

## GLADSTONE LNG PROJECT - FISHERMAN'S LANDING - 3 mtpa

- > Ground Improvements and Site Works starts at Fisherman's Landing 3 mtpa LNG project
- > Key Government and Gladstone Port approvals obtained for Gladstone LNG
- > Completion of Capital Raising of A\$55 million at A\$1.25/share
- > Toyota Tsusho selected as end buyer for first 1.5 mtpa train production
- > US\$500 million capital cost, excluding Gladstone Port costs, remains on target
- > First LNG shipment in 2012 from the Gladstone Port remains on schedule
- > Front End Engineering Design for second 1.5 mtpa train commenced
- > Key Advisor, BNP Paribas and Project Management Consultant, CB&I appointed



LIQUEFIED NATURAL GAS LIMITED  
(A.B.N 19 101 676 779)  
30 SEPTEMBER 2009 - QUARTERLY REPORT

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**Gladstone LNG Project, Australia**  
**(“Fisherman’s Landing”)**

**LNG Plant Site**

The Port of Gladstone is operated by Gladstone Ports Corporation Limited (*GPC*). The Company executed a Licence Agreement in August 2008 with GPC in relation to an area of ~25 hectares of reclaimed land, adjacent to the existing Fisherman’s Landing No 5 berth, for development of the Gladstone “Fisherman’s Landing” LNG Project (*Project*).

Gladstone LNG Pty Ltd, a wholly owned subsidiary of the Company, and GPC are advancing a Lease Agreement for an initial term of 20 years plus two 5 year optional term extensions.

In early October 2009, agreement was reached with GPC for the Company to commence its ground improvement and early site works programme, which followed the completion of the deposit of dredge material on the site for the first LNG train of 1.5 million tonnes per annum (*mtpa*) production capacity.

Agreement was reached with GPC in October 2009 for additional dredge material to now be placed on the LNG train 2 location, which will also have an LNG production capacity of 1.5 mtpa.

The current ground improvement and early site works will assist to significantly reduce future capital costs, shorten the overall construction schedule and facilitate commencement of full construction activities in 2010, to allow for the Project’s first LNG shipment in 2012.

Please refer to the following page for a pictorial display of the ground improvement and early site works activities currently underway on the Project site.

**Environmental Impact Statement (*EIS*)**

In April 2009, the Company received acceptance from the Queensland Government of its EIS submission, which outlines the development licenses and approvals required in order for the Project to commence construction and operations.

Two major EIS requirements are:

- a) acceptance by GPC of a Quantitative Risk Assessment (*QRA*) report demonstrating that the LNG plant can operate safely at Fisherman’s Landing and coexist with other existing Port users; and
- b) no objection to the Company’s use of membrane tank technology for the 200,000 m<sup>3</sup> LNG storage tank.

During the quarter both of these requirements were satisfied.

The remaining EIS conditions are being progressed through relevant Government agencies and GPC and the Company considers they are all capable of being obtained to allow construction to commence on schedule by April 2010.



## **Toyota Tsusho - “End Buyer for 1.5 mtpa of LNG”**

As announced in February 2009, the Company executed a Heads of Agreement (**HOA**) with Golar LNG Energy Ltd (**Golar**) ([www.golarlngenergy.com](http://www.golarlngenergy.com)) as its preferred LNG buyer and proposed 40% equity partner in the Project.

The key terms of the HOA are:

- (i) the purchase of 100% of LNG produced by the Project’s first LNG train, which will have a nominal LNG production capacity of 1.5 mtpa;
- (ii) 40% direct equity participation in the Project;
- (iii) rateable reimbursement of costs incurred by the Company on the Project;
- (iv) rateable contribution to ongoing Project development costs;
- (v) payment of a project development fee to the Company; and
- (vi) provision of funding support in relation to the Company’s Project development equity contribution requirement.

