LIQUEFIED NATURAL GAS LIMITED
ABN 19 101 676 779

ANNUAL REPORT
FOR THE YEAR ENDED
30 JUNE 2011

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

COMPANY SECRETARY
David Michael Gardner

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West Perth, WA, 6005

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ASX CODE
LNG

CHAIRMAN AND MANAGING DIRECTOR'S REPORT FOR THE YEAR ENDED 30 JUNE 2011

Your Company's primary focus this year has been on the progression of our proposed, 100% owned, 3 million tonne per annum ("mtpa") Gladstone Fisherman's Landing LNG Project, in the Port of Gladstone, Queensland ("Gladstone LNG Project"). In particular, we have concentrated our endeavours on securing the gas supply necessary to enable the Gladstone LNG Project to proceed to final investment decision ("FID") and recommence construction.

During the year it became apparent that just offering an attractive gas price and early project delivery would not be enough to compete in the current Queensland gas market, which is experiencing increasing demands for gas supply to support all the LNG projects planned in the Port of Gladstone. Coal Seam Gas ("CSG") companies with uncommitted gas reserves have generally proved to be disinterested in traditional long term gas sale agreement structures, and typically they have sought to increase their gas resources and reserves and then undertake either a company or gas reserve asset sale.

We additionally recognised that we did not, in our own right, have the balance sheet or funding capacity to compete with the major oil and gas companies in acquiring CSG companies or gas assets and reserves. This prompted our decision to actively seek a strategic partner to assist us to participate in the ongoing restructure of the CSG industry in Queensland and secure gas supply for the Gladstone LNG Project. Ideally, the strategic partner would also have the technical and financial strength, which is a prerequisite in the LNG industry.

In January 2011, the Company signed a legally-binding Term Sheet with China Huanqiu Contracting & Engineering Corporation ("HQCEC"), in which the parties agreed to a placement of 53,250,000 Company shares to HQCEC and initiated the basis of co-operation to progress both the development of the Gladstone LNG Project and the use and marketing of our proprietary OSMR® LNG process technology. The Term Sheet was subject to the negotiation and execution of a definitive Placement Agreement and associated transaction documents.

Signing of the Term Sheet by Mr Wang Shihong, President and Chief Executive Officer of HQCEC and Mr Richard Beresford, Chairman of LNG LTD

On 3 May 2011, the Company and HQCEC executed a Placement Agreement and Process Deed, substantially on the same terms as the Term Sheet. On completion of the necessary transaction approvals, including Company shareholder approval on 7 June 2011, the placement of 53,250,000 shares to HQCEC was settled in July 2011, raising funds of $20,144,475 for the Company.

HQCEC, headquartered in Beijing and wholly owned by China National Petroleum Corporation ("CNPC"), is an intelligence and technology oriented State-owned enterprise, engaged in such diversified businesses as consultation, research and development, engineering, procurement and construction ("EPC") management, equipment manufacture and plant commissioning. HQCEC has more than 9,500 employees and its business activities cover 30 provinces, cities and autonomous regions across China and nearly 20 countries and regions in Southeast Asia, Western Europe, America and the Middle East. HQCEC's LNG related projects include:

- EPC contractor for China's first completed LNG receiving terminal at Guangdong in southern China;
- EPC contractor for the recently completed Jiangsu LNG receiving terminal near Shanghai;
- EPC contractor for the Dalian LNG receiving terminal, being the first LNG terminal in northern China and featuring the use of HQCEC's proprietary technology;
- EPC contractor for the Tangshan LNG receiving terminal near Beijing, which is now under construction; and
- EPC contractor for the 500,000 tonne per annum Ansai LNG production project in the Shaanxi Province China, featuring HQCEC's proprietary liquefaction technology and which is scheduled for commissioning and completion in early 2012.

CNPC is China's largest oil and gas producer and supplier, as well as one of the world's major oilfield service providers and a globally reputed contractor in engineering construction, with businesses covering petroleum exploration & production, natural gas & pipelines, refining & marketing, oilfield services, engineering construction, petroleum equipment manufacturing and new energy development, as well as capital management, finance and insurance services. CNPC has more than 1.6 million employees and oil and gas assets and interests in 30 countries in Africa, Central Asia-Russia, South America, the Middle East and the Asia-Pacific.

CNPC is a top 5 global oil and gas company and in 2011 was ranked 6th amongst the Fortune Global 500 companies.

Since the share placement:

- Madam Wang Xinge (Senior Vice President of HQCEC) has been appointed as an executive director to the Board of the Company and also as the Joint Chief Executive Officer. Madam Wang has assumed an active role in assisting the Gladstone LNG Project to secure gas supply and to position the project so that it can proceed to FID and recommence construction;
- Mr Zhang Gaowu (Deputy Director Finance and Assets of HQCEC) has been appointed as a non-executive director of the Company; and
- The Company and HQCEC are actively working together to progress the Gladstone LNG Project, including:
    - securing of gas supply and LNG offtake for the 3.0 mtpa LNG production capacity, comprising two LNG trains each with a guaranteed 1.5 mtpa production capacity;
    - provision by HQCEC of a fully termed engineering, procurement, construction and commissioning proposal for the first LNG train; and
    - equity and debt financing requirements for the first LNG train.

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

The Gladstone LNG Project comprises the development of a 3 mtpa LNG project at Fisherman's Landing (Berth No.5) in the Port of Gladstone, Queensland. The plant design is based on two LNG trains, each of a guaranteed 1.5 mtpa LNG production capacity. The current nameplate capacity of each LNG train is 1.75 mtpa which allows production of up to 3.5 mtpa based on two LNG trains.

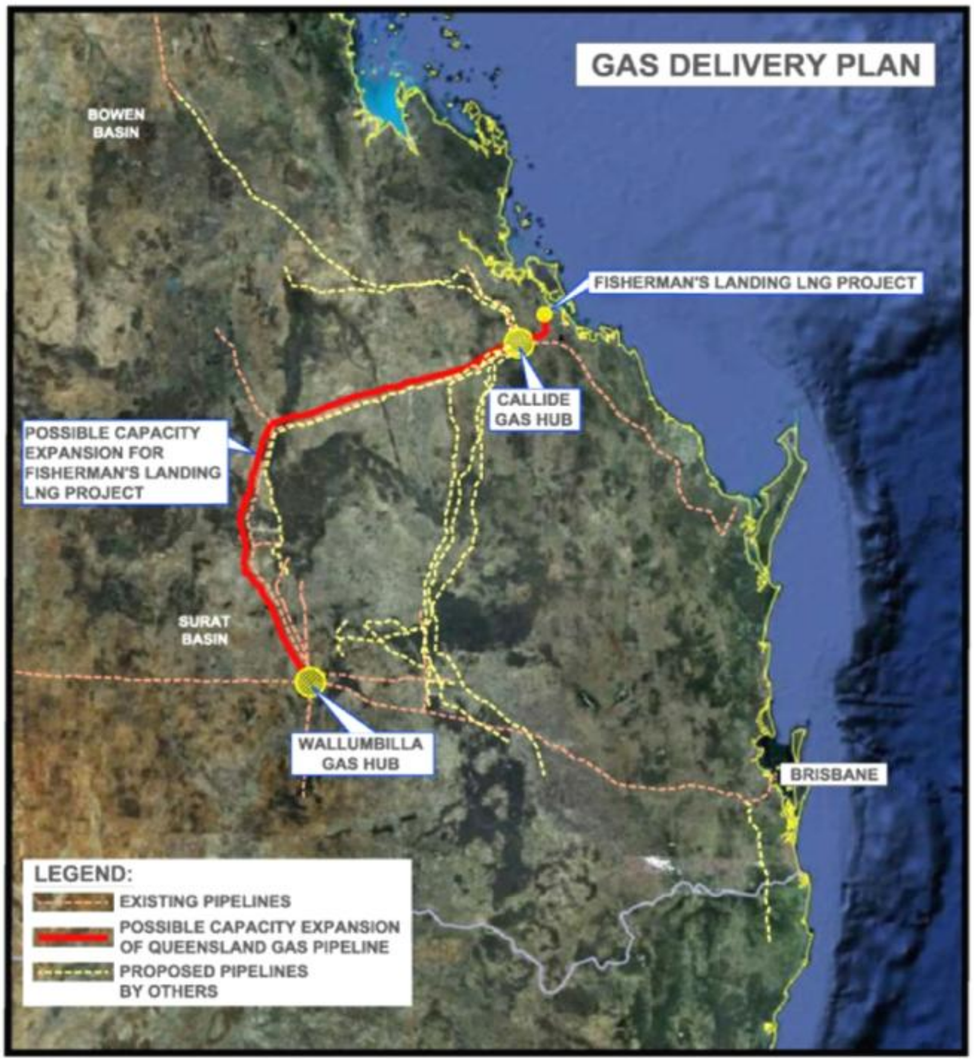
An artist's impression of the Gladstone LNG Project.

We have continued to make progress on the development of the Gladstone LNG Project, including:

- Environmental approval has been granted by the Queensland Department of Environment and Resource Management for a 21km gas pipeline from the Callide Infrastructure Corridor to the Gladstone LNG Project site. Subsequently, the Queensland Government Minister of Mines granted Pipeline Licence 161. The pipeline will enable the Gladstone LNG Project to connect to the Callide Infrastructure Corridor/Gas Hub for future gas supply to the project;

- The Company signed a Pre-Front End Engineering Design ("Pre-FEED") Study Agreement with Jemena Queensland Gas Pipeline (1) Pty Ltd ("Jemena"), to evaluate the expansion capacity of Jemena's Queensland Gas Pipeline ("QGP"), to transport gas from the Wallumbilla Gas Hub to the Callide Gas Hub at Gladstone. The Pre-FEED Study confirmed that the existing QGP can be expanded to allow for gas supply for the first LNG train to be available in 2014/15. The gas pipeline delivery plan with Jemena also provides for further pipeline expansion for gas supply in 2015/16 for a second LNG train;

- The Agreement for Lease between Gladstone Ports Corporation Limited and Gladstone LNG Pty Ltd over the Gladstone LNG Project site was extended to 31 December 2011.



Wallumbilla & Callide Gas Hubs and Proposed Gas Pipeline Routes

The Company and HQCEC are now actively working to lay the foundation for the Gladstone LNG Project to proceed to FID, including:

- Negotiation of gas supply with companies capable of gas supply for at least 1 LNG train, with gas delivery to either Callide or Wallumbilla. The financial and technical credibility of HQCEC has enhanced the Company's ability to secure gas supply;

- Negotiations with Jemena on approvals and schedules such that their existing gas pipeline to Gladstone can be upgraded for gas supply for the first LNG train in 2014/15 and a second LNG train in 2015/16;

- Updating and completing the FEED based on the Company's OSMR® LNG process technology, from which HQCEC is to prepare an updated EPC price;

- Negotiation of key EPC contract terms so that, subject to HQCEC submitting a competitive EPC price, HQCEC will be able to recommence construction as soon as agreements for gas supply have been secured and FID achieved; and

- Discussions on LNG offtake with CNPC's subsidiaries and work on a debt and equity funding plan for the first LNG train.

OTHER LNG PROJECT ACTIVITIES

We are actively evaluating other LNG project opportunities both in Australia and overseas. Although, the Gladstone LNG Project is based on 1.5 mtpa LNG trains, the LNG plant design and technology is flexible and can be upscaled or downscaled to meet the specific requirements of each LNG project.

On completion of the updated Gladstone LNG Project FEED by HQCEC, and revised EPC price, the Company will be in a position to actively market its LNG business model and LNG plant technology and design to other LNG project opportunities.

STRATEGIC INVESTMENTS

The Company made two strategic investments during the year:

Metgasco Limited (ASX code: MEL)

The Company is the largest shareholder in MEL with a 3.8% shareholding. MEL has 100% ownership of significant onshore conventional and unconventional gas acreage in the Clarence Moreton Basin (NSW), known as PEL 16; PEL 13 and PEL 426. See location map below.

In July 2011, MEL made two significant announcements:

- **Increase in Gas Reserves**

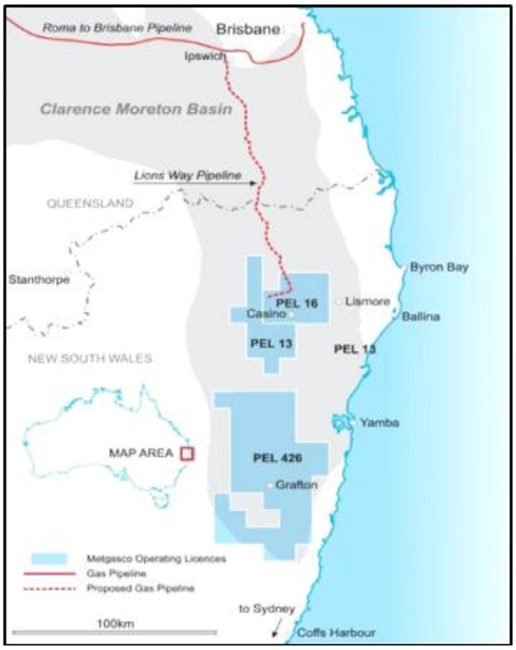
  For the first time, reserves have been certified in PEL 13 as a result of drilling just two wells on the eastern boundary, Bowerbird E01 and Bowerbird EO2. The reserves and resources are included in just 21% of the PEL 13 area.

Reserves	PEL 13	PEL 16	Metgasco Total
1P		2.7	2.7
2P	31.2	396.7	427.9
3P	302.4	2,239.3	2,541.7
2C Contingent Resource	1,334.1	1,177.4	2,511.5

PEL 13 and 16 - Independently Certified CSG Reserves (Petajoules) as at 14 July 2011

- **Significant early gas production from CSG pilot wells**

  In PEL 16, MEL has been producing from its lead CSG pilot well, Corella P11, for more than three years with the peak gas production rate continuing to climb steadily over this period to exceed 210,000 standard cubic feet per day ("scfd"). Corella P18 has also been performing above expectations with rates of more than 100,000 scfd, some 30% above forecast, despite the short in seam length of the lateral well. The Harrier PO1 CSG pilot well has now achieved a rate of 230,000 scfd which is expected to increase significantly once the well is fully dewatered.



Metgasco's acreage in the Clarence Moreton Basin, NSW

Both the reserves and resource upgrade and the early pilot gas production results augers well for MEL in its pursuit of commercialisation options of its reserves for both domestic use and LNG export potential.

The Company and MEL have a Memorandum of Understanding dated 24 September 2010 in relation to the joint review of gas supply to the Gladstone LNG Project, and the Company is evaluating all potential options.

MEL recently completed a share placement and share purchase plan raising $21.5 million to fund its ongoing CSG exploration and appraisal programs, with the objective of proving additional reserves and evaluating well production profiles and costs.

Oil Basins Limited (ASX Code: OBL)

The Company is the largest shareholder in OBL with a 7.5% shareholding. OBL is involved in exploration for oil and gas in the offshore Gippsland Basin of South-Eastern Australia, the onshore Canning Basin of Western Australia and more recently the offshore waters of the Carnarvon Basin. All areas of interest are situated in proven hydrocarbon regions of Australia and nearby, to established infrastructure hubs.

Of particular interest to the Company is the OBL asset - onshore Canning Basin (Backreef Area and Derby Block) which has potential oil, coal seam gas ("CSG") and unconventional shale gas ("USG").

- **Backreef Area**

  The potential oil discovery is a result of drilling in the Backreef area in late 2010. OBL has commissioned new geophysical and geological work to assist with its evaluation and interpretation of this potential new oil area and expects to be able to provide the results to shareholders in the September 2011 quarter. OBL is also assessing potential CSG and, in particular, USG resources. On 21 July 2011 OBL released a comprehensive Independent Experts Report on the Backreef area as well as permit 5/07-8 EP, known as the Derby Block.

- **Derby Block**

  In late 2010 OBL was appointed as the USG operator, having been appointed as the CSG operator on 26 March 2010. The Derby Block is well situated in the Kimberley region with a large unconventional gas potential which prompted a Strategic Alliance Agreement to be signed between OBL and the Company during the December 2010 quarter, to jointly investigate the development of an LNG project in North Western Australia (***Kimberley LNG Project***).

