

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

A copy of this preliminary short form prospectus has been filed with the securities regulatory authorities in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and New Brunswick but has not yet become final for the purpose of the sale of securities. Information contained in this preliminary short form prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the short form prospectus is obtained from the securities regulatory authorities.

This preliminary short form prospectus constitutes a public offering of these securities only in jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. These securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the “U.S. Securities Act”), or the applicable securities laws of any state of the United States. Accordingly, these securities may not be offered, sold or otherwise disposed of, or delivered, directly or indirectly, within the United States (as defined in Regulation S under the U.S. Securities Act) (“United States”), except pursuant to transactions exempt from the registration requirements under the U.S. Securities Act and any applicable securities laws of any state of the United States. This preliminary short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of these securities within the United States. See “Plan of Distribution”.

Information has been incorporated by reference in this prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Corporate Secretary of LNG Energy Ltd. at 1075 West Georgia Street, Suite 220, Vancouver, British Columbia, V6E 3C9, telephone (778) 373-0103, and are also available electronically at www.sedar.com.

PRELIMINARY SHORT FORM PROSPECTUS

New Issue

August 29, 2011

LNG ENERGY LTD.

●

● Common Shares

This short form prospectus (the “Prospectus”) qualifies the distribution (the “Offering”) of ● common shares (“Common Shares”) with each Common Share offered pursuant to this Prospectus, an “Offered Share”) of LNG Energy Ltd. (the “Company” or “LNG”) at a price of \$● per Offered Share (the “Offering Price”) pursuant to the terms of an underwriting agreement (the “Underwriting Agreement”) dated August ●, 2011 among the Company and Paradigm Capital Inc. (the “Lead Underwriter”) Canaccord Genuity Corp., Fraser Mackenzie Ltd. and GMP Securities L.P. (together with the Lead Underwriter, the “Underwriters”). See “Plan of Distribution”.

PRICE: \$● PER COMMON SHARE

	Price to public	Underwriting commission ⁽³⁾	Net Proceeds to the Company ⁽¹⁾
Per Offered Share	\$●	\$●	\$●
Total ⁽²⁾	\$●	\$●	\$●

(1) Before deducting legal, accounting and administrative expenses of the Offering, including listing fees and the reasonable expenses of the Underwriters incurred in connection with the Offering, estimated to be \$250,000, which will be paid by the Company from the proceeds of the Offering. See “Use of Proceeds”.

(2) The Company has granted to the Underwriters an over-allotment option (the “Option”) to purchase up to an additional ● Common Shares (the “Additional Shares”) of the Company at the Offering Price, exercisable in whole or in part at the discretion of the Underwriters for a period of 30 days from the Closing Date (as defined herein). If the Option is exercised in full, the total price to the public, underwriting commission and proceeds to the Company will be \$●, \$● and \$●, respectively. This Prospectus also qualifies the distribution of the Option and the Additional Shares issuable upon the exercise of the Option. See “Plan of Distribution”. Unless the context otherwise requires, references herein to the “Offering” assume the exercise of the Option in full and references to “Shares” mean the Offered Shares and the Additional Shares. A purchaser who acquires securities forming part of the Underwriters’ over-allotment position acquires those Additional Shares under this Prospectus, regardless of whether the over-allotment position is ultimately filled through the exercise of the Option or secondary market purchases.

Underwriters' position	Maximum size or number of securities available	Exercise period	Exercise price or average acquisition price
Option ⁽¹⁾	Option to acquire up to ● Additional Shares	30 days from the Closing Date	\$● per Additional Share

The Offering Price of the Shares offered hereunder was determined by negotiation between the Company and the Lead Underwriter, on behalf of itself and the other Underwriters. The Underwriters, as principals, conditionally offer the Offered Shares, subject to prior sale, if, as and when issued by the Company and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under "Plan of Distribution" and subject to the approval of certain legal matters relating to the Offering by Fasken Martineau DuMoulin LLP on behalf of the Company and by Torys LLP on behalf of the Underwriters. **The Underwriters may offer the Shares at a lower price than the Offering Price. See "Plan of Distribution".**

Subscriptions for the Shares will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that definitive certificates evidencing the Shares offered hereunder will be available for delivery at closing, which is expected to occur on or about September 14, 2011 or such later date as the Company and the Lead Underwriter may agree, but in any event not later than ●, 2011 (the "Closing Date"). Subject to applicable laws, the Underwriters may effect transactions intended to stabilize or maintain the market price for the Common Shares at levels above that which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time. See "Plan of Distribution".

The outstanding Common Shares are listed on the TSX Venture Exchange (the "TSX-V") under the trading symbol "LNG". The Company will apply to list the Shares distributed hereunder on the TSX-V. Listing will be subject to LNG fulfilling all of the listing requirements of the TSX-V. On August 26, 2011, the closing price of the Common Shares on the TSX-V was \$0.25 per Common Share.

An investment in the Company's Common Shares should be considered speculative due to various factors, including the nature of the Company's business. The risk factors outlined or incorporated by reference in this Prospectus should be carefully reviewed and considered by prospective purchasers in connection with their investment in the Shares. See "Forward Looking Statements" and "Risk Factors".

The address of the Company's head office is 1075 West Georgia Street, Suite 220, Vancouver, British Columbia, V6E 3C9. The Company's registered office address is 2900 – 550 Burrard Street, Vancouver, British Columbia, V6C 0A3.

Investors should rely only on the information contained in or incorporated by reference into this Prospectus. The Company has not authorized anyone to provide investors with different information. Neither the Company nor any of the Underwriters are making an offer of these securities in any jurisdiction where the offer is not permitted. Investors should not assume that the information contained in this Prospectus is accurate as of any date other than the date on the front of this Prospectus. The Company's business, operating results, financial condition and prospects may have changed since that date.

