

3 December 2010



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ABN: 19 101 676 779

Dear Shareholder

I am pleased to provide a Notice of Extraordinary General Meeting and Explanatory Memorandum (**Notice**) for a meeting of shareholders on Monday, 10 January 2011.

The purpose of the meeting is to seek your approval to:

- **Amend the Company's Constitution to provide for recent changes to Section 254T of the Corporations Act, in relation to the payment of dividends.** While the Company currently has no plans to issue or provide for any dividends we consider it prudent to keep the Constitution updated consistent with current legislation.
- **Agree a share placement of up to 30 million shares (representing 14.06% of the Company's current total issued shares) within three months after the date of shareholder approval (Placement Shares).** This capacity to issue the Placement Shares will be in addition to the Company's rights under ASX Listing Rule 7.1 to issue up to 15% of the Company's total issued shares, in any 12 month period, without shareholder approval. Whilst the Company's Board of Directors has not approved any specific issue of Placement Shares, the Company is seeking to be in a position to issue the Placement Shares quickly if an opportunity presents to add significant shareholder value. Funds raised from the issue of any Placement Shares will not be for general working capital purposes, but for specific opportunities that are consistent with the Company's objective of developing LNG projects (including the Company's Gladstone "Fisherman's Landing" LNG Project) and marketing of the Company's proprietary OSMR® LNG process technology.
- **Establish a new Performance Rights Plan (Plan), which will replace the current 2009 Employee Option Plan approved by shareholders on 26 November 2009.** The Plan, amongst other things, has been structured to take into consideration changes to the taxation treatment of employee options and to provide the Company with the flexibility and discretion to establish performance right terms which are closely aligned with the interests of its shareholders.
- **Issue performance rights to five of your Company's directors under the new Plan.** The terms of such performance rights are detailed in the Notice and, amongst other things, include exercise prices set at premiums (depending on the exercise period) of between 25% and 43% of the volume-weighted average market price of the Company's shares, calculated over the last 20 days on which sales in the Company's shares were recorded before the performance rights are approved by shareholders.

I recommend the resolutions to all shareholders for approval.

Sincerely

A handwritten signature in black ink, appearing to read 'Richard Beresford'.

Richard Beresford
Chairman



NOTICE OF EXTRAORDINARY GENERAL MEETING AND EXPLANATORY MEMORANDUM

10 JANUARY 2011

An Extraordinary General Meeting of
LIQUEFIED NATURAL GAS LIMITED
ABN 19 101 676 779

will be held at
2.00pm on 10 January 2011
at
The Conference Suite, Level 8 Exchange Plaza
2 The Esplanade, Perth, Western Australia

Dated 3 December 2010

LIQUEFIED NATURAL GAS LIMITED
ABN 19 101 676 779
("COMPANY")

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ACTION REQUIRED BY SHAREHOLDERS

Step 1 : Read the notice of meeting and the explanatory memorandum. The explanatory memorandum sets out details in relation to the Resolutions. This information is important.

Step 2 : Vote on the Resolutions: Your vote is important. You may cast your vote by:

- attending and voting at the meeting to be held at The Conference Suite, Level 8 Exchange Plaza, 2 The Esplanade, Perth, Western Australia , on 10 January 2011 commencing at 2.00pm; or
- completing and returning the enclosed proxy form so as to be received by the Company at the office of the Company's share registry by 2:00pm (Perth time) on 8 January 2011.

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is given that a general meeting of the Shareholders of the Company will be held on 10 January 2011 at The Conference Suite, Level 8 Exchange Plaza, 2 The Esplanade, Perth, Western Australia, commencing at 2.00pm.

If you are unable to attend the meeting, you are encouraged to complete and return the enclosed proxy form. The completed proxy form must be received by the Company at its registered office or the office of its share registry at least 48 hours prior to the commencement of the meeting.

AGENDA

SPECIAL BUSINESS

1. Approve Amendments to the Company's Constitution (Resolution 1)

TO CONSIDER AND IF THOUGHT FIT PASS AS A SPECIAL RESOLUTION:

"That for the purposes of section 136 of the Corporations Act and for all other purposes, the Constitution of the Company be amended in the manner set out in the Explanatory Memorandum and Annexure A to this Notice of General Meeting."

2. Establishment of the Performance Rights Plan and Issue of Rights (Resolution 2)

TO CONSIDER AND IF THOUGHT FIT PASS AS AN ORDINARY RESOLUTION:

The Directors are authorised to establish and maintain the Performance Rights Plan and that, for the purposes of Listing Rule 7.2 (exception 9) and for all other purposes, the Shareholders approve any issue of Rights made under the Performance Rights Plan within the period of 3 years from the date of the Meeting upon the terms and conditions specified in the Performance Rights Plan Rules which are summarised in the Explanatory Memorandum and Annexure B to this Notice of General Meeting.

Voting exclusion statement

The Company will disregard any votes cast on this Resolution by a director of the Company (except one who is ineligible to participate in any employee incentive scheme in relation to the Company) or any associates of such director. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or it is cast by a person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

3. Issue of Rights to Richard Jonathan Beresford under Performance Rights Plan (Resolution 3)

TO CONSIDER AND IF THOUGHT FIT PASS AS AN ORDINARY RESOLUTION:

Subject to the passing of Resolution 2, for the purposes of section 208 of the Corporations Act and Listing Rule 10.14, and for all other purposes, the Shareholders authorise the Directors to allot and issue 450,000 Rights to Richard Jonathan Beresford on the terms and conditions set out in the Explanatory Memorandum.

Voting exclusion statement

The Company will disregard any votes cast on this resolution by a director of the Company (except one who is ineligible to participate in any employee incentive scheme in relation to the Company) and, if ASX has expressed an opinion under Listing Rule 10.14.3 that approval is required for participation in an employee incentive scheme by anyone else, that person, and any associate of such director or such other person. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or it is cast by a person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

4. Issue of Rights to Leeanne Kay Bond under Performance Rights Plan (Resolution 4)

TO CONSIDER AND IF THOUGHT FIT PASS AS AN ORDINARY RESOLUTION:

Subject to the passing of Resolution 2, for the purposes of section 208 of the Corporations Act and Listing Rule 10.14, and for all other purposes, the Shareholders authorise the Directors to allot and issue 450,000 Rights to Leeanne Kay Bond on the terms and conditions set out in the Explanatory Memorandum.

Voting exclusion statement

The Company will disregard any votes cast on this resolution by a director of the Company (except one who is ineligible to participate in any employee incentive scheme in relation to the Company) and, if ASX has expressed an opinion under Listing Rule 10.14.3 that approval is required for participation in an employee incentive scheme by anyone else, that person, and any associate of such director or such other person. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or it is cast by a person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

5. Issue of Rights to Fletcher Maurice Brand under Performance Rights Plan (Resolution 5)

TO CONSIDER AND IF THOUGHT FIT PASS AS AN ORDINARY RESOLUTION:

Subject to the passing of Resolution 2, for the purposes of section 208 of the Corporations Act and Listing Rule 10.14, and for all other purposes, the Shareholders authorise the Directors to allot and issue 450,000 Rights to Fletcher Maurice Brand on the terms and conditions set out in the Explanatory Memorandum.

Voting exclusion statement

The Company will disregard any votes cast on this resolution by a director of the Company (except one who is ineligible to participate in any employee incentive scheme in relation to the Company) and, if ASX has expressed an opinion under Listing Rule 10.14.3 that approval is required for participation in an employee incentive scheme by anyone else, that person, and any associate of such director or such other person. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or it is cast by a person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

6. Issue of Rights to Paul William Bridgwood under Performance Rights Plan (Resolution 6)

TO CONSIDER AND IF THOUGHT FIT PASS AS AN ORDINARY RESOLUTION:

Subject to the passing of Resolution 2, for the purposes of section 208 of the Corporations Act and Listing Rule 10.14, and for all other purposes, the Shareholders authorise the Directors to allot and issue 450,000 Rights to Paul William Bridgwood on the terms and conditions set out in the Explanatory Memorandum.

Voting exclusion statement

The Company will disregard any votes cast on this resolution by a director of the Company (except one who is ineligible to participate in any employee incentive scheme in relation to the Company) and, if ASX has expressed an opinion under Listing Rule 10.14.3 that approval is required for participation in an employee incentive scheme by anyone else, that person, and any associate of such director or such other person. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or it is cast by a person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

7. Issue of Rights to Norman Marshall under Performance Rights Plan (Resolution 7)

TO CONSIDER AND IF THOUGHT FIT PASS AS AN ORDINARY RESOLUTION:

Subject to the passing of Resolution 2, for the purposes of section 208 of the Corporations Act and Listing Rule 10.14, and for all other purposes, the Shareholders authorise the Directors to allot and issue 450,000 Rights to Norman Marshall on the terms and conditions set out in the Explanatory Memorandum.

Voting exclusion statement

The Company will disregard any votes cast on this resolution by a director of the Company (except one who is ineligible to participate in any employee incentive scheme in relation to the Company) and, if ASX has expressed an opinion under Listing Rule 10.14.3 that approval is required for participation in an employee incentive scheme by anyone else, that person, and any associate of such director or such other person. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or it is cast by a person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

8. Placement of Shares (Resolution 8)**TO CONSIDER AND IF THOUGHT FIT PASS AS AN ORDINARY RESOLUTION:**

For the purposes of Listing Rule 7.1 and for all other purposes, the Shareholders approve the allotment and issue of up to 30,000,000 Shares to any party or parties nominated by the Company (who will not be related parties) at an issue price being at least 80% of the volume weighted average market price for securities in this class, the average being calculated over the last 5 days on which sales in the securities were recorded before the day on which the issue is made or, if there is a prospectus, Product Disclosure Statement or offer information statement relating to the issue, over the last 5 days on which sales in the securities were recorded before the date of the prospectus, Product Disclosure Statement or offer information statement is signed, on the terms and conditions set out in the Explanatory Memorandum.

Voting exclusion statement

The Company will disregard any votes cast on this resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, and any associates of those persons, if the Resolution is passed. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by a person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Snapshot Date

The Directors have determined that for the purposes of regulation 7.11.37 of the *Corporations Regulations 2001 (Cth)*, the persons eligible to attend and vote at the meeting are those persons who are Shareholders at 2:00 pm (Perth time) on 8 January 2011.

Bodies Corporate

A body corporate may appoint an individual as its representative to exercise any of the powers the body may exercise at meetings of the Shareholders. The appointment may be a standing one. Unless the appointment states otherwise, the representative may exercise all of the powers that the appointing body could exercise at a meeting or in voting on a Resolution.

Proxies

In accordance with section 249L(1) of the Corporations Act, Shareholders are advised:

- each Shareholder has a right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is entitled to exercise.

If multiple proxies are appointed but no proportion of votes is specified, each proxy shall be entitled to vote an equal proportion of the votes attached to the Shareholder's Shares.

In accordance with Section 250BA of the Corporations Act, the Company specifies the following address for receipt of completed proxy appointments:

Share Registry: Advanced Share Registry Services
 150 Stirling Highway, Nedlands WA 6009, Australia
 (or P.O Box 1156, Nedlands WA 6909, Australia)
Facsimile Number: (08) 9389 7871

An instrument appointing a proxy must be received at the above specified address no later than 2.00pm on 8 January 2011. A completed proxy form may be sent by facsimile transmission to the number specified above and identified in the proxy form.