Golar announced in September 2009, that it entered into a HOA with Toyota Tsusho Corporation (part of the Toyota Group) as the end buyer of the entire first LNG train production of 1.5 mtpa.

The Company and Golar are progressing the negotiation of a LNG Sale and Purchase Agreement based on the terms of the Golar and Toyota Tsusho Corporation HOA’s.

## **Arrow Energy Limited – “Gas Sale Agreement”**

The Company and Arrow Energy Limited (**Arrow**) are negotiating a Gas Sale Agreement (**GSA**) for gas supply to the first LNG train of 1.5 mtpa in 2012. The GSA will reflect all agreed key commercial terms as defined in the existing Heads of Agreement, signed in February 2009, which also includes an option for Arrow to acquire a 20% equity interest in the Project.

Arrow has advised that it plans to make its gas project final investment decision in early 2010.

It is recommended that shareholders review Arrow’s website ([www.arrowenergy.com.au](http://www.arrowenergy.com.au)) as to the status of Arrow’s Surat Basin gas field and Surat to Gladstone gas pipeline project delivery programs.

## **Project Construction**

During the quarter, SK Engineering & Construction Co., Ltd (**SKEC**) and Laing O’Rourke Australia Construction Pty Ltd (**LOR**) submitted their Front End Engineering Design (**FEED**) documentation.

The Company is pleased to advise that the Project’s capital cost estimate of US\$500 million remains in line with the Company’s expectations. In addition, the construction schedule supports the Company’s core objective of the first LNG shipment from Gladstone in 2012, subject to the timing of gas supply from Arrow. Critical to this timing has been the cooperation with and agreement by GPC to allow for the commencement of ground improvement and early site works earlier this month.

SKEC and LOR are now working on post FEED documentation, value engineering options and a detailed FEED audit process with the Company and CB&I, the Company’s Project Management Consultant.

During the quarter, SKEC confirmed their acceptance for the use of the Company’s OSMR™ LNG process for the Project and agreement to provide a typical LNG process “performance guarantee”, as part of the bankable Engineering, Procurement and Construction Contract Joint Venture, with LOR.

SKEC has also commenced the FEED for the second LNG train of 1.5 mtpa production capacity.

## **BNP Paribas - “Financial Advisor”**

The Company, in agreement with Golar and Arrow, have appointed BNP Paribas as the Project’s financial advisor. BNP Paribas will participate in the review and structuring of all key components of the Project, to ensure the Project conforms with accepted project debt financing principles and parameters. BNP Paribas will also work with the Company in the review, structuring and arranging of project debt financing options, which is likely to comprise an appropriate mix of bank project debt, Export Credit Agency and equipment supplier financing, for the proposed debt financing component of ~US\$250 million.

## **CB&I - “Project Management Consultant”**

As announced by the Company in August 2009, CB&I has been appointed as “Project Management Consultant” to the Project. CB&I is a technical leader in the LNG industry and is the EPC Contractor for the 4.5 million tonne per annum Peru LNG liquefaction plant currently under construction. Peru LNG “ready for start up” is scheduled for Q1 2010, with the first LNG cargo expected in Q2 2010.

The depth of LNG project experience within the CB&I group will substantially augment the Company’s Project team, which in itself has been materially bolstered by the selective recruitment of LNG industry experienced personnel, and will continue as the Project moves into the planned construction phase in early 2010.

## **Company’s Other Activities**

### **LNG PROJECTS**

- **PNG LNG Project, Papua New Guinea**

There was no further progress on this project during the September 2009 quarter, with the Company’s full resources dedicated to the Gladstone LNG Project.

- **Qeshm LNG Project, Iran**

There was no further progress on this project during the September 2009 quarter.

- **Banggai (Donggi-Senoro) LNG Project, Indonesia**

There was no material progress during the quarter in relation to the Company’s participation in the proposed Banggai LNG Project. However, it is the Company’s intention to maintain an office in Jakarta and continue to review and progress prospective opportunities for the Company’s mid scale LNG business model.