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ELIGIBILITY FOR INVESTMENT

In the opinion of Fasken Martineau DuMoulin LLP, counsel to the Company, and Torys LLP, counsel to the Underwriters, the Shares will, at the Closing Date, be a qualified investment under the Income Tax Act (Canada) (the “Tax Act”) for a trust governed by a registered retirement savings plan (“RRSP”), registered retirement income fund (“RRIF”), registered education savings plan, deferred profit sharing plan, registered disability savings plan or tax-free savings account (a “TFSA”), provided that the Common Shares are listed on a designated stock exchange (which includes the TSX-V). Notwithstanding the foregoing, a holder of a TFSA will be subject to a penalty tax under the Tax Act if the holder of the TFSA does not deal at arm’s length with the Company or has a “significant interest” in the Company or in a corporation, partnership or trust with which the Company does not deal at arm’s length (within the meaning of the Tax Act). Generally, a holder will have a significant interest in the Company if the holder, together with persons with whom the holder does not deal at arm’s length, directly or indirectly owns 10% or more of the issued shares of any class of the capital stock of the Company or of a corporation related to the Company (within the meaning of the Tax Act). Such holders are urged to consult their own tax advisors.

The Minister of Finance (Canada) has proposed to extend the “prohibited investment” rules currently applicable to TFSAs, to RRSPs and RRIFs, with the penalty tax imposed on the annuitant thereof. These new rules are to apply to transactions occurring and investments acquired after March 22, 2011, with certain transitional provisions. There can be no assurance that these proposals will be enacted in their current form or at all. Prospective holders to whom these new rules may apply should consult their own tax advisors.

FORWARD-LOOKING STATEMENTS

This Prospectus and the documents incorporated by reference herein contain “forward-looking information” and “forward-looking statements” (together, the “forward-looking statements”) within the meaning of applicable securities laws. These forward-looking statements are made as of the date of this Prospectus or, in the case of documents incorporated by reference herein, as of the date of such documents. The Company disclaims any intent or obligation to update publicly any such forward-looking statements, whether as a result of new information, future events or results or otherwise, other than as required by applicable Canadian securities laws. Users of forward-looking statements are cautioned that actual results may vary from the forward-looking statements contained herein.

Forward-looking statements include, but are not limited to, statements with respect to the use of proceeds of the Offering, the entering into of a Definitive Agreement (as defined herein) in respect of the Farm-in Transaction (as defined herein), the granting of the Etropole Concession (as defined herein) by the government of Bulgaria, the performance characteristics of the Company’s properties, oil and gas production estimates and targets, capital expenditure programs and estimates, projections of market prices and costs, supply and demand for oil and gas, expectations regarding the ability to raise capital and to continually add to reserves through acquisitions and development, and treatment under governmental regulatory regimes and tax laws. In certain cases, forward-looking statements can be identified by the use of words such as “plans”, “expects” or “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” or “does not anticipate”, or “believes”, or variations of such words and phrases or statements that certain actions, events or results “may”, “could”, “would”, “might” or “will be taken”, “occur” or “be achieved”. Forward-looking statements were developed using the material factors or assumptions stated in this Prospectus or, in the case of documents incorporated by reference herein, in such documents. While the Company has based forward-looking statements on its expectations about future events as at the date that such information was prepared, the information is not a guarantee of the Company’s future performance and is subject to risks, uncertainties, assumptions and other factors which could cause actual results to differ materially from future results expressed or implied by such forward looking statements. Such factors and assumptions include, amongst others, commodity prices, oil and natural gas prices being substantially in line with current price forecasts, the effects of general economic conditions, changing foreign exchange and interest rates and actions by government authorities, uncertainties associated with negotiations and misjudgments in the course of preparing forward-looking statements. In addition, there are also known and unknown risk factors which could cause the Company’s actual results, performance or achievements to differ materially from any future results, performance or achievements expressed or implied by the forward-looking statements. Known risk factors include, among others, risks related to the speculative nature of the Company’s business, exploration, drilling and operating risks, fluctuations in oil

and gas prices, the highly competitive nature of the oil and gas industry, risks relating to title to the Company's properties, the Company's dependence on a small number of key personnel and the Company's need for additional financing, as well as those factors discussed in the section entitled "Risk Factors" in this Prospectus and the AIF (as defined herein). Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements, or the material factors or assumptions used to develop such forward-looking statements, will prove to be accurate. Accordingly, readers should not place undue reliance on forward-looking statements.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents, filed with the securities commissions or similar authority in British Columbia, Alberta, Manitoba and Ontario, and available on the System for Electronic Documents Analysis and Retrieval ("SEDAR") at www.sedar.com, are specifically incorporated by reference and form an integral part of this Prospectus:

- (a) Annual Information Form of the Company for the financial year ended September 30, 2010, dated as of February 24, 2011 (the "AIF");
- (b) audited comparative consolidated annual financial statements (including notes thereto) of the Company, consisting of consolidated balance sheets as at September 30, 2010 and 2009, consolidated statements of operations and comprehensive loss, deficit and accumulated other comprehensive loss and cash flows for each of the years then ended, together with the report of the auditors dated January 25, 2011;
- (c) Management's Discussion and Analysis for the financial year ended September 30, 2010;
- (d) unaudited consolidated interim financial statements of the Company consisting of consolidated balance sheets as at March 31, 2011, consolidated statements of operations and comprehensive loss, consolidated statements of deficit and accumulated other comprehensive loss and consolidated statements of cash flow for the six month period ending March 31, 2011;
- (e) Management's Discussion and Analysis for the three and six months ended March 31, 2011;
- (f) Management Information Circular dated March 16, 2011 for the annual general and special meeting of shareholders of the Company held on April 14, 2011;
- (g) Management Information Circular dated February 18, 2010 for the annual general and special meeting of shareholders of the Company held on March 25, 2010;
- (h) the material change report dated May 10, 2011, in relation to the sale by the Company's wholly-owned subsidiary, BWB Exploration LLC, of its working interest in approximately 2,900 net acres of oil and gas lease holdings in Carter County, Oklahoma; and
- (i) the material change report dated March 3, 2011, in relation to the acquisition by the Company's wholly-owned subsidiary, Kaynes Capital S.a.r.l, of a 50% interest in Joyce Podlasie LLC and a 50% interest in Maryani Podlasie LLC from Source Energy Partners LP.

