LIQUEFIED NATURAL GAS LIMITED

ABN 19 101 676 779

FINANCIAL REPORT
FOR THE HALF - YEAR ENDED
31 DECEMBER 2013

LIQUEFIED NATURAL GAS LIMITED
ABN 19 101 676 779

Contents

	Page No.
Corporate Information	1
Directors' Report	2
Auditor's Independence Declaration	5
Statement of Comprehensive Income	6
Statement of Financial Position	7
Statement of Changes in Equity	8
Statement of Cash Flows	9
Notes to the Financial Statements	10
Directors' Declaration	20
Auditor's Independent Review Report	21

Corporate Information

LIQUEFIED NATURAL GAS LIMITED
ABN 19 101 676 779

DIRECTORS
Richard Jonathan Beresford, Non-Executive Chairman
Leeanne Kay Bond, Non-Executive Director
Zhang Gaowu (Gavin), Non-Executive Director
Fletcher Maurice Brand, Managing Director and Joint-Chief Executive Officer
Yao Guihua (Grace), Executive Director and Joint-Chief Executive Officer

COMPANY SECRETARY
David Michael Gardner

REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS
Ground Floor, 5 Ord Street
West Perth, WA, 6005
Telephone: +61 (08) 9366 3700
Facsimile: +61 (08) 9366 3799
Email: LNG@LNGlimited.com.au
Website: www.lnglimited.com.au

HOUSTON OFFICE
1001 McKinney, Suite 400
Houston, TX, USA 77002
Telephone: +1 (713) 815 6900
Facsimile: +1 (713) 815 6905
Email: info@magnolialng.com
Website: www.MagnoliaLNG.com

LAKE CHARLES OFFICE
Suite 1810, Capital One Tower
1 Lakeshore Drive
Lake Charles, LA, USA 70629

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

SOLICITORS
Hardy Bowen
1/28 Ord St
West Perth WA 6005

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

SHARE REGISTRY
Link Market Services Limited
Ground Floor, 178 St Georges Terrace
Perth WA 6000
Telephone (within Australia): 1300 554 474
Telephone (outside Australia): +61 2 8280 7111

ASX CODE LNG
LEVEL 1 ADR ON OTC CODE: LNGLY

DIRECTORS' REPORT

Your directors submit their report for the half-year ended 31 December 2013.

DIRECTORS

The names of the Company's directors in office during the half-year and until the date of this report are as below.

Directors were in office for the entire period (unless otherwise stated).

Richard Jonathan Beresford	Non-Executive Chairman
Leeanne Kay Bond	Non-Executive Director
Zhang Gaowu (Gavin)	Non-Executive Director
Fletcher Maurice Brand	Managing Director & Joint-Chief Executive Officer
Yao Guihua (Grace)	Executive Director & Joint-Chief Executive Officer (appointed 1 August 2013)

Wang Xinge (Cathy) resigned from the Board on 1 August 2013 and was replaced by Yao Guihua (Grace).

Paul William Bridgwood and Norman Marshall stepped down from the Board after the Company's Annual General Meeting on the 25 November 2013 but continue in their key executive roles of Chief Technical Officer and Chief Financial Officer respectively.

REVIEW AND RESULTS OF OPERATIONS

During the half-year to 31 December 2013 the Company has continued to progress its 100% owned 8 million tonnes per annum (***mtpa***) LNG project in Lake Charles, Louisiana, United States (***Magnolia LNG Project***). The Magnolia LNG Project is owned and being developed by the Company's wholly owned United States subsidiary Magnolia LNG LLC (***MLNG***) with the following objectives achieved during the half-year:

(i) MLNG executed an Equity Commitment Agreement with Stonepeak Partners LP (***Stonepeak***) for:

- Full equity funding requirement from Financial Close, estimated at US$660 million, for construction and commissioning of the Magnolia LNG Project's initial two LNG trains (totalling 4 mtpa). Based on current estimates Stonepeak will hold approximately 50% of MLNG's equity from Financial Close and the Company will retain 50%;
- Payment to the Company at Financial Close of a US$66 million success fee;
- Payment to the Company of up to US$50 million in OSMR® technology license fees, based on 8 mtpa, with 50% payable at Financial Close and 50% at Commercial Operations Date; and
- Stonepeak to assist MLNG to negotiate and execute all definitive project agreements and to arrange the estimated US$1,540 million of project debt finance.