Incorporation of Explanatory Memorandum

The Explanatory Memorandum to Shareholders attached to this Notice of General Meeting, is hereby incorporated into and forms part of this Notice of General Meeting.

By Order of the Board



David Gardner
Company Secretary
Dated 3 December 2010

LIQUEFIED NATURAL GAS LIMITED
ABN 19 101 676 779
EXPLANATORY MEMORANDUM

1. Resolution 1 – Approve Amendments to the Company’s Constitution

Shareholder approval is sought for the amendment of the Constitution of the Company. If the special resolution seeking this approval is passed, the amendments will be effective immediately following the Meeting.

1.1 Reason for proposed amendments

Section 254T of the Corporations Act has recently been changed so that the payment of dividends by a company is now subject to the satisfaction of the following thresholds:

- the company’s assets exceed its liabilities immediately before the declaration to pay the dividend is made and the excess is sufficient for the payment of the dividend;
- the payment of the dividend is fair and reasonable to the company’s Shareholders as a whole; and
- the payment of the dividend does not materially prejudice the company’s ability to pay its creditors.

The capacity of a company to pay dividends is therefore no longer dependent upon the availability of distributable profits. This change in law provides companies with greater flexibility with respect to the payment of dividends.

For the purposes of the changes, assets and liabilities are calculated in accordance with accounting standards in force at the relevant time.

The proposed amendments to the Constitution will align the requirements of the Constitution with the amended section 254T of the Corporations Act. The Company has also proposed certain other consequential amendments to the Constitution.

1.2 Requirement for Shareholder approval

Under section 136 of the Corporations Act, a company must have member approval by a special resolution to modify or repeal its constitution. Accordingly, Resolution 1 seeks Shareholder approval to adopt the proposed amendments to the Constitution.

1.3 Directors’ recommendation and open proxies

The Board recommends that Shareholders vote in favour of Resolution 1. The Chairman intends to vote open proxies in favour of Resolution 1.

2. Resolution 2 – Establishment of the Performance Rights Plan and Issue of Rights

2.1 General

Resolution 2 seeks Shareholder approval to issue Rights under the Performance Rights Plan.

Listing Rule 7.1 allows the Company to issue a maximum of 15% of the number of ordinary securities on issue in any 12 month period without requiring Shareholder approval. Listing Rule 7.1 does not apply in certain circumstances (set out in Listing Rule 7.2) allowing certain issues of securities to be excluded from the maximum calculation. An exception, set out in Exception 9(b) of Listing Rule 7.2, is an issue under an employee incentive plan if, within 3 years before the date of issue, Shareholders approve the issue of securities under the plan as an exception to Listing Rule 7.1.

This Resolution proposes that Shareholders approve any issue of Rights made under the Performance Rights Plan over the next 3 years so that such issue will be excluded from the application of Listing Rule 7.1.

2.2 Listing Rule 7.2 approval

In accordance with the requirements of Exception 9(b) of Listing Rule 7.2, the Company provides the following information:

- A summary of the terms of the Performance Rights Plan is set out in Annexure B.
- No Rights have previously been issued under the Performance Rights Plan, and no previous Shareholder approval has been sought for the issue of Rights under the Performance Rights Plan. A voting exclusion statement for Resolution 2 is included in the Notice of General Meeting.

2.3 **Replace current Employee Share Option Plan**

The Board proposes to adopt the Performance Rights Plan to replace the current Employee Share Option Plan that was approved by Shareholders at the Company's annual general meeting on 26 November 2009.

2.4 **Directors' recommendation and open proxies**

The Board is of the view that adopting the Performance Rights Plan as a long term incentive plan for Directors and employees will have the following benefits:

- a performance rights plan provides a flexible structure by which individual performance criteria or hurdles can be set which align the performance of the participant with the Company's and the Shareholder's objectives;
- the issue of performance rights to a participant provides value to a participant regardless of the share price; and
- holders of performance rights are typically taxed at the time they acquire the shares (i.e when there is value), compared to option holders who are usually taxed at the time the options vest, when they have little or no value (for instance, the options may be "out of the money").

The Board recommends that Shareholders vote in favour of Resolution 2. The Chairman intends to vote open proxies in favour of Resolution 2.

3. **Resolution 3 – Issue of Rights to Richard Jonathan Beresford under Performance Rights Plan**

Subject to the approval of Resolution 2, Resolution 3 seeks Shareholder approval for the offer and issue of 450,000 Rights to Mr Richard Jonathan Beresford (**Mr Beresford**), a non-executive Director of the Company, in accordance with:

- Listing Rule 10.14; and
- Section 208 of the Corporations Act.

3.1 **Listing Rule 10.14 approval**

Listing Rule 10.11 requires the Company to obtain Shareholder approval in order to issue Equity Securities to a related party (unless an exception applies). Mr Beresford, being a non-executive Director of the Company, is a related party for the purposes of Listing Rule 10.11.

An exception to Listing Rule 10.11 is set out in Exception 4 of Listing Rule 10.12 – the Equity Securities are to be issued to a person referred to in Listing Rule 10.14 and receives the Equity Securities under an employee incentive scheme with approval under that rule.

Under Listing Rule 10.14, certain persons listed in that rule must not acquire securities under an employee incentive scheme without Shareholder approval of the acquisition. Mr Beresford, being a non-executive Director of the Company, may not acquire Rights without Shareholder approval pursuant to Listing Rule 10.14.

Under Listing Rule 10.15, the notice of meeting to approve the issue of the Rights to Mr Beresford must include certain information, which information is set out below.

- The maximum number of securities that may be acquired by all persons for whom approval is required**
A maximum of 450,000 Rights will be issued to Mr Beresford.
- The price (including a statement whether the price will be, or be based on, the market price), or the formula for calculating the price, for each security to be acquired under the scheme**

The Company will issue the Rights to Mr Beresford at no cost. The Rights have the following exercise periods and exercise prices per Right:

- (i) Tranche 1: 150,000 Rights (the subject of Resolution 3) may be exercised after 10 January 2012 and prior to 10 July 2012 at an exercise price based on the volume weighted average market price of the Company's Shares calculated over the last 20 days on which sales in the Company's Shares were recorded before the Rights the subject of this Resolution are approved by Shareholders (**20 Day VWAP**), plus a premium of 25%;
- (ii) Tranche 2: 150,000 Rights (the subject of Resolution 3) may be exercised after 10 July 2012 and prior to 10 January 2013 at an exercise price based on the 20 Day VWAP, plus a premium of 34%; and
- (iii) Tranche 3: 150,000 Rights (the subject of Resolution 3) may be exercised after 10 January 2013 and prior to 10 January 2014 at an exercise price based on the 20 Day VWAP, plus a premium of 43%.

(c) The names of all persons referred to in Listing Rule 10.14 who received securities under the scheme since the last approval, the number of securities received, and acquisition price for each security

No Rights have previously been issued under the Performance Rights Plan, and no previous Shareholder approval has been sought for the issue of Rights under the Performance Rights Plan.

(d) The names of all persons referred to in Listing Rule 10.14 entitled to participate in the scheme

Persons who are entitled to participate in the Performance Rights Plan (**Eligible Persons**) are:

- (i) an Employee of the Company ("Employee" is defined in the Performance Rights Plan as any person who is in the full-time or part-time employment of, or is a director of, or (subject to compliance with ASIC Class Order 03/184, or obtaining other applicable relief from ASIC), is a consultant to the Company and any subsidiary);
- (ii) the spouse of an Employee;
- (iii) a body corporate in which an Employee holds and beneficially owns not less than 50% of the issued voting share capital;
- (iv) the trustee of a trust in which an Employee is a beneficiary or object; or
- (v) the trustee of a superannuation fund of which an Employee is a member.

The names of all Eligible Persons referred to in Listing Rule 10.14 entitled to participate in the Performance Rights Plan (being the Directors) are:

- Mr Richard Jonathan Beresford;
- Ms Leeanne Kay Bond;
- Mr Fletcher Maurice Brand;
- Mr Paul William Bridgwood; and
- Mr Norman Marshall.

Any additional persons referred to in Listing Rule 10.14 (for whom Shareholder approval is required) who become entitled to participate in the Performance Rights Plan after Shareholders approve the grant to certain Directors pursuant to the Notice of General Meeting and who are not named in the Notice of General Meeting, will not participate in the Performance Rights Plan until approval is obtained under Listing Rule 10.14.

(e) A voting exclusion statement

A voting exclusion statement for Resolution 3 is included in the Notice of General Meeting.

(f) The terms of any loan in relation to the acquisition

The Company will not loan any monies in relation to the acquisition of Rights by Mr Beresford.

- (g) The date by which the entity will issue the securities, which must be no later than 12 months after the meeting**

Subject to Shareholder approval, the Rights will be issued to Mr Beresford on a date not later than 12 months after the Meeting.

3.2 Corporations Act section 208 approval

Section 208 of the Corporations Act requires the Company to obtain Shareholder approval to give a financial benefit to a related party (unless an exception applies), which benefit must be given within 15 months after the approval.

Mr Beresford, being a Director of the Company, is a related party for the purposes of the Corporations Act. The issue of Rights to Mr Beresford is a benefit conferred on Mr Beresford and requires approval under section 208 of the Corporations Act.

Under section 218(1)(b) of the Corporations Act, an explanatory statement satisfying section 219 of the Corporations Act must be lodged at least 14 days before the Notice of General Meeting is given. Under section 219 of the Corporations Act, the explanatory statement must include certain information, which information is set out below.

- (a) The related parties to whom the proposed resolution would permit financial benefits to be given**

Mr Richard Jonathan Beresford.

- (b) The nature of the financial benefits**

The issue of 450,000 Rights, as more particularly described in paragraphs 3.1(a) and (b) above.

- (c) In relation to each Director, the Director's recommendation about the proposed resolution and reasons for it (if the Director didn't want to make a recommendation or was not available to consider it – why not)**

Given the related party nature of the proposed resolution, no Director makes any recommendation about the proposed resolution.

- (d) In relation to each such Director, whether the Director had an interest in the outcome of the proposed resolution (and if so, what it was)**

Each Director other than Mr Beresford does not have an interest in the outcome of the proposed resolution.

Mr Beresford has a material personal interest in the outcome of the proposed resolution.

- (e) All other information that is reasonably required by Shareholders in order to decide whether or not it is in the Company's interests to pass the proposed resolution and is known to the Company or to any of its Directors.**

Section 219(2) of the Corporations Act states that an example of this kind of information is information about what, from an economic and commercial view, are the true potential costs and detriments of, or resulting from, giving financial benefits as permitted by the proposed resolution, including opportunity costs, taxation consequences (such as liability to fringe benefits tax) and benefits forgone by whoever would give the benefits.

- (i) The Company will not loan Mr Beresford any money in relation to the issue of the Rights.

- (ii) Mr Beresford receives director's fees of A\$55,000 per annum (inclusive of GST and superannuation).