  The Kimberley LNG Project is based on utilising the potential large resources of conventional and unconventional gas contained within the Canning Basin, including gas contained within OBL's acreage and that of its joint venture partners. The proposed Kimberley LNG Project will benefit from the advanced development work undertaken by the Company for its Gladstone LNG Project.

The Company is currently assessing the long term gas supply potential for a mid scale LNG project and its strategic shareholding position in OBL.

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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 our plant and construction strategy, substantially improves LNG project economics.

The OSMR® process is planned to be used in our 3 mtpa Gladstone LNG Project. HQCEC is currently preparing an EPC proposal based on the OSMR® process. The Company and HQCEC intend to enter into a technology licence agreement for use of the technology at the Gladstone LNG Project and use and marketing of the technology elsewhere in the world, with the Gladstone LNG Project as a “reference plant”.

We continue to progress its international patent applications, which cover two engineering design features (being the basis of the Company’s OSMR® technology), entitled:

- A Method and System for Production of Liquid Natural Gas; and

- Boil-off Gas Treatment Process and System.

In addition the Company has filed for a patent on some improvements to the OSMR® process in Australia and the United States.

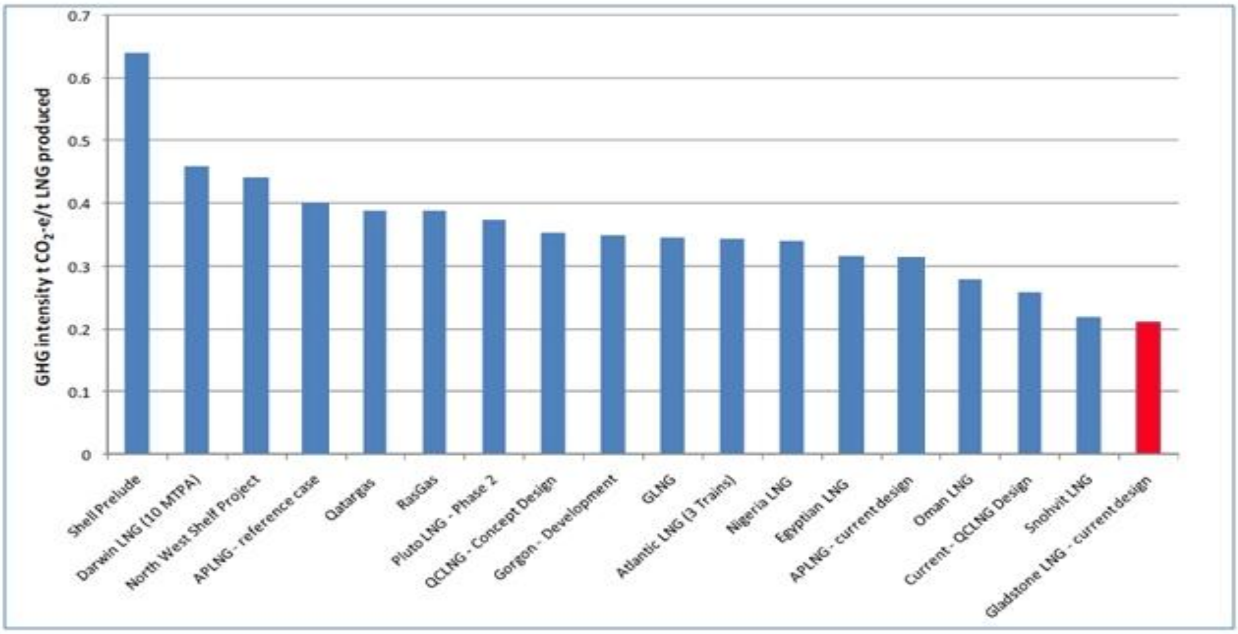
On 14 July 2011 the Company issued a status report on the progress made in various countries and jurisdictions in relation to the two patents and one improvement patent.

Map of the world showing the countries in red where patents have been filed by the Company to protect the OSMR® process and BG treatment process.

OSMR® and Carbon emissions

The OSMR® process is a low emissions LNG technology that can be applied to both mid and large scale train capacities. The technology uses efficient aero-derivative gas turbines with inlet air-cooling and waste heat recovery from the gas turbines in a combined heat and power plant to meet all plant heating and power requirements. These features, along with other process efficiency improvement measures, result in a low Greenhouse Gas Intensity (measured in tonne CO_2 per tonne of LNG produced) compared to other LNG plants in Australia. The following graph compares carbon emissions from some Australian and overseas LNG projects and includes the Company's proposed Gladstone LNG Project, shown in red.

Greenhouse Gas (GHG) intensities of Australian and International LNG Plants



Source: APLNG EIS (March, 2010) http://www.aplng.com.au/eis

The Company in its project financial modelling has always included provision for a potential carbon scheme, as part of its operating costs, on 100% of the assessed carbon emissions. The announced carbon scheme requires LNG projects to acquire carbon credits for only 50% of their annual carbon emissions and includes fixed carbon credit prices over the first 3 years (2012 to 2015), commencing at $23/tonne and escalating at 2.5%pa. Thereafter a carbon credit trading scheme will be introduced with a transitional minimum and maximum price to be applied by the Australian Government. While some uncertainty exists in relation to carbon credit prices after the 3 year fixed price period the Company considers that it has adopted a conservative approach in its project financial modelling and does not expect the announced carbon scheme to have any material impact on existing project return calculations.

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 FID. During the financial year we expensed all project development expenditure, 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 2011 (excluding non-controlling interests) totalled $11,971,505, which includes $3,640,049 expended on the development of the Company's 100% owned Gladstone LNG Project, $943,905 expended on other LNG project opportunities and $2,711,912 representing the unrealised loss on the Company's Metgasco Limited and Oil Basins Limited investments (written down to fair market value).

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As at 30 June 2011, the Group had available cash of $5,814,531 (including term deposits) which we will continue to apply to our LNG project identification and development activities and strategic investments in gas companies that have the potential to supply gas for future LNG projects. Subsequent to 30 June 2011, the Company raised $20,144,475 through the issue of 53,250,000 fully paid ordinary shares, under a new share placement to HQCEC.

As at the date of this report, the Group has available cash of $26,468,115 and has no debt, except for finance leases and payables.

ENVIRONMENTAL

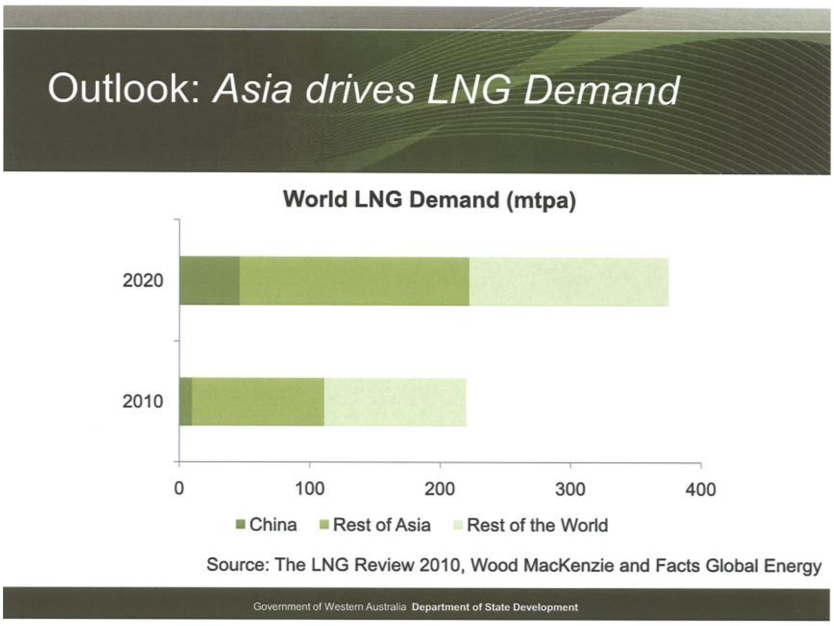
During the financial year and as at the date of this report, our only on-site activities have related to the Gladstone LNG Project and we have been in compliance with all our environmental requirements.

OCCUPATIONAL HEALTH AND SAFETY

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

BUSINESS OUTLOOK

On a global level the demand for LNG continues to increase as many countries pursue cleaner and safer energy programs, but have insufficient or reducing domestic gas resources. Countries such as China and India are endeavouring to cover their shortfall in available domestic gas through the importation of gas in the form of LNG. There has been an unprecedented increase in new LNG import terminals recently completed, under construction and planned. The LNG production industry now has the challenge of expanding existing LNG projects and developing new LNG projects to keep pace with LNG demand forecasts.



The Company is well positioned to participate in this exceptional LNG growth story and is advantaged having CNPC-HQCEC from China as its largest shareholder.

The global growth of LNG demand is on one hand a major positive for our global LNG business model (and in particular the Gladstone LNG Project) but on the other hand, this growth has created significant competition for the available CSG resources and reserves in Queensland. We are well aware of the challenge and are in active discussions with several potential gas suppliers and remain confident that adequate gas supply can be secured.

The co-operative relationship with HQCEC and the technical and financial capabilities of HQCEC, fully supported by CNPC, should mitigate any concerns potential gas suppliers may have in relation to our timely delivery of the Gladstone LNG Project.

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

R.J. Beresford
Chairman
15 September 2011

F.M. Brand
Managing Director
15 September 2011

DIRECTORS' REPORT

Your directors submit their report for the year ended 30 June 2011.

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 has over 28 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 Managing Director of ASX listed Green Rock Energy Limited, a Perth-based energy explorer and developer. Richard has held this position since February 2010, and prior to this appointment he was a non-executive director of Green Rock from September 2008.

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

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 25 years, having been responsible for energy related projects in Australia, Indonesia and India.

Maurice has not been a director of any other listed companies during the three years prior to 30 June 2011.

Madam Wang Xinge
- *Joint-Chief Executive Officer (appointed 1 August 2011)*
(Senior Vice President – China Huanqiu Contracting & Engineering Corporation ("HQCEC")

Madam Wang holds a BSc in Mechanical Engineering from Beijing Chemical Engineering University and an Executive MBA from the University of Texas at Arlington, USA.

Madam Wang joined HQCEC in 1987 as a Mechanical Engineer and became Project Manager, Management Department from 1994 – 1998 and Director International Business Department from 1998 – 2002. Madam Wang was appointed as a Vice President in 2002 and Senior Vice President in January 2006.

As Senior Vice President of HQCEC, Madam Wang is in charge of the company's domestic and overseas businesses, including responsibility for the company's domestic and overseas market exploration and development, international bidding, contract negotiation, contract review, contract and legal affairs, foreign affairs and supervision of project execution. Madam Wang's responsibility extends to markets in South East Asia, the Middle East, North America and Central and Latin American countries and HQCEC's subsidiary companies and branch offices in Canada, Costa Rica, Venezuela, UAE, Saudi Arabia, Egypt, Singapore, Vietnam, Myanmar and Sri Lanka.

Madam Wang has over 24 years working experience in petrochemical, oil and gas engineering and construction; including 13 years experience in overseas business management and 6 years enterprise management.

Madam Wang has not been a director of any other listed companies during the three years prior to 30 June 2011.

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 and water sectors.

Leeanne has qualifications in engineering and management and over 20 years experience across a broad range of industrial sectors including energy, minerals, infrastructure and water resources.

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

Leeanne has been a board member of the Queensland Bulk Water Supply Authority (Seqwater) since February 2008 and joined the board of the Australian Water Recycling Centre of Excellence on 1 July 2011. 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 restructure. Leeanne is the sole director and owner of Breakthrough Energy Pty Ltd, a project and business development consulting firm.

Leeanne was named the Australian Professional Engineer of the Year by Engineers Australia in 2007 and received the Shedden Uhde Medal for services to the profession of Chemical Engineering in 2000.

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

Mr Zhang Gaowu
- Non-Executive Director (appointed 1 August 2011)
(Deputy Director of Finance and Assets HQCEC)

Mr Zhang has an MBA from Beijing Jiaotong University.

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

Mr Zhang's previous experience includes Finance Supervisor of Beijing Ershang Group; Auditor of Shaanxi Kodo and Finance Manager of Shaanxi Yongli Construction Co.

Mr Zhang has over 15 years working experience in finance and accounting in China and overseas and has a complete practical familiarity with both the CAS (Chinese Accounting Standards) and the IFRS (International Financial Reporting Standards).

Mr Zhang has not been a director of a listed company during the three years prior to 30 June 2011.

Mr. Paul William Bridgwood
- Director and Chief Technical Officer

BAppdSc (Mechanical Engineering)

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

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

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

Paul is the originator of the OSMR® liquefaction processes used by the Company for which international patent applications have been made. Paul led the front end engineering and design process for the Company's proposed Gladstone LNG Project which resulted in a 50% capital cost reduction compared to competing LNG projects.

Paul has not been a director of any other listed companies during the three years prior to 30 June 2011.

Mr. Norman Marshall
- Director and Chief Financial Officer

MAppdFin, MAICD

Norm has over 29 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 division 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 companies during the three years prior to 30 June 2011.

Mr. Phillip John Harvey
- Retired Non-Executive Chairman (resigned as Chairman on 22 November 2010)

BE (Hons), Dip NAAC, BCom, FAICD

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

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

Phil was Chairman of the WA Government Employees Superannuation Board from March 2003 to March 2011. Phil was a director of Cool Energy Ltd for a period of 6 months during 2009, and is currently a member of the

WA-ERA Board. Phil has not been a director of any other listed companies during the three years prior to 30 June 2011.

Mr. David Michael Gardner
- *Company Secretary*

BComm, ACA, ACIS

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

With over 17 years experience in the accountancy profession, David joined the Company after 6 years in the land development industry. Responsibilities included all areas of compliance, financial reporting, tax planning, project analysis and treasury together with corporate governance.

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

David has not been a director of a listed company during the three years prior to 30 June 2011.

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 were:

Name of director	Number of ordinary shares	Number of unlisted options over ordinary shares	Number of unlisted performance rights
R.J. Beresford	369,692	-	450,000
F.M. Brand	10,000,000	-	450,000
X. Wang	-	-	-
L.K. Bond	-	-	450,000
G. Zhang	-	-	-
P.W. Bridgwood	13,290,040	-	450,000
N. Marshall	1,857,692	1,500,000	450,000

Directors meetings

During the year, twenty two 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	22	4	2	2
	Attended	Attended	Attended	Attended
R.J. Beresford	22	4	2	2
F.M. Brand	22	4	2	2
L.K. Bond	21	1	2	-
P.W. Bridgwood	21	1	-	-
N. Marshall	21	1	1	-
P.J. Harvey	13	2	1	1

Directors were eligible to attend all meetings held, except for:

- Mr P.J. Harvey, who resigned as Non-Executive Chairman on 22 November 2010; and
- Ms L.K. Bond, who was appointed to the Remuneration and Nomination Committees during the year, and as such was only eligible to attend meetings that were held after her appointment.

Remuneration Committee

The Remuneration Committee currently comprises Mr R.J. Beresford (Chairman) (previously Mr P.J. Harvey) and Ms L.K. Bond with Mr F.M Brand invited to attend all meetings. Mr P.W. Bridgwood and Mr N. Marshall were invited to attend one meeting. 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) (previously Mr P.J. Harvey) and Mr R.J. Beresford. Mr F.M. Brand and Mr N. Marshall are invited to attend all meetings. No additional fees are paid for participation in the Audit & Risk Committee.

Nomination Committee

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

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 2011 totalled $11,971,505 (2010: $42,067,675). This equates to a loss of 5.60 cents (2010: 21.16 cents) per share based on 213,664,001 (2010: 198,824,099) weighted average ordinary shares on issue during the year ended 30 June 2011.

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

(b) Review of Financial Condition

Capital structure

During the financial year 1,110,000 ordinary shares were issued to directors and employees on the exercise of options. The funds raised were applied to the financing of prospective LNG production projects being advanced by the Company. Since the end of the financial year, no further ordinary shares have been issued to directors, employees or consultants 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 further ordinary shares have been issued to directors, employees or consultants on the exercise of performance rights.

