role as Vice President, LNG Development and is currently Vice President, Project Management in KBR’s Gas Monetization Business Unit. John has a proven record of bringing innovative projects and concepts successfully into operation. His earlier career experience with ethylene plant cold box system designs, ammonia plant NH₃ refrigeration systems and combined cycle compressor drive facilities aligns with the OSMR® process elements that will be used for the Magnolia LNG Project. John is a US citizen and has a Bachelor of Science (BS) in Chemical Engineering from Michigan State University. John will commence with MLNG on 1 May 2014.
 - Rick R. Cape has over 30 years of leadership experience in the oil and gas industry, with some 20 years with the BP group in the USA, UK, Australia and Caribbean. In 2002, Rick was elected by the shareholders of the one of the world’s largest producers of LNG, Atlantic LNG Company (**Atlantic LNG**) of Trinidad and Tobago, as President and CEO to lead the growth of Atlantic LNG from one LNG train to its current four-train, 15mtpa capacity. The Atlantic LNG project is often cited as the breakout project of the late ‘90’s in terms of driving down the installed capital costs per tonne of output. Prior to his appointment with Atlantic LNG, Rick was the Managing Director of Kwinana Refinery for BP in Western Australia; Head of Refining & Marketing Performance Management for BP during the integration of BP and Amoco; Head of International LPG Trading; VP of BP America responsible for commodities trading compliance; and, a leader in other operating and staff roles in refining, marketing, and trading in the US. Rick currently serves as an Advisory Board Member for Evolve Partners in

Houston, an operations consultancy serving energy and heavy process industry clients; and as an Industrial Advisor to EQT Partners, a private equity firm in New York City. Rick is a US citizen, and holds a Master's degree in Business Administration from Harvard University. Rick will commence with MLNG on the 1 June 2014.

6. MLNG opened an office in Lake Charles, Louisiana, United States.

The office is located on the 18th floor of the Capital One Tower, downtown Lake Charles, and is approximately ten miles from the MLNG site where the Company is planning to construct the MLNG Project

The office will provide a:

- Focal point for the local community to be informed of the project's progress;
- Management of all stakeholder relationships, in conjunction with MLNG's Houston, Texas office; and
- Coordination of services and logistics for all local project activities.

The office was officially opened by City of Lake Charles Mayor Randy Roach in a ribbon-cutting ceremony and open house that was attended by more than 70 local and state elected officials; the board of commissioners and executive management of the Lake Charles Harbor and Terminal District (Port of Lake Charles); Southwest Louisiana Economic Development Alliance officials; and numerous local community and business leaders.



Fisherman's Landing LNG Project, Gladstone, Queensland – 100% owned

Pending the securing of gas supply, this project is effectively on a care and maintenance program.

Review of research and development activities

LNG Technology and Patents – 100% owned

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 and the proposed 8 mtpa Magnolia LNG Project in Louisiana, United States.

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	✓	✓		✓	✓
Brunei					✓
Canada	✓	✓	✓		
China	✓	✓	✓	✓	✓
ARIPO	✓	✓	✓		
OAPI	✓	✓		✓	✓
Eurasia	✓	✓	✓	✓	✓
Europe	✓	✓	✓		
Hong Kong	✓				✓
India	✓	✓	✓		
Indonesia	✓	✓	✓		
Israel	✓	✓		✓	✓
Japan	✓	✓	✓		

New Zealand	✓	✓	✓	✓	✓
Philippines	✓	✓	✓		
Singapore	✓	✓	✓	✓	✓
South Africa	✓	✓		✓	✓
Ukraine	✓	✓	✓	✓	✓
Vietnam	✓	✓	✓		

* Note: Patent applications have also been filed in Brazil, South Korea and USA.

<i>OSMR® Process Further Improvements</i>					
	Patent Status				
Country*	Filed	Published	Examination in Progress	Accepted	Granted
Australia	✓	✓	✓	✓	✓
USA	✓	✓	✓		

<i>BOG Treatment Process</i>					
	Patent Status				
Country*	Filed	Published	Examination in Progress	Accepted	Granted
Australia	✓	✓	✓	✓	✓
Brunei					✓
Canada	✓	✓	✓		
China	✓	✓		✓	✓
ARIPO	✓	✓	✓	✓	✓
OAPI	✓	✓		✓	✓
Brazil	✓	✓	✓		
Eurasia	✓	✓	✓		✓
Europe	✓	✓	✓		
Hong Kong	✓	✓	✓	✓	✓
India	✓	✓	✓		
Indonesia	✓	✓	✓		
Israel	✓	✓		✓	✓
Japan	✓	✓	✓		
New Zealand	✓	✓		✓	✓
Philippines	✓	✓	✓		
Singapore	✓	✓	✓	✓	✓
South Africa	✓	✓		✓	✓
Ukraine	✓	✓		✓	✓
Vietnam	✓	✓	✓		

* Note: Patent applications have also been filed in 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

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

1. Capital Structure (as at 31 March 2014)

Class of Security	Issued	Quoted
Fully Paid Ordinary Shares	355,829,015	355,829,015
Options Issued	5,360,000	-
Performance Rights	-	-

Placement

The Company completed a placement of 10 million new fully paid ordinary shares on 20 March 2014 at \$0.42 each (**Placement**), to Australian and international institutional and sophisticated investors, to raise \$4.20 million (pre costs). The Placement was completed within the 15% placement capacity available to the Company, under ASX Listing Rule 7.1.

