



LIQUEFIED NATURAL GAS LIMITED

ABN 19 101 676 779

**ANNUAL REPORT
FOR THE YEAR ENDED
30 JUNE 2013**

LIQUEFIED NATURAL GAS LIMITED

ABN 19 101 676 779

WHO WE ARE

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

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

OUR OBJECTIVE

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

The Company will achieve this by:

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

OUR LOGO

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

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CORPORATE DIRECTORY

LIQUEFIED NATURAL GAS LIMITED

ABN 19 101 676 779

DIRECTORS

Richard Jonathan Beresford, Non-Executive Chairman
Fletcher Maurice Brand, Managing Director & Joint-Chief Executive Officer
Yao Guihua, Executive Director & Joint-Chief Executive Officer
Leeanne Kay Bond, Non-Executive Director
Zhang Gaowu, Non-Executive Director
Paul William Bridgwood, Executive Director & Chief Technical Officer
Norman Marshall, Executive Director & Chief Financial Officer

COMPANY SECRETARY

David Michael Gardner

REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

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West Perth, WA, 6005
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Facsimile: +61 (0) 8 9366 3799
Email: LNG@LNGlimited.com.au
Website: www.lnglimited.com.au

AUDITORS

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

SOLICITORS

Wright Legal
1/103 Colin Street
West Perth, WA, 6005

Clifford Chance
Level 12, London House
216 St Georges Terrace
Perth, WA, 6000

BANKERS

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

SHARE REGISTER

Link Market Services Limited
Ground Floor, 178 St Georges Terrace
Perth WA 6000
Telephone (within Australia): 1300 554 474
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ASX CODE

LNG

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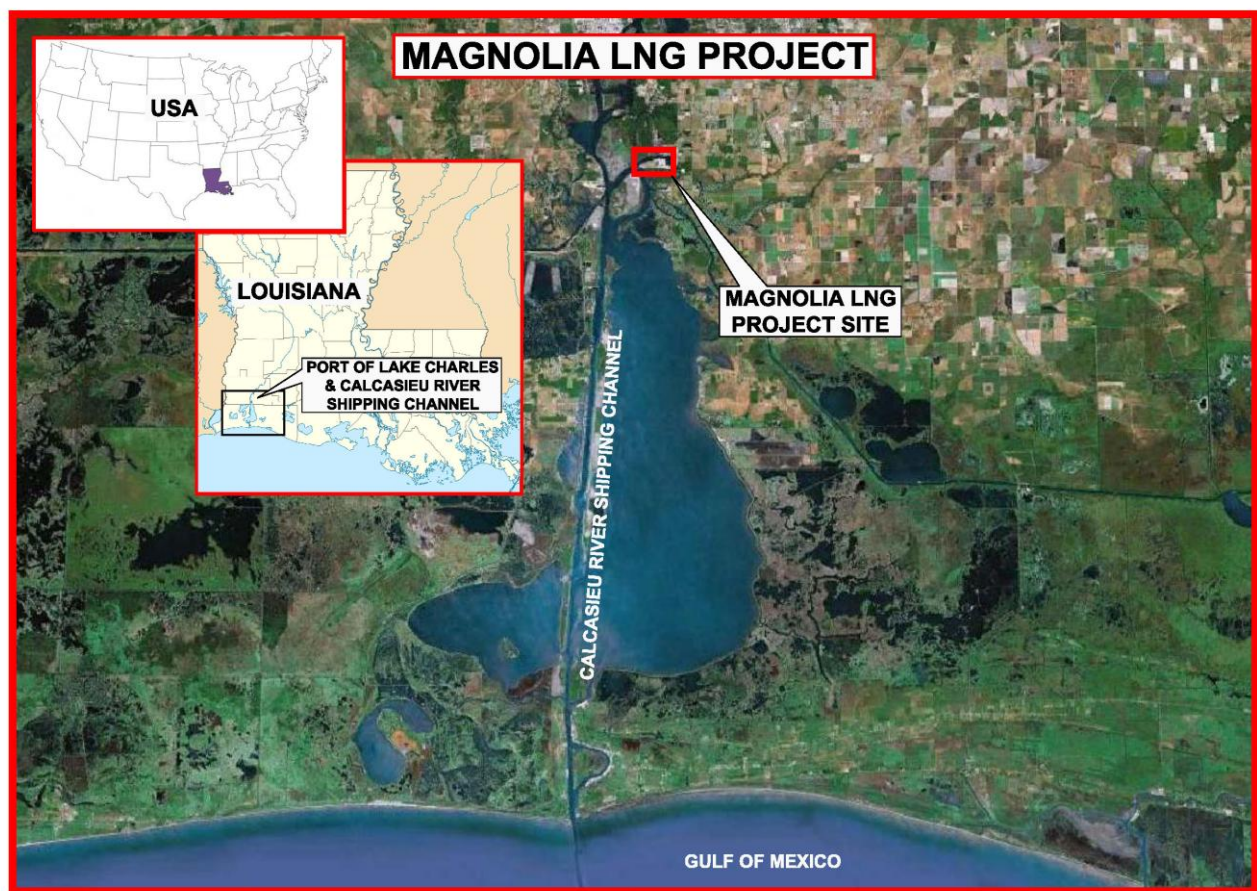
CHAIRMAN AND JOINT CHIEF EXECUTIVE OFFICERS' REPORT FOR THE YEAR ENDED 30 JUNE 2013

During the year your Company's core business objectives and primary focus have been to progress its three 100% owned assets namely:

- Progression of the Company's 100% owned proposed 8 million tonne per annum (**mtpa**) LNG project in Lake Charles, Louisiana, United States of America (**Magnolia LNG Project**). The Company has established a 100% owned special purpose US company, Magnolia LNG, LLC (**MLNG**), which will develop and own the Magnolia LNG Project;
- Progression of gas supply opportunities for the Company's 100% owned proposed 3 mtpa Gladstone Fisherman's Landing LNG Project in the Port of Gladstone, Queensland (**Gladstone LNG Project**); and
- Obtaining global patents for the Company's 100% owned and developed optimised single mixed refrigerant (**OSMR®**) liquefaction technology and the marketing of the technologies significant cost, efficiency and environmental benefits.

MAGNOLIA LNG PROJECT

The year has seen the commencement and early development of the Magnolia LNG Project opportunity in the United States (**US**), utilising the Company's OSMR® technology. The project name of Magnolia was chosen as it is the floral emblem for the US State of Louisiana.



The Magnolia LNG Project was initiated in July 2012 following a fact-finding mission in the US and a review of the US LNG export potential. During this visit the Company identified a site where it could utilise the technical and engineering intellectual knowledge gained during the development and early construction stages of the Gladstone LNG Project. The benefits of using the Gladstone LNG Project intelligence include a significant reduction in the development costs (estimated at \$30 million) and development timing, to achieve a final investment decision.

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The Magnolia LNG Project has a planned 8 mtpa LNG production capacity (nameplate), comprising four 2 mtpa LNG trains, based on a similar design of the two 1.9 mtpa LNG trains designed for the Gladstone LNG Project.

The significance of both the Lake Charles location and the Magnolia LNG Project site should not be underestimated. Since 1981 Lake Charles has been the home of an existing LNG import terminal (Trunkline LNG), seen in the foreground of the photograph/illustration below, which has approved docking facilities for LNG ships of up to 160,000 m³ capacity. The Magnolia LNG Project site is located diagonally opposite this import terminal on an Industrial Canal that is connected to the main Calcasieu River Ship Channel and also the Gulf of Mexico.

Additionally, the Magnolia LNG Project site benefits from the existence of a “gas feeder pipeline” - the existing 42 inch interstate Kinder Morgan Louisiana Pipeline (**KMLP**) located within the Magnolia LNG Project site. MLNG is negotiating to secure access to gas transportation capacity in the KMLP, which capacity will be assigned to each of the parties that enter into Tolling Agreements with MLNG. Each Tolling Party is required to arrange its own gas supply and deliver feedstock gas to the Magnolia LNG Project site.

The KMLP provides access to all major gas pipelines operating in the US either directly or indirectly. These pipelines connect with the substantial US shale gas reserves. In June 2013 the US Energy Information Administration estimated that the US contains ~665 trillion cubic feet (**tcf**) of shale gas. The Magnolia LNG Project requires only 8 tcf of gas over 20 years for its planned 8 mtpa LNG production capacity.

Shareholders should also note that adjacent to the Magnolia LNG Project site there are fabrication facilities, including marine offloading facilities, that can be used for the Magnolia LNG Project.



Accessing exclusive rights to the Magnolia LNG site shown above

The first step in developing the Magnolia LNG Project was to access and secure the site. This has been a two stage process:

- In September 2012 the Company executed a six month exclusive option to undertake a preliminary evaluation of the technical suitability and commercial viability of the site. This provided the Company with time to undertake a pre-feasibility study to assess the Magnolia LNG Project’s overall commercial viability and to understand the US LNG export market;

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- On 6 March 2013 the Company and Lake Charles Harbor and Terminal District (**Port**) entered into a legally binding, and exclusive, 4 year Option to Lease, which included an agreed form of Lease Agreement. The Lease Agreement provides for an initial lease term of 30 years, plus four 10 year options for MLNG to extend the lease term. During the exclusive Option to Lease term, the Company has sufficient time to obtain all necessary permits and approvals, and complete all other activities, to achieve a final investment decision prior to committing to the full terms of the Lease Agreement.



Company Managing Director, Maurice Brand (left) and Bill Rase, Executive Director of the Port of Lake Charles at the signing of the Option to Lease on 6 March 2013

US Authorisation to export 4 mtpa LNG to FTA Countries received by Magnolia LNG

The US Department of Energy (**DOE**) has the authority to consider applications to export LNG from the US. The approval to export LNG to countries with whom the US has a Free Trade Agreement (**FTA**) is a process that typically takes 90 - 120 days from the date of submission of an application to the date of approval.

The Company submitted its application to export up to 4 mtpa to FTA countries on 18 December 2012 and on 26 February 2013 was granted authorisation by the DOE. The DOE authorisation is valid for LNG sales to commence within 10 years of the date of approval and operates for a period of 25 years from the date of first LNG sales. LNG sales are permitted to all existing, (and any future) countries that have been granted FTA status.

Applications to DOE, to export LNG to non-FTA countries, are assessed on the basis of whether or not the granting of such application is “in the public interest”. To date the DOE has approved four applications to export LNG to non-FTA countries. The DOE undertakes an annual review of overall US gas supply and demand factors (and in particular the impact on domestic gas pricing), the results of which are taken into consideration in assessing applications for LNG export to non FTA countries. In effect, a non-FTA application has neither certainty of being granted nor certainty of how long the process will take.

MLNG has therefore adopted an FTA only strategy to achieve a final investment decision on at least 2 LNG trains (4 mtpa), but is in the process of submitting an application to export 8 mtpa to non-FTA countries. If such application is approved it will be available for all LNG trains.

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Federal Energy Regulatory Commission's Mandatory Pre-Filing Process commenced in March 2013

The Federal Energy Regulatory Commission (**FERC**) is the principle US authority to consider, process and, if applicable, approve all US LNG projects. LNG projects must comply with FERC's environmental, technical and safety standards and address all community stakeholder issues to FERC's satisfaction.

Prior to the commencement of construction and operation of an LNG project there are three steps in the FERC process that are required before all permits and approvals can be granted:

- **Pre-File Application**

In March 2013 MLNG submitted project information in accordance with the FERC mandatory Pre-filing protocol. Pre-filing allows for data to be collected in support of all required documentation and includes early input from stakeholders on all environmental impacts of an LNG project. The Pre-file process is designed to facilitate early identification of environmental, safety, stakeholder and technical issues associated with the construction and operational phases of an LNG project, which need to be addressed in submittal documents. Pre-filing documentation for the Magnolia LNG Project will include the preparation and submission of some 13 resource reports, which are scheduled to be submitted during November 2013.

- **FERC Formal Application**

At the conclusion of the Pre-filing stage in November 2013, FERC will review all documentation and seek any clarification information and/or documents, where required. When this process is completed (expected in March 2014) FERC will notify MLNG that it will accept a formal application.

During the formal application phase of the process, FERC will issue further data requests for inclusion in the resource reports and/or to enable FERC, and its consultants, to prepare an Environmental Impact Statement (**EIS**). During this process FERC will also issue a Public Notice of the application, inviting any interested party to submit comments during this EIS phase.

The EIS process typically takes ~8-10 months, with MLNG targeting December 2014 for completion.

- **FERC Notice To Proceed**

In early 2015 MLNG is targeting to receive a Notice to Proceed from FERC, which represents the final Approval. The Approval will include any conditions that need to be satisfied prior to the commencement of construction of the Magnolia LNG Project and its later operation.

The FERC process is transparent, with MLNG required to submit a monthly report which is available to the public on FERC's website. This report, and other project information, will also be posted through the ASX platform as well as uploaded on both the Company's and MLNG's websites.



First Magnolia LNG Customer – Brightshore Overseas Ltd – an Affiliate of the Gunvor Group

The Company has adopted a Tolling business model that provides an “annuity” style revenue stream. The key attributes of Tolling arrangement are similar to infrastructure assets that use a fixed monthly capacity fee or “take or pay” contractual basis. This will allow MLNG to obtain project financing which is typically on a non-recourse basis to the parent company and will also provide a long term dividend stream for shareholders.

MLNG first customer is Brightshore Overseas Ltd (**Brightshore**), an affiliate of the Gunvor Group, one of the world’s largest independent commodities trading groups by turnover (US\$93 billion in 2012). MLNG and Brightshore have executed a Tolling Agreement Term Sheet, which provides Brightshore with firm capacity rights for 1.7 mtpa and priority interruptible capacity for up to a further 300,000 tpa. Key terms include:

- Fixed price monthly capacity payments to MLNG over 20 years totalling US\$3.7 billion;
- Fixed and Variable monthly operating and maintenance cost payments (adjusted to US inflation);
- Bonus payments if MLNG obtains approval for LNG exports to non-FTA countries and Brightshore accepts an allocation of such approval;
- Provision by Brightshore of gas to be used in the LNG plant and process at no cost to MLNG;
- Brightshore to arrange gas supply and gas pipeline access, including the LNG plant’s gas usage requirement on a no cost basis to MLNG; and
- Brightshore is responsible for the marketing of the LNG and provision of LNG ships.

Brightshore plans for the LNG supplied by the Magnolia LNG Project to be delivered to Panama – an FTA country. Brightshore has entered into an agreement with LNG Group Panama to be the LNG aggregator and supplier for a new LNG import terminal and gas-fired power plant to be built in Panama.

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Map showing the close proximity of FTA countries including Panama to Magnolia LNG Project

Second LNG Customer – Gas Natural Fenosa (GNF)

MLNG and Gas Natural Fenosa (**GNF**) have signed a Heads of Agreement for up to 1.7 mtpa of firm LNG capacity and up to 300,000 tpa of interruptible LNG capacity. GNF with a market cap of ~US\$18 billion, interest in a fleet of 10 LNG tankers and LNG end user facilities, is one of the major global LNG operators in the Atlantic basin and the Mediterranean. Additionally GNF has significant operating assets in both the Caribbean and within Latin America.

Based on the level of interest in the Magnolia LNG Project and the timing to first LNG supply it is likely that the project will be in a position during the next financial year to conclude Tolling Agreements for the total LNG production capacity of 8 mtpa.

Magnolia LNG Financing Plans

The Company has announced a Strategic Alliance with US Infrastructure Fund Stonepeak Partners LP, with the signing of a Term Sheet for Stonepeak to provide 100% of the construction equity funding requirement at final investment decision (currently estimated at US\$660 million). It is proposed that the balance of the funding, estimated at US\$1.54 billion, will be secured via project debt financing.

Based on the current Magnolia LNG Project financial model, the Company will retain ~50% of the project and Stonepeak will hold ~50% as and from the final investment decision.

Other key terms under the agreement include:

- The Company will receive a one off success fee of 3% of the total Magnolia LNG project capital cost at financial close - estimated ~US\$66 million;
- Stonepeak will assist the Company to obtain project debt financing and actively work with MLNG to ensure that all project agreements are in a bankable form; and
- Stonepeak will be entitled to appoint one manager to the Board of MLNG, with no voting rights prior to final investment decision and the commencement of Stonepeak's project equity financing contribution.

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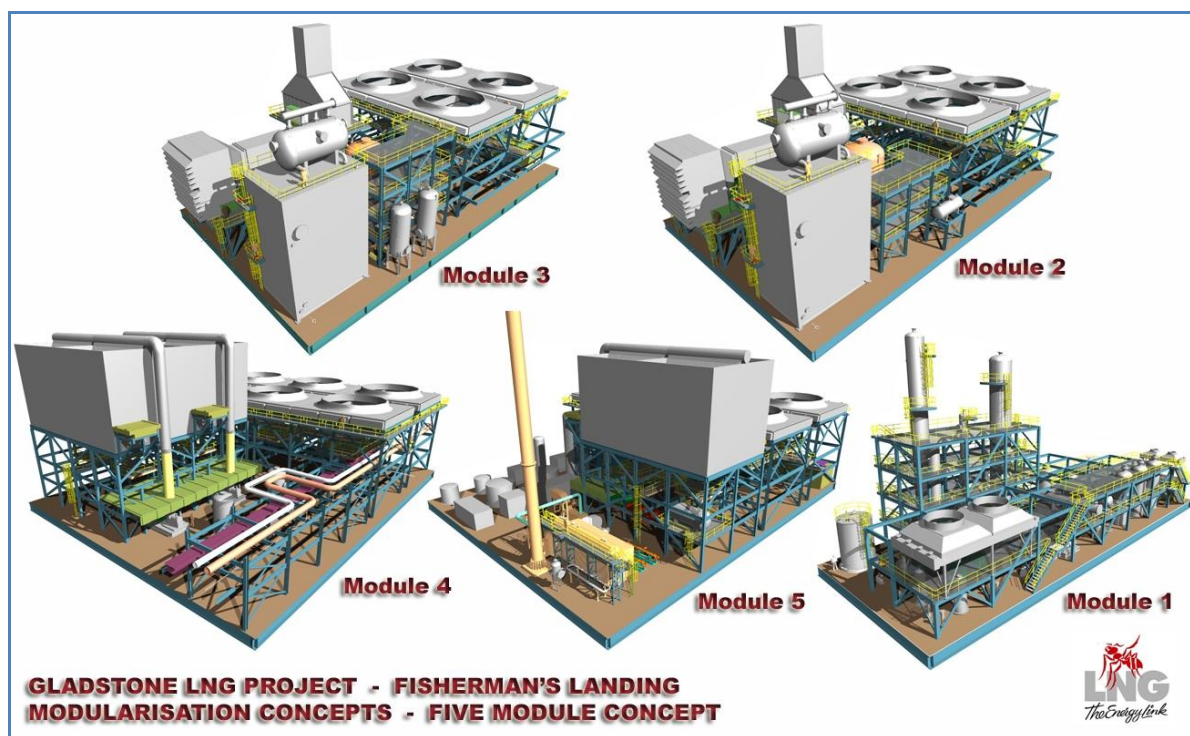
Magnolia LNG Project Design and Construction (Based on the Gladstone LNG Project)

The Gladstone LNG Project front end engineering design work was based on the Company's OSMR® technology, with each LNG train having a nameplate LNG production of ~1.9 mtpa. The initial development comprised 2 LNG trains, consisting of 5 modules (refer to the below diagram). The modules can be built/fabricated domestically, or offshore and transported by sea to the project site.