As at the date of this report the Company had 267,699,015 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 exercise of options, research and development concession rebate, refunds of GST and interest on cash deposits with banks. The Group places its cash with two high quality Australian financial institutions with Standard and Poor's credit ratings of: short-term: A-1+ and long-term: AA.

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

Liquidity and funding

As at 30 June 2011, the Group had available cash of $5,814,531 (2010: $22,612,372), 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. On 12 July 2011, share placement funds of $20,144,475 were received from the issue of 53,250,000 fully paid ordinary shares, at $0.3783/share, to China Huanqiu Contracting & Engineering Corporation.

Treasury policy

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

However, as one or more LNG production projects progress to financial close and the Company's foreign currency expenditure commitments increase, and the timing of such payments have an acceptable degree of 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 will be in United States dollars, the Company will, to the extent possible, endeavour to maximise the use of natural hedges (e.g. borrowing and expenditure in United States dollars).

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

4. DIVIDEND

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

5. SHARE OPTIONS

Un-issued shares

At 30 June 2011 there were 7,130,000 (2010: 8,990,000) un-issued ordinary shares under options (including 450,000 contingent options) and 7,130,000 at the date of this report. Refer to note 26 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, directors, employees and consultants exercised options to acquire 1,110,000 (2010: 6,445,000) fully paid ordinary shares in the Company at a weighted average exercise price of $0.380 (2010: $0.432). Since the end of the financial year to the date of this report, no further options have been exercised by directors, employees or consultants.

6. PERFORMANCE RIGHTS

Un-issued shares

At 30 June 2011 there were 2,250,000 (2010: nil) un-issued ordinary shares under performance rights and 2,250,000 at the date of this report. Refer to note 26 of the financial statements for further details of the performance rights outstanding.

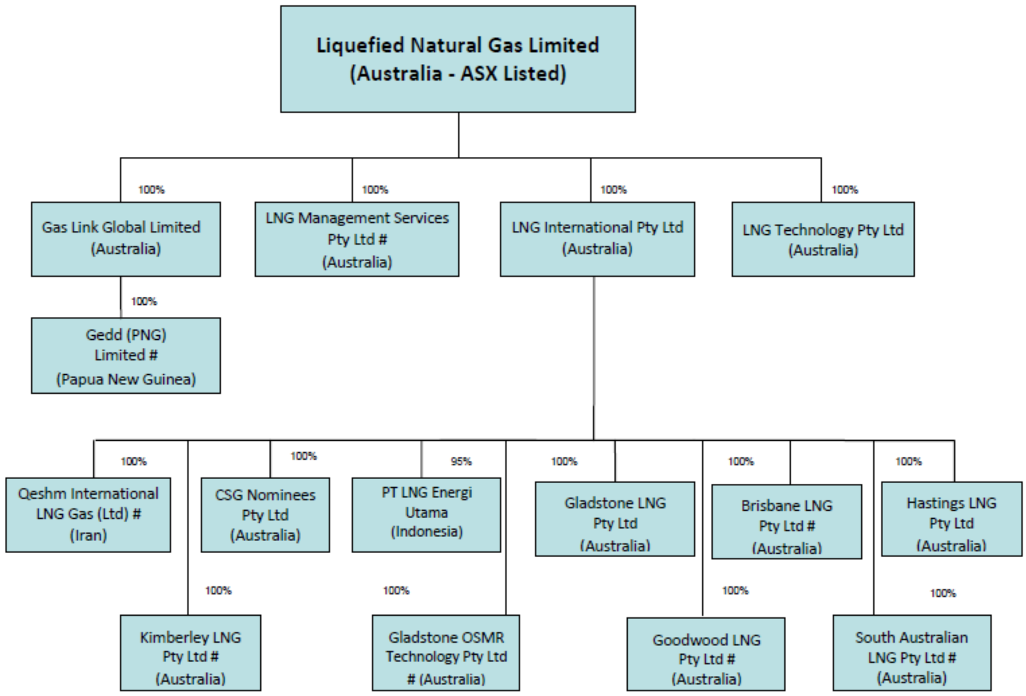
Rights holders do not have any rights, by virtue of rights holdings, to participate in any share issue of the Company or any related bodies corporate.

Shares issued from the exercise of rights

During the financial year, no performance rights were exercised (2010: nil). Since the end of the financial year to the date of this report, no rights have been exercised by directors, employees or consultants.

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 28. The Group's corporate structure as at 30 June 2011 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 Managing Director's Report.

9. ENVIRONMENTAL REGULATION AND PERFORMANCE

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

- Construct and operate the 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.

10. REMUNERATION REPORT (AUDITED)

The information in this section is audited.

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

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

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

(i) *Directors*

Richard Jonathan Beresford	Non-Executive Chairman (previously Non-Executive Director)
Fletcher Maurice Brand	Managing Director & Chief Executive Officer
Leeanne Kay Bond	Non-Executive Director
Paul William Bridgwood	Director & Chief Technical Officer
Norman Marshall	Director & Chief Financial Officer
Phillip John Harvey	Retired Non-Executive Chairman (resigned 22 November 2010)

(ii) *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
Michael Schaumburg	Previous General Manager (resigned 19 October 2010)

At year end the Group had four executives.

(b) Remuneration of Key Management Personnel

Remuneration philosophy

The performance of the Company depends upon the quality of its directors and executives. To successfully achieve its objectives, the Company must attract, motivate, and retain highly skilled and high quality 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 of Directors ("Board") is responsible for reviewing compensation arrangements for KMP and making recommendations to the Board. The Remuneration Committee assesses the appropriateness of the nature and amount of fixed and variable remuneration of KMP on a periodic basis, as a minimum annually, with reference to relevant employment market conditions. The Remuneration Committee then 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.

Remuneration structure

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

(1) Non-executive directors' compensation

Objective

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

Structure

a. The Company may pay non-executive directors a maximum aggregate amount of fees as determined by a general meeting, currently being $300,000. Remuneration payable by the Company and its subsidiaries to non-executive directors must not be a commission on, or percentage of, profits or operating revenue;

b. The Company must pay all travelling and other expenses properly incurred by the non-executive directors in connection with the affairs of the Company, including attending and returning from general meetings of the Company or meetings of the directors or of committees of the directors;

c. If a non-executive director renders or is called upon to perform extra services or to make any special exertions in connection with the affairs of the Company, the Board may arrange for a special remuneration to be paid to that director;

d. The Board may, at any time after a non-executive director dies or otherwise ceases to hold office as a non-executive director, pay to the non-executive director or a legal personal representative, spouse, relative or dependant of the non-executive director in addition to the remuneration of that non-executive director a pension or lump sum payment in respect of past services rendered by that non-executive director; and

e. The Board may issue non-executives with options or performance rights which is 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 2011 and 30 June 2010 are detailed in the remuneration table included in this Remuneration Report.

(2) Executive directors' compensation

Objective

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

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

Structure

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

Compensation consists of the following key elements:

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

Fixed compensation

Objective

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

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

Structure

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

Variable compensation – Short Term Incentive ("STI")

Objective

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

Structure

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

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

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

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

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

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

Variable compensation – Long-Term Incentive ("LTI")

Objective

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

Structure

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

- the Company's achievement of long term goals and objectives such as:
  - the achievement of financial close of LNG projects;
  - the identification and generation of new LNG project opportunities; and
  - the identification and development of LNG technology improvements to reduce LNG project capital and operating costs (improve project efficiency and competitiveness); 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. That is, it is expected that projects will only be progressed if they provide an acceptable forecast profit after tax and cash flow to the Company (based on acceptable capital at risk and return measures).

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

The Plan has been structured to take into consideration changes to the taxation treatment of employee options and to provide the Company with the flexibility and discretion to establish performance right terms which are closely aligned with the interests of its shareholders.

There are still unexercised share options that were issued under the Employee Option Plans. 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). Unlike share options that were issued in the past, performance rights issued have a tighter window to exercise and a premium is included in the exercise price.

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.

To date, no performance hurdles have been set on options or rights issued to executives. The Company believes that as options were issued at a price close to the existing market price at the time, and in the case of rights at a premium of between 25% and 43% of the volume weighted average market price, there is an inherent performance hurdle as the share price of the Company's shares has to increase significantly before there is any material reward to executives.

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

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

		Short-term				Post employment	Long-term	Share-based payments		Termination benefits	Total	Total performance related
		Salary & fees	Consultancy fees	Cash bonuses	Non-monetary benefits	Superannuation	LSL Provision	Options	Performance rights			
Non-executive directors		$	$	$	$	$	$	$	$	$	$	%
R.J. Beresford – Chairman	**2011**	**72,083**	**-**	**-**	**-**	**-**	**-**	**-**	**31,853**	**-**	**103,936**	**30.6**
	2010	50,000	-	-	-	-	-	-	-	-	50,000	-
L.K. Bond	**2011**	**55,000**	**-**	**-**	**-**	**-**	**-**	**-**	**31,853**	**-**	**86,853**	**36.7**
	2010	30,513	-	-	-	-	-	-	-	-	30,513	-
P.J. Harvey – (Retired Chairman)	**2011**	**29,583**	**-**	**50,000**	**-**	**-**	**-**	**-**	**-**	**-**	**79,583**	**62.8**
	2010	75,000	-	-	-	-	-	-	-	-	75,000	-
Sub-total: Non-executive directors	**2011**	**156,666**	**-**	**50,000**	**-**	**-**	**-**	**-**	**63,706**	**-**	**270,372**	**42.1**
	2010	155,513	-	-	-	-	-	-	-	-	155,513	-

		Short-term				Post employment	Long-term	Share-based payments		Termination benefits	Total	Total performance related
		Salary & fees	Consultancy fees	Cash bonuses	Non-monetary benefits	Superannuation	LSL Provision	Options	Performance rights			
		$	$	$	$	$	$	$	$	$	$	%
Executive directors												
F.M. Brand	**2011**	**-**	**367,333**	**30,000**	**23,372**	**15,199**	**15,060**	-	**31,853**	-	**482,817**	**12.8**
Managing Director & Chief Executive Officer	2010	-	318,319	50,000	24,191	14,461	12,870	-	-	-	419,841	11.9
P.W. Bridgwood	**2011**	**-**	**426,490**	**30,000**	**23,372**	**15,199**	**15,060**	**-**	**31,853**	**-**	**541,974**	**11.4**
Chief Technical Officer	2010	-	318,321	50,000	20,779	14,461	12,870	-	-	-	416,431	12.0
N. Marshall	**2011**	**376,462**	**-**	**30,000**	**23,200**	**15,199**	**14,514**	**32,309**	**31,853**	**-**	**523,537**	**18.0**
Chief Financial Officer	2010	298,500	-	50,000	21,416	14,461	9,482	122,970	-	-	516,829	33.5
Other key management personnel												
D.M. Gardner	**2011**	**172,751**	**-**	**14,167**	**3,372**	**15,199**	**2,324**	**27,325**	**-**	**-**	**235,138**	**17.6**
Company Secretary	2010	163,000	-	15,000	3,240	14,251	628	49,735	-	-	245,854	26.3
G.J.F. Triglavcanin	**2011**	**241,139**	**-**	**23,333**	**23,372**	**15,005**	**5,899**	**65,055**	**-**	**-**	**373,803**	**23.6**
Group Commercial Manager	2010	238,770	-	35,000	22,963	14,461	8,341	78,873	-	-	398,408	28.6
L.A. Clark	**2011**	**290,020**	**-**	**23,333**	**16,372**	**15,199**	**12,724**	**56,661**	**-**	**-**	**414,309**	**19.3**
Group Engineering Manager	2010	269,500	-	30,000	13,240	14,461	3,010	47,324	-	-	377,535	20.5
S.R. Della Mattea	**2011**	**298,770**	**-**	**24,542**	**17,200**	**15,199**	**3,493**	**49,179**	**-**	**-**	**408,383**	**18.1**
Infrastructure Manager	2010	291,750	-	20,000	7,200	14,461	1,313	191,818	-	-	526,542	40.2
M.J. Schaumburg (resigned 19 October 2010)	**2011**	**125,139**	**-**	**-**	**9,555**	**5,066**	**-**	**-**	**-**	**90,000**	**229,760**	**-**
Previous General Manager	2010	356,500	-	30,000	17,255	14,461	1,621	323,910	-	-	743,747	47.6
Sub-total: Executive directors and other KMP	**2011**	**1,504,281**	**793,823**	**175,375**	**139,815**	**111,265**	**69,074**	**230,529**	**95,559**	**90,000**	**3,209,721**	**15.6**
	2010	1,618,020	636,640	280,000	130,284	115,478	50,135	814,630	-	-	3,645,187	30.0
Grand total	**2011**	**1,660,947**	**793,823**	**225,375**	**139,815**	**111,265**	**69,074**	**230,529**	**159,265**	**90,000**	**3,480,093**	**17.7**
	2010	1,773,533	636,640	280,000	130,284	115,478	50,135	814,630	-	-	3,800,700	28.8

Notes to Remuneration Tables:

100% of the cash bonuses were granted on 14 December 2010 (2010: 18 December 2009) and have been paid in full. No amounts are accrued but unpaid at 30 June 2011.

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

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

In addition to the remuneration disclosed in the above table, during the year the Company has paid a premium of $20,018 (excl. GST) (2010: $19,855) 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.

Compensation options – granted and vested during the year:

			Terms and conditions for each grant					Vested	
	Granted		Fair Value per option at grant date	Exercise price	Expiry date	First exercise date	Last exercise date		
30 June 2011	No.	Grant Date	$	$				No.	%
Executive directors									
N. Marshall	-	-	-	-	-	-	-	500,000	33.3
Other executives									
D.M. Gardner	-	-	-	-	-	-	-	100,000	33.3
G.J.F. Triglavcanin	100,000	02/08/2010	0.19	0.69	02/02/2012	03/08/2011	02/02/2012	250,000	33.3
G.J.F. Triglavcanin	100,000	02/08/2010	0.22	0.74	02/08/2012	03/02/2012	02/08/2012	-	-
G.J.F. Triglavcanin	100,000	02/08/2010	0.29	0.79	02/02/2014	03/08/2012	02/02/2014	-	-
L.A. Clark	100,000	02/08/2010	0.19	0.69	02/02/2012	03/08/2011	02/02/2012	150,000	33.3
L.A. Clark	100,000	02/08/2010	0.22	0.74	02/08/2012	03/02/2012	02/08/2012	-	-
L.A. Clark	100,000	02/08/2010	0.29	0.79	02/02/2014	03/08/2012	02/02/2014	-	-
S.R. Della Mattea	-	-	-	-	-	-	-	300,000	33.3
M.J. Schaumburg	-	-	-	-	-	-	-	500,000	33.3
Total	**600,000**							**1,800,000**	

Compensation performance rights – granted and vested during the year:

			Terms and conditions for each grant					Vested	
	Granted		Fair Value per right at grant date	Exercise price	Expiry date	First exercise date	Last exercise date		
30 June 2011	No.	Grant Date	$	$				No.	%
Non-executive directors									
R.J. Beresford	150,000	10/01/2011	0.19	0.74	10/07/2012	10/01/2012	10/07/2012	-	-
R.J. Beresford	150,000	10/01/2011	0.21	0.79	10/01/2013	10/07/2012	10/01/2013	-	-
R.J. Beresford	150,000	10/01/2011	0.25	0.84	10/01/2014	10/01/2013	10/01/2014	-	-
L.K. Bond	150,000	10/01/2011	0.19	0.74	10/07/2012	10/01/2012	10/07/2012	-	-
L.K. Bond	150,000	10/01/2011	0.21	0.79	10/01/2013	10/07/2012	10/01/2013	-	-
L.K. Bond	150,000	10/01/2011	0.25	0.84	10/01/2014	10/01/2013	10/01/2014	-	-
Executive directors									
F.M. Brand	150,000	10/01/2011	0.19	0.74	10/07/2012	10/01/2012	10/07/2012	-	-
F.M. Brand	150,000	10/01/2011	0.21	0.79	10/01/2013	10/07/2012	10/01/2013	-	-
F.M. Brand	150,000	10/01/2011	0.25	0.84	10/01/2014	10/01/2013	10/01/2014	-	-
P.W. Bridgwood	150,000	10/01/2011	0.19	0.74	10/07/2012	10/01/2012	10/07/2012	-	-
P.W. Bridgwood	150,000	10/01/2011	0.21	0.79	10/01/2013	10/07/2012	10/01/2013	-	-
P.W. Bridgwood	150,000	10/01/2011	0.25	0.84	10/01/2014	10/01/2013	10/01/2014	-	-
N. Marshall	150,000	10/01/2011	0.19	0.74	10/07/2012	10/01/2012	10/07/2012	-	-
N. Marshall	150,000	10/01/2011	0.21	0.79	10/01/2013	10/07/2012	10/01/2013	-	-
N. Marshall	150,000	10/01/2011	0.25	0.84	10/01/2014	10/01/2013	10/01/2014	-	-
Total	**2,250,000**							-	

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

30 June 2011	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 %
Non executive directors						
R.J. Beresford	-	-	-	96,975	-	30.6
L.K. Bond	-	-	-	96,975	-	36.7
Executive directors						
F.M. Brand	-	-	-	96,975	-	6.6
P.W. Bridgwood	-	-	-	96,975	-	5.9
N. Marshall	-	195,000	-	96,975	-	6.1
Other executives						
D.M. Gardner	-	-	11.6	-	-	-
G.J.F. Triglavcanin	70,260	-	17.4	-	-	-
L.A. Clark	70,260	-	13.7	-	-	-
S.R. Della Matea	-	-	21.9	-	-	-

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

During the year, 500,000 options (value at resignation: $nil) held by M.J. Schaumburg, who was one of the Group's five highest paid executives, were forfeited due to cessation of his employment.

