



**Form 51-101 F1**

**Statement of Reserves Data**

**And Other Oil and Gas Information**

**As of September 30, 2012**

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## Glossary of Terms

Reserves	Estimated reserves of natural gas, natural gas liquids and crude oil.
Working interest	Those lands in which the Company receives its acreage share of net production revenues.
Gross reserves	Estimated reserves before royalties based on working interest.
Net reserves	Estimated reserves after royalties based on working interest.
Future net revenue	Working interest revenues after royalties, development costs, production costs and well abandonment costs, but before administrative, overhead and other such indirect costs. Future net revenue may be presented either before or after tax.
Proved reserve	Reserve that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.
Probable reserves	Reserve that is less certain than proved reserve at being recovered. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserve.
Developed reserve	Reserve that is expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (e.g. when compared to the cost of drilling a well) to put the reserves on production.
Producing reserve	Reserve that is expected to be recovered from completion intervals open at the time of estimate. The category of reserve may be currently producing or, if shut-in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty.
Non-prod. reserve	Reserve that either has not been on production, or has previously been on production, but is shut-in, and the date of resumption of production is unknown.
Stb/stock tank barrel	A 42-US gallon barrel of crude oil at standard conditions of 1 atmosphere and 60 °F.
M	Thousand (1,000).
Mbbl	1,000 barrels of oil and/or natural gas liquids.
MMBtu	A unit of heat energy equal to one million British thermal units.
Mcf	1,000 cubic feet of natural gas.
Bcf	One billion (1,000,000,000) cubic feet of natural gas
bbl or barrel	A 42-US gallon barrel of crude oil or natural gas liquids.
Undeveloped reserve	Reserve that is expected to be recovered from known accumulation where a significant expenditure is required to render them capable of production (e.g. in comparison to the costs of drilling a well). Such reserve must fully meet the requirements of the reserve classification to which they are assigned (proved or probable).

**Form 51-101 F1****Statement of Reserves Data and Other Oil and Gas Information for LNG Energy Ltd.****Part 1 Date of Statement**

Date of Statement: January 25, 2013  
Effective Date: September 30, 2012  
Preparation Date: January 25, 2013

**Part 2 Disclosure of Reserves Data**

Not applicable.

**Part 3 Pricing Assumptions**

Not applicable.

**Part 4 Reconciliations of Changes in Reserves**

Not applicable.

**Part 5 Additional Information Relating to Reserves Data**

Not applicable.

## **Part 6            Other Oil and Gas Information**

### **Item 6.1           Oil and Gas Properties and Wells**

#### ***Papua New Guinea (Onshore)***

The Company holds a 100% working interests in four Petroleum Prospecting Licenses (“PPL”) through permits received from the Minister of Petroleum and Energy for Papua New Guinea on November 20, 2008. The Company also holds a 100% working interest in one Petroleum Retention License (“PRL”).

The exploration properties are located in Southeastern Papua New Guinea in the Papuan Basin approximately 30 km southeast of the Southeastern Gobe oil and gas field. The Papua New Guinea Government has the option to take a 22.5% interest in the project. There is a 2% State Royalty rate and an income tax rate of 30% for gas and 45% for oil, on the interest.

In 2011 a “Sling” seismic program was located within PPL 319 in the lowlands of the Gulf Province of Papua New Guinea. The acquisition of 148 km of 2D seismic data was managed by GAMA ProjEx on behalf of LNG during the period April-June and October-December 2011. Helicopters and boats enabled access to all parts of the 148 km survey, which was comprised of 67 km of alluvial river flats around the Kikori River, 61 km of karst limestone and 20 km of volcanic terrain. The program was completed on time and under budget.

PPL 319 is located in a lowland area of the Papuan fold and thrust belt, on trend with proven oil and gas discoveries (SE Gobe, Lehi, Barikewa and Antelope). Despite the prospective location of the PPL 319 license, there has been little exploration activity in the 20 years prior to its acquisition by LNG. The Company’s new driven exploration efforts in PPL 319 include the Poroman seismic survey in 2010, which identified a large structure between PPL 319 and InterOil’s PPL 237, was also identified on the LNG’s 2010 HRAM/AIRGrav survey flown in 2010 by Sander Geophysics Ltd. The 2011-2012 “Sling” seismic survey was acquired 10-15 km east of the Barikewa gas field in another prospective area, also identified using gravity and magnetic data from the 2010 Sander’s survey.

