



LIQUEFIED NATURAL GAS LIMITED

ABN 19 101 676 779

**ANNUAL REPORT
FOR THE YEAR ENDED
30 JUNE 2010**

LIQUEFIED NATURAL GAS LIMITED

ABN 19 101 676 779

WHO WE ARE

Liquefied Natural Gas Limited (the “Company”) is an Australian public listed company, having had its shares admitted for official quotation on the Australian Stock Exchange on 14 September 2004. Liquefied Natural Gas Limited is the parent company to a number of subsidiaries (the “Group”).

The Company brings the concept of mid-scale liquefied natural gas (“LNG”) projects to the international energy market in providing an “Energy Link” between smaller proven gas reserves than required for traditional large scale LNG projects, and existing LNG buyers and new niche energy markets seeking LNG as an alternative fuel.

OUR OBJECTIVE

Our objective is to create wealth for our shareholders by combining innovation, enterprise and leading edge technology. We aim to become the leader in the mid-scale LNG sector of the international energy market by identifying and then supplying “fast-track” energy solutions to both gas suppliers and energy users who would otherwise not have access to natural gas or have a mismatch of LNG supply and demand due to the long lead time to develop major LNG projects.

The Company will achieve this by:

- Securing market leadership in the mid-scale LNG sector;
- Satisfying the needs of our customers on a competitive and reliable basis;
- Contributing to growth and economic development in the countries in which we operate;
- Placing a strong emphasis on both creating a safe working environment and protecting the environments in which we operate; and
- Strategic participation in natural gas resources that may provide gas feedstock for the Company’s LNG projects.

OUR LOGO

We chose the “**RED ANT**” as our logo because it is distinctive and bold and represents *strength, energy, hard work and perseverance* - characteristics we want to be trademarks of our corporate culture.

LIQUEFIED NATURAL GAS LIMITED
ABN 19 101 676 779

CONTENTS

	Page No.
Corporate Directory	1
Chairman and Managing Director's Report	2
Directors' Report	6
Corporate Governance Statement	28
Statement of Comprehensive Income	35
Balance Sheet	36
Statement of Changes in Equity	37
Cash Flow Statement	38
Notes to the Financial Statements	39
Auditors' Independence Declaration	87
Directors' Declaration	88
Independent Audit Report	89
ASX Additional Information	91

LIQUEFIED NATURAL GAS LIMITED

CORPORATE DIRECTORY

LIQUEFIED NATURAL GAS LIMITED

ABN 19 101 676 779

DIRECTORS

Phillip John Harvey, Non-Executive Chairman
Fletcher Maurice Brand, Managing Director & Chief Executive Officer
Richard Jonathan Beresford, Non-Executive Director
Leeanne Kay Bond, Non-Executive Director
Paul William Bridgwood, Director & Chief Technical Officer
Norman Marshall, Director & Chief Financial Officer

COMPANY SECRETARY

David Michael Gardner

REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

Ground Floor, 5 Ord Street
Perth, WA, 6005
Telephone: +61 (0) 8 9366 3700
Facsimile: +61 (0) 8 9366 3799

BRISBANE OFFICE

Level 18, 333 Ann Street
Brisbane, QLD, 4000
Telephone: +61 (0) 7 3232 1111
Facsimile: +61 (0) 7 3232 1200
Email: LNG@LNGlimited.com.au
Website: www.lnglimited.com.au

AUDITORS

Ernst & Young
The Ernst & Young Building
11 Mounts Bay Road
Perth, WA, 6000

SOLICITORS

Wright & Cooney
1/103 Colin Street
West Perth, WA, 6005

BANKERS

ANZ Banking Group
77 St Georges Terrace
Perth, WA, 6000

SHARE REGISTER

Advanced Share Registry Services Pty Ltd
150 Stirling Highway
Nedlands, WA, 6009
Telephone: +61 (0) 8 9389 8033
Facsimile: +61 (0) 8 9389 7871

ASX CODE

LNG

LIQUEFIED NATURAL GAS LIMITED

CHAIRMAN AND MANAGING DIRECTOR'S REPORT FOR THE YEAR ENDED 30 JUNE 2010

The year in review comprised two distinct phases as the Company progressed its first mid-scale liquefied natural gas ("LNG") project, utilising the Company's wholly owned and Australian developed OSMR[®] liquefaction technology.

GLADSTONE "FISHERMAN'S LANDING" LNG PROJECT (QUEENSLAND, AUSTRALIA)

In the first phase, during 2009 and up to March 2010, the Company made substantial progress on the development of its planned 3 million tonnes per annum ("mtpa") LNG project at Fisherman's Landing, in the Port of Gladstone, Queensland, Australia ("Gladstone LNG"), including:

- Execution of an Agreement to Lease with Gladstone Ports Corporation Limited over the Gladstone LNG project site (30 year lease term);
- Procurement of substantially all material approvals and licenses necessary for Gladstone LNG, to proceed to final investment decision ("FID") and construction. The only material outstanding approval is the Petroleum Facilities Licence. The Licence application has been lodged and is now with the approving authority;
- Environmental approval for 2 LNG trains, each of 1.5 mtpa LNG production capacity, and a project site capable of accommodating 4 LNG trains, each of around 1.75 mtpa LNG production capacity, subject to gas supply and further environmental and other approvals;
- Completion of front end engineering and design and commencement of detailed design;
- The obtaining of a US\$720 million fixed price engineering, procurement, construction and commissioning proposal for all land based components of Gladstone LNG, with such proposal including completion and performance guarantees;
- Appointment of Golar LNG Limited and Toyota Tsusho Corporation as LNG buyers for the first 1.5 mtpa of LNG production;
- Ongoing advancement of a gas supply agreement with Arrow Energy Limited ("Arrow") for gas supply to the first LNG train (together with an option to supply gas to a further LNG train); and
- In October 2009, the Company commenced early site works and in early 2010 planning had advanced to the stage where, subject to final gas supply arrangements and funding, Gladstone LNG was capable of achieving FID on its project scope.

In late 2009, Arrow and the Company determined that increased integration of gas supply and the LNG project was required to enhance the bankability of the overall project and more closely align the interests of each party. While substantial progress was made in determining a suitable more integrated project structure, in early 2010 the Company further determined that a fully integrated project was required to appropriately manage and optimise the overall project delivery and attract a strategic partner.

Following a detailed review, taking into consideration numerous project delivery factors and risks, the directors were of the view that the sale, to Arrow, of Gladstone LNG (via the sale of 100% of the Company's special purpose project company "Gladstone LNG Pty Ltd") would maximise value for the Company's shareholders and reduce the overall project delivery risks. In early 2010, Arrow and the Company entered into a Heads of Agreement for the sale of Gladstone LNG to Arrow.

By March 2010, the Gladstone LNG sale agreements were close to final form, but Arrow became the subject of a conditional takeover proposal from Shell/PetroChina, for 100% of Arrow. Notwithstanding the advanced nature of the definitive sale agreements, Arrow requested that progression of the sale transaction be placed on hold, pending clarification of the position in relation to the Shell/PetroChina takeover proposal. Shell/PetroChina were subsequently successful in acquiring 100% of Arrow and as a consequence the Gladstone LNG sale transaction was terminated.

LIQUEFIED NATURAL GAS LIMITED

The Company then entered into a new project development phase and strategy. While termination of the sale transaction was without question a setback, the Company immediately commenced a detailed review of all gas supply alternatives, including various contractual structures (gas sale agreements, tolling arrangements, etc) and ownership structures (separate, partially integrated and fully integrated). In tandem, the Company commenced a comprehensive review of potential strategic partners, as project investors and LNG buyers.

Following completion of the gas and strategic partner reviews, the Company has progressed discussions with several potential gas suppliers and strategic partners. However, achieving a definitive position with such parties is proving slower than anticipated due to the ongoing rationalisation of the Queensland gas to LNG industry, including rescheduling of major LNG project delivery programs and changes in project ownership.

Notwithstanding the changing shape of the Queensland gas to LNG industry, the Company remains confident that the smaller scale and advanced nature of Gladstone LNG positions the project well to be an integral part of the industry's future. Furthermore, the Company is confident that all the ground work undertaken in relation to Gladstone LNG, including progression of gas supply and strategic partner opportunities, will result in all material project requirements being achieved this financial year to enable Gladstone LNG to proceed to FID and construction.

Gladstone LNG remains the Company's primary focus and the Company is of the strong view that Gladstone LNG will not only validate the Company's LNG business model but also change the way many future LNG projects are developed, particularly as it relates to the commercialisation of gas discoveries, including coal seam gas, that are too small to underwrite traditional larger scale LNG projects.

OTHER LNG PROJECTS

The Company continues to identify and review other LNG project opportunities, including potential projects in Australia, Papua New Guinea and Indonesia, which have the characteristics suitable for the Company's LNG business model.

Based on recent experience, the Company has made a strategic decision that it needs to have increased influence or control over potential gas resources, to enhance overall project structuring and delivery. Subsequent to year-end, the Company has, through its wholly owned subsidiary "CSG Nominees Pty Ltd":

- Acquired 12,604,412 shares (5.03%) in Metgasco Limited ("Metgasco"), which has conventional and coal seam gas acreage in Northern New South Wales (near Casino) and the following independently certified gas reserves:

Gas Reserves	Petajoules
1P (Proven)	2.7
2P (Proven and Probable)	397
3P (Proven, Probable and Possible)	2,239

Metgasco's gas permit areas are strategically located for gas supply to New South Wales, Brisbane, Queensland and potentially Gladstone, Queensland. Metgasco has internally estimated a contingent resource of over 15,000 petajoules.

- The Company has executed an agreement with Metgasco to jointly study the feasibility of a gas to LNG project. The joint study will include the viability of gas supply, transportation, liquefaction and sale of LNG from Metgasco's 100% owned coal seam gas reserves and conventional gas resources in the Clarence Moreton Basin, to the Company's 100% owned Gladstone LNG Project, at Fisherman's Landing, Port of Gladstone, Queensland. The study will also include the option of gas supply to other potential LNG project sites being assessed in Queensland.
- Acquired 19,283,004 shares (7.3%) in Oil Basins Limited, which has prospective oil and gas interests in the offshore Gippsland (Victoria) and Carnarvon (Western Australia) basins and onshore Canning Basin (Western Australia). The funds raised are to be applied by Oil Basins Limited to its ongoing gas exploration activities, including the drilling of an exploration well to acquire a 90% interest in Backreef 1, in the Canning Basin.

LIQUEFIED NATURAL GAS LIMITED

Oil Basins Limited's Carnarvon and Canning Basin interests are located in the well established LNG precinct in North West, Western Australia.

The Company will work with Metgasco Limited and Oil Basins Limited as they progress their gas exploration and development activities and continue to evaluate the strategic benefit of the investments, including the possibility of liquidating or increasing the shareholdings. The Company will also continue to evaluate other gas investment opportunities where the potential exists for gas to LNG projects.

Such investment opportunities will be assessed against the Company's mid-scale LNG business model, including the OSMR[®] process, which is centred on delivering four key principles, relative to traditional larger scale LNG projects, being:

- lower capital cost;
- improved energy efficiency;
- shorter development and construction schedule; and
- lower carbon emissions and overall environmental impact.

OSMR[®] LNG TECHNOLOGY

The Company continues to further its Australian and international patents over its OSMR[®] process which covers two engineering design features and materially improves overall liquefaction plant efficiency and capital and operating costs. The two applications are:

- "A Method and System for Production of Liquid Natural Gas"; and
- "Boil-Off Gas Treatment Process and System".

The OSMR[®] process utilises proven single mixed refrigerant, combined heat and power and auxiliary refrigeration technology to deliver a highly efficient liquefaction process.

The Company is now actively marketing its OSMR[®] process and to date has received considerable interest in the technology. The marketing program includes consideration of direct licensing of the technology to LNG project proponents, special purpose joint ventures for specific LNG projects and sell down of an interest in the technology.

FINANCIAL RESULTS AND FUNDING

During the financial year the Company expensed all project development expenditure, in compliance with the Board's policy to expense all development expenditure until such time as the Board is satisfied that firstly, all material issues in relation to a project have been adequately identified and addressed, to the extent possible, and secondly, there is a high probability of the project achieving financial close and proceeding to development, within a reasonable period.

This includes \$38.6 million expended on the development of Gladstone LNG, as at 30 June 2010. Subject to the directors being satisfied that all material project development issues have been satisfied or are capable of being achieved, then the Company will commence capitalising all related development expenditure.

During the financial year, the Company:

- raised \$17,907,000 (excluding broker fees) through the issue of 14,325,600 fully paid ordinary shares at \$1.25 per share, under a Share Purchase Plan; and
- raised approximately \$29,400,000 through the issue of 23,500,000 fully paid ordinary shares, under a new share placement ("the Placement").

The Placement was significantly oversubscribed, with strong support from a range of existing and new institutional investors, which augers well for the Company's business model.

The net loss after income tax of the Group, excluding non-controlling interest, for the financial year ended 30 June 2010 totalled \$42,067,675.

LIQUEFIED NATURAL GAS LIMITED

During the financial year, through its wholly-owned subsidiary, Gas Link Global Limited, the Company received US\$1,002,140 for the sale of its interests in PPL No 240 and PRL No 10 to Oil Search (PNG) Limited.

As at 30 June 2010, the Group had available cash of \$22,612,372 (including term deposits) which the Company will continue to apply to its LNG project identification and development activities and strategic investments in gas companies that have the potential to supply gas for future LNG projects.

ENVIRONMENTAL

During the financial year and to the date of this report, the Company's only on-site activities related to Gladstone LNG. The Company has been, and as at the date of this report is, in compliance with all its environmental requirements.

OCCUPATIONAL HEALTH AND SAFETY

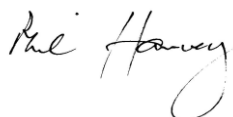
The Company has in place an Occupational Health and Safety Policy. During the financial year and to the date of this report the Company is not aware of any existing or pending reportable incident.

BUSINESS OUTLOOK

Despite the significant setback on moving forward into the full construction phase at Gladstone LNG, the strategic value of the site and all the work completed to date on the site, make it a valuable asset for the Company.

The Company's challenge is to unlock that strategic value in order to maximise shareholder wealth. The directors are confident that this will be successfully concluded during this financial year.

We take this opportunity to thank our fellow directors, management and all members of our staff for their strong and enthusiastic support during the year, notwithstanding the challenging events, and we look forward to restoring shareholder value for all shareholders in this financial year.



P.J. Harvey
Chairman
29 September 2010



F.M. Brand
Managing Director
29 September 2010

LIQUEFIED NATURAL GAS LIMITED

DIRECTORS' REPORT

Your directors submit their report for the year ended 30 June 2010.

1. DIRECTORS

The names and details of the Company's directors in office at any time during the financial year and until the date of this report are as follows. Directors were in office the entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

Mr. Phillip John Harvey

- Chairman

BE (Hons), Dip NAAC, BCom, FAICD

Phil Harvey attended Perth Modern School, and completed degrees in engineering and commerce at the University of Western Australia. Initially employed by the State Electricity Commission, he worked on many aspects of energy planning and supply in Western Australia. He was appointed Deputy Commissioner and a Board member of SECWA in 1986.

In 1994, he was appointed the initial Chief Executive Officer of AlintaGas. During his term as CEO, AlintaGas was transitioned from a Western Australian Government owned gas business to an ASX listed company. Phil retired from full time employment after AlintaGas listed in 2001. During his term as CEO of AlintaGas, Phil also served two years as Chairman of the Australian Gas Association.

Phil has been Chairman of the Government Employees Superannuation Board since 2003, and is also a member of the WA-ERA Board.

Phil was a director of Cool Energy Ltd for a period of 6 months during 2009. He has not been a director of any other listed companies during the three years prior to 30 June 2010.

Mr. Fletcher Maurice Brand

- Managing Director and Chief Executive Officer

FAICD, FAIM

Maurice is the founder, Managing Director and Chief Executive Officer of the Company, which listed on the ASX in September 2004.

Liquefied Natural Gas Limited has introduced to the LNG industry a fast track and innovative approach to the establishment of mid scale LNG plants which are cost competitive with larger traditional scale LNG plants.

Maurice has extensive experience in the global energy industry spanning over 25 years and having been responsible for energy related projects in Australia, Indonesia and India.

Maurice has not been a director of any other listed companies during the three years prior to 30 June 2010.

Mr. Richard Jonathan Beresford

- Non-Executive Director

BSc (Mechanical Engineering), MSc (Technology and Development), FAIE, FAICD

Richard Beresford has over 27 years experience in the international energy industry spanning research, technology commercialisation, strategic planning, operations, consultancy, business development, acquisitions, marketing and general management.

Richard spent 12 years with British Gas plc, including 3 years in London managing a portfolio of downstream gas and power generation investments in Asia and 4 years in Jakarta as Country Manager. He joined Woodside Petroleum Limited in 1996 where he became General Manager, Business Development, then Managing Director of Metasource, Woodside's green energy subsidiary, until 2001. Richard was Head of Gas Strategy and

LIQUEFIED NATURAL GAS LIMITED

Development of CLP Power Hong Kong Limited from January 2005 to March 2007, and has subsequently been retained as an adviser.

Richard is currently the Managing Director of ASX listed Green Rock Energy Limited, a company focused on becoming a major developer of geothermal energy properties. Richard has held this position since February 2010 and prior to this appointment, he was a non-executive director of Green Rock from September 2008.

Richard is currently a non-executive director of ASX listed Eden Energy Limited and has been since May 2007.

Ms. Leeanne Kay Bond

- Non-Executive Director (Appointed as s director on 20 October 2009)

BE (Chem), MBA, FIEAust, GAICD

Leeanne is a professional company director with board roles in the energy and water sectors.

Leeanne has qualifications in engineering and management, and 24 years experience across a broad range of industrial sectors including energy, minerals, infrastructure and water resources.

From 1996 to 2006 Leeanne held a number of management roles with Worley Parsons in Queensland including General Manager Hydrocarbons and Development Manager (Qld), where she negotiated project alliances and supervised contracts and projects with many Australian and international companies.

Leeanne is a non-executive director of Tarong Energy Corporation, one of Queensland's most significant power generators, with the capacity to deliver up to 25 per cent of the State's power needs.

She is also a board member of the Queensland Bulk Water Supply Authority (Seqwater), a water service provider in the southeast Queensland region. She is the sole director and owner of Breakthrough Energy Pty Ltd, a private consulting firm

Leeanne was the National Professional Engineer of the Year for Engineers Australia in 2007, and was awarded the Shedden Uhde Medal for services to the profession of Chemical Engineering at the World Congress of Chemical Engineering in Melbourne in 2000.

Leeanne has not been a director of any other listed company during the past three years.

Mr. Paul William Bridgwood

- Director and Chief Technical Officer

BAppdSc (Mechanical Engineering)

Paul Bridgwood is a mechanical engineer with over 30 years experience in the energy and resource industries, including offshore and onshore oil and gas, power generation, LNG and related energy projects.

Paul was the Project Leader on all major projects for Energy Equity Corporation from 1987 to 2000. Such projects included the Alice Springs/Yulara LNG to power project, 55 MW Barcaldine integrated gas-fired power project, 135 MW integrated gas-fired power project in Indonesia and several IPPs in India.

In the LNG field, Paul has developed techno-economic improvements to small and mid scale LNG production, transport and customer station facilities over a period of 20 years. This work included the development of innovative design improvements to LNG processes, storage, and LNG transport systems to reduce the delivered cost of LNG.

Paul is the originator of the OSMR[®] liquefaction processes used by LNG Ltd for which international patent applications have been made. He led the FEED process for the Gladstone LNG Project which resulted in a capital cost reduction of half compared to competing LNG Projects.

Paul has not been a director of any other listed companies during the three years prior to 30 June 2010.

LIQUEFIED NATURAL GAS LIMITED

Mr. Norman Marshall

- Director and Chief Financial Officer

MAppdFin, MAICD

Norm Marshall has over 28 years experience in banking and finance, treasury management and contract negotiation, documentation and compliance work.

Norm had 20 years with the Commonwealth Bank of Australia and was the bank's Head of Institutional Banking, Western Australia from 1996 to 2001, being the investment banking arm of the bank responsible for all its corporate, project, financial institution and international clients.

Norm's banking and finance experience includes corporate, project and tax based financing, capital markets issues, treasury management, risk and financial analysis and management, credit management and recovery, business development, credit documentation and compliance and division budgeting and planning.

Norm was the former Chief Financial Officer and General Manager, Finance and Commercial for Portman Mining Limited. Responsibilities encompassed financial planning and budgeting, capital management, treasury management, business development, including mergers and acquisitions, project analysis and feasibility studies and contract negotiation, documentation and compliance.

Norm has not been a director of any other listed companies during the three years prior to 30 June 2010.

Mr. William Thomas Hornaday

- Non-Executive Director (Resigned as a director on 26 November 2009)

BSc (Mechanical Engineering)

Bill Hornaday has over 35 years experience as an international executive with extensive experience in the development and operation of integrated energy projects, particularly in developing countries.

Bill is the Chief Operating Officer and Director of Niko Resources Limited, a Canadian public company which has its core business focus and operations in India, Pakistan, Bangladesh, Iraq, Madagascar, Trinidad and Tobago and Indonesia.

Bill has worked for both small and large companies in Canada, Indonesia, Australia and India, and has significant experience in oil and gas exploration, production and operations and gas fired power plants, covering project evaluation, financing, development, commissioning and operation.

Mr. Gary Malcolm Smith

- Non-Executive Director (Resigned as a director on 18 December 2009)

BE (Mechanical Engineering), MSc. (Chem Engineering and Chem Technology)

Gary Smith has an extensive background in the petroleum industry. In July 2009 Gary resigned from his position as Chief Executive Officer of Golar Management Limited, the management company for the world's largest independent owner of LNG transportation, with over 30 years experience in the global LNG industry. Golar LNG Limited is the only shipping company dedicated exclusively to LNG transportation and is a recognised market leader. Gary remains the deputy chairman of Golar LNG Energy Limited and in August 2009, was appointed as General Manager Refining of Caltex Australia Ltd.

Before commencing his position with Golar LNG Limited, Gary was General Manager Commercial Shipping for Shell Trading & Shipping Co in London. In this position Gary worked closely with existing LNG projects and LNG trading activities and supported the development of several new LNG projects. Gary also served as President and Director of Society of International Gas Tanker & Terminal Operators during the period from 2002 to 2005.

Gary has not been a director of any other listed companies in the three years prior to 30 June 2010.

LIQUEFIED NATURAL GAS LIMITED

Mr. Nicholas Paul Davies

- Non-Executive Director (Resigned as a director on 17 March 2010)

BSc (Hons Maths/Eng)

Nick Davies has over 25 years oil and gas industry experience in upstream development, strategic planning, new business development and marketing.

Until 1 May 2010 Nick was the Chief Executive Officer of Arrow Energy Limited, and prior to this, he was the company's Managing Director. Since May, Nick has been executive director of Arrow Energy and non-executive Chairman of the newly formed Dart Energy Limited.

Prior to joining Arrow Energy, Nick was President of BP's Asia Pacific Gas and Power business headquartered in Tokyo and immediately prior to that was President of Atlantic Richfield Company (ARCO) South-East Asia, based in Singapore.

Nick holds an Honours degree in Mathematics from the University of Nottingham in the UK.

Nick was formerly a director of CH4 Gas Limited.

Mr. Stephen Grant Bizzell (as alternate director to Mr. Nicholas Paul Davies)

- Non-Executive Director (Resigned as an alternate director on 17 March 2010)

BCom, ACA

Stephen Bizzell was a co-founder of Arrow Energy Ltd and has been an Executive Director of Arrow Energy since 1999.