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

Shares issued on exercise of compensation options (Consolidated):

30 June 2011	**Shares issued No.**	**Paid per share (note 26) $**	**Unpaid per share $**
Executive directors			
N. Marshall	750,000	0.38	-
Total	**750,000**		

30 June 2010	**Shares issued No.**	**Paid per share (note 26) $**	**Unpaid per share $**
Executives			
G.J.F. Triglavcanin	250,000	0.667	-
L.A. Clark	405,000	0.378	-
L.A. Clark	150,000	0.667	-
S.R. Della Mattea	300,000	0.88	-
Total	**1,105,000**		

No performance rights were exercised during the year (2010: nil).

Employment contracts

Fletcher Maurice Brand, Managing Director and Chief Executive Officer:

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

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

Paul William Bridgwood, Director and Chief Technical Officer:

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

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

Norman Marshall, Director, Chief Financial Officer:

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

- Mr. Marshall may terminate the contract by giving no less than six months notice of termination to the Company.

- The Company may terminate the contract immediately if Mr. Marshall commits a breach under the contract and for any other reason by giving no less than six months notice of termination.

- Unless otherwise agreed by the Board of the Company any options held by Mr. Marshall will lapse one month from the date of termination.

- 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 (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 (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.

- Upon termination Mr. Marshall is entitled to receive all accrued entitlements up to the date of termination.

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

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

- Mr. Triglavcanin may terminate the contract by giving no less than three months notice of termination to the Company.

- The Company may terminate the contract immediately if Mr. Triglavcanin commits a breach under the contract and for any other reasons by giving no less than one month notice of termination.

- Unless otherwise agreed by the Board of the Company any options held by Mr. Triglavcanin will lapse one month from the date of termination where the termination is by the Company due to a breach of contract on the part of Mr. Triglavcanin or thirty seven months from the date of termination where the termination is by the Company for its convenience.

- Upon termination Mr. Triglavcanin is entitled to receive all accrued entitlements up to the date of termination.

Lincoln Andrew Clark, Group Engineering Manager:

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

- Mr. Clark may terminate the contract by giving no less than six weeks notice of termination to the Company.

- The Company may terminate the contract immediately if Mr. Clark commits a breach under the contract and for any other reasons by giving no less than one month notice of termination.

- Unless otherwise agreed by the Board of the Company any options held by Mr. Clark will lapse one month from the date of termination.

- Upon termination Mr. Clark is entitled to receive all accrued entitlements up to the date of termination.

Steven Robert Della Mattea, Infrastructure Manager:

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

- Mr. Della Mattea may terminate the contract by giving no less than one month notice of termination to the Company.

- The Company may terminate the contract immediately if Mr. Della Mattea commits a breach under the contract and for any other reason, after twelve months from the Commencement date, by giving no less than six months notice of termination.

- Unless otherwise agreed by the Board of the Company any options held by Mr. Della Mattea will lapse one month from the date of termination.

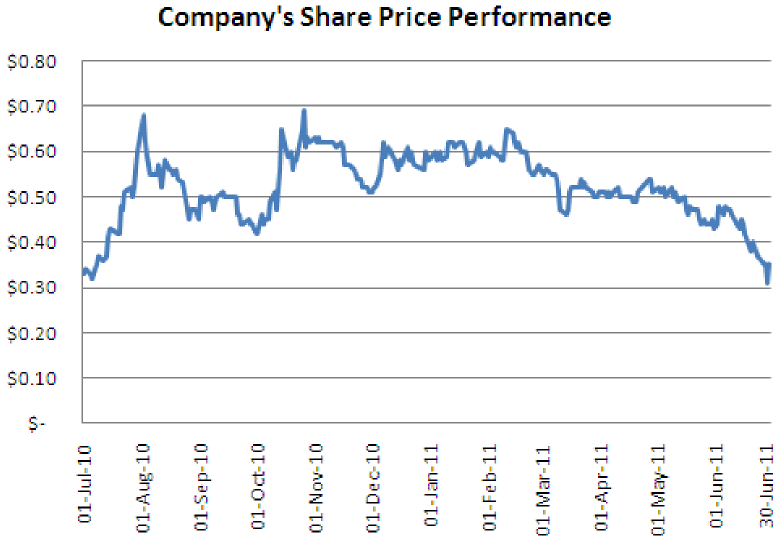
- Upon termination Mr. Della Mattea is entitled to receive all accrued entitlements up to the date of termination.

(c) Group Performance

Company's share price performance

The graph below shows the Company's share price performance during the financial year ended 30 June 2011.

2011 ASX Code: "LNG"



Loss per share

Below is information on the consolidated entity's loss per share for the previous four financial years and for the current year ended 30 June 2011.

	2011	2010	2009	2008	2007
Basic loss per share (cents)	(5.60)	(21.16)	(15.11)	(4.09)	(4.91)

End of remuneration report.

11. INDEMNIFICATION AND INSURANCE OF DIRECTORS AND COMPANY SECRETARY

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

During the financial year the Company has paid a premium of $20,018 (excl. GST) (2010: $19,855) 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 2011, the insurance cover was limited to $10 million.

12. RISK MANAGEMENT

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

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

13. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes in the state of affairs of the Company during the financial year ended 30 June 2011 were as follows:

An increase in share capital from $96,936,191 to $97,364,991:

	CONSOLIDATED	
Movement in ordinary shares	**No.**	**$**
At 30 June 2010	**213,339,015**	**96,936,191**
Issue of fully paid ordinary shares on exercise of share options	1,110,000	428,800
At 30 June 2011	**214,449,015**	**97,364,991**

14. SIGNIFICANT EVENTS AFTER BALANCE DATE

Share placement

On 12 July 2011, 53,250,000 shares were issued to China Huanqiu Contracting & Engineering Corporation ("HQCEC") for cash consideration of $20,144,475, making HQCEC the largest shareholder of the Company. The immediate objectives of the Company and HQCEC are to position the Gladstone 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.

Key employment agreements

Each of Fletcher Maurice Brand, Paul William Bridgwood, Norman Marshall, Lincoln Andrew Clark, Philip Neil Greenhouse and Garry John Triglavcanin ("Key Employees") entered into new employment agreements with the Company for up to 4 years (5 years in the case of Paul William Bridgwood) in accordance with existing remuneration arrangements.

Share restriction deeds

Each of Fletcher Maurice Brand (Managing Director), Paul William Bridgwood (Chief Technical Officer) and Norman Marshall (Chief Financial Officer) entered into a voluntary restriction deed with the Company under which each has agreed to certain voluntary restriction arrangements in relation to the disposal of his respective Shares. Details of the restrictions are set out below:

	Fletcher Maurice Brand	Paul William Bridgwood	Norman Marshall
Shares Held	10,000,000	13,290,000	1,857,692
Restricted Shares	10,000,000	12,000,000	1,500,000
Permitted Disposal:			
After 30/6/2011			500,000
After 30/6/2012	1,000,000	600,000	500,000
After 30/6/2013	3,000,000	600,000	500,000
After 30/6/2014	3,000,000	3,600,000	
After 30/6/2015	No restriction	3,600,000	
After 30/6/2016		No restriction	

The restrictions permanently cease in certain circumstances including:

(i) at any time the HQCEC Group hold in aggregate less than 15% of the total shares of the Company;
(ii) a takeover bid is made for the Company, that takeover bid is, or becomes, unconditional and the bidder obtains a relevant interest in at least 50% of the total shares of the Company;
(iii) a scheme of arrangement pursuant to which a person will acquire 100% of the shares becomes effective under Part 5.1 of the Corporations Act;
(iv) any person (together with their associates) acquires a relevant interest in 50% or more of the total shares of the Company;
(v) generally where the restricted person ceases to be either an officer or employee of the Company or any subsidiary of it; or
(vi) an insolvency event occurs in relation to the Company.

New directors

On 1 August 2011, two HQCEC nominees joined the Company's Board of Directors, being Madam Wang Xinge, Joint-Chief Executive Officer and Executive Director, and Mr Zhang Gaowu, Non-Executive Director.

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

15. AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

The directors have received a declaration of independence from the auditors which is included on page 98.

Non-audit services

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

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

	CONSOLIDATED 2011 $
Amounts received or due and receivable by Ernst & Young (Australia) for:	
Other services in relation to the entity and any other entities in the Consolidated Group:	
- tax and other services	139,990
Amounts received or due and receivable by related practices of Ernst & Young (Australia) for:	
- tax services provided by overseas	16,640
	156,630

Signed in accordance with a resolution of the directors.

Richard Jonathan Beresford
Chairman
Perth, Western Australia
15 September 2011

LIQUEFIED NATURAL GAS LIMITED

CORPORATE GOVERNANCE STATEMENT

Overview

The Board of directors of the Company is responsible for establishing and maintaining the corporate governance framework of the Group. The Board has utilised the ASX Corporate Governance Council ("CGC") published Principles and Recommendations 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 37
1.2	Companies should disclose the process for evaluating the performance of senior executives.	Yes	Page 37
1.3	Companies should provide the information indicated in the guide to reporting on Principle 1.	Yes	Page 37
Principle 2 – Structure the Board to add value			
2.1	A majority of the Board should be independent directors.	No	Page 37
2.2	The chair should be an independent director.	Yes	Page 38
2.3	The roles of chair and chief executive officer (CEO) should not be exercised by the same individual.	Yes	Page 38
2.4	The Board should establish a Nomination Committee.	Yes	Page 38
2.5	Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors.	Yes	Page 38
2.6	Companies should provide the information indicated in the guide to reporting on Principle 2.	Yes	Page 38
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 38
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 39
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 39
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 39
3.5	Companies should provide the information indicated in the Guide to reporting on Principle 3.	Yes	Page 39

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 39
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. - Has at least three members.	 Yes Yes Yes Yes	Page 39
4.3	The audit committee should have a formal charter.	Yes	Page 39
4.4	Companies should provide the information in the guide to reporting on Principle 4.	Yes	Page 39
Principle 5 – Make timely and balanced disclosure			
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Yes	Page 40
5.2	Companies should provide the information indicated in the guide to reporting on Principle 5.	Yes	Page 40
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 40
6.2	Companies should provide the information indicated in the guide to reporting on Principle 6.	Yes	Page 40
Principle 7 – Recognise and manage risk			
7.1	Companies should establish policies for the oversight and management of material business risks and disclosure a summary of those policies.	Yes	Page 40
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 40
7.3	The Board should disclose whether it has received assurance from the Chief Executive Officer and the Chief Financial Officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes	Page 40
7.4	Companies should provide the information indicated in the guide to reporting on Principle 7.	Yes	Page 40

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 40
8.2	The remuneration committee should be structured so that it: • consists of a majority of independent directors • is chaired by an independent chair • has at least three members	Yes	Page 41
8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Yes	Page 41
8.4	Companies should provide the information in the guide to reporting on Principle 8.	Yes	Page 41

Principle 1 – Lay solid foundations for management and oversight

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

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

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

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

Principle 2 – Structure the Board to add value

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report is included in the Directors' Report on pages 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 item is presumed to be quantitatively immaterial if it is equal to or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors which point to the actual ability of the director in question to shape the direction of the Company. The appropriate base amount depends on the nature of the item being considered. For example, if a director's interest in a supplier is being considered, there would be two appropriate base amounts, the first being the Company's total purchases from suppliers and the second being the total sales to all customers by the supplier.

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

Name	Position
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. During the year independent director Phillip John Harvey retired from the Board, while the Board appointed new non-executive director, Mr Zhang Gaowu, and Joint-Chief Executive Officer and Executive Director Madam Wang Xinge. Wang Xinge and Zhang Gaowu are not considered to be independent Directors due to their relationship with HQCEC, the Company's largest shareholder. The Company recognises that the Principles recommend that the majority of the Board should be independent and will regularly review Board composition, but considers that the current Board structure is appropriate for the nature and size of the Company and its stage of development.

The Chair of the Board, Mr Richard Jonathan Beresford, is an independent director of the Company and Mr Fletcher Maurice Brand is the Joint-Chief Executive Officer with Madam Wang Xinge, 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 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:

Name	Term in office
Richard Jonathan Beresford	7 years and 7 months
Fletcher Maurice Brand	9 years and 1 month
Wang Xinge	2 months
Leeanne Kay Bond	1 year and 11 months
Paul William Bridgwood	9 years and 1 month
Norman Marshall	7 years and 7 months
Zhang Gaowu	2 months

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

As part of the share placement arrangements with HQCEC, HQCEC were able to nominate two directors to join the Company's Board. The Nomination Committee reviewed the adequacy of the directors that were put forward and resolved that the two directors were a very good fit for the Company and would add value to the Board. Madam Wang Xinge and Mr Zhang Gaowu were appointed on 1 August 2011.

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.

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

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

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

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

The Company did not establish a policy concerning diversity during the year. The ASX Corporate Governance Council encourages listed entities to report on diversity in their 30 June 2011 annual reports but the formal commencement date of operation of the recommendation will first be required in the annual report for the financial year ending 30 June 2012. The Board has adopted the 30 June 2012 annual report for full diversity disclosure.

Notwithstanding the formal requirements above, the Board is of the view that a diversity policy is not needed yet due to the limited number of persons that are employed. As at the date of this report the proportion 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	18
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 for such a small company in the Oil and Gas Industry is appropriate.

When the Board implements a diversity policy, it will be made publically available in accordance with the ASX 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 Group 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:

Name	Position
Leeanne Kay Bond	Chairman
Richard Jonathan Beresford	Member

The Company's Audit & Risk Committee Charter only requires 2 members (albeit there is a preference for 3 within Recommendation 4.2 of the Principles) to comprise the Audit & Risk Committee. Mr Zhang Gaowu was appointed to the Audit & Risk Committee on 1 August 2011 and his appointment strengthens the Audit & Risk Committee.

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 discharge its mandate effectively.

Within the Directors' Report the qualification of the members can be found together with details on the number of meetings of the Audit & 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 broker, shareholders and the media; and
- liaising with other stakeholders.

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

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

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 including any changes in their shareholdings (if applicable).

Principle 6 – Respect the rights of shareholders

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

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

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

Principle 7 – Recognise and manage risk

The Company takes a proactive approach to risk management. During the year, the Audit Committee was expanded to become the Audit & Risk Committee. The Board is ultimately responsible for ensuring that any risks, and also opportunities, are identified on a timely basis and that the Company's objectives are aligned with the risks and opportunities identified by the Board.

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

The Board has a number of other mechanisms in place to identify and manage the Company's risks. Refer to Section 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 Leeanne 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 appetite for risk.