PPL 319 contains proven, mature Late Jurassic (Kimmeridgian) Lower Imburu Fm. source rocks that are presently generating hydrocarbons from local kitchen areas. It is believed that PPL 319 contains clastic reservoirs of Lower Cretaceous-Upper Jurassic age (Toro-Hedinia-Iagifu sandstones), particularly in the western part and the Kikori Bend area of the PPL 319 Licence. The Company believes the presence of source, seal, reservoir and structural traps on PPL 319 are extremely prospective in this proven hydrocarbon trend.

This aeromagnetic/gravity survey and the reprocessed Base Resources 1988 Victory Junction seismic data identified another prospective area referred to by LNG as the “Kikori Bend” area near the western part of PPL 319, on trend with the Gobe oil field. The 2011-2012 Sling seismic survey was undertaken over the entire western section of PPL 319 including the Kikori bend area and clearly identified the Tuyuwopi prospect.

The extensional fault related prospects identified at Kikori Bend are early rift-related structures that exhibit little late stage structural movement. These preserved extensional traps have increased longevity and the proven Jurassic source rocks are in the oil window in this area. The traps are believed to have been charged early as oil was generated, have good top seals and are less likely to be affected by late stage uplift or subsequent gas charge. LNG believes the reservoir will be oil charged and is undertaking a

detailed analysis of the traps identified. As with many PNG discoveries, LNG anticipates multiple pay zones in the sandstone reservoirs of Lower Cretaceous-Upper Jurassic age.

Logistically, PPL 319's Kikori Bend area is strategically placed in the lowlands with river, road and helicopter access. It is in close proximity to Oil Search's existing crude export pipeline and the Exxon LNG Gas line ([www.pnglng.com](http://www.pnglng.com)) which traverse part of PPL 319. Also within PPL 319 is Kopi base, a hub for Exxon and Oil Search's oil and gas development activities. In a country where logistics often define economics, PPL 319 and specifically the Tuyuwopi prospect are favorably situated.

In January 2013, seismic operations in PPL 319 were commenced with the mobilization for a 22 km line (Tuyu Survey) to be acquired along the strike direction on the Tuyuwopi prospect. The Company made the decision to acquire this data in order to improve the imaging of the Tuyuwopi structure, further reduce geologic risk and advance the prospect to the next stage. The acquisition phase of the program is scheduled to be commenced in March 2013 with completion planned for early April 2013. The program is being financed through the recently announced sale of a 31.5% interest in the Company's subsidiary, Telemu No. 18 Limited, which holds the 4 PPLs.

#### PRL 13 and PPL 319

The Company applied for a renewal of PRL 13 and is yet to receive formal notification from the Minister of Petroleum and Energy as to the grant of an extension. The Register maintained by the Department of Petroleum and Energy records PRL 13 as having been extended until January 29, 2015. The PPLs have license terms from November 20, 2008 to November 19, 2014. The total expenditures on PRL 13 were \$148,251 for the year ended September 30, 2012. The total expenditures on PPL 319 were \$6,883,988 for the year ended September 30, 2012.

PPL 319 is divided into three main zones, separated by major faults, and each with different stratigraphy. PPL 319 lies towards the eastern end of the oil and gas producing fold belt in PNG, approximately 30 km southeast of the Southeast Gobe oil and gas field. The area has long been known for its gas seeps and nearby oil-impregnated limestone that outcrops in the Irou structure, 24 km to the northeast. Four wells have been drilled in the PRL 13 license area, all completed in the 1950's and testing a near-surface Miocene (Darai) carbonate play; the overall results showed minimal prospectivity in the hanging wall anticline. A possible footwall anticline has yet to be tested on PRL 13. Several wells drilled immediately to the north and west of the license indicate oil and gas prospectivity for the licensed area. Geologically, the Papua fold and thrust belt was formed in the Late Miocene to Pliocene and is thought to mainly comprise fault related thrust structures generated from the reactivation of extensional faults. Notably, the PPL 319 license lies mainly within the inversion belt, at the junction with and on strike with the NW-SE trending fold belt to the north, Aure Trough to the east and Gulf of Papua to the south.

Based upon the completed HRAM and gravity surveys in 2010, basement involved extensional structures were identified by modeling on PPL 319 east of the undeveloped Barikewa gas discovery. These extensional horst and graben style structures were not inverted by compressional Miocene-Pliocene tectonic events. These structures are believed to be much older structures that have the potential to have trapped oil earlier from the still existing and active kitchen area on PPL 319.

#### PPL 321

The license term is from November 20, 2008 to November 19, 2014. The total expenditures were \$141,338 for the year ended September 30, 2012.