### **GAS LINK GLOBAL LIMITED**

Gas Link Global Limited is a wholly owned subsidiary and its primary business activity remains the identification and selected investment in existing gas discoveries and prospective gas acreage to provide gas feedstock for LNG projects.

The net proceeds of the sale of Petroleum Retention Licence No.10 and Petroleum Prospecting Licence No 240 to Oil Search (PNG) Limited, of US\$ 1,002,140, is now expected in the December 2009 quarter. Settlement will occur after receipt of relevant approval and transfer assignments from the PNG Government.

## **LNG TECHNOLOGY PTY LTD**

The Company continues to progress its International Patent Cooperation Treaty Application (No 2007903701) in relation to its enhanced liquefaction process (*OSMR™*) that covers three engineering design features and materially improves overall liquefaction plant efficiency and cost.

The Company has filed a Trade Mark Application No 1245315 for the Trade Mark OSMR (Optimised Single Mixed Refrigerant).

During the quarter, credible independent reports were received verifying the OSMR™ process including a report from SKEC who, jointly with LNG Technology Pty Ltd, will guarantee the OSMR™ process for the Gladstone LNG Project.

Negotiations between LNG Technology Pty Ltd and SKEC in relation to a license agreement for the OSMR™ LNG process, for Gladstone LNG Project, will be concluded in the December 2009 quarter.

## **EXPLORATION EXPENDITURE**

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

## **CORPORATE**

### **Capital Raising:**

In October, the Company completed a two-tier capital raising of approximately \$55 million by the issue of shares at \$1.25 per share. The funds raised will be used to advance Gladstone LNG Project and for working capital.

### **Major Corporate Shareholders:**

As at 30 September 2009, the Company's two major corporate shareholders were:

#### ***Golar LNG Energy Limited (13.24%)***

Golar LNG Energy Limited ([www.golarlng.com](http://www.golarlng.com)) is part one of the world's largest independent groups dedicated to LNG shipping, with over 30 years experience in the global LNG industry. In recent years the Golar LNG Group has expanded its activities to include floating LNG regasification vessels and other sections of the LNG value chain.

The Company considers that the financial strength of the Golar LNG Group, with total assets exceeding US \$2.3 billion, and its associated companies, adds significant value to the Company's mid-scale LNG strategy and greatly enhances the Company's ability to successfully conclude development opportunities.

#### ***Arrow Energy Ltd (9.21%)***

Arrow Energy Ltd ([www.arrowenergy.com.au](http://www.arrowenergy.com.au)) is one of Australia's leading producers of coal seam gas with significant assets throughout eastern Australia and Asia. Arrow and the Company have entered into a Heads of Agreement under which Arrow will supply gas to the Company's Gladstone LNG Project, at the Port of Gladstone, Queensland. The Company and Arrow have also signed a Cooperation Agreement in relation to the identification of other coal seam gas to liquefied natural gas production projects in Australia and Asia.

### **Unlisted Options:**

As at 30 September 2009 the Company had issued 10,790,000 unlisted options under its Option Plan Rules, which permit the Company to issue options in aggregate (in number) up to 15% of the Company's total issued fully paid ordinary shares (representing maximum permitted options of 26,057,011 as at 30 September 2009).

## CAPITAL STRUCTURE (as at 30 September 2009)

Class of Security	Issued	Quoted	Escrowed
Fully Paid Ordinary Shares	173,713,415	173,713,415	-
“B” Class Redeemable Preference Shares (refer Note)	12	-	-
Options Issued	10,790,000	-	-

**Note:** Each “B” Class Redeemable Preference Share (B Pref) is convertible into 1,000,000 fully paid ordinary shares on the Company’s achievement of the prescribed milestones by 9 March 2010. Pending conversion each B Pref confers on its holder one vote which has the same rights as a fully paid ordinary share in the circumstances set out in ASX Listing Rule 6.3 and no voting rights in any other circumstances.