(ii) BNP Paribas was appointed as Financial Advisor, to work with MLNG and Stonepeak in securing long term project debt financing of US$1,540 million.

(iii) MLNG filed applications for an additional 4 mtpa of LNG exports to US Free Trade Agreement (***FTA***) countries (now totalling 8 mtpa) and up to 8 mtpa of LNG exports to non FTA countries.

(iv) Draft definitive Tolling Agreements submitted to Brightshore Overseas Ltd (an affiliate of Gunvor Group) and Gas Natural SDG SA, each for up to 2 mtpa of plant production capacity.

(v) Tolling Agreement Term Sheet signed with LNG Holdings Corp., for up to 2 mtpa of plant production capacity. LNG Holdings Corp., is advised by West Face Capital Inc., (***West Face***) and owned by a fund managed by West Face.

(vi) Six Monthly Progress Reports were filed with the US Federal Energy Regulatory Commission (***FERC***). FERC is the primary approval authority for US LNG projects.

(vii) MLNG established company and project offices in Houston, Texas and Lake Charles, Louisiana, United States.

Financial Results

The consolidated net loss after income tax for the half-year, excluding non-controlling interest, was $7,698,757 (2012: $4,571,889), up 67% on the previous corresponding period due to ongoing progression of the Magnolia LNG Project.

Corporate

During August 2013, the Company issued 40,000,000 new shares via a Share Placement at $0.20/share, and 3,130,000 new shares via a Share Purchase Plan at $0.2065/share, raising $8,646,345 (before costs). The Company raised a further $10,850,000 (before costs) in December 2013, through a Share Placement of 35,000,000 new shares at $0.31/share.

Paul William Bridgwood and Norman Marshall stepped down from the Board after the Company's Annual General Meeting on the 25 November 2013 but continue in their key executive roles of Chief Technical Officer and Chief Financial Officer respectively.

There were no further material corporate developments during the half-year to 31 December 2013. The immediate objectives of the Company are to position the Magnolia LNG Project to proceed to final investment decision and to globally promote the use of the Company's 100% owned and developed OSMR® LNG process technology.

SIGNIFICANT EVENTS AFTER BALANCE DATE

The following significant events have occurred subsequent to the half-year ended 31 December 2013:

Magnolia LNG Project (Louisiana, USA)

(a) American Depository Receipts Program

The Company arranged for the quotation of its American Depositary Receipts (***ADRs***) on the OTC International platform in the United States. The Company's ADRs trade under the symbol "LNGLY" and represent 1 ADR for every 40 ordinary Company shares. The Company will continue to trade under the symbol "LNG" on the Australian Securities Exchange (***ASX***).

The ADRs enable qualifying non-US companies to have direct exposure to the US investment community and will complement the Company's listing on the ASX.

(b) Kinder Morgan Louisiana Pipeline Capacity Agreement

MLNG executed a legally binding pipeline capacity agreement, known in the United States as a Precedent Agreement **(*PA*)**, with Kinder Morgan Louisiana Pipeline LLC (***KMLP***). The PA secures sufficient firm gas transportation service rights for the full 8 mtpa capacity of the Company's Magnolia LNG Project.

The PA provides firm gas transportation rights for each of the four LNG trains proposed for the Magnolia LNG Project, from various receipt points along the existing KMLP pipeline to the Magnolia LNG Project site.

(c) Memorandum of Understanding with SKEC Group

MLNG executed a Memorandum of Understanding (***MOU***) with SK Engineering and Construction Co. Ltd and its subsidiary SK E&C USA, Inc. (***SKEC Group***). The MOU relates to the preferred engagement of the SKEC Group as the engineering, procurement and construction (***EPC***) contractor for the 8 mtpa Magnolia LNG Project.

Under the MOU the parties agree to negotiate in good faith a Technical Services Agreement pursuant to which SKEC Group and MLNG will undertake the necessary activities to conclude a bankable Fixed Price EPC Contract. The key scope of activities under the Technical Services Agreement will include:

- Review all the Resource Reports submitted to FERC and assist MLNG to complete the FERC filing process through to FERC Notice to Proceed with construction;
- Complete sufficient Front End Engineering Design (***FEED***) and open book cost estimating activities, in conjunction with MLNG, to enable the Fixed Price under the EPC Contract to be agreed; and

- Negotiate the Fixed Price EPC Contract, including compensation to MLNG by way of liquidated damages for late completion and LNG plant performance non-compliance, on terms satisfactory to MLNG, Stonepeak equity partner and project debt finance providers.

