



LIQUEFIED NATURAL GAS LIMITED
(ABN 19 101 676 779)

JUNE 2010

QUARTERLY REPORT



An artist's impression of the Gladstone LNG Project at Fisherman's Landing



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1. FISHERMAN'S LANDING LNG PROJECT – PORT OF GLADSTONE, QLD

During the quarter, the Company's principal focus has been on three core activities:

- Evaluating all options to secure gas supply for the Fisherman's Landing LNG Project. Discussions and negotiations have been undertaken such that the Company has established a defined strategy in relation to its gas supply plans, with an essential requirement being to ensure as much certainty as possible of gas delivery to the Fisherman's Landing LNG Project. The Company is exploring all avenues to secure best value to the Company for the project.
- Detailed discussions were held (and are ongoing) with potential strategic partners (LNG offtake and project investment) to ensure an alignment of all key objectives, as the Company progresses the gas supply plan. To date, significant interest has been expressed by the potential strategic partners, in the LNG opportunity and gas supply plan, with all parties approached possessing strong financial and LNG industry credibility.
- Concluding all approvals and licenses such that full construction of the Fisherman's Landing LNG Project can be readily reactivated once gas supply and the selection of a strategic partner have been finalised.

Significant progress was achieved during the quarter, including:

(a) Agreement to Lease Signed for Fisherman's Landing

An Agreement to Lease (30 years) was signed with Gladstone Ports Corporation Limited (**GPC**), in relation to the site for the Company's planned 3 million tonne per annum (*mtpa*) Fisherman's Landing LNG Project.

The signing of the Agreement is a very important milestone for the project and demonstrates the excellent relationship, and ongoing cooperation between, GPC and the Company to assist in facilitating the development of the Company's Fisherman's Landing LNG Project.

(b) Environmental Authority Granted

The Queensland Department of Environment and Resource Management (*DERM*) has granted an Environmental Authority (*EA*) to the Company in relation to its Fisherman's Landing LNG Project.

The EA sets out the conditions under which the Company is required to:

- Construct and operate the Fisherman's Landing 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.

The granting of the EA is one of the main development approval requirements stemming from the 14 April 2009 Environmental Impact Statement, Assessment Report issued by DERM and it is the first EA for an LNG project in Gladstone.

(c) Civil Aviation Safety Authority "Provides All Clear"

The Civil Aviation Safety Authority has formally concluded that the Company's Fisherman's Landing LNG Project will have no effect on the efficiency or safety of operations at Gladstone Airport.

(d) Dredging Approvals Received

The Queensland Government's Department of Environment and Resource Management, has provided approval for the Stage 1 shipping channel dredging associated with the Company's Fisherman's Landing LNG Project.

The scope of the Stage 1 dredging includes widening the Targinie Channel and widening and deepening the Fisherman's Landing Wharf No. 5 berth pocket and turning basin, to accommodate LNG vessels up to 152,000m³ capacity. The approval includes relocation of the dredged material to a previously approved onshore site.

This completes all major marine approvals required for the Fisherman's Landing LNG Project, thus allowing the Company to immediately proceed to final investment decision and recommencement of construction, as soon as it has secured gas supply and LNG offtake arrangements with a credible strategic partner.

(e) Petroleum Facilities License

The only material outstanding approval is the Petroleum Facilities License, in relation to which all information and documents have been submitted by the Company and issue of the license is expected in August 2010.

In addition, during the quarter, the Company advised that the Front End Engineering Design (FEED) for its Fisherman's Landing LNG Project has been completed and the Company has obtained a fixed price engineering, procurement and construction (*EPC*) proposal for the plant. The fixed price EPC offer includes completion and performance guarantees from its proposed EPC contractors, SK Engineering and Construction Co., Ltd and Laing O'Rourke Australia Construction Pty Ltd.

The fixed EPC price for the first LNG train of 1.5 million tonnes per annum, 180,000m³ LNG tank (sufficient for a total of 4.5 mtpa LNG production) and associated site infrastructure is US\$720 million. This results in a cost of US\$410/tpa for the first LNG train, excluding all marine works.

The capital cost for the marine works including ship loading structures, dredging and reclamation is estimated at US\$85 million, based on a cost sharing arrangement for the dredging and reclamation with other Gladstone Port users.