- (iii) Mr Beresford currently holds 369,692 Shares and no Options.
- (iv) Should Mr Beresford exercise the Rights issued in accordance with Resolution 3, his interest in the Company's issued capital will increase to 0.38% (assuming no prior exercise of conversion rights by any other holder of Rights or Options). In turn, the remaining Shareholders will have their existing interests diluted in proportion to the additional 450,000 Shares that will issue on exercise of these Rights.
- (v) The amount raised by the exercise of all Rights by Mr Beresford will be determined by reference to the 20 Day VWAP. By way of example, the amount raised by the exercise of all Rights by Mr Beresford assuming a 20 Day VWAP of A\$0.56 (being the 20 Day VWAP on the KPMG Valuation Date) is as follows:

Rights	20 Day VWAP (A\$)	Premium on 20 Day VWAP	Exercise Price (A\$)	Rights	Amount raised (A\$)
Tranche 1	0.56	25%	0.7000	150,000	105,000
Tranche 2	0.56	34%	0.7504	150,000	112,560
Tranche 3	0.56	43%	0.8008	150,000	120,120
Total				450,000	337,680

- (vi) The Company proposes to apply the amount raised from the exercise of any Rights for general working capital purposes.
- (vii) A valuation of the Rights has been undertaken by KPMG, each Right being valued as follows:
 - A. Rights issued pursuant to Tranche 1 are valued at A\$0.2364 per Right;
 - B. Rights issued pursuant to Tranche 2 are valued at A\$0.2639 per Right; and
 - C. Rights issued pursuant to Tranche 3 are valued at A\$0.3176 per Right.
 A copy of the KPMG Valuation dated 17 November 2010 is annexed as Annexure C.
- (viii) All of the Directors other than Mr Beresford agree that the number of Rights to be issued to Mr Beresford is appropriate given his service to the Company and the benefit to the Company of retaining his services. In obtaining Shareholder approval for the establishment of the Performance Rights Plan, the Directors set out their reasons why the issue of Rights is considered an appropriate form of remuneration for Directors.
- (ix) Details of any Rights issued under the Performance Rights Plan will be published in each annual report of the Company relating to a period in which Rights have been issued, and that approval for the issue of Rights was obtained under Listing Rule 10.14.
- (x) Any additional persons referred to in Listing Rule 10.14 (for whom Shareholder approval is required) who become entitled to participate in the Performance Rights Plan after the resolution is approved and who were not named in the Notice of General Meeting will not participate until approval is obtained under Listing Rule 10.14.

3.3 Directors' recommendation and open proxies

Given the related party nature of Resolution 3, no Director makes any recommendation about Resolution 3.

The Chairman intends to vote open proxies in favour of Resolution 3.

4. Resolution 4 – Issue of Rights to Leeanne Kay Bond under Performance Rights Plan

Subject to the approval of Resolution 2, Resolution 4 seeks Shareholder approval for the offer and issue of 450,000 Rights to Ms Leeanne Kay Bond (**Ms Bond**), a non-executive Director of the Company, in accordance with:

- (a) Listing Rule 10.14; and
- (b) Section 208 of the Corporations Act.

4.1 Listing Rule 10.14 approval

Listing Rule 10.11 requires the Company to obtain Shareholder approval in order to issue Equity Securities to a related party (unless an exception applies). Ms Bond, being a non-executive Director of the Company, is a related party for the purposes of Listing Rule 10.11.

An exception to Listing Rule 10.11 is set out in Exception 4 of Listing Rule 10.12 – the Equity Securities are to be issued to a person referred to in Listing Rule 10.14 and receives the Equity Securities under an employee incentive scheme with approval under that rule.

Under Listing Rule 10.14, certain persons listed in that rule must not acquire securities under an employee incentive scheme without Shareholder approval of the acquisition. Ms Bond, being a non-executive Director of the Company, may not acquire Rights without Shareholder approval pursuant to Listing Rule 10.14.

Under Listing Rule 10.15, the notice of meeting to approve the issue of the Rights to Ms Bond must include certain information, which information is set out below.

(a) The maximum number of securities that may be acquired by all persons for whom approval is required

A maximum of 450,000 Rights will be issued to Ms Bond.

(b) The price (including a statement whether the price will be, or be based on, the market price), or the formula for calculating the price, for each security to be acquired under the scheme

The Company will issue the Rights to Ms Bond at no cost. The Rights have the following exercise periods and exercise prices per Right:

- (i) Tranche 1: 150,000 Rights (the subject of Resolution 4) may be exercised after 10 January 2012 and prior to 10 July 2012 at an exercise price based on the 20 Day VWAP, plus a premium of 25%;
- (ii) Tranche 2: 150,000 Rights (the subject of Resolution 4) may be exercised after 10 July 2012 and prior to 10 January 2013 at an exercise price based on the 20 Day VWAP, plus a premium of 34%; and
- (iii) Tranche 3: 150,000 Rights (the subject of Resolution 4) may be exercised after 10 January 2013 and prior to 10 January 2014 at an exercise price based on the 20 Day VWAP, plus a premium of 43%.

(c) The names of all persons referred to in Listing Rule 10.14 who received securities under the scheme since the last approval, the number of securities received, and acquisition price for each security

No Rights have previously been issued under the Performance Rights Plan, and no previous Shareholder approval has been sought for the issue of Rights under the Performance Rights Plan.

(d) The names of all persons referred to in Listing Rule 10.14 entitled to participate in the scheme

Persons who are entitled to participate in the Performance Rights Plan (**Eligible Persons**) are:

- (i) an Employee of the Company (“Employee” is defined in the Performance Rights Plan as any person who is in the full-time or part-time employment of, or is a director of, or

(subject to compliance with ASIC Class Order 03/184, or obtaining other applicable relief from ASIC), is a consultant to the Company and any subsidiary);

- (ii) the spouse of an Employee;
- (iii) a body corporate in which an Employee holds and beneficially owns not less than 50% of the issued voting share capital;
- (iv) the trustee of a trust in which an Employee is a beneficiary or object; or
- (v) the trustee of a superannuation fund of which an Employee is a member.

The names of all Eligible Persons referred to in Listing Rule 10.14 entitled to participate in the Performance Rights Plan (being the Directors) are:

- Mr Richard Jonathan Beresford;
- Ms Leeanne Kay Bond;
- Mr Fletcher Maurice Brand;
- Mr Paul William Bridgwood; and
- Mr Norman Marshall.

Any additional persons referred to in Listing Rule 10.14 (for whom Shareholder approval is required) who become entitled to participate in the Performance Rights Plan after Shareholders approve the grant to certain Directors pursuant to the Notice of General Meeting and who are not named in the Notice of General Meeting, will not participate in the Performance Rights Plan until approval is obtained under Listing Rule 10.14.

(e) A voting exclusion statement

A voting exclusion statement for Resolution 4 is included in the Notice of General Meeting.

(f) The terms of any loan in relation to the acquisition

The Company will not loan any monies in relation to the acquisition of Rights by Ms Bond.

(g) The date by which the entity will issue the securities, which must be no later than 12 months after the meeting

Subject to Shareholder approval, the Rights will be issued to Ms Bond on a date not later than 12 months after the Meeting.

4.2 Corporations Act section 208 approval

Section 208 of the Corporations Act requires the Company to obtain Shareholder approval to give a financial benefit to a related party (unless an exception applies), which benefit must be given within 15 months after the approval.

Ms Bond, being a Director of the Company, is a related party for the purposes of the Corporations Act. The issue of Rights to Ms Bond is a benefit conferred on Ms Bond and requires approval under section 208 of the Corporations Act.

Under section 218(1)(b) of the Corporations Act, an explanatory statement satisfying section 219 of the Corporations Act must be lodged at least 14 days before the Notice of General Meeting is given. Under section 219 of the Corporations Act, the explanatory statement must include certain information, which information is set out below.

(a) The related parties to whom the proposed resolution would permit financial benefits to be given

Ms Leeanne Kay Bond.

(b) The nature of the financial benefits

The issue of 450,000 Rights, as more particularly described in paragraphs 4.1(a) and (b) above.

- (c) **In relation to each Director, the Director's recommendation about the proposed resolution and reasons for it (if the Director didn't want to make a recommendation or was not available to consider it – why not)**

Given the related party nature of the proposed resolution, no Director makes any recommendation about the proposed resolution.

- (d) **In relation to each such Director, whether the Director had an interest in the outcome of the proposed resolution (and if so, what it was)**

Each Director other than Ms Bond does not have an interest in the outcome of the proposed resolution.

Ms Bond has a material personal interest in the outcome of the proposed resolution.

- (e) **All other information that is reasonably required by Shareholders in order to decide whether or not it is in the Company's interests to pass the proposed resolution and is known to the Company or to any of its Directors.**

Section 219(2) of the Corporations Act states that an example of this kind of information is information about what, from an economic and commercial view, are the true potential costs and detriments of, or resulting from, giving financial benefits as permitted by the proposed resolution, including opportunity costs, taxation consequences (such as liability to fringe benefits tax) and benefits forgone by whoever would give the benefits.

- (i) The Company will not loan Ms Bond any money in relation to the issue of the Rights.
- (ii) Ms Bond receives director's fees of A\$55,000 per annum (inclusive of GST and superannuation).
- (iii) Ms Bond currently does not hold any Shares or Options.
- (iv) Should Ms Bond exercise the Rights issued in accordance with Resolution 4, her interest in the Company's issued capital will increase to 0.21% (assuming no prior exercise of conversion rights by any other holder of Rights or Options). In turn, the remaining Shareholders will have their existing interests diluted in proportion to the additional 450,000 Shares that will issue on exercise of these Rights.
- (v) The amount raised by the exercise of all Rights by Ms Bond will be determined by reference to the 20 Day VWAP. By way of example, the amount raised by the exercise of all Rights by Ms Bond assuming a 20 Day VWAP of A\$0.56 (being the 20 Day VWAP on the KPMG Valuation Date) is as follows:

Rights	20 Day VWAP (A\$)	Premium on 20 Day VWAP	Exercise Price (A\$)	Rights	Amount raised (A\$)
Tranche 1	0.56	25%	0.7000	150,000	105,000
Tranche 2	0.56	34%	0.7504	150,000	112,560
Tranche 3	0.56	43%	0.8008	150,000	120,120
Total				450,000	337,680

- (vi) The Company proposes to apply the amount raised from the exercise of any Rights for general working capital purposes.

- (vii) A valuation of the Rights has been undertaken by KPMG, each Right being valued as follows:
 - A. Rights issued pursuant to Tranche 1 are valued at A\$0.2364 per Right;
 - B. Rights issued pursuant to Tranche 2 are valued at A\$0.2639 per Right; and
 - C. Rights issued pursuant to Tranche 3 are valued at A\$0.3176 per Right.

A copy of the KPMG Valuation dated 17 November 2010 is annexed as Annexure C.
- (viii) All of the Directors other than Ms Bond agree that the number of Rights to be issued to Ms Bond is appropriate given her service to the Company and the benefit to the Company of retaining her services. In obtaining Shareholder approval for the establishment of the Performance Rights Plan, the Directors set out their reasons why the issue of Rights is considered an appropriate form of remuneration for Directors.
- (ix) Details of any Rights issued under the Performance Rights Plan will be published in each annual report of the Company relating to a period in which Rights have been issued, and that approval for the issue of Rights was obtained under Listing Rule 10.14.
- (x) Any additional persons referred to in Listing Rule 10.14 (for whom Shareholder approval is required) who become entitled to participate in the Performance Rights Plan after the resolution is approved and who were not named in the Notice of General Meeting will not participate until approval is obtained under Listing Rule 10.14.

4.3 Directors' recommendation and open proxies

Given the related party nature of Resolution 4, no Director makes any recommendation about Resolution 4.