The SKEC Group has already satisfactorily completed a detailed review of the Company's OSMR® process technology, which will be employed in the Magnolia LNG Project and as a result, subject to final FEED verification, each LNG train will have a design capacity of a minimum of 2 mtpa and a SKEC Group guaranteed capacity of 1.7 mtpa.

The SKEC Group has also provided the Company with an initial estimate of the EPC costs of US$1,570 million, which is consistent with the Company's budget estimate, including appropriate contingencies. This estimate is for the Magnolia LNG Project's initial development phase of 2 LNG trains (totalling 4 mtpa), including gas treatment facilities, 2 x 160,000 m^3 storage tanks, jetty/ship loading facilities and related infrastructure for the full 8 mtpa Magnolia LNG Project.

(d) Tolling Agreement Term Sheet signed with AES Group

MLNG executed a non-binding Tolling Agreement Term Sheet (***Agreement***), with AES Latin American Development, Ltd (***AES***) which is a wholly owned subsidiary of The AES Corporation Group (NYSE: AES).

The Agreement is for LNG production capacity rights of between 0.8 mtpa and 1 mtpa from the Magnolia LNG Project.

AES is a Fortune 200 global power company with extensive investment in power generation throughout the Caribbean and Latin America (www.aes.com), including countries such as the Dominican Republic, Chile, El Salvador, and Colombia, all of which have Free Trade Agreements with the United States of America.

The Agreement details the key terms to be included in a legally binding tolling agreement (***Tolling Agreement***). The parties have agreed to work together with the intention to finalise the Tolling Agreement by 30 September 2014. The Agreement with AES is structured and contains similar terms to the Tolling Agreement Term Sheets already signed with Brightshore Overseas Limited (subsidiary of the Gunvor Group), and LNG Holdings Corp., (owned by a fund managed by West Face Capital Inc).

(e) United States Department of Energy Approval

The United States Department of Energy (***DOE***) granted authorisation for MLNG to export an additional 4 mtpa of LNG, from the Magnolia LNG Project to FTA countries. This follows the DOE's initial approval granted on 26 February 2013 to export up to 4 mtpa of LNG to FTA countries.

The DOE authorisation is valid for first LNG sales to commence within 10 years and then for a period of 25 years from first LNG sales. LNG sales are permitted to all existing, and any future, countries that have, or enter into, a Free Trade Agreement with the Government of the United States.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration on page 5 forms part of the Directors' Report for the half-year ended 31 December 2013.

Signed in accordance with a resolution of the directors.

Richard Beresford

R. J. Beresford	F.M. Brand	G. Yao
Chairman	Joint Chief Executive Officer	Joint Chief Executive Officer
12 March 2014	12 March 2014	12 March 2014

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

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

In relation to our review of the financial report of Liquefied Natural Gas Limited for the half-year ended 31 December 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

Ernst & Young

Fiona Drummond
Partner
12 March 2014

Statement of Comprehensive Income

		CONSOLIDATED	
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013	***Note***	***2013 $***	*2012 $*
Revenue	2a	86,606	136,575
		86,606	136,575
Other income	2b	307,647	355,658
Administration expenses		(2,097,631)	(1,427,463)
Project development expenses		(5,842,379)	(2,869,260)
Other expenses		(152,236)	(781,108)
Finance costs		(2,992)	-
Loss from continuing operations before income tax		**(7,700,985)**	(4,585,598)
Income tax expense		-	-
Loss from continuing operations after income tax		**(7,700,985)**	(4,585,598)
Net loss for the period		**(7,700,985)**	(4,585,598)
Attributable to:			
Non-controlling interest		(2,228)	(13,709)
Owners of the Parent		(7,698,757)	(4,571,889)
		(7,700,985)	(4,585,598)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		124,745	60,189
Other comprehensive income for the period, net of tax		**124,745**	60,189
Total comprehensive loss for the period		**(7,576,240)**	(4,525,409)
Attributable to:			
Non-controlling interest		(2,228)	(13,709)
Owners of the Parent		(7,574,012)	(4,511,700)
		(7,576,240)	(4,525,409)
Loss per share from continuing operations attributable to the ordinary equity holders of the Parent:		**Cents**	Cents
– basic loss per share		**(2.27)**	(1.71)
– diluted loss per share		**(2.27)**	(1.71)

