



ASX/MEDIA RELEASE

10 January 2011

Indonesian Decision Validates Liquefied Natural Gas Limited's Concerns

The Indonesian Commission for the Supervision of Business Competition (*KPPU*) on 5 January 2011 handed down its decision that PT. Pertamina (Persero) (*Pertamina*), Medco Energi Internasional Tbk (*Medco*), Medco E&P Tomori Sulawesi and Mitsubishi Corporation (*Mitsubishi*) violated Articles 22 and 23 of Law No. 5, concerning "The Ban on Monopolistic and Unfair Business Competition". The violations relate to the proposed Donggi-Senoro LNG Project, in Central Sulawesi, Indonesia. An "unofficial" English translation of KPPU's press release is included as an attachment to this release.

By way of brief background, LNG International Pty Ltd (*LNGI*, owned 100% by Liquefied Natural Gas Limited - **ASX: LNG**) signed an agreement with Pertamina and Medco in early 2005 to progress the development of an LNG project in Central Sulawesi, based on gas feedstock from Pertamina and Medco (now referred to as the *Donggi-Senoro LNG Project*). As required in the agreement, LNGI, and its Indonesian partner, subsequently incorporated an Indonesian foreign investment company, PT. LNG Energi Utama (*PTLNG*), to own and develop the LNG project. In 2006, Mitsubishi undertook detailed due diligence of PTLNG's proposed LNG project on the basis of Mitsubishi potentially becoming a partner in, and buyer of LNG from, PTLNG's LNG project. Such due diligence, under a confidentiality agreement, included access to all technical, financial, modeling, planning and development information.

Despite PTLNG having significantly advanced the project and incurred considerable costs, Pertamina and Medco decided, in late 2006, to seek tenders to develop the Donggi-Senoro LNG Project. Furthermore, despite Mitsubishi's due diligence of PTLNG, Pertamina and Medco allowed Mitsubishi to submit a tender. Pertamina and Medco subsequently awarded the Donggi-Senoro LNG Project to Mitsubishi and notwithstanding PTLNG's protestations would not retract this decision.

PTLNG protested its concerns to the Government of Indonesia and after a lengthy and comprehensive investigation KPPU has determined that the tender process was in fact unfair and, in such determination, cites PTLNG as an affected party.

The Company is now considering, with its legal counsel in Indonesia, what action PTLNG may take in an endeavour to recoup its costs and damages. At this stage no decision has been reached and the Company's shareholders should not consider KPPU's determination as an automatic path to a financial settlement of this matter. The fines levied by KPPU are payable to the Government of Indonesia (not PTLNG) and Pertamina, Medco and Mitsubishi have the right to appeal the decision to the District Court in Indonesia, and KPPU or "Pertamina, Medco and Mitsubishi" then have the right to appeal the District Court's decision to the Supreme Court of Indonesia.

The Company praises KPPU for its persistence, diligence and competency in examining the case and its final determination. The Company considers the decision as highly positive for investment in Indonesia and demonstrates the Government of Indonesia's ongoing commitment to ensure ethical and competitive business practices in Indonesia.

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KPPU Press Release
KOMISI PENGAWAS PERSAINGAN REPUBLIK INDONESIA (KPPU)
(INDONESIAN COMPETITION COMMISSION)

Decision Announcement

on

The Beauty Contest on Donggi-Senoro LNG Plant Project

Wednesday, January 5, 2010, the Indonesian Competition Commission – KPPU has read its final decision on Case Number: 35/KPPU-I/2010 namely Alleged Violation of Article 22 and Article 23 of Law No. 5 of 1999 on the Prohibition of Monopolistic and Unfair Business Competition Practices. The alleged violations are related to the Process of the Beauty Contest on Donggi-Senoro Project. The Commission Assembly that handled this case comprised of Ir. M. Nawir Messi, M. Sc as the Chairman of the Panel of Commissioners, Dr. Sukarmi, SH, M.H., Ir. H. Tadjuddin Noersaid, Erwin Syahril, SH, and Ir. Dedie S. Martadisastra, SE, MM, respectively as members of the Panel of Commissioners.