The Chairman intends to vote open proxies in favour of Resolution 4.

5. Resolution 5 – Issue of Rights to Fletcher Maurice Brand under Performance Rights Plan

Subject to the approval of Resolution 2, Resolution 5 seeks Shareholder approval for the offer and issue of 450,000 Rights to Mr Fletcher Maurice Brand (**Mr Brand**), the Managing Director (and Chief Executive Officer) of the Company, in accordance with:

- (a) Listing Rule 10.14; and
- (b) Section 208 of the Corporations Act.

5.1 Listing Rule 10.14 approval

Listing Rule 10.11 requires the Company to obtain Shareholder approval in order to issue Equity Securities to a related party (unless an exception applies). Mr Brand, being the Managing Director of the Company, is a related party for the purposes of Listing Rule 10.11.

An exception to Listing Rule 10.11 is set out in Exception 4 of Listing Rule 10.12 – the Equity Securities are to be issued to a person referred to in Listing Rule 10.14 and receives the Equity Securities under an employee incentive scheme with approval under that rule.

Under Listing Rule 10.14, certain persons listed in that rule must not acquire securities under an employee incentive scheme without Shareholder approval of the acquisition. Mr Brand, being the Managing Director of the Company, may not acquire Rights without Shareholder approval pursuant to Listing Rule 10.14.

Under Listing Rule 10.15, the notice of meeting to approve the issue of the Rights to Mr Brand must include certain information, which information is set out below.

- (a) **The maximum number of securities that may be acquired by all persons for whom approval is required**

A maximum of 450,000 Rights will be issued to Mr Brand.

(b) The price (including a statement whether the price will be, or be based on, the market price), or the formula for calculating the price, for each security to be acquired under the scheme

The Company will issue the Rights to Mr Brand at no cost. The Rights have the following exercise periods and exercise prices per Right:

- (i) Tranche 1: 150,000 Rights (the subject of Resolution 5) may be exercised after 10 January 2012 and prior to 10 July 2012 at an exercise price based on the 20 Day VWAP, plus a premium of 25%;
- (ii) Tranche 2: 150,000 Rights (the subject of Resolution 5) may be exercised after 10 July 2012 and prior to 10 January 2013 at an exercise price based on the 20 Day VWAP, plus a premium of 34%; and
- (iii) Tranche 3: 150,000 Rights (the subject of Resolution 5) may be exercised after 10 January 2013 and prior to 10 January 2014 at an exercise price based on the 20 Day VWAP, plus a premium of 43%.

(c) The names of all persons referred to in Listing Rule 10.14 who received securities under the scheme since the last approval, the number of securities received, and acquisition price for each security

No Rights have previously been issued under the Performance Rights Plan, and no previous Shareholder approval has been sought for the issue of Rights under the Performance Rights Plan.

(d) The names of all persons referred to in Listing Rule 10.14 entitled to participate in the scheme

Persons who are entitled to participate in the Performance Rights Plan (**Eligible Persons**) are:

- (i) an Employee of the Company (“Employee” is defined in the Performance Rights Plan as any person who is in the full-time or part-time employment of, or is a director of, or (subject to compliance with ASIC Class Order 03/184, or obtaining other applicable relief from ASIC), is a consultant to the Company and any subsidiary);
- (ii) the spouse of an Employee;
- (iii) a body corporate in which an Employee holds and beneficially owns not less than 50% of the issued voting share capital;
- (iv) the trustee of a trust in which an Employee is a beneficiary or object; or
- (v) the trustee of a superannuation fund of which an Employee is a member.

The names of all Eligible Persons referred to in Listing Rule 10.14 entitled to participate in the Performance Rights Plan (being the Directors) are:

- Mr Richard Jonathan Beresford;
- Ms Leeanne Kay Bond;
- Mr Fletcher Maurice Brand;
- Mr Paul William Bridgwood; and
- Mr Norman Marshall.

Any additional persons referred to in Listing Rule 10.14 (for whom Shareholder approval is required) who become entitled to participate in the Performance Rights Plan after Shareholders approve the grant to certain Directors pursuant to the Notice of General Meeting and who are not named in the Notice of General Meeting, will not participate in the Performance Rights Plan until approval is obtained under Listing Rule 10.14.

(e) A voting exclusion statement

A voting exclusion statement for Resolution 5 is included in the Notice of General Meeting.

(f) The terms of any loan in relation to the acquisition

The Company will not loan any monies in relation to the acquisition of Rights by Mr Brand.

(g) The date by which the entity will issue the securities, which must be no later than 12 months after the meeting

Subject to Shareholder approval, the Rights will be issued to Mr Brand on a date not later than 12 months after the Meeting.

5.2 Corporations Act section 208 approval

Section 208 of the Corporations Act requires the Company to obtain Shareholder approval to give a financial benefit to a related party (unless an exception applies), which benefit must be given within 15 months after the approval.

Mr Brand, being the Managing Director of the Company, is a related party for the purposes of the Corporations Act. The issue of Rights to Mr Brand is a benefit conferred on Mr Brand and requires approval under section 208 of the Corporations Act.

Under section 218(1)(b) of the Corporations Act, an explanatory statement satisfying section 219 of the Corporations Act must be lodged at least 14 days before the Notice of General Meeting is given. Under section 219 of the Corporations Act, the explanatory statement must include certain information, which information is set out below.

(a) The related parties to whom the proposed resolution would permit financial benefits to be given

Mr Fletcher Maurice Brand.

(b) The nature of the financial benefits

The issue of 450,000 Rights, as more particularly described in paragraphs 5.1(a) and (b) above.

(c) In relation to each Director, the Director's recommendation about the proposed resolution and reasons for it (if the Director didn't want to make a recommendation or was not available to consider it – why not)

Given the related party nature of the proposed resolution, no Director makes any recommendation about the proposed resolution.

(d) In relation to each such Director, whether the Director had an interest in the outcome of the proposed resolution (and if so, what it was)

Each Director other than Mr Brand does not have an interest in the outcome of the proposed resolution.

Mr Brand has a material personal interest in the outcome of the proposed resolution.

(e) All other information that is reasonably required by Shareholders in order to decide whether or not it is in the Company's interests to pass the proposed resolution and is known to the Company or to any of its Directors.

Section 219(2) of the Corporations Act states that an example of this kind of information is information about what, from an economic and commercial view, are the true potential costs and detriments of, or resulting from, giving financial benefits as permitted by the proposed resolution, including opportunity costs, taxation consequences (such as liability to fringe benefits tax) and benefits forgone by whoever would give the benefits.

(i) The Company will not loan Mr Brand any money in relation to the issue of the Rights.

(ii) Mr Brand receives director's fees of A\$397,266 per annum (inclusive of GST and superannuation).

(iii) Mr Brand currently holds 12,769,742 Shares and no Options.

- (iv) Should Mr Brand exercise the Rights issued in accordance with Resolution 5, his interest in the Company's issued capital will increase to 6.18% (assuming no prior exercise of conversion rights by any other holder of Rights or Options). In turn, the remaining Shareholders will have their existing interests diluted in proportion to the additional 450,000 Shares that will issue on exercise of these Rights.
- (v) The amount raised by the exercise of all Rights by Mr Brand will be determined by reference to the 20 Day VWAP. By way of example, the amount raised by the exercise of all Rights by Mr Brand assuming a 20 Day VWAP of A\$0.56 (being the 20 Day VWAP on the KPMG Valuation Date) is as follows:

Rights	20 Day VWAP (A\$)	Premium on 20 Day VWAP	Exercise Price (A\$)	Rights	Amount raised (A\$)
Tranche 1	0.56	25%	0.7000	150,000	105,000
Tranche 2	0.56	34%	0.7504	150,000	112,560
Tranche 3	0.56	43%	0.8008	150,000	120,120
Total				450,000	337,680

- (vi) The Company proposes to apply the amount raised from the exercise of any Rights for general working capital purposes.
- (vii) A valuation of the Rights has been undertaken by KPMG, each Right being valued as follows:
- Rights issued pursuant to Tranche 1 are valued at A\$0.2634 per Right;
 - Rights issued pursuant to Tranche 2 are valued at A\$0.2639 per Right; and
 - Rights issued pursuant to Tranche 3 are valued at A\$0.3176 per Right.
- A copy of the KPMG Valuation dated 17 November 2010 is annexed as Annexure C.
- (viii) All of the Directors other than Mr Brand agree that the number of Rights to be issued to Mr Brand is appropriate given his service to the Company and the benefit to the Company of retaining his services. In obtaining Shareholder approval for the establishment of the Performance Rights Plan, the Directors set out their reasons why the issue of Rights is considered an appropriate form of remuneration for Directors.
- (ix) Details of any Rights issued under the Performance Rights Plan will be published in each annual report of the Company relating to a period in which Rights have been issued, and that approval for the issue of Rights was obtained under Listing Rule 10.14.
- (x) Any additional persons referred to in Listing Rule 10.14 (for whom Shareholder approval is required) who become entitled to participate in the Performance Rights Plan after the resolution is approved and who were not named in the Notice of General Meeting will not participate until approval is obtained under Listing Rule 10.14.

5.3 Directors' recommendation and open proxies

Given the related party nature of Resolution 5, no Director makes any recommendation about Resolution 5.

The Chairman intends to vote open proxies in favour of Resolution 5.

6. Resolution 6 – Issue of Rights to Paul William Bridgwood under Performance Rights Plan

Subject to the approval of Resolution 2, Resolution 6 seeks Shareholder approval for the offer and issue of 450,000 Rights to Mr Paul William Bridgwood (**Mr Bridgwood**), an Executive Director (and the Chief Technical Officer) of the Company, in accordance with:

- (a) Listing Rule 10.14; and
- (b) Section 208 of the Corporations Act.

6.1 Listing Rule 10.14 approval

Listing Rule 10.11 requires the Company to obtain Shareholder approval in order to issue Equity Securities to a related party (unless an exception applies). Mr Bridgwood, being an Executive Director of the Company, is a related party for the purposes of Listing Rule 10.11.

An exception to Listing Rule 10.11 is set out in Exception 4 of Listing Rule 10.12 – the Equity Securities are to be issued to a person referred to in Listing Rule 10.14 and receives the Equity Securities under an employee incentive scheme with approval under that rule.

Under Listing Rule 10.14, certain persons listed in that rule must not acquire securities under an employee incentive scheme without Shareholder approval of the acquisition. Mr Bridgwood, being an Executive Director of the Company, may not acquire Rights without Shareholder approval pursuant to Listing Rule 10.14.

Under Listing Rule 10.15, the notice of meeting to approve the issue of the Rights to Mr Bridgwood must include certain information, which information is set out below.

(a) The maximum number of securities that may be acquired by all persons for whom approval is required

A maximum of 450,000 Rights will be issued to Mr Bridgwood.

(b) The price (including a statement whether the price will be, or be based on, the market price), or the formula for calculating the price, for each security to be acquired under the scheme

The Company will issue the Rights to Mr Bridgwood at no cost. The Rights have the following exercise periods and exercise prices per Right:

- (i) Tranche 1: 150,000 Rights (the subject of Resolution 6) may be exercised after 10 January 2012 and prior to 10 July 2012 at an exercise price based on the 20 Day VWAP, plus a premium of 25%;
- (ii) Tranche 2: 150,000 Rights (the subject of Resolution 6) may be exercised after 10 July 2012 and prior to 10 January 2013 at an exercise price based on the 20 Day VWAP, plus a premium of 34%; and
- (iii) Tranche 3: 150,000 Rights (the subject of Resolution 6) may be exercised after 10 January 2013 and prior to 10 January 2014 at an exercise price based on the 20 Day VWAP, plus a premium of 43%.