After some minor modifications, required because of changes to the gas feedstock specification, these modules will form the basis of the Magnolia LNG Project liquefaction plant (2 LNG trains). The modules, following delivery to the site, can be "rolled" to the relevant site location, for installation and hook up with the gas feeder pipeline and LNG tank, in readiness for commissioning. This modular design basis will enable MLNG to more effectively control construction costs, quality and schedule, including minimisation of site works.

Based on work undertaken by SK Engineering & Construction for the Gladstone LNG Project in 2009/2010, and more recent work with HQC in relation to the five modules, the Company has obtained capital cost estimates at a high level of confidence for the engineering, procurement and construction (EPC) scope of work for the proposed EPC contract for the Magnolia LNG Project.

MLNG is in negotiations with several potential EPC companies to incorporate the module basis of design into an overall fixed price, lump sum, EPC contract for the Magnolia LNG Project. The selection of a preferred EPC contractor is planned for late 2013, with the fixed price, lump sum, EPC contract targeted for execution in 2014.



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

The Gladstone LNG Project comprises the development of a 3.8 mtpa (nameplate) LNG project at Fisherman's Landing (existing Berth No.5), in the Port of Gladstone, Queensland. The initial development is based on 2 LNG trains, each of a guaranteed 1.5 mtpa LNG production capacity and 1.9 mtpa nameplate LNG production capacity.



An artist's impression of the Gladstone LNG Project – One LNG Train

As previously communicated to shareholders, the Company has, since 2011, been actively working with its major shareholder, China Huanqiu Contracting & Engineering Corporation (**HQC**), in trying to secure gas to allow the LNG project to recommence construction.

During the year, these efforts were partially successful when PetroChina Australia, acquired 100% of Molopo Energy Limited's gas assets in Queensland. The PetroChina Group is 86% owned by China National Petroleum Corporation (**CNPC**), who also wholly owns HQC. The Molopo gas permit areas (owned ~67% by Molopo and 33% by Mitsui) are located only 150 km from Gladstone, with Molopo's share of 3P reserves being 812 PJ. Based on a number of independent assessments, the Molopo permit areas have the capacity, subject to agreement with Mitsui, to produce and deliver up to 65 TJ/d of gas.

It had also been planned that further gas supply, potentially up to 85TJ/d, would be sourced from Westside Corporation Limited, whose main gas asset is adjacent to the Molopo gas permit areas. However, in May 2013, PetroChina Australia elected not to proceed with the acquisition of Westside due to changed market conditions on the east coast of Australia.

The Company's relationship with PetroChina Australia is governed by a Letter of Intent, stating the parties' intent to negotiate a Tolling Agreement (similar to the business model being used for the Magnolia LNG Project) pursuant to which PetroChina Australia would deliver gas, including the Molopo gas (subject to agreement with Mitsui), and other gas reserves acquired, such as Westside, to the Gladstone LNG Project for liquefaction, storage and loading onto LNG ships arranged by PetroChina Australia. The Letter of Intent remains valid and HQC has continued to work with the Company and the CNPC group to find a gas supply solution that will allow the Gladstone LNG Project to proceed.

The Company had also been discussing with Metgasco Limited, the potential supply of gas from Metgasco's gas permit areas in Northern NSW. Unfortunately, major changes to the NSW Government's policies and regulations in relation to coal seam gas, have added additional costs and timing uncertainty in relation to the significant gas permit development required by Metgasco to meet the proposed level of gas supply to the Gladstone LNG Project. The Company has concluded that Metgasco is no longer a viable option for gas supply to the Gladstone LNG Project.

Whilst the Company has signed an extension of the lease with Gladstone Ports Corporation Limited until the 30 June 2014, pending the securing of gas supply, the Gladstone LNG Project is effectively on a care and maintenance budget.

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OSMR PATENTS and LNG TECHNOLOGY PTY LTD

LNG Technology Pty Ltd, owned 100% by the Company, is the LNG technology research and development entity within the group and the owner of the OSMR® LNG process technology.

The OSMR® process is based on a proven simple single mixed refrigerant system with the addition of conventional combined heat and power and ammonia refrigeration technology to significantly enhance the plant performance (LNG output and overall process efficiency).

This results in a plant cost of around half that of competing technologies (based on \$/tpa) and an overall plant efficiency which is around 30% better than others (with a 30% reduction in carbon emissions). This, together with the Company's plant and construction strategy, substantially improves LNG project economics.

The OSMR® process is planned to be used in the Company's proposed 8 mtpa Magnolia LNG Project and 3.8 mtpa Gladstone LNG Project.

The Company continues to further its international patent applications which cover two engineering design features (being the basis of the Company's OSMR® process), entitled:

- A Method and System for Production of Liquid Natural Gas; and
- Improvements to the OSMR® process (applications only filed in Australia and USA).

The Company is also progressing a patent application over another wholly developed and owned process, entitled "Boil-off Gas Treatment Process and System".

The current status of patent applications filed by the Company in various countries is as follows:



Map of the world showing countries with green ticks where patents have been granted to protect the OSMR® process. The red markers indicate countries where the OSMR® process patent has been filed but not granted and awaiting a decision.

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FINANCIAL RESULTS AND FUNDING

The Board's policy is to expense all development expenditure until such time as the Board is satisfied that there is a high probability of a project achieving a final investment decision. During the financial year the Company expensed all project development expenditure in relation to the both the Magnolia LNG Project and Gladstone LNG Project in compliance with this policy.

The net loss after income tax of the Company and its controlled entities (the "Group") for the financial year ended 30 June 2013 (excluding non-controlling interests) totaled \$13,383,649 which includes \$2,624,539 expended on the development of the Company's Magnolia LNG Project, \$3,184,122 on the Gladstone LNG Project and \$2,725,081 in administration, corporate and compliance costs.

During the year the Company reduced its investment in, and provided an additional provision on, its investment in Metgasco Limited. This resulted in a net loss of \$5,331,767. In selling all of its shareholding in Metgasco Limited, the Company took the view that the Metgasco Limited shareholding was of limited strategic value in the short term, and that the release of these funds to fast track the Magnolia LNG Project would provide increased shareholder value, both in the short and medium term.

As at 30 June 2013 the Group had available cash of \$1,583,418 and current assets of \$2,635,321 (including term deposits) which the Company will continue to apply to developing the Magnolia LNG Project, maintaining the Gladstone LNG Project on a care and maintenance basis and furthering its new LNG project identification program and working capital.

Subsequent to 30 June 2013, the Company raised a gross total of \$8,646,345 through a Share Placement and Share Purchase Plan. These funds are being predominantly applied to the development of the Magnolia LNG Project.

BUSINESS OUTLOOK

The Company is well positioned to participate in the exceptional US LNG growth story by laying the foundations with the Magnolia LNG Project, which will remain the Company's main focus during 2014.

The second clear objective is for the Company to either secure gas or restructure the Gladstone LNG Project. In order to achieve a satisfactory outcome, the Company will continue to work with its major shareholder, HQC, to maximise shareholder value in a location that poses major challenges both in terms of gas supply and development costs.

The year ahead will also see the Company implement an Investor Relations plan to enable both Australian and US investors to fully understand the potential value of the Magnolia LNG Project and the Company's OSMR® technology.

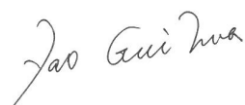
We take this opportunity to thank our fellow directors, all members of our staff and our loyal shareholders for their strong and enthusiastic support during the year, in very challenging circumstances. The hard work over the last couple of years is starting to produce results. The Board is confident that the Company is on track to deliver strong growth in shareholder value over the coming year.



R.J. Beresford
Chairman
24 September 2013



F.M. Brand
Joint Chief Executive Officer
24 September 2013



Grace Yao
Joint Chief Executive Officer
24 September 2013

LIQUEFIED NATURAL GAS LIMITED

DIRECTORS' REPORT

Your directors submit their report for the year ended 30 June 2013.

1. DIRECTORS

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

Names, qualifications, experience and special responsibilities

Mr. Richard Jonathan Beresford

- Non-Executive Chairman (appointed as Chairman on 22 November 2010, previously Non-Executive Director)

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

Richard Beresford has over 30 years experience in the international energy industry spanning research, technology commercialisation, strategic planning, operations, consultancy, business development, acquisitions, marketing and general management.

Richard spent 12 years with British Gas plc, including 3 years in London managing a portfolio of downstream gas and power generation investments in Asia and 4 years in Jakarta as Country Manager. He joined Woodside Petroleum Limited in 1996 where he became General Manager, Business Development, then Managing Director of Metasource, Woodside's green energy subsidiary, until 2001. Richard was Head of Gas Strategy and Development of CLP Power Hong Kong Limited from January 2005 to March 2007.

Richard is currently the Executive Chairman of ASX listed Green Rock Energy Limited, a Perth based energy explorer and developer. Richard has held this position since March 2012 and prior to this appointment, he was the Managing Director and a non-executive director of Green Rock Energy Limited from September 2008.

Richard has also been a non-executive director of ASX listed Eden Energy Limited since May 2007. He also joined the Board of The Men of the Trees in June 2011.

Mr. Fletcher Maurice Brand

- Managing Director and Joint-Chief Executive Officer

FAICD, FAIM

Maurice is the founder, Managing Director and Joint-Chief Executive Officer of Liquefied Natural Gas Limited which listed on the ASX in September 2004.

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

Maurice has extensive experience in the global energy industry spanning over 27 years, including responsibility for energy related projects in Australia, Indonesia and India.

Maurice has not been a director of any other listed company during the three years prior to 30 June 2013.

Madam Yao Guihua

- Executive Director and Joint-Chief Executive Officer (appointed 1 August 2013)

(General Manager HQSM Engineering – China Huanqiu Contracting & Engineering Corporation ("HQC"))

Madam Yao holds a Bachelors and Masters Degree in Chemical Engineering from Tianjin University in China.

Madam Yao currently holds the position of General Manager, HQSM Engineering Pte Ltd and is responsible for the management of the HQC Singapore Branch. Prior to this appointment she was based in Beijing in the role of HQC Director of International Business Development.

Madam Yao has over 26 years experience in the oil and gas industry and has been responsible for market exploration and development, international bidding, contract negotiation and project management.

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Madam Yao has not been a director of any other listed company during the three years prior to 30 June 2013.

Madam Wang Xinge

*- Previously Executive Director and Joint-Chief Executive Officer (resigned 1 August 2013)
(Senior Vice President – China Huanqiu Contracting & Engineering Corporation (“HQC”))*

Madam Wang holds a BSc in Mechanical Engineering from Beijing Chemical Engineering University and an Executive MBA from the University of Texas, Arlington, USA. Madam Wang joined HQC in 1987 as a Mechanical Engineer. She was appointed to Vice President in 2002 and in January 2006 was promoted to Senior Vice President.

As Senior Vice President of HQC, Madam Wang’s responsibilities encompassed the company’s domestic and overseas business, including domestic and overseas market exploration and development, international bidding, contract negotiation, contract review, contract and legal affairs, foreign affairs and supervision of project execution. The primary markets comprised South East Asia, the Middle East, North America and Central and Latin American countries, with additional responsibility for subsidiary companies and branch offices in Canada, Costa Rica, Venezuela, United Arab Emirates, Saudi Arabia, Egypt, Singapore, Vietnam, Myanmar and Sri Lanka.

Madam Wang has over 25 years working experience in petrochemical, oil and gas engineering and construction; including 14 years experience in overseas business management with 6 years enterprise management.

Madam Wang has not been a director of any other listed company during the three years prior to 30 June 2013.

Ms. Leeanne Kay Bond

- Non-Executive Director

BE (Chem), MBA, FIEAust, RPEQ, GAICD

Leeanne is a professional company director with board roles in the energy, water and engineering services sectors. She has qualifications in engineering and management, and over 26 years experience across a broad range of industrial sectors including energy, minerals, infrastructure and water resources.

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

Leeanne was a non-executive director of Tarong Energy Corporation for seven years until retiring on 30 June 2011 as part of the Queensland energy generator’s restructure. Leeanne has been a board member of the Queensland Bulk Water Supply Authority (Seqwater) since February 2008 and the Australian Water Recycling Centre of Excellence since July 2011 until her retirement on 31 December 2012 as part of the water industry restructure. Leeanne is the sole director and owner of Breakthrough Energy Pty Ltd, a project and business development consulting firm.

Leeanne has been a non-executive director of ASX listed Coffey International Limited since February 2012.

Mr Zhang Gaowu

*- Non-Executive Director
(Deputy Director of Finance and Assets HQC)*

Mr Zhang has an MBA from Beijing Jiaotong University.

Mr Zhang joined HQC in 2007 as the Financial Controller of HQSM Engineering Pte Ltd (Singapore) which is a subsidiary of HQC. He was relocated to HQC’s headquarters in May 2010 as the Deputy Director of Finance and Assets division. His responsibilities include the financial management of the overseas business interests of HQC and the group’s asset management and mergers and acquisitions.

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His previous experience includes Finance Supervisor of Beijing Ershang Group, Auditor of Shaanxi Kodo and Finance Manager of Shaanxi Yongli Construction Co.

Mr Zhang is a member of The Association of Chartered Certified Accountants and The Chinese Institute of Certified Public Accountants. He has over 15 years working experience in finance and accounting in China and overseas, and has a complete practical familiarity with both the Chinese Accounting Standards and the International Financial Reporting Standards.

Mr Zhang has not been a director of any other listed company during the three years prior to 30 June 2013.

Mr. Paul William Bridgwood

- Executive Director and Chief Technical Officer

BAppSc (Mechanical Engineering)

Paul is a mechanical engineer with 34 years experience in the energy and resource industries, including offshore and onshore oil and gas, power generation, LNG and related energy projects.

Paul spent 8 years with Worley Engineering in multi-discipline offshore/onshore and project engineering roles followed by 14 years with Energy Equity Corporation Ltd including development of the Alice Springs/Yulara LNG to power project, Barcaldine integrated gas to power project in Queensland, Sengkang integrated gas to power project in Sulawesi Indonesia and several independent power and gas projects in India. In the LNG field, Paul has developed innovative techno-economic improvements to LNG production, transport and receiving station facilities over a period of 25 years.

Paul is the originator of the OSMR[®] process owned by the Company for which international patent applications have been granted. Paul led the front end engineering and design process for the Company's proposed LNG Projects which has resulted in a 50% capital cost reduction and 30% efficiency improvement compared to traditional LNG projects.

Paul has not been a director of any other listed company during the three years prior to 30 June 2013

Mr. Norman Marshall

- Executive Director and Chief Financial Officer

MAppdFin, MAICD

Norm has over 30 years experience in banking and finance, treasury management and contract negotiation, documentation and compliance work.

Norm had 20 years with the Commonwealth Bank of Australia and was the bank's Head of Institutional Banking, Western Australia from 1996 to 2001, being the investment banking arm of the bank. Norm's banking and finance experience includes corporate, project and tax based financing, capital markets issues, treasury management, risk and financial analysis and management, credit management and recovery, business development, credit documentation and compliance and divisional budgeting and planning.

Norm was the former Chief Financial Officer and General Manager, Finance and Commercial for Portman Mining Limited, which was involved in the development and operation of iron ore production and export projects. Responsibilities also included business development, mergers and acquisitions, project analysis and feasibility studies and contract negotiation, documentation and compliance.

Norm has not been a director of any other listed company during the three years prior to 30 June 2013.

Mr. David Michael Gardner

- Company Secretary

BComm, ACA, ACIS, MAICD

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

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With over 19 years experience in the accountancy profession, David joined the Company in 2008 after 6 years in the land development industry. Responsibilities included all areas of compliance, financial reporting, tax planning, project analysis and treasury together with corporate governance.

David has not been a director of a listed company during the three years prior to 30 June 2013.

Interest in the shares, options and performance rights of the Company and related bodies corporate

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

Name of director	Number of ordinary shares	Number of unlisted performance rights
R.J. Beresford	439,692	150,000
F.M. Brand	6,170,000	150,000
X. Wang	-	-
L.K. Bond	-	150,000
G. Zhang	-	-
P.W. Bridgwood	13,390,040	150,000
N. Marshall	1,687,692	150,000

Directors meetings

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

	Board of Directors meetings	Remuneration Committee meetings	Audit & Risk Committee meetings	Nomination Committee meetings
Number of Meetings Held	25	1	2	2
	Attended	Attended	Attended	Attended
R.J. Beresford	25	1	2	2
F.M. Brand	24	-	-	-
G. Yao	-	-	-	-
X. Wang	22	-	-	-
L.K. Bond	25	1	2	2
G. Zhang	19	-	2	-
P.W. Bridgwood	24	-	-	-
N. Marshall	25	-	-	-

Directors were eligible to attend all meetings held during the year except for Madam G. Yao who was appointed to the Board on 1 August 2013.

Remuneration Committee

The Remuneration Committee currently comprises Mr R.J. Beresford (Chairman) and Ms L.K. Bond with Mr F.M Brand invited to attend all meetings. No additional fees are paid for participation in the Remuneration Committee.

Audit & Risk Committee

The Audit & Risk Committee currently comprises Ms L.K. Bond (Chairman), Mr R.J. Beresford and Mr G. Zhang. Mr F.M. Brand, Madam G. Yao and Mr N. Marshall are invited to attend all meetings. No additional fees are paid for participation in the Audit & Risk Committee.

Nomination Committee

The Nomination Committee currently comprises Mr R.J. Beresford (Chairman), Ms L.K. Bond and Mr F.M. Brand. No additional fees are paid for participation in the Nomination Committee.

LIQUEFIED NATURAL GAS LIMITED

2. PRINCIPAL ACTIVITIES

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

3. OPERATING AND FINANCIAL REVIEW

(a) Financial Results

The net loss after income tax of the Group (excluding non-controlling interests) for the financial year ended 30 June 2013 totalled \$13,383,649 (2012: \$16,607,513). This equates to a loss of 5.00 cents (2012: 6.22 cents) per share based on 267,699,015 (2012: 266,827,642) weighted average ordinary shares on issue during the year ended 30 June 2013.

During the financial year the Company expensed all project development expenditure, in compliance with the Board's policy to expense all development expenditure until such time as the Board is satisfied that all material issues in relation to a project have been adequately identified and addressed, to the extent possible, and there is a high probability of the project achieving final investment decision and proceeding to development, within a reasonable period. Refer to the Chairman and Joint Chief Executive Officers' Report for further information.

(b) Review of Financial Condition

Capital structure

During the financial year no ordinary shares were issued to directors or employees on the exercise of options. Since the end of the financial year, no ordinary shares have been issued to directors or employees on the exercise of options.

During the financial year no shares were issued to directors or employees on the exercise of performance rights. Since the end of the financial year, no ordinary shares have been issued to directors or employees on the exercise of performance rights.

As at the date of this report the Company had 310,829,015 fully paid ordinary shares of which all were listed for quotation on the Australian Securities Exchange ("ASX").

Cash from operations

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

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

Liquidity and funding

As at 30 June 2013, the Company had available cash of \$1,583,418 (2012: \$6,892,295), including term deposits, to continue to apply to progression of its core activities, being the advancement of its prospective LNG production projects and LNG process, storage and shipping research and development programs. The above available cash excludes \$945,000 (2012: \$1,945,000) of security deposits for bank guarantees issued in relation to the Gladstone LNG Project site which are classified as other financial assets (refer to note 14).

Treasury policy

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

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However, as one or more LNG production projects progress to final investment decision and the Company's foreign currency expenditure commitments increase, and the timing of such payments have an acceptable degree of certainty, the Company will establish a Treasury Committee to actively monitor the Company's exposure to foreign currency exchange rate movements, including availability of natural hedges (e.g. matching foreign currency receipts and expenditure) and consider the implementation of foreign currency hedging instruments to mitigate potentially unfavourable foreign exchange rate movements.