He is a Chartered Accountant and early in his career, he was employed in the Corporate Finance division of Ernst & Young and the Corporate Taxation division of Coopers and Lybrand. He has had considerable experience and success in the fields of corporate restructuring, debt and equity financing and mergers and acquisitions and has over 15 years corporate finance and public company management experience in the resources and energy sectors in Australia and Canada with various public companies. He is also Chairman of boutique investment banking and funds management group, Bizzell Capital Partners Pty Ltd.

Stephen is a Chairman of Renison Consolidated Mines NL, a non executive director of Bow Energy Ltd, Hot Rock Ltd, Stanmore Coal Ltd, Apollo Gas Ltd and Dart Energy Ltd.

Stephen was also a former director of CH4 Gas Ltd.

Mr. David Michael Gardner

- Company Secretary

BComm, ACA, ACIS

David is a Chartered Accountant and Chartered Secretary and commenced his career with Ernst & Young in Business Services in Brisbane and Melbourne.

With over 16 years experience in the accountancy profession, David joined the Company after 6 years in the land development industry. Responsibilities included all areas of compliance, financial reporting, tax planning, project analysis and treasury together with corporate governance.

David is also currently a Director, Chief Financial Officer and Company Secretary of Gas Link Global Limited within the Liquefied Natural Gas Limited Group.

David has not been a director of a listed company during the three years prior to 30 June 2010.

LIQUEFIED NATURAL GAS LIMITED

Interest in the shares and options of the Company and related bodies corporate

At the date of this report, the interest of the directors in the shares and options of Liquefied Natural Gas Limited were:

Name of director	Number of ordinary shares	Number of unlisted "B" class redeemable preference shares	Number of unlisted options over ordinary shares
P.J. Harvey	3,400,394	-	-
F.M. Brand	12,769,742	-	-
R.J. Beresford	369,692	-	-
L.K. Bond	-	-	-
P.W. Bridgwood	13,290,040	-	-
N. Marshall	1,107,692	-	2,250,000

Note: All "B" class redeemable preference shares were redeemed and cancelled during the year. Refer to note 26 for details.

Directors meetings

During the year, twenty directors meetings were held. The number of meetings attended by each director and the number of meetings held during the financial year were as follows:

	Board of Directors meetings		Remuneration Committee meetings		Audit Committee meetings		Nomination Committee meetings	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
P.J. Harvey	20	18	3	3	3	2	2	2
F.M. Brand	20	20	3	3	3	3	2	2
R.J. Beresford	20	20	3	3	3	3	2	2
L.K. Bond	16	16	-	-	2	2	-	-
P.W. Bridgwood	20	16	-	-	-	-	-	-
N. Marshall	20	18	-	-	2	1	-	-
W.T. Hornaday	5	2	-	-	-	-	-	-
G.M. Smith	7	3	-	-	-	-	-	-
N.P. Davies	15	5	-	-	-	-	-	-
S.G. Bizzell #	4	2	-	-	-	-	-	-

As an alternate director for Mr. N.P. Davies.

Only Mr P.J. Harvey, Mr R.J. Beresford, Mr F.M. Brand, Mr N. Marshall and Mr P.W. Bridgwood were eligible to attend all directors meetings held.

Remuneration Committee

The Remuneration Committee was established on 28 June 2004 and comprises Mr P.J. Harvey (Chairman) and Mr R.J. Beresford with Mr F.M Brand invited to attend all meetings. No additional fees are paid for participation in the Remuneration Committee.

Audit Committee

The Audit Committee was established on 14 May 2004 and comprises Mr P.J. Harvey (Chairman) and Mr R.J. Beresford. Mr F.M. Brand and Mr N. Marshall are invited to attend all meetings. No additional fees are paid for participation in the Audit Committee.

Nomination Committee

The Nomination Committee was established on 14 September 2007 and comprises Mr P.J. Harvey (Chairman), Mr R.J. Beresford and Mr F.M. Brand. No additional fees are paid for participation in the Nomination Committee.

LIQUEFIED NATURAL GAS LIMITED

2. PRINCIPAL ACTIVITIES

The principal activity of the entities within the Group during the financial year was the identification and progression of opportunities for the development of LNG projects to facilitate the production and sale of LNG.

3. OPERATING AND FINANCIAL REVIEW

(a) Financial Results

The net loss after income tax of the Group (excluding non-controlling interest) for the financial year ended 30 June 2010 totalled \$42,067,675 (2009: \$22,312,682). This equates to a loss of 21.16 cents (2009: 15.11 cents) per 198,824,099 (2009: 147,644,523) weighted average ordinary shares on issue during the year ended 30 June 2010.

During the financial year the Company expensed all project development expenditure, in compliance with the Board's policy to expense all development expenditure until such time as the Board is satisfied that all material issues in relation to a project have been adequately identified and addressed, to the extent possible, and there is a high probability of the project achieving financial close and proceeding to development, within a reasonable period.

(b) Review of Financial Condition

Capital structure

During the financial year through a share placement and Share Purchase Plan, the Company raised \$47,282,000 through the issue of 37,825,600 fully paid ordinary shares at an issue price of \$1.25 per share.

In addition, during the financial year 6,445,000 ordinary shares were issued to employees and directors on the exercise of options. The funds raised were applied to the financing of prospective LNG production projects being advanced by the Company. Since the end of the financial year, no further ordinary shares were issued to employees or consultants on the exercise of options.

As at the date of this report the Company had 213,339,015 fully paid ordinary shares of which all were listed for quotation on the Australian Stock Exchange ("ASX").

Cash from operations

During the year the Company generated no cash flow from operating activities, with cash receipts primarily comprising proceeds from the exercise of options, research and development concession rebate, refunds of GST, interest on cash deposits with banks and proceeds from the issue of shares. The Group places its cash with three high quality Australian financial institutions with Standard and Poor's credit ratings of: short-term: A-1+ and long-term: AA.

Cash during the year was primarily applied to the advancement of the Company's Gladstone LNG Project.

Liquidity and funding

As at 30 June 2010, the Group had available cash of \$22,612,372 (2009: \$13,455,934) (including term deposits) to continue to apply to progression of its core activities, being the advancement of its prospective LNG production projects and LNG process, storage and shipping research and development programs.

Treasury policy

The Group incurs costs in several currencies, including Australian dollars, United States dollars, and Indonesian rupiah. Given the low value of such foreign currency expenditure, the Company's policy is not to hedge and accept the prevailing exchange rate on the date of payment.

However, as one or more LNG production projects progress to financial close and the Company's foreign currency expenditure commitments increase, and the timing of such payments have an acceptable degree of

LIQUEFIED NATURAL GAS LIMITED

certainly, the Company will establish a Treasury Committee to actively monitor the Company's exposure to foreign currency exchange rate movements, including availability of natural hedges (e.g. matching foreign currency receipts and expenditure) and consider the implementation of foreign currency hedging instruments to mitigate potentially unfavourable foreign exchange rate movements.

As the majority of each LNG production project's income will be in United States dollars, the Company will, to the extent possible, endeavour to maximise the use of natural hedges (e.g. borrowing and expenditure in United States dollars).

The Company's policy for cash on deposit is to hold the majority of such cash with major Australian banks.

4. DIVIDEND

The directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend to the date of this report.

5. SHARE OPTIONS

Un-issued shares

At 30 June 2010 there were 8,990,000 (2009: 16,335,000) un-issued ordinary shares under options (including 450,000 contingent options) and 10,235,000 at the date of this report. Refer to note 26 of the financial statements for further details of the options outstanding.

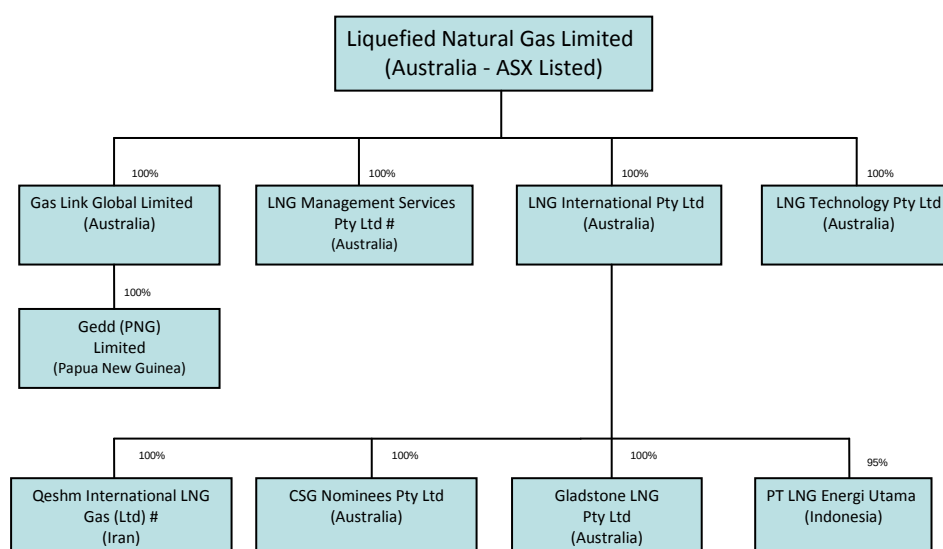
Option holders do not have any rights, by virtue of options, to participate in any share issue of the Company or any related bodies corporate.

Shares issued from the exercise of options

During the financial year, directors, employees and consultants exercised options to acquire 6,445,000 (2009: 3,740,000) fully paid ordinary shares in the Company at a weighted average exercise price of \$0.432 (2009: \$0.311). Since the end of the financial year to the date of this report, no further options have been exercised by directors, employees or consultants.

6. CORPORATE STRUCTURE

Liquefied Natural Gas Limited is a company limited by shares and is incorporated and domiciled in Australia. The Company has prepared a consolidated financial report incorporating the entities that it controlled during the financial year, which are set out in note 28. The Group's corporate structure as at 30 June 2010 was as follows:



These companies had no activities during the financial year.

LIQUEFIED NATURAL GAS LIMITED

7. LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Likely developments and expected results are covered in the Chairman and Managing Director's Report.

8. ENVIRONMENTAL REGULATION AND PERFORMANCE

The Queensland Department of Environment and Resource Management ("DERM") has granted an Environmental Authority ("EA") to the Company in relation to its Gladstone LNG Project. The EA sets out the conditions under which the Company is required to:

- Construct and operate the LNG plant at Fisherman's Landing;
- Minimise the likelihood of any environmental harm;
- Carry out and report on various monitoring programs; and
- Carry out any remediation works once the design life of the plant has been reached.

9. REMUNERATION REPORT (AUDITED)

The information in this section is audited.

This report outlines the director and executive remuneration arrangements for the Company and the Group in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purposes of this report, Key Management Personnel ("KMP") of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the Company, and includes the five executives of the Company and the Group receiving the highest remuneration.

For the purposes of this report, the term "executive" encompasses the executive directors and senior executives of the Company and the Group.

(a) Details of Key Management Personnel (including the five highest paid executives of the Company and the Group)

(i) Directors

Phillip John Harvey	Non-Executive Chairman
Fletcher Maurice Brand	Managing Director & Chief Executive Officer
Richard Jonathan Beresford	Non-Executive Director
Leeanne Kay Bond	Non-Executive Director (appointed 20 October 2009)
Paul William Bridgwood	Director & Chief Technical Officer
Norman Marshall	Director & Chief Financial Officer
William Thomas Hornaday	Non-Executive Director (resigned 26 November 2009)
Gary Malcolm Smith	Non-Executive Director (resigned 18 December 2009)
Nicholas Paul Davies	Non-Executive Director (resigned 17 March 2010)
Stephen Grant Bizzell	Non-Executive Director (alternate director for Mr. N.P. Davies and resigned on 17 March 2010)

(ii) Executives

David Clive Bertram Cliff	Managing Director (Gas Link Global Limited) (resigned 2 February 2010)
David Michael Gardner	Company Secretary
Michael John Schaumburg	Project Director/General Manager
Steven Robert Della Mattea	Infrastructure Manager
Garry John Frank Triglavcanin	Group Commercial Manager
Lincoln Andrew Clark	Group Engineering Manager

At year end the Group had five executives.

LIQUEFIED NATURAL GAS LIMITED

(b) Remuneration of Key Management Personnel

Remuneration philosophy

The performance of the Company depends upon the quality of its directors and executives. To successfully achieve its objectives, the Company must attract, motivate, and retain highly skilled and high quality key management personnel.

As an overall objective, the Board endeavours to remunerate in such a way that motivates directors, executives and other staff to pursue the long term growth and success of the Company within an appropriate control framework. The Board also considers the relationship between key executive performance and remuneration in determining the variable remuneration for KMP.

Remuneration Committee

The Remuneration Committee of the Board of Directors (“Board”) is responsible for reviewing compensation arrangements for KMP and making recommendations to the Board. The Remuneration Committee assesses the appropriateness of the nature and amount of fixed and variable remuneration of KMP on a periodic basis, as a minimum annually, with reference to relevant employment market conditions. The Remuneration Committee then makes a recommendation which is then submitted to the Board for approval. To assist in achieving the above objectives, the Remuneration Committee links the nature and amount of variable emoluments to the achievement of the Company’s operational, financial and non-financial objectives. The Remuneration Committee comprises the Chairman and one independent non-executive director.

Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive directors’ and executive directors’ remuneration is separate and distinct.

(1) Non-executive directors’ compensation

Objective

The Board seeks to set aggregate compensation at a level that provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

Structure

- a. The Company may pay non-executive directors a maximum aggregate amount of fees as determined by a general meeting, currently being \$300,000. Remuneration payable by the Company and its subsidiaries to non-executive directors must not be a commission on, or percentage of, profits or operating revenue;
- b. The Company must pay all travelling and other expenses properly incurred by the non-executive directors in connection with the affairs of the Company, including attending and returning from general meetings of the Company or meetings of the directors or of committees of the directors;
- c. If a non-executive director renders or is called upon to perform extra services or to make any special exertions in connection with the affairs of the Company, the Board may arrange for a special remuneration to be paid to that director; and
- d. The Board may, at any time after a non-executive director dies or otherwise ceases to hold office as a non-executive director, pay to the non-executive director or a legal personal representative, spouse, relative or dependant of the non-executive director in addition to the remuneration of that non-executive director a pension or lump sum payment in respect of past services rendered by that non-executive director.

The remuneration of non-executive directors for the periods ending 30 June 2010 and 30 June 2009 are detailed in the remuneration table included in this Remuneration Report.

LIQUEFIED NATURAL GAS LIMITED

(2) Executive directors' compensation

Objective

The Company aims to reward executives with a level and mix of fixed and variable compensation commensurate with their position and responsibilities within the entity so as to:

- reward executives for overall Company and/or individual performance against targets set to appropriate benchmarks;
- align the interests of executives with those of shareholders;
- link rewards with strategic goals and performance of the Company; and
- ensure total compensation is competitive by market standards.

Structure

In determining the level and make up of executive compensation, the Remuneration Committee considers factors such as the Company's financial ability to pay and the individual performance and level of contributions of the executive towards the Company's strategic goals and performance.

Compensation consists of the following key elements:

- Fixed Compensation
- Variable Compensation
 - Short Term Incentive
 - Long Term Incentive

Fixed compensation

Objective

The level of fixed compensation is set so as to provide a base level of compensation which is both appropriate to the position and is competitive in the market.

Fixed remuneration is reviewed annually by the Remuneration Committee and the process consists of a review of the Company's ability to pay as well as individual performance, relevant comparative compensation in the market and, where appropriate, external advice on policies and practices.

Structure

Executives are given fixed remuneration in cash and fringe benefits such as car parking and a travel allowance.

Variable compensation – Short Term Incentive ("STI")

Objective

The objective of the STI program is to link the achievement of the Company's strategic goals and performance with the compensation received by the executives.

Structure

On an annual basis, the Company's Board, based on recommendations by the Remuneration Committee, will determine at its sole discretion the provision of a cash bonus, after taking into consideration the following:

- the overall performance, which includes achievement of short-term goals and objectives as well as share price performance, of the Company over the review period;
- the performance of specific projects of the Company over the review period, including the achievement of certain project milestones, utilisation of resources within the approved budget, including approved variations thereto, and the achievement of targeted milestones in the development of new or improved technology through the Company's research and development programs;
- the relevant executive's contribution in relation to the overall performance, and the performance of specific projects, of the Company; and
- recommendations of the Remuneration Committee.

LIQUEFIED NATURAL GAS LIMITED

The above performance conditions may include financial, such as the achievement of cost savings, operating expenditures within the approved budget, including approved variations thereto, share price performance, achievement of targeted revenue received and non-financial, such as the achievement of certain targeted project milestones and successful project operational and risk management. As the payment of a bonus is solely at the Board's discretion, there are no specified maximum or minimum bonuses.

The above financial and non-financial performance conditions were chosen because of the impact they have on shareholder value and in order to align the interest of executives with the Company's defined goals and objectives necessary for the success of its long term growth plan.

The Company has certain targeted milestones or short-term objectives that are used as benchmarks for assessing and determining the payments under the STI scheme. On an annual basis, the Remuneration Committee, in line with their responsibilities, make recommendations to the Board of the amounts, if any, of the short-term incentives to be paid to each executive.

These measures are chosen as they represent the key drivers for the short-term success of the business and provide a framework for delivering long term value.

Variable compensation – Long-Term Incentive (“LTI”)

Objective

The objective of the LTI plan is to reward executives in a manner that aligns this element of remuneration with the creation of shareholder wealth.

Structure

The Board has the sole discretion to grant variable long-term incentive payments in the form of share options, after taking into consideration the following:

- the Company's achievement of long term goals and objectives such as:
 - the achievement of financial close of LNG projects;
 - the identification and generation of new LNG project opportunities; and
 - the identification and development of LNG technology improvements to reduce LNG project capital and operating costs (improve project efficiency and competitiveness).
- the performance and contribution of the individuals to the above goals and objectives, especially those who are able to influence the generation of shareholder wealth.

The above performance conditions have been chosen because of their impact on the Company's long-term growth and in order to align the reward for executives with shareholder returns.

Given the current project development nature of the Company, the key performance measures are primarily non-financial. That is, it is expected that projects will only be progressed if they provide an acceptable profit after tax and cash flow to the Company (based on acceptable capital at risk and return measures).

The Company has certain targeted milestones that are used as benchmarks for assessing and determining the payments under the LTI scheme. The extent of the executives' contribution towards the achievement of these milestones is also considered. On an annual basis, after consideration of performance of the executives, a recommendation is submitted by the Remuneration Committee to the Board as to the number of options, if any, to be granted to each executive.

The above measures are chosen as they represent the key drivers for the Company's long-term growth plan and the continuous generation of shareholder value.

Share Option Plan

The Company has had share option plans in place since prior to the Company listing on the ASX in September 2004 as a mechanism to retain the services of high quality executives.

LIQUEFIED NATURAL GAS LIMITED

The Remuneration Committee continues to monitor the adequacy of such plans and as a result of recent tax changes (new employee share scheme legislation), has recommended that a new plan be presented to shareholders for approval at the Company's next meeting of members.

Share options under the current share option plan have a five year term but can only commence to be exercised in stages over a three-year period, one third of the options will vest on each of the first, second and third anniversaries of the issue date (see note 26 for details of the Company's Share Option Plan).

The Board has the sole discretion to cancel any options that are not yet exercisable if an executive leaves the Company. During the options' exercise period, if the participating executive resigns or is terminated with cause by the Company, the share options will lapse one month after the executive ceases to be an employee, or such longer period as determined by the Board at its absolute discretion.

To date, no performance hurdles have been set on options issued to executives. The Company believes that as options under the current plan are issued at a price close to the current market price of the Company's shares at the date of issue of those options, there is an inherent performance hurdle on those options as the share price of the Company's shares has to increase significantly before there is any reward to executives.

KMP are prohibited from entering into arrangements to protect the value of unvested LTI awards. The Board has established a trading policy to which the KMP should adhere to (refer to trading policy section at Principle 3.3 of the Corporate Governance Statement).

LIQUEFIED NATURAL GAS LIMITED

The following table sets out the remuneration paid to directors and named executives of the Group during the financial year. Other than those noted below, the Group had no other executives during the financial year.

		Short-term				Post employment	Long-term	Share-based payments		Total	Total performance related
		Salary & fees	Consultancy fees	Cash bonuses	Non-monetary benefits	Superannuation	LSL Provision	“B” class redeemable preference shares			
								Options			
Non-executive directors		\$	\$	\$	\$	\$	\$	\$	\$	\$	%
P.J. Harvey - Chairman	2010	75,000	-	-	-	-	-	-	-	75,000	-
	2009	30,750	-	-	-	-	-	-	336,001 ⁵	366,751	91.6
R.J. Beresford	2010	50,000	-	-	-	-	-	-	-	50,000	-
	2009	64,083	-	-	-	-	-	15,000 ¹	-	79,083 ¹	-
L.K. Bond (appointed 20 October 2009)	2010	30,513	-	-	-	-	-	-	-	30,513	-
	2009	-	-	-	-	-	-	-	-	-	-
W.T. Hornaday (resigned 26 November 2009)	2010	11,042	-	-	-	-	-	-	-	11,042	-
	2009	25,750	-	-	-	-	-	-	-	25,750	-
G.M. Smith (resigned 18 December 2009)	2010	-	-	-	-	-	-	-	-	-	-
	2009	26,250	-	-	-	-	-	-	-	26,250	-
N.P. Davies (resigned 17 March 2010)	2010	-	-	-	-	-	-	-	-	-	-
	2009	25,750	-	-	-	-	-	-	-	25,750	-
Sub-total: Non-executive directors	2010	166,555	-	-	-	-	-	-	-	166,555	-
	2009	172,583	-	-	-	-	-	15,000	336,001 ⁵	523,584	64.2

LIQUEFIED NATURAL GAS LIMITED

		Short-term				Post employment	Long-term	Share-based payments “B” class redeemable preference shares		Total	Total performance related
		Salary & fees \$	Consultancy fees \$	Cash bonuses \$	Non-monetary benefits \$	Superannuation \$	LSL Provision \$	Options \$		\$	%
Executive directors											
F.M. Brand Managing Director & Chief Executive Officer	2010	-	318,319	50,000	24,191	14,461	12,870	-	-	419,841	11.9
	2009	-	279,498	25,000	15,025	13,745	17,913	15,000 ²	1,680,000 ⁵	2,046,181 ²	84.1
P.W. Bridgwood Chief Technical Officer	2010	-	318,321	50,000	20,779	14,461	12,870	-	-	416,431	12.0
	2009	-	264,500	25,000	15,211	13,745	17,913	-	1,680,000 ⁵	2,016,369	84.6
N. Marshall Chief Financial Officer	2010	298,500	-	50,000	21,416	14,461	9,482	122,970	-	516,829	33.5
	2009	279,495	-	25,000	16,865	13,745	17,066	317,549 ³	336,000 ⁵	1,005,720 ³	67.5
Other key management personnel											
D.C.B Cliff (resigned 8 February 2010) Managing Director (Gas Link Global Ltd)	2010	250,568 ⁴	-	25,000	1,890	8,762	-	65,191	-	351,411 ⁴	25.7
	2009	217,097	-	-	-	62,267	-	124,105	-	403,469	30.8
D.M. Gardner Company Secretary	2010	163,000	-	15,000	3,240	14,251	628	49,735	-	245,854	26.3
	2009	113,000	-	-	-	9,973	-	40,917	-	163,890	25.0
G.J.F. Triglavcanin Group Commercial Manager	2010	238,770	-	35,000	22,963	14,461	8,341	78,873	-	398,408	28.6
	2009	244,892	-	20,000	19,985	13,745	5,893	184,691	-	489,206	41.8
L.A. Clark Group Engineering Manager	2010	269,500	-	30,000	13,240	14,461	3,010	47,324	-	377,535	20.5
	2009	247,000	-	17,500	10,000	13,745	7,239	110,815	-	406,299	31.6
M.J. Schaumburg General Manager	2010	356,500	-	30,000	17,255	14,461	1,621	323,910	-	743,747	47.6
	2009	258,346	-	-	-	10,309	412	416,338	-	685,405	60.7
S.R. Della Mattea Infrastructure Manager	2010	291,750	-	20,000	7,200	14,461	1,313	191,818	-	526,542	40.2
	2009	204,083	-	-	10,000	10,309	325	240,640	-	465,357	51.7
Sub-total: Executive directors and other KMP	2010	1,868,588	636,640	305,000	132,174	124,240	50,135	879,821	-	3,996,598	29.6
	2009	1,563,913	543,998	112,500	87,086	161,583	66,761	1,450,055	3,696,000 ⁵	7,681,896	68.5
Grand total	2010	2,035,143	636,640	305,000	132,174	124,240	50,135	879,821	-	4,163,153	28.5
	2009	1,736,496	543,998	112,500	87,086	161,583	66,761	1,465,055	4,032,001 ⁵	8,205,480	68.4

LIQUEFIED NATURAL GAS LIMITED

Notes to Remuneration Tables:

¹ This amount relates to the GLG options that were cancelled during the prior year but not replaced. The total remuneration excluding the value of these cancelled options amounted to \$64,083.