(c) The names of all persons referred to in Listing Rule 10.14 who received securities under the scheme since the last approval, the number of securities received, and acquisition price for each security

No Rights have previously been issued under the Performance Rights Plan, and no previous Shareholder approval has been sought for the issue of Rights under the Performance Rights Plan.

(d) The names of all persons referred to in Listing Rule 10.14 entitled to participate in the scheme

Persons who are entitled to participate in the Performance Rights Plan (**Eligible Persons**) are:

- (i) an Employee of the Company (“Employee” is defined in the Performance Rights Plan as any person who is in the full-time or part-time employment of, or is a director of, or (subject to compliance with ASIC Class Order 03/184, or obtaining other applicable relief from ASIC), is a consultant to the Company and any subsidiary);

- (ii) the spouse of an Employee;
- (iii) a body corporate in which an Employee holds and beneficially owns not less than 50% of the issued voting share capital;
- (iv) the trustee of a trust in which an Employee is a beneficiary or object; or
- (v) the trustee of a superannuation fund of which an Employee is a member.

The names of all Eligible Persons referred to in Listing Rule 10.14 entitled to participate in the Performance Rights Plan (being the Directors) are:

- Mr Richard Jonathan Beresford;
- Ms Leeanne Kay Bond;
- Mr Fletcher Maurice Brand;
- Mr Paul William Bridgwood; and
- Mr Norman Marshall.

Any additional persons referred to in Listing Rule 10.14 (for whom Shareholder approval is required) who become entitled to participate in the Performance Rights Plan after Shareholders approve the grant to certain Directors pursuant to the Notice of General Meeting and who are not named in the Notice of General Meeting, will not participate in the Performance Rights Plan until approval is obtained under Listing Rule 10.14.

(e) A voting exclusion statement

A voting exclusion statement for Resolution 6 is included in the Notice of General Meeting.

(f) The terms of any loan in relation to the acquisition

The Company will not loan any monies in relation to the acquisition of Rights by Mr Bridgwood.

(g) The date by which the entity will issue the securities, which must be no later than 12 months after the meeting

Subject to Shareholder approval, the Rights will be issued to Mr Bridgwood on a date not later than 12 months after the Meeting.

6.2 Corporations Act section 208 approval

Section 208 of the Corporations Act requires the Company to obtain Shareholder approval to give a financial benefit to a related party (unless an exception applies), which benefit must be given within 15 months after the approval.

Mr Bridgwood, being an Executive Director of the Company, is a related party for the purposes of the Corporations Act. The issue of Rights to Mr Bridgwood is a benefit conferred on Mr Bridgwood and requires approval under section 208 of the Corporations Act.

Under section 218(1)(b) of the Corporations Act, an explanatory statement satisfying section 219 of the Corporations Act must be lodged at least 14 days before the Notice of General Meeting is given. Under section 219 of the Corporations Act, the explanatory statement must include certain information, which information is set out below.

(a) The related parties to whom the proposed resolution would permit financial benefits to be given

Mr Paul William Bridgwood.

(b) The nature of the financial benefits

The issue of 450,000 Rights, as more particularly described in paragraphs 6.1(a) and (b) above.

- (c) **In relation to each Director, the Director's recommendation about the proposed resolution and reasons for it (if the Director didn't want to make a recommendation or was not available to consider it – why not)**

Given the related party nature of the proposed resolution, no Director makes any recommendation about the proposed resolution.

- (d) **In relation to each such Director, whether the Director had an interest in the outcome of the proposed resolution (and if so, what it was)**

Each Director other than Mr Bridgwood does not have an interest in the outcome of the proposed resolution.

Mr Bridgwood has a material personal interest in the outcome of the proposed resolution.

- (e) **All other information that is reasonably required by Shareholders in order to decide whether or not it is in the Company's interests to pass the proposed resolution and is known to the Company or to any of its Directors.**

Section 219(2) of the Corporations Act states that an example of this kind of information is information about what, from an economic and commercial view, are the true potential costs and detriments of, or resulting from, giving financial benefits as permitted by the proposed resolution, including opportunity costs, taxation consequences (such as liability to fringe benefits tax) and benefits forgone by whoever would give the benefits.

- (i) The Company will not loan Mr Bridgwood any money in relation to the issue of the Rights.
- (ii) Mr Bridgwood receives director's fees of A\$397,266 per annum (inclusive of GST and superannuation).
- (iii) Mr Bridgwood currently holds 13,290,040 Shares and no Options.
- (iv) Should Mr Bridgwood exercise the Rights issued in accordance with Resolution 6, his interest in the Company's issued capital will increase to 6.43% (assuming no prior exercise of conversion rights by any other holder of Rights or Options). In turn, the remaining Shareholders will have their existing interests diluted in proportion to the additional 450,000 Shares that will issue on exercise of these Rights.
- (v) The amount raised by the exercise of all Rights by Mr Bridgwood will be determined by reference to the 20 Day VWAP. By way of example, the amount raised by the exercise of all Rights by Mr Bridgwood assuming a 20 Day VWAP of A\$0.56 (being the 20 Day VWAP on the KPMG Valuation Date) is as follows:

Rights	20 Day VWAP (A\$)	Premium on 20 Day VWAP	Exercise Price (A\$)	Rights	Amount raised (A\$)
Tranche 1	0.56	25%	0.7000	150,000	105,000
Tranche 2	0.56	34%	0.7504	150,000	112,560
Tranche 3	0.56	43%	0.8008	150,000	120,120
Total				450,000	337,680

- (vi) The Company proposes to apply the amount raised from the exercise of any Rights for general working capital purposes.

- (vii) A valuation of the Rights has been undertaken by KPMG, each Right being valued as follows:
 - A. Rights issued pursuant to Tranche 1 are valued at A\$0.2364 per Right;
 - B. Rights issued pursuant to Tranche 2 are valued at A\$0.2639 per Right; and
 - C. Rights issued pursuant to Tranche 3 are valued at A\$0.3176 per Right.

A copy of the KPMG Valuation dated 17 November 2010 is annexed as Annexure C.
- (viii) All of the Directors other than Mr Bridgwood agree that the number of Rights to be issued to Mr Bridgwood is appropriate given his service to the Company and the benefit to the Company of retaining his services. In obtaining Shareholder approval for the establishment of the Performance Rights Plan, the Directors set out their reasons why the issue of Rights is considered an appropriate form of remuneration for Directors.
- (ix) Details of any Rights issued under the Performance Rights Plan will be published in each annual report of the Company relating to a period in which Rights have been issued, and that approval for the issue of Rights was obtained under Listing Rule 10.14.
- (x) Any additional persons referred to in Listing Rule 10.14 (for whom Shareholder approval is required) who become entitled to participate in the Performance Rights Plan after the resolution is approved and who were not named in the Notice of General Meeting will not participate until approval is obtained under Listing Rule 10.14.

6.3 Directors' recommendation and open proxies

Given the related party nature of Resolution 6, no Director makes any recommendation about Resolution 6.

The Chairman intends to vote open proxies in favour of Resolution 6.

7. Resolution 7 – Issue of Rights to Norman Marshall under Performance Rights Plan

Subject to the approval of Resolution 2, Resolution 7 seeks Shareholder approval for the offer and issue of 450,000 Rights to Mr Norman Marshall (**Mr Marshall**), an Executive Director (and the Chief Financial Officer) of the Company, in accordance with:

- (a) Listing Rule 10.14; and
- (b) Section 208 of the Corporations Act.

7.1 Listing Rule 10.14 approval

Listing Rule 10.11 requires the Company to obtain Shareholder approval in order to issue Equity Securities to a related party (unless an exception applies). Mr Marshall, being an Executive Director of the Company, is a related party for the purposes of Listing Rule 10.11.

An exception to Listing Rule 10.11 is set out in Exception 4 of Listing Rule 10.12 – the Equity Securities are to be issued to a person referred to in Listing Rule 10.14 and receives the Equity Securities under an employee incentive scheme with approval under that rule.

Under Listing Rule 10.14, certain persons listed in that rule must not acquire securities under an employee incentive scheme without Shareholder approval of the acquisition. Mr Marshall, being an Executive Director of the Company, may not acquire Rights without Shareholder approval pursuant to Listing Rule 10.14.

Under Listing Rule 10.15, the notice of meeting to approve the issue of the Rights to Mr Marshall must include certain information, which information is set out below.

- (a) **The maximum number of securities that may be acquired by all persons for whom approval is required**

A maximum of 450,000 Rights will be issued to Mr Marshall.

(b) The price (including a statement whether the price will be, or be based on, the market price), or the formula for calculating the price, for each security to be acquired under the scheme

The Company will issue the Rights to Mr Marshall at no cost. The Rights have the following exercise periods and exercise prices per Right:

- (i) Tranche 1: 150,000 Rights (the subject of Resolution 7) may be exercised after 10 January 2012 and prior to 10 July 2012 at an exercise price based on the 20 Day VWAP, plus a premium of 25%;
- (ii) Tranche 2: 150,000 Rights (the subject of Resolution 7) may be exercised after 10 July 2012 and prior to 10 January 2013 at an exercise price based on the 20 Day VWAP, plus a premium of 34%; and
- (iii) Tranche 3: 150,000 Rights (the subject of Resolution 7) may be exercised after 10 January 2013 and prior to 10 January 2014 at an exercise price based on the 20 Day VWAP, plus a premium of 43%.

(c) The names of all persons referred to in Listing Rule 10.14 who received securities under the scheme since the last approval, the number of securities received, and acquisition price for each security

No Rights have previously been issued under the Performance Rights Plan, and no previous Shareholder approval has been sought for the issue of Rights under the Performance Rights Plan.

(h) The names of all persons referred to in Listing Rule 10.14 entitled to participate in the scheme

Persons who are entitled to participate in the Performance Rights Plan (**Eligible Persons**) are:

- (i) an Employee of the Company (“Employee” is defined in the Performance Rights Plan as any person who is in the full-time or part-time employment of, or is a director of, or (subject to compliance with ASIC Class Order 03/184, or obtaining other applicable relief from ASIC), is a consultant to the Company and any subsidiary);
- (ii) the spouse of an Employee;
- (iii) a body corporate in which an Employee holds and beneficially owns not less than 50% of the issued voting share capital;
- (iv) the trustee of a trust in which an Employee is a beneficiary or object; or
- (v) the trustee of a superannuation fund of which an Employee is a member.

The names of all Eligible Persons referred to in Listing Rule 10.14 entitled to participate in the Performance Rights Plan (being the Directors) are:

- Mr Richard Jonathan Marshall;
- Ms Leeanne Kay Bond;
- Mr Fletcher Maurice Brand;
- Mr Paul William Bridgwood; and
- Mr Norman Marshall.

Any additional persons referred to in Listing Rule 10.14 (for whom Shareholder approval is required) who become entitled to participate in the Performance Rights Plan after Shareholders approve the grant to certain Directors pursuant to the Notice of General Meeting and who are not named in the Notice of General Meeting, will not participate in the Performance Rights Plan until approval is obtained under Listing Rule 10.14.