Based on some investigation results, the business actors alleged of violations and made as the Reported Parties are as follows:

1. PT. Pertamina (Persero) (Reported party I);
2. PT. Medco Energi Internasional Tbk. (Reported party II);
3. PT. Medco E & P Tomori Sulawesi (Reported III);
4. Mitsubishi Corporation (Reported party IV).

Based on serial examinations conducted by the Examination Team, the Panel of Commissioners has concluded that:

1. A conspiracy has been proven to have occurred between the Reported Party IV, Mitsubishi Corporation, and Reported Party I, PT Pertamina (Persero) and Reported Party II, PT Medco Energi Internasional Tbk, to arrange and or determine Reported Party IV, Mitsubishi Corporation as the winner of the beauty contest which resulted in an unfair competition practice;
2. A conspiracy has been proven to have occurred between the Reported Party IV, Mitsubishi Corporation, and Reported Party II, PT Medco Energi Internasional Tbk and Reported party III, PT Medco E & P Tomori Sulawesi to obtain classified (confidential) information on the activities of their competitor **LNG International Ltd.**, and used those classified information in preparing a beauty contest proposal (of Mitsubishi Corporation, Reported Party IV) that resulted an unfair business competition.

Note (not part of press release): LNG International Pty Ltd (owned 100% by Liquefied Natural Gas Limited) is the major foreign shareholder in PT LNG Energi Utama
Considering the Commission's duty as stipulated in Article 35 (e) of Law No. 5 of 1999, the Commission Assembly recommended the Commission to provide the Government with advice and considerations are as follows:

1. That Government needs to encourage optimum utilization of gas reserves through the use of technology in accordance with the characteristics of the gas field which are relatively small and scattered gas reserves;
2. That the Government should have a standard policy instrument relating to the pricing policy of the natural gas; and
3. That the Government needs to encourage the realization and completion of the Donggi-Senoro LNG Project in order to ensure its realization in timely fashion. .

Based on evidence, facts and conclusions, and considering Article 43 paragraph (3) and Article 47 of Law No. 5 of 1999, the Commission Assembly decided to:

1. Declare that Reported Party I, Reported Party II and Reported Party IV were proven legally and convincingly in violation of Article 22 of Law No. 5 of 1999;
2. Declare that Reported Party II, Reported Party III, and Reported Party IV were proven legally and convincingly in violation of Article 23 of Law No. 5 of 1999;
3. Punishing Reported Party I to pay fines in the amount of Rp 10,000,000,000, - (ten billion rupiahs) that should be paid to the State Treasury;
4. Punishing Reported Party II to pay fines in the amount of Rp 5,000,000,000, - (five billion rupiahs) that should be paid to the State Treasury;
5. Punishing Reported Party III to pay fines in the amount of Rp. 1.000.000.000, - (one billion rupiahs) that should be paid to the State Treasury;
6. Punishing Reported Party IV to pay fines in the amount of Rp. 15.000.000.000,- (fifteen billion rupiahs) that should be paid to the State Treasury.

The decision was officially announced at the Commission Court Session declared open to the public at the KPPU Building, Jl. Ir. H. Juanda No.36, Central Jakarta.

Jakarta, January 5th, 2011

The Commission for the Supervision of Business Competition of the Republic of Indonesia

Approved for publication

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Acting of Bureau of Public Relations and Legal

Remark:

• Article 22:

"Business agents shall be prohibited from conspiracy with other parties in order to determine awardees of tenders which may result in unfair business competition."

• Article 23:

"Business agents shall be prohibited from conspiring with other parties in order to obtain information of their competitor's business activities classified (confidential) as company's secrets which may result in unfair business competition."

• Whereas this Press Release is not part of the Decision on Case No.35/KPPU-I/2010. In the event of controversy, it must be referred back to the Decision on Case 35/KPPU-I/2010.