² Included in this amount is \$15,000 which relates to the GLG options that were cancelled during the prior year but not replaced. The total remuneration excluding the value of these cancelled options amounted to \$2,031,181.

³ Included in this amount is \$15,000 which relates to the GLG options that were cancelled during the year but not replaced. The total remuneration excluding the value of these cancelled options amounted to \$990,720.

⁴ Included in this amount is a termination payment of \$95,000.

⁵ On 9 March 2010, the 12 “B” class redeemable preference shares were redeemed and cancelled due to performance milestones not being met. Refer to note 26 for further information.

100% of the cash bonuses were granted on 18 December 2009 (2009: 19 December 2008) and have been paid in full. No amounts are accrued but unpaid at 30 June 2010.

The performance criteria used to determine the cash bonus and the share options granted to the above executives are set out under the STI and LTI of the variable remuneration sections of the Remuneration Report respectively.

Non-monetary benefits include travel allowances and car parking bays.

In addition to the remuneration disclosed in the above table, during the year the Company has paid a premium of \$19,855 (excl. GST) (2009: \$21,781) in respect of a policy insuring the directors and officers against any liabilities and expenses and costs that may arise as a result of work performed in their respective capacities.

LIQUEFIED NATURAL GAS LIMITED

Compensation options – granted and vested during the year:

	Granted		Fair Value per option at grant date	Terms and conditions for each grant				Vested	
				Exercise price	Expiry date	First exercise date	Last exercise date	No.	%
30 June 2010	No.	Grant Date	\$	\$				No.	%
Executive directors									
N. Marshall	-	-	-	-	-	-	-	500,000	33.3
Other executives									
G.J.F. Triglavcanin	-	-	-	-	-	-	-	250,000	33.3
L.A. Clark	-	-	-	-	-	-	-	150,000	33.3
M.J. Schaumburg	-	-	-	-	-	-	-	500,000	33.3
S.R. Della Mattea	-	-	-	-	-	-	-	300,000	33.3
D.M. Gardner	-	-	-	-	-	-	-	100,000	33.3
D.C.B. Cliff	-	-	-	-	-	-	-	400,000	33.3
Total	-							2,200,000	

Compensation options – options granted as part of remuneration:

	Value of options granted during the year	Value of options exercised during the year	Remuneration consisting of options for the year	Value of pref shares * granted during the year	Value of pref shares* exercised during the year	Value of pref shares* redeemed/lapsed during the year ¹	Remuneration consisting of pref shares* for the year
30 June 2010	\$	\$	%	\$	\$	\$	%
Non executive directors							
P.J. Harvey	-	-	-	-	-	1	-
Executive directors							
F.M. Brand	-	-	-	-	-	5	-
N. Marshall	-	-	23.8	-	-	1	-
P.W. Bridgwood	-	-	-	-	-	5	-
Other							
G.J.F. Triglavcanin	-	245,000	19.8	-	-	-	-
L.A. Clark	-	689,150	12.5	-	-	-	-
M.J. Schaumburg	-	855,000	43.6	-	-	-	-
S.R. Della Mattea	-	503,000	36.4	-	-	-	-
D.M. Gardner	-	-	20.2	-	-	-	-
D.C.B. Cliff	-	-	18.6	-	-	-	-

* Pref shares refer to “B” class redeemable preference shares.

¹ On 6 March 2010, the “B” class redeemable preference shares were redeemed as the conditions for conversion were not met. Refer to note 26 for details.

LIQUEFIED NATURAL GAS LIMITED

There were no alterations to the terms and conditions of options granted as remuneration since their grant date.

During the year, 800,000 options (value at resignation \$51,200) held by D.C.B Cliff, who was one of the Group's five highest paid executives in the previous financial year, were forfeited (2009: None) due to cessation of his employment.

Details of the Company's Share Option Plan are given under note 26.

Shares issued on exercise of compensation options (Consolidated):

	Shares issued	Paid per share	Unpaid per
	No.	(note 26)	share
30 June 2010		\$	\$
Executives			
G.J.F. Triglavcanin	250,000	0.667	-
L.A. Clark	405,000	0.378	-
L.A. Clark	150,000	0.667	-
M.J. Schaumburg	500,000	0.88	-
S.R. Della Mattea	300,000	0.88	-
Total	1,605,000		
	Shares issued	Paid per share	Unpaid per
	No.	(note 26)	share
30 June 2009		\$	\$
Directors			
W.T. Hornaday	150,000	0.25	-
W.T. Hornaday	150,000	0.30	-
W.T. Hornaday	150,000	0.35	-
F.M. Brand	250,000	0.25	-
F.M. Brand	250,000	0.30	-
F.M. Brand	250,000	0.35	-
N. Marshall	250,000	0.25	-
N. Marshall	250,000	0.30	-
N. Marshall	250,000	0.35	-
P.W. Bridgwood	250,000	0.25	-
P.W. Bridgwood	250,000	0.30	-
P.W. Bridgwood	250,000	0.35	-
P.J. Harvey	150,000	0.25	-
P.J. Harvey	150,000	0.30	-
P.J. Harvey	150,000	0.35	-
R. J. Beresford	150,000	0.35	-
Executives			
L.A. Clark	200,000	0.378	-
G.J.F. Triglavcanin	60,000	0.38	-
Total	3,560,000		

LIQUEFIED NATURAL GAS LIMITED

Employment contracts

Fletcher Maurice Brand, Managing Director and Chief Executive Officer:

Mr. Brand is employed under a consultancy contract between his company, Martech International Pty Ltd, and the Company which commenced on 1 October 2004. Under the terms of the contract:

- Mr. Brand may terminate the contract by giving no less than six months notice of termination to the Company.
- The Company may terminate the contract immediately if Mr. Brand commits a breach under the contract and for any other reason by giving no less than six months notice of termination.
- Unless otherwise agreed by the Board of the Company any options held by Mr. Brand will lapse one month from the date of termination.
- Upon termination Mr. Brand is entitled to receive all accrued entitlements up to the date of termination.

Paul William Bridgwood, Director and Chief Technical Officer:

Mr. Bridgwood is employed under a consultancy contract between his company, Sinedie Pty Ltd, and the Company which commenced on 1 October 2004. Under the terms of the contract:

- Mr. Bridgwood may terminate the contract by giving no less than six months notice of termination to the Company.
- The Company may terminate the contract immediately if Mr. Bridgwood commits a breach under the contract and for any other reason by giving no less than six months notice of termination.
- Unless otherwise agreed by the Board of the Company any options held by Mr. Bridgwood will lapse one month from the date of termination.
- Upon termination Mr. Bridgwood is entitled to receive all accrued entitlements up to the date of termination.

Norman Marshall, Director, Chief Financial Officer:

Mr. Marshall is employed under an employment contract with the Company which commenced on 1 October 2004. Under the terms of the contract:

- Mr. Marshall may terminate the contract by giving no less than six months notice of termination to the Company.
- The Company may terminate the contract immediately if Mr. Marshall commits a breach under the contract and for any other reason by giving no less than six months notice of termination.
- Unless otherwise agreed by the Board of the Company any options held by Mr. Marshall will lapse one month from the date of termination.
- Upon termination Mr. Marshall is entitled to receive all accrued entitlements up to the date of termination.

David Michael Gardner, Company Secretary and Director, Chief Financial Officer and Company Secretary of Gas Link Global Limited

Mr. Gardner is employed under a service contract with the Company's wholly-owned subsidiary, Gas Link Global Limited ("GLG"), which commenced on 28 October 2008. Under the terms of the contract:

- Mr. Gardner may terminate the contract by giving no less than one month notice of termination to GLG.
- GLG may terminate the contract immediately if Mr. Gardner commits a breach under the contract and for any other reason by giving no less than three months notice of termination.

LIQUEFIED NATURAL GAS LIMITED

- Unless otherwise agreed by the Board of the Company any options held by Mr. Gardner will lapse one month from the date of termination.
- Upon termination Mr. Gardner is entitled to receive all accrued entitlements up to the date of termination.

From 1 August 2010 Mr. Gardner is employed directly by the Company, not by GLG, as Company Secretary under the same terms as above.

Garry John Frank Triglavcanin, Group Commercial Manager:

Mr. Triglavcanin is employed under a service contract with the Company's wholly-owned subsidiary LNG International Pty Ltd, which commenced on 1 June 2006. Under the terms of the contract:

- Mr. Triglavcanin may terminate the contract by giving no less than three months notice of termination to the Company.
- The Company may terminate the contract immediately if Mr. Triglavcanin commits a breach under the contract and for any other reasons by giving no less than one month notice of termination.
- Unless otherwise agreed by the Board of the Company any options held by Mr. Triglavcanin will lapse one month from the date of termination where the termination is by the Company due to a breach of contract on the part of Mr. Triglavcanin or thirty seven months from the date of termination where the termination is by the Company for its convenience.
- Upon termination Mr. Triglavcanin is entitled to receive all accrued entitlements up to the date of termination.

Lincoln Andrew Clark, Group Engineering Manager:

Mr. Clark is employed under a service contract with the Company's wholly-owned subsidiary LNG International Pty Ltd, which commenced on 29 August 2005. Under the terms of the contract:

- Mr. Clark may terminate the contract by giving no less than six weeks notice of termination to the Company.
- The Company may terminate the contract immediately if Mr. Clark commits a breach under the contract and for any other reasons by giving no less than one month notice of termination.
- Unless otherwise agreed by the Board of the Company any options held by Mr. Clark will lapse one month from the date of termination.
- Upon termination Mr. Clark is entitled to receive all accrued entitlements up to the date of termination.

Michael John Schaumburg, Project Director/General Manager:

Mr. Schaumburg is employed under a service contract with the Company's wholly-owned subsidiary LNG International Pty Ltd, which commenced on 15 October 2008. Under the terms of the contract:

- Mr. Schaumburg may terminate the contract by giving no less than one month notice of termination to the Company.
- The Company may terminate the contract immediately if Mr. Schaumburg commits a breach under the contract and for any other reason, after twelve months from the Commencement date, by giving no less than six months notice of termination.
- Unless otherwise agreed by the Board of the Company any options held by Mr. Schaumburg will lapse one month from the date of termination.
- Upon termination Mr. Schaumburg is entitled to receive all accrued entitlements up to the date of termination.

LIQUEFIED NATURAL GAS LIMITED

Steven Robert Della Mattea, Infrastructure Manager:

Mr. Della Mattea is employed under a service contract with the Company's wholly-owned subsidiary LNG International Pty Ltd, which commenced on 15 October 2008. Under the terms of the contract:

- Mr. Della Mattea may terminate the contract by giving no less than one month notice of termination to the Company.
- The Company may terminate the contract immediately if Mr. Della Mattea commits a breach under the contract and for any other reason, after twelve months from the Commencement date, by giving no less than six months notice of termination.
- Unless otherwise agreed by the Board of the Company any options held by Mr. Della Mattea will lapse one month from the date of termination.
- Upon termination Mr. Della Mattea is entitled to receive all accrued entitlements up to the date of termination.

(c) Group Performance

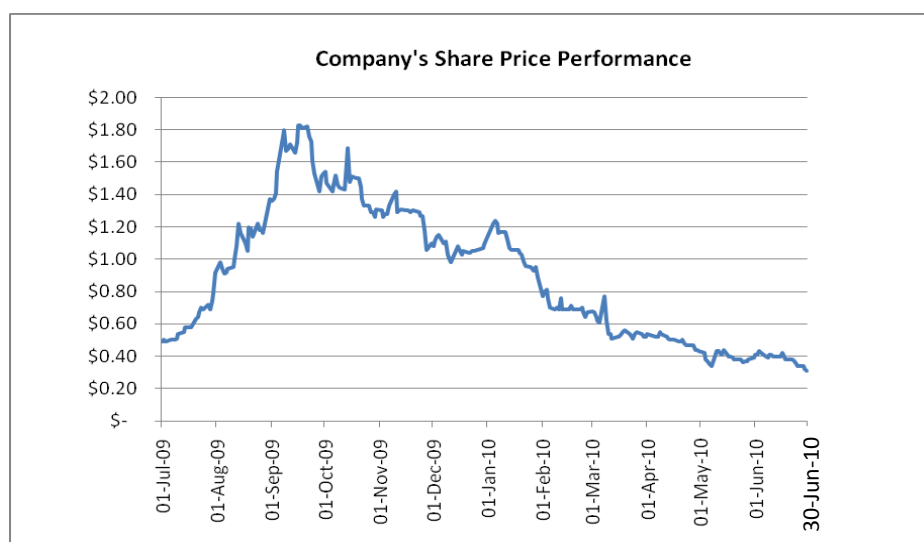
Company's share price performance

The Company's share price performance shown in the below graph is a reflection of the Company's performance during the year.

The variable components of the executives' remuneration including short-term and long-term incentives are indirectly linked to the Company's share price performance during the year as the Company's share price is directly correlated to the Company's achievement of its short-term as well as long-term goals and objectives.

The graph below shows the Company's share price performance during the financial year ended 30 June 2010.

2010 ASX Code: "LNG"



Loss per share

Below is information on the consolidated entity's loss per share for the previous four financial years and for the current year ended 30 June 2010.

	2010	2009	2008	2007	2006
Basic loss per share (cents)	(21.16)	(15.11)	(4.09)	(4.91)	(5.05)

End of remuneration report.

LIQUEFIED NATURAL GAS LIMITED

10. INDEMNIFICATION AND INSURANCE OF DIRECTORS AND COMPANY SECRETARY

An Officer's Protection Deed has been entered into with each of the directors (as named in Section 1 of this report) in office and the company secretary at the date of this report. Under the deed, the Company has agreed to indemnify the directors and the company secretary against any claims or for any expenses or costs that may arise as a result of work performed in their respective capacities. There is no monetary limit to the extent of the indemnity.

During the financial year the Company has paid a premium of \$19,855 (excl. GST) (2009: \$21,781) in respect of a policy insuring the directors and officers against any liabilities and expenses and costs that may arise as a result of work performed in their respective capacities. This amount is not part of the directors' remuneration disclosed in Section 9 above. As at 30 June 2010, the insurance cover was limited to \$8 million.

11. RISK MANAGEMENT

The Company takes a proactive approach to risk management. The Board has a number of mechanisms in place to ensure management's objectives and activities are aligned with those determined by the Board of the Company, including:

- Board approval of the Company's strategic plan and objectives;
- Board approval of the Company's annual financial forecasts and operating budgets;
- Board approval of all material contracts and agreements;
- Board approval of all project developments, where a project is to proceed beyond initial identification and review and will be the subject of binding contractual commitments and material expenditure obligations; and
- Regular review by the Board of the Company's adherence to and performance against the above items.

12. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes in the state of affairs of the Company during the financial year ended 30 June 2010 were as follows:

An increase in share capital from \$48,378,122 to \$96,936,191 comprising:

Movement in "B" class redeemable preference shares on issue

At 1 July 2009

Redemption of "B" class redeemable preference shares

At 30 June 2010

CONSOLIDATED

No.	\$
12	12
(12)	(12)
-	-

Movement in ordinary shares

At 1 July 2009

Issue of fully paid ordinary shares on exercise of share options

Issue of fully paid ordinary shares

Transaction costs

At 30 June 2010

CONSOLIDATED

No.	\$
169,068,415	48,378,110
6,445,000	2,781,550
37,825,600	47,282,000
-	(1,505,469)
213,339,015	96,936,191

13. SIGNIFICANT EVENTS AFTER BALANCE DATE

In a series of transactions subsequent to 30 June 2010, the Company's subsidiary, CSG Nominees Pty Ltd, purchased shares in Metgasco Limited ("MEL") and as at 29 September 2010 held 12,604,412 shares (5.03%).

The Company has executed an agreement with Metgasco Limited to jointly study the feasibility of a gas to LNG project. The joint study will include the viability of gas supply, transportation, liquefaction and sale of LNG from MEL's 100% owned coal seam gas reserves and conventional gas resources in the Clarence Moreton Basin, to the Company's 100% owned Gladstone LNG Project, at Fisherman's Landing, Port of Gladstone, Queensland. The study will also include the option of gas supply to other potential LNG project sites being assessed in Queensland.

LIQUEFIED NATURAL GAS LIMITED

Subsequent to 30 June 2010, the Group entered into a Strategic Alliance Agreement with Oil Basins Limited ("OBL") to jointly investigate the development of an LNG project in North Western Australia ("Kimberley LNG Project"). The Kimberley LNG Project is based on utilising the potential large resources of conventional and unconventional gas contained within the Canning Basin, including gas contained within OBL's acreage and that of its joint venture partners. In addition, the Group participated in the recent OBL share placement and 1:1 non-renounceable rights issue and holds a 7.3% shareholding in the company.

The acquisition of shares in MEL and OBL is part of a strategic decision by the Company that it needs to have increased influence or control over the potential gas resources that supply the Company's proposed mid-scale LNG project.

In August 2010, the Company issued 1,245,000 options to existing employees. As at the date of this report there are 10,235,000 unlisted options in the Company.

Other than the above, there has not arisen in the interval between the end of the financial year and the date of this report, any items, transactions or events of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operation of the Company and the Group, the results of those operations, or the state of affairs of the Company and the Group, in future financial years.

14. AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

The directors have received a declaration of independence from the auditors which is included on page 87.

Non-audit services

The following non-audit services were provided by the Company's auditor, Ernst & Young. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit services provided means that auditor independence was not compromised.

Ernst & Young received or are due to receive the following amounts for the provision of non - audit services:

	CONSOLIDATED 2010
	\$
Amounts received or due and receivable by Ernst & Young (Australia) for:	
Other services in relation to the entity and any other entities in the Consolidated Group:	
- tax and other services	181,167
Amounts received or due and receivable by related practices of Ernst & Young (Australia) for:	
- tax services provided by overseas Ernst & Young firm	46,875
	228,042

Signed in accordance with a resolution of the directors.



Phillip John Harvey
Chairman
Perth, Western Australia
29 September 2010

LIQUEFIED NATURAL GAS LIMITED

CORPORATE GOVERNANCE STATEMENT

Overview

The Board of directors of the Company is responsible for establishing and maintaining the corporate governance framework of the Group. The Board has utilised the ASX Corporate Governance Council (“CGC”) published Principles and Recommendations (2nd Edition ASX Corporate Governance Council August 2007 (“Principles”). The Principles are recommendations and guidelines that are designed to produce an outcome that is effective and of high quality and integrity.

The Company’s practices were compliant with the Principles, except where noted in the following table:

ASX Corporate Governance – Best Practice Recommendation			
	Best Practice Recommendation	Comply Yes / No	Page Reference
Principle 1 – Lay solid foundations for management and oversight			
1.1	Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose these functions.	Yes	Page 29
1.2	Companies should disclose the process for evaluating the performance of senior executives.	Yes	Page 30
1.3	Companies should provide the information indicated in the guide to reporting on Principle 1.	Yes	Page 30
Principle 2 – Structure the Board to add value			
2.1	A majority of the Board should be independent directors.	No	Page 30
2.2	The chair should be an independent director.	Yes	Page 30
2.3	The roles of chair and chief executive officer (CEO) should not be exercised by the same individual.	Yes	Page 30
2.4	The Board should establish a Nomination Committee.	Yes	Page 31
2.5	Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors.	Yes	Page 30
2.6	Companies should provide the information indicated in the guide to reporting on Principle 2.	Yes	Page 30
Principle 3– Promote ethical and responsible decision-making			
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code.	Yes	Page 31
3.2	Companies should establish a policy concerning trading in Company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.	Yes	Page 31
3.3	Companies should provide the information indicated in the guide to reporting on Principle 3.	Yes	Page 31
Principle 4 – Safeguard integrity in financial reporting			
4.1	The Board should establish an audit committee.	Yes	Page 32
4.2	The audit committee should be structured so that it:		Page 32
	- Consists only of non-executive directors.	Yes	
	- Consists of a majority of independent directors.	Yes	
	- Is chaired by an independent chair, who is not chair of the Board.	No	
	- Has at least three members.	No	
4.3	The audit committee should have a formal charter.	Yes	Page 32
4.4	Companies should provide the information in the guide to reporting on Principle 4.	Yes	Page 32

	Best Practice Recommendation	Comply Yes / No	Page Reference
Principle 5 – Make timely and balanced disclosure			
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Yes	Page 33
5.2	Companies should provide the information indicated in the guide to reporting on Principle 5.	Yes	Page 33
Principle 6 – Respect the rights of shareholders			
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes	Page 33
6.2	Companies should provide the information indicated in the guide to reporting on Principle 6.	Yes	Page 33
Principle 7 – Recognise and manage risk			
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes	Page 33
7.2	The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	Yes	Page 33
7.3	The Board should disclose whether it has received assurance from the Chief Executive Officer and the Chief Financial Officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes	Page 33
7.4	Companies should provide the information indicated in the guide to reporting on Principle 7.	Yes	Page 33
Principle 8 – Remunerate fairly and responsibly			
8.1	The Board should establish a Remuneration Committee.	Yes	Page 33
8.2	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Yes	Page 33
8.3	Companies should provide the information in the guide to reporting on Principle 8.	Yes	Page 33

Principle 1 – Lay solid foundations for management and oversight

The Board is responsible for the corporate governance of the Group. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable. Responsibility for managing the business of the Company on a day-to-day basis has been delegated to the Managing Director and the management team. The directors' responsibilities include:

- setting the strategic direction and objectives of the Company and establishing defined goals to ensure these strategic objectives are met;
- monitoring the performance of management against the established goals and overall strategic objectives of the Company;

LIQUEFIED NATURAL GAS LIMITED

- ensuring that there are adequate internal controls and ethical standards of behavior adopted and complied with within the Company;
- ensuring that the business risks of the Company are identified and understood, and that appropriate monitoring and reporting procedures and controls are in place to manage these risks, while acknowledging that such risks may not be totally eliminated; and
- ensuring the risk management function includes mechanisms to review and monitor corporate performance across a broad range of risk and compliance issues affecting assets, business operations, finance, occupational health and safety, management, environmental issues, native title and heritage issues and corporate governance.