(i) A voting exclusion statement

A voting exclusion statement for Resolution 7 is included in the Notice of General Meeting.

(j) The terms of any loan in relation to the acquisition

The Company will not loan any monies in relation to the acquisition of Rights by Mr Marshall.

- (k) The date by which the entity will issue the securities, which must be no later than 12 months after the meeting**

Subject to Shareholder approval, the Rights will be issued to Mr Marshall on a date not later than 12 months after the Meeting.

7.2 Corporations Act section 208 approval

Section 208 of the Corporations Act requires the Company to obtain Shareholder approval to give a financial benefit to a related party (unless an exception applies), which benefit must be given within 15 months after the approval.

Mr Marshall, being an Executive Director of the Company, is a related party for the purposes of the Corporations Act. The issue of Rights to Mr Marshall is a benefit conferred on Mr Marshall and requires approval under section 208 of the Corporations Act.

Under section 218(1)(b) of the Corporations Act, an explanatory statement satisfying section 219 of the Corporations Act must be lodged at least 14 days before the Notice of General Meeting is given. Under section 219 of the Corporations Act, the explanatory statement must include certain information, which information is set out below.

- (a) The related parties to whom the proposed resolution would permit financial benefits to be given**

Mr Norman Marshall.

- (b) The nature of the financial benefits**

The issue of 450,000 Rights, as more particularly described in paragraphs 7.1(a) and (b) above.

- (c) In relation to each Director, the Director's recommendation about the proposed resolution and reasons for it (if the Director didn't want to make a recommendation or was not available to consider it – why not)**

Given the related party nature of the proposed resolution, no Director makes any recommendation about the proposed resolution.

- (d) In relation to each such Director, whether the Director had an interest in the outcome of the proposed resolution (and if so, what it was)**

Each Director other than Mr Marshall does not have an interest in the outcome of the proposed resolution.

Mr Marshall has a material personal interest in the outcome of the proposed resolution.

- (e) All other information that is reasonably required by Shareholders in order to decide whether or not it is in the Company's interests to pass the proposed resolution and is known to the Company or to any of its Directors.**

Section 219(2) of the Corporations Act states that an example of this kind of information is information about what, from an economic and commercial view, are the true potential costs and detriments of, or resulting from, giving financial benefits as permitted by the proposed resolution, including opportunity costs, taxation consequences (such as liability to fringe benefits tax) and benefits forgone by whoever would give the benefits.

- (i) The Company will not loan Mr Marshall any money in relation to the issue of the Rights.

- (ii) Mr Marshall receives director's fees of A\$321,266 per annum (inclusive of GST and superannuation).

- (iii) Mr Marshall currently holds 1,107,692 Shares and 2,250,000 Options.
- (iv) Should Mr Marshall exercise the Rights issued in accordance with Resolution 7, his interest in the Company's issued capital will increase to 0.73% (assuming no prior exercise of conversion rights by any other holder of Rights or Options). In turn, the remaining Shareholders will have their existing interests diluted in proportion to the additional 450,000 Shares that will issue on exercise of these Rights.
- (v) The amount raised by the exercise of all Rights by Mr Marshall will be determined by reference to the 20 Day VWAP. By way of example, the amount raised by the exercise of all Rights by Mr Marshall assuming a 20 Day VWAP of A\$0.56 (being the 20 Day VWAP on the KPMG Valuation Date) is as follows:

Rights	20 Day VWAP (A\$)	Premium on 20 Day VWAP	Exercise Price (A\$)	Rights	Amount raised (A\$)
Tranche 1	0.56	25%	0.7000	150,000	105,000
Tranche 2	0.56	34%	0.7504	150,000	112,560
Tranche 3	0.56	43%	0.8008	150,000	120,120
Total				450,000	337,680

- (vi) The Company proposes to apply the amount raised from the exercise of any Rights for general working capital purposes.
- (vii) A valuation of the Rights has been undertaken by KPMG, each Right being valued as follows:
 - A. Rights issued pursuant to Tranche 1 are valued at A\$0.2364 per Right;
 - B. Rights issued pursuant to Tranche 2 are valued at A\$0.2639 per Right; and
 - C. Rights issued pursuant to Tranche 3 are valued at A\$0.3176 per Right.
 A copy of the KPMG Valuation dated 17 November 2010 is annexed as Annexure C.
- (viii) All of the Directors other than Mr Marshall agree that the number of Rights to be issued to Mr Marshall is appropriate given his service to the Company and the benefit to the Company of retaining his services. In obtaining Shareholder approval for the establishment of the Performance Rights Plan, the Directors set out their reasons why the issue of Rights is considered an appropriate form of remuneration for Directors.
- (ix) Details of any Rights issued under the Performance Rights Plan will be published in each annual report of the Company relating to a period in which Rights have been issued, and that approval for the issue of Rights was obtained under Listing Rule 10.14.
- (x) Any additional persons referred to in Listing Rule 10.14 (for whom Shareholder approval is required) who become entitled to participate in the Performance Rights Plan after the resolution is approved and who were not named in the Notice of General Meeting will not participate until approval is obtained under Listing Rule 10.14.

7.3 Directors' recommendation and open proxies

Given the related party nature of Resolution 7, no Director makes any recommendation about Resolution 7.

The Chairman intends to vote open proxies in favour of Resolution 7.

8. Resolution 8 –Placement of Shares

The Company is currently evaluating a number of strategic investment opportunities primarily relating to securing gas supply for its Gladstone LNG Project at Fishermans Landing. It is possible that the Company may need to move in a timely manner to secure any such investment and achieve its objectives. Accordingly, shareholder pre-approval will provide the Company with maximum flexibility. The Company proposes to seek pre-approval to raise further funds by issuing 30,000,000 Shares (**Placement Shares**) to any party or parties nominated by the Company.

8.1 Listing Rule 7.1 approval

Listing Rule 7.1 broadly provides, subject to certain exceptions, that a company may not issue or agree to issue securities which represent more than 15% of the nominal value of the company's issued capital at the beginning of any 12 month period without obtaining shareholder approval.

The Company's proposed issue of the Placement Shares requires Shareholder approval under Listing Rule 7.1 and none of the exceptions in Listing Rule 7.2 apply.

By approving the issue of the Placement Shares, the Company will retain the flexibility to issue further Equity Securities in the future up to the 15% limit set out in Listing Rule 7.1, without the requirement to obtain prior Shareholder approval.

8.2 Information required under Listing Rule 7.3

In accordance with Listing Rule 7.3, the following information is provided in relation to the issue of the Placement Shares:

(a) The maximum number of securities the entity is to issue (if known) or the formula for calculating the number of securities the entity is to issue

The maximum number of securities to be issued is 30,000,000 Shares.

(b) The date by which the entity will issue the securities (which must be no later than 3 months after the date of the meeting)

It is anticipated that, subject to Shareholder approval, the Placement Shares will be issued no later than three (3) months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules).

(c) The issue price of the securities, which must be either a fixed price or a minimum price

The issue price will be at least 80% of the volume weighted average market price for securities in this class. The average is calculated over the last 5 days on which sales in the securities were recorded before the day on which the issue was made or, if there is a prospectus, Product Disclosure Statement or offer information statement relating to the issue, over the last 5 days on which sales in the securities were recorded before the date the prospectus, Product Disclosure Statement or offer information statement is signed.

(d) The names of the allottees (if known) or the basis upon which the allottees will be identified and selected

The names of the allottees are currently not known but will be a party or parties nominated by the Company and will not be related parties.

(e) The terms of the securities

The securities to be issued will be fully paid ordinary shares that rank equally in all respects with the existing fully paid ordinary securities.

(f) The intended use of the funds raised

The funds raised from the issue of the Placement Shares will be applied to investment interests (either directly or indirectly) in gas resources for the Company's planned LNG projects, including the Company's proposed Fisherman's Landing in Gladstone, Queensland.

(g) The dates of allotment or a statement that allotment will occur progressively

The dates of allotment are unknown. Allotment will occur progressively and no later than three (3) months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules).

(h) A voting exclusion statement

A voting exclusion statement for Resolution 8 is included in the Notice of General Meeting.

(i) In the case of an agreement for the allotment of securities which is part of a public offer, a voting exclusion statement in relation to a party to the agreement, and an adequate summary of the agreement

Not applicable

8.3 Directors' recommendation and open proxies

All of the Directors recommend Shareholders vote in favour of Resolution 8. The Chairman intends to vote open proxies in favour of Resolution 8.

Glossary

20 Day VWAP is defined in paragraph 3.1(b)(i) of the Explanatory Memorandum.

ASX means ASX Limited ACN 008 624 691 or as applicable, the Australian Securities Exchange.

Board means the board of Directors.

Constitution means the constitution of the Company.

Company means Liquefied Natural Gas Limited ABN 19 101 676 779.

Corporations Act means the *Corporations Act 2001* (Cth).

Directors means the directors of the Company.

Eligible Persons is defined in paragraph 3.1(d) of the Explanatory Memorandum.

Equity Securities has the same meaning as in the Listing Rules.

Explanatory Memorandum means the explanatory memorandum to this Notice of General Meeting.

KPMG Valuation means the valuation of the Rights dated 17 November 2010 undertaken by KPMG and annexed to this Notice of General Meeting as Annexure C.

KPMG Valuation Date means 29 October 2010.

Listing Rules means the Listing Rules of ASX.

Meeting means the general meeting to be convened by the Notice of General Meeting.

Notice of General Meeting means this Notice of General Meeting and includes the Explanatory Memorandum and Proxy Form.

Option means an American style call option to subscribe for a Share in the Company.

Performance Rights Plan means the Liquefied Natural Gas Limited Performance Rights Plan pursuant to which the Company proposes to issue Rights the subject of Resolutions 3 to 7 inclusive, the key terms of the Performance Rights Plan being summarised in Annexure B.

Performance Rights Plan Rules means the rules of the Performance Rights Plan, as supplemented and amended from time to time.

Placement Shares is defined in Section 8 of the Explanatory Memorandum.

Proxy Form means the proxy form attached to this Notice of General Meeting.

Right means a performance right issued under the Performance Rights Plan to acquire a Share.

Resolution means a resolution contained in this Notice of General Meeting.

Share means a fully paid ordinary share in the capital of the Company ranking equally with all other ordinary shares of the Company.

Shareholder means a registered member of the Company.

ANNEXURE A

Proposed text of the amendments to the Company's Constitution (Resolution 1)

Note: text marked like “~~profits~~” is to be deleted and text marked like “funds” is to be inserted.