Any of the following documents filed by the Company with securities commissions or other regulatory authorities in British Columbia, Alberta, Manitoba and Ontario after the date of this Prospectus and prior to the termination of the Offering are deemed to be incorporated by reference into this Prospectus: any annual information form; any comparative financial statements, together with the accompanying report of the auditor and related management's discussion and analysis ("MD&A"); any comparative interim financial statements and related interim MD&A; any news release or public communication containing historical financial information about the Company for a financial period more recent than that for which the Company has filed financial statements; any material change report (excluding confidential material change reports); any business acquisition report; any information circular; any other disclosure document of the type listed above which the Company has filed pursuant to an exemption from any requirement under securities legislation; and any other disclosure document which the Company has filed pursuant to an undertaking to a provincial or territorial securities regulatory authority.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein will be deemed to be modified or superseded for the purposes of this Prospectus to the extent that a statement contained herein, or in any other subsequently filed document that also is or is deemed to be incorporated by reference herein, modifies or supersedes such statement. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this Prospectus. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of such a modifying or superseding statement will not be deemed an admission for any purpose that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made.

Information has been incorporated by reference in this Prospectus from documents filed with certain securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Corporate Secretary of the Company at 1075 West Georgia Street, Suite 220, Vancouver, British Columbia, V6E 3C9.

CURRENCY AND EXCHANGE RATE INFORMATION

All references to “\$” or “dollars” in this Prospectus refer to Canadian dollars and all references to “US\$” refer to United States dollars. The noon rate of exchange on August 26, 2011 as reported by the Bank of Canada for the conversion of Canadian dollars into United States dollars was \$0.9853 per US\$1.00.

LNG ENERGY LTD.

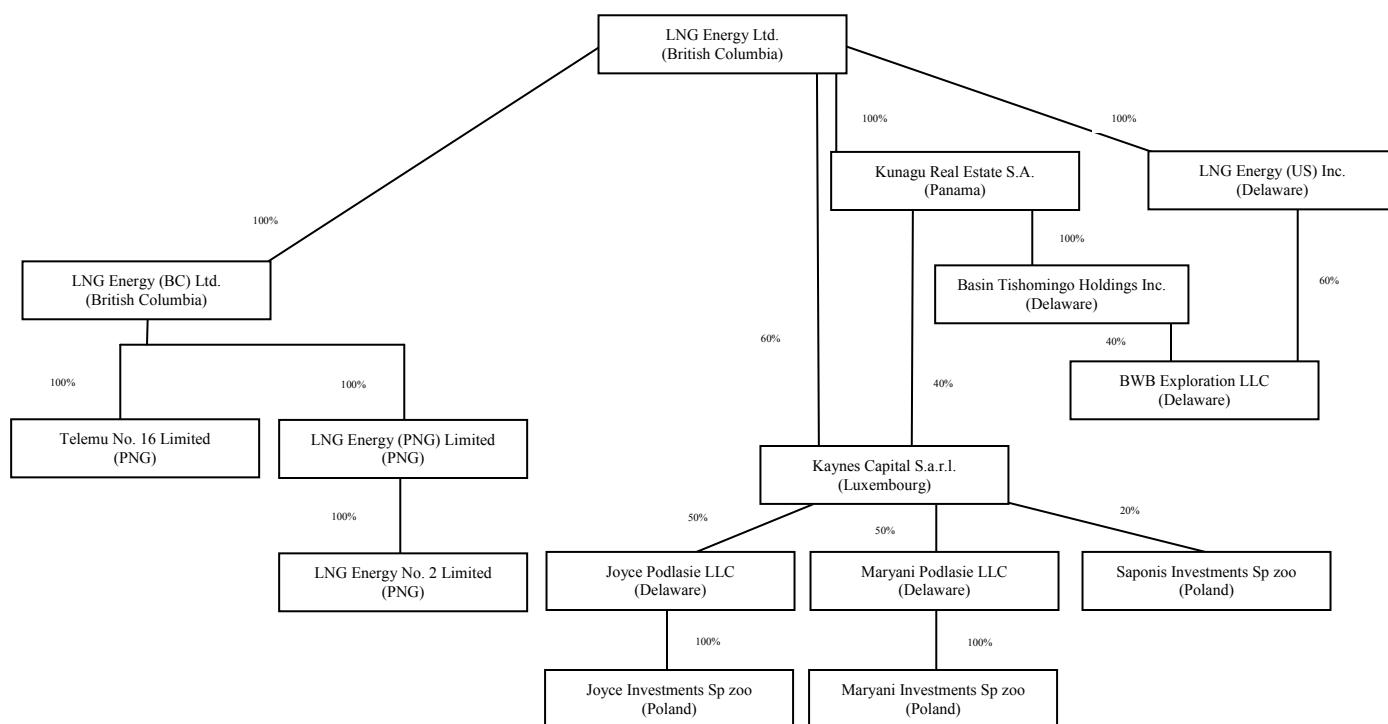
Name, Address and Incorporation

The Company was incorporated as “eVenture Capital Corp.” on February 24, 2000 in the Province of British Columbia. The name of the Company was changed to “Invicta Oil & Gas Ltd.” on November 28, 2006 after the disposition of its subsidiary Pro Net Communications and the acquisition of oil and gas leases and interests in the Palo Duro Basin area in Texas. On March 28, 2008, the Company changed its name to “LNG Energy Ltd.” to reflect its focus on oil and gas in Papua New Guinea. The Common Shares trade on the TSX-V under the symbol “LNG”.