## APPENDIX 5B (Cash Flow, Securities and Compliance Statement)

Attached to this quarterly report

## CORPORATE INFORMATION (as at 30 September 2009)

**ASX Code:** LNG

### Directors:

Phillip John Harvey	Non-executive Chairman
Fletcher Maurice Brand	Managing Director/Chief Executive Officer
Richard Jonathan Beresford	Non-executive Director
William Thomas Hornaday	Non-executive Director
Gary Malcolm Smith	Non-executive Director
Nicholas Paul Davies	Non-executive Director
Paul William Bridgwood	Director/Chief Technical Officer
Norman Marshall	Director/Chief Financial Officer
Stephen Grant Bizzell	Alternate Director to Mr Davies

### Company Secretary:

David Michael Gardner

### Registered Office:

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5 Ord Street,  
West Perth 6005,  
Western Australia

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Website: [www.LNGLimited.com.au](http://www.LNGLimited.com.au)

### Substantial Shareholders (as at 30 September 2009):

Golar LNG Energy Limited  
Copulos Group (Group #889118 and others)  
Arrow Energy Ltd  
Paul William Bridgwood  
Sasigas Nominees Pty Ltd <Fletcher M Brand Family A/C>

# 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 2009

### Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter	Year to date (3 months)
		\$A'000	\$A'000
1.1	Receipts from customers & ATO	329	329
	Payments to suppliers and employees		
	(a) project development	(3,315)	(3,315)
1.2	(b) administration and others	(790)	(790)
1.3	Dividends received	-	-
	Interest and other items of a similar nature		
1.4	received	100	100
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other – R&D tax concession rebate	-	-
	<b>Net operating cash flows</b>	<b>(3,676)</b>	<b>(3,676)</b>
	<b>Cash flows related to investing activities</b>		
	Payment for purchases of:		
	(a)prospects	-	-
	(b)equity investments	-	-
1.8	(c) other : -fixed assets	(52)	(52)
	Proceeds from sale of:		
	(a)prospects	-	-
	(b)equity investments	-	-
1.9	(c)other - fixed assets	-	-
1.10	Proceeds from (investment in) cash term deposit	1,020	1,020
	<b>Net investing cash flows</b>	<b>968</b>	<b>968</b>
1.11	Total operating and investing cash flows (carried forward)	<b>(2,708)</b>	<b>(2,708)</b>

1.11	Total operating and investing cash flows (brought forward)	(2,708)	(2,708)
	<b>Cash flows related to financing activities</b>		
1.12	Proceeds from issue of shares and exercise of share options	1,198	1,198
	Less : Share issue costs	-	-
1.13	Proceeds from sale of forfeited shares	-	-
1.14	Proceeds from borrowings	-	-
1.15	Repayment of borrowings	-	-
1.16	Dividends paid	-	-
1.17	Repayment of finance lease principal & interest	(3)	(3)
1.18	Loans to other entities	-	-
1.19	Loans repaid by other entities	-	-
	<b>Net financing cash flows</b>	<b>1,195</b>	<b>1,195</b>
	<b>Net increase (decrease) in cash held</b>	<b>(1,513)</b>	<b>(1,513)</b>
1.20	Cash at beginning of quarter/year	13,456	13,456
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	<b>11,943*</b>	<b>11,943*</b>

\* The cash balance at the end of the quarter does not include the \$US1.0 million due from Oil Search (PNG) Limited for the sale of PRL 10 and PPL 240 held by the Company's wholly owned subsidiary Gas Link Global Limited.