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 were issued at a premium and with tight exercise timeframes to ensure that significant value needed to be created in the Company before such rights created 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 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 2011

	Note	CONSOLIDATED	
		2011	2010
		$	$
Revenue	6	672,540	1,328,147
Other income	7	63,477	263,782
Sales and marketing expenses		(48,251)	(166,391)
Administration expenses		(5,003,505)	(5,572,249)
Finance costs		(1,737)	(2,762)
Project development expenses		(4,583,954)	(37,912,776)
Other expenses	8(e)	(3,083,559)	(14,792)
Loss before income tax		**(11,984,989)**	(42,077,041)
Income tax expense	9	-	(5,833)
Loss after income tax		**(11,984,989)**	(42,082,874)
Net loss for the period		**(11,984,989)**	(42,082,874)
Other comprehensive income:			
Foreign currency translation	23	73,429	35,839
Other comprehensive income for the period, net of tax		73,429	35,839
Total comprehensive income for the period		**(11,911,560)**	(42,047,035)
Loss for the period is attributable to:			
Non-controlling interest		(13,484)	(15,199)
Equity holders of the Parent	23	(11,971,505)	(42,067,675)
		(11,984,989)	(42,082,874)
Total comprehensive income for the period is attributable to:			
Non-controlling interest		(13,484)	(15,199)
Equity holders of the Parent		(11,898,076)	(42,031,836)
		(11,911,560)	(42,047,035)
Loss per share attributable to the ordinary equity holders of the Company:		**Cents**	Cents
- Basic loss per share	11	**(5.60)**	(21.16)
- Diluted loss per share	11	**(5.60)**	(21.16)

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 2011

	Note	CONSOLIDATED	
		2011	2010
		$	$
Assets			
Current assets			
Cash and cash equivalents	12	5,814,531	22,612,372
Trade and other receivables	13	295,877	745,914
Other financial assets	14	1,945,000	1,790,000
Prepayments		149,106	57,715
Total current assets		**8,204,514**	25,206,001
Non-current assets			
Available for sale financial assets	15	3,694,638	-
Receivables	16	299	299
Plant and equipment	17	369,329	444,391
Total non-current assets		**4,064,266**	444,690
Total assets		**12,268,780**	25,650,691
Liabilities			
Current liabilities			
Trade and other payables	18	672,346	2,948,714
Interest-bearing liabilities	21	7,912	8,544
Provisions	19	226,166	371,907
Total current liabilities		**906,424**	3,329,165
Non-current liabilities			
Interest-bearing liabilities	21	-	7,911
Provisions	20	204,286	125,909
Total non-current liabilities		**204,286**	133,820
Total liabilities		**1,110,710**	3,462,985
Net assets		**11,158,070**	22,187,706
Equity			
Equity attributable to equity holders of the Parent:			
Contributed equity	22	97,364,991	96,936,191
Reserves	23	10,458,031	9,931,478
Accumulated losses	23	(96,636,269)	(84,664,764)
Parent interests		**11,186,753**	22,202,905
Non-controlling interest	24	**(28,683)**	(15,199)
Total equity		**11,158,070**	22,187,706

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 2011

	Ordinary shares $	"B" class redeemable preference 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 2010	96,936,191	-	5,218,441	-	4,032,001	578,292	102,744	(84,664,764)	22,202,905	(15,199)	**22,187,706**
Profit for the period	-	-	-	-	-	-	-	(11,971,505)	(11,971,505)	(13,484)	**(11,984,989)**
Other comprehensive income	-	-	-	-	-	-	73,429	-	73,429	-	**73,429**
Total comprehensive income for the period	-	-	-	-	-	-	**73,429**	**(11,971,505)**	**(11,898,076)**	**(13,484)**	**(11,911,560)**
Transactions with owners in their capacity as owners:											
Shares issued on exercise of options	428,800	-	-	-	-	-	-	-	428,800	-	**428,800**
Share based payment	-	-	293,859	159,265	-	-	-	-	453,124	-	**453,124**
At 30 June 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**
At 1 July 2009	48,378,110	12	3,904,509	-	4,032,001	578,292	66,905	(42,597,089)	14,362,740	-	14,362,740
Profit for the period	-	-	-	-	-	-	-	(42,067,675)	(42,067,675)	(15,199)	(42,082,874)
Other comprehensive income	-	-	-	-	-	-	35,839	-	35,839	-	35,839
Total comprehensive income for the period	-	-	-	-	-	-	35,839	(42,067,675)	(42,031,836)	(15,199)	(42,047,035)
Transactions with owners in their capacity as owners:											
Shares issued on share placement	47,282,000	-	-	-	-	-	-	-	47,282,000	-	47,282,000
Transaction costs on shares issued	(1,505,469)	-	-	-	-	-	-	-	(1,505,469)	-	(1,505,469)
Shares issued on exercise of options	2,781,550	-	-	-	-	-	-	-	2,781,550	-	2,781,550
Share based payment	-	-	1,313,932	-	-	-	-	-	1,313,932	-	1,313,932
Redemption of "B" class preference shares	-	(12)	-	-	-	-	-	-	(12)	-	(12)
At 30 June 2010	96,936,191	-	5,218,441	-	4,032,001	578,292	102,744	(84,664,764)	22,202,905	(15,199)	22,187,706

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 2011

		CONSOLIDATED	
	Note	**2011**	2010
		$	$
Cash flows from operating activities			
Receipts from the Australian Taxation Office		961,368	2,503,269
Interest received		689,504	1,221,768
Research and development tax concession rebate		49,867	365,182
Payments to suppliers and employees		(12,050,614)	(43,478,781)
Income tax paid		-	-
Net cash flows used in operating activities	25	**(10,349,875)**	(39,388,562)
Cash flows from investing activities			
Proceeds from/(investment in) term deposits classified as other financial assets		-	20,000
Investment in term deposits (used as security deposit for bank guarantees)	14	(155,000)	(790,000)
Purchase of plant and equipment	17	(21,740)	(365,046)
Acquisition of Australian listed shares	15	(6,406,550)	-
Proceeds from sale of interest in exploration licences		-	1,214,702
Net cash (used in)/flows from investing activities		**(6,583,290)**	79,656
Cash flows from financing activities			
Proceeds from issue of ordinary shares	22	-	47,282,000
Payment for capital raising costs	22	-	(1,505,469)
Proceeds from issue of ordinary shares – exercise of options	22	428,800	2,781,550
Repayment of finance lease principal		(8,266)	(8,616)
Finance lease interest paid		(1,737)	(2,387)
Net cash flows from financing activities		**418,797**	48,547,078
Net (decrease)/increase in cash and cash equivalents		**(16,514,368)**	9,238,172
Net foreign exchange differences		(283,473)	(81,734)
Cash and cash equivalents at beginning of period		22,612,372	13,455,934
Cash and cash equivalents at end of period	12	**5,814,531**	22,612,372

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

1. CORPORATE INFORMATION

The financial report of Liquefied Natural Gas Limited ("the Company") for the year ended 30 June 2011 was authorised for issue in accordance with a resolution of the directors on 15 September 2011.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

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

(a) Compliance with IFRS

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

(b) New accounting standards and interpretations

Since 1 July 2010, the Group has adopted the following Standards and Interpretations, mandatory for all annual reporting periods beginning on or after 1 July 2010. 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 2009-5	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project – The subject of amendments to the standards are set out below: • AASB 5 – Disclosures in relation to non-current assets (or disposal groups) classified as held for sale or discontinued operations • AASB 8 – Disclosure of information about segment assets • AASB 101 – Current/non-current classification of convertible instruments • AASB 107 – Classification of expenditures that does not give rise to an asset • AASB 117 – Classification of leases of land • AASB 118 – Determining whether an entity is acting as a principle or an agent • AASB 136 – Clarifying the unit of account for goodwill impairment test is not larger than an operating segment before aggregation • AASB 139 – Treating loan prepayment penalties as closely related embedded derivatives, and revising the scope exemption for forward contracts to enter into a business combination contract	1 January 2010	1 July 2010
AASB 2009-8	Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions [AASB 2]	1 January 2010	1 July 2010

Reference	**Title**	**Application date of standard***	**Application date for Group***
AASB 2009-10	Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132]	1 February 2010	1 July 2010
AASB 2010-3	Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 3, AASB 7, AASB 121, AASB 128, AASB 131, AASB 132 & AASB 139] • Limits the scope of the measurement choices of non-controlling interest (“NCI”) to instruments that are present ownership interests and entitle their holders to a proportionate share of the entity’s net assets in the event of liquidation. Other components of NCI are measured at fair value. • Requires an entity (in a business combination) to account for the replacement of the acquiree’s share-based payment transactions (whether obliged or voluntarily), in a consistent manner i.e., allocate between consideration and post combination expenses. • Clarifies that contingent consideration from a business combination that occurred before the effective date of AASB 3 Revised is not restated. • Clarifies that the revised accounting for loss of significant influence or joint control (from the issue of IFRS 3 Revised) is only applicable prospectively.	1 July 2010	1 July 2010
Interpretation 19	Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments • This interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability are “consideration paid” in accordance with paragraph 41 of IAS 39. As a result, the financial liability is derecognised and the equity instruments issued are treated as consideration paid to extinguish that financial liability. • The interpretation states that equity instruments issued as payment of a debt should be measured at the fair value of the equity instruments issued, if this can be determined reliably. If the fair value of the equity instruments issued is not reliably determinable, the equity instruments should be measured by reference to the fair value of the financial liability extinguished as of the date of extinguishment.	1 July 2010	1 July 2010

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 2011. These are outlined in the table below.

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 resulting from the first part of Phase 1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement). These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes from AASB 139 are described below. (a) Financial assets are 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. This replaces the numerous categories of financial assets in AASB 139, each of which had its own classification criteria. (b) AASB 9 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. (c) 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.	1 January 2013	The impact on the Group has not yet been assessed.	1 July 2013
AASB 2009-11	Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]	These amendments arise from the issuance of AASB 9 *Financial Instruments* that sets out requirements for the classification and measurement of financial assets. The requirements in AASB 9 form part of the first phase of the International Accounting Standards Board's project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. This Standard shall be applied when AASB 9 is applied.	1 January 2013	The impact on the Group has not yet been assessed.	1 July 2013

Reference	**Title**	**Summary**	**Application date of standard***	**Impact on Group financial report**	**Application date for Group***
AASB 124 (Revised)	Related Party Disclosures (December 2009)	The revised AASB 124 simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition, including: (a) The definition now identifies a subsidiary and an associate with the same investor as related parties of each other (b) Entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other (c) The definition now identifies that, whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other A partial exemption is also provided from the disclosure requirements for government-related entities. Entities that are related by virtue of being controlled by the same government can provide reduced related party disclosures.	1 January 2011	The amendment is not expected to have a significant impact on the Group's financial report.	1 July 2011
AASB 2009-12	Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]	This amendment makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations. In particular, it amends AASB 8 *Operating Segments* to require an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. It also makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the IASB.	1 January 2011	The amendment is not expected to have a significant impact on the Group's financial report.	1 July 2011
AASB 1054	Australian Additional Disclosures	This standard is as a consequence of phase 1 of the joint Trans-Tasman Convergence project of the AASB and FRSB. This standard relocates all Australian specific disclosures from other standards to one place and revises disclosures in the following areas: (a) Compliance with Australian Accounting Standards (b) The statutory basis or reporting framework for financial statements (c) Whether the financial statements are general purpose or special purpose (d) Audit fees (e) Imputation credits	1 July 2011	The amendment is not expected to have a significant impact on the Group's financial report.	1 July 2011

Reference	**Title**	**Summary**	**Application date of standard***	**Impact on Group financial report**	**Application date for Group***
AASB 2010-4	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101, AASB 134 and Interpretation 13]	Emphasises the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments. Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. Provides guidance to illustrate how to apply disclosure principles in AASB 134 for significant events and transactions. Clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.	1 January 2011	As the amendment predominantly relates to disclosures, it is not expected to have a significant impact on the Group's financial report.	1 July 2011
AASB 2010-5	Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042]	This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the IASB. These amendments have no major impact on the requirements of the amended pronouncements.	1 January 2011	The amendment is not expected to have a significant impact on the Group's financial report.	1 July 2011
AASB 2010-6	Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7]	The amendments increase the disclosure requirements for transactions involving transfers of financial assets. *Disclosures* require enhancements to the existing disclosures in IFRS 7 where an asset is transferred but is not derecognised and introduce new disclosures for assets that are derecognised but the entity continues to have a continuing exposure to the asset after the sale.	1 July 2011	As the amendment predominantly relates to disclosures, it is not expected to have a significant impact on the Group's financial report.	1 July 2011

Reference	**Title**	**Summary**	**Application date of standard***	**Impact on Group financial report**	**Application date for Group***
AASB 2010-7	Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023, & 1038 and interpretations 2, 5, 10, 12, 19 & 127]	The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows: (a) The change attributable to changes in credit risk are presented in other comprehensive income (OCI); and (b) 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.	1 January 2013	The impact on the Group has not yet been assessed.	1 July 2013
AASB 2011-1	Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence project [AASB 1, AASB 5, AASB 101, AASB 107, AASB 108, AASB 121, AASB 128, AASB 132, AASB 134, Interpretation 2, Interpretation 112, Interpretation 113]	This Standard amendments many Australian Accounting Standards, removing the disclosures which have been relocated to AASB 1054.	1 July 2011	The amendment is not expected to have a significant impact on the Group's financial report.	1 July 2011
AASB 10	Consolidated Financial Statements	IFRS 10 establishes a new control model that applies to all entities. It replaces parts of IAS 27 *Consolidated and Separate Financial Statements* dealing with the accounting for consolidated financial statements and SIC-12 *Consolidation – Special Purpose Entities.* 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. This is likely to lead to more entities being consolidated into the group.	1 January 2013	The impact on the Group has not yet been assessed.	1 July 2013

Reference	**Title**	**Summary**	**Application date of standard***	**Impact on Group financial report**	**Application date for Group***
AASB 11	Joint Arrangements	IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly- controlled Entities – Non-monetary Contributions by Ventures.* IFRS 11 uses the principle of control in IFRS 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method. This may result in a change in the accounting for the joint arrangements held by the group.	1 January 2013	The impact on the Group has not yet been assessed.	1 July 2013
AASB 12	Disclosure of Interests in Other Entities	IFRS 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structures entities. New disclosures have been introduced about the judgements 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 impact on the Group has not yet been assessed.	1 July 2013
AASB 13	Fair Value Measurement	IFRS 13 establishes a single source of guidance under IFRS for determining the fair value of assets and liabilities. IFRS 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value under IFRS when fair value is required or permitted by IFRS. Application of this definition may result in different fair values being determined for the relevant assets. IFRS 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.	1 January 2013	The impact on the Group has not yet been assessed.	1 July 2013
AASB 2011-7	Amendments to Australian Accounting Standards arising from the Fair Value Measurement Standard	Consequential amendments to existing Australian Accounting Standards as a result of the adoption of AASB 13 *Fair Value Measurement*.	1 January 2013	The impact on the Group has not yet been assessed.	1 July 2013

Reference	**Title**	**Summary**	**Application date of standard***	**Impact on Group financial report**	**Application date for Group***
AASB 2011-9	Amendments to Australian Accounting Standards - *Presentation of Items of Other Comprehensive Income* [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]	The main change resulting from the amendments relates to the Statement of Comprehensive Income and the requirement for entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not remove the option to present profit or loss and other comprehensive income in two statements. The amendments do not change the option to present items of OCI either before tax or net of tax. However, if the items are presented before tax then the tax related to each of the two groups of OCI items (those that might be reclassified to profit or loss and those that will not be reclassified) must be shown separately.	1 July 2012	The impact on the Group has not yet been assessed.	1 July 2012
AASB 119 (Revised)	Employee Benefits	The main amendments to the standard relating to defined benefit plans are as follows :- (a) Elimination of the option to defer the recognition of actuarial gains and losses (the 'corridor method'); (b) Re-measurements (essentially actuarial gains and losses) to be presented in other comprehensive income; (c) Past service cost will be expensed when the plan amendments occur regardless of whether or not they are vested; and (d) Enhanced disclosures for Tier 1 entities. The distinction between short-term and other long-term employee benefits under the revised standard is now based on expected timing of settlement rather than employee entitlement. The revised standard also requires termination benefits (outside of a wider restructuring) to be recognised only when the offer becomes legally binding and cannot be withdrawn.	1 January 2013	The impact on the Group has not yet been assessed.	1 January 2013

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

(c) Basis of consolidation

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

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

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

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

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

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

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

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

(d) Operating segments – refer note 5

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

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

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

(e) Foreign currency translation

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

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

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

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

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

(f) Cash and cash equivalents – refer note 12

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

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

(g) Trade and other receivables – refer note 13

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

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

(h) Business combination

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

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

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

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

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

(i) Goodwill and intangibles

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

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

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

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

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

Impairment losses recognised for goodwill are not subsequently reversed.