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

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

4. DIVIDEND

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

5. SHARE OPTIONS

Un-issued shares

At 30 June 2013 there were 2,110,000 (2012: 6,720,000) un-issued ordinary shares under options, and 860,000 at the date of this report. Refer to note 25 of the financial statements for further details of options outstanding.

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

Shares issued from the exercise of options

During the financial year, no options were exercised by directors or employees (2012: nil). Since the end of the financial year to the date of this report, no further options have been exercised by directors or employees.

6. PERFORMANCE RIGHTS

Un-issued shares

At 30 June 2013 there were 750,000 (2012: 2,250,000) un-issued ordinary shares under performance rights and 750,000 at the date of this report. Refer to note 25 of the financial statements for further details of the performance rights outstanding.

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

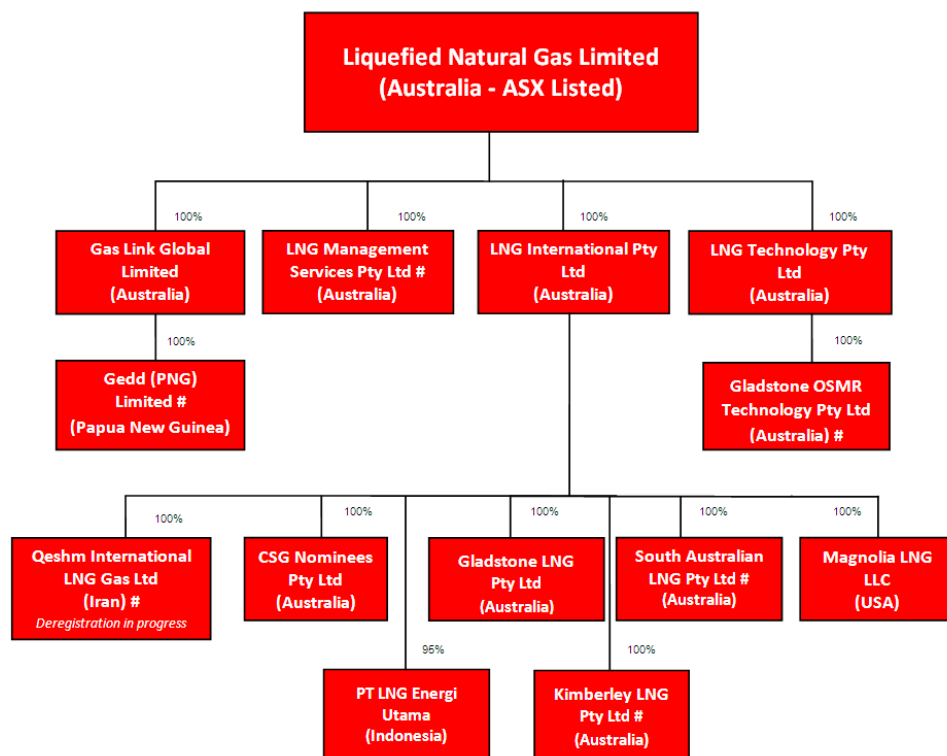
Shares issued from the exercise of rights

During the financial year, no performance rights were exercised (2012: nil). Since the end of the financial year to the date of this report, no rights have been exercised by directors or employees.

LIQUEFIED NATURAL GAS LIMITED

7. CORPORATE STRUCTURE

Liquefied Natural Gas Limited is a company limited by shares and is incorporated and domiciled in Australia. The Company has prepared a consolidated financial report incorporating the entities that it controlled during the financial year, which are set out in note 27. The Group's corporate structure as at 30 June 2013 was as follows:



These companies had no activities during the financial year.

8. LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Likely developments and expected results are covered in the Chairman and Joint Chief Executive Officers' Report.

9. ENVIRONMENTAL REGULATION AND PERFORMANCE

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

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

There have been no known breaches of environmental regulations to which the Company is subject.

No environmental regulation or environmental performance is applicable, at this stage, for the Magnolia LNG Project. The Company will follow due process and report on such matters as and when they arise.

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REMUNERATION REPORT (AUDITED)

The information in this section is audited.

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

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

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

(i) Directors

Richard Jonathan Beresford	Non-Executive Chairman
Fletcher Maurice Brand	Managing Director & Joint Chief Executive Officer
Wang (Cathy) Xinge	Executive Director & Joint Chief Executive Officer (resigned 1 August 2013)
Leeanne Kay Bond	Non-Executive Director
Zhang (Gavin) Gaowu	Non-Executive Director
Paul William Bridgwood	Executive Director & Chief Technical Officer
Norman Marshall	Executive Director & Chief Financial Officer

(ii) Senior Executives

David Michael Gardner	Company Secretary
Garry John Frank Triglavcanin	Group Commercial Manager
Lincoln Andrew Clark	Group Engineering Manager
Steven Robert Della Mattea	Infrastructure Manager

At year end the Group had four senior executives.

(b) Remuneration of Key Management Personnel

Remuneration Policy objectives

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

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

Remuneration Committee

The Remuneration Committee of the Board is responsible for reviewing remuneration policy, reviewing compensation arrangements for KMP and making recommendations to the Board. The Remuneration Committee assesses the appropriateness of the nature and amount of fixed and variable remuneration of KMP on a periodic basis, as a minimum annually, with reference to relevant employment market conditions. The Remuneration Committee then submits a recommendation to the Board. To assist in achieving the above objectives, the Remuneration Committee links the nature and amount of variable emoluments to the achievement of the Company’s operational, financial and non-financial objectives. The Remuneration Committee comprises the Chairman and one independent non-executive director. As appropriate the Remuneration Committee takes independent remuneration advice including best remuneration practice.

LIQUEFIED NATURAL GAS LIMITED

Remuneration structure

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

(1) Non-executive directors' compensation

Objective

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

Structure

- a. The Company may pay non-executive directors a maximum aggregate amount of fees as determined by a general meeting of the Company's shareholders, currently being \$300,000. This maximum amount of fees was approved by shareholders at the Company's Annual General Meeting on 26 November 2011. Remuneration payable by the Company and its subsidiaries to non-executive directors must not be a commission on, or percentage of, profits or operating revenue;
- b. The Company must pay all travelling and other expenses properly incurred by the non-executive directors in connection with the affairs of the Company, including attending and returning from general meetings of the Company or meetings of the directors or of committees of the directors;
- c. If a non-executive director renders or is called upon to perform extra services or to make any special exertions in connection with the affairs of the Company, the Board may arrange for additional remuneration to be paid to that director;
- d. The Board may, at any time after a non-executive director dies or otherwise ceases to hold office as a non-executive director, pay to the non-executive director or a legal personal representative, spouse, relative or dependant of the non-executive director, in addition to the remuneration of that non-executive director, a lump sum payment in respect of past services rendered by that non-executive director; and
- e. The Board may issue non-executive directors with options or performance rights which are consistent with a strategy of conserving cash while providing rewards linked to growth in shareholder value.

The remuneration of non-executive directors for the periods ending 30 June 2013 and 30 June 2012 are detailed in the remuneration table included in this Remuneration Report.

(2) Executives' compensation

Objective

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

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

Structure

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

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Compensation consists of the following components:

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

Fixed compensation

Objective

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

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

Structure

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

Key decisions during the year

In November 2012 the Board agreed to voluntary temporary reductions in fixed remuneration with all Directors taking a 20% salary reduction effective from 1 January 2013. This reduction will be reviewed by the Board in the second half of 2013.

Variable compensation – Short Term Incentive (“STI”)

Objective

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

Structure

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

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

The above performance conditions may include financial measures, such as the achievement of cost savings, operating expenditures within the approved budget, including approved variations thereto, share price performance, achievement of targeted revenue received and non-financial measures, such as the achievement of certain targeted project milestones and successful project operational and risk management. These performance conditions were chosen because of the impact they have on shareholder value and in order to align the interest of executives with the Company's defined goals and objectives necessary for the success of its long term growth plan.

As the payment of a bonus is solely at the Board's discretion, there are no specified maximum or minimum bonuses.

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Key decisions during the year

On an annual basis, the Remuneration Committee makes recommendations to the Board of the amounts, if any, of the short-term incentives to be paid to each executive. The Remuneration Committee recommended that a cash bonus should not be paid during the 2012/13 Financial Year.

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

Objective

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

Structure

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

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

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

Given the current project development nature of the Company, the key performance measures are primarily non-financial.

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

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

Share Option Plan and Performance Rights Plan

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

The Remuneration Committee continues to monitor the adequacy of such plans and as a result of tax changes (new employee share scheme legislation), a new Performance Rights Plan (“Plan”) was approved by shareholders at a meeting of members held on 10 January 2011. The Plan replaces the 2009 “Employee Option Plan” that was approved by shareholders on 26 November 2009. See note 26 for details of the Company’s Performance Rights Plan.

The Plan was 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.

Of the 2,250,000 performance rights issued on 10 January 2011, 1,500,000 have expired and of the 1,245,000 options issued on 2 August 2010, 935,000 have expired or been cancelled, as at the date of this report (see note 26 for further details).

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

The Performance Rights Plan is more flexible than the Employee Option Plan in that the Board, via an invitation, sets the number of performance rights to be issued, the vesting date, the expiry date, the exercise price (if any), any performance conditions and the acceptance period (see note 26 for details of the Company's Performance Rights Plan).

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

Frequency of LTI Granting

To date the LTI component has only been granted intermittently (with the last being awarded in 2011) but the Board is considering annual granting of the LTI with the appropriate performance conditions and hurdles because it helps improve alignment between KMP performance incentives and returns to shareholders while preserving cash. KMP may also be offered the opportunity to take a reduced base salary in exchange for a higher LTI component.

LTI Restrictions

KMP are prohibited from entering into arrangements to protect the value of unvested LTI awards. The Board has established a securities trading policy to which the KMP must adhere.

The key elements of the securities trading policy are:

- persons that possess inside information must not deal, or get others to do so, or pass on the inside information to others (insider trading);
- dealings of a short-term nature are prohibited;
- dealings that may bring the Company into disrepute amongst shareholders or potential investors is prohibited;
- restricted persons must not deal in the Company's Securities in the following "Closed Periods":
 - in the four weeks prior to, and the 24 hours after the release of the Company's half-yearly results and preliminary final results to the ASX; nor
 - in the two weeks prior to and the 24 hours after the annual general meeting of the Company;
- upon receipt of a written application, the Company will consider exceptional circumstances that may warrant trading to take place during a "Closed Period"; and
- should a second notice of breach be issued, persons are to resign immediately.

The complete securities trading policy is available on the Company's website.

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

		Director's Remuneration							Total performance related
		Short term		Post-employment	Long-term	Share-based payments		Total	
		Salary & fees	Cash bonuses	Non-monetary benefits	Superannuation	LSL Provision	Options	Performance rights	
Non-executive directors		\$	\$	\$	\$	\$	\$	\$	%
R.J. Beresford – Chairman	2013	83,268	-	-	-	-	10,594	93,862	11.3
	2012	91,270	-	-	-	-	54,528	145,798	37.4
L.K. Bond	2013	54,000	-	-	-	-	10,594	64,594	16.4
	2012	60,000	-	-	-	-	54,528	114,528	47.6
G. Zhang	2013	60,000	-	-	-	-	-	60,000	-
	2012	55,000	-	-	-	-	-	55,000	-
Sub-total: Non-executive directors	2013	197,268	-	-	-	-	21,188	218,456	9.7
	2012	206,270	-	-	-	-	109,056	315,326	34.6

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									Total performance related
		Salary & fees	Short term	Non-monetary	Post-employment	Long-term	Share-based payments		Total
			Cash bonuses	benefits	Superannuation	LSL	Options	Performance	
			(Note 2)	(Note 4)		Provision		rights	
		\$	\$	\$	\$	\$	\$	\$	%
Executive directors									
F.M. Brand	2013	323,776	-	14,248	25,000	-	-	10,594	2.8
Managing Director & Joint Chief Executive Officer	2012	330,815	30,000	23,372	50,000	10,205	-	54,528	16.9
X. Wang (resigned 1 August 2013)	2013	304,908	-	-	16,470	-	-	-	-
Joint Chief Executive Officer	2012	275,873	-	-	13,146	-	-	-	-
P.W. Bridgwood	2013	332,258	-	13,558	16,470	-	-	10,594	2.8
Chief Technical Officer (Note 1)	2012	446,593	30,000	19,559	15,775	10,205	-	54,528	14.7
N. Marshall	2013	332,258	-	8,198	16,470	-	-	10,594	2.9
Chief Financial Officer (Note 1)	2012	392,925	30,000	23,372	15,775	14,869	-	54,528	15.9
Senior executives									
D.M. Gardner	2013	182,218	-	4,200	16,354	4,042	-	-	-
Company Secretary	2012	177,957	14,625	3,372	15,775	2,476	6,638	-	9.6
G.J.F. Triglavcanin	2013	266,019	-	24,200	16,349	8,068	1,301	-	0.4
Group Commercial Manager	2012	258,909	25,253	38,372	15,775	19,651	24,890	-	13.1
L.A. Clark	2013	311,600	-	21,188	16,470	7,918	1,301	-	0.4
Group Engineering Manager	2012	295,786	25,003	23,372	24,231	13,035	24,890	-	12.3
S.R. Della Mattea	2013	314,642	-	18,400	16,470	-	-	-	-
Infrastructure Manager	2012	307,284	25,253	17,500	15,775	4,273	22,418	-	12.1
Sub-total: Executive directors and senior executives									
	2013	2,367,679	-	103,992	140,053	20,028	2,602	31,782	1.3
	2012	2,486,142	180,134	148,919	166,252	74,714	78,836	163,584	12.8
Grand total									
	2013	2,564,947	-	103,992	140,053	20,028	2,602	52,970	1.9
	2012	2,692,412	180,134	148,919	166,252	74,714	78,836	272,640	14.7

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Notes to Remuneration Tables:

1. P.W. Bridgwood and N. Marshall's 2012 salary included the payout of annual leave balances in accordance with Group policy.
2. 100% of the prior year cash bonuses were granted on 20 December 2011 and were paid in full. No amounts are accrued but unpaid at 30 June 2013.
3. The performance criteria used to determine the cash bonus, share options and performance rights granted to the above executives are set out under the STI and LTI of the variable remuneration sections of the Remuneration Report respectively.
4. Non-monetary benefits include travel allowances and car parking bays.
5. In addition to the remuneration disclosed in the above table, during the year the Company has incurred a premium of \$24,750 (excl. GST) (2012: \$24,675) in respect of an insurance policy insuring the directors and officers against any liabilities and expenses and costs that may arise as a result of work performed in their respective capacities.

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Compensation options – granted and vested during the year:

	Granted		Fair Value per option at grant date	Terms and conditions for each grant				Vested	
				Exercise price	Expiry date	First exercise date	Last exercise date	No.	%
30 June 2013	No.	Grant Date	\$	\$				No.	%
Other executives									
G.J.F. Triglavcanin	-	-	-	-	-	-	-	100,000	33.3
L.A. Clark	-	-	-	-	-	-	-	100,000	33.3
Total	-							200,000	

Compensation performance rights – granted and vested during the year:

	Granted		Fair Value per right at grant date	Terms and conditions for each grant				Vested	
				Exercise price	Expiry date	First exercise date	Last exercise date	No.	%
30 June 2013	No.	Grant Date	\$	\$				No.	%
Non-executive directors									
R.J. Beresford	-	-	-	-	-	-	-	150,000	33%
L.K. Bond	-	-	-	-	-	-	-	150,000	33%
G. Zhang	-	-	-	-	-	-	-	-	-
Executive directors									
F.M. Brand	-	-	-	-	-	-	-	150,000	33%
X. Wang	-	-	-	-	-	-	-	-	-
P.W. Bridgwood	-	-	-	-	-	-	-	150,000	33%
N. Marshall	-	-	-	-	-	-	-	150,000	33%
Total	-							750,000	

Compensation options and performance rights – granted as part of remuneration:

	Value of options granted during the year	Value of options exercised during the year	Remuneration consisting of options for the year	Value of performance rights granted during the year	Value of performance rights exercised during the year	Remuneration consisting of performance rights for the year
30 June 2013	\$	\$	%	\$	\$	%
Non-executive directors						
R.J. Beresford	-	-	-	-	-	11.3
L.K. Bond	-	-	-	-	-	16.4
G. Zhang	-	-	-	-	-	-
Executive directors						
F.M. Brand	-	-	-	-	-	2.8
X. Wang	-	-	-	-	-	-
P.W. Bridgwood	-	-	-	-	-	2.8
N. Marshall	-	-	-	-	-	2.9
Other executives						
D.M. Gardner	-	-	-	-	-	-
G.J.F. Triglavcanin	-	-	0.4	-	-	-
L.A. Clark	-	-	0.4	-	-	-
S.R. Della Matea	-	-	-	-	-	-

There were no alterations to the terms and conditions of options or performance rights granted as remuneration since their grant date. No performance rights were exercised during the year (2012: nil).

Details of the Company's Share Option Plan and Performance Rights Plan are provided under note 25.

No shares were issued on exercise of compensation options.

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Employment contracts

Fletcher Maurice Brand, Managing Director and Joint Chief Executive Officer:

Mr. Brand is employed under an Executive Service Agreement with the Company which commenced on 13 July 2011. Prior to this, Mr. Brand was employed under a consultancy contract between his company, Martech International Pty Ltd, and the Company which commenced on 1 October 2004.

Mr. Brand signed an Executive Service Agreement with the Company in order to satisfy one of the conditions of a placement agreement in relation to the placement of shares by the Company to China Huanqiu & Engineering Corporation ("HQC") in July 2011.

Under the terms of the Executive Service Agreement:

- The appointment of the Executive continues for a period of four years.
- Mr. Brand may terminate the agreement by giving no less than twelve months notice of termination to the Company.
- The Company may terminate the agreement immediately if Mr. Brand commits a breach under the agreement and for any other reason by giving no less than twelve months notice of termination.
- Unless otherwise agreed by the Board of the Company any options held by Mr. Brand will lapse one month from the date of termination.
- In relation to any performance rights held by Mr. Brand they will lapse:
 - Automatically if Mr. Brand ceases to be an eligible employee and the performance rights have not vested;
 - After one month or at the expiry date, whichever is the earlier, (or as otherwise agreed by the Board) if Mr. Brand ceases to be an eligible employee and the performance rights have vested; and
 - After six months or at the expiry date, whichever is the earlier, (or as otherwise agreed by the Board) if Mr. Brand ceases to be an eligible employee and termination is due to a prescribed event (such as retirement, retrenchment, bankruptcy or death) and the performance rights have vested.
- Mr. Brand is subject to post employment restrictions. Mr Brand will not, without the fully informed and written consent of the Company, directly or indirectly engage in a business or activity that is in competition with the Company, in Australia, for a pre-determined restraint period. The restraint period varies depending on the activity undertaken by Mr Brand, but the maximum period of restraint is 12 months from the Termination Date.
- Upon termination Mr. Brand is entitled to receive all accrued entitlements up to the date of termination.

Wang (Cathy) Xinge, previous Executive Director and Joint Chief Executive Officer:

Madam Wang was employed under an Executive Service Agreement with the Company which commenced on 1 August 2011 and was completed on 1 August 2013.

Madam Wang signed an Executive Service Agreement with the Company in order to satisfy one of the conditions of a placement agreement in relation to the placement of shares by the Company to HQC in July 2011.