4 Distribution of ~~profits~~funds

4.1 Dividends

- (a) The directors may pay any interim and final dividends as, in their judgment, the financial position of the company justifies.
- (b) The directors may pay any dividend required to be paid under the terms of issue of a Security.
- (c) The payment of a dividend does not require any confirmation by a general meeting.
- (d) Subject to any rights or restrictions attached to any Securities or class of Securities all dividends in respect of Securities must be paid to the Members in proportion to the number of Securities held by a Member but where Securities are partly paid all dividends must be apportioned and paid proportionately to the amounts paid (not credited) on the Securities. All dividends must be apportioned and paid proportionately to the amounts so paid (not credited) during any portion or portions of the period in respect of which the dividend is paid. However, an amount paid or credited as paid on a Security in advance of a call is to be ignored. Interest is not payable by the company in respect of any dividend.
- (e) The directors may fix a record date in respect of a dividend, with or without suspending the registration of transfers from that date under rule 5.3.
- (f) A dividend in respect of a Security must be paid to the person who is registered, or entitled under rule 5.1(e) to be registered, as the holder of the Security:
 - (1) where the directors have fixed a record date in respect of the dividend, on that date; or
 - (2) where the directors have not fixed a record date in respect of that dividend, on the date fixed for payment of the dividend,and a transfer of a Security that is not registered, or left with the company for registration in accordance with rules 5.1(d) and (e), on or before that date is not effective, as against the company, to pass any right to the dividend.
- (g) The directors when determining a dividend is payable may direct:
 - (1) payment of the dividend wholly or partly by the distribution of specific assets, including paid up Securities or other securities of the company or of another body corporate, either generally or to specific Members; and
 - (2) that the dividend be paid to particular Members wholly or partly out of any particular fund or reserve or out of ~~profits~~funds derived from any particular source and to the remaining Members wholly or partly out of any other particular fund or reserve or out of ~~profits~~funds derived from any other particular source or generally.
- (h) The company may deduct from any dividend payable to a Member all sums of money presently payable by the Member to the company for calls due and payable which have not been paid and apply the amount deducted in or towards satisfaction of the money owing.
- (i) Where a person is entitled to a Security as a result of a transmission event, the directors may, but are not obliged to, retain any dividends payable in respect of that Security until that person becomes registered as the holder of the Security or transfers it.
- (j) Without prejudice to any other method of payment the directors may adopt, any dividend, interest or other money payable in cash in respect of Securities may be paid by cheque and sent by post:

- (1) to the address of the holder as shown in the register of Members, or in the case of joint holders, to the address shown in the register of Members as the address of the joint holder first named in that register; or
- (2) to such other address as the holder or joint holders in writing directs or direct.
- (k) A cheque sent under rule 4.1(j) may be made payable to bearer or to the order of the Member to whom it is sent or such other person as the Member may direct and is sent at the Member's risk.

4.2 Capitalisation ~~of profits~~

- (a) Subject to any rights or restrictions attached to any class of Securities, the directors may capitalise and distribute among such of the Members as would be entitled to receive dividends and in the same proportions, any amount:
 - (1) forming part of the ~~undivided profits~~funds of the company available for distribution;
 - (2) representing ~~profits~~funds of the company available for distribution arising from an ascertained accretion to capital or from a revaluation of the assets of the company;
 - (3) arising from the realisation of any assets of the company; or
 - (4) otherwise available for distribution as a dividend.
- (b) The directors may resolve that all or any part of the capitalised amount is to be applied:
 - (1) in paying up in full Securities in or other securities of the company to be issued to Members;
 - (2) in paying up any amounts unpaid on Securities in or other securities of the company held by the Members; or
 - (3) partly as specified in rule 4.2(b)(1) and partly as specified in rule 4.2(b)(2),
 and such an application must be accepted by the Members entitled to Security in the distribution in full satisfaction of their interests in the capitalised amount.
- (c) Rules 4.1(d), (e), (f) and (g) apply, mutatis mutandis, to a capitalisation of an amount under this rule 4.2 as if references in those rules to a dividend and to the date a dividend is fixed for payment were references to a capitalisation of an amount and to the date the directors resolve to capitalise the amount under this rule 4.2 respectively.

4.3 Ancillary powers

- (a) For the purpose of giving effect to any resolution for the satisfaction of a dividend in the manner set out in rule 4.1(g)(1) or by the capitalisation of any amount under rule 4.2, the directors may:
 - (1) settle as they think expedient any difficulty that may arise in making the distribution or capitalisation;
 - (2) fix the value for distribution of any specific assets;
 - (3) pay cash or issue Securities to any Members in order to adjust the rights of all parties;
 - (4) vest any such specific assets, cash or Securities in any trustee upon such trusts for the persons entitled to the dividend or capitalised amount as may seem expedient to the directors; and
 - (5) authorise any person to make, on behalf of all the Members entitled to any further Securities as a result of the distribution or capitalisation, an agreement with the company or another body corporate providing, as appropriate:
 - (A) for the issue to them of such further Securities credited as fully paid up; or
 - (B) for the payment by the company on their behalf of the amounts or any part of the amounts remaining unpaid on their existing Securities by the application of their respective proportions of the sum resolved to be capitalised,

and any agreement made under an authority referred to in this rule 4.3(a)(5) is effective and binding on all Members concerned.

- (b) If the company distributes to Members (either generally or to specific Members) securities in the company or in another body corporate or trust (whether as a dividend or otherwise and whether or not for value), each of those Members appoints the company as his or her agent to do anything needed to give effect to that distribution, including agreeing to become a Member of that other body corporate.

4.4 Reserves

- (a) Subject to this constitution, the directors may set aside out of the ~~profits-funds~~ of the company such reserves or provisions for such purposes as they think fit.
- (b) The directors may appropriate to the ~~profits-funds~~ of the company any amount previously set aside as a reserve or provision.
- (c) The setting aside of any amount as a reserve or provision does not require the directors to keep the amount separate from the other assets of the company or prevent the amount being used in the business of the company or being invested in such investments as the directors think fit.

4.5 Carry forward of ~~profits~~funds

The directors may carry forward so much of the ~~profits-funds~~ remaining as they consider ought not to be distributed as dividends or capitalised without transferring those ~~profits-funds~~ to a reserve or provision.

4.6 Dividend reinvestment plans

The directors may:

- (a) implement a dividend reinvestment plan on such terms as they think fit under which the whole or any part of any dividend due to Members who participate in the plan on their Securities or any class of Securities may be applied in subscribing for Securities of the company or of a related body corporate; and
- (b) amend, suspend or terminate any dividend reinvestment plan implemented by them.

4.7 Dividend selection plans

The directors may:

- (a) implement a dividend selection plan on such terms as they think fit under which participants may elect:
 - (1) to receive a dividend from the company paid wholly or partly out of any particular fund or reserve or out of profits derived from any particular source; or
 - (2) to forego a dividend from the company in place of some other form of distribution from the company or another body corporate or a trust; and
- (b) amend, suspend or terminate any dividend selection plan implemented by them.

4.8 Unclaimed dividends

Subject to the provisions of the Corporations Act and any other relevant legislation, all dividends unclaimed may be invested or otherwise made use of by the Directors for the benefit of the company until claimed.

ANNEXURE B

Summary - Liquefied Natural Gas Limited Performance Rights Plan (Resolution 2)

Set out below is a summary of the terms and conditions of the Liquefied Natural Gas Limited Performance Rights Plan:

1. Eligibility

The Company's board of directors (**Board**) may from time to time determine that an Employee may participate in the Plan (**Participant**) and the extent of that participation. The Board will have regard to, amongst other things, the seniority of the Employee, the length of service of the Employee, the record of employment of the Employee, the potential contribution of the Employee, the extent of the existing participation of the Employee in the Plan, the restrictions (if any) on disposals of Shares allotted upon exercise of Performance Rights and any other matters which the board considers relevant.

2. Invitations

The Board may issue an invitation to the Employee (**Invitation**), inviting applications for a grant of Performance Rights up to the number of Performance Rights specified in the Invitation (**Specified Performance Rights**). The Invitation will set out, amongst other things, the number of Specified Performance Rights, the vesting date, the expiry date, the exercise price, any performance conditions and the period for acceptance of the Invitation, which must not be less than 7 days from the date of the Invitation.

Performance Rights may be renounced in favour of an Eligible Person in relation to the Employee, subject to approval by the Committee and subject to compliance with the Corporations Act (including any applicable ASIC class order providing relief on which the Company may rely in respect of the Plan) and the ASX Listing Rules. Invitations to Directors are subject to shareholder approval in accordance with the ASX Listing Rules.

3. Applications

Following receipt of an Invitation, the Employee or an Eligible Person may apply for the Specified Performance Rights in multiples of 1,000 Performance Rights (**Applicant**).

4. Grant of Performance Rights

The Company may grant to the Applicant the Performance Rights applied for by the Applicant. Each Performance Right entitles the holder to one Share upon exercise of the Performance Right.

5. Exercise and Lapse of Performance Rights

- (a) Performance Rights may be exercised at any time from and including the vesting date up to and including the final date that the Performance Rights can be converted to a Share (**Expiry Date**).
- (b) If an Invitation so provides, Performance Rights will be automatically exercised on the vesting date with no exercise price being payable.
- (c) Performance Rights lapse on the Expiry Date.
- (d) If a Participant ceases to be an Eligible Person in relation to Performance Rights held by that Participant prior to the vesting date, all Performance Rights held by that Participant will automatically lapse.
- (e) If a Participant ceases to be an Eligible Person after the vesting date in relation to Performance Rights held by that Participant in respect of which an exercise price is payable, all those Performance Rights held by that Participant will lapse one month after that Participant ceases to be an Eligible Person (or such longer period as the Committee may determine), or on the Expiry Date applicable to those Performance Rights, whichever occurs first.

- (f) If a Participant ceases to be an Eligible Person after the vesting date due to the occurrence of any of the following events (each a **Prescribed Event**), the Performance Rights held by that Participant in respect of which an exercise price is payable will lapse 6 months after the occurrence of that Prescribed Event (or such longer period as the Committee may determine) or on the Expiry Date applicable to those Performance Rights, whichever occurs first:
- (i) retirement or retrenchment of the Participant, or if the Participant is not an Employee, the retirement or retrenchment of the Employee by virtue of whom an Eligible Person holds Performance Rights;
 - (ii) bankruptcy of the Participant, or commencement of winding up or deregistration in respect of the Participant; or
 - (iii) the death of the Participant, or if the Participant is not an Employee, the death of the Employee by virtue of whom an Eligible Person holds Performance Rights.

6. Exercise procedure

- (a) Performance Rights that are not automatically exercised on the vesting date must be exercised by written notice to the Company.
- (b) Payment in full of the exercise price must accompany the notice of exercise.
- (c) The Company will, subject to any necessary consents or approvals having first been obtained, allot and issue the number of Shares specified in the notice of exercise within the time prescribed by the ASX Listing Rules.
- (d) If Performance Rights are automatically exercised on the vesting date specified in an Invitation, the Company will, subject to any necessary consents or approvals having first been obtained, allot and issue the number of Shares specified in the notice of exercise within the time prescribed by the ASX Listing Rules.

7. Withholding

If the Company is required under relevant tax legislation to make withholdings on account of tax upon:

- (a) the exercise of Performance Rights by a Participant; or
- (b) the automatic conversion of Performance Rights to Shares,

the Company must sell sufficient of the Shares which would otherwise be issued to the Participant so that the net proceeds of sale equal the payment which the Company is required to pay to the appropriate authorities.

This arrangement does not apply if the Participant makes an alternative arrangement to the satisfaction of the Company.

8. Restriction on Transfer

Performance Rights granted under the Plan may not be transferred.

9. Variation of Capital

- (a) If, prior to the Expiry Date applicable to a Performance Right, there is a reorganisation of the issued share capital of the Company (including a consolidation, subdivision or reduction of capital or return of capital to shareholders), the number of Shares subject to the Performance Right and/or the Exercise Price will be adjusted in the manner required by the ASX Listing Rules, subject to the written confirmation of the Company's auditor before making the adjustment.