The Company’s head office is located at 1075 West Georgia Street, Suite 220, Vancouver, British Columbia, V6E 3C9 and its registered and records office is located at 2900-550 Burrard Street, Vancouver, British Columbia, V6C 0A3.

Intercorporate Relationships

The Company’s corporate structure and its subsidiaries are depicted in the following diagram:



BUSINESS OF THE COMPANY

The Company is in the business of oil and gas exploration, and its principal oil and gas properties are located in Papua New Guinea, Poland and the states of Alabama and Mississippi in the United States.

Further details concerning the Company, including information with respect to the Company’s assets, operations and development history are provided in the AIF. The contents of the AIF are incorporated by reference into this Prospectus. Readers are encouraged to thoroughly review the AIF as it contains important information concerning the Company.

Recent Developments

Disposition of oil and gas lease holdings in Carter County, Oklahoma

On May 2, 2011, the Company announced that the completion of the disposition by the Company's wholly-owned subsidiary, BWB Exploration LLC, of its working interest in approximately 2,900 net acres of oil and gas lease holdings in Carter County, Oklahoma (the "Carter County Assets").

The disposition of the Carter County Assets resulted in a material change to the reserves data and other information relating to the oil and gas assets of the Company as of September 30, 2010, as required by Form 51-101F1 (the "Reserves Data"), disclosed in the AIF. Accordingly, had the disposition of the Carter County Assets occurred on or before September 30, 2010, the Reserves Data would have been adjusted to exclude the reserves data and other information relating to the Carter County Assets, resulting in the Company having no oil and gas reserves. The Company currently has no oil and gas reserves.

Farm-in Transaction with Transatlantic Petroleum Ltd.

On August 29, 2011 the Company announced that it had entered into a term sheet (the "Term Sheet") with TransAtlantic Worldwide Ltd. ("TWL"), a wholly owned subsidiary of TransAtlantic Petroleum Ltd. (TSX: TNP)(NYSE-AMEX:TAT) ("TransAtlantic") to earn a 50% interest in a future potential production concession in northwestern Bulgaria (the "Farm-in Transaction"). Pursuant to the Term Sheet, the Company will be required to initially fund up to US\$7.5 million (the "Base Commitment") to drill, core and test a 3,200 meter (approximately 10,500 foot) exploration well on the A-Lovech exploration license in Bulgaria targeting the Middle Jurassic Etropole shale formation (the "Etropole Test Well"). On a successful result from the Etropole Test Well, TransAtlantic's subsidiary, Direct Petroleum Bulgaria EOOD ("Direct Bulgaria"), will be required to apply to the government of Bulgaria for a production concession (the "Etropole Concession"). The Etropole Concession is expected to cover an area up to 1640 square kilometres (405,080 acres) for a term of up to 35 years. There is no certainty that the government of Bulgaria will grant the Etropole Concession on terms acceptable to the Company, or at all. See "Risk Factors".

In connection with the Term Sheet, the Company has paid a non-refundable deposit of US\$1.5 million and has been granted the exclusive right to negotiate and finalize the definitive documentation in respect of the proposed Farm-in Transaction until September 23, 2011.

Subject to certain conditions, including the issuance of the Etropole Concession, the Company anticipates forming a subsidiary in Bulgaria ("LNG Bulgaria") which will: (i) fund an additional US\$7.5 million to drill a second well or for other exploration activities on the Etropole Concession; and (ii) subject to the results of the Etropole Test Well achieving certain targets, make a cash payment to TWL of US\$5 million (collectively, the "Contingent Obligations"). In return, and subject to Bulgarian government approval and subject to other items that are expected to be reflected in the Definitive Agreement, LNG Bulgaria will acquire a 50% undivided interest in the Etropole Concession. In the event that the Etropole Concession is not granted by the Bulgarian government, LNG Bulgaria will have no obligation to make the Contingent Obligations.

Closing will be subject to a number of conditions, including but not limited to: (a) entering into a formal agreement to replace the Term Sheet (the "Definitive Agreement") including a form of farm-in agreement and joint operating agreement ("JOA"); (b) completion of due diligence; (c) the approval of the TSX-V; and (d) the completion of the Offering.

Joint Operating Agreement and Area of Mutual Interest

LNG Bulgaria and Direct Bulgaria will enter into a JOA in respect of the Etropole Concession, if as and when such concession is granted. Under the JOA, LNG Bulgaria and Direct Bulgaria will each own a 50% interest in the assets comprising the Etropole Concession. Direct Bulgaria is expected to be designated as operator under the JOA.

The Company and Direct Bulgaria also intend to establish an area of mutual interest ("AMI") which will cover the area within 30 kilometres of the outer boundary of the Etropole Concession.

Description of Etropole shale formation

The Etropole shale formation is Middle Jurassic in age (Bajocian - Callovian) and was deposited during Mesozoic rifting across the Moesian platform southward into what is now the Balkan foreland. This region is bounded to the south by northward verging thrusts and to the north by the Moesian Platform forming a large structural low area covered by the Etropole shale.

