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PROJECT CAPITAL COST ON BUDGET

GLADSTONE FISHERMAN'S LANDING LNG PROJECT

The Directors of Liquefied Natural Gas Limited (*Company*) are pleased to advise that the estimated total cost of the Gladstone Fisherman's Landing Project (*LNG Project*) remains at US\$1.1 billion. This capital cost includes the engineering, procurement and construction (*EPC*) for the First LNG train of 1.9 million tonnes per annum (*mtpa*) LNG production capacity, including a 22km connecting gas pipeline, gas treatment and liquefaction plant, 200,000m³ LNG tank, jetty and ship loading facility and supporting infrastructure. This cost also includes the Company's share of dredging and dredge material disposal costs under contract with Gladstone Ports Corporation Limited, plus other project costs such as owner's costs, project management, insurance and site lease payments during the construction period.

The Company and its EPC contractor, China Huanqiu Contracting & Engineering Corporation (*HQC*), the Company's largest shareholder (19.9%), have been working together for nearly 12 months to establish the overall capital cost, based on a very detailed cost build-up of all components required for a fully operational LNG plant. The Company and HQC are in the final stages of comprehensively reviewing and fully validating all costs and agreeing key EPC contract commercial terms, including plant performance guarantees, to enable the fine tuning and formal agreement of the EPC contract fixed price lump sum amount.

HQC, a wholly owned subsidiary of China's largest company, China National Petroleum Corporation, has built the majority of LNG import terminals in China and recently successfully completed the EPC scope of work and commissioning of the 500,000 tonne per annum Ansai LNG (liquefaction) project in China.

The total capital cost estimate of US\$1.1 billion is consistent with the Company's reported estimates since January 2012, based on a similar project scope, and is materially the same as the total capital cost based on the SKEC Group and Laing O'Rourke joint EPC cost proposal in March 2010.

The capital cost of the second LNG train, also of 1.9 mtpa LNG production capacity, is estimated at US\$500 million. Allowing for additional dredging costs this equates to a total LNG Project capital cost of US\$1.7 billion for 3.8 mtpa LNG production capacity. This represents US\$450 per tonne per annum LNG production capacity, being less than half the cost being reported for other Australian LNG projects and a cost saving of over US\$1 billion for 3.8 mtpa LNG production capacity.

The Company's Executive Director and Chief Technical Officer, Paul Bridgwood, said that "the Company and HQC will continue to refine the capital cost on an open book basis over the next three months, in the lead up to signing a legally binding and bankable EPC contract".

"We have been working with HQC throughout 2012 on an open book basis and are very pleased that previous capital cost estimates are being confirmed, especially when most other LNG projects are having to contend with substantial cost increases. Our plant is now fully modularised, comprising only 5 main process modules, for the 1.9 mtpa LNG production capacity, all of which will be built in China. In addition to the substantially lower capital costs and faster construction schedule, the Company's OSMR[®] patented technology will use less than 7% of the feed gas as internal usage, being some 30% less than other LNG technologies and resulting in 30% lower carbon emissions", said Mr Bridgwood.

The Company's Operations General Manager, John Drew, said that "the design of the OSMR® process has a number of operational benefits".

"I have been involved in the commissioning and operation of LNG plants for over 40 years, in several countries and for different major LNG companies, which were all based on commonly used LNG liquefaction technologies. These include LNG projects in Australia, Nigeria, Russia, Equatorial Guinea and Angola. The OSMR® technology is the best that I have experienced and it's exciting to be able to participate in a new Australian engineered and designed modularised LNG process, which will set the benchmark for future LNG plants. I am looking forward to operating the first OSMR® LNG plant which, due to its simple design and lower equipment count, will be more reliable, more efficient and easier and cheaper to maintain and operate than previous plants", said Mr Drew.

The Company's Executive Director and Chief Financial Officer, Norman Marshall, said that "the EPC contract is one of two key contracts required for the LNG Project to proceed to final investment decision and recommencement of construction. HQC and the Company have progressed to a third draft of the EPC contract and meetings are planned in Beijing and Singapore during the first quarter of 2013 to finalise agreement of all material terms and schedules."

"The other key agreement is a Tolling Agreement with PetroChina International Investments (Australia) Pty Ltd. The EPC price and terms are a prerequisite for the Company and PetroChina Australia to finalise a commercially acceptable and bankable Tolling Agreement", said Mr Marshall.

An artist's impression of the completed 3.8 mtpa Gladstone LNG Project



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