Under the terms of the Executive Service Agreement:

- The appointment of the Executive continues for a period of four years unless otherwise agreed between Madam Wang and the Company.
- Madam Wang may terminate the agreement by giving no less than two months notice of termination to the Company.
- The Company may terminate the agreement immediately if Madam Wang commits a breach under the agreement and for any other reason by giving no less than two months notice of termination.

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- The Company may terminate Madam Wang's position as an executive director, if HQC's aggregate shareholding in the Company falls below 12% of total securities on issue. Once terminated, she will be offered an executive management position instead.
- Madam Wang is subject to post employment restrictions. Madam Wang will not, without the fully informed and written consent of the Company, directly or indirectly engage in a business or activity that is in competition with the Company, in Australia, for a pre-determined restraint period. The restraint period varies depending on the activity undertaken by Madam Wang, but the maximum period of restraint is 12 months from the Termination Date.
- Upon termination Madam Wang is entitled to receive all accrued entitlements up to the date of termination.

Paul William Bridgwood, Executive Director and Chief Technical Officer:

Mr. Bridgwood is employed under an Executive Service Agreement with the Company which commenced on 13 July 2011. Prior to this, Mr. Bridgwood was employed under a consultancy contract between his company, Sinedie Pty Ltd, and the Company which commenced on 1 October 2004.

Mr. Bridgwood signed an Executive Service Agreement with the Company in order to satisfy one of the conditions of a placement agreement in relation to the placement of shares by the Company to HQC in July 2011.

Under the terms of the Executive Service Agreement:

- The appointment of the Executive continues for a period of five years.
- Mr. Bridgwood may terminate the agreement by giving no less than twelve months notice of termination to the Company.
- The Company may terminate the agreement immediately if Mr. Bridgwood commits a breach under the agreement and for any other reason by giving no less than twelve months notice of termination.
- Unless otherwise agreed by the Board of the Company any options held by Mr. Bridgwood will lapse one month from the date of termination.
- In relation to any performance rights held by Mr. Bridgwood they will lapse:
 - Automatically if Mr. Bridgwood ceases to be an eligible employee and the performance rights have not vested;
 - After one month or at the expiry date, whichever is the earlier, (or as otherwise agreed by the Board) if Mr. Bridgwood ceases to be an eligible employee and the performance rights have vested; and
 - After six months or at the expiry date, whichever is the earlier, (or as otherwise agreed by the Board) if Mr. Bridgwood ceases to be an eligible employee and termination is due to a prescribed event (such as retirement, retrenchment, bankruptcy or death) and the performance rights have vested.
- Mr. Bridgwood is subject to post employment restrictions. Mr Bridgwood will not, without the fully informed and written consent of the Company, directly or indirectly engage in a business or activity that is in competition with the Company, in Australia, for a pre-determined restraint period. The restraint period varies depending on the activity undertaken by Mr Bridgwood, but the maximum period of restraint is 12 months from the Termination Date.
- Upon termination Mr. Bridgwood is entitled to receive all accrued entitlements up to the date of termination.

Norman Marshall, Executive Director and Chief Financial Officer:

Mr. Marshall is employed under an Executive Service Agreement with the Company which commenced on 13 July 2011. Prior to this, Mr. Marshall was employed via an employment contract with the Company which commenced on 1 October 2004.

Mr. Marshall signed an Executive Service Agreement with the Company in order to satisfy one of the conditions of a placement agreement in relation to the placement of shares by the Company to HQC in July 2011.

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Under the terms of the Executive Service Agreement:

- The appointment of the Executive continues for a period of four years.
- Mr. Marshall may terminate the agreement by giving no less than twelve months notice of termination to the Company.
- The Company may terminate the agreement immediately if Mr. Marshall commits a breach under the agreement and for any other reason by giving no less than twelve months notice of termination.
- Unless otherwise agreed by the Board of the Company any options held by Mr. Marshall will lapse one month from the date of termination.
- In relation to any performance rights held by Mr. Marshall they will lapse:
 - Automatically if Mr. Marshall ceases to be an eligible employee and the performance rights have not vested;
 - After one month or at the expiry date, whichever is the earlier, (or as otherwise agreed by the Board) if Mr. Marshall ceases to be an eligible employee and the performance rights have vested; and
 - After six months or at the expiry date, whichever is the earlier, (or as otherwise agreed by the Board) if Mr. Marshall ceases to be an eligible employee and termination is due to a prescribed event (such as retirement, retrenchment, bankruptcy or death) and the performance rights have vested.
- Mr. Marshall is subject to post employment restrictions. Mr Marshall will not, without the fully informed and written consent of the Company, directly or indirectly engage in a business or activity that is in competition with the Company, in Australia, for a pre-determined restraint period. The restraint period varies depending on the activity undertaken by Mr Marshall, but the maximum period of restraint is 12 months from the Termination Date.
- Upon termination Mr. Marshall is entitled to receive all accrued entitlements up to the date of termination.

David Michael Gardner, Company Secretary

Mr. Gardner is employed under an employment contract with the Company, which commenced on 1 July 2010. Between 6 October 2008 and 30 June 2010, Mr. Gardner was employed by the Company's wholly-owned subsidiary, Gas Link Global Limited ("GLG") under the same terms. Under the terms of the contract:

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

Garry John Frank Triglavcanin, Group Commercial Manager:

Mr. Triglavcanin is employed under an Executive Service Agreement with the Company's wholly-owned subsidiary LNG International Pty Ltd which commenced on 13 July 2011. Prior to this, Mr. Triglavcanin was employed via a service contract with the same Company which commenced on 1 June 2006.

Mr. Triglavcanin signed an Executive Service Agreement with LNG International Pty Ltd in order to satisfy one of the conditions of a placement agreement in relation to the placement of shares by the Company to HQC in July 2011.

Under the terms of the Executive Service Agreement:

- The appointment of the Executive continues for a period of four years.

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- Mr. Triglavcanin may terminate the agreement by giving no less than three months notice of termination to the Company.
- The Company may terminate the agreement immediately if Mr. Triglavcanin commits a breach under the agreement and for any other reason by giving no less than three months notice of termination.
- Unless otherwise agreed by the Board of the Company any options held by Mr. Triglavcanin will lapse one month from the date of termination.
- Mr. Triglavcanin is subject to post employment restrictions. Mr Triglavcanin will not, without the fully informed and written consent of the Company, directly or indirectly engage in a business or activity that is in competition with the Company, in Australia, for a period of 3 months from the Termination Date.
- Upon termination Mr. Triglavcanin is entitled to receive all accrued entitlements up to the date of termination.

Lincoln Andrew Clark, Group Engineering Manager:

Mr. Clark is employed under an Executive Service Agreement with the Company's wholly-owned subsidiary LNG International Pty Ltd which commenced on 13 July 2011. Prior to this, Mr. Clark was employed via a service contract with the same Company which commenced on 29 August 2005.

Mr. Clark signed an Executive Service Agreement with LNG International Pty Ltd in order to satisfy one of the conditions of a placement agreement in relation to the placement of shares by the Company to HQC in July 2011.

Under the terms of the Executive Service Agreement:

- The appointment of the Executive continues for a period of four years.
- Mr. Clark may terminate the agreement by giving no less than three months notice of termination to the Company.
- The Company may terminate the agreement immediately if Mr. Clark commits a breach under the agreement and for any other reason by giving no less than three months notice of termination.
- Unless otherwise agreed by the Board of the Company any options held by Mr. Clark will lapse one month from the date of termination.
- Mr. Clark is subject to post employment restrictions. Mr Clark will not, without the fully informed and written consent of the Company, directly or indirectly engage in a business or activity that is in competition with the Company, in Australia, for a period of 3 months from the Termination Date.
- Upon termination Mr. Clark is entitled to receive all accrued entitlements up to the date of termination.

Steven Robert Della Mattea, Infrastructure Manager:

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

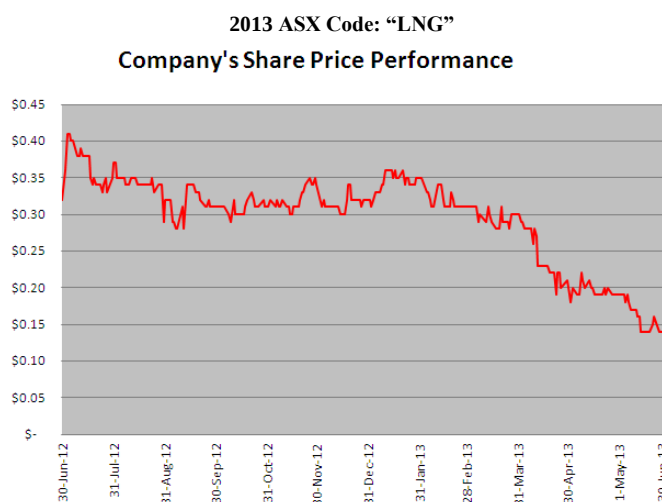
- Mr. Della Mattea may terminate the contract by giving no less than one month notice of termination to the Company.
- The Company may terminate the contract immediately if Mr. Della Mattea commits a breach under the contract and for any other reason by giving no less than six months notice of termination.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

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(c) Company Performance

Company's share price performance

The graph below shows the Company's share price performance during the financial year ended 30 June 2013.



Loss per share

Below is information on the consolidated entity's loss per share for the previous four financial years and for the current year ended 30 June 2013.

	2013	2012	2011	2010	2009
Basic loss per share (cents)	(5.00)	(6.22)	(5.60)	(21.16)	(15.11)

End of remuneration report.

10. INDEMNIFICATION AND INSURANCE OF DIRECTORS AND COMPANY SECRETARY

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

During the financial year the Company has incurred a premium of \$24,750 (excl. GST) (2012: \$24,675) in respect of a policy insuring the directors and officers against any liabilities and expenses and costs that may arise as a result of work performed in their respective capacities. This amount is not part of the directors' remuneration disclosed in Section 10 above. As at 30 June 2013, the insurance cover was limited to \$10 million.

11. RISK MANAGEMENT

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

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

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12. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Company during the financial year ended 30 June 2013.

13. SIGNIFICANT EVENTS AFTER BALANCE DATE

(a) 2 MTPA Tolling Agreement Term Sheet Signed with Gunvor Group

On 17 July 2013, the Company's wholly-owned subsidiary, Magnolia LNG LLC (MLNG), executed a Tolling Agreement Term Sheet (Agreement) with Brightshore Overseas Ltd (Brightshore), an affiliate of Gunvor Group. The Agreement details the key terms to be included in a legally binding tolling agreement (Tolling Agreement), including:

- Brightshore shall be responsible to deliver gas, including gas usage for the LNG plant, at its own expense, to MLNG's 100% owned Magnolia LNG Project (MLNG Project) in Louisiana, United States, for liquefaction, storage, and delivery onto LNG ships arranged by Brightshore;
- A term of 20 years from first LNG production, plus a five year extension option at Brightshore's election;
- MLNG shall reserve, for Brightshore, firm LNG production capacity of 1.7 million tonnes per annum (mtpa), plus 0.3 mtpa of interruptible capacity, in total being equivalent to one LNG train;
- Brightshore will pay to MLNG:
 - Fixed Monthly Capacity Fee over the 20 years, that totals approximately US\$3.7 billion;
 - Fixed Monthly Operating and Maintenance Fee, which increases in line with US inflation; and
 - Variable Operating and Maintenance Fee based on actual LNG production and which increases in line with US inflation;
- Brightshore will also pay a Fixed Monthly Bonus Capacity Fee in the event that MLNG obtains authorisation from the USA Department of Energy, Office of Fossil Energy, for the export of LNG to countries that do not have a Free Trade Agreement with the USA;
- MLNG to provide certain preferential rights to Brightshore, as a foundation customer of the Magnolia LNG Project; and
- The parties' agreement to work together with the intention to agree a legally binding Tolling Agreement. The Company is required to submit the first draft by the 30 September 2013.

(b) Stonepeak Strategic Alliance and Project Equity – Magnolia LNG Project

On 31 July 2013, the Company entered into a Project Development Cooperation and Equity Term Sheet (Agreement) with Stonepeak Partners LP (Stonepeak), in relation to the Company's MLNG Project. The Agreement details the key terms of proposed definitive agreements to be negotiated and entered into between Stonepeak and the Company, pursuant to which:

- Stonepeak and the Company will cooperate in the development of the MLNG Project; and
- Stonepeak will provide 100% of the project equity finance from financial close, for the construction and commissioning of the MLNG Project, in consideration of a % interest in the MLNG Project (at financial close) determined by an agreed Stonepeak internal rate of return on its investment at such time.

Based on the initial development plan of 2 LNG trains, with a total capacity of 4 million tonnes of LNG per annum, it is assessed that Stonepeak would hold ~50% of the MLNG Project for contributing the full US\$660 million project equity requirement. The Company would retain ~50% of the MLNG Project.

The estimated capital cost of the initial development is US\$2,200 million. The Company plans to finance the MLNG Project based on 70% project debt financing, with the 30% project equity financing provided by Stonepeak. The ownership split between Stonepeak and the Company will be determined at financial close, based on the MLNG Project financial model agreed between Stonepeak and the Company.

The Company and Stonepeak will now proceed to progress Definitive Agreements, within the agreed term of 60 days from the date of the Agreement. In summary, the key terms under the Agreement include:

- Stonepeak and the Company to form a strategic alliance dedicated to the development, construction and operation of the MLNG Project;
- Stonepeak will commit to provide 100% of the MLNG Project equity from financial close, which is estimated at ~US\$660million;

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- Stonepeak will pay to the Company a one-off success fee on the MLNG Project achieving financial close, calculated on 3% of the total MLNG Project capital cost (such fee is estimated at US\$66 million);
- Stonepeak will assist the Company secure long term project debt financing, which is estimated at US\$1,540 million. In this regard, Stonepeak will work with the Company in ensuring all MLNG Project material agreements and other documents are in bankable form; and
- Stonepeak will be entitled to appoint one manager to the Board of Magnolia LNG, LLC (MLNG Project ownership company), but the manager will have no voting rights prior to financial close and the commencement of Stonepeak's project equity financing contribution.

(c) \$8.6 Million Capital Raising to Progress the Magnolia LNG Project:

(i) \$8 Million Share Placement

On 31 July 2013, the Company completed a placement of 40 million new fully paid ordinary shares at \$0.20 each (Placement), to institutional and sophisticated investors, to raise \$8 million.

The \$8 million placement proceeds will be used to fund the Company's:

- MLNG Project; and
- general working capital requirements.

(ii) Share Purchase Plan (SPP)

On 9 August 2013, the Company invited eligible shareholders to participate in a Share Purchase Plan at \$0.2065 per share, which closed on 30 August 2013. The SPP raised a further \$646,345 in share capital to progress the MLNG Project and to fund general working capital.

(d) New Company Director Appointed

On 1 August 2013, Madam Wang Xinge (Cathy) resigned as an Executive Director and Joint Chief Executive Officer and Madam Yao Guihua (Grace) was appointed as her replacement. In accordance with the terms of the Process Deed between the Company and China Huanqiu Contracting & Engineering Corporation (HQC), Madam Yao was nominated by HQC and this appointment was approved by the Company's Board of Directors, but is subject to approval by shareholders at the next Annual General Meeting in November 2013.

(e) Heads of Agreement with Gas Natural SDG, SA for up to 2 MPTA from Magnolia LNG

The Company has signed a non-binding Tolling Heads of Agreement (HOA) with Gas Natural SDG, S.A. (GNF), part of the Gas Natural Fenosa Group, in relation to the Company's 100% owned MLNG Project. The term of the HOA is to 30 June 2014 and, under the provisions of the HOA, GNF will now undertake detailed due diligence of the MLNG Project and the Company will prepare the first draft of the proposed definitive Tolling Agreement (by no later than 31 October 2013). The Tolling Agreement will be between GNF and the Company's wholly owned project company, Magnolia LNG, LLC (MLNG).

The HOA provides for a proposed 20 year Tolling Agreement, including firm LNG production capacity of up to 1.7 million tonnes per annum and additional interruptible capacity.

Under the proposed Tolling Agreement GNF will be responsible for delivery of gas, including gas usage for the LNG plant, at its own expense, to the MLNG Project for liquefaction, storage, and delivery onto LNG ships arranged or designated by GNF. In consideration of MLNG's provision of the tolling services, GNF will pay to MLNG a fixed monthly capacity fee, over the 20 year tolling term, and other fees in relation to the MLNG Project's fixed and variable operating and maintenance costs.

14. AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

The directors have received a declaration of independence from the auditors which is included on page 92.

Non-audit services

The following non-audit services were provided by the Company's auditor, EY Australia. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for

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auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit services provided means that auditor independence was not compromised.

EY Australia received or are due to receive the following amounts for the provision of non - audit services:

	CONSOLIDATED 2013
	\$
Amounts received or due and receivable by EY (Australia) for:	
Other services in relation to the entity and any other entities in the Consolidated Group:	
- tax and other services	61,825
Amounts received or due and receivable by related practices of EY (Australia) for:	
- tax services provided by overseas firms	21,591
	83,416

Signed in accordance with a resolution of the directors.



Richard Jonathan Beresford
Chairman
Perth, Western Australia
24 September 2013

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CORPORATE GOVERNANCE STATEMENT

Overview

The Board of directors of the Company is responsible for establishing and maintaining the corporate governance framework of the Group. The Board has adopted as a point of reference the ASX Corporate Governance Council (“CGC”) published Principles and Recommendations with 2010 Amendments (2nd Edition ASX Corporate Governance Council August 2007 (“Principles”). The Principles are recommendations and guidelines that are designed to produce an outcome that is effective and of high quality and integrity.

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

ASX Corporate Governance – Best Practice Recommendation			
Best Practice Recommendation		Comply Yes / No	Page Reference
Principle 1 – Lay solid foundations for management and oversight			
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose these functions.	Yes	Page 38
1.2	Companies should disclose the process for evaluating the performance of senior executives.	Yes	Page 38
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1.	Yes	Page 38
Principle 2 – Structure the Board to add value			
2.1	A majority of the board should be independent directors.	No	Page 38
2.2	The chair should be an independent director.	Yes	Page 39
2.3	The roles of chair and chief executive officer (CEO) should not be exercised by the same individual.	Yes	Page 39
2.4	The board should establish a nomination committee.	Yes	Page 39
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Yes	Page 39
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2.	Yes	Page 39
Principle 3– Promote ethical and responsible decision-making			
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code.	Yes	Page 39
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.	No	Page 40
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	No	Page 40
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	Yes	Page 40
3.5	Companies should provide the information indicated in the Guide to reporting on Principle 3.	Yes	Page 40

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ASX Corporate Governance – Best Practice Recommendation			
	Best Practice Recommendation	Comply Yes / No	Page Reference
Principle 4 – Safeguard integrity in financial reporting			
4.1	The board should establish an audit committee.	Yes	Page 40
4.2	The audit committee should be structured so that it: - consists only of non-executive directors; - consists of a majority of independent directors; - is chaired by an independent chair, who is not chair of the board; and - has at least three members.	Yes Yes Yes Yes	Page 40
4.3	The audit committee should have a formal charter.	Yes	Page 40
4.4	Companies should provide the information in the Guide to reporting on Principle 4.	Yes	Page 40
Principle 5 – Make timely and balanced disclosure			
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclosure of those policies or a summary of those policies.	Yes	Page 41
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5.	Yes	Page 41
Principle 6 – Respect the rights of shareholders			
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes	Page 41
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6.	Yes	Page 41
Principle 7 – Recognise and manage risk			
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes	Page 42
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Yes	Page 42
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes	Page 42
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	Yes	Page 42

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ASX Corporate Governance – Best Practice Recommendation			
Best Practice Recommendation		Comply Yes / No	Page Reference
Principle 8 – Remunerate fairly and responsibly			
8.1	The board should establish a remuneration committee.	Yes	Page 42
8.2	The remuneration committee should be structured so that it: - consists of a majority of independent directors; - is chaired by an independent chair; and - has at least three members.	Yes	Page 42
8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Yes	Page 42
8.4	Companies should provide the information in the Guide to reporting on Principle 8.	Yes	Page 42

Where the Company has not been compliant with the Principles, the “if not, why not” explanation approach has been adopted which is strongly supported by the CGC.