The performance of senior executives is monitored and evaluated by the Remuneration Committee and Nomination Committee. These committees take into account the performance of the executives over the year and ensure that there are adequate procedures in place for recruitment, induction, training, remuneration (both short term and long term) and succession planning.

As at the date of this report, the Board has established a Corporate Governance Committee in order to review the Company's policies and charters. It is expected that any recommendations from the Committee will be implemented together with information as to where copies of specific policies and charters can be found.

Principle 2 – Structure the Board to add value

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report is included in the Directors' Report on pages 6, 7, 8 and 9. Directors of the Company are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement.

In the context of director independence, "materiality" is considered from both the Company and individual director's perspectives. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal to or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors which point to the actual ability of the director in question to shape the direction of the Company. The appropriate base amount depends on the nature of the item being considered. For example, if a director's interest in a supplier is being considered, there would be two appropriate base amounts, the first being the Company's total purchases from suppliers and the second being the total sales to all customers by the supplier.

In accordance with the definition of independence above, and the materiality thresholds set, the following directors of the Company are considered to be independent:

<u>Name</u>	<u>Position</u>
Phillip John Harvey	Chairman
Richard Jonathan Beresford	Non-Executive Director
Leeanne Kay Bond	Non-Executive Director

At the date of this report, half of the Board is independent with three independent directors and three executive directors. During the year independent directors William Thomas Hornaday, Nicholas Paul Davies and Gary Malcolm Smith resigned from the Board, while the Board appointed a new independent director, Leeanne Kay Bond. The Company recognises that the Principles recommend that the majority of the Board should be independent and will regularly review Board composition, but considers that the current Board structure is appropriate for the nature and size of the Company and its stage of development.

The Chair of the Board, Mr Phillip John Harvey, is an independent director of the Company and Mr Fletcher Maurice Brand is the Chief Executive Officer, at the date of this report.

There are procedures in place, agreed by the Board, to enable directors, in furtherance of their duties, to seek independent professional advice at the Company's expense.

The description of the skills and experience of each director is outlined in the Directors' Report and the term in office held by each director at the date of this report is as follows:

LIQUEFIED NATURAL GAS LIMITED

<u>Name</u>	<u>Term in office</u>
Phillip John Harvey	8 years and 1 month
Fletcher Maurice Brand	8 years and 1 month
Richard Jonathan Beresford	6 years and 7 months
Leeanne Kay Bond	11 months
Paul William Bridgwood	8 years and 1 month
Norman Marshall	6 years and 7 months

The Board has established a Nomination Committee which is required to meet at least once annually, to ensure that the Board continues to operate within the established guidelines including, where necessary, selecting candidates for the position of director. The Nomination Committee comprises Mr Phillip John Harvey (Chairman), Mr Fletcher Maurice Brand and Mr Richard Jonathan Beresford. During the year two Nomination Committee meetings were held. The Nomination Committee this year conducted a review of Board composition and decided to conduct a search for candidates that would add specific experience to the Board. This led to the appointment of Leeanne Kay Bond in October 2009.

Principle 3 – Promote ethical and responsible decision-making

The Board of the Company actively promotes ethical and responsible decision making. The standard of ethical behavior required by directors and officers (including the Managing Director and Chief Financial Officer), is set out in a code of conduct, which forms part of the Company's Corporate Governance Policy.

The Board updates the Code of Conduct Policy for the Company's directors as necessary, which ensures that it reflects an appropriate standard of behaviour and professionalism.

The code requires that all directors act honestly, in good faith and in the best interests for the Company as a whole. The policy also addresses director's duties, due diligence, conflicts of interest, use of information and professional integrity.

The Board recognises the Company has a number of legal and other obligations to non-shareholder stakeholders such as employees, clients/customers and the community as a whole and is therefore committed to appropriate corporate practices.

The directors are of the opinion that the culture and practices necessary to manage risk, legal compliance and enhancement of corporate reputation were in place during the reporting year.

The Board has adopted the following trading policy in relation to directors and officers buying and selling shares ("trading ban period"):

A director or officer should not deal in the Company's securities:

- in the four weeks prior to, and the 24 hours after the release of the Company's half-yearly results and preliminary final results to the Australian Stock Exchange ("ASX");
- in the two weeks prior to and the 24 hours after the annual general meeting of the Company and the release of quarterly reports to the ASX;
- where the dealing is of a short-term nature;
- where the director or officer is aware of material information that has not yet been released to the market;
- where the dealing by its timing, size or regularity will have the effect or likely effect of bringing the Company into disrepute amongst shareholders or potential investors; or
- where it is unlawful to do so.

At times other than as set out above, or if there is any overlap between the prohibited trading and permitted trading windows referred to above, a director or officer should advise the Chairman, prior to entering into any dealing in securities. This is for information purposes and does not constitute approval or disapproval by the Chairman.

Subject to the trading ban period, generally there is no objection to dealing in securities notified in accordance with this procedure if the following factors are satisfied:

- the Company is currently in compliance with its continuous disclosure obligations under ASX Listing Rule 3.1;
- the Company is not withholding any material information from disclosure by reason of the exceptions to Listing Rule 3.1 (namely under Listing Rules 3.1.1, 3.1.2 and 3.1.3); and

LIQUEFIED NATURAL GAS LIMITED

- the director or officer does not possess any information in relation to the Company's securities which is not generally available but, if it were generally available, a reasonable person would expect it to have a material effect on the price or value of the Company's securities.

The Company has the following permanent agenda items at every Board meeting to assist directors with their disclosure and trading obligations:

- Directors are reminded of their continuous disclosure obligations and asked if there are any items that need to be disclosed; and
- Directors are presented with a current Company Share Trading Ban calendar as a reference to the minimum trading ban days that have been identified by the Board. The calendar is discussed and updated at every Board meeting to assist compliance.

In the event of a breach by a director or officer, a written warning shall be issued by the Chairman to the director or officer specifying the breach. A warning should be recorded against the director or officer unless the director or officer convinces the majority of the Board (excluding any director being the subject of the breach) that a warning should not be given.

In the event of a director or officer receiving a second notice of breach, after a recorded warning, then, unless the director or officer convinces the majority of the Board (excluding any director being the subject of the breach) that a second breach should not be recorded, then the director (or officer) shall resign immediately from the Board of (or their employment with) the Company without any claim other than for unpaid but due fees and documented out of pocket expenses. Neither the Company nor the director or officer will publicly comment on the reasons for the resignation, except as required by law.

Where special or unforeseen circumstances arise, directors or officers may request approval to deal in the Company's securities from the Chairman. The Chairman has complete discretion to either approve or not approve the request. The request and the Chairman's decision should be communicated in writing.

Principle 4 – Safeguard integrity in financial reporting

The Board has established an Audit Committee which operates under a terms of reference (Audit & Compliance Committee Charter) approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information as well as non-financial considerations. The Board has delegated the responsibility for the establishment and maintenance of a framework of internal control (including the maintenance of a risk register) for the management of the Group to the Audit Committee.

The Audit Committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in financial reports.

The members of the Audit Committee during the year were:

<u>Name</u>	<u>Position</u>
Phillip John Harvey	Chairman
Richard Jonathan Beresford	Member

The Company's Audit Committee Policy and Charter only requires 2 members (albeit there is a preference for 3 within Recommendation 4.2 of the Principles) to comprise the Committee.

All the members are non-executive directors but other executive and non-executive directors are invited and attended the meetings. The Committee is satisfied that the Audit Committee is of sufficient size, independence and technical expertise to discharge its mandate effectively.

Within the Directors' Report the qualification of the members can be found together with details on the number of meetings of the Audit Committee held during the year and the attendees at those meetings.

The external auditor was appointed by the Board. The Audit Committee as part of its charter is required to conduct a review, at least annually, in relation to the external auditor. The Committee, amongst other things, reviews the independence of the auditor and the auditor's performance, in relation to the adequacy of the scope and quality of the annual statutory audit and half-year review and the fees charged. The Company's auditors have an ongoing policy of audit engagement partner rotation every five years.

LIQUEFIED NATURAL GAS LIMITED

Principle 5 – Make timely and balanced disclosures

The Company's Corporate Governance Policies include a Market Disclosure Policy which details the Company's commitment to ensuring compliance with market disclosure.

For administrative convenience, the Company Secretary is the person responsible for:

- communications with the ASX;
- communications with the executive directors and the Board in relation to continuous disclosure matters;
- overseeing and coordinating information to broker, shareholders and the media; and
- liaising with other stakeholders.

Draft Company ASX releases are reviewed by executive directors, non-executive directors and where applicable senior management prior to release in order to ensure:

- all releases are factually accurate, balanced and objective;
- there is no material omission of information;
- announcements are released in a timely manner; and
- announcements comply with practices and procedures in relation to announcements lodged on the ASX Company Announcements Platform.

Principle 6 – Respect the rights of shareholders

The Company places significant importance on effective communication with shareholders and is committed to keeping them informed of all major developments that affect the Company. This information is communicated via:

- The Company's Annual Report and half yearly financial report;
- Quarterly reports on activities;
- Other Company announcements that comply with continuous disclosure obligations in accordance with ASX Listing Rules;
- The Chairman's address at the annual general meeting; and
- Shareholder meetings and investor relations presentations.

The Company's website has a dedicated Investor Centre section that is updated regularly for the purpose of displaying all important Company information including media releases and presentations. Shareholders are encouraged to subscribe to the Company's electronic email alert that allows them to be updated with significant Company announcements at the same time the announcements are released to the ASX.

Principle 7 – Recognise and manage risk

The Company takes a proactive approach to risk management. The Board is ultimately responsible for ensuring that any risks, and also opportunities, are identified on a timely basis and that the Company's objectives are aligned with the risks and opportunities identified by the Board.

The Board's Risk Management Policy is incorporated in the Company's Corporate Governance Policy. The Board also oversees the risk management of the Company including a review of the Risk Management Policy.

The Board has a number of other mechanisms in place to identify and manage the Company's risks. Refer to Section 11 of the Directors' Report for details.

Principle 8 – Remunerate fairly and responsibly

The Board has established a Remuneration Committee comprising the Chairman and one non-executive director to supervise employment management guidelines and policies and assist in developing and recommending remuneration arrangements. The Company acknowledges that the Principles recommend that at least three members form the Committee so the Company's Managing Director also attends the meeting by invitation. The Company has in place a Charter for the Remuneration Committee that details Membership, Duties and Reporting.

To fulfill its business strategies, the Company needs to be well placed to secure and retain the services of high calibre directors and executives. Remuneration needs to be appropriate in terms of quantum and structure to attract, retain and motivate directors and executives.

The Remuneration Committee considers advice from independent consultants on relevant employment market conditions and structures its remuneration accordingly. Executive directors' and senior executives' remuneration packages are a balance of fixed and incentive pay reflecting both short and long-term performance objectives

LIQUEFIED NATURAL GAS LIMITED

appropriate to the Company's circumstances, goals and appetite for risk. Non-executive directors received fixed remuneration only and in accordance with the Principles, did not receive options or bonus payments.

It is the Company's objective to provide maximum shareholder benefit from the retention of a high quality Board and executive team by remunerating directors and key executives fairly and appropriately. Remuneration is also linked to the Company's operational, financial and non-financial performance, relative to the Company's objectives and budgets.

For details on the amount of remuneration and all monetary and non-monetary components for each of the executive directors, non-executive directors and executives, refer to the Remuneration Report in Section 9 of the Directors' Report.

The Remuneration Committee's recommendations are considered by the Board, including the payment of bonuses, options and other incentive payments having regard to the overall performance of the Company and the performance of the individual during the period.

There is presently no scheme to provide retirement benefits to non-executive directors.

The members of the Remuneration Committee and the number of meetings held during the year are outlined in Section 1 of the Directors' Report.

LIQUEFIED NATURAL GAS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2010

	Note	CONSOLIDATED	
		2010	2009
		\$	\$
Continuing operations			
Revenue	6	1,328,147	878,636
Other income	7	263,782	772,750
Sales and marketing expenses		(166,391)	(95,213)
Administration expenses		(5,572,249)	(8,590,250)
Finance costs		(2,762)	(3,216)
Project development expenses		(37,912,776)	(13,496,000)
Other expenses		(14,792)	(2,714,594)
Loss from continuing operations before income tax		(42,077,041)	(23,247,887)
Income tax expense	9	(5,833)	34,041
Loss from continuing operations after income tax		(42,082,874)	(23,213,846)
Net loss for the period		(42,082,874)	(23,213,846)
Other comprehensive income:			
Foreign currency translation reserve	23	35,839	66,905
Other comprehensive income for the period, net of tax		35,839	66,905
Total comprehensive income for the period		(42,047,035)	(23,146,941)
Loss for the period is attributable to:			
Non-controlling interest		(15,199)	(901,164)
Equity holders of the Parent	23	(42,067,675)	(22,312,682)
		(42,082,874)	(23,213,846)
Total comprehensive income for the period is attributable to:			
Non-controlling interest		(15,199)	(901,164)
Equity holders of the Parent		(42,031,836)	(22,245,777)
		(42,047,035)	(23,146,941)
Loss per share from continuing operations attributable to the ordinary equity holders of the Company:		Cents	Cents
- Basic loss per share	11	(21.16)	(15.11)
- Diluted loss per share	11	(21.16)	(15.11)

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

LIQUEFIED NATURAL GAS LIMITED
BALANCE SHEET
AS AT 30 JUNE 2010

	Note	CONSOLIDATED	
		2010	2009
		\$	\$
Assets			
Current assets			
Cash and cash equivalents	12	22,612,372	13,455,934
Trade and other receivables	13	745,914	676,705
Other financial assets	14	1,790,000	1,020,000
Prepayments		57,715	74,790
		25,206,001	15,227,429
Non-current assets held for sale	15	-	1,851,974
Total current assets		25,206,001	17,079,403
Non-current assets			
Receivables	16	299	299
Plant and equipment	17	444,391	142,003
Total non-current assets		444,690	142,302
Total assets		25,650,691	17,221,705
Liabilities			
Current liabilities			
Trade and other payables	18	2,948,714	1,661,351
Interest-bearing liabilities	21	8,544	7,615
Provisions	19	371,907	312,836
		3,329,165	1,981,802
Liabilities directly associated with the assets held for sale	15	-	784,888
Total current liabilities		3,329,165	2,766,690
Non-current liabilities			
Interest-bearing liabilities	21	7,911	16,455
Provisions	20	125,909	75,820
Total non-current liabilities		133,820	92,275
Total liabilities		3,462,985	2,858,965
Net assets		22,187,706	14,362,740
Equity			
<i>Equity attributable to equity holders of the Parent:</i>			
Contributed equity	22	96,936,191	48,378,122
Reserves	23	9,931,478	8,581,707
Accumulated losses	23	(84,664,764)	(42,597,089)
Parent interests		22,202,905	14,362,740
Non-controlling interest	24	(15,199)	-
Total equity		22,187,706	14,362,740

The above balance sheet should be read in conjunction with the accompanying notes.

LIQUEFIED NATURAL GAS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2010

	CONSOLIDATED									
	Ordinary shares \$	“B” class redeemable preference shares \$	Share options reserve \$	Redeemable preference share reserve \$	Equity reserve \$	Foreign currency translation reserve \$	Accumulated Losses \$	Owners of the parent \$	Non- controlling interest \$	Total \$
At 1 July 2009	48,378,110	12	3,904,509	4,032,001	578,292	66,905	(42,597,089)	14,362,740	-	14,362,740
Profit for the period	-	-	-	-	-	-	(42,067,675)	(42,067,675)	(15,199)	(42,082,874)
Other comprehensive income	-	-	-	-	-	35,839	-	35,839	-	35,839
Total comprehensive income for the period	-	-	-	-	-	35,839	(42,067,675)	(42,031,836)	(15,199)	(42,047,035)
Transactions with owners in their capacity as owners:										
Shares issued on share placement	47,282,000	-	-	-	-	-	-	47,282,000	-	47,282,000
Transaction costs on shares issued	(1,505,469)	-	-	-	-	-	-	(1,505,469)	-	(1,505,469)
Shares issued on exercise of options	2,781,550	-	-	-	-	-	-	2,781,550	-	2,781,550
Share based payment	-	-	1,313,932	-	-	-	-	1,313,932	-	1,313,932
Redemption of “B” class preference shares	-	(12)	-	-	-	-	-	(12)	-	(12)
At 30 June 2010	96,936,191	-	5,218,441	4,032,001	578,292	102,744	(84,664,764)	22,202,905	(15,199)	22,187,706
At 1 July 2008	35,989,856	12	2,309,329	-	1,899,907	-	(20,284,407)	19,914,697	3,490,693	23,405,390
Profit for the period	-	-	-	-	-	-	(22,312,682)	(22,312,682)	(901,164)	(23,213,846)
Other comprehensive income	-	-	-	-	-	66,905	-	66,905	-	66,905
Total comprehensive income for the period	-	-	-	-	-	66,905	(22,312,682)	(22,245,777)	(901,164)	(23,146,941)
Transactions with owners in their capacity as owners:										
Shares issued on share placement	9,520,000	-	-	-	-	-	-	9,520,000	-	9,520,000
Transaction costs on shares issued	(694,950)	-	-	-	-	-	-	(694,950)	-	(694,950)
Shares issued on exercise of options	1,164,060	-	-	-	-	-	-	1,164,060	-	1,164,060
Acquisition of non-controlling interest in a subsidiary	2,399,144	-	-	-	(1,321,615)	-	-	1,077,529	(2,589,529)	(1,512,000)
Share based payment	-	-	1,595,180	4,032,001	-	-	-	5,627,181	-	5,627,181
At 30 June 2009	48,378,110	12	3,904,509	4,032,001	578,292	66,905	(42,597,089)	14,362,740	-	14,362,740

The above statement of changes in equity should be read in conjunction with the accompanying notes.

LIQUEFIED NATURAL GAS LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2010

	Note	CONSOLIDATED	
		2010	2009
		\$	\$
Cash flows from operating activities			
Receipts from the Australian Taxation Office		2,503,269	1,063,406
Interest received		1,221,768	1,276,042
Research and development tax concession rebate		365,182	227,867
Payments to suppliers and employees		(43,478,781)	(16,836,067)
Income tax paid		-	(550,999)
Net cash flows used in operating activities	25	(39,388,562)	(14,819,751)
Cash flows from investing activities			
Proceeds from/(investment in) term deposits classified as other financial assets	14	20,000	12,491,300
Investment in term deposits (used as security deposit for bank guarantees)	14	(790,000)	(1,000,000)
Purchase of plant and equipment	17	(365,046)	(69,873)
Acquisition of shares in subsidiaries, net of cash acquired		-	(1,662,579)
Proceeds from sale of interest in exploration licences	15	1,214,702	-
Net cash flows from investing activities		79,656	9,758,848
Cash flows from financing activities			
Proceeds from issue of ordinary shares	22	47,282,000	9,520,000
Payment for capital raising costs	22	(1,505,469)	(694,950)
Proceeds from issue of ordinary shares – exercise of options	22	2,781,550	1,164,060
Repayment of finance lease principal		(8,616)	(6,787)
Finance lease interest paid		(2,387)	(3,216)
Net cash flows from financing activities		48,547,078	9,979,107
Net increase in cash and cash equivalents		9,238,172	4,918,204
Net foreign exchange differences		(81,734)	(7,018)
Cash and cash equivalents at beginning of period		13,455,934	8,544,748
Cash and cash equivalents at end of period	12	22,612,372	13,455,934

The above cash flow statement should be read in conjunction with the accompanying notes

LIQUEFIED NATURAL GAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

1. CORPORATE INFORMATION

The financial report of Liquefied Natural Gas Limited (“the Company”) for the year ended 30 June 2010 was authorised for issue in accordance with a resolution of the directors on 29 September 2010.

Liquefied Natural Gas Limited (“the Parent”) is a company limited by shares, incorporated in Australia and whose shares are publicly traded on the Australian Stock Exchange (“ASX”).

The nature of the operations and principal activities of the Group are described in the Directors’ Report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis.

The financial report is presented in Australian dollars (\$).

(a) Compliance with IFRS

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board.

(b) New accounting standards and interpretations

Since 1 July 2009, the Group has adopted the following Standards and Interpretations, mandatory for all annual reporting periods beginning on or after 1 July 2009. Adoption of these Standards and Interpretations did not have any effect on the financial position or performance of the Group, except for the adoption of AASB 2008-1 *Amendments to Australian Accounting Standards - Share-based Payment: Vesting Conditions and Cancellations* [AASB 2] and AASB 8 *Operating Segments*, effective 1 January 2009.

- AASB 8 *Operating Segments*, effective 1 January 2009. This resulted in the revision of the Group’s segment note disclosures.
- AASB 101 *Presentation of Financial Statements (revised 2007)* effective 1 January 2009. The revised Standard separates owner and non-owner changes in equity. The Statement of Changes in Equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the Statement of Comprehensive Income which presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present one statement.
- AASB 7 *Financial Instruments: Disclosures* effective 1 January 2009. The amended Standard requires additional disclosures about fair value measurement and liquidity risk. The liquidity risk disclosures are not significantly impacted by the amendments and are presented on note 3.
- AASB 123 *Borrowing Costs (revised 2007)* effective 1 January 2009. This resulted in a change to the Group’s accounting policy.
- AASB 3 *Business Combinations (revised 2008)* effective 1 July 2009. This resulted in a change to the Group’s accounting policy.
- AASB 127 *Consolidated and Separate Financial Statements (revised 2008)* effective 1 July 2009.
- AASB Interpretation 16 *Hedges of a Net Investment in a Foreign Operation* effective 1 October 2008.
- AASB Interpretation 17 and AASB 2008-13 *Distribution of Non-cash Assets to Owners and consequential amendments to Australian Accounting Standards AASB 5 and AASB 110* effective 1 July 2009.
- AASB Interpretation 18 *Transfers of assets from customers* effective 1 July 2009.
- AASB 2008-1 *Amendments to Australian Accounting Standards - Share-based Payment: Vesting Conditions and Cancellations* [AASB 2] effective 1 January 2009.
- AASB 2008-2 *Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations arising on Liquidation* effective 1 January 2009.
- AASB 2008-3 *Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127* effective 1 July 2009.

LIQUEFIED NATURAL GAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

- AASB 2008-5 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project* effective 1 January 2009.
- AASB 2008-6 *Further Amendments to Australian Accounting Standards arising from Annual Improvements to Project [AASB 1 & AASB 5]* effective 1 July 2009.
- AASB 2008-7 *Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* effective 1 January 2009.
- AASB 2008-8 *Amendments to Australian Accounting Standards – Eligible Hedged Items* effective 1 July 2009.
- AASB 2009-2 *Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments [AASB 4, AASB 7, AASB 1023 & AASB 1038]* operative for period beginning on or after 1 January 2009 that end on or after 30 April 2009.
- AASB 2009-4 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2 and AASB 138 and AASB Interpretation 9 & 16]* effective 1 July 2009.
- AASB 2009-6 *Amendments to Australian Accounting Standards* operative for period beginning on or after 1 January 2009 that end on or after 30 June 2009.
- AASB 2009-7 *Amendments to Australian Accounting Standards* effective 1 July 2009.

The Group has not elected to early adopt any other new standards or amendments.

Where the adoption of the Standard or Interpretation is deemed to have an impact on the financial statements or performance of the Group, its impact is described below:

AASB 8 Operating Segments

AASB 8 replaced AASB 114 *Segment Reporting* upon its effective date. The Group concluded that the operating segments determined in accordance with AASB 8 were different to the business segments previously identified under AASB 114, which resulted in the revision of the Group's segment note disclosure. AASB 8 disclosures are shown in note 5, including the related revised comparative information.