The Etropole shale formation, especially its organic-rich lower part (Stefanetz Member), holds great promise for a shale gas play in Bulgaria. The Etropole shale formation is the proven source rock for major oil and gas fields in northwestern Bulgaria. The Etropole shale is a black organic rich (1-5% total organic carbon) source rock. The Etropole shale is carbonaceous (40-50%) similar in characteristics to the Upper Jurassic Haynesville shale in the United States. The Etropole shale is composed of both Type 3 and Type 2 kerogen.

The Etropole shale ranges from depths less than 2500 meters in thrust structures in the south to depths greater than 5000 meters. The Etropole shale formation ranges from depths in the oil window in northern areas of the Moesian platform, to the wet gas window in the south toward the Balkan foldbelt. The Etropole shale formation shows vitrinite reflectance values from core data in the south from 1.1 to greater than 1.5. The Etropole shale formation is also over-pressured over much of the region (0.78 pounds per-square-inch/foot).

Significant gas shows were detected while drilling the Etropole shales in the most recently drilled well by Direct Petroleum Bulgaria (Deventci R-1). Many older wells have also encountered shows while drilling in the play area. The Etropole Test Well is expected to offset an existing well that previously tested gas from the Etropole shale formation. The Etropole Test Well will be drilled to a depth of 3200 meters and will core, stimulate and test the Etropole shale formation to evaluate its potential as a shale resource play. Given the rock properties of the Etropole shale formation, management of the Company believes that the shales will respond favourably to artificial stimulation and will yield economic gas resources.

Management of the Company believes that the proximity to a gas market and the availability of a pre-existing gas pipeline infrastructure make the Etropole shale economically attractive. Gas prices of greater than \$10 per thousand cubic feet of natural gas make the Etropole shale play in Bulgaria viable. Drilling and completion services are readily available in the region. Bulgaria imports almost all of its gas and considers the development of shale gas in Bulgaria an important part of the country's future energy independence.

CONSOLIDATED CAPITALIZATION

As at the date hereof, and prior to the issue of any Common Shares pursuant to the Offering, a total of 258,059,365 Common Shares are issued and outstanding. After the issuance of the Offered Shares pursuant to the Offering, the Company will have ● Common Shares issued and outstanding (● Common Shares if the Option is exercised in full). Since March 31, 2011, the Company has issued a total of 225,000 Common Shares. The Common Shares issued since March 31, 2011 were issued pursuant to the exercise of options at various exercise prices. See "Prior Sales".

As at the date hereof, the Company has outstanding director, employee and consultant share purchase options to purchase up to 22,150,000 Common Shares at prices ranging from \$0.10 to \$0.67. See "Prior Sales".

USE OF PROCEEDS

The estimated net proceeds to the Company from the sale of Offered Shares hereunder will be \$● after deducting the commission to the Underwriters of \$● and the estimated expenses of the Offering of \$250,000.

Following the completion of the Offering, the Company has funds available to it as follows:

Source of Funds	Amount of Funds
Net proceeds of the Offering	\$●
Estimated working capital as at July 30, 2011 ⁽¹⁾	\$5,500,000

Total: \$●

(1) Calculation of the Company's working capital as at July 30, 2011 is unaudited.

The net proceeds of the Offering together with the current estimated working capital will be primarily used by the Company to fund ●, as follows:

Principal Purpose	Proceeds	Timing of Work Program
Base Commitment under Farm-in Transaction with TransAtlantic	\$7,500,000	Before October 2011
●	●	●
Working Capital	\$●	—
Total:	\$●	

In the event that the Option is exercised in full, the additional estimated net proceeds of \$● from the exercise of the Option will also be allocated for general corporate and working capital purposes.

Pending the uses described above, the Company may invest all or a portion of the net proceeds in Guaranteed Investment Certificates (GICs), bankers acceptances, money market funds or deposited in interest bearing savings accounts with major Canadian banks and treasury bills.

The use of the net proceeds of the Offering by the Company is consistent with its stated business objectives, being the development of its oil and gas properties. There is no particular significant event or milestone that must occur for the Company's business objectives to be accomplished. While the Company believes that it has the skills and resources necessary to accomplish its stated business objectives, participation in the exploration for and development of oil and natural gas has a number of inherent risks. See "Risk Factors".

For the year ended September 30, 2010, the Company had negative operating cash flow. To the extent required, the net proceeds from the Offering will be used to fund negative operating cash flow in future periods.

The Company intends to spend the funds available to it as stated in this Prospectus however, where necessitated by sound business reasons, a reallocation of funds may be required.

PLAN OF DISTRIBUTION

Pursuant to the terms of the Underwriting Agreement, the Company has agreed to sell and the Underwriters have agreed to purchase, as principals, on the Closing Date, ● Offered Shares at the Offering Price, payable in cash to the Company against delivery of the Offered Shares, subject to compliance with all necessary legal requirements and to the conditions contained in the Underwriting Agreement. The Company has also granted to the Underwriters the Option to purchase up to ● Additional Shares at the Offering Price, exercisable for a period of 30 days from the Closing Date. A purchaser who acquires Additional Shares forming part of the Underwriters' over-allocation position acquires those securities under this Prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Option or secondary market purchases.

The Underwriters propose to offer the Shares to the public initially at the Offering Price. Without affecting the firm obligation of the Underwriters to purchase from the Company ● Offered Shares at a price of \$● per Offered Share in accordance with the Underwriting Agreement, after the Underwriters have made reasonable efforts to sell all of the Offered Shares offered hereby at the Offering Price, the price at which the Shares are offered to the public may be decreased and may be further changed from time to time to an amount not greater than the Offering Price, and the compensation realized by the Underwriters will be decreased by the amount that the aggregate price paid by purchasers of Shares is less than the gross proceeds paid by the Underwriters to the

Company. The Underwriters will inform the Company if the price at which the Shares are offered to the public is decreased.