Statement of Financial Position

		CONSOLIDATED	
AS AT 31 DECEMBER 2013	***Note***	***31 December 2013*** ***$***	*30 June 2013* *$*
ASSETS			
Current assets			
Cash and cash equivalents	3	12,859,650	1,583,418
Trade and other receivables		442,428	39,844
Other financial assets		945,000	945,000
Prepayments		94,518	67,059
Total current assets		**14,341,596**	**2,635,321**
Non-current assets			
Available for sale financial assets	4	-	481,520
Receivables		299	299
Plant and equipment		209,562	123,052
Total non-current assets		**209,861**	**604,871**
TOTAL ASSETS		**14,551,457**	**3,240,192**
LIABILITIES			
Current liabilities			
Trade and other payables		1,558,366	1,117,320
Provisions		274,748	255,587
Interest-bearing liabilities		2,714	-
Total current liabilities		**1,835,828**	**1,372,907**
Non-current liabilities			
Provisions		378,517	301,087
Interest-bearing liabilities		13,668	-
Total non-current liabilities		**392,185**	**301,087**
TOTAL LIABILITIES		**2,228,013**	**1,673,994**
NET ASSETS		**12,323,444**	**1,566,198**
EQUITY			
Equity attributable to equity holders of the Parent:			
Contributed equity		135,842,952	117,509,466
Reserves		10,919,684	10,794,939
Accumulated losses		(134,326,188)	(126,627,431)
Parent interests		**12,436,448**	**1,676,974**
Non-controlling interests		**(113,004)**	**(110,776)**
TOTAL EQUITY		**12,323,444**	**1,566,198**

Statement of Changes in Equity

FOR THE HALF YEAR ENDED 31 DECEMBER 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 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
Loss for the period	–	–	–	–	–	–	(7,698,757)	(7,698,757)	(2,228)	(7,700,985)
Other comprehensive income	–	–	–	–	–	124,745	–	124,745	–	124,745
Total comprehensive income/(loss) for the half year	–	–	–	–	–	124,745	(7,698,757)	(7,574,012)	(2,228)	(7,576,240)
Transactions with owners in their capacity as owners										
Shares issued on share placement	19,496,345	–	–	–	–	–	–	19,496,345	–	19,496,345
Less: Share issue costs	(1,162,859)	–	–	–	–	–	–	(1,162,859)	–	(1,162,859)
At 31 December 2013	**135,842,952**	**5,554,762**	**484,875**	**4,032,001**	**578,292**	**269,754**	**(134,326,188)**	**12,436,448**	**(113,004)**	**12,323,444**
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
Loss for the period	–	–	–	–	–	–	(4,571,889)	(4,571,889)	(13,709)	(4,585,598)
Other comprehensive income	–	–	–	–	–	60,189	–	60,189	–	60,189
Total comprehensive income/(loss) for the half year	–	–	–	–	–	60,189	(4,571,889)	(4,511,700)	(13,709)	(4,525,409)
Transactions with owners in their capacity as owners										
Share-based payments	–	(131,360)	50,618	–	–	–	–	(80,742)	–	(80,742)
At 31 December 2012	117,509,466	5,554,762	482,523	4,032,001	578,292	313,512	(117,815,671)	10,654,885	(101,547)	10,553,338

Statement of Cash Flows

		CONSOLIDATED	
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013	***Note***	***2013***	*2012*
		$	*$*
Cash flows from operating activities			
Payments to suppliers and employees		(7,737,440)	(4,446,473)
Interest received		77,064	148,696
Receipts from customers and the Australian Tax Office		38,576	9,627
Net cash flows used in operating activities		**(7,621,800)**	(4,288,150)
Cash flows from investing activities			
Proceeds from sale of available for sale financial assets		442,496	-
Purchase of plant and equipment		(40,077)	(5,827)
Net cash flows from/(used in) investing activities		**402,419**	(5,827)
Cash flows from financing activities			
Proceeds from issue of shares		19,496,345	-
Less: Share issue costs		(1,162,859)	-
Repayment of finance lease liability		(216)	-
Payment for finance lease interest		(133)	-
Net cash flows from financing activities		**18,333,137**	-
Net increase/(decrease) in cash and cash equivalents		**11,113,756**	(4,293,977)
Net foreign exchange differences		162,476	(20,231)
Cash and cash equivalents at beginning of period		1,583,418	6,892,295
Cash and cash equivalents at end of period		**12,859,650**	2,578,087

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

General Information

This general purpose condensed financial report for the half-year ended 31 December 2013 was authorised for issue in accordance with a resolution of the directors on 12 March 2014.