AASB 2008-1 Amendments to Australian Accounting Standards - Share-based Payment: Vesting Conditions and Cancellations [AASB 2]

AASB 2 *Share-based Payment* was amended to clarify what constitutes a vesting condition and to prescribe the accounting treatment of an award that is effectively cancelled as a non-vesting condition is not satisfied. The terms of conversion of the 12 "B" class redeemable preference shares, issued as share-based payments to KMP, now meet the definition of non-vesting conditions.

Associated with the Group's adoption of the amendment, which has been applied retrospectively, the 12 "B" class redeemable preference shares have been revalued to incorporate the non-vesting condition and the share-based payment expense for the financial year ended 30 June 2009 was increased by \$2,776,131. As a result, the net loss for the year ended 30 June 2009 was restated to \$23,213,846 and the opening balance for the Group's accumulated losses and redeemable preference share reserve as at 1 July 2009 have been restated to \$42,597,089 and \$4,032,001 respectively. There was no impact on years prior to the year ended 30 June 2009 and therefore a third balance sheet has not been presented.

The impact of this restatement is summarised below:

	30-Jun-09
Share based payment expense (pre-restatement)	2,851,050
Share-based payment expense (restated)	5,627,181
Increase in share-based payment expense	2,776,131
Increase in net loss for the period	2,776,131
Redeemable preference share reserve (pre-restatement)	1,255,870
Redeemable preference share reserve (restated)	4,032,001
Increase in redeemable preference share reserve	2,776,131

LIQUEFIED NATURAL GAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

Accumulated losses (pre-restatement)	(39,820,958)
Accumulated losses (restated)	(42,597,089)
Increase in accumulated losses	(2,776,131)
Net increase/(decrease) in equity	-

Standards and interpretations issued not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ending 30 June 2010. These are outlined in the table below.

Reference	Title	Summary	Application date of standard*	Impact on Group's financial report	Application date for Group
AASB 2 (revised, AASB 2009-8)	Share Based Payments	The amendment clarifies the accounting for Group cash-settled share-based payment transactions, where a subsidiary receives goods or services from employees or suppliers but the parent or another entity in the Group pays for those goods or services. The amendment clarifies that the scope of AASB 2 includes such transactions.	1 January 2010	The Group does not have any cash-settled share-based payment transactions, and as such these amendments are not expected to have any major impact.	1 July 2010
AASB 8 (revised, AASB 2009-5)	Operating Segments	Segment assets and liabilities need only be reported when those assets and liabilities are included in measures used by the chief operating decision maker.	1 January 2011	AASB 8 is a disclosure standard so the amendment will have no direct impact on amounts disclosed in the Group's financial statements. However the amendments may have an impact on the Group's segment disclosures.	1 July 2011
AASB 9 and AASB 2009-11	Financial Instruments	The first phase of IFRS 9 <i>Financial Instruments</i> addresses the classification and measurement of financial assets. At initial recognition, all financial assets are measured at fair value. <i>Debt instruments</i> Debt instruments may be subsequently measured at amortised cost if certain conditions are met. <i>Equity investments</i> All equity investment financial assets are measured at fair value either through OCI or profit or loss. Entities must make an irrevocable choice for each instrument, unless they are held for trading, in which case they must be measured at fair value through profit or loss.	1 January 2013	The impact on the Group has not yet been assessed.	1 July 2013

LIQUEFIED NATURAL GAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

AASB 101 (revised, AASB 2009-5)	Presentation of Financial Statements	<i>Current/non-current classification of convertible instruments</i> The terms of a liability that could at anytime result in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification.	1 January 2010	The Group does not have any convertible instruments so this amendment will have no direct impact on the financial statements.	1 July 2010
AASB 107 (revised, AASB 2009-5)	Statement of Cash Flows	Only expenditures that result in a recognised asset can be classified as a cash flow from investing activities.	1 January 2010	The Group does not expect this amendment to have a major impact on the financial statements.	1 July 2010
AASB 117 (revised, AASB 2009-5)	Leases	<i>Classification of land and buildings</i> The specific guidance on classifying land as a lease has been removed so that only the general guidance remains.	1 January 2010	The Group does not expect this amendment to have a major impact on the financial statements.	1 July 2010
AASB 124 (revised, AASB 2009-12)	Related Party Disclosures	The definition of a related party has been clarified to simplify the identification of related party relationships, particularly in relation to significant influence and joint control.	1 January 2011	The amendment is not expected to have a significant impact on the Group's financial report.	1 July 2011
AASB 132 (revised, AASB 2009-10)	Financial Instruments: Presentation	The definition of a financial liability has been amended to classify rights issues (and certain options or warrants) as equity instruments if they satisfy certain conditions.	1 February 2010	The Group does not have any rights issues and as such this amendment is not expected to have any impact on the Group's financial report.	1 July 2010
AASB 136 (revised, AASB 2009-5)	Impairment of Assets	<i>Unit of accounting for goodwill impairment testing</i> The largest unit permitted for allocating goodwill acquired in a business combination is the operating segment defined in IFRS 8 before aggregation for reporting purposes.	1 January 2010	The Group does not currently intend to acquire business entities, notwithstanding non-controlling interests, and as such this amendment is not expected to have any major impact on the Group's financial report.	1 July 2010
AASB 139 (revised, AASB 2009-5)	Financial Instruments: Recognition and Measurement	The revised standard includes changes to: - Assessment of loan prepayment penalties as embedded derivatives; - Scope exemption for business combination contract; and - Cash flow hedge accounting.	1 January 2011	The Group does not have any embedded derivatives, business combination contracts or cash-flow hedges therefore this amendment is expected to have no direct impact on amounts disclosed in the financial report.	1 July 2011

LIQUEFIED NATURAL GAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

AASB 2010-3	Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 3, AASB 7, AASB 121, AASB 128, AASB 131, AASB 132 & AASB 139]	Limits the scope of the measurement choices of non-controlling interest (NCI) at proportionate share of net assets in the event of liquidation. Other components of NCI are measured at fair value. Requires an entity (in a business combination) to account for the replacement of the acquiree's share-based payment transactions (whether obliged or voluntarily), i.e., split between consideration and post combination expenses. Clarifies that contingent consideration from a business combination that occurred before the effective date of AASB 3 Revised is not restated. Eliminates the requirement to restate financial statements for a reporting period when significant influence or joint control is lost and the reporting entity accounts for the remaining investment under AASB 139. This includes the effect on accumulated foreign exchange differences on such investments.	1 July 2010	The amendment is not expected to have a significant impact on the Group's financial report.	1 July 2010
AASB 2010-4	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101, AASB 134 and Interpretation 13]	Emphasises the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments. Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. Provides guidance to illustrate how to apply disclosure principles in AASB 134 for significant events and transactions Clarify that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.	1 January 2011	As the amendment predominantly relates to disclosures, it is not expected to have a significant impact on the Group's financial report.	1 July 2011

* Application date is for annual reporting periods beginning on or after the date shown in the above table.

LIQUEFIED NATURAL GAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (the Group) as at 30 June each year.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a Group controls another entity.

The financial statements of subsidiaries are prepared for the same reporting period as the Parent company, using consistent accounting policies.

All inter-company balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full upon consolidation.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Subsidiary acquisitions pre-1 July 2009 are accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition.

Subsidiary acquisitions post-1 July 2009 are accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values.

Non-controlling interests not held by the Group are allocated their share of net profit or loss after tax in the income statement and are presented within equity in the consolidated balance sheet, separately from Parent shareholder's equity.

(d) Operating segments – refer note 5

An operating segment is a component of an entity that engages in business activities from which it may earn revenue and incur expenses (including revenue and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start up operations which are yet to earn revenue. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the Board of Directors.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team.

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for “all other segments”.

(e) Foreign currency translation

Both the functional and presentation currency of the Company and its Australian subsidiaries is Australian dollars (\$). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The Papua New Guinea subsidiary's functional currency is Papua New Guinea Kina which is translated to Australian Dollar presentation currency. The Indonesian subsidiary's functional currency is Indonesian Rupiah, which is then translated to Australian dollar presentation currency.

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance date.

LIQUEFIED NATURAL GAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

All exchange differences in the consolidated financial report are taken to the profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The profit or loss of the overseas subsidiaries are translated into Australian dollars at the average exchange rates for the reporting period or at the exchange rates ruling at the date of each transaction. Assets and liabilities are translated at exchange rates prevailing at balance date.

Exchange variations resulting from the translation are recognised in the foreign currency translation reserve in equity.

(f) Cash and cash equivalents – refer note 12

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the cash flow statement, cash and cash equivalents include cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(g) Trade and other receivables – refer note 13

Trade receivables, which generally have 30-90 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 120 days overdue are considered objective evidence of impairment. The amount of impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

(h) Business combination

Prior to 1 July 2009, business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Post-1 July 2009 business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 either in profit or loss or in other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured.

(i) Goodwill and intangibles

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. The Group performs its impairment testing using the fair value less costs to sell method for the cash-generating units to which the goodwill has been allocated.

When the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit (group of cash-generating units) and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

Research and development costs

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefits from the related project.

The carrying value of an intangible asset arising from development expenditure is tested for impairment annually when the asset is not yet available for use or more frequently when an indication of impairment arises during the reporting period.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is de-recognised.

(j) Plant and equipment – refer note 17

Cost and valuation

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in profit or loss as incurred.

Depreciation

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

LIQUEFIED NATURAL GAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

Computer hardware	3 to 5 years
Computer software	3 to 10 years
Furniture & fittings	10 years
Office equipment	5 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

De-recognition and disposal

An item of plant and equipment is de-recognised upon disposal or when no further future economic benefits are expected from its use or disposal.

(k) Leases – refer note 21 & 30

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Finance leases (Group as a lessee)

Leases which effectively transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit and loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating leases (Group as a lessee)

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

(l) Impairment of non-financial assets other than goodwill

Intangible assets that have an indefinite useful life and are not subject to amortisation are tested annually for impairment or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

(m) Non-current assets held for sale – refer note 15

Non-current assets are classified as held for sale and measured at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction. They are not depreciated or amortised. For an asset to be classified as held for sale, it must be available for immediate sale in its present condition and its sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of de-recognition.

LIQUEFIED NATURAL GAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

(n) Trade and other payables – refer note 18

Trade and other payables are carried at amortised cost and due to their short-term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(o) Interest-bearing loans and borrowings – refer note 21

All loans and borrowings are initially recognised at fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised costs using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

(p) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the period they occur. The Group does not currently hold any qualifying assets.

(q) Provisions and employee benefits – refer note 19 & 20

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance date using a discounted cash flow methodology. The risk specific to the provision is factored into the cash flows and as such a risk-free government bond rate relative to the expected life of the provision is used as a discount rate. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Employee leave benefits and other post-employment benefits:

Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave due to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts due to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Long service leave

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

The Company does not operate a defined benefit pension plan.

LIQUEFIED NATURAL GAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

(r) Share-based payment transactions – refer note 26

The Group provides benefits to employees (including directors and senior executives) and consultants in the form of share-based payments, whereby services are rendered in exchange for rights over shares (“equity-settled transactions”).

The Company has a Share Option Plan (“SOP”), which provides share options to employees, directors, senior executives and consultants.

The cost of these equity-settled transactions with employees, directors, senior executives and consultants (for awards granted after 7 November 2002 that were unvested at 1 January 2005) is measured by reference to the fair value of the equity instruments at the date at which they are granted if the fair value of the services provided can not be estimated reliably. The fair value is determined using a binomial model.

In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the Company (“market conditions”), and or non-vesting conditions if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (“the vesting period”), ending on the date on which the relevant employees, directors, senior executives or consultants become fully entitled to the award (“the vesting date”).

The cumulative expense recognised for equity-settled transactions at each subsequent reporting date until vesting date reflects (i) the grant date fair value of the award (ii) the expired portion of the vesting period and (iii) the Group’s current best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The charge to the profit or loss for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding credit to equity.

Equity-settled awards granted by the Company to employees of its subsidiaries are recognised in the Company’s separate financial statements as an additional investment in the subsidiary with a corresponding credit to equity. As a result, the expense recognised by the Company in relation to equity-settled awards only represents the expense associated with grants to employees of the Company. The expense recognised by the Group is the total expense associated with all such awards.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to a market condition is considered to vest irrespective of whether or not that market condition is fulfilled, provided that all other conditions are satisfied.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

(s) Contributed equity – refer note 22

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(t) Convertible non-cumulative redeemable preference shares – refer note 22

The component of the convertible non-cumulative redeemable preference shares that exhibits characteristics of a liability is recognised as a liability in the balance sheet, net of transaction costs.

LIQUEFIED NATURAL GAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

On issuance of the convertible redeemable preference shares, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a long-term liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost.

The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years.

The corresponding equity dividends on those shares are recognised as a distribution. Interest on the liability component of the instruments is recognised as an expense in profit or loss.

Transactions costs are apportioned between the liability and equity components of the convertible non-cumulative redeemable preference shares based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

(u) Revenue recognition – refer note 6

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Rendering of services

Where the contract outcome can be reliably measured, revenue is recognised when control of the right to be compensated for the services and the stage of completion can be reliably measured. Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract. Where the contract outcome can not be reliably measured, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Interest income

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(v) Income and other taxes – refer note 9

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance date.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

LIQUEFIED NATURAL GAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates, or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Other taxes

Revenue, expenses and assets are recognised net of the amount of Goods and Service Tax ("GST"), except:

- when the GST incurred on a purchase of goods and services is not recoverable from the Australian Tax Office ("ATO") in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the balance sheet.

Cash flows are included in the cash flow statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the ATO is classified as part of operating cash flow.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the ATO.

(w) Earnings per share ("EPS") – refer note 11

Basic EPS is calculated as net profit or loss attributable to members of the Parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit or loss attributable to members of the Parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after-tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

LIQUEFIED NATURAL GAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

(x) Acquisition and sale of non-controlling interests – refer note 23(c)

Acquisition and sale of non-controlling interests in subsidiaries pre-1 July 2009 are accounted for by the Group using the entity method, whereby, the difference between the consideration and the book value of the share of the net assets in the subsidiary attributable to non-controlling interest acquired or sold is recognised in the equity reserve.

(y) Investment and other financial assets – refer note 14

Investments and financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. The classification depends on the purpose for which the investments were acquired. Designation is re-evaluated at each financial year end, but there are restrictions on reclassifying to other categories. When financial assets are recognised initially, they are measured at fair value, plus (in the case of assets not at fair value through profit or loss) directly attributable transaction costs.

(i) Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category “financial assets at fair value through profit or loss”. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains and losses on investments held for trading are recognised in profit or loss and the related assets are classified as current assets in the balance sheet.

(ii) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are de-recognised or impaired, as well as through the amortisation process.

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are de-recognised or impaired. These are included in current assets, except for those with maturities greater than 12 months after balance date, which are classified as non-current.

(iv) Available-for-sale investments

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is de-recognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include: using recent arm's length market transactions, reference to the current market value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible and keeping judgemental inputs to a minimum.

(z) Exploration and evaluation expenditure

Expenditure on exploration and evaluation is accounted for in accordance with the “area of interest” method. The Group's application of the accounting policy is for the cost of exploring and evaluating discoveries is closely aligned to

LIQUEFIED NATURAL GAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

the US GAAP-based “successful efforts” method. Exploration licence acquisition costs are capitalised and subject to half-yearly impairment testing.

All exploration and evaluation expenditure, including general permit activity, geological and geophysical costs are expensed as incurred except where an area of interest is recognised, and it is expected that the expenditure will be recouped through successful exploitation of the area of interest, or alternatively, by its sale.

Each potential or recognised area of interest is reviewed half-yearly to determine whether economic quantities of reserves have been found or whether further exploration and evaluation work is underway or planned to support the continued carry forward of capitalised costs.

Upon approval for the commercial development of an area of interest, accumulated expenditure for the area of interest is reclassified as capitalised development expenditure.

The recoverability of the carrying amount of the exploration and evaluation assets is dependent upon successful development and commercial exploitation, or alternatively, sale of the respective area of interest.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group’s principal financial instruments comprise finance leases, receivables, cash and cash equivalents, and term deposits. Other financial assets and liabilities include receivables and payables, which arise directly from operations.

The Group manages exposure to key financial risks in accordance with the Group’s financial risk management policy. Interest rate risk, liquidity risk, foreign currency risk and credit risk arise as part of the normal course of the Group’s operation. The Board reviews and agrees on policies for managing each of these risks. The Group’s management of financial risk is aimed to ensure net cash flows are sufficient to meet financial commitments as and when they fall due, and to fund the progression of the Group’s core activity being the identification and progression of opportunities for the development of LNG projects to facilitate the production and sale of LNG. To achieve its objective, the Group may also consider raising additional equity, if necessary.

The main risks arising from the Group’s financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group uses different methods to measure and manage different types of risks which it is exposed to, including monitoring the Group’s level of exposure to interest rate and foreign exchange rate risks and assessment of market forecasts for interest rates and foreign exchange rates. Ageing analysis and monitoring of specific credit allowances are undertaken to manage credit risk. Liquidity risk is managed through cash flow monitoring and forecast.

Risk exposures and responses

Interest rate risk

The Group’s exposure to the risk of changes in market interest rates relates primarily to the Group’s cash and term deposits held with three Australian financial institutions. The interest rate risk is managed by the Group through constant analysis of the market interest rates and its exposure to changes in the variable interest rate. Within this analysis, consideration is given to potential renewals of existing positions, alternative financing and the mix of fixed and variable interest rates. To minimise interest rate risk, the Group analyses its cash flow position and may invest excess cash into a fixed rate term deposit for a short to medium term.

At balance date, the Group had the following financial assets exposed to Australian variable interest rate risk that is not designated as cash flow hedges:

	CONSOLIDATED	
	2010	2009
	\$	\$
Financial assets		
Cash and cash equivalents (note 12)	22,612,372	13,455,934
Other financial assets (term deposits) (note 14)	1,790,000	1,020,000
Net exposure	24,402,372	14,475,934

LIQUEFIED NATURAL GAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

At 30 June 2010, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgements of reasonably possible movements:	Post tax profit Higher/(Lower)		Equity Higher/(Lower)	
	2010	2009	2010	2009
CONSOLIDATED	\$	\$	\$	\$
+ 1.5% (150 basis points) (2009: +1.5%)	366,036	217,139	366,036	217,139
- 1.5% (150 basis points) (2009: -1.5%)	(366,036)	(217,139)	(366,036)	(217,139)

Significant assumptions used in the interest rate sensitivity analysis include:

- The 1.5% sensitivity is based on reasonably possible movements over a financial year, after observation of a range of actual historical rate movements during the past 5 year period; and
- The net exposure at balance date is representative of what the Group was and is expecting to be exposed to in the next twelve months from balance date.

Foreign exchange risk

The Group has transactional currency exposures, mainly due to costs incurred in currencies other than its functional currency. Given the low value of such foreign currency expenditure, the Group's policy is not to hedge and accept the prevailing exchange rate on the date of payments.

However, as and when the Group's foreign currency expenditure commitments increase, and the timing of such payments have an acceptable degree of certainty, the Group will actively monitor its exposure to foreign currency exchange rate movements, including availability of natural hedges (e.g. matching foreign currency receipts and expenditure) and consider the implementation of foreign currency hedging instruments to mitigate potentially unfavourable foreign exchange rate movements.

As the majority of each LNG production project's income will be in United States dollars, the Group will, to the extent possible, endeavour to maximise the use of natural hedges (e.g. borrowings and expenditures in United States dollars).

At 30 June 2010, the Group had the following exposure to US\$ foreign currency that is not designated as cash flow hedges:

	CONSOLIDATED	
	2010	2009
	\$	\$
Financial assets		
US\$ cash and cash equivalents	1,289,972	-
Financial liabilities		
Liabilities directly associated with assets held for sale (i)	-	(784,888)
	1,289,972	(784,888)
Net exposure	1,289,972	(784,888)

- (i) During the previous financial year, upon acquisition of 100% interest in Gedd (PNG) Limited by the Company's subsidiary, Gas Link Global Limited, the Group assumed a liability of US\$628,460. This liability relates to Gedd PNG's cash calls contingent liability for its share of cash calls for the drilling of the Korobosea-1 well. This permit was sold during the current year (refer to note 7) and there is no other US\$ exposure.

At 30 June 2010, had the Australian dollar moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgements of reasonably possible movements:	Post tax profit Higher/(Lower)		Equity Higher/(Lower)	
	2010	2009	2010	2009
CONSOLIDATED	\$	\$	\$	\$
AUD/USD +10% (2009: +10%)	(117,270)	71,353	(117,270)	71,353
AUD/USD -10% (2009: -10%)	143,330	(87,210)	143,330	(87,210)

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Significant assumptions used in the interest rate sensitivity analysis include:

- The 10% sensitivity is based on reasonably possible movements over a financial year, after observation of actual historical rate movement during the past 5 year period;
- The translation of net assets in subsidiaries with a functional currency other than A\$ has not been included in the sensitivity analysis as part of the equity movement; and
- The net exposure at balance date is representative of what the Group was and is expecting to be exposed to in the next twelve months from balance date.

Credit risk

Financial assets that potentially subject the Group to credit risk consist primarily of cash, trade and other receivables and term deposits. The Group places its cash with high quality Australian financial institutions with Standard and Poor's credit rating of A-1+ (short term) and AA (long term). The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these financial assets.

It is also the Group's policy that customers who wish to trade on unsecured credit terms will be subject to credit verification procedures. Receivable balances are also monitored on an ongoing basis to reduce the Group's exposure to bad debts.

At balance date, the Group's credit risk relates mainly to trade and other receivables of \$745,914 (in the previous financial year, the Group's significant concentration of credit risk was related to the deposit paid to and loan extended to Gedd (PNG) Ltd for the amount of \$3,183,868).

The Group does not have any outstanding receivables that are past due.

The carrying amounts of the financial assets represent the maximum credit exposure.

Liquidity risk

Liquidity risk arises from the financial liabilities of the Group and the Group's subsequent ability to meet their obligations to repay their financial liabilities as and when they fall due.

It is the Group's policy to ensure it has adequate cash reserves to meet known committed corporate and project development expenditure over the ensuing 24 months and additional equity will be raised as necessary to maintain the cash reserve coverage. It is also the Group's policy to generally fund all project development expenditure, through to financial close of a project, from its equity generated cash reserves.

At 30 June 2010, except for the finance leases and payables, the Group had no debt (2009: no debt except for finance leases, payables and liability directly associated with the assets held for sale) and its activities are primarily funded from cash reserves from share issue, interest income and research and development concession rebates. The majority of cash reserves are held in term deposit with the ANZ Banking Group, Westpac Banking Corporation and the Commonwealth Bank of Australia, with funds transferred as necessary to the Group's working accounts to meet short-term expenditure commitments.

LIQUEFIED NATURAL GAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

The remaining contractual maturities of the Group's financial liabilities are:

	CONSOLIDATED	
	2010	2009
As at 30 June 2010	\$	\$
6 months or less	2,952,863	2,451,240
6-12 months	4,395	5,002
1-5 years	7,911	18,339
Over 5 years	-	-
	2,965,169	2,474,581

Maturity analysis of financial assets and liabilities based on management's expectation:

The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and outflows.