The obligations of the Underwriters under the Underwriting Agreement may be terminated upon the occurrence of certain stated events. The Underwriters are, however, obligated to take up and pay for all of the Offered Shares if any of the Offered Shares are purchased under the Underwriting Agreement. The Offering Price of the Shares was determined by negotiation between the Company and the Lead Underwriter, on behalf of itself and the other Underwriters.

Pursuant to the Underwriting Agreement, the Company has agreed to pay to the Underwriters a commission equal to 6% of the gross proceeds from the issue and sale of the Shares (including for certainty any Additional Shares issued upon the exercise of the Option) and to reimburse the Underwriters for certain expenses relating to the Offering. The Company has also agreed to indemnify the Underwriters against certain liabilities, including liabilities for misrepresentation in this Prospectus, and contribute to payments that the Underwriters may be required to make in respect of those liabilities.

The Company has further agreed that it will not, for a period of 90 days from the Closing Date without prior written consent of the Underwriters (such consent not to be unreasonably withheld or delayed) issue any additional securities except: (i) pursuant to the Company's employee stock option plan, employee share purchase plan and executive and senior staff incentive plan, (ii) pursuant to the exercise of options, warrants and other convertible or exchangeable securities of the Company outstanding as at the date hereof under existing arrangements, including the Company's stock option plan, employee share purchase plan and executive and senior staff incentive plan, as disclosed to the Underwriters at such time as the Underwriting Agreement is executed, or (iii) pursuant to a bona fide arms-length acquisition by the Company or one of its affiliates.

Subscriptions for the Offered Shares will be received, subject to rejection or allotment in whole or in part, and the right is reserved to close the subscription books at any time without notice. It is expected that the closing of the Offering will occur on the Closing Date, or such other date as may be agreed to by the Lead Underwriter and the Company but in any event not later than ●, 2011. Certificates in definitive form evidencing the Offered Shares will be available for delivery at the closing of the Offering.

Pursuant to the rules and policy statements of certain Canadian securities regulators, the Underwriters may not, at any time during the period ending on the date the selling process for the Shares ends and all stabilization arrangements relating to the Shares are terminated, bid for or purchase Common Shares for their own account or for accounts over which they exercise control or direction. The foregoing restrictions are subject to certain exceptions including a bid for or purchase of Common Shares: (i) if the bid or purchase relates to market stabilization or market balancing activities and is made through the facilities of a recognized stock exchange, in accordance with the Universal Market Integrity Rules of the Investment Industry Regulatory Organization of Canada; (ii) made for or on behalf of a client, other than certain prescribed clients, provided that the client's order was not solicited by the Underwriter, or if the client's order was solicited, the solicitation occurred before the commencement of a prescribed restricted period; and (iii) to cover a short position entered into prior to the commencement of a prescribed restricted period. The Underwriters may engage in market stabilization or market balancing activities on the TSX-V where the bid for or purchase of Common Shares is for the purpose of maintaining a fair and orderly market in the Common Shares, subject to price limitations applicable to such bids or purchases. Such transactions, if commenced, may be discontinued at any time.

The Common Shares are listed on the TSX-V under the symbol "LNG". The Company will apply to list the Shares distributed hereunder on the TSX-V. Listing will be subject to LNG fulfilling all of the listing requirements of the TSX-V.

United States Restrictions

This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any of the Shares in the United States. The Shares have not been and will not be registered under the U.S. Securities Act or the securities laws of any state of the United States, and may not be offered or sold within the United States except pursuant to transactions exempt from the registration requirements of the U.S. Securities Act and any applicable securities laws of any state of the United States.

The Underwriter has agreed that, except in certain transactions exempt from the registration requirements of the U.S. Securities Act and any applicable securities laws of any state of the United States as permitted under the Underwriting Agreement, it will not offer or sell within the United States the Shares as part of its distribution at any time. The Underwriting Agreement permits the Underwriter, through its U.S. broker-dealer affiliate, to offer Shares to certain institutional “accredited investors” on a substituted purchasers basis that satisfy one or more of the criteria set forth in Rule 501(a)(1), (2), (3) or (7) of Regulation D under the U.S. Securities Act to whom the Company may sell Shares in transactions that comply with the exemption from registration requirements of the U.S. Securities Act provided by Rule 506 of Regulation D thereunder, and in accordance with similar exemptions under any applicable securities laws of any state of the United States. Moreover, the Underwriting Agreement provides that the Underwriter will offer and sell the Shares outside the United States only in accordance with Rule 903 of Regulation S under the U.S. Securities Act. The Shares that are sold in the United States will be restricted securities within the meaning of Rule 144 of the U.S. Securities Act and may only be offered, sold or otherwise transferred, directly or indirectly, pursuant to an effective registration statement under the U.S. Securities Act or certain exemptions from the registration requirements of the U.S. Securities Act and pursuant to similar exemptions under any applicable securities laws of any state of the United States. Certificates representing the Shares which are sold in the United States will bear a legend to such effect.

In addition, until 40 days after the commencement of the Offering, an offer or sale of the Shares within the United States by any dealer, whether or not participating in the Offering, may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with an available exemption under the U.S. Securities Act.

DESCRIPTION OF SECURITIES BEING DISTRIBUTED

The Offering consists of ● Offered Shares. The Company has also granted to the Underwriters an Option to purchase up to ● Additional Shares for a period of 30 days from the Closing Date.

The authorized share capital of the Company consists of an unlimited number of Common Shares without par value. As of the date of this Prospectus, 258,059,365 Common Shares were issued and outstanding.