Principle 1 – Lay solid foundations for management and oversight

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

- setting the strategic direction and objectives of the Company and establishing defined goals to ensure these strategic objectives are met;
- monitoring the performance of management against the established goals and overall strategic objectives of the Company;
- ensuring that there are adequate internal controls and ethical standards of behavior adopted and complied with within the Company;
- ensuring that the business risks of the Company are identified and understood, and that appropriate monitoring and reporting procedures and controls are in place to manage these risks, while acknowledging that all risks may not be totally eliminated; and
- ensuring the risk management function includes mechanisms to review and monitor corporate performance across a broad range of risk and compliance issues affecting assets, business operations, capital expenditure, capital management, acquisitions, divestures, finance, occupational health and safety, management, environmental issues, native title and heritage issues and corporate governance.

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

Directors clearly understand their corporate expectations at the time of their appointment. Formal letters setting out key terms and conditions are executed and each director is provided with a Director's Information Kit. The Director's Information Kit provides guides to duty of care, duty of loyalty, dealing in securities and the Company's Constitution.

Principle 2 – Structure the Board to add value

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report is included in the Directors' Report on pages 12, 13, 14 and 15. Directors of the Company are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement.

In the context of director independence, “materiality” is considered from both the Company and individual director's perspectives. The determination of materiality requires consideration of both quantitative and qualitative elements. An

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item is presumed to be quantitatively material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 5% of the appropriate base amount. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors which point to the actual ability of the director in question to influence the direction of the Company. The appropriate base amount depends on the nature of the item being considered. For example, if a director's interest in a supplier is being considered, there would be two appropriate base amounts, the first being the Company's total purchases from all suppliers and the second being the total sales to all customers by the relevant supplier.

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

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

At the date of this report, two of the seven directors on the Board are considered independent. Yao Guihua and Zhang Gaowu are not considered to be independent directors due to their management positions with China Huanqiu Contracting and Engineering Corporation, the Company's largest shareholder. The Company recognises that the Principles recommend that the majority of the Board should comprise independent directors and will regularly review Board composition. However, it is considered that the current Board structure is appropriate for the nature and size of the Company and its stage of development.

The Chair of the Board, Mr Richard Jonathan Beresford, is an independent director of the Company and Mr Fletcher Maurice Brand and Madam Yao Guihua are the Joint-Chief Executive Officers, at the date of this report.

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

The current mix of skills and diversity of the Board is considered to be adequate for the continued growth of the Company and to enable it to achieve its strategic objectives. The Chief Executive Officer responsibilities are split between Mr Brand and Madam Yao. Mr Brand is managing all corporate and project identification and development activities and Madam Yao is managing the Company's relationship with China National Petroleum Corporation and China Huanqiu Contracting and Engineering Corporation ("HQC"), including HQC's engineering, procurement and construction work, in addition to securing gas supply, for the Company's Gladstone LNG Project.

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

<u>Name</u>	<u>Term in office</u>
Richard Jonathan Beresford	9 years and 7 months
Fletcher Maurice Brand	11 years and 1 month
Yao (Grace) Guihua	2 months
Leeanne Kay Bond	3 years and 11 months
Paul William Bridgwood	11 years and 1 month
Norman Marshall	9 years and 7 months
Zhang (Gavin) Gaowu	2 years and 2 months

The Board has established a Nomination Committee which is required to meet at least annually, to ensure that the Board continues to operate within the established guidelines including, where necessary, selecting candidates for the position of director. The Nomination Committee comprises Mr Richard Jonathan Beresford (Chairman), Mr Fletcher Maurice Brand and Ms Leanne Kay Bond. During the year two Nomination Committee meetings were held.

The Nomination Committee expanded on a Board appraisal that was held in the 2012 year that focused on the Board's performance and processes. A number of key outcomes were identified and clear actions produced to enable the Board to improve its performance.

Principle 3 – Promote ethical and responsible decision-making

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

LIQUEFIED NATURAL GAS LIMITED

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

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

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

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

The Company did not establish a policy concerning diversity during the year. The ASX Corporate Governance Council recommends that listed entities report on diversity in their 30 June 2012 annual reports and beyond. The Board has identified that the Company employs eleven people (excluding directors), as at the date of this report and applies appropriate diversity considerations and practices in the recruitment and development of its staff and directors.

Notwithstanding the formal requirements above, the Board is of the view that a diversity policy will be considered again when the number of persons that are employed substantially increases. As at the date of this report the number of women in the whole organisation, in senior executive positions and on the Board is as follows:

Role	Number of Women	Total Number of Persons
Whole Organisation	7	19
Senior Executive Positions	1	7
Board of Directors	2	7

The Company has nine full-time employees, two part-time employees and seven directors at the date of this report. The Company continues to be an equal opportunity employer and the Board considers that the gender balance is appropriate for the Company at its current stage of development. The internal approach to diversity is that the Company does not discriminate at any level or for any reason and always selects the most appropriate person for the job. The current mix of staff is evidence of applying an unbiased approach to recruiting and retaining employees.

When the Board implements a diversity policy, it will be made publically available in accordance with the ASX Corporate Governance Council Guidelines.

Principle 4 – Safeguard integrity in financial reporting

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

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

The members of the Audit & Risk Committee during the year were:

<u>Name</u>	<u>Position</u>
Leeanne Kay Bond	Chairman
Richard Jonathan Beresford	Member
Zhang (Gavin) Gaowu	Member

The Company's Audit & Risk Committee comprises 3 members which is in accordance Recommendation 4.2 of the Principles (albeit the Company's Audit & Risk Committee Charter only requires 2 members).

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

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discharge its mandate effectively.

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

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

Principle 5 – Make timely and balanced disclosures

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

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

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

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

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

The Company Secretary ensures that at every Board meeting, continuous disclosure is on the agenda and that all directors have an opportunity to put forward any information that may need disclosure. On a weekly basis, the Company Secretary also contacts all directors to ensure that they do not have any information or matters that need disclosure.

Principle 6 – Respect the rights of shareholders

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

- the Company's Annual Report and half yearly financial report;
- quarterly activity and cash flow reports;
- other Company announcements that comply with continuous disclosure obligations in accordance with ASX Listing Rules;
- market briefings to assist shareholders and stakeholders to understand key issues;
- the Chairman's address at the annual general meeting; and
- shareholder meetings and investor relations presentations.

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

A separate website has been created for the Magnolia LNG Project specifically targeted at investors in US.

Principle 7 – Recognise and manage risk

The Company takes a proactive approach to risk management and the Board is ultimately responsible for ensuring that any risks and opportunities affecting the Company meeting its objectives, are identified on a timely basis.

The Board implemented a revised Risk Management Process during the year based on *Standards Australia, AS/NZS ISO 31000:2009 Risk management – Principles and guidelines*. The Company's aim is to achieve best practice in controlling all material risks to which the Company is exposed. The Risk Management Process enables the Company to

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make well-informed decisions on risk acceptance (or otherwise) and controls. The Board, through the Audit & Risk Committee, regularly reviews the effectiveness of the risk management process.

The chief executive officer and the chief financial officer consider the Company's reporting is founded on a sound system of risk management and internal controls and that the system is operating effectively in all material respects. Internal control checklists used by the chief executive officer and the chief financial officer are also updated during the year to reflect the Company's current position.

The Board has a number of other mechanisms in place to identify and manage the Company's risks. Refer to Section 12 of the Directors' Report for details.

Principle 8 – Remunerate fairly and responsibly

The Board has established a Remuneration Committee comprising an independent Chairman, Mr Richard Jonathan Beresford and one non-executive director, Ms Leanne Kay Bond, to supervise employment management guidelines and policies and assist in developing and recommending remuneration arrangements. The Company acknowledges that the Principles recommend that at least three members form the Remuneration Committee so the Company's Managing Director also attends the meeting by invitation. The Remuneration Committee is of sufficient size and independence to discharge its mandate effectively and the Company has in place a Charter for the Remuneration Committee that details membership, duties and reporting.

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

The Remuneration Committee considers advice from independent consultants on relevant employment market conditions and structures its remuneration accordingly. Executive directors' and senior executives' remuneration packages are a balance of fixed and incentive pay (performance rights) reflecting both short and long-term performance objectives appropriate to the Company's circumstances, goals and for risk acceptance parameters.

Non-executive directors receive fixed remuneration and performance rights. The Remuneration Committee acknowledges that the Principles prescribe that non-executive directors should not receive options (or rights) as remuneration. However, the performance rights issued in January 2011 to directors were issued at a premium and with tight exercise timeframes to ensure that significant value needs to be created in the Company before such rights create any value for non-executive directors. The performance rights were issued at various exercise prices which will generate cash for the Company should they be exercised. Also, given the nature of the Company's business, particularly the combination of innovation, enterprise and leading technology, the Company is somewhat speculative in terms of performance and risk. The remuneration strategy of issuing performance rights to non-executive directors is consistent with a business focusing on conserving cash while providing rewards linked to growth in shareholder value.

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

For details on the amount of remuneration and all monetary and non-monetary components for each of the executive directors, non-executive directors and senior executives, refer to the Remuneration Report in Section 10 of the Directors' Report.

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

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

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

LIQUEFIED NATURAL GAS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2013

	Note	CONSOLIDATED	
		2013	2012
		\$	\$
Revenue	6	189,530	831,359
Other income	7	467,057	623,299
Sales and marketing expenses		-	(6,892)
Administration expenses		(2,725,081)	(3,226,390)
Finance costs		(1,003)	(439)
Project development expenses		(5,872,510)	(8,178,317)
Other expenses	8(e)	(5,464,580)	(6,709,288)
Loss before income tax		(13,406,587)	(16,666,668)
Income tax expense	9	-	-
Loss after income tax		(13,406,587)	(16,666,668)
Net loss for the period		(13,406,587)	(16,666,668)
Other comprehensive income:			
<i>Items that may be reclassified to profit and loss</i>			
Foreign currency translation	22(b)	(108,314)	77,150
Other comprehensive income for the period, net of tax		(108,314)	77,150
Total comprehensive income for the period		(13,514,901)	(16,589,518)
Loss for the period is attributable to:			
Non-controlling interest		(22,938)	(59,155)
Equity holders of the Parent	22(a)	(13,383,649)	(16,607,513)
		(13,406,587)	(16,666,668)
Total comprehensive income for the period is attributable to:			
Non-controlling interest		(22,938)	(59,155)
Equity holders of the Parent		(13,491,963)	(16,530,363)
		(13,514,901)	(16,589,518)
Loss per share attributable to the ordinary equity holders of the Company:			
		Cents	Cents
- Basic loss per share	11	(5.00)	(6.22)
- Diluted loss per share	11	(5.00)	(6.22)

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

LIQUEFIED NATURAL GAS LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2013

	Note	CONSOLIDATED	
		2013	2012
		\$	\$
Assets			
Current assets			
Cash and cash equivalents	12	1,583,418	6,892,295
Trade and other receivables	13	39,844	176,265
Other financial assets	14	945,000	1,945,000
Prepayments		67,059	163,851
Total current assets		2,635,321	9,177,411
Non-current assets			
Available for sale financial assets	15	481,520	7,259,821
Receivables	16	299	299
Plant and equipment	17	123,052	251,552
Total non-current assets		604,871	7,511,672
Total assets		3,240,192	16,689,083
Liabilities			
Current liabilities			
Trade and other payables	18	1,117,320	974,915
Provisions	19	255,587	231,139
Total current liabilities		1,372,907	1,206,054
Non-current liabilities			
Provisions	20	301,087	323,540
Total non-current liabilities		301,087	323,540
Total liabilities		1,673,994	1,529,594
Net assets		1,566,198	15,159,489
Equity			
<i>Equity attributable to equity holders of the Parent:</i>			
Contributed equity	21	117,509,466	117,509,466
Reserves	22(b)	10,794,939	10,981,643
Accumulated losses	22(a)	(126,627,431)	(113,243,782)
Parent interests		1,676,974	15,247,327
Non-controlling interest	23	(110,776)	(87,838)
Total equity		1,566,198	15,159,489

The above statement of financial position should be read in conjunction with the accompanying notes.

LIQUEFIED NATURAL GAS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2013

	Ordinary shares \$	Share options reserve \$	Performance rights reserve \$	Redeemable preference share reserve \$	Equity reserve \$	Foreign currency translation reserve \$	Accumulated Losses \$	Owners of the parent \$	Non- controlling interest \$	Total \$
At 1 July 2012	117,509,466	5,686,122	431,905	4,032,001	578,292	253,323	(113,243,782)	15,247,327	(87,838)	15,159,489
Profit for the period	-	-	-	-	-	-	(13,383,649)	(13,383,649)	(22,938)	(13,406,587)
Other comprehensive income	-	-	-	-	-	(108,314)	-	(108,314)	-	(108,314)
Total comprehensive income for the period	-	-	-	-	-	(108,314)	(13,383,649)	(13,491,963)	(22,938)	(13,514,901)
Transactions with owners in their capacity as owners:	-	-	-	-	-	-	-	-	-	-
Share based payment	-	(131,360)	52,970	-	-	-	-	(78,390)	-	(78,390)
At 30 June 2013	117,509,466	5,554,762	484,875	4,032,001	578,292	145,009	(126,627,431)	1,676,974	(110,776)	1,566,198
At 1 July 2011	97,364,991	5,512,300	159,265	4,032,001	578,292	176,173	(96,636,269)	11,186,753	(28,683)	11,158,070
Profit for the period	-	-	-	-	-	-	(16,607,513)	(16,607,513)	(59,155)	(16,666,668)
Other comprehensive income	-	-	-	-	-	77,150	-	77,150	-	77,150
Total comprehensive income for the period	-	-	-	-	-	77,150	(16,607,513)	(16,530,363)	(59,155)	(16,589,518)
Transactions with owners in their capacity as owners:	-	-	-	-	-	-	-	-	-	-
Shares issued on share placement	20,144,475	-	-	-	-	-	-	20,144,475	-	20,144,475
Share based payment	-	173,822	272,640	-	-	-	-	446,462	-	446,462
At 30 June 2012	117,509,466	5,686,122	431,905	4,032,001	578,292	253,323	(113,243,782)	15,247,327	(87,838)	15,159,489

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

LIQUEFIED NATURAL GAS LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2013

	Note	CONSOLIDATED	
		2013	2012
		\$	\$
Cash flows from operating activities			
Receipts from the Australian Taxation Office		271,048	167,312
Interest received		213,646	865,512
Research and development tax concession rebate		356,068	336,840
Payments to suppliers and employees		(8,575,490)	(10,601,194)
Net cash flows used in operating activities	24	(7,734,728)	(9,231,530)
Cash flows from investing activities			
Proceeds from term deposits classified as other financial assets	14	1,000,000	-
Purchase of plant and equipment	17	(9,759)	(32,296)
Acquisition of Australian listed shares	15	-	(10,882,478)
Proceeds from sale of Australian listed shares	15	1,427,895	1,094,875
Net cash from/(used in) investing activities		2,418,136	(9,819,899)
Cash flows from financing activities			
Proceeds from issue of ordinary shares	21	-	20,144,475
Repayment of finance lease principal		-	(7,898)
Interest paid		(1,003)	(439)
Net cash flows (used in)/from financing activities		(1,003)	20,136,138
Net (decrease)/increase in cash and cash equivalents		(5,317,595)	1,084,709
Net foreign exchange differences		8,718	(6,945)
Cash and cash equivalents at beginning of year		6,892,295	5,814,531
Cash and cash equivalents at end of year	12	1,583,418	6,892,295

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

LIQUEFIED NATURAL GAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

1. CORPORATE INFORMATION

The financial report of Liquefied Natural Gas Limited (“the Company”) for the year ended 30 June 2013 was authorised for issue in accordance with a resolution of the directors on 24 September 2013.

The Company is incorporated in Australia and is a company limited by shares, with its shares publicly traded on the Australian Securities Exchange (“ASX”). The Company (“the Parent”) is the parent company to a number of subsidiaries (collectively the “Group”).

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis, other than available for sale financial assets which have been measured at fair value.

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

(a) Compliance with IFRS

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

(b) New accounting standards and interpretations

Since 1 July 2012, the Group has adopted the following Standards and Interpretations, mandatory for all annual reporting periods beginning on or after 1 July 2012. Adoption of these Standards and Interpretations did not have any effect on the financial position or performance of the Group.

Reference	Title	Application date of standard*	Application date for Group*
AASB 2011-9	Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]	This Standard requires entities to group items presented in other comprehensive income on the basis of whether they might be reclassified subsequently to profit or loss and those that will not.	1 July 2012

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

Standards and interpretations issued not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ending 30 June 2013. These are outlined in the table below.

LIQUEFIED NATURAL GAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 10	Consolidated Financial Statements	AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 <i>Consolidated and Separate Financial Statements</i> dealing with the accounting for consolidated financial statements and UIG-112 <i>Consolidation – Special Purpose Entities</i>. The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. Consequential amendments were also made to other standards via AASB 2011-7.	1 January 2013	The amendment is not expected to have a significant impact on the Group's financial report.	1 July 2013
AASB 12	Disclosure of Interests in Other Entities	AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.	1 January 2013	The amendment is not expected to have a significant impact on the Group's financial report.	1 July 2013
AASB 13	Fair Value Measurement	AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets. AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined. Consequential amendments were also made to other standards via AASB 2011-8.	1 January 2013	The amendment is not expected to have a significant impact on the Group's financial report.	1 July 2013
AASB 2011-4	Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]	This Amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies.	1 July 2013	The amendment is not expected to have a significant impact on the Group's financial report.	1 July 2013

LIQUEFIED NATURAL GAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 9	Financial Instruments	AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below. (a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. (b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. (c) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: • The change attributable to changes in credit risk are presented in other comprehensive income (OCI); • The remaining change is presented in profit or loss. If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss. Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10.	1 January 2015	The amendment is not expected to have a significant impact on the Group's financial report.	1 July 2015
AASB 119	Employee Benefits	The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date/	1 January 2013	The amendment is not expected to have a significant impact on the Group's financial report.	1 July 2013

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

LIQUEFIED NATURAL GAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group as at 30 June each year.

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

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

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

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

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

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

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

(d) Operating segments – refer note 5

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

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

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

(e) Foreign currency translation

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

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

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

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

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

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

(f) Cash and cash equivalents – refer note 12

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

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

(g) Trade and other receivables – refer note 13

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

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

(h) Business combinations

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

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

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

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

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

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(i) Goodwill and intangibles

Goodwill

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

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

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

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

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

Impairment losses recognised for goodwill are not subsequently reversed.

Research and development costs

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

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

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

(j) Plant and equipment – refer note 17

Cost and valuation

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

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Depreciation

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

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

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

De-recognition and disposal

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

(k) Leases – refer note 29

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

Finance leases (Group as a lessee)

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

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

Operating leases (Group as a lessee)

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

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

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

(m) Trade and other payables – refer note 18

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

(n) Borrowing costs

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

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

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

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

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

Employee leave benefits and other post-employment benefits:

Wages, salaries, annual leave and sick leave

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

Long service leave

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

The Company does not operate a defined benefit pension plan.