PPL 321 is prospective for biogenic dry gas in the shallow reservoirs (Plio-Pleistocene) and thermogenic wet gas or oil in deeper reservoirs (Miocene). Methane to pentane (C1-C5) gas is found in Keram-1 Miocene and Pliocene sandstone and Miocene carbonates. Oil seeps were found as early as 1925 and a well was drilled to 825 meters that produced oil and gas near the Sepik River (Marienberg-1), proving the existence of a petroleum system. Large structurally inverted half grabens such as “Sunda” folds of Indonesia have been recognized on PPL 321 on existing 2D that have not been tested. These structural features have the potential to trap gas that has migrated after the uplift and inversion in the Miocene-Pliocene. Work is ongoing to interpret the existing 2D data that was reprocessed in 2012.

#### PPL 322

The license term is from November 20, 2008 to November 19, 2014. The total expenditures were \$83,198 for the year ended September 30, 2012.

PPL 322, in northwestern Papua New Guinea (PNG), covers the easternmost Aitape Basin and the Wewak Trough, as well as the northeastern Sepik Basin. Neither of the basins has a proven record of commercial hydrocarbon production, though light oil seeps with associated thermogenic gas indicate prospectivity for both oil and gas. The analysis of available data in the form of geological maps and previous exploration reports defined three exploration leads in the license areas. The Wapa’Alua Anticline is a structural lead prospective for oil and gas just to the east of the Barida structure in PPL 322. In both the Matapau and Forok leads, which are located around persistent oil seepages, a mature source system has been proven. The risk in this area is whether there is adequate presence of reservoir. The acquisition of HRAM and gravity over PPL 322 in 2010 has identified potential structures that were not previously recognized that will need 2D seismic data to develop into drillable prospects.

#### PPL 320

The license term is from November 20, 2008 to November 19, 2014. The total expenditures were \$83,646 for the year ended September 30, 2012.

PPL 320 is in northwestern PNG in the Aitape Basin, which has no proven commercial production. Light oil seeps outside the block southeast of Aitape and thermogenic gas seeps within the block indicate prospectivity for both oil and gas. Three exploration wells drilled on a sparse seismic grid in the early 1980’s proved the presence of Miocene Puwani limestone with reef debris and talus in the subsurface, but no in situ reef reservoirs have been positively identified. Fractured carbonates present a second potential reservoir objective within the block. The acquisition of HRAM and gravity in 2010 over PPL 322 has identified potential structures that were not previously recognized that will need 2D seismic data to develop into drillable prospects. The interpretation of 422km of 2D seismic data, stratigraphic analysis and four structural cross-sections have provided mapping and documentation of thirteen prospective exploration leads. The Pinyare and Barida Anticlines are structural leads with potential resource of 425 MM barrels of mean unrisks light oil in place and are located in the jungle foothills in eastern PPL 320. The Muru Anticline is a structural lead prospective for gas in western PPL 320.

#### ***Poland (Onshore)***

The Company holds a 20.18% interest in three concessions (Slupsk, Starogard and Slawno) held by its 20.18% owned subsidiary, Saponis Investments SP. z.o.o. (“Saponis”). The Company’s net acreage holdings in the three concessions total approximately 147,000 acres (730,000 gross acres).

This opportunity is primarily targeting an Ordovician/Silurian aged resource play within the Baltic Basin, consisting of gas shales with a minimum gross thickness of 1000 ft (300m) and a maximum gross

thickness of 3300 ft (1100m) over all three concession areas. The resource presence is defined by wells that have been extensively cored (core intervals exceed 1000 m) for both scientific and exploration purposes by Polish research institutes over the last 50 years. Sampling of existing well cores has been completed, with testing having been initiated within laboratories familiar with characterizing US based gas resource plays. Preliminary core test results and resource characterization have been extremely encouraging relative to known US shale gas arenas and have provided the technical rationale for participation.

During the year ended September 30, 2011, one well was drilled in each of the three concessions. The Lebork S-1 well was fracture stimulated and subsequent flowback resulted in gas being flared from each interval, although only a small percentage of the designed proppant quantity and concentration was placed. In the April of 2012, an injectivity test was performed on the Lebork S-1 to gather more data concerning the shale reservoir and its properties. The results of this test were inconclusive. LNG, along with the other partners in Saponis, continue to evaluate the results of the stimulation and injectivity test to better design and plan future stimulations in the event additional wells are drilled and completed by Saponis. Until such evaluations are complete, it has been decided to postpone indefinitely the Wytowno S-1 and Starogard S-1 hydraulic stimulations.