The \$4.20 million will be used to:

- Support a US\$2 million Letter of Credit condition under the recently executed Precedent Agreement with Kinder Morgan Louisiana Pipeline; and
- For further development of Magnolia LNG Project at Lake Charles Louisiana.

Foster Stockbroking Pty Ltd acted as Manager to the Placement.

American Depository Receipts

On 20 January 2014, the Company announced that it has arranged for the quotation of its American Depository Receipts (**ADRs**) on the OTC International platform in the United States. The Company's ADRs will trade under the symbol "**LNGLY**" and represent 1 ADR for every 40 ordinary Company shares. LNG Ltd will continue to trade under the symbol "LNG" on the Australian Securities Exchange ("**ASX**").

The ADRs enable qualifying non-US companies to have direct exposure to the US investment community. This will complement the Company's listing on the ASX.

2. Appendix 5B – attached to this quarterly report.

Appendix 5B

Mining exploration entity quarterly report

Name of entity

LIQUEFIED NATURAL GAS LIMITED

ABN

19 101 676 779

Quarter ended ("current quarter")

31 March 2014

Consolidated statement of cash flows

	Current quarter	Year to date (9 months)
	\$A'000	\$A'000
Cash flows related to operating activities		
1.1 Receipts from customers & ATO	-	39
1.2 Payments to suppliers and employees		
(a) exploration and evaluation	-	-
(b) project development	(4,086)	(10,062)
(c) production	-	-
(d) administration and others	(901)	(2,663)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	72	149
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	(4,915)	(12,537)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(177)	(217)
(d) shares	-	-
1.9 Proceeds from sale of:		
(a) Prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
(d) shares	-	442
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other	-	-
Net investing cash flows	(177)	225
1.13 Total operating and investing cash flows (carried forward)	(5,092)	(12,312)

1.13	Total operating and investing cash flows (brought forward)	(5,092)	(12,312)
1.14a	Cash flows related to financing activities Proceeds from issue of shares and exercise of share options	4,200	23,696
1.14b	Less : Share issue costs	(216)	(1,379)
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	(1)	(1)
	Net financing cash flows	3,983	22,316
1.20	Net increase/(decrease) in cash held	(1,109)	10,004
1.21	Cash at beginning of quarter/year	13,805	2,528
1.22	Net foreign exchange differences	(152)	12
	Cash at end of quarter	12,544	12,544

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	392
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 \$88,083 (excl. GST); and Executive Directors' Remuneration \$303,803.	

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	7,000
4.3	Production	-
4.4	Administration	685
	Total	7,685

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	6,599	3,860
5.2	Deposits at call	5,945	9,945
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
	Total: cash at end of quarter (item 1.22)	12,544	13,805

Changes in interests in mining tenements

		Tenement reference	Nature of interest	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	-	-	-	-

		Total number	Number quoted	Issue price per security (cents)	Amount paid up per security (cents)
7.7	Options	<i>Number</i>		<i>Exercise price</i>	<i>Expiry date</i>
	(a) Options over ordinary shares, exercisable at 62.1 cents	550,000	-	62.10 cents	30 April 2014
	(b) Options over ordinary shares, exercisable at 79.2 cents	310,000	-	79.20 cents	2 August 2014
	(c) Options over ordinary shares, exercisable at 24 cents	1,000,000	-	24 cents	7 August 2016
	(d) Options over ordinary shares, exercisable at 26 cents	1,000,000	-	26 cents	7 August 2016
	(e) Options over ordinary shares, exercisable at 28 cents	1,000,000	-	28 cents	7 August 2016
	(f) Options over ordinary shares, exercisable at 46.5 cents	1,500,000	-	46.5 cents	19 December 2016
	TOTAL OPTIONS	5,360,000			
7.8	Options issued during quarter				
	(a) Options over ordinary shares, exercisable at 24 cents	1,000,000	-	24 cents	7 August 2016
	(b) Options over ordinary shares, exercisable at 26 cents	1,000,000	-	26 cents	7 August 2016
	(c) Options over ordinary shares, exercisable at 28 cents	1,000,000	-	28 cents	7 August 2016

		Total number	Number quoted	Issue price per security (cents)	Amount paid up per security (cents)
7.8	Options issued during quarter				
	(d) Options over ordinary shares, exercisable at 46.5 cents	1,500,000	-	46.5 cents	19 December 2016
	TOTAL ISSUED	4,500,000			
7.9	Options exercised during quarter	-	-	-	-
7.10	Options expired/cancelled during quarter	-	-	-	-
7.11	Performance Rights	-	-	-	-
7.12	Performance rights issued during quarter	-	-	-	-
7.13	Performance rights exercised during quarter	-	-	-	-
7.14	Performance rights expired/cancelled during quarter				
	(a) Performance rights exercisable at 84.4 cents	750,000	-	84.4 cents	10 January 2014
	TOTAL CANCELLED	750,000			
7.11	Debentures <i>(totals only)</i>	-	-	-	-
7.12	Unsecured notes <i>(totals only)</i>	-	-	-	-

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

28 April 2014

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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