### 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	244
1.24	Aggregate amount of loans to the parties included in item 1.18	-
1.25	Explanation necessary for an understanding of the transactions	
	Payments pursuant to 1.23 comprise:	
	Non-Executive Directors' Fees	\$ 21,125 (excl. GST); and
	Executive Directors' Remuneration	\$ 222,454 (excl. GST)

### 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
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

## 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	10,000
	<b>Total</b>	<b>10,000</b>

## 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	3,893	2,156
5.2	Term Deposit	8,050	11,300
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
	<b>Total: cash at end of quarter</b> (item 1.22)	11,943	13,456

## 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	<b>Preference securities</b> B Class	12	-	100	100
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	<b>+Ordinary securities</b>	173,713,415	173,713,415		
7.4	Changes during quarter (a) Increases through issues 1,500,000 20,000 405,000 1,390,000 90,000 120,000 420,000 700,000  (b) Increases through conversion Preference Share  (c) Decreases through returns of capital, buy-backs	1,500,000 20,000 405,000 1,390,000 90,000 120,000 420,000 700,000	1,500,000 20,000 405,000 1,390,000 90,000 120,000 420,000 700,000	22 cents 31.8 cents 37.8 cents 37.9 cents 38 cents 65 cents 66.7 cents 88 cents	22 cents 31.8 cents 37.8 cents 37.9 cents 38 cents 65 cents 66.7 cents 88 cents
7.5	<b>+Convertible debt securities</b> (description)	-	-	-	-
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	-	-	-	-

7.7	<b>Options</b>	<i>Number</i>		<i>Exercise price</i>	<i>Expiry date</i>
	(a) Options over ordinary shares, exercisable at 37.90 cents	450,000	-	37.90 cents	31 December 2009
	(b) Options over ordinary shares, exercisable at 40 cents	1,020,000	-	40 cents	28 April 2010
	(c) Options over ordinary shares, exercisable at 40 cents	150,000	-	40 cents	31 May 2010
	(d) Options over ordinary shares, exercisable at 38 cents	840,000	-	38 cents	16 February 2011
	(e) Options over ordinary shares, exercisable at 65 cents	1,380,000	-	65 cents	31 December 2010
	(f) Options over ordinary shares, exercisable at 68 cents	60,000	-	68 cents	30 November 2012
	(g) Options over ordinary shares, exercisable at 66.7 cents	2,490,000	-	66.70 cents	10 December 2012
	(h) Options over ordinary shares, exercisable at 88 cents	1,700,000	-	88 cents	9 September 2013
	(i) Options over ordinary shares, exercisable at 84 cents	150,000	-	84 cents	17 September 2013
	(j) Options over ordinary shares, exercisable at 62.1 cents	2,550,000		62.10 cents	30 April 2014
	<b>TOTAL OPTIONS ISSUED</b>	<b>10,790,000</b>			
7.8	Issued during quarter :	-	-	-	-

7.9	Exercised during quarter				
	(a) Options over ordinary shares, exercisable at 22 cents	1,500,000	-	25 cents	19 September 2009
	(b) Options over ordinary shares, exercisable at 31.80 cents	20,000	-	31.80 cents	17 October 2009
	(c) Options over ordinary shares, exercisable at 37.80 cents	405,000	-	37.80 cents	21 November 2010
	(d) Options over ordinary shares, exercisable at 37.90 cents	1,390,000	-	37.90 cents	31 December 2009
	(e) Options over ordinary shares, exercisable at 38 cents	90,000	-	38 cents	16 February 2011
	(f) Options over ordinary shares, exercisable at 65 cents	120,000	-	65 cents	31 December 2010
	(g) Options over ordinary shares, exercisable at 66.70 cents	420,000	-	66.70 cents	10 December 2012
	(h) Options over ordinary shares, exercisable at 88 cents	700,000	-	88 cents	9 September 2013
	<b>TOTAL</b>	<b>4,645,000</b>			
7.10	Expired during quarter	-	-	-	-
7.11	<b>Debentures</b> <i>(totals only)</i>	-	-	=	-
7.12	<b>Unsecured notes</b> <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**  
30 October 2009