(p) Share-based payment transactions – refer note 25

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

The Company has a Share Option Plan and a Performance Rights Plan, which provides share options or performance rights to "eligible employees" including full-time employees, part-time employees, directors and senior executives.

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

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

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

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

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

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

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

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

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

(q) Contributed equity – refer note 21

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

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(r) Revenue recognition – refer note 6

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

Rendering of services

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

Interest income

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

(s) Income and other taxes – refer note 9

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

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

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

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

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

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

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

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

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

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

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

Other taxes

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

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

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

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

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

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

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

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

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

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

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(u) Investments and other financial assets – refer note 14 & 15

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

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

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

(ii) Held-to-maturity investments

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

(iii) Loans and receivables

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

(iv) Available-for-sale investments

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

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

(v) Exploration and evaluation expenditure

Expenditure on exploration and evaluation is accounted for in accordance with the “area of interest” method. The Group's application of the accounting policy is for the cost of exploring and evaluating discoveries is closely aligned to the US GAAP-based “successful efforts” method. Exploration licence acquisition costs are capitalised and subject to half-yearly impairment testing.

All exploration and evaluation expenditure, including general permit activity, geological and geophysical costs are expensed as incurred except where an area of interest is recognised, and it is expected that the expenditure will be

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recouped through successful exploitation of the area of interest, or alternatively, by its sale.

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

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

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

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

Risk exposures and responses

Interest rate risk

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

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

	CONSOLIDATED	
	2013	2012
	\$	\$
Financial assets		
Cash and cash equivalents (note 12)	1,583,418	6,892,295
Other financial assets (term deposits) (note 14)	945,000	1,945,000
Net exposure	2,528,418	8,837,295

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3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

At 30 June 2013, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgements of reasonably possible movements:	Post tax profit Higher/(Lower)		Equity Higher/(Lower)	
	2013	2012	2013	2012
CONSOLIDATED	\$	\$	\$	\$
+ 1.5% (150 basis points) (2012: +1.5%)	37,926	132,559	37,926	132,559
- 1.5% (150 basis points) (2012: -1.5%)	(37,926)	(132,559)	(37,926)	(132,559)

Significant assumptions used in the interest rate sensitivity analysis include:

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

Foreign exchange risk

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

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

At 30 June 2013, the Group had the following exposure to US\$ foreign currency that is not designated as cash flow hedges:

	CONSOLIDATED	
	2013	2012
	\$	\$
Financial assets		
US\$ cash and cash equivalents	42,108	1,016,793
Financial liabilities		
Trade and other payables	(351,435)	-
Net exposure	(309,327)	1,016,793

At 30 June 2013, had the Australian dollar moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgements of reasonably possible movements:	Post tax profit Higher/(Lower)		Equity Higher/(Lower)	
	2013	2012	2013	2012
CONSOLIDATED	\$	\$	\$	\$
AUD/USD +10% (2012: +10%)	30,319	(90,703)	30,319	(90,703)
AUD/USD -10% (2012: -10%)	(37,056)	110,860	(37,056)	110,860

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3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Significant assumptions used in the foreign exchange sensitivity analysis include:

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

Price risk

The Group's exposure to price risk is moderate. Price risk arises from available for sale financial assets, which are share investments in Australian listed entities. To limit this risk, the Board reviews all investment decisions in accordance with the financial risk management policy. All available for sale financial assets are publicly traded on the ASX.

At balance date, the Group had the following financial assets exposed to price risk associated with movements in Australian listed share prices:

	CONSOLIDATED	
	2013	2012
	\$	\$
Financial assets		
Available for sale financial assets (note 15)	481,520	7,259,821
Financial liabilities	-	-
	481,520	7,259,821
Net exposure	481,520	7,259,821

At 30 June 2013, had share prices moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgements of reasonably possible movements:	Post tax profit		Equity	
	Higher/(Lower)		Higher/(Lower)	
	2013¹	2012¹	2013¹	2012¹
	\$	\$	\$	\$
CONSOLIDATED				
Share price +20% (2012: +20%)	96,304	1,451,964	96,304	1,451,964
Share price -20% (2012: -20%)	(96,304)	(1,451,964)	(96,304)	(1,451,964)

¹ Assuming that the decrease represents a significant or prolonged decrease in the value of the investment.

Credit risk

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

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

At balance date, the Group's credit risk relates mainly to trade and other receivables of \$39,844 (2012: \$176,265).

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

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

LIQUEFIED NATURAL GAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk

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

It is the Group's policy to ensure it has adequate cash reserves to meet known committed corporate and project development expenditure over the ensuing 18 months and additional equity will be raised as necessary to maintain the cash reserve coverage. It is also the Group's policy to generally fund all project development expenditure, through to final investment decision of a project, from its equity generated cash reserves.

At 30 June 2013, except for payables, the Group had no debt (2012: nil) and its activities are primarily funded from cash reserves from share issues, interest revenue and research and development concession rebates. The majority of cash reserves are held in term deposit with the ANZ Banking Group, with funds transferred as necessary to the Group's working accounts to meet short-term expenditure commitments.

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

	CONSOLIDATED	
	2013	2012
As at 30 June 2013	\$	\$
6 months or less	1,117,320	974,915
6-12 months	-	-
1-5 years	-	-
Over 5 years	-	-
	1,117,320	974,915

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

As at 30 June 2013	≤6	6-12	1-5	>5	Total
CONSOLIDATED	months	months	years	years	
	\$	\$	\$	\$	\$
Financial assets					
Cash and cash equivalents	1,583,418	-	-	-	1,583,418
Receivables	39,844	-	-	-	39,844
Other financial assets	945,000	-	-	-	945,000
Available for sale financial assets	481,520	-	-	-	481,520
	3,049,782	-	-	-	3,049,782
Financial liabilities					
Trade and other payables	1,117,320	-	-	-	1,117,320
	1,117,320	-	-	-	1,117,320
Net maturity	1,932,462	-	-	-	1,932,462

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

Fair value

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

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

(i) Significant accounting judgements

Operating lease commitments – Group as lessee

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

Recovery of deferred tax assets

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

Taxation

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

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

Project development expenses

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

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

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

(i) Significant accounting judgements (continued)

Impairment of available-for-sale financial assets

In determining the amount of impairment of financial assets, the Group has made judgements to identify financial assets whose decline in fair value below cost is considered “significant” or “prolonged”. A significant decline is based on the historical volatility of the share price. The higher the historical volatility, the greater the decline in fair value required before it is likely to be regarded as significant. A prolonged decline is based on the length of time over which the share price has been below cost. A sudden decline followed by immediate recovery is less likely to be considered prolonged compared to a sustained fall of the same magnitude over a longer period.

The Group considers a less than 10% decline in fair value is unlikely to be considered significant for investments actively traded in a liquid market, whereas a decline in value of greater than 20% will often be considered significant, subject to appropriate consideration of other factors.

Generally the Group does not consider a decline in value over a period of less than three months to be prolonged. However, where the decline in fair value is greater than six months for liquid investments, it is usually considered prolonged.

(ii) Significant accounting estimates and assumptions

Share-based payment transactions

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

Valuation of investments

The Group has decided to classify investments in listed securities as “available for sale” investments and movements in fair value are recognised directly in equity, unless the decline in fair value is considered significant or prolonged. The fair value of listed shares has been determined by reference to published price quotations in an active market.

Impairment of receivables

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

5. OPERATING SEGMENTS

Identification of reportable segments

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

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

Reportable operating segments

The Group has identified the following reportable operating segments:

Oil and gas project development

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

Investment in existing oil and gas discoveries and prospective acreage

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

Technology development and licensing

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

Accounting policies

The accounting policies used by the Group in reporting segments internally are the same as those contained in Note 2 to the accounts and in the prior period except as detailed below:

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

5. OPERATING SEGMENTS (Continued)

Corporate charges

Corporate charges comprise non-segmental expenses such as certain head office expenses.

Income tax expense

Income tax expense/deferred tax benefit is calculated based on the segment operating net profit/(loss) using a notional charge of 30% (2012: 30%). No effect is given for taxable or deductible temporary differences.

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

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

- Interest revenue;
- Corporate expenses; and
- Finance costs.

The following table shows the revenue and profit or loss information for reportable segments for the years ended 30 June 2013 and 30 June 2012.

Year ended 30 June 2013	<i>Oil and gas project development</i>	<i>Investment in oil and gas discoveries</i>	<i>Technology development and licensing</i>	<i>Total</i>
Revenue	\$	\$	\$	\$
Other revenue	-	-	-	-
Inter-segment sales	-	-	-	-
Total segment revenue	-	-	-	-
Inter-segment elimination				-
Unallocated revenue				189,530
Unallocated other income				467,057
Total revenue per the statement of comprehensive income				656,587
Segment profit/(loss)	(7,256,213)	(227)	(78,942)	(7,335,382)
Reconciliation of segment net profit/(loss) after tax to net profit/(loss) before tax				
Income tax expense at 30% (2012: 30%)				-
Unallocated revenue and other income				656,587
Finance costs				(1,003)
Corporate charges				(6,726,789)
Net profit/(loss) before tax per the statement of comprehensive income				(13,406,587)
Segment assets for the year ended 30 June 2013 are as follows:				
Segment assets				
Segment operating assets	1,107,298	6,897,832	816	8,005,946
Intersegment eliminations				(7,375,675)
Unallocated assets ¹				2,609,921
Total assets per the statement of financial position				3,240,192
Unallocated liabilities				1,673,994

¹ Unallocated assets primarily consisted of cash and cash equivalents of \$1,583,418 and other financial assets of \$945,000.

LIQUEFIED NATURAL GAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

5. OPERATING SEGMENTS (Continued)

Year ended 30 June 2012	<i>Oil and gas project development</i>	<i>Investment in oil and gas discoveries</i>	<i>Technology development and licensing</i>	<i>Total</i>
Revenue	\$	\$	\$	\$
Other revenue	-	-	-	-
Inter-segment sales	-	-	-	-
Total segment revenue	-	-	-	-
Inter-segment elimination				-
Unallocated revenue				831,359
Unallocated other income				623,299
Total revenue per the statement of comprehensive income				1,454,658
Segment profit/(loss)	(14,648,532)	98,320	(99,756)	(14,649,968)
Reconciliation of segment net profit/(loss) after tax to net profit/(loss) before tax				-
Income tax expense at 30% (2011: 30%)				-
Unallocated revenue and other income				1,454,658
Finance costs				(439)
Corporate charges				(3,470,919)
Net profit/(loss) before tax per the statement of comprehensive income				(16,666,668)
Segment assets for the year ended 30 June 2012 are as follows:				
Segment assets				
Segment operating assets	8,088,845	6,697,857	893	14,787,595
Intersegment eliminations				(7,121,074)
Unallocated assets ¹				9,022,562
Total assets per the statement of financial position				16,689,083
Unallocated liabilities				1,529,594

¹ Unallocated assets primarily consisted of cash and cash equivalents of \$6,892,295 and other financial assets of \$1,945,000.

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

	CONSOLIDATED	
	2013	2012
	\$	\$
Australia	3,137,344	16,580,365
Indonesia	102,848	108,718
Total	3,240,192	16,689,083

LIQUEFIED NATURAL GAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

6. REVENUE

	CONSOLIDATED	
	2013	2012
	\$	\$
Interest revenue	189,530	831,359
Total revenue	189,530	831,359

7. OTHER INCOME

	CONSOLIDATED	
	2013	2012
	\$	\$
Research and development concession rebate	356,068	276,025
Net foreign exchange gain	110,989	-
Net gain on disposal of Australian listed shares	-	347,274
Total other income	467,057	623,299

8. EXPENSES

	CONSOLIDATED	
	2013	2012
	\$	\$
(a) Depreciation		
Plant and equipment	51,124	62,586
Plant and equipment under lease	3,936	3,936
Total depreciation of non-current assets	55,060	66,522

(b) Finance costs		
Finance charges payable under finance leases	-	439
Interest charges payable under insurance premium funding	1,003	-
Total finance costs	1,003	439

(c) Lease payments included in administration expenses		
Minimum lease payments - operating lease	331,560	350,039
Total operating lease rental	331,560	350,039

(d) Employee benefit expense		
Wages and salaries	2,378,304	2,634,490
Consultancy fees	1,011,823	842,154
Annual leave provision	24,448	4,973
Long service leave provision	(22,453)	119,254
Superannuation	216,475	233,185
Other non-monetary benefits	94,644	141,097
Share-based payments expense-key management personnel and employees	(486,270)	446,462
Total employee benefits expense	3,216,971	4,421,615

LIQUEFIED NATURAL GAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

8. EXPENSES (Continued)

	CONSOLIDATED	
	2013	2012
	\$	\$
(e) Loss before income tax includes the following:		
Decrease in the fair value of available-for-sale financial assets (note 15)	1,462,330	6,569,693
Loss on sale of available-for-sale financial assets (note 15)	3,869,437	-
Net foreign exchange loss	-	90,150
Research and development costs	653,142	790,351

9. INCOME TAX

	CONSOLIDATED	
	2013	2012
	\$	\$
(a) Income tax expense		
Current tax expense	-	-
Deferred tax expense	-	-
Prior year under/(over) provision	-	-
Income tax expense/(benefit)	-	-

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

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

Total accounting loss before tax	(13,406,587)	(16,666,668)
Prima facie tax @ 30% (2012: 30%)	(4,021,976)	(5,000,000)
<i>Increase in tax expense due to:</i>		
Share-based payments (equity-settled)	-	133,939
Expenditure not deductible for tax purposes	3,646,537	4,669,548
<i>Decrease in tax expense due to:</i>		
Reversal of share-based payments (equity-settled)	(23,517)	-
Black-hole expenditure	(750,025)	(786,052)
Deferred tax benefits not recognised	1,148,981	982,565
Income tax expense/(benefit)	-	-

LIQUEFIED NATURAL GAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

9. INCOME TAX (Continued)

(c) Recognised deferred tax assets and liabilities

	Balance Sheet		Profit or Loss	
	2013	2012	2013	2012
	\$	\$	\$	\$
CONSOLIDATED				
<i>Deferred tax liabilities</i>				
Accrued income	1,081	28,741	(27,660)	(14,485)
Unrealised foreign exchange gain	35,408	-	35,408	-
Gross deferred income tax liabilities	36,489	28,741		
Set-off of deferred tax assets	(36,489)	(28,741)		
Net deferred tax liabilities	-	-		
<i>Deferred tax assets</i>				
Income tax losses recognised to the extent of deferred tax liabilities	36,489	28,741	7,748	14,485
Gross deferred tax assets	36,489	28,741		
Set-off of deferred tax liabilities	(36,489)	(28,741)		
Net deferred tax assets	-	-		
Deferred tax expense/(benefit)			-	-

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

(d) Tax losses

At 30 June 2013, the Group had Australian tax losses of \$29,851,331 (2012: \$26,022,392) for which no deferred tax asset has been recognised. These losses are available indefinitely for offset against future taxable income subject to continuing to meet the relevant statutory tests.

(e) Other unrecognised temporary differences

As at 30 June 2013, the Group has temporary differences of \$68,453,784 (2012: \$68,304,483) for which no deferred tax asset has been recognised. There is no unrecognised temporary difference associated with the Group's investments in subsidiaries (2012: \$Nil).

(f) Tax consolidation

Refer to note 26(d) for details of the tax consolidated group.

10. DIVIDEND PAID AND PROPOSED

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

LIQUEFIED NATURAL GAS LIMITED
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11. EARNINGS PER SHARE

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

(a) Earnings used in calculating earnings per share

	CONSOLIDATED	
	2013	2012
	\$	\$
<i>For basic earnings per share:</i>		
Net loss attributable to ordinary equity holders of the Parent	(13,383,649)	(16,607,513)
<i>For diluted earnings per share:</i>		
Net loss attributable to ordinary equity holders of the Parent	(13,383,649)	(16,607,513)

(b) Weighted average number of shares

	2013	2012
	Number	Number
Weighted average number of ordinary shares for basic earnings per share	267,699,015	266,827,642
Weighted average number of ordinary shares adjusted for the effect of dilution	267,699,015	266,827,642

(c) Information on the classification of securities

Share options and performance rights

Share options and performance rights granted to directors and employees that could potentially dilute basic earnings per share in the future, are excluded from the calculation of diluted earnings per share because they are anti-dilutive for both of the periods presented. There were 2,110,000 (2012: 6,720,000) share options and 750,000 performance rights (2012: 2,250,000) that were excluded from the calculation of diluted earnings per share.

(d) Conversion, calls, subscription or issues after 30 June 2013

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

The Company has issued 40,000,000 fully paid ordinary shares since the reporting date and before the date of completion of these financial statements (refer to note 31).

12. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	CONSOLIDATED	
	2013	2012
	\$	\$
Cash at bank and in hand	382,843	1,391,596
Short-term deposits	1,200,575	5,500,699
	1,583,418	6,892,295

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

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

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

LIQUEFIED NATURAL GAS LIMITED
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FOR THE YEAR ENDED 30 JUNE 2013

13. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	Note	CONSOLIDATED	
		2013 \$	2012 \$
Other receivables			
- goods & services tax receivable	(i)	28,265	69,799
- other receivables	(i)	11,579	106,466
Total current receivables		39,844	176,265

(i) *Terms and conditions*

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

(ii) *Fair value and credit risk*

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

(iii) *Liquidity risk and credit risk*

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

14. CURRENT ASSETS – OTHER FINANCIAL ASSETS

	CONSOLIDATED	
	2013 \$	2012 ^(iv) \$
Investments in term deposits (cash deposits) ^{(i) (ii) (iii)}	945,000	1,945,000
	945,000	1,945,000

(i) Investments in term deposits are made for varying periods of between 60 days to 1 year and earn interest at the respective term deposit fixed rates.

(ii) Included in this balance is a A\$790,000 security deposit held by the ANZ in relation to the issue of a A\$789,263 bank guarantee, by the ANZ, in favour of Queensland's Department of Environment and Resource Management ("DERM"), which is a condition of DERM's environmental authority approval for the Gladstone LNG Project.

(iii) Included in this balance is a A\$155,000 security deposit held by the ANZ in relation to the issue of a A\$151,106 bank guarantee, by the ANZ, in favour of DERM, which is a condition of DERM's environmental authority approval for the Gladstone LNG Project's proposed gas pipeline.

(iv) Included in the prior year balance was A\$1,000,000 which was used as a security deposit for a A\$1,000,000 performance guarantee issued by ANZ Bank to Gladstone Port Corporation Limited ("GPC") for rehabilitation work relating to early site works for the Gladstone LNG Project. This guarantee expired during the financial year.

Due to the short-term nature of the above financial instruments, their carrying amounts approximate their fair value. The maximum exposure to credit risk is the carrying amount of these financial instruments. Details regarding foreign exchange risk, interest rate risk and credit risk are disclosed in note 3.

15. NON-CURRENT ASSETS – AVAILABLE FOR SALE FINANCIAL ASSETS

	CONSOLIDATED	
	2013 \$	2012 \$
Shares in Australian listed entities (i)	481,520	7,259,821
	481,520	7,259,821

LIQUEFIED NATURAL GAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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15. NON-CURRENT ASSETS – AVAILABLE FOR SALE FINANCIAL ASSETS (Continued)

During the year, the Company sold 25,310,577 shares in Metgasco Limited (ASX: MEL) for net proceeds of \$1,427,895. The loss on the sale of MEL shares was \$3,869,437 (note 8). The Group has assessed that the decline in fair value of the remaining 9,260,000 MEL shares was both significant and prolonged at balance date, and accordingly an impairment of \$1,462,330 has been recognised in the financial statements at 30 June 2013 (note 8).