Work on the Saponis concessions has focused on the re-evaluation of data acquired from the 2010-2012 drilling and seismic programs and integration with data provided by offset operators through various data sharing agreements and trades. The Company continues to closely monitor the activity of operations underway by other license holders in the Baltic Basin. There are no current plans for significant capital expenditures for the balance of 2013. All current program work obligations have been met.

The Company also owns a 50% interest in two oil and gas concessions (Ilawa and Wegrow). The two concessions contain approximately 360,000 gross acres of which the Company has a net working interest of 180,000 net acres. The Ilawa and Wegrow license commitments requires the reprocessing of existing seismic data and the acquisition of 50km of 2D seismic on each license by June 2012. The acquisition of this 100km of seismic data was completed in May of 2012.

The Wegrow concession commitments require the drilling of a well to a depth of 2,750m by December 2013. The Ilawa concession commitments require the drilling of a well no later than Q4 2014.

The Ilawa concession has a thick section of Paleozoic shales with resource potential in the Silurian, Ordovician and Cambrian. Wells drilled to the north of the concession had shows of oil in the Silurian, Ordovician and Cambrian. The resource potential of the Ilawa concession will be for wet gas to oil. The Wegrow license contains three previously drilled wells that had shows or tested gas from sandstones in the Cambrian. The prospective shales in the younger Silurian will be have wet gas to oil potential resources.

Integration of the geological interpretation derived from the 100 km of 2D seismic program acquired on the Wegrow and Ilawa concessions in Q2 2012 continues. The Company has identified several areas of interest and is pursuing these areas as possible prospects to be considered.

### ***Bulgaria (Onshore)***

In September 2011, the Company entered into a farm-in transaction with a wholly owned subsidiary of TransAtlantic Petroleum Ltd. ("TransAtlantic"), to earn a 50% interest in a future production concession in Bulgaria. LNG is expected fund up to US\$20 million for a 50% undivided interest in the Etopole concession. The application for the Etopole concession has been submitted with the concession expected to be granted in second half of 2012. LNG has funded \$7,570,435 (US\$7,492,122) towards the drilling of a 3,190 meter (10,466 foot) exploration well on the A-Lovech exploration license in Bulgaria targeting

the Middle Jurassic Etropole formation. When the Etropole concession is granted, an additional US\$5 million is payable if the Etropole Concession is granted and covers not less than an aggregate of 300,000 acres. The remaining US\$7.5 million is expected to be used to drill a second well or for other exploration activities on the Etropole Concession after it has been granted.

The Peshtene R-11 well was successfully drilled to its total depth of 3,190 m in a total of 56 days, including 354 m of Etropole argillite. Numerous gas shows were recorded in the argillite, consisting of methane, ethane and propane (C1, C2, and C3). Over 289 m of the Jurassic age Etropole and Ozirovo whole core has been taken from the well.

As at September 30, 2012, LNG has advanced \$7,570,435 (US\$7,492,122) which was paid to TransAtlantic as a non-refundable deposit in respect of the Transaction. Recovery of costs in the Bulgaria property is uncertain and is dependent upon achieving commercial production or sale.

In January 2012, the Bulgarian Parliament enacted legislation which among other things, bans fracture stimulation in Bulgaria. Since the legislation creates uncertainty with respect to the ultimate cost recovery of the Company's assets in Bulgaria, the Company recorded an impairment loss of \$7,570,435 for the year ended September 30, 2012 as the recovery of costs in the Bulgarian property is uncertain.

The ban on hydraulic fracturing continues to be in place. Minor regulatory relief was granted in July 2012 through the removal of one of the restrictions imposed by the January decision but the Company has yet to receive permission from the Bulgarian Government to resume completion and testing operations on the Peshtene R-11 well. The Company continues to pursue a hearing of a special committee of the Ministry of Energy, Economy and Tourism ("MEET") to approve the completion procedure along with the broader re-submitted application for commercial discovery. No timetable is available for this hearing. TransAtlantic Petroleum, operator of the Bulgaria properties, has begun an Environmental Impact Assessment, which is a necessary component in the process to receiving the commercial discovery approval and ultimately a production concession.

The Company continues to assess the impact of the legislation to its operations in Bulgaria and has written down the Bulgarian assets pending progress on modification or lifting of the ban on hydraulic fracturing.

### ***United States (Onshore)***

The Company has a working interest in approximately 4,894 net acres in Alabama that have various expiry periods up to June 2015. There are no plans to carry out any additional exploration activities.