Liquefied Natural Gas Limited is a company limited by shares, domiciled and incorporated in Australia. Its shares are publicly traded on the Australian Securities Exchange.

The Company is a for-profit entity and is primarily involved in mid-scale liquefied natural gas (***LNG***) projects in the international energy market, 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.

Basis of preparation

This general purpose condensed financial report for the half-year ended 31 December 2013 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Company and its subsidiaries (the ***Group***) as the full annual financial report.

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2013 and considered together with any public announcements made by the Company during the half-year ended 31 December 2013 in accordance with the continuous disclosure obligations of the ASX Listing Rules.

The financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

The consolidated net loss after income tax for the half-year ended 31 December 2013, excluding non-controlling interest, was $7,698,757 and project development expenditure was $5,842,379. The cash balance at 31 December 2013 was $12,859,650.

In considering whether the going concern basis is appropriate for preparing this financial report, the directors recognise that current levels of working capital, whilst adequate to continue as a going concern, may be insufficient to meet its planned levels of expenditure for Magnolia LNG, LLC.

However, the directors of the Company are confident that the necessary funds will be raised as required and have concluded that the going concern basis is the appropriate basis for preparing the financial statements based on an ability to reduce both corporate and project expenditure as and if necessary, pending the raising of any required funding at the corporate or project level.

The accounting policies and method of computation are the same as those adopted by the Group in the most recent annual financial report, except the new policies as disclosed below.

New standards

The adoption of new standards and interpretations has not resulted in a material change to the financial performance or position of the Group, however, it has resulted in some changes to the Group's presentation of, or disclosure in, its half-year financial statements.

All new and amended Australian Accounting Standards and Interpretations, issued by the Australian Accounting Standards Board (***AASB***), mandatory as of 1 July 2013 to the Group have been adopted, including:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

- AASB 10 *Consolidated Financial Statements (2011)*
- AASB 11 *Joint Arrangements*
- AASB 13 *Fair Value Measurements*
- AASB 119 *Employee Benefits (2011)*
- *Annual Improvements to Australian Accounting Standards 2009 - 2011 Cycle*

The Group has not elected to early adopt any other new standards or amendments that are issued but not yet effective.

	CONSOLIDATED	
	31 Dec 2013	31ec 2012
	$	$
2. REVENUE, INCOME AND EXPENSES		
(a) Revenue		
Interest revenue	86,606	136,575
	86,606	136,575
(b) Other Income		
Research and development rebate	307,647	355,658
	307,647	355,658
(c) Expenses		
Share-based payment expense	-	(80,742)
Impairment of available for sale financial assets (note 4)	-	691,412

	CONSOLIDATED	
	31 Dec 2013	30 Jun 2013
	$	$
3. CASH AND CASH EQUIVALENTS		
For the purpose of the half-year cash flow statement, cash and cash equivalents are comprised of the following:		
Cash at bank and in hand	3,859,650	382,843
Short-term deposits	9,000,000	1,200,575
	12,859,650	1,583,418
4. AVAILABLE FOR SALE FINANCIAL ASSETS		
Shares in listed entities[1]	-	481,520
	-	481,520

[1] During the period, the Company disposed of its remaining shares in Metgasco Limited for proceeds of $442,496. At 31 December 2013, the Company did not hold any shares in Metgasco Limited.

5. DIVIDEND PAID AND PROPOSED

There were no dividends paid or proposed during the half-year ended 31 December 2013.

6. SEGMENT INFORMATION

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, 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:

Liquefied natural gas ("LNG") project development

The LNG 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, gas supply and advancement of each project to final investment decision. 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, if applicable, of each developed technology to the patent application stage with the aim to derive licensing fees or royalties from the utilization of, or the sub-licensing of, the LNG technology. The technology development and licensing has been determined as both an operating segment and a reportable segment.

Accounting policies and inter-segment transactions

The accounting policies used by the Group in reporting segments internally are the same as those contained in Note 1 to the annual report for the year ended 30 June 2013 and in the prior period.