Holders of Common Shares are entitled to receive notice of any meetings of shareholders of the Company, to attend and to cast one vote per Common Share at all such meetings. Holders of Common Shares do not have cumulative voting rights with respect to the election of directors and, accordingly, holders of a majority of the Common Shares entitled to vote in any election of directors may elect all directors standing for election. Holders of Common Shares are entitled to receive on a pro rata basis such dividends, if any, as and when declared by the Company’s board of directors at its discretion from funds legally available therefor and upon the liquidation, dissolution or winding up of the Company are entitled to receive on a pro rata basis the net assets of the Company after payment of debts and other liabilities, in each case subject to the rights, privileges, restrictions and conditions attaching to any other series or class of shares ranking senior in priority to or on a pro rata basis with the holders of Common Shares with respect to dividends or liquidation. The Common Shares do not carry any pre-emptive, subscription, redemption or conversion rights, nor do they contain any sinking or purchase fund provisions.

Provisions as to the modification, amendment or variation of these rights are contained in the Company's articles and the *Business Corporations Act* (British Columbia). Generally speaking, the creation, variation or deletion of special rights or restrictions attached to a class of shares requires the approval of the shareholders by ordinary resolution (more than 50% of the votes cast). Notwithstanding the foregoing, no right or special right attached to issued shares may be prejudiced or interfered with unless the shareholders holding shares of the class or series of shares to which the right or special right is attached consent by a separate special resolution (at least 66.67% of the votes cast) of those shareholders.

PRIOR SALES

The following table sets out the Common Shares that have been issued during the 12-month period preceding the date of this Prospectus:

Date of Issuance	Number of Common Shares Issued	Issuance Price
October 28, 2010 ⁽¹⁾	75,000	\$0.19
November 15, 2010 ⁽¹⁾	135,000	\$0.275
January 19, 2011 ⁽¹⁾	100,000	\$0.275
January 19, 2011 ⁽¹⁾	150,000	\$0.19
February 17, 2011 ⁽¹⁾	90,000	\$0.275
February 28, 2011 ⁽¹⁾	50,000	\$0.19
May 5, 2011 ⁽¹⁾	75,000	\$0.275
July 11, 2011 ⁽¹⁾	150,000	\$0.19

(1) Issued on the exercise of stock options.

The following table sets out the grants of options made for the 12-month period preceding the date of this Prospectus:

Date of Grant	Number of Options Granted	Exercise Price
November 4, 2010	2,500,000	\$0.33
November 23, 2010	500,000	\$0.35
April 18, 2011	7,180,000	\$0.59
June 7, 2011	2,400,000	\$0.53

ESCROWED SECURITIES

None of the Common Shares are, to the Company's knowledge, in escrow or subject to contractual restrictions on transfer.

TRADING PRICE AND VOLUME

On February 24, 2000, the Common Shares commenced trading on the TSX-V. The Company commenced trading under the symbol "LNG" on the TSX-V on March 28, 2008. The following table shows the price ranges and volume traded of the Common Shares on the TSX-V on a monthly basis for the 12 month period preceding the date of this Prospectus.

Month	High (\$)	Low (\$)	Volume (#)
August 2010	\$0.32	\$0.24	3,942,358
September 2010	\$0.28	\$0.25	5,354,124
October 2010	\$0.39	\$0.23	18,622,574
November 2010	\$0.45	0.32	42,623,083
December 2010	\$0.49	0.37	14,558,499
January 2011	\$0.73	0.46	44,901,216
February 2011	0.71	0.54	24,281,903
March 2011	0.65	0.46	7,259,163
April 2011	0.65	0.48	11,534,713
May 2011	0.59	0.355	5,459,821
June 2011	0.57	0.35	9,712,377
July 2011	0.435	0.37	3,911,285

Month	High (\$)	Low (\$)	Volume (#)
August 2011 ⁽¹⁾	0.39	0.215	3,242,743

(1) This includes the price range and volume traded for August 1, 2011 to August 26, 2011.

NAMES AND INTERESTS OF EXPERTS

KPMG LLP is the auditor who prepared the auditor's report for the Company's annual financial statements for the financial year ended September 30, 2010. KPMG LLP reports that they are independent from the Company in accordance with the Rules of Professional Conduct in Alberta, Canada.

Reserve and resource estimates incorporated by reference into this Prospectus are based upon reports prepared by Leslie S. O'Connor, President of MHA Petroleum Consultants LLC, who is considered a qualified reserves evaluator in accordance with NI 51-101 – *Standards of Disclosure for Oil and Gas Activities*. As of the date hereof, Ms. O'Connor beneficially owns, directly and indirectly, less than 1% percent of the securities of the Company.

Certain legal matters relating to the Offering will be passed upon by Fasken Martineau DuMoulin LLP, on behalf of the Company, and by Torys LLP, on behalf of the Underwriters. As of the date hereof, the partners and associates of Fasken Martineau DuMoulin LLP, as a group, and Torys LLP, as a group, do not own more than 1% of the issued and outstanding Common Shares.

RISK FACTORS

An investment in the Common Shares is highly speculative due to the high risk nature and stage of development of the Company's business, including the nature of the Company's involvement in the exploration for and the acquisition, development and production of oil and natural gas. Investors should consider carefully all of the information set out in this Prospectus and in the documents incorporated by reference herein and the risks attaching to an investment in the Company, including, in particular but not limited to, the factors set out below as well as under "Risk Factors" in the AIF, before making any investment decision. All statements regarding the Company's business should be viewed in light of these risk factors. Investors should consider carefully whether investment in the Common Shares is suitable for them in light of the information in this Prospectus and in the documents incorporated by reference and their personal circumstances. Such information does not purport to be an exhaustive list. If any of the identified risks were to materialize, the Company's business, financial position, results and/or future operations may be materially affected. Additional risks and uncertainties not presently known to the Company, or which the Company currently deems not to be material, may also have an adverse effect upon the Company and the Common Shares.

