

## ASX/MEDIA RELEASE 2 AUGUST 2012

# GAS SUPPLY LETTER OF INTENT SIGNED WITH PETROCHINA AUSTRALIA

Liquefied Natural Gas Limited (ASX: LNG, *LNG Ltd*) and PetroChina International Investment (Australia) Pty Ltd (*PetroChina Australia*) have executed a non-binding Letter of Intent in relation to securing gas supply for LNG Ltd's proposed 3 million tonne per annum LNG project at Fisherman's Landing, in the Port of Gladstone, Queensland (*LNG Project*). The LNG Project is presently based on two LNG trains; each of 1.5 million tonnes per annum guaranteed LNG production capacity.

This follows yesterday's important announcement of the execution of a Share Sale Agreement between Molopo Energy Limited (*Molopo*) and PetroChina Australia, pursuant to which PetroChina Australia will acquire 100% of Molopo's coal seam gas assets in Queensland.

#### The Letter of Intent states:

- (i) PetroChina Australia and LNG Ltd's intention to work together to secure sufficient gas for the LNG Project's first LNG train, to assist the LNG Project proceed to final investment decision.
- (ii) PetroChina will on a selective basis consider, without commitment:
  - the acquisition of prospective gas assets and permit interests (*Gas Assets*) in Queensland (which includes Molopo's Gas Assets), and/or
  - the entering into of gas supply arrangements with parties owning Gas Assets in Queensland;

in each case where such Gas Assets are capable of supplying gas to the LNG Project.

(iii) In relation to any gas supply secured pursuant to the Letter of Intent, PetroChina Australia and LNG Ltd agree to use their reasonable endeavours to negotiate and execute a Tolling Agreement, or Tolling Agreements, for the subject gas to be delivered to the LNG Project for liquefaction, storage and loading onto LNG ships arranged by PetroChina or PetroChina's designated LNG buyer.

PetroChina Australia is wholly owned by PetroChina International Investment Company Limited, which in turn is a related company of LNG Ltd's largest shareholder (19.9%) China Haunqiu Contracting & Engineering Corporation (*HQC*).

HQC is the selected engineering, procurement and construction (*EPC*) contractor for the LNG Project and PetroChina Australia has also stated its intention to support HQC in the procurement of sufficient deliverable gas for the LNG Project.

Based on the signing of the Share Sale Agreement with Molopo and the Letter of Intent, PetroChina Australia and LNG Ltd will commence negotiation of a Tolling Agreement, pursuant to which LNG Ltd will receive a fixed Capacity Reservation Fee, plus a Tolling Fee calculated on the quantity of LNG loaded onto LNG ships.

LNG Ltd's Managing Director, Maurice Brand, said "the signing of the Share Sale Agreement and the Letter of Intent are two material milestones in the Company's gas supply plan for the LNG Project".

"We express our appreciation for the support of PetroChina Australia and we look forward to finalising a Tolling Agreement with them".

"We are also appreciative of the support of HQC and look forward to concluding an EPC Contract, which together with the proposed Tolling Agreement will materially assist the LNG Project at Fisherman's Landing regain development momentum".



An artist's impression of the Gladstone LNG Project.

#### For further information contact:

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