### **Item 6.1.2 Gross and net oil and gas wells:**

In Poland, the Company has a 20.18% net interest in three wells through its interest in Saponis Investments Sp zoo which were drilled as shale gas wells. Two of the wells have not yet been completed and the third well is waiting on a recompletion.

## Item 6.2 Properties with No Attributed Reserves

The Company's unproved properties, including those for which the Company expects its rights to explore, develop and exploit to expire within one year, are outlined in the following table:

Properties	Location	Company's Interest (%)	Acreage (Acres)	
			Gross	Net
<i>Papua New Guinea</i>				
PRL 13	Papua New Guinea	100	40,031	40,031
PPL 319	Papua New Guinea	100	500,388	500,388
PPL 322	Papua New Guinea	100	1,941,504	1,941,504
PPL 320	Papua New Guinea	100	1,160,899	1,160,899
PPL 321	Papua New Guinea	100	1,841,426	1,841,426
<b>TOTAL</b>			<b>5,484,248</b>	<b>5,484,248</b>
<i>Poland</i>				
Slawno	Poland	20.18	285,229	57,559
Slupsk	Poland	20.18	227,028	45,814
Starogard	Poland	20.18	217,023	43,795
Ilawa	Poland	50	184,242	92,121
Wegrow	Poland	50	175,897	87,948
<b>TOTAL</b>			<b>729,280</b>	<b>327,237</b>
<i>United States</i>				
Black Warrior Basin	Alabama	50-100	18,217	4,894

## Item 6.3 Forward Contracts

The Company has no forward sales contracts fixing the price of oil or natural gas.

## Item 6.4 Additional Information Concerning Abandonment and Reclamation Costs

The Company uses the industry's historical costs to estimate its abandonment and reclamation costs when available. If the representative comparison are not readily available, an estimate is prepared based on the various regulatory abandonment requirements.

As at September 30, 2012, the Company holds a 20% working interest in three test wells in Poland. Abandonment and reclamation undiscounted cash costs estimated for the three wells is approximately \$38,186 with an estimated abandonment date of 2026.

## Item 6.5 Tax Horizon

Canada: As of September 30, 2012, the Company has no revenue generating properties in Canada. LNG has available for deduction against future Canadian taxable income non-capital losses of approximately \$13.8 million.

United States: The Company has approximately \$12.0 million non-capital losses that can be carried forward to offset future US taxable income. The Company will be subject to a 35% federal and state income tax rate for fiscal years beginning in 2011.

## Item 6.6 Costs Incurred

	<u>Acquisition</u>	<u>Exploration</u>
<b><u>Poland</u></b>		
Saponis	\$ -	\$ 2,682,848
Joyce	-	444,807
Maryani	-	327,072
<b>Total</b>	<b>\$ -</b>	<b>\$ 3,054,727</b>
<b><u>Papua New Guinea</u></b>		
PRL 13	\$ -	\$ 148,251
PPL 319	-	6,883,988
PPL 320	-	83,646
PPL 321	-	141,338
PPL 322	-	83,198
<b>Total</b>	<b>\$ -</b>	<b>\$ 7,340,421</b>

## Item 6.7 Exploration and Development Activities

### *Poland*

Integration of the geological interpretation derived from the 100 km of 2D seismic program acquired on the Wegrow and Ilawa concessions in Q2 2012 continues. The Company has identified several areas of interest and is pursuing these areas as possible prospects to be considered.

Work on the Saponis concessions has focused on the re-evaluation of data acquired from the 2010-2012 drilling and seismic programs and integration with data provided by offset operators through various data sharing agreements and trades. The Company continues to closely monitor the activity of operations underway by other license holders in the Baltic Basin. There are no current plans for significant capital expenditures for the balance of 2013. All current program work obligations have been met.

### *Papua New Guinea*

The Company acquired 121km of 2D seismic data on PPL 319 during the twelve months ending September 30, 2012. The processing of the seismic lines is complete along with the initial interpretation and mapping of this prospective area including the identified Tuyuwopi structure.

Seismic operations in PPL 319 were recommenced in January 2013 with the mobilization for a 22 km line (Tuyu Survey) to be acquired along the strike direction on the Tuyuwopi prospect. The Company made

the decision to acquire this data in order to improve the imaging of the Tuyuwopi structure, further reduce geologic risk and advance the prospect to the next stage. The acquisition phase of the program is scheduled to be commenced in March 2013 with completion planned for early April 2013.

**Item 6.8      Production Estimates from October 1, 2011 to September 30, 2012**

Not applicable.

**Item 6.9      Production History**

Not applicable.