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

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

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

(j) Plant and equipment – refer note 17

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

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

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

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

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

(k) Leases – refer note 21 & 30

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

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

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

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

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

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

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

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

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

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

(o) 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.

(p) 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.

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

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

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

The cost of these equity-settled transactions with employees, directors, senior executives and consultants (for awards granted after 7 November 2002 that were unvested at 1 January 2005) is measured by reference to the fair value of the equity instruments at the date at which they are granted if the fair value of the services provided 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.

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

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

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

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated. 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.

(r) Contributed equity – refer note 22

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

(s) 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.

(t) 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.

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.

(u) 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.

(v) 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.

(w) 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 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	
	2011	2010
	$	$
Financial assets		
Cash and cash equivalents (note 12)	5,814,531	22,612,372
Other financial assets (term deposits) (note 14)	1,945,000	1,790,000
Net exposure	**7,759,531**	24,402,372

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

At 30 June 2011, 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)	
	2011	2010	**2011**	2010
CONSOLIDATED	**$**	$	**$**	$
+ 1.5% (150 basis points) (2010: +1.5%)	**116,393**	366,036	**116,393**	366,036
- 1.5% (150 basis points) (2010: -1.5%)	**(116,393)**	(366,036)	**(116,393)**	(366,036)

Significant assumptions used in the interest rate sensitivity analysis include:

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

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

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

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

At 30 June 2011, the Group had the following exposure to US$ foreign currency that is not designated as cash flow hedges:

	CONSOLIDATED	
	2011	2010
Financial assets	**$**	$
US$ cash and cash equivalents	1,052,974	1,289,972
Financial liabilities	-	-
	1,052,974	1,289,972
Net exposure	**1,052,974**	1,289,972

At 30 June 2011, 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)	
	2011	2010	**2011**	2010
CONSOLIDATED	**$**	$	**$**	$
AUD/USD +10% (2010: +10%)	**(89,138)**	(117,270)	**(89,138)**	(117,270)
AUD/USD -10% (2010: -10%)	**108,946**	143,330	**108,946**	143,330

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Significant assumptions used in the interest rate sensitivity analysis include:

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

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	
	2011	2010
Financial assets	**$**	$
Available for sale financial assets	3,694,638	-
Financial liabilities	-	-
	3,694,638	-
Net exposure	**3,694,638**	-

At 30 June 2011, 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 Higher/(Lower) [1]		Equity Higher/(Lower)	
	2011	2010	**2011**	2010
CONSOLIDATED	**$**	$	**$**	$
Share price +10% (2010: +10%)	-	-	**369,464**	-
Share price -10% (2010: -10%)	-	-	**(369,464)**	-

[1] Assuming that the decrease does not represent 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 $295,877 (2010: $745,914).

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

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

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

At 30 June 2011, except for the finance leases and payables, the Group had no debt (2010: no debt except for finance leases, and payables) and its activities are primarily funded from cash reserves from share issues, interest income and research and development concession rebates. The majority of cash reserves are held in term deposit with the ANZ Banking Group and Westpac Banking Corporation, 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	
	2011	2010
As at 30 June 2011	**$**	$
6 months or less	676,923	2,952,863
6-12 months	3,335	4,395
1-5 years	-	7,911
Over 5 years	-	-
	680,258	2,965,169

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

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

As at 30 June 2011	**≤6 months**	**6-12 months**	**1-5 years**	**>5 years**	**Total**
CONSOLIDATED	**$**	**$**	**$**	**$**	**$**
Financial assets					
Cash and cash equivalents	5,814,531	-	-	-	**5,814,531**
Receivables	295,877	-	-	-	**295,877**
Other financial assets	1,945,000	-	-	-	**1,945,000**
Available for sale financial assets	-	-	3,694,638	-	**3,694,638**
	8,055,408	-	**3,694,638**	-	**11,750,046**
Financial liabilities					
Trade and other payables	672,346	-	-	-	672,346
Interest-bearing borrowings	4,577	3,335	-	-	7,912
	676,923	**3,335**	-	-	**680,258**
Net maturity	**7,378,485**	**(3,335)**	**3,694,638**	-	**11,069,788**

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 financial close and proceeding to development, within a reasonable period.

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

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, employees and consultants by reference to the fair value of equity instruments at the date at which they are granted. The fair value is determined using a binomial 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. 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 financial close at which time the Company expects to obtain reimbursement of all, or part of, the development costs incurred by the Company to that date and then fund the project via a suitable mix of project debt and equity. The oil and gas project development business has been determined as both an operating segment and a reportable segment.

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

Technology development and licensing
The technology development and licensing business is involved in the development of LNG technology, through research and development activities and the advancement of each developed technology to the patent application stage with the aim to derive licensing fees or royalties from the 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 and inter-segment transactions

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

5. OPERATING SEGMENTS (Continued)

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

Income tax expense
Income tax expense/deferred tax benefit is calculated based on the segment operating net profit/(loss) using a notional charge of 30% (2010: 30%). No effect is given for taxable or deductible temporary differences.

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

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

- Interest revenue
- Corporate expenses
- Finance costs

The following table shows the revenue and profit or loss information for reportable segments for the years ended 30 June 2011 and 30 June 2010.

	Continuing operations			
Year ended 30 June 2011	***Oil and gas project development***	***Investment in oil and gas discoveries***	***Technology development and licensing***	***Total***
Revenue	***$***	***$***	***$***	***$***
Other revenue	-	-	-	-
Inter-segment sales	-	-	-	-
Total segment revenue	-	-	-	-
Inter-segment elimination				-
Unallocated revenue				672,540
Unallocated other income				63,477
Total revenue per the statement of comprehensive income				**736,017**
Segment profit/(loss)	**(4,466,317)**	**(95,470)**	**(123,900)**	**(4,685,687)**
Reconciliation of segment net profit/(loss) after tax to net profit/(loss) before tax				
Income tax expense at 30% (2010: 30%)				-
Unallocated revenue and other income				736,017
Finance costs				(1,737)
Corporate charges				(8,033,582)
Net profit/(loss) before tax per the statement of comprehensive income				**(11,984,989)**
Segment assets for the year ended 30 June 2011 are as follows:				
Segment assets				
Segment operating assets	**3,860,314**	**3,364,013**	**931**	**7,225,258**
Intersegment eliminations				(2,932,637)
Unallocated assets[1]				7,976,159
Total assets per the statement of financial position				**12,268,780**
Unallocated liabilities				**1,110,710**

[1] Unallocated assets primarily consisted of cash and cash equivalents of $5,814,531 and other financial assets of $1,945,000.

5. OPERATING SEGMENTS (Continued)

Year ended 30 June 2010 Revenue	*Continuing operations* *Oil and gas project development* *$*	*Investment in oil and gas discoveries* *$*	*Technology development and licensing* *$*	*Total* *$*
Other revenue	-	-	-	-
Inter-segment sales	803,580	202,406	-	1,005,986
Total segment revenue	803,580	202,406	-	1,005,986
Inter-segment elimination				(1,005,986)
Unallocated revenue				1,328,147
Unallocated other income				263,782
Total revenue per the statement of comprehensive income				1,591,929
Segment profit/(loss)	(37,370,770)	(463,996)	(237,112)	(38,071,878)
Reconciliation of segment net profit/(loss) after tax to net profit/(loss) before tax				
Income tax expense at 30% (2009: 30%)				(5,833)
Unallocated revenue and other income				1,591,929
Finance costs				(2,762)
Corporate charges				(5,594,330)
Net profit/(loss) before tax per the statement of comprehensive income				(42,082,874)
Segment assets for the year ended 30 June 2010 are as follows:				
Segment assets				
Segment operating assets	790,463	72,694	-	863,157
Intersegment eliminations				-
Unallocated assets [1]				24,787,534
Total assets per the statement of financial position				25,650,691
Unallocated liabilities				3,462,985

[1] Unallocated assets primarily consisted of cash and cash equivalents of $22,612,372 and other financial assets of $1,790,000.

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

	CONSOLIDATED **2011** **$**	 2010 $
Australia	12,175,157	25,516,418
Indonesia	93,623	134,273
Total	**12,268,780**	25,650,691

6. REVENUE

	CONSOLIDATED	
	2011	2010
	$	$
Interest revenue	672,540	1,328,147
Total revenue	**672,540**	1,328,147

7. OTHER INCOME

	CONSOLIDATED	
	2011	2010
	$	$
Research and development concession rebate	60,815	48,935
Net foreign exchange gain	-	67,192
Net gain on disposal of exploration licences	-	147,655
Other income	2,662	-
Total other income	**63,477**	263,782

8. EXPENSES

	CONSOLIDATED	
	2011	2010
	$	$
(a) Depreciation		
Plant and equipment	74,421	58,722
Plant and equipment under lease	3,936	3,936
Total depreciation of non-current assets	**78,357**	62,658
(b) Finance costs		
Finance charges payable under finance leases	1,737	2,762
Total finance costs	**1,737**	2,762
(c) Lease payments included in administration expenses		
Minimum lease payments - operating lease	352,333	385,276
Total operating lease rental	**352,333**	385,276
(d) Employee benefit expense		
Wages and salaries	2,340,240	2,894,091
Consultancy fees	1,084,712	745,920
Annual leave provision	(145,741)	59,071
Long service leave provision	78,377	50,089
Superannuation	178,867	176,220
Other non-monetary benefits	147,204	134,255
Share-based payments expense-key management personnel and employees	453,124	1,155,557
Total employee benefits expense	**4,136,783**	5,215,203

8. EXPENSES (Continued)

	CONSOLIDATED	
	2011 $	2010 $
(e) Loss before income tax includes the following:		
Decrease in the fair value of available-for-sale financial assets	2,711,912	-
Bad debts written off	-	14,792
Share-based payment expense-consultant	-	158,375
Net foreign exchange loss	372,173	-
Research and development costs	197,577	227,577

9. INCOME TAX

	CONSOLIDATED	
	2011 $	2010 $
(a) Income tax expense		
Current tax expense	-	-
Deferred tax expense	-	-
Prior year under/(over) provision	-	5,833
Income tax expense/(benefit)	-	5,833

(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:

	2011 $	2010 $
Total accounting loss before tax	**(11,984,989)**	(42,077,041)
Prima facie tax @ 30% (2010: 30%)	**(3,595,497)**	(12,623,112)
Increase in tax expense due to:		
Share-based payments (equity-settled)	135,937	394,180
Expenditure not deductible for tax purposes	1,485,678	3,101,407
Decrease in tax expense due to:		
Prior year income tax expense adjustment	-	5,833
Black-hole expenditure	(480,438)	(798,984)
Deferred tax benefits not recognised	2,454,320	9,926,509
Income tax expense/(benefit)	-	5,833

9. INCOME TAX (Continued)

(c) Recognised deferred tax assets and liabilities

	Balance Sheet		Profit or Loss	
	2011	2010	**2011**	2010
	$	$	**$**	$
CONSOLIDATED				
Deferred tax liabilities				
Accrued income	43,226	53,360	(10,134)	(34,398)
Gross deferred income tax liabilities	43,226	53,360		
Set-off of deferred tax assets	(43,226)	(53,360)		
Net deferred tax liabilities	**-**	**-**		
Deferred tax assets				
Income tax losses recognised to the extent of deferred tax liabilities	43,226	53,360	10,134	34,398
Gross deferred tax assets	43,226	53,360		
Set-off of deferred tax liabilities	(43,226)	(53,360)		
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 2011, the Group had Australian tax losses of $24,218,579 (2010: $18,747,924) 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 2011, the Group has temporary differences of $53,373,328 (2010: $28,684,823) for which no deferred tax asset has been recognised. There is no unrecognised temporary difference associated with the Group's investments in subsidiaries (2010: $Nil).

10. DIVIDEND PAID AND PROPOSED

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

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	
	2011	2010
	$	$
For basic earnings per share:		
Net loss attributable to ordinary equity holders of the Parent	**(11,971,505)**	(42,067,675)
For diluted earnings per share:		
Net loss attributable to ordinary equity holders of the Parent	**(11,971,505)**	(42,067,675)

(b) Weighted average number of shares	**2011 Number**	2010 Number
Weighted average number of ordinary shares for basic earnings per share	**213,664,001**	198,824,099
Weighted average number of ordinary shares adjusted for the effect of dilution	**213,664,001**	198,824,099

(c) Information on the classification of securities

Share options and performance rights
Share options and performance rights granted to employees, directors, senior executives and consultants 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 7,130,000 (2010: 8,990,000) share options and 2,250,000 performance rights (2010: nil) that were excluded from the calculation of diluted earnings per share.

(d) Conversion, calls, subscription or issues after 30 June 2011

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.

On 12 July 2011, 53,250,000 shares were issued to China Huanqiu Contracting & Engineering Corporation (“HQCEC”) (note 32). There has been no other issue of, conversions to, calls of or subscription for ordinary shares or issues of potential ordinary shares since the reporting date and before the date of completion of these financial statements.

12. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	CONSOLIDATED	
	2011	2010
	$	$
Cash at bank and in hand	1,814,531	2,498,909
Short-term deposits	4,000,000	20,113,463
	5,814,531	22,612,372

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.

13. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	Note	CONSOLIDATED 2011 $	2010 $
Other receivables			
- goods & services tax receivable	(i)	93,879	544,103
- other receivables	(i)	201,998	201,811
Total current receivables		**295,877**	745,914

(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 2011 $	2010 $
Investments in term deposits (cash deposits)(i) (ii) (iii) (iv)	1,945,000	1,790,000
	1,945,000	1,790,000

(i) Investments in term deposits are made for varying periods of between 90 days to 1 year and earn interest at the respective term deposit fixed rates.
(ii) Included in this balance is A$1,000,000 which is used as a security deposit for the A$1,000,000 performance guarantee issued by ANZ Bank to Gladstone Port Corporation Limited ("GPC") for rehabilitation work relating to early site works.
(iii) Included in this balance is a A$790,000 security deposit held by the ANZ in relation to the issue of a A$789,263 bank guarantee, by the ANZ, in favour of Queensland's Department of Environment and Resource Management ("DERM"), which is a condition of DERM's environmental authority approval.
(iv) 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 Fisherman's Landing pipeline.

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 2011 $	2010 $
Shares in Australian listed entities (i)	3,694,638	-
	3,694,638	-

15. NON-CURRENT ASSETS – AVAILABLE FOR SALE FINANCIAL ASSETS (Continued)

During the year, the Company acquired 12,604,412 shares in Metgasco Limited (ASX: MEL) and 22,383,004 shares (plus 3,970,751 options) in Oil Basins Limited (ASX: OBL), as part of the corporate strategy to have increased influence or control over potential gas resources.

The acquisition cost of the shares was $6,406,550. The Group has assessed that the decline in fair value of the shares was both significant and prolonged at balance date, and accordingly an impairment of $2,711,912 has been recognised in the financial statements at 30 June 2011.

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

		CONSOLIDATED	
		2011	2010
	Note	**$**	$
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

	CONSOLIDATED	
Reconciliation of carrying amounts at the beginning and end of the year	**2011** **$**	2010 $
At 1 July, net of accumulated depreciation and impairment	444,391	142,003
Additions	21,740	365,046
Disposals	(18,445)	-
Depreciation charge for the year	(78,357)	(62,658)
At 30 June, net of accumulated depreciation and impairment	**369,329**	444,391
Cost	707,930	704,635
Accumulated depreciation and impairment	(338,601)	(260,244)
Net carrying amount	**369,329**	444,391

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

17. NON-CURRENT ASSETS – PLANT AND EQUIPMENT (Continued)

The useful life of the plant and equipment was estimated to be between 3 to 10 years both for 2010 and 2011.