Available for sale investments consist of investments in ordinary shares, and therefore have no fixed maturity date or coupon rate.

(i) Fair value

The fair value of listed available-for-sale investments has been determined directly by reference to published price quotations in an active market.

16. NON-CURRENT ASSETS – RECEIVABLES

	Note	CONSOLIDATED	
		2013	2012
		\$	\$
Other receivables-related parties:			
- other related parties	13(i)	299	299
Total non-current receivables		299	299

(i) Fair value and credit risk

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

(ii) Liquidity risk and credit risk

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

17. NON-CURRENT ASSETS – PLANT AND EQUIPMENT

Reconciliation of carrying amounts at the beginning and end of the year	CONSOLIDATED	
	2013	2012
	\$	\$
At 1 July, net of accumulated depreciation and impairment	251,552	369,329
Additions	9,759	32,296
Disposals	(83,199)	(83,551)
Depreciation charge for the year	(55,060)	(66,522)
At 30 June, net of accumulated depreciation and impairment	196,492	251,552
Cost	583,234	656,675
Accumulated depreciation and impairment	(460,182)	(405,123)
Net carrying amount	123,052	251,552

Impairment losses of \$83,199 were recognised by the Group in the financial year.

The useful life of the plant and equipment was estimated to be between 3 to 10 years both for 2013 and 2012.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

18. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	Note	CONSOLIDATED	
		2013	2012
		\$	\$
Trade creditors and accruals	(i)	1,040,417	864,527
Other creditors	(i)	76,903	110,388
		1,117,320	974,915

(i) Terms and conditions

Trade creditors and accruals are non-interest bearing and are normally settled on 30 day terms. Other creditors are non-interest bearing and are normally settled within one year.

(ii) Fair value

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

(iii) Foreign exchange and liquidity risk

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

19. CURRENT LIABILITIES – PROVISIONS

	CONSOLIDATED	
	2013	2012
	\$	\$
Annual leave	255,587	231,139
	255,587	231,139

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

20. NON-CURRENT LIABILITIES – PROVISIONS

	CONSOLIDATED	
	2013	2012
	\$	\$
Long service leave	301,087	323,540
	301,087	323,540

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

LIQUEFIED NATURAL GAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

21. CONTRIBUTED EQUITY

		CONSOLIDATED	
		2013	2012
		\$	\$
Fully paid ordinary shares	(a)	117,509,466	117,509,466
		117,509,466	117,509,466

		CONSOLIDATED	
(a) Movement in ordinary shares on issue:		Number	\$
At 1 July 2011		214,449,015	97,364,991
Share placement	(i)	53,250,000	20,144,475
At 30 June 2012	(ii)	267,699,015	117,509,466
At 30 June 2013	(ii)	267,699,015	117,509,466

- (i) During 2012, the Company raised \$20,144,475 through the placement of 53,250,000 fully paid ordinary shares at an issue price of \$0.3783 per share.
- (ii) At the reporting date 267,699,015 Company shares were listed for official quotation on the ASX.

(b) Capital management

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

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

At balance date, the Group had no debt and funds raised through shares issued subsequent to the year-end will be primarily applied to progression of the Group's core activities, being the advancement of prospective LNG production projects and LNG process, storage and shipping research and development programs.

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

(c) Share options

The Company has a share-based payment option scheme under which options to subscribe for the Company's ordinary shares have been granted to directors and employees (refer to note 25).

(d) Performance rights

The Company has a share-based payment performance rights scheme under which rights to subscribe for the Company's ordinary shares have been granted to directors and employees (refer to note 25).

(e) Terms and conditions of contributed equity

Ordinary shares

Voting rights

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

Dividends

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

LIQUEFIED NATURAL GAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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22. ACCUMULATED LOSSES AND RESERVES

(a) Movements in accumulated losses were as follows:

	CONSOLIDATED	
	2013	2012
	\$	\$
Balance at 1 July	(113,243,782)	(96,636,269)
Net loss for the year	(13,383,649)	(16,607,513)
Balance at 30 June	(126,627,431)	(113,243,782)

(b) Reserves

CONSOLIDATED	Share options reserve	Performance rights reserve	Redeemable preference share reserve	Equity reserve	Foreign currency translation reserve	Total
	\$	\$	\$	\$	\$	\$
At 1 July 2011	5,512,300	159,265	4,032,001	578,292	176,173	10,458,031
Share-based payment	173,822	272,640	-	-	-	446,462
Translation of foreign subsidiaries	-	-	-	-	77,150	77,150
At 30 June 2012	5,686,122	431,905	4,032,001	578,292	253,323	10,981,643
Share-based payment	(131,360)	52,970	-	-	-	(78,390)
Translation of foreign subsidiaries	-	-	-	-	(108,314)	(108,314)
At 30 June 2013	5,554,762	484,875	4,032,001	578,292	145,009	10,794,939

(c) Nature and purpose of reserves

Share options reserve

The share options reserve is used to record the value of share options issued by the Company and its subsidiaries (refer to note 25 for further details of the Share Option Plan).

Performance rights reserve

The performance rights reserve is used to record the value of performance rights issued by the Company (refer to note 25 for further details of the Performance Rights Plan).

Redeemable preference share reserve

The redeemable preference share reserve was used to record the value of the redeemable preference shares previously issued by the Company. All "B" class redeemable preference shares were fully cancelled and redeemed in 2011.

Equity reserve

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

Foreign currency translation reserve

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

LIQUEFIED NATURAL GAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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23. NON-CONTROLLING INTERESTS

	CONSOLIDATED	
	2013	2012
	\$	\$
Accumulated losses	(110,776)	(87,838)
	(110,776)	(87,838)

24. CASH FLOW STATEMENT RECONCILIATION

	CONSOLIDATED	
	2013	2012
	\$	\$
(a) Reconciliation of net loss after tax to the net cash flows used in operations		
Net loss after income tax	(13,406,587)	(16,666,668)
<i>Adjust for non-cash items:</i>		
Depreciation expense	55,060	66,522
Share-based payment expense	(78,390)	446,462
Unrealised foreign exchange loss/(gain)	(130,118)	(179,641)
Decrease in fair value of available-for-sale financial assets	1,462,330	6,569,693
Loss on sale of available for sale financial assets	3,869,437	-
Fixed assets written off	114,924	-
<i>Adjust for other cash items:</i>		
Interest expense	1,003	439
<i>Adjust for changes in assets/liabilities:</i>		
Decrease in trade and other receivables	136,421	119,612
Decrease/(increase) in prepayments	96,792	(14,745)
Increase in payables and accruals	142,405	302,569
Increase in provisions	1,995	124,227
Net cash flows used in operating activities	(7,734,728)	(9,231,530)

(b) Reconciliation to Cash Flow Statement

	CONSOLIDATED	
	2013	2012
	\$	\$
For the purposes of the Cash Flow Statement, cash and cash equivalents comprise the following at 30 June:		
Cash at bank and in hand	382,843	1,391,596
Short-term deposits	1,200,575	5,500,699
Closing cash balance (note 12)	1,583,418	6,892,295

(c) Non-cash financing and investing activities

	CONSOLIDATED	
	2013	2012
	\$	\$
Share-based payments (note 25)	(78,390)	446,462
	(78,390)	446,462

25. SHARE-BASED PAYMENT PLANS

(a) Recognised share-based payment expenses

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

	CONSOLIDATED	
	2013	2012
	\$	\$
Expenses arising from equity-settled share-based payment transactions	(78,390)	446,462
Total expense arising from share-based payment transactions (note 8(d))	(78,390)	446,462

(b) Share Option Plan ("SOP")

A SOP has been established where the Company, at the discretion of the Board, grants options over the ordinary shares of the Company to directors and employees for nil cash consideration. The total number of options that may be issued to all parties who may participate under the SOP and which have not been exercised or cancelled shall not exceed 15% of the total issued ordinary shares of the Company at the time of issue of any options under this SOP. No further options will be issued under the SOP.

(i) Terms and conditions attaching to options

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

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

LIQUEFIED NATURAL GAS LIMITED
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25. SHARE BASED PAYMENT PLANS (Continued)

(b)(ii) Summary of options granted under the SOP

Options granted to directors and employees

During the financial year no (2012: nil) unlisted options over ordinary shares in the Company were granted to directors and employees of the Company and its controlled entities.

The following table shows the movements in share options during the year:

	2013		2012	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
	No.	\$	No.	\$
Outstanding at beginning of year	6,720,000	0.720	7,130,000	0.718
- granted during the year	-	-	-	-
- cancelled and forfeited during the year	(1,650,000) ²	0.697	-	-
- exercised during the year	-	-	-	-
- expired during the year	(2,960,000) ³	0.678	(410,000) ¹	0.692
Outstanding at end of year	2,110,000	0.797	6,720,000	0.720
Exercisable at end of year	2,110,000	0.797	5,960,000	0.702

¹ Includes 410,000 LNG options that expired during the financial year with weighted average exercise price of \$0.692.

² Includes 1,650,000 forfeited LNG options with weighted average exercise price of \$0.697.

³ Includes 2,960,000 LNG options that expired during the financial year with a weighted average exercise price of \$0.678.

The outstanding balance of options granted as at 30 June 2013 is represented by:

- 550,000 options over ordinary shares with an exercise price of \$0.621 per share;
- 310,000 options over ordinary shares with an exercise price of \$0.792 per share;
- 150,000 options over ordinary shares with an exercise price of \$0.84 per share; and
- 1,100,000 options over ordinary shares with an exercise price of \$0.88 per share.

The weighted average remaining contractual life for the share options outstanding as at 30 June 2013 is 0.09 years (2012: 1.26 years). The range of exercise prices for options outstanding at the end of the year was \$0.621 to \$0.88 (2012: \$0.621 to \$0.900).

25. SHARE BASED PAYMENT PLANS (Continued)

(c) Performance Rights Plan (“PRP”)

A PRP has been established where the Company, at the discretion of the Board, grants performance rights (“rights”) over the ordinary shares of the Company to “eligible persons”. “Eligible persons” include directors, full-time employees, part-time employees and (subject to compliance with Class Order 03/184, or obtaining other applicable relief from ASIC) consultants. The total number of rights that may be issued to all parties who may participate under the PRP and which have not been exercised or cancelled shall not exceed 10% of the total issued ordinary shares of the Company at the time of issue of any rights under this PRP.

(i) Terms and conditions attaching to performance rights

The rights issued to eligible persons under the PRP are subject to the Company’s Performance Rights Plan Rules, including the following terms and conditions:

- The rights expiry is at the discretion of the Board;
- The rights are not transferable;
- The exercise price for the rights is at the Board’s discretion. Recommendations regarding the exercise price are made by the Remuneration Committee and passed to the Board for approval;
- The Company will not make application to the ASX for Official Quotation of the rights;
- The Company will make application to the ASX for quotation of the shares allotted and issued upon the exercise of a right within 10 business days after the date of exercise of the right;
- There are no participating privileges or entitlements inherent in the rights and holders will not be entitled to participate in new issues of capital offered to shareholders during the currency of the rights. However, the Company will send a notice to each holder of rights before the relevant record date. This will give rights holders the opportunity to exercise their rights prior to the date for determining entitlements to participate in any such issue;
- If from time to time or prior to the expiry of the rights, the Company makes an issue of shares to the holders of shares by way of capitalisation of profits or reserves (a bonus issue), then upon exercise of their rights, a rights holder will be entitled to have issued to them (in addition to shares which would otherwise be issued to them upon such exercise) the number of shares of the class which would have been issued to them under that bonus issue if on the record date for the bonus issue they had been registered as the holder of the number of shares of which they would have been registered as holder, if immediately prior to that date, they had duly exercised their rights and the shares the subject of such exercise had been duly allotted and issued to them. The bonus shares will be paid up by the Company out of profits or reserves (as the case may be) in the same manner as applied in relation to the bonus issue; and
- In the event of any reorganisation of the issued capital of the Company or prior to the expiry of the rights, the privileges of a rights holder will be changed to the extent necessary to comply with the applicable ASX Listing Rules in force at the time of the reorganisation.

(ii) Summary of performance rights granted under the PRP

Performance rights granted to directors, executives and employees

Unlisted performance rights over ordinary shares in the Company (“LNG rights”).

During the financial year no unlisted performance rights over ordinary shares in the Company were granted to directors, executives and employees of the Company and its controlled entities (2012: nil).

LIQUEFIED NATURAL GAS LIMITED
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25. SHARE BASED PAYMENT PLANS (Continued)

(c)(ii) Summary of performance rights granted under the PRP (Continued)

The following table shows the movements in LNG rights during the year:

	2013		2012	
	Number of rights	Weighted average exercise price	Number of rights	Weighted average exercise price
	No.	\$	No.	\$
Outstanding at beginning of year	2,250,000	0.791	2,250,000	0.791
- expired during the year	(1,500,000) ¹	0.765	-	-
Outstanding at end of year	750,000	0.844	2,250,000	0.791
Exercisable at end of year	750,000	0.844	750,000	0.738

¹ Includes 1,500,000 LNG rights that expired during the financial year with weighted average exercise price of \$0.765.

The outstanding balance of rights granted as at 30 June 2013 is represented by:

1. 750,000 performance rights over ordinary shares with an exercise price of \$0.844 per share.

The weighted average remaining contractual life for the performance rights outstanding as at 30 June 2013 is 0.60 years (2012: 1.08 years). The exercise price for performance rights outstanding at the end of the year is \$0.844 (2012: \$0.738 to \$0.844).

LIQUEFIED NATURAL GAS LIMITED
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26. PARENT ENTITY INFORMATION

Information relating to Liquefied Natural Gas Limited:	2013	2012
	\$	\$
Current assets	3,311,818	15,595,891
Total assets	12,724,348	25,042,023
Current liabilities	7,286,780	7,049,239
Total liabilities	7,476,984	7,246,505
Issued capital	117,714,466	117,714,466
Accumulated losses	(121,889,573)	(109,827,689)
Share options reserve	5,390,470	5,876,740
Redeemable preference share reserve	4,032,001	4,032,001
Total shareholders' equity	5,247,364	17,795,518
Profit/(loss) of the parent entity	(12,061,884)	(15,851,643)
Total comprehensive income of the parent entity	(12,061,884)	(15,851,643)

(a) Guarantees

The parent entity has not guaranteed the liabilities of its subsidiaries as at 30 June 2013.

(b) Contingent liabilities

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

(c) Contractual commitments

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

(d) Tax consolidation

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

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

Members of the group entered into a tax sharing agreement for the allocation of income tax expense between members on 30 June 2011.

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

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

LIQUEFIED NATURAL GAS LIMITED
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27. RELATED PARTY DISCLOSURES

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

Name	Country of incorporation	Equity interest (%)		Investment (\$)	
		2013	2012	2013	2012
LNG International Pty Ltd	Australia	100	100	100 ¹	100 ¹
Gas Link Global Limited	Australia	100	100	9,904,925	9,904,925
LNG Technology Pty Ltd	Australia	100	100	100	100
LNG Management Services Pty Ltd	Australia	100	100	1	1
				9,905,126	9,905,126
<i>The following companies are controlled via LNG International Pty Ltd:</i>					
Magnolia LNG, LLC	USA	100	100	-	-
PT. LNG Energi Utama	Indonesia	95	95	-	-
Gladstone LNG Pty Ltd	Australia	100	100	100 ²	100 ²
CSG Nominees Pty Ltd	Australia	100	100	-	-
South Australian LNG Pty Ltd	Australia	100	100	-	-
Kimberley LNG Pty Ltd	Australia	100	100	-	-
Gladstone OSMR Technology Pty Ltd	Australia	100	100	-	-
Qeshm International LNG Gas (Ltd)	Iran	100	100	-	-
				9,905,226	9,905,226
<i>The following company is controlled via Gas Link Global Limited:</i>					
Gedd (PNG) Limited	Papua New Guinea	100	100	-	-
				9,905,226	9,905,226

¹ Pursuant to the requirements in AASB 2 *Share-based payments*, the investment amount is decreased by \$540,020 (2012: \$141,791) being the share-based payment expense for the period for the share options over the Company's ordinary shares granted to LNG International Pty Ltd's employees. During the year, due to the increase in the net assets of its subsidiary, the Company has made a reduction in the provision for impairment of \$540,020 (2012: \$141,791) being the decrease in the carrying amount of its investment in LNG International Pty Ltd ("LNGI").

² Pursuant to the requirements in AASB 2 *Share-based payments*, the investment amount is increased by \$nil (2012: \$10,460) being the share-based payment expense for the period for the share options over the Company's ordinary shares granted to Gladstone LNG Pty Ltd's employees. During the year, due to the decrease in the net assets of its subsidiary, LNGI has made a provision for impairment of \$nil (2012: \$10,460) being the decrease in carrying amount of its investment in Gladstone LNG Pty Ltd.

(a) Ultimate Parent

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

(b) Key Management Personal ("KMP")

Details relating to transactions with directors and other KMP, including remuneration paid, are included in note 28.