Risks Relating to the Farm-in Transaction

Possible Failure to Complete the Farm-in Transaction

The Farm-in Transaction is subject to normal commercial risks that the transaction may not be completed on the terms negotiated or at all. If closing of the Farm-in Transaction does not take place as contemplated, the Company could suffer adverse consequences, including the forfeiture of its \$500,000 deposit and the loss of investor confidence.

Etropole Concession may not be granted

Pursuant to the Term Sheet, it is anticipated that Direct Bulgaria will apply to the government of Bulgaria for the Etropole Concession on the basis of the results from the Etropole Test Well. However, there is no certainty that the Etropole Concession will be granted by the government of Bulgaria. If the Etropole Concession is not granted by the government of Bulgaria then, except in limited circumstances where Direct Bulgaria has been negligent, the Company will forfeit the entire Base Commitment.

In addition, there can be no certainty that, if granted, the Etropole Concession will cover a sufficient acreage so as to make the Farm-in Transaction profitable to the Company.

Nature of Acquisitions

Acquisitions of oil properties or companies are based in large part on engineering, environmental and economic assessments made by the acquiror, independent engineers and consultants. These assessments include a series of assumptions regarding such factors as recoverability and marketability of oil and gas, environmental restrictions and prohibitions regarding releases and emissions of various substances, future prices of oil and gas and operating costs, future capital expenditures and royalties and other government levies which will be imposed over the producing life of the reserves.

Many of these factors are subject to change and are beyond the control of the Company. All such assessments involve a measure of geologic, engineering, environmental and regulatory uncertainty that could result in lower production and reserves or higher operating or capital expenditures than anticipated. Although select title and environmental reviews are conducted prior to any purchase of resource assets, such reviews cannot guarantee that any unforeseen defects in the chain of title will not arise to defeat the Company's title to certain assets or that environmental defects, liabilities or deficiencies do not exist or are greater than anticipated. Such deficiencies or defects could adversely affect the value of the Common Shares.

Risks Relating to an Investment in the Common Shares of the Company

Market for the Common Shares

The market for the Common Shares has been subject to volume and price volatility which could negatively affect a shareholder's ability to buy or sell the Common Shares. The market for the Common Shares may be highly volatile for reasons both related to the performance of the Company or events pertaining to the industry (i.e. oil price fluctuation/high production costs) as well as factors unrelated to the Company or its industry such as changes to legislation in the countries in which it operates. In the last five financial years, the price of the Common Shares has fluctuated between \$0.05 and \$0.93. The Common Shares can be expected to continue to be subject to volatility in both price and volume arising from market expectations, announcements and press releases regarding the Company's business, and changes in estimates and evaluations by securities analysts or other events or factors. In recent years the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly small-capitalization companies such as the Company, have experienced wide fluctuations that have not necessarily been related to the operations, performances, underlying asset values, or prospects of such companies. For these reasons, the Common Shares can also be expected to be subject to volatility resulting from purely market forces over which the Company will have no control. Further, despite the existence of a market for trading the Common Shares in Canada, shareholders of the Company may be unable to sell significant quantities of Common Shares in the public trading markets without a significant reduction in the price of the Common Shares.

The Net Proceeds of the Offering may not be used in the manner described in this Prospectus

The Company currently intends to allocate the net proceeds from the Offering described under "Use of Proceeds" in this Prospectus. However, management will have discretion in the actual application of the net proceeds, and may elect to allocate proceeds differently from that described under "Use of Proceeds" if it believes it would be in the best interests of the Company to do as circumstances change. The failure by the Company to apply these funds effectively could have a material adverse effect on the business of the Company.

The Company has negative operating cash flow and may require additional funds to fund its exploration and development programs or acquisitions

The Company has limited financial resources and as at September 30, 2010, the Company had negative operating cash flow. Continued exploration efforts will likely require additional capital to help maintain and to expand exploration on the Company's principal exploration properties.

OTHER MATERIAL FACTS

There are no other material facts regarding the Company or the Common Shares being distributed that are not disclosed above or in the documents incorporated by reference herein.

STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission, revision of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal advisor.

AUDITORS' CONSENT

We have read the short form prospectus dated August ●, 2011 relating to the sale and issue of common shares of LNG Energy Ltd. (the "Company"). We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned short form prospectus of our report to the shareholders of the Company on the consolidated balance sheets of LNG Energy Ltd. as at September 30, 2010 and 2009 and the consolidated statements of operations and comprehensive loss, deficit and accumulated other comprehensive loss and cash flows for the years then ended. Our report is dated January 25, 2011.

●

Chartered Accountants

Calgary, Canada

August ●, 2011

CERTIFICATE OF THE COMPANY

This short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and New Brunswick.

Dated this 29th day of August, 2011.

(Signed) Dave C. Afseth
Chief Executive Officer and Chairman

(Signed) Danny Lee
Chief Financial Officer

ON BEHALF OF THE BOARD OF DIRECTORS

(Signed) David Cohen
Director

(Signed) Paul Larkin
Director

CERTIFICATE OF THE UNDERWRITERS

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and New Brunswick.

Dated this 29th day of August, 2011

PARADIGM CAPITAL INC.

By: (Signed) Kevin J. Smith
Managing Director, Investment Banking

CANACCORD GENUITY CORP.

By: (Signed) Craig G. H. Warren
Managing Director

FRASER MACKENZIE LTD.

By: (Signed) Scott Fleurie
Director

GMP SECURITIES L.P.

By: (Signed) Dan Tsubouchi
Vice-Chairman