A photocopier, acquired at a cost of $19,679 is held under a finance lease. The leased asset is pledged as security for the related finance lease liability. The carrying amount of equipment held under finance leases at 30 June 2011 is $7,549 (2010: $11,485).

18. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	Note	CONSOLIDATED	
		2011	2010
		$	$
Trade creditors and accruals	(i)	591,439	2,869,956
Other creditors	(i)	80,907	78,758
		672,346	2,948,714

(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	
	2011	2010
	$	$
Annual leave	226,166	371,907
	226,166	371,907

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

20. NON-CURRENT LIABILITIES – PROVISIONS

	CONSOLIDATED	
	2011	2010
	$	$
Long service leave	204,286	125,909
	204,286	125,909

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

21. INTEREST-BEARING LIABILITIES

		CONSOLIDATED	
		2011	2010
Current	**Maturity**	**$**	$
Finance lease liability (note 30)	2012	7,912	8,544
		7,912	8,544
Non-current	**Maturity**		
Finance lease liability (note 30)	2012	**-**	7,911
		-	7,911

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

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

	Note	CONSOLIDATED	
		2011	2010
Non-current		**$**	$
Plant and equipment	17	7,549	11,485
Total assets pledged as security		**7,549**	11,485

22. CONTRIBUTED EQUITY

		CONSOLIDATED	
		2011	2010
		$	$
Fully paid ordinary shares	(a)	97,364,991	96,936,191
		97,364,991	96,936,191

		CONSOLIDATED	
		Number	**$**
(a) Movement in ordinary shares on issue:			
At 1 July 2009		169,068,415	48,378,110
Exercise of options	(i)	6,445,000	2,781,550
Share issue (capital raising)	(ii)	37,825,600	47,282,000
Transaction costs	(iii)	-	(1,505,469)
At 30 June 2010		**213,339,015**	**96,936,191**
Exercise of options	(iv)	1,110,000	428,800
At 30 June 2011	(v)	**214,449,015**	**97,364,991**

(i) 6,445,000 shares were issued for cash in 2010 on the exercise of share options (refer to note 26).
(ii) During 2010, through a share placement and Share Purchase Plan, the Company raised $47,282,000 through the issue of 37,825,600 fully paid ordinary shares at an issue price of $1.25 per share.
(iii) The transaction costs represent the costs of issuing shares.
(iv) 1,110,000 shares were issued for cash in 2011 on the exercise of share options (refer to note 26).
(v) At the reporting date 267,699,015 Company shares were listed for official quotation on the ASX.

22. CONTRIBUTED EQUITY (Continued)

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

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

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

At balance date, the Group had minimal debt and funds raised through shares issued during the year will be primarily applied to progression of the Group's core activities, being the advancement of prospective LNG production projects and LNG process, storage 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, employees and certain consultants (refer to note 26).

(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 26).

(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.

23. ACCUMULATED LOSSES AND RESERVES

(a) Movements in accumulated losses were as follows:

	CONSOLIDATED	
	2011	2010
	$	$
Balance at 1 July	(84,664,764)	(42,597,089)
Net loss for the year	(11,971,505)	(42,067,675)
Balance at 30 June	**(96,636,269)**	(84,664,764)

(b) Reserves

CONSOLIDATED	Share options reserve	Performance rights reserve	Redeemable preference share reserve	Equity reserve	Foreign currency translation reserve	Total
	$	$	$	$	$	$
At 1 July 2009	3,904,509	-	4,032,001	578,292	66,905	8,581,707
Share-based payment	1,313,932	-	-	-	-	1,313,932
Translation of foreign subsidiaries	-	-	-	-	35,839	35,839
At 30 June 2010	**5,218,441**	**-**	**4,032,001**	**578,292**	**102,744**	**9,931,478**
Share-based payment	293,859	159,265	-	-	-	453,124
Translation of foreign subsidiaries	-	-	-	-	73,429	73,429
At 30 June 2011	**5,512,300**	**159,265**	**4,032,001**	**578,292**	**176,173**	**10,458,031**

(c) Nature and purpose of reserves

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

Performance rights reserve
The performance rights reserve is used to record the value of performance rights issued by the Company and its subsidiaries (refer to note 26 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 the prior financial year.

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.

24. NON-CONTROLLING INTERESTS

	CONSOLIDATED	
	2011	2010
	$	$
Accumulated losses	(28,683)	(15,199)
	(28,683)	(15,199)

25. CASH FLOW STATEMENT RECONCILIATION

	CONSOLIDATED	
	2011	2010
	$	$
(a) Reconciliation of net loss after tax to the net cash flows used in operations		
Net loss after income tax	(11,984,989)	(42,082,874)
Adjust for non-cash items:		
Depreciation expense	78,357	62,658
Share-based payment expense	453,124	1,313,932
Bad debts written off	-	14,792
Unrealised foreign exchange loss/(gain)	375,070	(44,221)
Decrease in fair value of available-for-sale financial assets	2,711,912	-
Adjust for other cash items:		
Finance lease interest expense	1,737	2,762
Adjust for changes in assets/liabilities:		
(Increase)/decrease in trade and other receivables	450,037	(69,209)
(Increase)/decrease in prepayments	(91,391)	17,075
Increase/(decrease) in payables and accruals	(2,276,368)	1,287,363
Increase/(decrease) in provisions	(67,364)	109,160
Net cash flows used in operating activities	**(10,349,875)**	(39,388,562)

(b) Reconciliation to Cash Flow Statement

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

Cash at bank and in hand	1,814,531	2,498,909
Short-term deposits	4,000,000	20,113,463
Closing cash balance (note 12)	**5,814,531**	22,612,372

(c) Non-cash financing and investing activities

	CONSOLIDATED	
	2011	2010
	$	$
Share-based payments (note 26)	453,124	1,313,932
	453,124	1,313,932

26. SHARE-BASED PAYMENT PLANS

(a) Recognised share-based payment expenses

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

	CONSOLIDATED	
	2011	2010
	$	$
Expenses arising from equity-settled share-based payment transactions	453,124	1,313,932
Total expense arising from share-based payment transactions (note 8)	**453,124**	1,313,932

(b) Share Option Plan ("SOP")

A SOP has been established where the Company, at the discretion of the Board, grants options over the ordinary shares of the Company to directors, employees, senior management and certain consultants for nil cash consideration. The total number of options that may be issued to all parties who may participate under the 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.

(i) Terms and conditions attaching to options

The options issued to directors, employees, senior management and consultants 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.

26. SHARE BASED PAYMENT PLANS (Continued)

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

Options granted to directors, executives and employees

During the financial year 1,245,000 (2010: nil) unlisted options over ordinary shares in the Company were granted to directors, executives and employees of the Company and its controlled entities. The weighted average exercise price of the options granted is $0.742 (2010: $nil).

Options granted to consultants

During the financial year, no unlisted options over ordinary shares in the Company were granted to consultants in exchange for the services provided (2010: 350,000). The weighted average exercise price of the options granted is $nil (2010: $0.400).

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

	2011		2010	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
	No.	**$**	No.	$
Outstanding at beginning of year	8,990,000[1]	0.684	16,335,000[1]	0.587
- granted during the year	1,245,000	0.742	350,000	0.400
- cancelled and forfeited during the year	(615,000)[5]	0.862	(800,000)[6]	0.621
- exercised during the year	(1,110,000)[2]	0.380	(6,445,000)[3]	0.432
- expired during the year	(1,380,000)[7]	0.650	(450,000)[8]	0.900
Outstanding at end of year	7,130,000[1,4]	0.718	8,990,000[1,4]	0.684
Exercisable at end of year	4,650,000	0.737	4,950,000	0.593

The outstanding balance of options granted as at 30 June 2011 is represented by:

a. 1,750,000 options over ordinary shares with an exercise price of $0.621 per share;
b. 2,490,000 options over ordinary shares with an exercise price of $0.667 per share;
c. 60,000 options over ordinary shares with an exercise price of $0.68 per share;
d. 410,000 options over ordinary shares with an exercise price of $0.692 per share;
e. 410,000 options over ordinary shares with an exercise price of $0.742 per share;
f. 310,000 options over ordinary shares with an exercise price of $0.792 per share;
g. 150,000 options over ordinary shares with an exercise price of $0.84 per share;
h. 1,100,000 options over ordinary shares with an exercise price of $0.88 per share; and
i. 450,000 options over ordinary shares with an exercise price of $0.90 per share.

26. SHARE BASED PAYMENT PLANS (Continued)

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

[1] There are no options over shares (2010: nil options) included within this balance that have not been recognised in accordance with AASB 2, as the options were granted after 7 November 2002 and vested before 1 January 2005. These options have not been subsequently modified and therefore do not need to be recognised in accordance with AASB 2.

[2] The weighted average share price at the date of exercise was $0.585.

[3] The weighted average share price at the date of exercise was $1.108.

[4] Includes 450,000 contingent LNG options granted to employees but not vested. The issue of these options is subject to the achievement of certain prescribed milestones. As at 30 June 2011, these options have not been issued.

[5] Includes 615,000 forfeited LNG options with weighted average exercise price of $0.862.

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

[7] Includes 1,380,000 LNG options that expired during the financial year with an exercise price of $0.650.

[8] Includes 450,000 contingent LNG options that expired during the previous financial year.

The weighted average remaining contractual life for the share options outstanding as at 30 June 2011 is 2.24 years (2010: 2.74 years). The range of exercise prices for options outstanding at the end of the year was $0.621 to $0.90 (2010: $0.380 to $0.900). The weighted average fair value of options granted during the year was $0.234 (2010: $0.453).

(b)(iii) Option-pricing model: SOP

The fair value of each equity-settled share option tranche granted is estimated on the date of grant using a binomial option-pricing model with the following average assumptions used for grants made during the financial year ended 30 June 2011:

LNG OPTIONS	**2011**	2010
Dividend yield (%)	Nil	Nil
Expected volatility (%)	80%	65%
Risk-free interest rate (%)	4.5%	5%
Expected life of option (years)	1.25-3	5
Options exercise price ($)	0.692-0.792	0.400
Weighted average share price at grant date ($)	0.600	0.790
Model used	Binomial	Binomial

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

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

26. 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 2,250,000 (2010: nil) unlisted performance rights over ordinary shares in the Company were granted to directors, executives and employees of the Company and its controlled entities. The weighted average exercise price of the performance rights granted is $0.791 (2010: $nil).

26. SHARE BASED PAYMENT PLANS (Continued)

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

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

	2011		2010	
	Number of rights	**Weighted average exercise price**	Number of rights	Weighted average exercise price
	No.	**$**	No.	$
Outstanding at beginning of year	**-**	**-**	-	-
- granted during the year	**2,250,000**	**0.791**	-	-
Outstanding at end of year	**2,250,000**	**0.791**	-	-
Exercisable at end of year	**-**	**-**	-	-

The outstanding balance of rights granted as at 30 June 2011 is represented by:

1. 750,000 performance rights over ordinary shares with an exercise price of $0.738 per share;
2. 750,000 performance rights over ordinary shares with an exercise price of $0.791 per share; and
3. 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 2011 is 1.70 years (2010: n/a). The range of exercise prices for performance rights outstanding at the end of the year was $0.738 to $0.844 (2010: n/a). The weighted average fair value of performance rights granted during the year was $0.216 (2010: n/a).

(c)(iii) Rights-pricing model: PRP

The fair value of each equity-settled performance rights tranche granted is estimated on the date of grant using a Black Scholes option-pricing model with the following average assumptions used for grants made during the financial year ended 30 June 2011:

LNG RIGHTS	**2011**	2010
Dividend yield (%)	-	-
Expected volatility (%)	75.28 - 77.261	-
Risk-free interest rate (%)	4.86 - 5.058	-
Expected life of option (years)	1.5 - 3	-
Options exercise price ($)	0.738 - 0.844	-
Weighted average share price at grant date ($)	0.59	-
Model used	Black Scholes	-

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

For all rights tranches, it is assumed that the rights holder remains eligible to exercise the rights for the full term to the expiry date of each rights tranche and there is no early exercise of the rights. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

27. PARENT ENTITY INFORMATION

Information relating to Liquefied Natural Gas Limited:	**2011** **$**	2010 $
Current assets	6,236,474	15,897,355
Total assets	16,432,631	25,798,858
Current liabilities	3,218,351	820,735
Total liabilities	3,376,407	931,232
Issued capital	97,569,991	97,141,191
Accumulated losses	(93,976,046)	(81,282,719)
Share options reserve	5,430,278	4,977,153
Redeemable preference share reserve	4,032,001	4,032,001
Total shareholders' equity	**13,056,224**	24,867,626
Profit/(loss) of the parent entity	**(12,693,327)**	(42,415,911)
Total comprehensive income of the parent entity	**(12,693,327)**	(42,415,911)

(a) Guarantees

The parent entity has not guaranteed the liabilities of its subsidiaries as at 30 June 2011.

(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.

28. RELATED PARTY DISCLOSURES

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

Name	Country of incorporation	Equity interest (%)		Investment ($)	
		2011	2010	**2011**	2010
LNG International Pty Ltd	Australia	100	100	100[1]	100
Gas Link Global Limited	Australia	100	100	9,904,925[2]	9,874,091
LNG Technology Pty Ltd	Australia	100	100	100	100
LNG Management Services Pty Ltd	Australia	100	100	1	1
				9,905,126	9,874,292
The following companies are controlled via LNG International Pty Ltd:					
Qeshm International LNG Gas (Ltd)	Iran	100	100	-	-
PT. LNG Energi Utama	Indonesia	95	95	-	-
Gladstone LNG Pty Ltd	Australia	100	100	100[3]	100
CSG Nominees Pty Ltd	Australia	100	100	-	-
Goodwood LNG Pty Ltd	Australia	100	-	-	-
Brisbane LNG Pty Ltd	Australia	100	-	-	-
Hastings LNG Pty Ltd	Australia	100	-	-	-
South Australian LNG Pty Ltd	Australia	100	-	-	-
Kimberley LNG Pty Ltd	Australia	100	-	-	-
Gladstone OSMR Technology Pty Ltd	Australia	100	-	-	-
				9,905,226	9,874,392
The following company is controlled via Gas Link Global Limited:					
Gedd (PNG) Limited	Papua New Guinea	100	100	-[4]	-
				9,905,226	9,874,392

[1] Pursuant to the requirements in AASB 2 *Share-based payments*, the investment amount is increased by $139,995 (2010: $800,300) 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 decrease in the net assets of its subsidiary, the Company has made a provision for impairment of $139,995 (2010: $800,300) 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 $30,834 (2010: $89,828) being the share-based payment expense for the period for the share options over the Company's ordinary shares granted to Gas Link Global Limited's employees.

[3] Pursuant to the requirements in AASB 2 *Share-based payments*, the investment amount is increased by $30,940 (2010: $222,918) 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 $30,940 (2010: $222,918) being the decrease in carrying amount of its investment in Gladstone LNG Pty Ltd.

[4] During a prior financial year, due to the decrease in net assets of its subsidiary, Gas Link Global Limited made a provision for impairment of $254,566 (2010: $254,566).

(a) Ultimate Parent

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

(b) Key Management Personal ("KMP")

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

28. RELATED PARTY DISCLOSURES (Continued)

(c) Controlled entities

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

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

Upon signing of the Deed of Establishment of PT LNG, LNGI and PT. Maleo Energi Utama ("PT Maleo"), an Indonesian company, each has given an undertaking to set aside a total sum of US$300,000 for the purpose of the payment for the issued capital of PT LNG, to be paid into PT LNG's bank account upon the opening of such account. As at 30 June 2011, the payment of the paid up capital has not been effected.