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

6. SEGMENT INFORMATION (Continued)

The following table shows the revenue and profit or loss information for reportable segments for the half-years ended 31 December 2013 and 31 December 2012.

	Continuing operations			
Half-year ended 31 December 2013	***LNG project development***	***Investment in oil and gas discoveries***	***Technology development and licensing***	***Total***
Revenue	***$***	***$***	***$***	***$***
Inter-segment sales	-	-	-	-
Total segment revenue	**-**	**-**	**-**	**-**
Inter-segment elimination				-
Unallocated revenue				86,606
Total revenue per the statement of comprehensive income				**86,606**
Result				
Segment result	**(5,795,282)**	**(496)**	**(86,121)**	**(5,881,899)**
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				394,253
Finance costs				(2,992)
Corporate charges				(2,210,347)
Net profit/(loss) before tax per the statement of comprehensive income				**(7,700,985)**

Segment assets for the half-year ended 31 December 2013 are as follows:

Segment assets				
Segment operating assets	**450,864**	**-**	**305**	**451,169**
Unallocated assets[1]				14,100,288
Total assets from continuing operations per the balance sheet				**14,551,457**

[1] Unallocated assets primarily consisted of cash and cash equivalents of $12,859,650 and other financial assets of $945,000.

6. SEGMENT INFORMATION (Continued)

	Continuing operations			
Half-year ended 31 December 2012	*LNG project development*	*Investment in oil and gas discoveries*	*Technology development and licensing*	*Total*
Revenue	*$*	*$*	*$*	*$*
Inter-segment sales	-	-	-	-
Total segment revenue	-	-	-	-
Inter-segment elimination				-
Unallocated revenue				136,575
Total revenue per the statement of comprehensive income				136,575
Result				
Segment result	(3,516,439)	(27,118)	(44,233)	(3,587,790)
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				492,233
Finance costs				-
Corporate charges				(1,490,041)
Net profit/(loss) before tax per the statement of comprehensive income				(4,585,598)
Segment assets for the half-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 from continuing operations per the balance sheet				3,240,192

[1] Unallocated assets primarily consisted of cash and cash equivalents of $2,578,087 and other financial assets of $1,945,000.

7. COMMITMENTS AND CONTINGENCIES

(a) Capital commitments

At 31 December 2013, there were no capital commitments.

(b) Operating lease – Group as lessee

At 31 December 2013, the future minimum lease rental commitment in relation to the non-cancellable operating leases for the office premises in Australia, Indonesia and the United States occupied by the Group was $371,102 (30 June 2013: $219,226).

7. COMMITMENTS AND CONTINGENCIES (Continued)

(c) Finance lease – Group as lessee

At 31 December 2013, the future minimum lease commitment in relation to a photocopier purchased in November 2013, was $20,638 (30 June 2013: $nil). The lease expires on 4 November 2018.

(d) Contingencies – employment and consultancy contracts

The Group has entered into employment and consultancy agreements whereby the Group has agreed to pay $1,833,803 (30 June 2013: $1,620,303) in the event of termination by the Group of these employment and consultancy agreements.

(e) Guarantees

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

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

Term deposits of $945,000 are held by the Company as Other Financial Assets and pledged as security for the above guarantees. Other than the above, at balance date, there are no other contingent liabilities.

(f) Insurance claims

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

(g) Legal claims

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

8. CONTRIBUTED EQUITY

	Ordinary shares	***Ordinary shares***
	Number	***$***
Movement of shares on issue:		
At 1 July 2012	**267,699,015**	**117,509,466**
At 31 December 2012	**267,699,015**	**117,509,466**
At 30 June 2013	**267,699,015**	**117,509,466**
Issued for cash from share placements and share purchase plan	78,130,000	19,496,345
Less: Share issue costs	-	(1,162,859)
At 31 December 2013	**345,829,015**	**135,842,952**

8. CONTRIBUTED EQUITY (Continued)

(a) Ordinary shares

On 7 August 2013, 40,000,000 fully paid ordinary shares were issued for cash on share placement and 3,130,000 fully paid ordinary shares were issued for cash in a share purchase plan.

On 19 December 2013, 35,000,000 fully paid ordinary shares were issued for cash on share placement.

At 31 December 2013, 345,829,015 of the Company's ordinary shares were listed for Official Quotation on the ASX.