LIQUEFIED NATURAL GAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

27. RELATED PARTY DISCLOSURES (Continued)

(c) Transactions with other related parties

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

(d) Employees

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

28. KEY MANAGEMENT PERSONNEL (“KMP”)

(a) Compensation of Key Management Personnel

	CONSOLIDATED	
	2013	2012
	\$	\$
Short-term benefits	2,668,939	3,021,465
Post-employment benefits	140,053	166,252
Long-term benefits	20,028	74,714
Share-based payment	55,572	351,476
	2,884,592	3,613,907

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

30 June 2013	Balance at beginning of year				Balance at end of year	Vested at 30 June 2013		
	1 July 2012	Granted as remuneration	Options exercised	Options cancelled/ forfeited	30 June 2013	Total	Not exercisable	Exercisable
Directors								
R.J. Beresford	-	-	-	-	-	-	-	-
F.M. Brand	-	-	-	-	-	-	-	-
X. Wang	-	-	-	-	-	-	-	-
P.W. Bridgwood	-	-	-	-	-	-	-	-
N. Marshall	1,500,000	-	-	(1,500,000)	-	-	-	-
L.K. Bond	-	-	-	-	-	-	-	-
G. Zhang	-	-	-	-	-	-	-	-
Executives								
D.M. Gardner	300,000	-	-	-	300,000	300,000	-	300,000
G.J.F. Triglavcanin	700,000	-	-	(600,000)	100,000	100,000	-	100,000
L.A. Clark	500,000	-	-	(400,000)	100,000	100,000	-	100,000
S.R. Della Mattea	900,000	-	-	(300,000)	600,000	600,000	-	600,000
Total	3,900,000	-	-	(2,800,000)	1,100,000	1,100,000	-	1,100,000

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

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

30 June 2012	Balance at beginning of year				Balance at end of year	Vested at 30 June 2012		
	1 July 2011	Granted as remuner- ation	Options exercised	Options cancelled/ forfeited	30 June 2012	Total	Not exer- cisable	Exer- cisable
Directors								
R.J. Beresford	-	-	-	-	-	-	-	-
F.M. Brand	-	-	-	-	-	-	-	-
X. Wang	-	-	-	-	-	-	-	-
P.W. Bridgwood	-	-	-	-	-	-	-	-
N. Marshall	1,500,000	-	-	-	1,500,000	1,500,000	-	1,500,000
L.K. Bond	-	-	-	-	-	-	-	-
G. Zhang	-	-	-	-	-	-	-	-
Executives								
D.M. Gardner	300,000	-	-	-	300,000	300,000	-	300,000
G.J.F. Triglavcanin	800,000	-	-	(100,000)	700,000	600,000	-	600,000
L.A. Clark	600,000	-	-	(100,000)	500,000	400,000	-	400,000
S.R. Della Mattea	900,000	-	-	-	900,000	600,000	-	600,000
Total	4,100,000	-	-	(200,000)	3,900,000	3,900,000	-	3,900,000

(c) Performance rights holdings of Key Management Personnel (Consolidated)

30 June 2013	Balance at beginning of year				Balance at end of year	Vested at 30 June 2013		
	1 July 2012	Granted as remuner- ation	Rights exercised	Rights cancelled/ forfeited	30 June 2013	Total	Not exer- cisable	Exer- cisable
Directors								
R.J. Beresford	450,000	-	-	(300,000)	150,000	150,000	-	150,000
F.M. Brand	450,000	-	-	(300,000)	150,000	150,000	-	150,000
X. Wang	-	-	-	-	-	-	-	-
P.W. Bridgwood	450,000	-	-	(300,000)	150,000	150,000	-	150,000
N. Marshall	450,000	-	-	(300,000)	150,000	150,000	-	150,000
L.K. Bond	450,000	-	-	(300,000)	150,000	150,000	-	150,000
G. Zhang	-	-	-	-	-	-	-	-
Executives								
D.M. Gardner	-	-	-	-	-	-	-	-
G.J.F. Triglavcanin	-	-	-	-	-	-	-	-
L.A. Clark	-	-	-	-	-	-	-	-
S.R. Della Mattea	-	-	-	-	-	-	-	-
Total	2,250,000	-	-	(1,500,000)	750,000	750,000	-	750,000

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

(c) Performance rights holdings of Key Management Personnel (Continued)

30 June 2012	Balance at beginning of year	Granted as remuner- ation	Rights exercised	Rights cancelled/ forfeited	Balance at end of year	Vested at 30 June 2012		
	1 July 2011				30 June 2012	Total	Not exer- cisable	Exer- cisable
Directors								
R.J. Beresford	450,000	-	-	-	450,000	-	-	-
F.M. Brand	450,000	-	-	-	450,000	-	-	-
X. Wang	-	-	-	-	-	-	-	-
P.W. Bridgwood	450,000	-	-	-	450,000	-	-	-
N. Marshall	450,000	-	-	-	450,000	-	-	-
L.K. Bond	450,000	-	-	-	450,000	-	-	-
G. Zhang	-	-	-	-	-	-	-	-
Executives								
D.M. Gardner	-	-	-	-	-	-	-	-
G.J.F. Triglavcanin	-	-	-	-	-	-	-	-
L.A. Clark	-	-	-	-	-	-	-	-
S.R. Della Mattea	-	-	-	-	-	-	-	-
Total	2,250,000	-	-	-	2,250,000	-	-	-

(d) Shareholdings of Key Management Personnel (Consolidated)

**Shares held in
Liquefied Natural
Gas Ltd (number)**

30 June 2013	Ordinary Shares			Balance 30 June 2013
	Balance 1 July 2012	On exercise of options	Net other change	
Directors				
R.J. Beresford	369,692	-	-	369,692
F.M. Brand	6,000,000	-	-	6,000,000
X. Wang	-	-	-	-
P.W. Bridgwood	13,290,040	-	-	13,290,040
N. Marshall	1,657,692	-	-	1,657,692
L.K. Bond	-	-	-	-
G. Zhang	-	-	-	-
Executives				
D.M. Gardner	17,000	-	-	17,000
G.J.F. Triglavcanin	-	-	-	-
L.A. Clark	-	-	-	-
S.R. Della Mattea	-	-	-	-
Total	21,334,424	-	-	21,334,424

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FOR THE YEAR ENDED 30 JUNE 2013

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

(d) Shareholdings of Key Management Personnel (Continued)

Shares held in Liquefied Natural Gas Ltd (number)	Ordinary Shares			
	Balance 1 July 2011	On exercise of options	Sales	Balance 30 June 2012
30 June 2012				
Directors				
R.J. Beresford	369,692	-	-	369,692
F.M. Brand	10,000,000	-	(4,000,000)	6,000,000
X. Wang	-	-	-	-
P.W. Bridgwood	13,290,040	-	-	13,290,040
N. Marshall	1,857,692	-	(200,000)	1,657,692
L.K. Bond	-	-	-	-
G. Zhang	-	-	-	-
Executives				
D.M. Gardner	17,000	-	-	17,000
G.J.F. Triglavcanin	-	-	-	-
L.A. Clark	-	-	-	-
S.R. Della Mattea	-	-	-	-
Total	25,534,424	-	(4,200,000)	21,334,424

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

(e) Loans to Key Management Personnel

There were no loans made to KMP personnel during the year.

(f) Other transactions and balances with Key Management Personnel

Directors fees paid to Clearer Sky Pty Ltd, a company in which Mr. R.J. Beresford is a director for the financial year amounted to \$83,268 (excluding GST) [2012: \$91,270]. At reporting date, no amount is outstanding [2012: \$Nil].

Directors fees paid to Breakthrough Energy Pty Ltd, a company in which Ms. L.K. Bond is a director for the financial year amounted to \$54,000 (excluding GST) [2012: \$60,000]. At reporting date, \$nil is outstanding [2012: \$nil].

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

Other than the above, other consultancy services provided by Clearer Sky Pty Ltd amounted to \$42,780 (excluding GST) [2012: \$68,237].

LIQUEFIED NATURAL GAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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29. COMMITMENTS

(a) Operating lease commitments – the Group as lessee

On 29 October 2004, the Company entered into an operating lease for the office space situated on the Ground floor, 5 Ord Street, West Perth, Western Australia. The Company has exercised an option under the lease to extend the lease term on several occasions. On 29 July 2012 the lease term was extended for a further two years to 29 July 2014.

On 6 October 2008, the Company's subsidiary, LNG International Pty Ltd, entered into an operating lease for office space in Brisbane, Australia. The lease was subsequently extended on a monthly basis at a monthly rental of \$5,417 excluding GST, and was terminated by giving one month notice on 2 June 2013.

On 4 January 2010, the Company's controlled entity, PT LNG Energi Utama, entered into an operating lease for a residential house in Jakarta, Indonesia. The lease term was from 1 January 2010 to 31 December 2012. The rental fee is US\$30,000 per six months, paid in advance. The lease period was extended for a minimum period of 1 year to 31 December 2013 by giving 90 days notice.

On 14 May 2010, the Company's controlled entity, PT LNG Energi Utama, entered into an operating lease for a photocopier rental. The lease term was from 14 May 2010 to 13 May 2012. The rental fee is IDR. 2,445,000 per month plus 10% value added tax, payable in advance. The agreement has been automatically rolled over, and can be terminated by 30 days prior written notice to the lessor.

	CONSOLIDATED	
	2013	2012
	\$	\$
Future minimum rentals payable under non-cancellable operating leases as at 30 June is as follows:		
- Within one year	204,871	325,562
- After one year but not more than five years	14,355	310,128
Aggregate non-cancellable operating lease expenditure contracted for at reporting date	219,226	635,690

(b) Finance lease – the Group as lessee

There are no finance leases at 30 June 2013 (2012: nil).

(c) Capital commitments

At year end, there were no commitments in relation to the purchase of plant and equipment (2012: \$Nil).

(d) Other expenditure and remuneration commitments

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

	CONSOLIDATED	
	2013	2012
	\$	\$
- Within one year	1,620,303	2,138,618
	1,620,303	2,138,618

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

30. CONTINGENCIES

(a) Insurance claims

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

(b) Legal claims

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

(c) Guarantees

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

Gladstone LNG Pty Ltd has provided a bank guarantee (issued by ANZ Bank) for the amount of A\$151,106, in favour of DERM, which is a condition of DERM's environmental authority approval for the Gladstone LNG Project's proposed gas pipeline. The bank guarantee is valid until it is no longer required by the State of Queensland.

Term deposits of A\$945,000 are held by the Company and pledged as security for the above guarantees (note 14).

31. EVENTS AFTER BALANCE DATE

(a) 2 MTPA Tolling Agreement Term Sheet Signed with Gunvor Group

On 17 July 2013, the Company's wholly-owned subsidiary, Magnolia LNG LLC (MLNG), executed a Tolling Agreement Term Sheet (Agreement) with Brightshore Overseas Ltd (Brightshore), an affiliate of Gunvor Group. The Agreement details the key terms to be included in a legally binding tolling agreement (Tolling Agreement), including:

- Brightshore shall be responsible to deliver gas, including gas usage for the LNG plant, at its own expense, to MLNG's 100% owned Magnolia LNG Project (MLNG Project) in Louisiana, United States, for liquefaction, storage, and delivery onto LNG ships arranged by Brightshore;
- A term of 20 years from first LNG production, plus a five year extension option at Brightshore's election;
- MLNG shall reserve, for Brightshore, firm LNG production capacity of 1.7 million tonnes per annum (mtpa), plus 0.3 mtpa of interruptible capacity, in total being equivalent to one LNG train;
- Brightshore will pay to MLNG:
 - Fixed Monthly Capacity Fee over the 20 years, that totals approximately US\$3.7 billion;
 - Fixed Monthly Operating and Maintenance Fee, which increases in line with US inflation; and
 - Variable Operating and Maintenance Fee based on actual LNG production and which increases in line with US inflation;
- Brightshore will also pay a Fixed Monthly Bonus Capacity Fee in the event that MLNG obtains authorisation from the USA Department of Energy, Office of Fossil Energy, for the export of LNG to countries that do not have a Free Trade Agreement with the USA;
- MLNG to provide certain preferential rights to Brightshore, as a foundation customer of the Magnolia LNG Project; and
- The parties' agreement to work together with the intention to agree a legally binding Tolling Agreement. The Company is required to submit the first draft by the 30 September 2013.

(b) Stonepeak Strategic Alliance and Project Equity Magnolia LNG Project

On 31 July 2013, the Company entered into a Project Development Cooperation and Equity Term Sheet (Agreement) with Stonepeak Partners LP (Stonepeak), in relation to the Company's MLNG Project. The Agreement details the key terms of proposed definitive agreements to be negotiated and entered into between Stonepeak and the Company, pursuant to which:

31. EVENTS AFTER BALANCE DATE (Continued)

- Stonepeak and the Company will cooperate in the development of the MLNG Project; and
- Stonepeak will provide 100% of the project equity finance from financial close, for the construction and commissioning of the MLNG Project, in consideration of a % interest in the MLNG Project (at financial close) determined by an agreed Stonepeak internal rate of return on its investment at such time.

Based on the initial development plan of 2 LNG trains, with a total capacity of 4 million tonnes of LNG per annum, it is assessed that Stonepeak would hold ~50% of the MLNG Project for contributing the full US\$660 million project equity requirement. The Company would retain ~50% of the MLNG Project.

The estimated capital cost of the initial development is US\$2,200 million. The Company plans to finance the MLNG Project based on 70% project debt financing, with the 30% project equity financing provided by Stonepeak. The ownership split between Stonepeak and the Company will be determined at financial close, based on the MLNG Project financial model agreed between Stonepeak and the Company.

The Company and Stonepeak will now proceed to progress Definitive Agreements, within the agreed term of 60 days from the date of the Agreement. In summary, the key terms under the Agreement include:

- Stonepeak and the Company to form a strategic alliance dedicated to the development, construction and operation of the MLNG Project;
- Stonepeak will commit to provide 100% of the MLNG Project equity from financial close, which is estimated at ~US\$660million;
- Stonepeak will pay to the Company a one-off success fee on the MLNG Project achieving financial close, calculated on 3% of the total MLNG Project capital cost (such fee is estimated at US\$66 million);
- Stonepeak will assist the Company secure long term project debt financing, which is estimated at US\$1,540 million. In this regard, Stonepeak will work with the Company in ensuring all MLNG Project material agreements and other documents are in bankable form; and
- Stonepeak will be entitled to appoint one manager to the Board of Magnolia LNG, LLC (MLNG Project ownership company), but the manager will have no voting rights prior to financial close and the commencement of Stonepeak's project equity financing contribution.

(c) \$8.6 Million Capital Raising to Progress the Magnolia LNG Project (MLNG Project):

(i) \$8 Million Share Placement

On 31 July 2013, the Company completed a placement of 40 million new fully paid ordinary shares at \$0.20 each (Placement), to institutional and sophisticated investors, to raise \$8 million.

The \$8 million placement proceeds will be used to fund the Company's:

- MLNG Project; and
- general working capital requirements.

(ii) Share Purchase Plan (SPP)

On 9 August 2013, the Company invited eligible shareholders to participate in a Share Purchase Plan at \$0.2065 per share, which closed on 30 August 2013. The SPP raised a further \$646,345 in share capital to progress the MLNG Project and to fund general working capital.

(d) New Company Director Appointed

On 1 August 2013, Madam Wang Xinge (Cathy) resigned as an Executive Director and Joint Chief Executive Officer and Madam Yao Guihua (Grace) was appointed as her replacement. In accordance with the terms of the Process Deed between the Company and China Huanqiu Contracting & Engineering Corporation (HQC), Madam Yao was nominated by HQC and this appointment was approved by the Company's Board of Directors, but is subject to approval by shareholders at the next Annual General Meeting in November 2013.

LIQUEFIED NATURAL GAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

31. EVENTS AFTER BALANCE DATE (Continued)

(e) Heads of Agreement with Gas Natural SDG, SA for up to 2 MPTA from Magnolia LNG

The Company has signed a non-binding Tolling Heads of Agreement (HOA) with Gas Natural SDG, S.A. (GNF), part of the Gas Natural Fenosa Group, in relation to the Company's 100% owned MLNG Project. The term of the HOA is to 30 June 2014 and, under the provisions of the HOA, GNF will now undertake detailed due diligence of the MLNG Project and the Company will prepare the first draft of the proposed definitive Tolling Agreement (by no later than 31 October 2013). The Tolling Agreement will be between GNF and the Company's wholly owned project company, Magnolia LNG, LLC (MLNG).

The HOA provides for a proposed 20 year Tolling Agreement, including firm LNG production capacity of up to 1.7 million tonnes per annum and additional interruptible capacity.

Under the proposed Tolling Agreement GNF will be responsible for delivery of gas, including gas usage for the LNG plant, at its own expense, to the MLNG Project for liquefaction, storage, and delivery onto LNG ships arranged or designated by GNF. In consideration of MLNG's provision of the tolling services, GNF will pay to MLNG a fixed monthly capacity fee, over the 20 year tolling term, and other fees in relation to the MLNG Project's fixed and variable operating and maintenance costs.

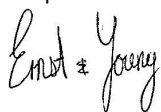
32. AUDITORS REMUNERATION

The auditor of the Company is EY Australia.

	CONSOLIDATED	
	2013	2012
	\$	\$
Amounts received or due and receivable by Ernst & Young (Australia) for:		
- Audit or review of the financial report of the entity and any other entities in the Consolidated Group	61,825	59,646
- Other services in relation to the entity and any other entities in the Consolidated Group:		
- tax and other services	47,090	68,049
	108,915	127,695
- Tax services provided by overseas EY firm	21,591	67,131
	21,591	67,131
Amounts received or due and receivable by EY	130,506	194,826
Amounts received or due and receivable by non EY audit firms	-	-
	-	-

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

In relation to our audit of the financial report of Liquefied Natural Gas Limited for the financial year ended 30 June 2013, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.



Ernst & Young



R J Curtin
Partner
Perth
24 September 2013

DIRECTORS' DECLARATION

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

In the opinion of the directors:

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

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

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

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

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

(d) this declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ending 30 June 2013.

On behalf of the Board



R.J. Beresford
Chairman

Perth, Western Australia
24 September 2013

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

Report on the Financial Report

We have audited the accompanying financial report of Liquefied Natural Gas Limited, which comprises the consolidated statement of financial position as at 30 June 2013, the statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory material, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the Year End financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

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

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Opinion

In our opinion:

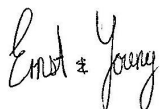
- a. the financial report of Liquefied Natural Gas Limited is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Liquefied Natural Gas Limited for the year ended 30 June 2013, complies with section 300A of the *Corporations Act 2001*.



Ernst & Young



R J Curtin
Partner
Perth

24 September 2013

ASX Additional Information

Additional information required by the ASX and not shown elsewhere in this report is as follows. The information is current as at 23 September 2013.

(a) Distribution of equity securities

(i) Ordinary share capital

- 310,829,015 fully paid ordinary shares are held by 6,796 individual shareholders.

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

(ii) Options

- 2,110,000 unlisted options over ordinary shares are held by 9 individual option holders.

The options do not carry a right to vote.

(iii) Performance rights

- 750,000 unlisted performance rights over ordinary shares are held by 5 individual rights holders.

The rights do not carry a right to vote.

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

	Fully paid ordinary shares	Options	Performance rights
	Number of holders	Number of holders	Number of holders
1 – 1,000	1,024	-	-
1,001 – 5,000	2,226	-	-
5,001 – 10,000	1,255	-	-
10,001 – 100,000	2,035	5	-
100,001 and over	1,256	4	5
	7,796	9	5
The number of shareholders holding less than a marketable parcel of shares are:	1,482	-	-

LIQUEFIED NATURAL GAS LIMITED
ASX ADDITIONAL INFORMATION

c) Twenty largest shareholders

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

Ordinary shares	Listed ordinary shares	
	Number of shares	Percentage of ordinary shares
1 China Huanqiu Contracting & Engineering Corporation	53,250,000	17.13
2 HSBC Custody Nominees (Australia) Limited	25,419,197	8.18
3 Citicorp Nominees Pty Limited	12,575,108	4.05
4 Mr Paul Bridgwood	13,390,040	4.31
5 HSBC Custody Nominees (Australia) Limited <CW A/C>	7,568,071	2.43
6 Mr Bassam Abou Chahla & Ms Cherie Abou Chahla <Abou Chahla Family S/F A/C>	6,902,850	2.22
7 Mr Andrew Bruce & Mrs Wendy Bruce <Bruce Family S/F A/C>	6,500,000	2.09
8 Sasigas Nominees Pty Ltd <Fletcher M Brand Family A/C>	6,070,000	1.95
9 Spacetime Pty Ltd <Copulos Exec S/F No 1 A/C>	5,686,528	1.83
10 Thorney Holdings Pty Ltd	3,750,000	1.21
11 Mr Phillip John Harvey	3,000,010	0.97
12 Dr Michael Ian Nissen	2,519,692	0.81
13 Tri-Star Petroleum Company	2,500,000	0.80
14 SPO Equities Pty Limited	2,500,000	0.80
15 Uob Kay Hian (Hong Kong) Limited <Clients A/C>	2,436,138	0.78
16 Sand King Pty Ltd	2,392,000	0.77
17 USB Nominees Pty Ltd	2,063,757	0.66
18 Supermax Pty Ltd <Supermax Super Fund A/C>	2,000,000	0.64
19 Brispot Nominees Pty Ltd	1,951,126	0.63
20 Andwendrod Services Pty Ltd	1,880,000	0.60
	164,354,517	52.88

d) Substantial shareholders

Ordinary shareholders	Fully paid	
	Number	Percentage
China Huanqiu Contracting & Engineering Corporation	53,250,000	17.13
Copulos Group (HSBC Custody Nominees (Australia) Limited <CW A/C> and others)	25,704,029	8.27
	78,954,029	25.40

e) Cash used in operations

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