- (b) A Performance Right does not confer on a Participant the right to participate in new issues of Shares or other securities of the Company, including bonus issues and rights issues.

10. Amendment and Termination

- (a) Subject to paragraph (b) below, the Board may amend, vary or supplement the Plan in any respect subject to compliance with the ASX Listing Rules.
- (b) The Board may not amend the provisions of the Plan to reduce the rights of Participants, other than an amendment primarily:
- (i) to comply with, or conform to, present or future State or Commonwealth legislation governing or regulating the maintenance or operation of the Plan or like plans;
 - (ii) to correct any manifest error or mistake; or
 - (iii) to take into consideration possible adverse tax implications in respect of the Plan arising from, amongst others, adverse rulings from the Commissioner of Taxation, changes to tax legislation (including an official announcement by the Commonwealth of Australia) and/or changes in the interpretation of tax legislation by a Court of competent jurisdiction.
- (c) The Board must give written notice to all Participants of any amendment which affects their rights.
- (d) The Board may terminate the Plan at any time in which case no further Performance Rights will be granted.
- (e) The Company is not liable to any Participant if for any reason whatsoever there is any delay in the Company issuing Shares upon exercise of Performance Rights as a consequence of the Company being required to issue a prospectus or other disclosure document under Chapter 6D of the Corporations Act in relation to those Shares.

11. Definitions

In this Annexure A:

ASX means ASX Limited ABN 98 008 624 691, and where the context requires, the Australian Securities Exchange operated by ASX Limited.

ASX Listing Rules means the Official Listing Rules of ASX.

Committee means a committee appointed by the Board with responsibility for operation of the Plan, and whose members by majority must be non-executive Directors. If no Committee is appointed, a reference to Committee will be construed as a reference to the Board.

Corporations Act means the Corporations Act 2001 (Cth).

Eligible Person means:

- (a) an Employee;
- (b) the spouse of an Employee;
- (c) a body corporate in which an Employee holds and beneficially owns not less than 50% of the issued voting share capital;
- (d) the trustee of a trust in which an Employee is a beneficiary or object; or
- (e) the trustee of a superannuation fund of which an Employee is a member.

Employee means any person who is in the full-time or part-time employment of, or is a director of, or (subject to compliance with Class Order 03/184 or obtaining applicable relief from ASIC) a consultant to, the Company or its subsidiary.

Performance Right means a right issued under the Plan to acquire a Share.

Plan means the Liquefied Natural Gas Limited Performance Rights Plan established in accordance with the Rules.

Rules means the rules of the Plan, as supplemented and amended from time to time.

Share means a fully paid ordinary share in the capital of the Company.



ANNEXURE C
Valuation of Rights by KPMG
(Resolutions 3 to 7)

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David Gardner
Company Secretary
Liquefied Natural Gas Limited
Ground Floor
5 Ord St
West Perth WA 6005

Our ref LNG-OptionValuation1711

17 November 2010

Dear David,

Valuation of Performance Rights for Liquefied Natural Gas Limited

Liquefied Natural Gas Limited (LNG) has requested KPMG to provide two indicative valuations of certain employee performance rights (the Rights) under the LNG Performance Rights Plan. This report contains the first of these valuations, with valuation date 29 October 2010.

KPMG has valued the Rights based on the information provided by LNG. Details of such information and other inputs to our fair valuations are provided in the Details of the Rights section.

Scope

Based on information supplied by LNG and independently sourced market rates, KPMG will provide indicative fair valuations of the Rights as at the 29 October 2010.

As this is not a grant date valuation, it is not in accordance with the accounting standard AASB2 "Share-Based Payment" (AASB2). However, we have modelled the indicative fair valuations of the Rights in accordance with the principles of AASB2. An indicative valuation is the term for valuations of this nature where there is no transparent "arms-length" market for these instruments. The valuation provided is therefore indicative in that it represents our best estimate of fair value based on the assumptions and modelling employed.

There is no liquid market for these Rights. Accordingly, we note that these valuations are indicative only and may not be the value recipients would realise if they transacted in the financial markets.

Approach

To meet the requirements of this engagement, KPMG completed the following procedures:

- developed an understanding of the features of the Rights, as supplied by LNG;
- applied the techniques required by AASB2 as they relate to valuing executive rights;
- determined any assumptions required to value the Rights;
- selected an appropriate option valuation methodology;
- obtained the market rates for various factors required to perform the indicative valuations, as at the various grant dates; and
- calculated indicative fair valuations for the Rights grant, detailing all relevant inputs and assumptions.

Details of the Rights

Our understanding of the terms of the Rights is detailed below.

Attribute	Value	Notes/comments
Value Date	29 October 2010	
Grant Date (anticipated)	17 December 2010	
Vesting Dates	Tranche 1: 1/3 rd vest 12 months from grant date Tranche 2: 1/3 rd vest 18 months from grant date Tranche3: 1/3 rd vest 24 months from grant date	
Expiry Dates	Tranche 1: 6 months after vesting date	

Attribute	Value	Notes/comments
	Tranche 2: 6 months after vesting date	
	Tranche3: 12 months after vesting date	
Exercise Price	Tranche 1: 125% of 20 day VWAP (\$0.70)	
	Tranche 2: 134% of 20 day VWAP (\$0.75)	
	Tranche 3: 143% of 20 day VWAP (\$0.80)	
Vesting Conditions	Nil	
Share Price on Valuation Date	\$0.56	20 day VWAP as at 29 October 2010
Volatility	85.07%	
Dividend Yield	0%	
Risk Free Rate	Tranche 1: 4.52%	
	Tranche 2: 4.66%	
	Tranche 3: 4.80%	
Number of Rights to be Issued	450,000	

Indicative Valuations

The following table gives the valuations three tranches of the rights.

Tranche	Fair Value per Right	Total Value
Tranche 1	\$0.2364	\$35,458.38
Tranche 2	\$0.2639	\$39,577.56
Tranche 3	\$0.3176	\$47,637.51

Inputs and Assumptions

The key features of each of the Rights valued are outlined in the Details of the Rights section. The remainder of this letter addresses the assumptions utilised in the indicative fair valuations of the Rights.

General assumptions

- The Rights holder will act in a manner which is financially optimal;
- The total Rights vested is determined through testing the performance conditions at each of the four performance test dates given in the table of assumptions in the main report;
- The Rights holder will remain with LNG over the duration of the Rights life.

Expected volatility

AASB2 requires Rights be valued using the “expected volatility of the share price”. Share price volatility is generally calculated from either historical share prices (historical volatility) or implied from exchange-traded option prices (implied volatility) on the basis that these provide an accurate representation of future volatility.

Although implied volatility is generally considered to more accurately represent “expected” volatility than historical volatility, the lack of exchange-traded option prices for LNG required KPMG to use historical volatility for the purposes of this indicative valuation. The historical

LNG share price data used to calculate this volatility was obtained from an independent external market data source.

Dividend yield

AASB2 states that “Generally, the assumption about expected dividends should be based on publicly available information. An entity that does not pay dividends and has no plans to do so should assume an expected dividend yield of zero.”

Risk-free rate of return

AASB2 suggests that the risk-free interest rate is taken as the “implied yield currently available on zero-coupon government issues of the country in whose currency the exercise price is expressed, with a remaining term equal to the expected term of the option being valued”.

Accordingly, the expected rate of return used in the valuations was set equal to the Commonwealth Government Bond rate with a yield-to-maturity that is equivalent to the Rights and Restricted Shares tenor.

Valuation methodology

The Rights have been valued using a Black-Scholes model.

Qualification

The valuation presented in this letter represents a theoretical value of the Rights as at the date of the valuation based on market factors available at the date of our report. We note that:

- certain assumptions have been based on market parameters available at the date of our report. Any changes to the assumptions in this regard may materially impact the valuation either positively or negatively;
- the valuation is also subject to limitations as to:
 - any changes in market and company circumstances after the date of the report;
 - the appropriateness of the theoretical model applied; and
 - the need to estimate certain inputs to the valuation.

The pricing of the Rights is sensitive to market factors such as interest rates, volatility and dividend yields. Assumptions in relation to each of these, particularly for dividends and volatilities, can result in large pricing differences in certain circumstances. Furthermore, various models may be employed to price the Rights, which make certain assumptions in modelling value and price. Thus differences in pricing may be attributable to differing assumptions regarding market factors, the model used, or a combination of both.

This valuation represents a theoretical market valuation principally based on application of the Black-Scholes model. It does not purport to indicate the price for which the Rights could be sold in the market. A market price for the Rights may be affected by conditions which we have not taken into account, and market variables that we have not incorporated into the valuation of the Rights.

Disclaimers

Inherent Limitations

This report has been prepared as outlined in the Scope Section. The services provided in connection with this engagement comprise an advisory engagement, which is not subject to assurance or other standards issued by the Australian Auditing and Assurance Standards Board and, consequently no opinions or conclusions intended to convey assurance have been expressed.

Neither KPMG, its affiliated companies nor their respective officers and employees undertakes any responsibility arising in any way whatsoever to any person or organisation, other than LNG, in respect of the information set out in this letter, including any errors or omissions therein arising through negligence or otherwise however caused.

In preparing this valuation, we have relied upon the information regarding the Rights supplied by LNG, as outlined in this report. We have not verified this information and assume it to be both adequate and accurate for the purposes of this assessment.

No warranty of completeness, accuracy or reliability is given in relation to the statements and representations made by, and the information and documentation provided by, LNG management and consulted as part of the process.

KPMG have indicated within this report the sources of the information provided. We have not sought to independently verify those sources unless otherwise noted within the report.

KPMG is under no obligation in any circumstance to update this report, in either oral or written form, for events occurring after the report has been issued in final form.

The findings in this report have been formed on the above basis.

Third Party Reliance

This report is solely for the purpose set out in the Scope Section and for LNG's information, and is not to be used for any other purpose or distributed to any other party without KPMG's prior written consent.

This report has been prepared at the request of LNG in accordance with the terms of KPMG's engagement letter dated 2 November 2010. Other than our responsibility to LNG, neither KPMG nor any member or employee of KPMG undertakes responsibility arising in any way from reliance placed by a third party on this report. Any reliance placed is that party's sole responsibility.

Electronic distribution of Reports

This KPMG report was produced solely for the use and benefit of LNG and cannot be relied on or distributed, in whole or in part, in any format by any other party. The report is dated 17 November 2010 and KPMG accepts no liability for and has not undertaken work in respect of any event subsequent to that date which may affect the report.

Any redistribution of this report requires the prior written approval of KPMG and in any event is to be complete and unaltered version of the report and accompanied only by such other materials as KPMG may agree.

Responsibility for the security of any electronic distribution of this report remains the responsibility of LNG and KPMG accepts no liability if the report is or has been altered in any way by any person.

Other matters

In conducting this indicative valuation, we have addressed ourselves solely to the foregoing data and make no representations regarding the adequacy of information provided to us or whether any material facts have been omitted. This letter relates only to the items specified above and does not extend to any financial statements of LNG taken as a whole. In addition, we make no representations as to the accuracy of the information supplied to us. This letter is intended solely for the information and use of LNG and is not intended to be and should not be used by anyone other than LNG.

I would like to thank you for this opportunity to work with LNG. If you require any clarification please do not hesitate to contact me or Dane Birdseye on (08) 9263 7236.

Yours sincerely



Craig Davis
Director