(b) Terms and conditions of 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 case of an equality of votes, the Chairman of the meeting shall have a second or casting vote.

Dividends

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

(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, employees and certain consultants. No employee share options were issued or cancelled during the period.

(d) Performance rights

The Company has a Performance Rights Plan under which performance rights to subscribe for the Company's ordinary shares have been granted to directors. No performance rights were issued or cancelled during the period.

9. FINANCIAL INSTRUMENTS

(a) Overview of financial instruments

Set out below is an overview of the financial instruments, other than cash, held by the Group as at 31 December 2013:

	$
Financial assets:	
Trade and other receivables	442,428
Other financial assets	945,000
Total Current	**1,387,428**
Trade and other receivables	299
Total Non-Current	**299**
Total Financial Assets	**1,387,727**

9. FINANCIAL INSTRUMENTS (Continued)

	$
Financial liabilities	
Trade and other payables	1,558,366
Interest-bearing liabilities	2,714
Total Current	**1,561,080**
Interest-bearing liabilities	13,668
Total Non-Current	**13,668**
Total Financial Liabilities	**1,574,748**

(b) Fair Values

Set out below is a comparison of the carrying amounts and fair values of financial instruments as at 31 December 2013:

	Carrying Amount $	Fair Value $
Financial assets:		
Trade and other receivables	442,428	442,428
Other financial assets	945,000	945,000
Total Current	**1,387,428**	**1,387,428**
Trade and other receivables	299	299
Total Non-Current	**299**	**299**
Total	**1,387,727**	**1,387,727**
Financial liabilities:		
Trade and other payables	1,558,366	1,558,366
Interest-bearing liabilities	2,714	2,714
Total Current	**1,561,080**	**1,561,080**
Interest-bearing liabilities	13,668	12,161
Total Non-Current	**13,668**	**12,161**
Total	**1,574,748**	**1,573,241**

(c) Risk Management Activities

Foreign exchange risk

As a result of its international activities, the Group is exposed to foreign currency risk on part of its expenditure. In order to reduce this risk the Group actively monitors its exposure to foreign currency exchange rate movements, and has been utilising natural hedges (e.g. matching foreign currency receipts and expenditure). In the future the Group will consider the implementation of foreign currency hedging instruments to mitigate potentially unfavourable foreign exchange rate movements.

9. FINANCIAL INSTRUMENTS (Continued)

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.

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.

10. SIGNIFICANT EVENTS AFTER BALANCE DATE

The following significant events have occurred subsequent to the half-year ended 31 December 2013:

(a) American Depository Receipts Program

The Company arranged for the quotation of its American Depositary Receipts (***ADRs***) on the OTC International platform in the United States. The Company's ADRs trade under the symbol "LNGLY" and represent 1 ADR for every 40 ordinary Company shares. The Company will continue to trade under the symbol "LNG" on the Australian Securities Exchange (***ASX***).

The ADRs enable qualifying non-US companies to have direct exposure to the US investment communityand will complement the Company's listing on the ASX.

(b) Kinder Morgan Louisiana Pipeline Capacity Agreement

MLNG executed a legally binding pipeline capacity agreement, known in the United States as a Precedent Agreement **(*PA*)**, with Kinder Morgan Louisiana Pipeline LLC (***KMLP***). The PA secures sufficient firm gas transportation service rights for the full 8 mtpa capacity of the Company's Magnolia LNG Project.

The PA provides firm gas transportation rights for each of the four LNG trains proposed for the Magnolia LNG Project, from various receipt points along the existing KMLP pipeline to the Magnolia LNG Project site.

(c) Memorandum of Understanding with SKEC Group

MLNG executed a Memorandum of Understanding (***MOU***) with SK Engineering and Construction Co. Ltd and its subsidiary SK E&C USA, Inc. (***SKEC Group***). The MOU relates to the preferred engagement of the SKEC Group as the engineering, procurement and construction (***EPC***) contractor for the 8 mtpa Magnolia LNG Project.