The Fisherman's Landing LNG Project site has the potential to accommodate 3 LNG trains (each of 1.5 mtpa production capacity). The capital cost of the second and third LNG trains is US\$300 million each, resulting in a total capital cost of US\$268/tpa for 4.5 mtpa of LNG production capacity (again excluding initial marine works, which will require no expansion or further expenditure for LNG trains 2 and 3).

2. COMPANY'S OTHER LNG ACTIVITIES

The completion of the Fisherman's Landing LNG Project FEED and procurement of fixed EPC pricing is materially assisting the Company to offer its repeatable business model on other potential LNG project opportunities.

The Company is actively pursuing three LNG project opportunities in Australia and two in Papua New Guinea. Further information on such LNG project opportunities will be provided to shareholders when agreements have been executed.

3. LNG TECHNOLOGY PTY LTD

The Company OSMR[®] enhanced LNG liquefaction process and associated technology proposed for the Gladstone LNG Project have been the subject of numerous satisfactory reviews, including endorsement of its cost, reliability and efficiency. These endorsements were required prior to the Company embarking on an active marketing programme, which commences on the 18-20 April 2010 at the LNG 16 Conference and Exhibition in Oran, the second largest city in Algeria.

The LNG 16 conference was held just after the eruption of Icelandic volcano Eyjafjallajökull. Hence many of the delegates were unable to attend due to airport closures in Europe and the conference was restructured over two days only. The jointly published technical paper by the Company's Technical Director, Paul Bridgwood, together with Don Hill, Vice President – Gas Monetization, CB&I Lummus titled "[Simple Low Cost LNG Production](#)" was published in the LNG Industry Spring 2010 Edition and made available for delegates at the conference.

The Company was satisfied with the level of exposure and interest generated in the technology at the conference. An updated version of the paper "[Improved LNG Process](#)" is also on the Company's website.

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

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

4. GAS LINK GLOBAL LIMITED

Gas Link Global Limited is a wholly owned subsidiary and its primary business activity remains the identification and selected investment in existing gas discoveries and prospective gas acreage to provide gas feedstock for LNG projects.

No major activities were progressed during the June 2010 quarter. However, the Company is assessing a number of strategic investments in gas companies that have the potential to supply gas for future LNG projects.

5. EXPLORATION EXPENDITURE

No exploration expenditure was incurred by the Company during the quarter.

6. CORPORATE

6.1 Major Corporate Shareholders:

As at 30 July 2010, the Company's two major corporate shareholders were:

- **Dart Energy Ltd (7.50%)**

On the 13 July 2010, Arrow Energy Limited transferred its total shareholding (16 million shares) in the Company to Dart Energy Limited (www.dartenergy.com.au) following a demerger of Arrow's international assets and certain Australian assets. Dart's vision is to be the leading global coal bed methane company.

- **Golar LNG Energy Limited (3.97%)**

Golar LNG Limited and Golar LNG Energy Limited (www.golarlng.com) – the Golar Group – is the world's largest independent group dedicated to LNG shipping, with over 30 years experience in the global LNG industry. In recent years the Golar Group has expanded its activities to include floating LNG storage and regasification vessels and other sections of the LNG value chain.

6.2 Unlisted Options:

As at 30 June 2010 the Company had issued 8,540,000 unlisted options under its Option Plan Rules, which permit the Company to issue options in aggregate (in number) up to 15% of the Company's total issued fully paid ordinary shares.

7 CAPITAL STRUCTURE (as at 30 June 2010)

Class of Security	Issued	Quoted
Fully Paid Ordinary Shares	213,339,015	213,339,015
Options Issued	8,540,000	-

8 APPENDIX 5B (Cash Flow, Securities and Compliance Statement)

Attached to this quarterly report.

9. CORPORATE INFORMATION (as at 30 July 2010)

ASX Code: LNG

Directors:

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

Company Secretary:

David Michael Gardner

Registered Office:

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5 Ord Street,
West Perth 6005,
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Email: LNG@LNGLimited.com.au
Website: www.LNGLimited.com.au

Substantial Shareholders (as at 30 July 2010):

Copulos Group
Dart Energy Limited
Paul William Bridgwood
Sasigas Nominees Pty Ltd <Fletcher M Brand Family A/C>

Appendix 5B

Mining exploration entity quarterly report

Name of entity

LIQUEFIED NATURAL GAS LIMITED

ABN

19 101 676 779

Quarter ended ("current quarter")