As at 30 June 2010	≤6	6-12	1-5	>5	
CONSOLIDATED	months	months	years	years	Total
	\$	\$	\$	\$	\$
Financial assets					
Cash and cash equivalents	22,612,372	-	-	-	22,612,372
Receivables	745,914	-	-	-	745,914
Other financial assets	790,000	1,000,000	-	-	1,790,000
	24,148,286	1,000,000	-	-	25,148,286
Financial liabilities					
Trade and other payables	2,948,714	-	-	-	2,948,714
Interest-bearing borrowings	4,149	4,395	7,911	-	16,455
	2,952,863	4,395	7,911	-	2,965,169
Net maturity	21,195,423	995,605	(7,911)	-	22,183,117

Fair value

The methods for estimating fair value are outlined in the relevant notes to the financial statements.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In applying the Group's accounting policies, management is required to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates based on experience and various other factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

The following are the critical accounting policies for which significant judgements, estimates and assumptions are made in the preparation of the Group's financial statements. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

(i) Significant accounting judgements

Operating lease commitments – Group as lessee

The Group has entered into leases for office premises and determined that the lessor retains all the significant risks and rewards of ownership of the office premises and thus has classified the lease as operating leases.

Recovery of deferred tax assets

Deferred tax assets arising from deductible temporary differences and tax losses are not recognised as management does not consider it probable that future taxable profits will be available to utilise those temporary differences and tax losses.

Taxation

Management judgement is required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised in the balance sheet. Deferred tax assets, including those arising from un-recouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Assumptions about the generation of future taxable profits depend on management's estimate of future cash flows. These depend on estimates of future revenues, operating costs, capital expenditure, dividend and other project development costs. Judgements are also required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of tax losses and temporary differences not yet recognised in the balance sheet.

Project development expenses

Management judgement is required to assess whether development expenses should be capitalised. In determining whether to capitalise the development expenses, management needs to assess whether all material issues in relation to a project have been adequately identified and addressed, to the extent possible, and there is a high probability of the project achieving financial close and proceeding to development, within a reasonable period.

As the above factors have not been satisfied, all development expenditure has been expensed during the financial year.

Classification of assets as held for sale

The Group classifies assets as held for sale when the carrying amount will be recovered through a sale transaction. The assets must be available for immediate sale and the Group is committed to selling the asset by entering into a contractual sale agreement.

(ii) Significant accounting estimates and assumptions

Share-based payment transactions

The Group measures the cost of equity-settled transactions with directors, employees and consultants by reference to the fair value of equity instruments at the date at which they are granted. The fair value is determined using a binomial model with the assumptions detailed in the share-based payment note to the financial statements.

Valuation of non-current assets held for sale

During the previous financial year, the Group entered into a contractual sale agreement to sell certain non-current assets and settlement was expected to occur within one year. Accordingly, the Group determined the value of these assets using the fair value less costs to sell method.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

Impairment of fair value uplift on subsidiary acquisition

The Group determines whether goodwill/fair value uplift arising from acquisition of subsidiary is impaired on an annual basis. Fair value uplift arising on acquisition of an overseas subsidiary (Gedd PNG Limited) was written off during the prior period as the recoverable amount of the group of cash-generating units to which the fair value uplift is allocated is less than their carrying amount. The recoverable amount is determined by reference to the fair value less costs to sell.

Impairment of receivables

The Group determines whether receivables are impaired on an ongoing basis. When there is objective evidence that the Group will not be able to collect the receivable, an impairment of the receivable is recognised. During the year, due to the decrease in the net assets of the subsidiaries, the Parent has made an impairment for the amount owing by these subsidiaries. The amount of impairment is the receivable carrying amount.

5. OPERATING SEGMENTS

Identification of reportable segments

The Group has identified its operating segments based on information that is reviewed and used by the executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

Management identified the operating segments based on the types of the business activities or operations and/or the nature of services provided. The reportable segments are based on aggregated operating segments determined by the similarity of the types of the business activities and/or the services provided, as these are the sources of the Group's major risks and have the most effect on the rates of returns.

Reportable operating segments

The Group has identified the following reportable operating segments:

Oil and gas project development

The oil and gas project development business involves the identification and progression of opportunities for the development of LNG projects to facilitate the production and sale of LNG. This includes project development activities from pre-feasibility, detailed feasibility and advancement of each project to financial close at which time the Company expects to obtain reimbursement of all, or part of, the development costs incurred by the Company to that date and then fund the project via a suitable mix of project debt and equity. The oil and gas project development business has been determined as both an operating segment and a reportable segment.

Investment in existing oil and gas discoveries and prospective acreage

The investment includes the identification, and selected investment in, existing oil and gas discoveries and prospective acreage, where the fundamentals support the potential early commercialisation of the oil and gas, including potential gas feedstock for the Company's proposed LNG projects. The investment in existing oil and gas fields has been determined as both an operating segment and a reportable segment.

Technology development and licensing

The technology development and licensing business is involved in the development of LNG Technology, through research and development activities and the advancement of each developed technology to the patent application stage with the aim to derive licensing fees or royalties from the utilization of, or the sub-licensing of the LNG technology. The technology development and licensing has been determined as both an operating segment and a reportable segment.

Accounting policies and inter-segment transactions

The accounting policies used by the Group in reporting segments internally are the same as those contained in Note 1 to the accounts and in the prior period except as detailed below:

LIQUEFIED NATURAL GAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

5. OPERATING SEGMENTS (Continued)

Corporate charges

Corporate charges comprise non-segmental expenses such as certain head office expenses. Corporate charges are allocated to each segment based on the estimated percentage basis linked to segment expenses to derive a segmental result.

Income tax expense

Income tax expense/deferred tax benefit is calculated based on the segment operating net profit/(loss) using a notional charge of 30% (2009: 30%). No effect is given for taxable or deductible temporary differences.

It is the Group's policy that if items of revenue and expense are not allocated to operating segments then any associated assets and liabilities are also not allocated to segments. This is to avoid asymmetrical allocations within segments which management believe would be inconsistent.

The following items and associated assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Interest revenue
- Corporate expenses
- Finance costs

The following table shows the revenue and profit or loss information for reportable segments for the years ended 30 June 2010 and 30 June 2009.

Year ended 30 June 2010	Oil and gas project development \$	Continuing operations Investment in oil and gas discoveries \$	Technology development and licensing \$	Total \$
Revenue				
Other revenue	-	-	-	-
Inter-segment sales	803,580	202,406	-	1,005,986
Total segment revenue	803,580	202,406	-	1,005,986
Inter-segment elimination				(1,005,986)
Unallocated revenue				1,328,147
Unallocated other income				263,782
Total revenue per the statement of comprehensive income				1,591,929
 Segment profit/(loss)	 (37,370,770)	 (463,996)	 (237,112)	 (38,071,878)
Reconciliation of segment net profit/(loss) after tax to net profit/(loss) before tax				
Income tax expense at 30% (2009:30%)				(5,833)
Unallocated revenue and other income				1,591,929
Finance costs				(2,762)
Corporate charges				(5,594,330)
Net profit/(loss) before tax per the statement of comprehensive income				(42,082,874)
 Segment assets for the year ended 30 June 2010 are as follows:				
Segment assets				
Segment operating assets	790,463	72,694	-	863,157
Intersegment eliminations				-
Unallocated assets ¹				24,787,534
Total assets from continuing operations per the balance sheet				25,650,691
Unallocated liabilities				3,462,986

LIQUEFIED NATURAL GAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

5. OPERATING SEGMENTS (Continued)

¹ Unallocated assets primarily consisted of cash and cash equivalents of \$24,402,372.

Year ended 30 June 2009	Continuing operations			Total
	Oil and gas project development \$	Investment in oil and gas discoveries \$	Technology development and licensing \$	
Revenue				\$
Other revenue	-	-	-	-
Inter-segment sales	-	110,791	-	110,791
Total segment revenue	-	110,791	-	110,791
Inter-segment elimination				(110,791)
Unallocated revenue				878,636
Unallocated other income				772,750
Total revenue per the statement of comprehensive income				1,651,386
Segment profit/(loss)	(13,496,000)	(2,806,136)	-	(16,302,136)
Reconciliation of segment net profit/(loss) after tax to net profit/(loss) before tax:				
Income tax benefit at 30% (2009:30%)				34,041
Unallocated revenue and other income				1,651,386
Finance costs				(3,216)
Unallocated expenses				(2,714,594)
Corporate charges				(5,879,327)
Net profit/(loss) before tax per the statement of comprehensive income				(23,213,846)
Segment assets for the year ended 30 June 2009 are as follows:				
Segment assets				
Segment operating assets	127,737	4,002,388	-	4,130,125
Intersegment eliminations				(2,148,925)
Unallocated assets ¹				15,240,505
Total assets from continuing operations per the balance sheet				17,221,705
Unallocated liabilities				2,858,965

¹ The unallocated assets consisted primarily of cash and cash equivalents of \$14,475,934.

The analysis of the location of segment assets is as follows:

	CONSOLIDATED	
	2010 \$	2009 \$
Australia	25,516,418	15,363,071
Indonesia	134,273	6,660
Papua New Guinea	-	1,851,974
Total	25,650,691	17,221,705

LIQUEFIED NATURAL GAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

6. REVENUE

	CONSOLIDATED	
	2010	2009
	\$	\$
Interest revenue	1,328,147	878,636
Total revenue	1,328,147	878,636

7. OTHER INCOME

	CONSOLIDATED	
	2010	2009
	\$	\$
Research and development concession rebate	48,935	593,048
Net foreign exchange gain	67,192	179,702
Net gain on disposal of held-for-sale assets (note 15)	147,655	-
Total other income	263,782	772,750

8. EXPENSES

	CONSOLIDATED	
	2010	2009
	\$	\$
(a) Depreciation		
Plant and equipment	58,722	44,603
Plant and equipment under lease	3,936	3,936
Total depreciation of non-current assets	62,658	48,539
(b) Finance costs		
Finance charges payable under finance leases	2,762	3,216
Total finance costs	2,762	3,216
(c) Lease payments included in administration expenses		
Minimum lease payments - operating lease	385,276	355,749
Total operating lease rental	385,276	355,749
(d) Employee benefit expense		
Wages and salaries	2,894,091	2,172,123
Consultancy fees	745,920	624,815
Annual leave provision	59,071	129,524
Long service leave provision	50,089	75,820
Superannuation	176,220	174,478
Other non-monetary benefits	134,255	87,086
Share-based payments expense-key management personnel and employees	1,155,557	5,511,344
Total employee benefits expense	5,215,203	8,775,190

LIQUEFIED NATURAL GAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

8. EXPENSES (Continued)

	CONSOLIDATED	
	2010	2009
	\$	\$
(e) Loss from continuing operations before income tax includes the following:		
Provision for non-recovery of receivables	-	2,454,470
Bad debts written off	14,792	-
Share-based payment expense-consultant	158,375	115,837
Research and development costs	227,577	2,001,912
Impairment loss of fair value uplift on subsidiary acquisition	-	260,124

9. INCOME TAX

	CONSOLIDATED	
	2010	2009
	\$	\$
(a) Income tax expense		
Current tax expense	-	-
Deferred tax expense	-	-
Prior year under/(over) provision	5,833	(34,041)
Income tax expense/(benefit)	5,833	(34,041)

(b) Numerical reconciliation between aggregate tax expense recognised in the income statement and tax expense calculated per the statutory income tax rate

A reconciliation between tax expense and the product of accounting profit/(loss) before income tax multiplied by the Company's applicable income tax rate is as follows:

Total accounting loss before tax	(42,077,041)	(23,247,887)
Prima facie tax @ 30% (2009: 30%)	(12,623,112)	(6,974,366)
<i>Increase in tax expense due to:</i>		
Share-based payments (equity-settled)	394,180	1,688,154
Expenditure not deductible for tax purposes	3,101,407	488,386
Fair value uplift written off	-	78,037
<i>Decrease in tax expense due to:</i>		
Prior year income tax expense adjustment	5,833	(34,041)
R&D concession tax offset	(14,681)	(177,914)
Black-hole expenditure	(798,984)	(228,933)
Foreign tax rate adjustment	-	(39,855)
Pre-acquisition adjustment	-	(91,724)
Deferred tax benefits not recognised	9,929,524	5,258,215
Income tax expense/(benefit)	5,833	(34,041)

LIQUEFIED NATURAL GAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

9. INCOME TAX (Continued)

(c) Recognised deferred tax assets and liabilities

	Balance Sheet		Profit or Loss	
	2010	2009	2010	2009
	\$	\$	\$	\$
CONSOLIDATED				
<i>Deferred tax liabilities</i>				
Unrealised foreign exchange gain	-	207,208	207,208	(121,652)
Accrued income	53,360	6,962	(34,398)	(119,231)
Gross deferred income tax liabilities	53,360	214,170		
Set-off of deferred tax assets	(53,360)	(214,170)		
Net deferred tax liabilities	-	-		
<i>Deferred tax assets</i>				
Income tax losses	53,360	214,170	(160,810)	240,883
Gross deferred tax assets	53,360	214,170		
Set-off of deferred tax liabilities	(53,360)	(214,170)		
Net deferred tax assets	-	-		
Deferred tax expense/(benefit)			-	-

There is no current or deferred tax relating to items that are charged or credited to equity.

(d) Tax losses

At 30 June 2010, the Group had Australian tax losses of \$20,340,313 (2009: \$14,597,214) for which no deferred tax asset has been recognised on the balance sheet. These losses are available indefinitely for offset against future taxable income subject to continuing to meet the relevant statutory tests.

(e) Other unrecognised temporary differences

As at 30 June 2010, the Group has temporary differences of \$28,684,823 (2009: \$15,378,643) for which no deferred tax asset has been recognised. There is no unrecognised temporary difference associated with the Group's investments in subsidiaries (2009: \$Nil).

10. DIVIDEND PAID AND PROPOSED

There were no dividends paid or proposed during or as at the end of the financial year.

LIQUEFIED NATURAL GAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

11. EARNINGS PER SHARE

The following data is used in the calculations of basic and diluted earnings per share:

(a) Earnings used in calculating earnings per share

	CONSOLIDATED	
	2010	2009
	\$	\$
<i>For basic earnings per share:</i>		
Net loss attributable to ordinary equity holders of the Parent	(42,067,675)	(22,312,682)
<i>For diluted earnings per share:</i>		
Net loss attributable to ordinary equity holders of the Parent	(42,067,675)	(22,312,682)

(b) Weighted average number of shares

	2010	2009
	Number	Number
Weighted average number of ordinary shares for basic earnings per share	198,824,099	147,644,253
Weighted average number of ordinary shares adjusted for the effect of dilution	198,824,099	147,644,253

(c) Information on the classification of securities

Share options and redeemable preference shares

Share options granted to employees, directors, senior executives and consultants and redeemable preference shares that could potentially dilute basic earnings per share in the future, are excluded from the calculation of diluted earnings per share because they are anti-dilutive for both of the periods presented. There were 8,990,000 (2009: 16,335,000) share options that were excluded from the calculation of diluted earnings per share.

(d) Conversion, calls, subscription or issues after 30 June 2010

No fully paid ordinary shares in the Company were issued pursuant to the exercise of share options between the reporting date and the date of completion of these financial statements.

There has been no issue of, conversions to, calls of or subscription for ordinary shares or issues of potential ordinary shares since the reporting date and before the date of completion of these financial statements.

12. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	CONSOLIDATED	
	2010	2009
	\$	\$
Cash at bank and in hand	2,498,909	2,155,934
Short-term deposits	20,113,463	11,300,000
	22,612,372	13,455,934

Cash at bank earns interest at floating rates based on daily bank deposit rates. The carrying amount of cash and cash equivalents represents fair value.

Short-term deposits are made for varying periods of between 7 to 90 days, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

Details regarding credit risk and interest rate risk are disclosed in note 3.

LIQUEFIED NATURAL GAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

13. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

		CONSOLIDATED	
		2010	2009
		\$	\$
Other receivables			
- goods & services tax receivable	(a)(i)	544,103	211,551
- other receivables	(a)(i)	201,811	465,154
Total current receivable		745,914	676,705

(i) Terms and conditions

Other receivables are unsecured, non-interest-bearing and are usually settled on 30-90 day terms. These receivables do not contain impaired assets and are not past due. It is expected that these receivables will be received when due.

(ii) Fair value and credit risk

Due to the short-term nature of these receivables, the carrying amounts are assumed to approximate their fair value. The maximum exposure to credit risk is the carrying amount of these receivables.

(iii) Liquidity risk and credit risk

Details regarding liquidity risk and credit risk exposure are disclosed in note 3.

14. CURRENT ASSETS – OTHER FINANCIAL ASSETS

		CONSOLIDATED	
		2010	2009
		\$	\$
Investments in medium-term deposits (cash deposits) ^{(i) (ii) (iii)}		1,790,000	1,020,000
		1,790,000	1,020,000

(i) Investments in term deposits are made for varying periods of between 90 days to 1 year and earn interest at the respective term deposit fixed rates.

(ii) Included in this balance is A\$1million which is used as a security deposit for the A\$1million performance guarantee issued by ANZ Bank to Gladstone Port Corporation (“GPC”) for rehabilitation work relating to early site works, to be completed by GPC.

(iii) Included in this balance is a A\$790,000 security deposit held by the ANZ in relation to the issue of a A\$789,263 bank guarantee, by the ANZ, in favour of Queensland’s Department of Environment and Resource Management (“DERM”), which is a condition of DERM’s environmental authority approval.

Due to the short-term nature of the above financial instruments, their carrying amounts approximate their fair value. The maximum exposure to credit risk is the carrying amount of these financial instruments.

Details regarding foreign exchange risk, interest rate risk and credit risk are disclosed in note 3.

15. CURRENT ASSETS – NON-CURRENT ASSETS HELD FOR SALE

During the prior financial year, on 1 October 2008, the Group acquired Gedd (PNG) Limited which holds interests in the exploration licences listed below. As the Group entered into a contractual arrangement for the sale of these assets, they were classified as non-current assets held for sale. The value of the assets held for sale and the liabilities directly associated with these assets at 30 June 2009, measured at the lower of carrying amount and fair value less costs to sell, was as follows:

LIQUEFIED NATURAL GAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

15. NON-CURRENT ASSETS HELD FOR SALE (Continued)

	CONSOLIDATED	
	2010	2009
	\$	\$
<i>Assets</i>		
Petroleum Retention Licence (PRL) 10	-	1,138,193
Petroleum Prospecting Licence (PPL) 240	-	713,781
Non-current assets classified as held for sale	-	1,851,974
<i>Liabilities</i>		
Cash calls payable to Oil Search (PNG) Ltd	-	784,888
Liabilities directly associated with assets held for sale	-	784,888

In December 2009, the Group disposed of the assets and liabilities that were classified as held for sale. The net sale proceeds were \$1,214,702, resulting in a gain on sale of \$147,655 (refer to note 7).

16. NON-CURRENT ASSETS – RECEIVABLES

	CONSOLIDATED	
	2010	2009
	\$	\$
<i>Other receivables-related parties:</i>		
- other related parties 13(a)(i)	299	299
Total non-current receivable	299	299

(i) Fair value and credit risk

The non-current receivables from related parties are repayable on demand and the carrying amounts of these receivables approximate their fair value. The maximum exposure to credit risk is the carrying amount of the receivables.

(ii) Liquidity risk and credit risk

Details regarding liquidity risk and credit risk exposure are disclosed in note 3.

17. NON-CURRENT ASSETS – PLANT AND EQUIPMENT

	CONSOLIDATED	
	2010	2009
	\$	\$
Reconciliation of carrying amounts at the beginning and end of the year		
At 1 July, net of accumulated depreciation and impairment	142,003	120,669
Additions	365,046	69,873
Disposals	-	-
Depreciation charge for the year	(62,658)	(48,539)
At 30 June, net of accumulated depreciation and impairment	444,391	142,003
Cost	704,635	339,589
Accumulated depreciation and impairment	(260,244)	(197,586)
Net carrying amount	444,391	142,003

No impairment losses have been recognised by the Group in the financial year.

LIQUEFIED NATURAL GAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

17. PLANT AND EQUIPMENT (Continued)

The useful life of the plant and equipment was estimated to be between 3 to 10 years both for 2009 and 2010.

A photocopier, acquired at a cost of \$19,679 is held under a finance lease. The leased asset is pledged as security for the related finance lease liability. The carrying amount of equipment held under finance leases at 30 June 2010 is \$11,485 (2009: \$15,420).

18. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	Note	CONSOLIDATED	
		2010	2009
		\$	\$
Trade creditors and accruals	(i)	2,869,956	1,551,061
Other creditors	(ii)	78,758	110,290
		2,948,714	1,661,351

(i) Trade creditors and accruals are non-interest bearing and are normally settled on 30 day terms.

(ii) Other creditors are non-interest bearing and are normally settled within one year.

(a) Fair value

Due to the short-term nature of these payables, their carrying value is assumed to approximate their fair value.

(b) Foreign exchange and liquidity risk

Information on foreign exchange and liquidity risk exposures are set out in note 3.

19. CURRENT LIABILITIES – PROVISIONS

	CONSOLIDATED	
	2010	2009
	\$	\$
Annual leave	371,907	312,836
	371,907	312,836

For assumptions made or the estimation method used to determine the annual leave provision, refer to note 2(q).

20. NON-CURRENT LIABILITIES – PROVISIONS

	CONSOLIDATED	
	2010	2009
	\$	\$
Long service leave	125,909	75,820
	125,909	75,820

For assumptions made or the estimation method used to determine the long service leave provision, refer to note 2(q).

LIQUEFIED NATURAL GAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

21. INTEREST-BEARING LIABILITIES

		CONSOLIDATED	
		2010	2009
Current	Maturity	\$	\$
Finance lease liability (note 30)	2010	8,544	7,615
		8,544	7,615
Non-current	Maturity		
Finance lease liability (note 30)	2012	7,911	16,455
		7,911	16,455

Fair value disclosures and effective interest rate risk

The carrying amount of the Group's current and non-current borrowings approximates their fair value. The interest rate implicit in the finance lease is 11.56%. Further information regarding the fair value and the effective interest rate risk of the Group's interest bearing liabilities are set out in note 3.

Asset pledged as security

The carrying amount of assets pledged as security for the finance lease liability is as follows:

		Note	CONSOLIDATED	
			2010	2009
			\$	\$
Non-current				
Plant and equipment	17		11,485	15,420
Total assets pledged as security			11,485	15,420

22. CONTRIBUTED EQUITY

		CONSOLIDATED	
		2010	2009
		\$	\$
Fully paid ordinary shares	(a)	96,936,191	48,378,110
"B" class redeemable preference shares	(b)	-	12
		96,936,191	48,378,122

		CONSOLIDATED	
		Number	\$
(a) Movement in ordinary shares on issue:			
At 1 July 2008		143,885,556	35,989,856
Exercise of options	(i)	3,740,000	1,164,060
Share issue (capital raising)	(ii)	17,000,000	9,520,000
Share issue for acquisition of non-controlling interest in a subsidiary	(iii)	4,442,859	2,399,144
Transaction costs	(iv)	-	(694,950)
At 30 June 2009	(vi)	169,068,415	48,378,110
Exercise of options	(v)	6,445,000	2,781,550
Share issue (capital raising)	(vi)	37,825,600	47,282,000
Transaction costs	(iv)	-	(1,505,469)
At 30 June 2010	(vii)	213,339,015	96,936,191

LIQUEFIED NATURAL GAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

22. CONTRIBUTED EQUITY (Continued)

- (i) 3,740,000 shares were issued for cash in 2009 on the exercise of share options (refer to note 26).
- (ii) During 2009, through a share placement, the Company raised \$9,520,000 through the issue of 17,000,000 fully paid ordinary shares at an issue price of \$0.56 per share.
- (iii) On 9 March 2009, the Company acquired the non-controlling interest in its subsidiary, Gas Link Global Limited ("GLG") for the following consideration:
 - (a) cash consideration of \$1,512,000 for the acquisition of 18,900,000 GLG shares; and
 - (b) issue of 4,442,859 fully paid ordinary shares in the Company at \$0.54 per share for the acquisition of 31,100,000 GLG shares.
 The Company's shareholding interest in GLG prior to the acquisition of non-controlling interest was 66.7%.
- (iv) The transaction costs represent the costs of issuing shares.
- (v) 6,445,000 shares were issued for cash in 2010 on the exercise of share options (refer to note 26).
- (vi) During 2010, through a share placement and Share Purchase Plan, the Company raised \$47,282,000 through the issue of 37,825,600 fully paid ordinary shares at an issue price of \$1.25 per share.
- (vii) At the reporting date 213,339,015 Company shares were listed for official quotation on the Australian Stock Exchange.