Under the MOU the parties agree to negotiate in good faith a Technical Services Agreement pursuant to which SKEC Group and MLNG will undertake the necessary activities to conclude a bankable Fixed Price EPC Contract. The key scope of activities under the Technical Services Agreement will include:

- Review all the Resource Reports submitted to FERC and assist MLNG to complete the FERC filing process through to FERC Notice to Proceed with construction;

10. SIGNIFICANT EVENTS AFTER BALANCE DATE (Continued)

- Complete sufficient Front End Engineering Design (***FEED***) and open book cost estimating activities, in conjunction with MLNG, to enable the Fixed Price under the EPC Contract to be agreed; and

- Negotiate the Fixed Price EPC Contract, including compensation to MLNG by way of liquidated damages for late completion and LNG plant performance non-compliance, on terms satisfactory to MLNG, Stonepeak equity partner and project debt finance providers.

The SKEC Group has already satisfactorily completed a detailed review of the Company's OSMR® process technology, which will be employed in the Magnolia LNG Project and as a result, subject to final FEED verification, each LNG train will have a design capacity of a minimum of 2 mtpa and a SKEC Group guaranteed capacity of 1.7 mtpa.

The SKEC Group has also provided the Company with an initial estimate of the EPC costs of US$1,570 million, which is consistent with the Company's budget estimate, including appropriate contingencies. This estimate is for the Magnolia LNG Project's initial development phase of 2 LNG trains (totalling 4 mtpa), including gas treatment facilities, 2 x 160,000 m^3 storage tanks, jetty/ship loading facilities and related infrastructure for the full 8 mtpa Magnolia LNG Project.

(d) Tolling Agreement Term Sheet signed with AES Group

MLNG executed a non-binding Tolling Agreement Term Sheet (***Agreement***), with AES Latin American Development, Ltd (***AES***) which is a wholly owned subsidiary of The AES Corporation Group (NYSE: AES).

The Agreement is for LNG production capacity rights of between 0.8 mtpa and 1 mtpa from the Magnolia LNG Project.

AES is a Fortune 200 global power company with extensive investment in power generation throughout the Caribbean and Latin America (www.aes.com), including countries such as the Dominican Republic, Chile, El Salvador, and Colombia, all of which have Free Trade Agreements with the United States of America.

The Agreement details the key terms to be included in a legally binding tolling agreement (***Tolling Agreement***). The parties have agreed to work together with the intention to finalise the Tolling Agreement by 30 September 2014. The Agreement with AES is structured and contains similar terms to the Tolling Agreement Term Sheets already signed with Brightshore Overseas Limited (subsidiary of the Gunvor Group), and LNG Holdings Corp., (owned by a fund managed by West Face Capital Inc).

(e) United States Department of Energy Approval

The United States Department of Energy (***DOE***) granted authorisation for MLNG to export an additional 4 mtpa of LNG, from the Magnolia LNG Project to FTA countries. This follows the DOE's initial approval granted on 26 February 2013 to export up to 4 mtpa of LNG to FTA countries.

The DOE authorisation is valid for first LNG sales to commence within 10 years and then for a period of 25 years from first LNG sales. LNG sales are permitted to all existing, and any future, countries that have, or enter into, a Free Trade Agreement with the Government of the United States.

11. RELATED PARTY TRANSACTIONS

Directors fees paid to Clearer Sky Pty Ltd, a company in which Mr. R.J. Beresford is a director for the half-year amounted to $37,008 (excluding GST) [2012: $46,260]. 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 half-year amounted to $24,000 (excluding GST) [2012: $30,000]. At reporting date, $nil is outstanding [2012: $nil].

Other than the above, other consultancy services provided by Clearer Sky Pty Ltd amounted to $27,085 (excluding GST) [2012: $25,798].

There were no loans made to Key Management Personnel during the year.

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 Group are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and

(ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Richard Beresford

R. J. Beresford
Chairman
Perth, Western Australia
12 March 2014

Building a better
working world

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

To the members of Liquefied Natural Gas Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying condensed half-year financial report of Liquefied Natural Gas Limited, which comprises the statement of financial position as at 31 December 2013, statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 ***Review of a Financial Report Performed by the Independent Auditor of the Entity***, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the ***Corporations Act 2001*** including: giving a true and fair view of the consolidated entity's financial position as at December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 ***Interim Financial Reporting*** and the ***Corporations Regulations 2001*** . As the auditor of Liquefied Natural Gas Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, 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.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Liquefied Natural Gas Limited is not in accordance with the ***Corporations Act 2001***, including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 ***Interim Financial Reporting*** and the ***Corporations Regulations 2001***.

Ernst & Young

Ernst & Young

Fiona Drummond
Partner
Perth
12 March 2014

FD:DJ:LNG:004