30 June 2010

Consolidated statement of cash flows

	Current quarter	Year to date (12 months)
	\$A'000	\$A'000
Cash flows related to operating activities		
1.1 Receipts from customers & ATO	1,498	3,065
1.2 Payments to suppliers and employees		
(a) exploration and evaluation	-	-
(b) project development	(6,171)	(37,515)
(c) production	-	-
(d) administration and others	(1,599)	(6,786)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	349	1,222
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other – R&D tax concession rebate	365	365
Net operating cash flows	(5,558)	(39,649)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(15)	(107)
1.9 Proceeds from sale of:		
(a) exploration licences	-	1,215
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other	-	-
Net investing cash flows	(15)	1,108
1.13 Total operating and investing cash flows (carried forward)	(5,573)	(38,541)

1.13	Total operating and investing cash flows (brought forward)	(5,573)	(38,541)
1.14a	Cash flows related to financing activities Proceeds from issue of shares and exercise of share options	201	50,064
1.14b	Less : Share issue costs	-	(1,505)
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Repayment of finance lease principal & interest	(3)	(11)
	Net financing cash flows	198	48,548
	Net increase/(decrease) in cash held	(5,375)	10,007
1.20	Cash at beginning of quarter/year	29,754	14,476
1.21	Net foreign exchange differences	22	(82)
1.22	Cash at end of quarter	24,401	24,401

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	322
1.24	Aggregate amount of loans to the parties included in item 1.18	-
1.25	Explanation necessary for an understanding of the transactions	
	Payments pursuant to 1.23 comprise:	
	Non-Executive Directors' Fees	\$ 51,605 (excl. GST); and
	Executive Directors' Remuneration	\$ 270,846 (excl. GST)

Non-cash financing and investing activities

2.1	Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows
	None in this quarter.
2.2	Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest
	None in this quarter.

Financing facilities available

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	-	-
3.2	Credit standby arrangements	-	-

Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	-
4.2	Project development	1,800
4.3	Production	-
4.4	Administration	2,600
	Total	4,400

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter \$A'000	Previous quarter \$A'000
5.1	Cash on hand and at bank	2,498	2,734
5.2	Term Deposit	21,903	27,020
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
	Total: cash at end of quarter (item 1.22)	24,401	29,754

Changes in interests in mining tenements

		Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	-	-	-	-
6.2	Interests in mining tenements acquired or increased	-	-	-	-

Issued and quoted securities at end of current quarter

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference +securities B Class				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions (c) Conversion to fully paid ordinary shares	- - -	- - -	- - -	- - -
7.3	+Ordinary securities	213,339,015	213,339,015		
7.4	Changes during quarter (a) Increases through issues (b) Increases through conversion Preference Share (c) Decreases through returns of capital, buy-backs	500,000 - -	500,000 - -	40 cents 	40 cents
7.5	+Convertible debt securities (description)	-	-	-	-
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	- -	- -	- -	- -

7.7	Options	<i>Number</i>		<i>Exercise price</i>	<i>Expiry date</i>
	(a) Options over ordinary shares, exercisable at 65 cents	1,380,000	-	65 cents	31 December 2010
	(b) Options over ordinary shares, exercisable at 38 cents	760,000	-	38 cents	16 February 2011
	(c) Options over ordinary shares, exercisable at 40 cents	350,000	-	40 cents	30 May 2011
	(d) Options over ordinary shares, exercisable at 68 cents	60,000	-	68 cents	30 November 2012
	(e) Options over ordinary shares, exercisable at 66.7 cents	2,490,000	-	66.70 cents	10 December 2012
	(f) Options over ordinary shares, exercisable at 88 cents	1,600,000	-	88 cents	9 September 2013
	(g) Options over ordinary shares, exercisable at 84 cents	150,000	-	84 cents	17 September 2013
	(h) Options over ordinary shares, exercisable at 62.1 cents	1,750,000	-	62.10 cents	30 April 2014
	TOTAL OPTIONS ISSUED	8,540,000			
7.8	Issued during quarter :				
	(a) Options over ordinary shares, exercisable at 40 cents	-	-	-	-
	TOTAL	-			
7.9	Exercised during quarter				
	(a) Options over ordinary shares, exercisable at 40 cents	500,000	-	40 cents	28 April 2010
	TOTAL	500,000			
7.10	Expired/cancelled during quarter	800,000	-	62.10 cents	30 April 2014
7.11	Debentures <i>(totals only)</i>	-	-	-	-
7.12	Unsecured notes <i>(totals only)</i>	-	-	-	-

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.



David Michael Gardner
Company Secretary

30 July 2010

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities.** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* applies to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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