(b) Movement in "B" class redeemable preference shares on issue:

	CONSOLIDATED	
	Number	\$
At 1 July 2009	12	12
Redeemed during the year (i)	(12)	(12)
At 30 June 2010	-	-

- (i) On 9 March 2010, the 12 "B" class redeemable preference shares were redeemed and cancelled due to performance milestones not being met. Refer to note 26.

Effective 1 July 1998, the *Australian Corporation Legislation* abolished the concepts of authorised capital and par value shares. Accordingly, the Company does not have authorised capital or par value in respect of its issued shares.

(c) Capital management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

Management are constantly adjusting the capital structure to take advantage of favourable cost of capital or high returns on assets. As the market is constantly changing, management may change the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Management monitors capital through its cash flow requirements. Currently the Group has no net debt so does not monitor gearing ratio.

At balance date, the Group had minimal debt and funds raised through shares issued during the year will be primarily applied to progression of the Group's core activities, being the advancement of prospective LNG production projects and LNG process, storage, shipping research and development programs.

The Group is not subject to any externally imposed capital requirements.

(d) Share options

The Company has a share-based payment option scheme under which options to subscribe for the Company's ordinary shares have been granted to directors, employees and certain consultants (refer to note 26).

LIQUEFIED NATURAL GAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

22. CONTRIBUTED EQUITY (Continued)

(e) Terms and conditions of contributed equity

Ordinary shares

Voting rights

Each ordinary share entitles its holder to one vote, either in person or by proxy, attorney or representative at a meeting of the Company. In the case of an equality of votes, the Chairman of the meeting shall have a second or casting vote.

Dividends

Ordinary shares have the right to receive dividends as declared and in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

23. ACCUMULATED LOSSES AND RESERVES

(a) Movements in accumulated losses were as follows:

	CONSOLIDATED	
	2010	2009
	\$	\$
Balance at 1 July	(42,597,089)	(20,284,407)
Net loss for the year	(42,067,675)	(22,312,682)
Balance at 30 June	(84,664,764)	(42,597,089)

(b) Reserves

CONSOLIDATED	Share options reserve	Redeemable preference share reserve	Equity reserve	Foreign currency translation reserve	Total
	\$	\$	\$	\$	\$
At 1 July 2008	2,309,329	-	1,899,907	-	4,209,236
Foreign currency translation	-	-	-	66,905	66,905
Net loss on acquisition of non-controlling interest	-	-	(1,321,615)	-	(1,321,615)
Share-based payment	1,595,180	4,032,001	-	-	5,627,181
At 1 July 2009	3,904,509	4,032,001	578,292	66,905	8,581,707
Share-based payment	1,313,932	-	-	-	1,313,932
Translation of foreign subsidiaries	-	-	-	35,839	35,839
At 30 June 2010	5,218,441	4,032,001	578,292	102,744	9,931,478

(c) Nature and purpose of reserves

Share options reserve

The share options reserve is used to record the value of share options issued by the Company and its subsidiaries (refer to note 26 for further details of the Share Option Plan).

LIQUEFIED NATURAL GAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

23. ACCUMULATED LOSSES AND RESERVES (Continued)

Redeemable preference share reserve

The redeemable preference share reserve is used to record the value of the redeemable preference shares issued by the Company (refer to note 26 for further details of the valuation on redeemable preference shares).

Equity reserve

This reserve is used to record the gain or loss arising from the sale or acquisition of non-controlling interest to or from third party investors.

On 9 March 2009, the Company acquired 50,000,000 shares in Gas Link Global Limited ("GLG"), representing a 33.3% non-controlling interest in GLG for the following consideration:

- (i) cash payment of \$1,512,000 for the purchase of 18,900,000 GLG's shares at \$0.08 per share; and
- (ii) issue of 4,442,859 new fully paid ordinary shares in the Company at \$0.54 per share for the purchase of 31,100,000 GLG's shares at \$0.08 per share.

On 9 March 2009, GLG became a wholly-owned subsidiary of the Company.

The Group made a loss of \$1,321,615 on the transaction which was recorded in equity reserve. This amount reflects the difference between the actual total consideration paid to third party shareholders of \$3,911,144 and the actual balance sheet value of their 33.3% shareholding as at 9 March 2009 of \$2,589,529.

Foreign exchange translation reserve

This reserve is used to record foreign exchange differences arising from the translation of the financial statements of subsidiaries that have functional currencies other than Australian dollars.

24. NON-CONTROLLING INTERESTS

	CONSOLIDATED	
	2010	2009
	\$	\$
Accumulated losses	(15,199)	-
	(15,199)	-

LIQUEFIED NATURAL GAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

25. CASH FLOW STATEMENT RECONCILIATION

	CONSOLIDATED	
	2010	2009
	\$	\$
(a) Reconciliation of net loss after tax to the net cash flows used in operations		
Net loss after income tax	(42,082,874)	(23,213,846)
<i>Adjust for non-cash items:</i>		
Impairment/provision for non-recovery of receivables	-	2,454,470
Depreciation expense	62,658	48,539
Share-based payment expense	1,313,932	5,627,181
Bad debts written off	14,792	-
Unrealised foreign exchange loss/(gain)	(44,221)	(373,310)
Impairment of fair value uplift on exploration licences	-	260,124
<i>Adjust for other cash items:</i>		
Finance lease interest expense	2,762	3,216
<i>Adjust for changes in assets/liabilities:</i>		
(Increase)/decrease in trade and other receivables	(69,209)	(86,301)
(Increase)/decrease in prepayments	17,075	(10,626)
Increase/(decrease) in payables and accruals	1,287,363	880,854
Increase/(decrease) in income tax payable	-	(585,040)
Increase/(decrease) in provisions	109,160	174,988
Net cash flows used in operating activities	(39,388,562)	(14,819,751)

(b) Reconciliation to Cash Flow Statement

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise the following at 30 June:

Cash at bank and in hand	2,498,909	2,155,934
Short-term deposits	20,113,463	11,300,000
Closing cash balance (note 12)	22,612,372	13,455,934

(c) Non-cash financing and investing activities

	CONSOLIDATED	
	2010	2009
	\$	\$
Share-based payments (note 26)	1,313,932	5,627,181
Settlement of purchase of non-controlling interest in a subsidiary with shares (note 23(c))	-	2,399,144
	1,313,932	8,026,325

26. SHARE-BASED PAYMENT PLAN

(a) Recognised share-based payment expenses

The expense recognised for employee and consultant services received during the year is as follows:

	CONSOLIDATED	
	2010	2009
	\$	\$
Expenses arising from equity-settled share-based payment transactions	1,313,932	5,627,181
Total expense arising from share-based payment transactions (note 8)	1,313,932	5,627,181

26. SHARE BASED PAYMENT PLAN (Continued)

(b) Share Option Plan ("SOP")

A SOP has been established where the Company, at the discretion of the Board, grants options over the ordinary shares of the Company to directors, employees, senior management and certain consultants for nil cash consideration. The total number of options that may be issued to all parties who may participate under the Option Plan and which have not been exercised or cancelled shall not exceed 15% of the total issued ordinary shares of the Company at the time of issue of any options under this Option Plan.

Terms and conditions attaching to options

The options issued to directors, employees, senior management and consultants under the Current Share Option Plan are subject to the Company's Option Plan Rules, including the following terms and conditions:

- The option expiry is at the discretion of the Board;
- The options are not transferable; and
- The exercise price for the options shall not be less than:
 - If there was at least one transaction in shares on the ASX during the last five trading day period, on which the shares were available for trading on the ASX up to and including the offer date, the weighted average of the prices at which shares were traded during that period; or
 - If there were no transactions in shares during that five trading day period, the last price at which an offer was made to purchase shares on the ASX.
- The Company will not make application to the ASX for Official Quotation of the options.
- The Company will make application to the ASX for quotation of the shares allotted and issued upon the exercise of an option within 10 business days after the date of exercise of the option.
- There are no participating rights or entitlements inherent in the options and holders will not be entitled to participate in new issues of capital offered to shareholders during the currency of the options. However, the Company will send notice to each holder of options at least nine business days before the relevant record date. This will give option holders the opportunity to exercise their options prior to the date for determining entitlements to participate in any such issue.
- If from time to time or prior to the expiry of the options, the Company makes an issue of shares to the holders of shares by way of capitalisation of profits or reserves (a bonus issue), then upon exercise of their options, an option holder will be entitled to have issued to them (in addition to shares which would otherwise be issued to them upon such exercise) the number of shares of the class which would have been issued to them under that bonus issue if on the record date for the bonus issue they had been registered as the holder of the number of shares of which they would have been registered as holder, if immediately prior to that date, they had duly exercised their options and the shares the subject of such exercise had been duly allotted and issued to them. The bonus shares will be paid up by the Company out of profits or reserves (as the case may be) in the same manner as was applied in relation to the bonus issue.
- In the event of any reorganisation of the issued capital of the Company or prior to the expiry of the options, the rights of an options holder will be changed to the extent necessary to comply with the applicable ASX Listing Rules in force at the time of the reorganisation.

(c) Summary of options granted under the SOP

Options granted to directors, executives and employees

(i) Unlisted options over ordinary shares in the Company ("LNG options")

During the financial year no (2009: 6,000,000¹) unlisted options over ordinary shares in the Company were granted to directors, executives and employees of the Company and its controlled entities. The weighted average exercise price of the options granted is \$nil (2009: \$0.772).

¹ Includes 1,350,000 options over ordinary shares in the Company that are designated as replacement options for the GLG options that were cancelled during the prior year.

LIQUEFIED NATURAL GAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

26. SHARE BASED PAYMENT PLAN (Continued)

- (ii) Unlisted options over ordinary shares of Gas Link Global Limited (“GLG options”)

During the prior financial year, GLG granted 6,150,000 unlisted options over ordinary shares in GLG. The weighted average exercise price of the options granted was \$0.30.

During the prior financial year, 4,800,000 GLG options were cancelled and replaced with 1,350,000 LNG options. In addition 1,350,000 GLG options held by the non-executive directors of GLG were cancelled during the prior year without replacement.

Options granted to consultants

- (i) Unlisted options over ordinary shares in the Company (“LNG options”)

During the financial year, 350,000 unlisted options over ordinary shares in the Company were granted to a consultant in exchange for the services provided (2009: 1,200,000). The weighted average exercise price of the options granted is \$0.40 (2009: \$0.621). The options expire on 30 May 2011.

- (ii) Unlisted options over ordinary shares of Gas Link Global Limited (“GLG options”)

No options were granted to consultant by GLG during the financial year (2009: nil). During the prior financial year, 1,500,000 GLG options held by a consultant were cancelled without replacement.

The following table shows the number of options granted, weighted average exercise prices of and movements in all the share options granted during the year:

	2010		2009	
	Number of options No.	Weighted average exercise price \$	Number of options No.	Weighted average exercise price \$
Outstanding at beginning of year	16,335,000 ¹	0.587	15,875,000 ¹	0.427
- granted during the year	350,000	0.400	12,150,000 ^{4,5}	0.533
- cancelled and forfeited during the year	(800,000) ⁶	0.621	(7,950,000) ⁸	0.314
- exercised during the year	(6,445,000) ²	0.432	(3,740,000) ³	0.311
- expired during the year	(450,000) ⁷	0.900	-	-
Outstanding at end of year	8,990,000 ^{1,4}	0.684	16,335,000 ^{1,4}	0.587
Exercisable at end of year	4,950,000	0.593	8,355,000	0.436

The outstanding balance of options granted as at 30 June 2010 is represented by:

- 760,000 options over ordinary shares with an exercise price of \$0.38 per share;
- 350,000 options over ordinary shares with an exercise price of \$0.40 per share;
- 1,750,000 options over ordinary shares with an exercise price of \$0.621 per share;
- 1,380,000 options over ordinary shares with an exercise price of \$0.65 per share;
- 2,490,000 options over ordinary shares with an exercise price of \$0.667 per share;
- 60,000 options over ordinary shares with an exercise price of \$0.68 per share;
- 150,000 options over ordinary shares with an exercise price of \$0.84 per share;
- 1,600,000 options over ordinary shares with an exercise price of \$0.88 per share;
- 450,000 options over ordinary shares with an exercise price of \$0.90 per share.

LIQUEFIED NATURAL GAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

26. SHARE BASED PAYMENT PLAN (Continued)

¹ There are no options over shares (2009: 20,000 options) included within this balance that have not been recognised in accordance with AASB 2, as the options were granted after 7 November 2002 and vested before 1 January 2005. These options have not been subsequently modified and therefore do not need to be recognised in accordance with AASB 2.

² The weighted average share price at the date of exercise was \$1.108.

³ The weighted average share price at the date of exercise was \$0.607.

⁴ Includes 450,000 contingent LNG options granted to employees but not vested. The issue of these options is subject to the achievement of certain prescribed milestones. As at 30 June 2010, these options have not been issued.

⁵ Includes 6,000,000 LNG options (in which 1,350,000 LNG options are designated as replacement options for 4,800,000 GLG options that were cancelled during the prior year) and 6,150,000 GLG options.

⁶ Includes 800,000 forfeited LNG options with weighted average exercise price of \$0.621.

⁷ Includes 450,000 contingent LNG options that expired during the financial year.

⁸ Includes 300,000 forfeited LNG options and 7,650,000 cancelled GLG options with weighted average exercise price of \$0.667 and \$0.30 respectively.

The weighted average remaining contractual life for the share options outstanding as at 30 June 2010 is between 0.50 and 5 years (2009: 0.22 and 5 years).

The range of exercise prices for options outstanding at the end of the year was \$0.38 to \$0.90 (2009: \$0.22 to \$0.90).

The weighted average fair value of options granted during the year was \$0.453 (2008: \$0.231).

(d) Option-pricing model: SOP

The fair value of each equity-settled share option tranche granted is estimated on the date of grant using a binomial option-pricing model with the following average assumptions used for grants made during the financial year ended 30 June 2010:

LNG OPTIONS	2010	2009
Dividend yield (%)	Nil	Nil
Expected volatility (%)	65%	60-76.4
Risk-free interest rate (%)	5%	3.51-5.5
Expected life of option (years)	5	2.5-5
Options exercise price (\$)	0.40	0.621-0.90
Weighted average share price at grant date (\$)	0.79	0.75
Model used	Binomial	Binomial
GLG OPTIONS	2010	2009
Dividend yield (%)	-	Nil
Expected volatility (%)	-	60-64
Risk-free interest rate (%)	-	3.59-6.4
Expected life of option (years)	-	5
Options exercise price (\$)	-	0.25-0.35
Weighted average share price at grant date (\$)	-	0.10
Weighted average share price on cancellation date (\$)	-	0.08
Model used	-	Binomial

LIQUEFIED NATURAL GAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

26. SHARE BASED PAYMENT PLAN (Continued)

The expected volatility is determined by observing the historical daily closing share price volatility of the Company and various comparable ASX listed companies operating in the energy and resources sector at various intervals prior to the grant or valuation date.

For some employee option tranches, the effects of early exercise have been incorporated into the calculation by using an expected life of the options that is shorter than the contractual life based on the expected exercise behaviour of a few employees who will generally be unwilling to hold the options until maturity. Therefore it is assumed that they are likely to exercise the options midway between the vesting date and the expiry date which is not necessarily indicative of exercise patterns that may occur. For other option tranches, it is assumed that the option holder remains eligible to exercise the options for the full term to the expiry date of each option tranche and there is no early exercise of the options. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

(e) “B” class redeemable preference shares

On 9 March 2004, the Company granted 12 “B” class redeemable preference shares to certain directors of the Company for \$12 consideration. Each “B” class redeemable preference share was convertible to 1 million fully paid ordinary shares in the Company upon the fulfilment of certain prescribed milestones. The number and movement of the “B” class redeemable preference shares are shown on the table below:

	2010	Weighted average exercise price	2009	Weighted average exercise price
	Number	\$	Number	\$
Outstanding at beginning of year	12	-	12	-
- redeemed during the year	(12)	-	-	-
Outstanding at end of year	-	-	12	-
Exercisable at end of year	-	-	-	-

On 6 March 2009, the Company obtained shareholder approval to vary the terms of these prescribed milestones and to extend the expiry date of these “B” class redeemable preference shares to 9 March 2010. The approved variation and extension of the expiry date had the effect of increasing the fair value of these “B” class redeemable preference shares. The following table lists the inputs to the model used to value these “B” class redeemable preference shares on the date of modification.

	2010	2009
Dividend yield (%)	-	Nil
Expected volatility (%)	-	86.2
Risk-free interest rate (%)	-	2.87
Expected life of shares (years)	-	1
Share exercise price (\$)	-	Nil
Share price at date of modification (\$)	-	0.78
Probability of achieving prescribed milestones (conversion to ordinary shares) before expiry date (%)	-	60%
Model used	-	Binomial

The total increase in fair value for the above “B” class redeemable preference shares using the above valuation model, as a result of the modification amounted to \$4,032,001, the full amount of which was expensed in the prior financial year.

On 9 March 2010, the 12 “B” class redeemable preference shares were redeemed for \$12 and cancelled due to performance milestones not being met.

LIQUEFIED NATURAL GAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

27. PARENT ENTITY INFORMATION

Information relating to Liquefied Natural Gas Limited:	2010	2009
	\$	\$
Current assets	15,897,355	10,183,011
Total assets	25,798,858	19,956,687
Current liabilities	820,735	2,442,058
Total liabilities	931,232	2,520,385
Issued capital	97,141,191	48,583,122
Accumulated losses	(81,282,719)	(38,866,808)
Share options reserve	4,977,153	3,687,987
Redeemable preference share reserve	4,032,001	4,032,001
Total shareholders' equity	24,867,626	17,436,302
Profit/(loss) of the parent entity	(42,415,911)	(16,732,425)
Total comprehensive income of the parent entity	(42,415,911)	(16,732,425)

(a) Guarantees

The parent entity has not guaranteed the liabilities of its subsidiaries as at 30 June 2010.

(b) Contingent liabilities

There are no active or pending insurance or legal claims outstanding by the parent as at the date of this report.

(c) Contractual commitments

The parent entity does not have any contractual commitments for the acquisition of property, plant or equipment.

(d) Tax consolidation

Effective 11 February 2004, for the purpose of income taxation, the Company and its 100% owned Australian resident subsidiaries have formed a tax consolidated group. The head entity, Liquefied Natural Gas Limited and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the *separate taxpayer within the group approach* in determining the appropriate amount of their current taxes and deferred taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Members of the group have not entered into a tax sharing agreement for the allocation of income tax expense between members, thus the head entity bears all the tax liabilities and benefits of the members.

On 1 November 2007, Gas Link Global Limited ("GLG") left the tax consolidated group as it ceased to be a wholly-owned subsidiary of the Company. Upon the acquisition of non-controlling interest in GLG on 9 March 2009 by the Company, GLG has re-joined the tax consolidated group.

As a result of entering, exiting, and re-joining into the tax consolidation group, it is likely that a portion of income tax losses will not be available to be carried forward due to the impact of the 'available fraction' method of recouping tax losses. The tax benefit of these tax losses has not been recognised in the current income year.

LIQUEFIED NATURAL GAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

28. RELATED PARTY DISCLOSURES

The consolidated financial statements include the financial statements of Liquefied Natural Gas Limited and its controlled entities listed in the following table:

Name	Country of incorporation	Equity interest (%)		Investment (\$)	
		2010	2009	2010	2009
LNG International Pty Ltd	Australia	100	100	100 ¹	100 ¹
Gas Link Global Limited	Australia	100	100	9,784,262 ^{2,3}	9,784,262 ^{2,3}
LNG Technology Pty Ltd	Australia	100	100	100	100
LNG Management Services Pty Ltd	Australia	100	100	1	1
				<u>9,784,463</u>	<u>9,784,463</u>
<i>The following companies are controlled via LNG International Pty Ltd:</i>					
Qeshm International LNG Gas (Ltd)	Iran	100	100	-	-
PT. LNG Energi Utama	Indonesia	95	95	-	-
Gladstone LNG Pty Ltd	Australia	100	100	100 ⁴	100 ⁴
CSG Nominees Pty Ltd	Australia	100	100	-	-
				<u>9,784,563</u>	<u>9,784,563</u>
<i>The following company is controlled via Gas Link Global Limited:</i>					
Gedd (PNG) Limited	Papua New Guinea	100	100	254,567	254,567
				<u>10,039,130</u>	<u>10,039,130</u>

¹ Pursuant to the requirements in AASB 2 *Share-based payments*, the investment amount is increased by \$800,300 (2009: \$942,141) being the share-based payment expense for the period for the share options over the 's ordinary shares granted to LNG International Pty Ltd's employees. During the year, due to the decrease in the net assets of its subsidiary, the Company has made a provision for impairment of \$800,300 (2009: \$942,041) being the decrease in the carrying amount of its investment in LNG International Pty Ltd ("LNGI").

² On 9 March 2009, the Company acquired 50,000,000 shares in Gas Link Global Limited from third party shareholders for a total consideration of \$3,911,144 (via the issue of 4,442,859 fully paid ordinary shares in the Company at \$0.54 per share and \$1,512,000 cash consideration).

³ Pursuant to the requirements in AASB 2 *Share-based payments*, the investment amount is increased by \$89,828 (2009: \$36,721) being the share-based payment expense for the period for the share options over the Company's ordinary shares granted to Gas Link Global Limited's employees.

⁴ Pursuant to the requirements in AASB 2 *Share-based payments*, the investment amount is increased by \$222,918 (2009: \$40,837) being the share-based payment expense for the period for the share options over the Company's ordinary shares granted to Gladstone LNG Pty Ltd's employees. During the year, due to the decrease in the net assets of its subsidiary, LNGI has made a provision for impairment of \$222,918 (2009: \$40,837) being the decrease in carrying amount of investment in Gladstone LNG Pty Ltd.

(a) Ultimate Parent

Liquefied Natural Gas Limited is the ultimate Australian Parent company of the Group.

(b) Key Management Personal ("KMP")

Details relating to transactions with directors and other KMP, including remuneration paid, are included in note 29.

28. RELATED PARTY DISCLOSURES (Continued)

(c) Controlled entities

In November 2007, Liquefied Natural Gas Limited (incorporated in UK) was wound up.

On 19 December 2005, the Deed of Establishment (“DOE”) for the incorporation of an unlisted Indonesian foreign investment company, PT. LNG Energi Utama (“PT LNG”) was signed. PT LNG has an unlimited liability status pending the official incorporation of PT LNG which is subject to obtaining approval of the DOE from the Minister of Law and Human Rights (“MOLHR”) of Indonesia at which time PT LNG will be granted limited liability status. Fifty percent of the total paid up capital of US\$300,000 is payable upon submitting the DOE to the MOLHR and the residual 50% is payable upon approval by MOLHR.