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

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

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

(d) Transactions with related parties

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

(e) Employees

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

29. KEY MANAGEMENT PERSONNEL ("KMP")

(a) Compensation of Key Management Personnel

	CONSOLIDATED	
	2011	2010
	$	$
Short-term benefits	2,819,960	2,820,457
Post-employment benefits	111,265	115,478
Long-term benefits	69,074	50,135
Share-based payment	389,794	814,630
Termination benefits	90,000	-
	3,480,093	3,800,700

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

30 June 2011	**Balance at beginning of year**				**Balance at end of year**	**Vested at 30 June 2011**		
	1 July 2010	**Granted as remuner-ation**	**Options exercised**	**Options cancelled/ forfeited**	**30 June 2011**	**Total**	**Not exer-cisable**	**Exer-cisable**
Directors								
R.J. Beresford	-	-	-	-	-	-	-	-
F.M. Brand	-	-	-	-	-	-	-	-
P.W. Bridgwood	-	-	-	-	-	-	-	-
N. Marshall	2,250,000	-	(750,000)	-	1,500,000	1,500,000	-	1,500,000
L.K. Bond	-	-	-	-	-	-	-	-
P.J. Harvey	-	-	-	-	-	-	-	-
Executives								
D.M. Gardner	300,000	-	-	-	300,000	200,000	-	200,000
G.J.F. Triglavcanin	500,000	300,000	-	-	800,000	500,000	-	500,000
L.A. Clark	300,000	300,000	-	-	600,000	300,000	-	300,000
S.R. Della Mattea	900,000	-	-	-	900,000	300,000	-	300,000
M.J. Schaumburg	1,600,000	-	-	(500,000)	1,100,000	500,000	-	500,000
Total	**5,850,000**	**600,000**	**(750,000)**	**(500,000)**	**5,200,000**	**3,300,000**	-	**3,300,000**

30 June 2010	Balance at beginning of year				Balance at end of year	Vested at 30 June 2010		
	1 July 2009	Granted as remuner-ation	Options exercised	Options cancelled/ forfeited	30 June 2010	Total	Not exer-cisable	Exer-cisable
Directors								
R.J. Beresford	-	-	-	-	-	-	-	-
F.M. Brand	-	-	-	-	-	-	-	-
P.W. Bridgwood	-	-	-	-	-	-	-	-
N. Marshall	2,250,000	-	-	-	2,250,000	1,750,000	-	1,750,000
L.K. Bond	-	-	-	-	-	-	-	-
P.J. Harvey	-	-	-	-	-	-	-	-
Executives								
D.M. Gardner	300,000	-	-	-	300,000	100,000	-	100,000
G.J.F. Triglavcanin	750,000	-	(250,000)	-	500,000	250,000	-	250,000
L.A. Clark	855,000	-	(555,000)	-	300,000	150,000	-	150,000
S.R. Della Mattea	1,200,000	-	(300,000)	-	900,000	-	-	-
M.J. Schaumburg	2,100,000	-	(500,000)	-	1,600,000	-	-	-
Total	7,455,000	-	(1,605,000)	-	5,850,000	2,250,000	-	2,250,000

29. KEY MANAGEMENT PERSONNEL ("KMP") (Continued)

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

30 June 2011	Balance at beginning of year				Balance at end of year	Vested at 30 June 2011		
	1 July 2010	Granted as remuner-ation	Rights exercised	Rights cancelled/ forfeited	30 June 2011	Total	Not exer-cisable	Exer-cisable
Directors								
R.J. Beresford	-	450,000	-	-	450,000	-	-	-
F.M. Brand	-	450,000	-	-	450,000	-	-	-
P.W. Bridgwood	-	450,000	-	-	450,000	-	-	-
N. Marshall	-	450,000	-	-	450,000	-	-	-
L.K. Bond	-	450,000	-	-	450,000	-	-	-
P.J. Harvey	-	-	-	-	-	-	-	-
Executives								
D.M. Gardner	-	-	-	-	-	-	-	-
G.J.F. Triglavcanin	-	-	-	-	-	-	-	-
L.A. Clark	-	-	-	-	-	-	-	-
S.R. Della Mattea	-	-	-	-	-	-	-	-
M.J. Schaumburg	-	-	-	-	-	-	-	-
Total	-	**2,250,000**	-	-	**2,250,000**	-	-	-

There were no performance rights during the year ended 30 June 2010.

(d) Shareholdings of Key Management Personnel (Consolidated)

Shares held in Liquefied Natural Gas Ltd (number)	Ordinary Shares			
30 June 2011	Balance 1 July 2010	On exercise of options	Net other change	Balance 30 June 2011
Directors				
R.J. Beresford	369,692	-	-	369,692
F.M. Brand	12,769,742	-	(2,769,742)	10,000,000
P.W. Bridgwood	13,290,040	-	-	13,290,040
N. Marshall	1,107,692	750,000	-	1,857,692
L.K. Bond	-	-	-	-
P.J. Harvey	3,400,394	-	-	3,400,394
Executives				
D.M. Gardner	17,000	-	-	17,000
G.J.F. Triglavcanin	-	-	-	-
L.A. Clark	-	-	-	-
S.R. Della Mattea	-	-	-	-
M.J. Schaumburg	-	-	-	-
Total	**30,954,560**	**750,000**	**(2,769,742)**	**28,934,818**

29. KEY MANAGEMENT PERSONNEL ("KMP") (Continued)

(d) Shareholdings of Key Management Personnel (Continued)

Shares held in Liquefied Natural Gas Ltd (number)	Ordinary Shares			
30 June 2010	Balance 1 July 2009	On exercise of options	Net other change	Balance 30 June 2010
Directors				
R.J. Beresford	357,692	-	12,000	369,692
F.M. Brand	12,757,742	-	12,000	12,769,742
P.W. Bridgwood	14,750,040	-	(1,460,000)	13,290,040
N. Marshall	2,257,692	-	(1,150,000)	1,107,692
L.K. Bond	-	-	-	-
P.J. Harvey	3,400,394	-	-	3,400,394
Executives				
D.M. Gardner	105,000	-	(88,000)	17,000
G.J.F. Triglavcanin	60,000	250,000	(310,000)	-
L.A. Clark	65,000	555,000	(620,000)	-
S.R. Della Mattea	-	300,000	(300,000)	-
M.J. Schaumburg	36,000	500,000	(536,000)	-
Total	33,789,560	1,605,000	(4,440,000)	30,954,560

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

Consultancy services provided to the Group by Martech International Pty Ltd, a company in which Mr. F.M. Brand is a director for the financial year amounted to $397,333 (excluding GST) [2010: $368,319]. At reporting date, no amount is outstanding [2010: $Nil].

Consultancy services provided to the Group by Sinedie Pty Ltd, a company in which Mr. P.W. Bridgwood is a director for the financial year amounted to $456,490 (excluding GST) [2010: $368,321]. At reporting date, no amount is outstanding [2010: $Nil].

Directors fees paid to Clearer Sky Pty Ltd, a company in which Mr. R.J. Beresford is a director for the financial year amounted to $72,083 (excluding GST) [2010: $50,000]. At reporting date, no amount is outstanding [2010: $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 $55,000 (excluding GST) [2010: $30,513]. At reporting date, $6,561 is outstanding [2010: $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 $67,610 (excluding GST) [2010: $64,680].

30. COMMITMENTS

Operating lease commitments – the Group as lessee

On 29 October 2004, the Company entered into an operating lease for the office space situated on the Ground floor, 5 Ord Street, West Perth, Western Australia. In the 2007 financial year, the Company exercised an option under the lease to extend the term for a further three years until 29 October 2010. The Company extended the lease for a further 6 months to 29 April 2011, and then a further 9 months to 29 January 2012.

On 12 April 2010, the Company's controlled entity, PT LNG Energi Utama, entered into an operating lease for an office suite in Jakarta, Indonesia. The initial lease term was from 16 April 2010 to 15 October 2010, and has been extended to 15 October 2011. The rental fee is IDR. 10,494,000 (A$1,137) per month plus 10% value added tax, payable quarterly in advance. The term granted under the lease is automatically extended for a further three months until notice of termination is received from the lessor, prior to the end of the then current extension period. The lease can be terminated by PT LNG Energi Utama giving two months notice in advance before its expiry date.

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

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

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

	CONSOLIDATED	
Future minimum rentals payable under non-cancellable operating leases as at 30 June is as follows:	**2011** **$**	2010 $
- Within one year	234,688	311,541
- After one year but not more than five years	30,849	39,676
Aggregate non-cancellable operating lease expenditure contracted for at reporting date	**265,537**	351,217

Finance lease – the Group as lessee

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

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

	2011		2010	
CONSOLIDATED	**Minimum lease payments**	**Present value of lease payments**	Minimum lease payments	Present value of lease payments
	$	**$**	$	$
- Within one year	8,336	8,143	10,003	9,730
- After one year but not more than five years	**-**	**-**	8,336	7,736
Total minimum lease payments	8,336	8,143	18,339	17,466
- Less amounts representing finance charges	(424)	(418)	(1,884)	(1,821)
Present value of minimum lease payments	**7,912**	**7,725**	16,455	15,645

30. COMMITMENTS (Continued)

Capital commitments

At year end, there was no commitments in relation to the purchase of plant and equipment (2010: $Nil).

Other expenditure and remuneration commitments

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

	CONSOLIDATED	
	2011	2010
	$	$
- Within one year	881,040	1,293,208
- After one year but not more than five years	-	-
	881,040	1,293,208

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

31. CONTINGENCIES

(a) Insurance claims

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

(b) Legal claims

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

(c) Guarantees

The Company's subsidiary, Gladstone LNG Pty Ltd has provided a performance guarantee (issued by ANZ Bank) for the amount of A$1,000,000 to Gladstone Port Corporation Limited ("GPC") for the rehabilitation work relating to early site works. The guarantee is valid for one year and expires on 30 June 2012.

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

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 Fisherman's Landing pipeline. The bank guarantee is valid until it is no longer required by the State of Queensland.

Term deposits of A$1,945,000 are held by the Company and pledged as security for the above guarantees (note 14).

(d) Bonus payment

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

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

31. CONTINGENCIES (Continued)

(e) Contingent options

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

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

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

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

32. EVENTS AFTER BALANCE DATE

(a) Share placement

On 12 July 2011, 53,250,000 shares were issued to China Huanqiu Contracting & Engineering Corporation ("HQCEC") for cash consideration of $20,144,475, making HQCEC the largest shareholder of the Company. The immediate objectives of the Company and HQCEC are to position the Gladstone 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.

(b) Key employment agreements

Each of Fletcher Maurice Brand, Paul William Bridgwood, Norman Marshall, Lincoln Andrew Clark, Philip Neil Greenhouse and Garry John Triglavcanin ("Key Employees") entered into new employment agreements with the Company for up to 4 years (5 years in the case of Paul William Bridgwood) in accordance with existing remuneration arrangements.

(c) Share restriction deeds

Each of Fletcher Maurice Brand (Managing Director), Paul William Bridgwood (Chief Technical Officer) and Norman Marshall (Chief Financial Officer) entered into a voluntary restriction deed with the Company under which each has agreed to certain voluntary restriction arrangements in relation to the disposal of his respective Shares. Details of the restrictions are set out below:

	Fletcher Maurice Brand	Paul William Bridgwood	Norman Marshall
Shares Held	10,000,000	13,290,000	1,857,692
Restricted Shares	10,000,000	12,000,000	1,500,000
Permitted Disposal:			
After 30/6/2011			500,000
After 30/6/2012	1,000,000	600,000	500,000
After 30/6/2013	3,000,000	600,000	500,000
After 30/6/2014	3,000,000	3,600,000	
After 30/6/2015	No restriction	3,600,000	
After 30/6/2016		No restriction	

32. EVENTS AFTER BALANCE DATE (Continued)

The restrictions permanently cease in certain circumstances including:

(i) at any time the HQCEC Group hold in aggregate less than 15% of the total shares of the Company;
(ii) a takeover bid is made for the Company, that takeover bid is, or becomes, unconditional and the bidder obtains a relevant interest in at least 50% of the total shares of the Company;
(iii) a scheme of arrangement pursuant to which a person will acquire 100% of the shares becomes effective under Part 5.1 of the Corporations Act;
(iv) any person (together with their associates) acquires a relevant interest in 50% or more of the total shares of the Company;
(v) generally where the restricted person ceases to be either an officer or employee of the Company or any subsidiary of it; or
(vi) an insolvency event occurs in relation to the Company.

(d) New directors

On 1 August 2011, two HQCEC nominees joined the Company's Board of Directors, being Madam Wang Xinge, Joint-Chief Executive Officer and Executive Director, and Mr Zhang Gaowu, Non-Executive Director.

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

33. AUDITORS REMUNERATION

The auditor of the Company is Ernst & Young Australia.

	CONSOLIDATED	
	2011	2010
	$	$
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	60,225	63,860
- Other services in relation to the entity and any other entities in the Consolidated Group:		
- tax and other services	139,990	181,167
	200,215	245,027
- Tax services provided by overseas Ernst & Young firm	16,640	46,875
	16,640	46,875
Amounts received or due and receivable by Ernst & Young	**216,855**	291,902
Amounts received or due and receivable by non Ernst & Young audit firms for:		
- audit or review of the financial report of other entity in the Consolidated Group	**-**	4,148
	-	4,148

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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 2011, 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

R J Curtin
Partner
Perth
15 September 2011

RC:VP:LNG:031

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 2011 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 2011.

On behalf of the Board

Richard Beresford

R.J. Beresford
Chairman

Perth, Western Australia
15 September 2011

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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 2011, the consolidated 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 information, 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 (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2a, 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 2011 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*; and

b. the financial report also complies with *International Financial Reporting Standards* as issued by the International Accounting Standards Board as disclosed in Note 2a.

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2011. 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 2011, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

R J Curtin
Partner
Perth
15 September 2011

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 14 September 2011.

(a) Distribution of equity securities

(i) Ordinary share capital

- 267,699,015 fully paid ordinary shares are held by 6,603 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

- 7,130,000 unlisted options over ordinary shares are held by 15 individual option holders.

The options do not carry a right to vote.

(iii) Performance rights

- 2,250,000 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	1,195	-	-
1,001 – 5,000	2,129	-	-
5,001 – 10,000	1,278	-	-
10,001 – 100,000	1,825	3	-
100,001 and over	176	12	5
	6,603	15	5
The number of shareholders holding less than a marketable parcel of shares are:	1,335	-	-

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	19.89
2	Group # 889118 - HSBC Custody Nominees (Australia) Limited	22,469,588	8.39
3	Dart Energy Limited	14,370,000	5.37
4	Mr Paul Bridgwood	13,290,040	4.96
5	Sasigas Nominees Pty Ltd <Fletcher M Brand Family A/c >	10,000,000	3.74
6	HSBC Custody Nominees (Australia) Limited <CW A/C>	8,696,281	3.25
7	Group # 889383 – JP Morgan Nominees Australia Limited	7,106,006	2.65
8	Group #647070 – Citicorp Nominees Pty Limited	5,052,665	1.89
9	HSBC Custody Nominees (Australia) Limited <ST A/C>	4,705,764	1.76
10	Mr Phillip John Harvey	3,000,010	1.12
11	Protanto Pty Ltd <SQEEM Benevolent A/C> “Kingstoun”	2,519,692	0.94
12	Moraitis Family Investments Pty Limited	2,447,643	0.91
13	Mr Bassam Abou Chahla & Ms Cherie Abou Chahla <Abou Chahla Family S/F A/C>	2,171,062	0.81
14	Supermax Pty Ltd <Supermax Super Fund A/C>	2,000,000	0.75
15	Andwendrod Services Pty Ltd	1,880,000	0.70
16	HSBC Custody Nominees (Australia) Limited <EY A/C>	1,500,000	0.56
17	Group # 607174 - UBS Wealth Management Australia Nominees Pty Ltd	1,375,974	0.51
18	Uob Kay Hian (Hong Kong) Limited <Clients A/c>	1,272,322	0.48
19	Sand King Pty Ltd	1,153,500	0.43
20	Mr Norman Marshall	1,107,692	0.41
		159,368,239	**59.53**

d) Substantial shareholders

Ordinary shareholders	Fully paid	
	Number	**Percentage**
China Huanqiu Contracting & Engineering Corporation	53,250,000	19.89
Copulos Group (HSBC Custody Nominees (Australia) Limited <CW A/C> and others)	27,037,614	10.10
Dart Energy Limited	14,370,000	5.37
	94,657,614	35.36

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.