Upon signing of the Deed of Establishment of PT LNG, LNGI and PT. Maleo Energi Utama (“PT Maleo”), an Indonesian company, each has given an undertaking to set aside a total sum of US\$300,000 for the purpose of the payment for the issued capital of PT LNG, to be paid into PT LNG’s bank account upon the opening of such account. As at 30 June 2010, the payment of the paid up capital has not been effected.

Pursuant to the Deed of Variation No. 1, dated 19 December 2007 to the Co-operation Agreement between PT Maleo and LNGI, the shareholding interest of PT Maleo in PT LNG was revised from 50% to 5% and LNGI’s shareholding interest was revised from 50% to 95%.

On 1 October 2008, Gas Link Global Limited acquired 100% shareholding interest in Gedd (PNG) Limited, a company incorporated in Papua New Guinea.

On 9 March 2009, upon the acquisition of 33.3% non-controlling interest by the Company, Gas Link Global Limited became a wholly-owned subsidiary of the Company.

(d) Transactions with related parties

There were no transactions with related parties in the current or prior financial year.

(e) Employees

Contributions to superannuation funds on behalf of employees are disclosed in note 8(d).

LIQUEFIED NATURAL GAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

29. KEY MANAGEMENT PERSONNEL (“KMP”)

(a) Compensation of Key Management Personnel

	CONSOLIDATED	
	2010	2009
	\$	\$
Short-term benefits	3,108,957	2,480,080
Post-employment benefits	124,240	161,583
Long-term benefits	50,135	66,761
Share-based payment	879,821	5,497,056
	4,163,153	8,205,480

(b) Option holdings of Key Management Personnel (Consolidated)

30 June 2010	Balance at beginning of year	Granted as remuneration	Options exercised	Options cancelled/ forfeited	Balance at end of year	Vested at 30 June 2010		
	1 July 2009				30 June 2010	Total	Not exercisable	Exercisable
Directors								
P.J. Harvey	-	-	-	-	-	-	-	-
F.M. Brand	-	-	-	-	-	-	-	-
R.J. Beresford	-	-	-	-	-	-	-	-
P.W. Bridgwood	-	-	-	-	-	-	-	-
N. Marshall	2,250,000	-	-	-	2,250,000	1,750,000	-	1,750,000
L.K. Bond	-	-	-	-	-	-	-	-
W.T. Hornaday	-	-	-	-	-	-	-	-
G.M. Smith	-	-	-	-	-	-	-	-
N.P. Davies	-	-	-	-	-	-	-	-
S.G. Bizzell	-	-	-	-	-	-	-	-
Executives								
M.J. Schaumburg	2,100,000	-	(500,000)	-	1,600,000	-	-	-
S.R. Della Mattea	1,200,000	-	(300,000)	-	900,000	-	-	-
G.J.F. Triglavcanin	750,000	-	(250,000)	-	500,000	250,000	-	250,000
L.A. Clark	855,000	-	(555,000)	-	300,000	150,000	-	150,000
D.C.B. Cliff	1,200,000	-	-	(800,000)	400,000	400,000	-	400,000
D.M. Gardner	300,000	-	-	-	300,000	100,000	-	100,000
Total	8,655,000	-	(1,605,000)	(800,000)	6,250,000	2,650,000	-	2,650,000

LIQUEFIED NATURAL GAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

29. KEY MANAGEMENT PERSONNEL (“KMP”) (Continued)

(b) Option holdings of Key Management Personnel (Continued)

30 June 2009	Balance at beginning of year				Balance at end of year	Vested at 30 June 2009		
	1 July 2008	Granted as remunera- tion	Options exercised	Options cancelled/ forfeited	30 June 2009	Total	Not exer- cisable	Exer- cisable
Directors								
P.J. Harvey	450,000	-	(450,000)	-	-	-	-	-
F.M. Brand	750,000	450,000	(750,000)	(450,000)	-	-	-	-
R.J. Beresford	150,000	450,000	(150,000)	(450,000)	-	-	-	-
P.W. Bridgwood	750,000	-	(750,000)	-	-	-	-	-
N. Marshall	3,000,000	450,000	(750,000)	(450,000)	2,250,000	1,250,000	-	1,250,000
W.T. Hornaday	450,000	-	(450,000)	-	-	-	-	-
G.M. Smith	-	-	-	-	-	-	-	-
N.P. Davies	-	-	-	-	-	-	-	-
S.G. Bizzell	-	-	-	-	-	-	-	-
				-				
Executives								
M.J. Schaumburg	-	2,100,000	-	-	2,100,000	-	-	-
S.R. Della Mattea	-	1,200,000	-	-	1,200,000	-	-	-
G.J.F. Triglavcanin	810,000	-	(60,000)	-	750,000	250,000	-	250,000
L.A. Clark	1,055,000	-	(200,000)	-	855,000	555,000	-	555,000
D.C.B. Cliff	-	5,700,000	-	(4,500,000)	1,200,000	-	-	-
D.M. Gardner	-	600,000	-	(300,000)	300,000	-	-	-
Total	7,415,000	10,950,000	(3,560,000)	(6,150,000)	8,655,000	2,055,000	-	2,055,000

(c) Shareholdings of Key Management Personnel (Consolidated)

Shares held in LNG Ltd (number)	Balance 1 July 2009		On exercise of options		Net other change		Balance 30 June 2010	
30 June 2010	Ord	Pref “B”	Ord	Pref “B”	Ord	Pref “B”	Ord	Pref “B”
Directors								
P.J. Harvey	3,400,394	1	-	-	-	(1)	3,400,394	-
F.M. Brand	12,757,742	5	-	-	12,000	(5)	12,769,742	-
P.W. Bridgwood	14,750,040	5	-	-	(1,460,000)	(5)	13,290,040	-
R.J. Beresford	357,692	-	-	-	12,000	-	369,692	-
W.T. Hornaday	200,000	-	-	-	-	-	200,000	-
N. Marshall	2,257,692	1	-	-	(1,150,000)	(1)	1,107,692	-
L.K. Bond	-	-	-	-	-	-	-	-
G.M. Smith	-	-	-	-	-	-	-	-
N.P. Davies	-	-	-	-	-	-	-	-
S.G. Bizzell	-	-	-	-	-	-	-	-
Executives								
M.J. Schaumburg	36,000	-	500,000	-	(536,000)	-	-	-
S.R. Della Mattea	-	-	300,000	-	(300,000)	-	-	-
G.J.F. Triglavcanin	60,000	-	250,000	-	(310,000)	-	-	-
L.A. Clark	65,000	-	555,000	-	(620,000)	-	-	-
D.C.B. Cliff	-	-	-	-	-	-	-	-
D.M. Gardner	105,000	-	-	-	(88,000)	-	17,000	-
Total	33,989,560	12	1,605,000	-	(4,440,000)	(12)	31,154,560	-

LIQUEFIED NATURAL GAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

29. KEY MANAGEMENT PERSONNEL (“KMP”) (Continued)

(c) Shareholdings of Key Management Personnel (Continued)

Shares held in LNG Ltd (number)	Balance 1 July 2008		On exercise of options		Net other change		Balance 30 June 2009	
30 June 2009	Ord	Pref “B”	Ord	Pref “B”	Ord	Pref “B”	Ord	Pref “B”
Directors								
P.J. Harvey	3,400,394	1	450,000	-	(450,000)	-	3,400,394	1
F.M. Brand	13,007,742	5	750,000	-	(1,000,000)	-	12,757,742	5
P.W. Bridgwood	15,000,040	5	750,000	-	(1,000,000)	-	14,750,040	5
R.J. Beresford	257,692	-	150,000	-	(50,000)	-	357,692	-
W.T. Hornaday	50,000	-	450,000	-	(300,000)	-	200,000	-
N. Marshall	2,507,692	1	750,000	-	(1,000,000)	-	2,257,692	1
G.M. Smith	-	-	-	-	-	-	-	-
N.P. Davies	-	-	-	-	-	-	-	-
S.G. Bizzell	-	-	-	-	-	-	-	-
Executives								
M.J. Schaumburg	-	-	-	-	36,000	-	36,000	-
S.R. Della Mattea	-	-	-	-	-	-	-	-
G.J.F. Triglavcanin	448,500	-	60,000	-	(448,500)	-	60,000	-
L.A. Clark	-	-	200,000	-	(135,000)	-	65,000	-
D.C.B. Cliff	-	-	-	-	-	-	-	-
D.M. Gardner	105,000	-	-	-	-	-	105,000	-
Total	34,777,060	12	3,560,000	-	(4,347,500)	-	33,989,560	12

All equity transactions with key management personnel other than those from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm’s length.

(d) Loans to Key Management Personnel

There were no loans made to key management personnel during the year.

(e) Other transactions and balances with Key Management Personnel

Consultancy services provided to the Group by Martech International Pty Ltd, a company in which Mr. F.M. Brand is a director for the financial year amounted to \$318,319 (excluding GST) [2009: \$318,243]. At reporting date, no amount is outstanding [2009: \$Nil].

Consultancy services provided to the Group by Sinedie Pty Ltd, a company in which Mr. P.W. Bridgwood is a director for the financial year amounted to \$318,321 (excluding GST) [2009: \$303,245]. At reporting date, no amount is outstanding [2009: \$Nil].

Directors fees paid to Clearer Sky Pty Ltd, a company in which Mr. R.J. Beresford is a director for the financial year amounted to \$50,000 (excluding GST) [2009: \$64,083]. At reporting date, no amount is outstanding [2009: \$Nil].

Directors fees paid to Breakthrough Energy Pty Ltd, a company in which Ms. L.K.Bond is a director for the financial year amounted to \$30,513 (excluding GST) [2009: \$nil]. At reporting date, no amount is outstanding [2009: \$Nil].

The above payments have all been disclosed as remuneration in the table in the Remuneration Report section in the Directors’ report.

Other than the above, other consultancy services provided by Clearer Sky Pty Ltd amounted to \$64,680 (excluding GST) [2009: \$49,530].

LIQUEFIED NATURAL GAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

30. COMMITMENTS

Operating lease commitments – the Group as lessee

On 29 October 2004, the Company entered into an operating lease for the office space situated on the Ground floor, 5 Ord Street, West Perth, Western Australia. In 2007 financial year, the Company exercised the option under the lease to extend the term for a further three years until 29 October 2010. The Company has extended the lease for a further 6 months to 29 April 2011.

On 12 April 2010, the Company's controlled entity, PT LNG Energi Utama, entered into an operating lease for an office suite in Jakarta, Indonesia. The lease term was from 16 April 2010 to 15 October 2010. The rental fee is IDR. 9,900,000 per month plus 10% value added tax, payable quarterly in advance. The term granted under the lease is automatically extended for a further three months until notice of termination is received to the end of the extension period. The lease can be terminated by giving two months notice in advance before its expiry date.

On 6 October 2008, the Company's subsidiary, LNG International Pty Ltd, entered into an operating lease for office space in Brisbane, Australia. The lease term was from 6 October 2008 to 6 April 2009 with monthly rental of \$5,713 excluding GST. The lease was subsequently extended on a monthly basis at a reduced monthly rental of \$4,667 excluding GST and can be terminated by giving one month notice.

On 4 January 2010, the Company's controlled entity, PT LNG Energi Utama, entered into an operating lease for a residential house in Jakarta, Indonesia. The lease term is from 1 January 2010 to 31 December 2012. The rental fee is US\$5,000 per month, paid in advance. The lease period may be extended for a minimum period of 1 year by giving 90 days notice in advance before the lease expiry date.

On 14 May 2010, the Company's controlled entity, PT LNG Energi Utama, entered into an operating lease for a photocopier rental. The lease term is from 14 May 2010 to 13 May 2012. The rental fee is IDR. 2,445,000 (A\$321) per month plus 10% value added tax, payable in advance. After the minimum rental period, the agreement is automatically rolled over, except if written notice is given to the lessor at least 30 days before the expiry date.

	CONSOLIDATED	
	2010	2009
	\$	\$
Future minimum rentals payable under non-cancellable operating leases as at 30 June is as follows:		
- Within one year	311,541	250,999
- After one year but not more than five years	39,676	60,116
Aggregate non-cancellable operating lease expenditure contracted for at reporting date	351,217	311,115

Finance lease – the Group as lessee

In May 2008, the Company entered into a finance lease for the purchase of a photocopier. The lease term is for 48 months with a fixed term of repayment and an option to purchase the asset at the completion of the lease term for the residual value of \$1. The interest rate implicit in the lease is 11.56%.

Future minimum lease payments under the finance lease together with the present value of the net minimum lease payments are as follows:

	2010		2009	
	Minimum lease payments	Present value of lease payments	Minimum lease payments	Present value of lease payments
CONSOLIDATED	\$	\$	\$	\$
- Within one year	10,003	9,730	10,003	7,615
- After one year but not more than five years	8,336	7,736	18,339	16,455
Total minimum lease payments	18,339	17,466	28,342	24,070
- Less amounts representing finance charges	(1,884)	(1,821)	(4,272)	-
Present value of minimum lease payments	16,455	15,645	24,070	24,070

LIQUEFIED NATURAL GAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

30. COMMITMENTS (Continued)

Capital commitments

At year end, there was no commitment in relation to the purchase of plant and equipment (2009: \$Nil).

Other expenditure and remuneration commitments

The Group has entered into agreements with directors, employees and certain consultants to provide services for a fixed period. Set out below is the commitments contracted for at reporting date but not recognised as liabilities:

	CONSOLIDATED	
	2010	2009
	\$	\$
- Within one year	1,293,208	1,681,747
- After one year but not more than five years	-	227,500
	1,293,208	1,909,247

The above amounts include commitments arising from the service and consultancy agreements of directors and executives referred to in the remuneration report of the directors' report that are not recognised as liabilities and are not included in the compensation of KMP.

31. CONTINGENCIES

(a) Insurance claims

There are no active or pending insurance claims by the Group as at the date of this report.

(b) Legal claims

There are no legal claims outstanding against the Group as at the date of this report.

(c) Guarantees

The Company's subsidiary, Gladstone LNG Pty Ltd has provided a performance guarantee (issued by ANZ Bank) for the amount of A\$1 million to Gladstone Port Corporation ("GPC") for the rehabilitation work relating to early site works to be carried out by GPC. The guarantee is valid for one year and expires on 30 June 2011.

Gladstone LNG Pty Ltd has provided a bank guarantee (issued by ANZ Bank) for the amount of A\$789,263, in favour of Queensland's Department of Environment and Resource Management ("DERM"), which is a condition of DERM's environmental authority approval. The bank guarantee is valid until all environmental authorities are received and expires on 11 May 2040.

Term deposits of A\$1.79 million are held by the Company and pledged as security for the above guarantees (note 14).

(d) Bonus payment

The Group has entered into employment agreements with certain employees whereby the Group has agreed to pay the following to these employees subject to the achievement of certain milestones:

- (i) Bonus payment of \$185,000, subject to the achievement of Commercial Operation Date of the Gladstone LNG Project ("COD Date") by a certain date as defined in the employment agreements.

31. CONTINGENCIES (Continued)

(e) Contingent options

The Company has granted 450,000 contingent share options over the Company's ordinary shares to employees of its subsidiary, LNG International Pty Ltd. The issue of these options is contingent upon the achievement of COD Date in relation to the Gladstone LNG Project. The options' issue date shall be the COD Date (450,000 options) and will have an exercise price as determined by Clause 6.2 (b) of the Company's Option Plan, in which case it must not be less than:

- (i) if there was at least one transaction in the Company's shares on the Australian Securities Exchange ("ASX") during the last five trading day period, on which the shares were available for trading on the ASX, up to and including the offer date, the weighted average of the prices at which the shares were traded during that period; or
- (ii) if there were no transactions in the Company's shares during that five trading day period, the last price at which an offer was made to purchase the Company's shares on the ASX.

The offer date for the above contingent options shall be the COD Date, in relation to the Gladstone LNG Project.

Other than the above, at balance date, there are no other contingent liabilities.

32. EVENTS AFTER BALANCE DATE

In a series of transactions subsequent to 30 June 2010, the Company's subsidiary, CSG Nominees Pty Ltd, purchased shares in Metgasco Limited ("MEL") and as at 29 September 2010 held 12,604,412 shares (5.03%).

The Company has executed an agreement with Metgasco Limited to jointly study the feasibility of a gas to LNG project. The joint study will include the viability of gas supply, transportation, liquefaction and sale of LNG from MEL's 100% owned coal seam gas reserves and conventional gas resources in the Clarence Moreton Basin, to the Company's 100% owned Gladstone LNG Project, at Fisherman's Landing, Port of Gladstone, Queensland. The study will also include the option of gas supply to other potential LNG project sites being assessed in Queensland.

Subsequent to 30 June 2010, the Group entered into a Strategic Alliance Agreement with Oil Basins Limited ("OBL") to jointly investigate the development of an LNG project in North Western Australia ("Kimberley LNG Project"). The Kimberley LNG Project is based on utilising the potential large resources of conventional and unconventional gas contained within the Canning Basin, including gas contained within OBL's acreage and that of its joint venture partners. In addition, the Group participated in the recent OBL share placement and 1:1 non-renounceable rights issue and holds a 7.3% shareholding in the company.

The acquisition of shares in MEL and OBL is part of a strategic decision by the Company that it needs to have increased influence or control over the potential gas resources that supply the Company's proposed mid-scale LNG project.

In August 2010, the Company issued 1,245,000 options to existing employees. As at the date of this report there are 10,235,000 unlisted options in the Company.

Other than the above, there has not arisen in the interval between the end of the financial year and the date of this report, any items, transactions or events of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operation of the Company and the Group, the results of those operations, or the state of affairs of the Company and the Group, in future financial years.

LIQUEFIED NATURAL GAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

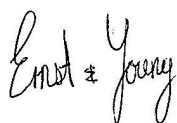
33. AUDITORS REMUNERATION

The auditor of the Company is Ernst & Young Australia.

	CONSOLIDATED	
	2010	2009
	\$	\$
Amounts received or due and receivable by Ernst & Young (Australia) for:		
- Audit or review of the financial report of the entity and any other entities in the Consolidated Group	63,860	59,225
- Other services in relation to the entity and any other entities in the Consolidated Group:		
- tax and other services	181,167	155,075
	<u>245,027</u>	<u>214,300</u>
- Tax services provided by overseas Ernst & Young firm	46,875	10,386
	<u>46,875</u>	<u>10,386</u>
Amounts received or due and receivable by Ernst & Young	<u>291,902</u>	<u>224,686</u>
Amounts received or due and receivable by non Ernst & Young audit firms for:		
- audit or review of the financial report of other entity in the Consolidated Group	4,148	4,747
- other non-audit services	-	13,287
- tax services	-	7,267
	<u>4,148</u>	<u>25,301</u>

Auditor's Independence Declaration to the Directors of Liquefied Natural Gas Limited

In relation to our audit of the financial report of Liquefied Natural Gas Limited for the financial year ended 30 June 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

A stylized, handwritten signature of the Ernst & Young firm, written in black ink.

Ernst & Young

A stylized, handwritten signature of R J Curtin, written in black ink.

R J Curtin
Partner
Perth
29 September 2010

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Liquefied Natural Gas Limited, I state that:

In the opinion of the directors:

(a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;

(b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 1;

(c) there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable; and

(d) this declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ending 30 June 2010.

On behalf of the Board



P.J. Harvey
Chairman

Perth, Western Australia
29 September 2010

Independent auditor's report to the members of Liquefied Natural Gas Limited

Report on the Financial Report

We have audited the accompanying financial report of Liquefied Natural Gas Limited, which comprises the balance sheet as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2b, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration. The Auditor's Independence Declaration would have been expressed in the same terms if it had been given to the directors at the date this auditor's report was signed.

Auditor's Opinion

In our opinion:

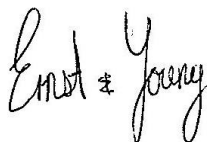
1. the financial report of Liquefied Natural Gas Limited is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the consolidated entity's financial position at 30 June 2010 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 13 to 25 of the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Liquefied Natural Gas Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.

A stylized, handwritten signature of the Ernst & Young firm, written in black ink.

Ernst & Young

A stylized, handwritten signature of R J Curtin, written in black ink.

R J Curtin
Partner
Perth
29 September 2010

ASX Additional Information

Additional information required by the Australian Securities Exchange Ltd (ASX) and not shown elsewhere in this report is as follows. The information is current as at 28 September 2010.

(a) Distribution of equity securities

(i) Ordinary share capital

- 213,339,015 fully paid ordinary shares are held by 7,210 individual shareholders.

All ordinary shares (whether fully paid or not) carry one vote per share without restriction and carry the rights to dividends.

(ii) Options

- 10,235,000 unlisted options over ordinary shares are held by 20 individual option holders.

The options do not carry a right to vote.

(b) The number of shareholders, by size of holding, in each class of share are:

	Fully paid ordinary shares	Options
	Number of holders	Number of holders
1 – 1,000	1,259	-
1,001 – 5,000	2,444	-
5,001 – 10,000	1,367	-
10,001 – 100,000	1,968	5
100,001 and over	172	15
	7,210	20
The number of shareholders holding less than a marketable parcel of shares are:	1,310	-

LIQUEFIED NATURAL GAS LIMITED
ASX ADDITIONAL INFORMATION

c) Twenty largest shareholders

The names of the twenty largest holders of quoted shares are:

Ordinary shares	Listed ordinary shares	
	Number of shares	Percentage of ordinary shares
1 HSBC Custody Nominees (Australia) Limited <CW A/C>	19,592,561	9.18
2 Dart Energy Limited	16,000,000	7.50
3 Mr Paul Bridgwood	13,290,040	6.23
4 Sasigas Nominees Pty Ltd <Fletcher M Brand Family A/c >	8,769,742	4.11
5 Golar LNG Energy Limited	7,086,765	3.32
6 Group #804003 - ANZ Nominees Limited <Cash Income A/c>	5,666,400	2.66
7 Group # 889118 - HSBC Custody Nominees (Australia) Limited	4,934,746	2.31
8 Sasigas Nominees Pty Ltd <Fletcher M Brand Family A/c >	4,000,000	1.87
9 HSBC Custody Nominees (Australia) Limited <ST A/C>	3,305,764	1.55
10 Moraitis Family Investments Pty Limited	3,200,000	1.50
11 Mr Phillip John Harvey	3,000,010	1.41
12 Protanto Pty Ltd <SQEEM Benevolent A/C>	2,519,692	1.18
13 Group # 607174 - UBS Wealth Management Australia Nominees Pty Ltd	2,067,942	0.97
14 Supermax Pty Ltd <Supermax Super Fund A/C>	2,000,000	0.94
15 JP Morgan Nominees Australia Limited <Cash Income A/c>	1,821,189	0.85
16 HSBC Custody Nominees (Australia) Limited <EY A/C>	1,500,000	0.70
17 Mr Norm Marshall	1,107,692	0.52
18 Group #647070	1,064,276	0.50
19 Gilventures Pty Ltd <Gilberto Family S/F A/C>	1,005,000	0.47
20 Pan Australian Nominees Pty Limited	966,142	0.45
	102,897,961	48.23

d) Substantial shareholders

Ordinary shareholders	Fully paid	
	Number	Percentage
Copulos Group (HSBC Custody Nominees (Australia) Limited <CW A/C> and others)	27,083,325	12.69
Dart Energy Limited	16,000,000	7.50
Mr Paul Bridgwood	13,290,040	6.23
Sasigas Nominees Pty Ltd <Fletcher M Brand Family A/c >	12,769,742	5.98
	69,143,107	32.41

e) Cash used in operations

Since the date of the Company's admission for official quotation of its shares on the Australian Stock Exchange, being 14 September 2004, the Company and the Group have employed the funds raised, at the time of official quotation, in a manner and for purposes consistent with that detailed in the Company's July 2004 Prospectus.