



ACN 101 676 779

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## **NOTICE OF ANNUAL GENERAL MEETING**

**The Annual General Meeting of the Company will be held at the Celtic Club, 48 Ord Street, West Perth, Western Australia, on Monday 25 November 2013 at 3:00pm (WST).**

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*The Notice of Annual General Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.*

***Should you wish to discuss any matter please do not hesitate to contact the Company Secretary by telephone on 08 9366 3700.***

**Shareholders are urged to attend or vote by lodging the proxy form attached to the Notice**

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# LIQUEFIED NATURAL GAS LIMITED

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## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the annual general meeting of Shareholders of Liquefied Natural Gas Limited (**Company**) will be held at the Celtic Club, 48 Ord Street, West Perth, Western Australia, on Monday 25 November 2013 at 3pm (WST) (**Meeting**).

The Explanatory Memorandum provides additional information on matters to be considered at the Meeting. The Explanatory Memorandum and the Proxy Form, form part of the Notice.

The Directors have determined pursuant to regulation 7.11.37 of the *Corporations Regulations* 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered as Shareholders of the Company on Saturday 23 November 2013 at 5pm (WST).

Terms and abbreviations used in the Notice are defined in Schedule 1.

## AGENDA

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### 1. Annual Report

To consider the Annual Report of the Company and its controlled entities for the year ended 30 June 2013, which includes the Financial Report, the Directors' Report and the Auditor's Report.

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### 2. Resolution 1 – Remuneration Report

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

*"That the Remuneration Report be adopted by the Shareholders on the terms and conditions in the Explanatory Memorandum."*

#### Voting Exclusion

In accordance with section 250R of the Corporations Act, a vote on this Resolution must not be cast by or on behalf of a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report, or a Closely Related Party of such member.

A vote may be cast by such person if the vote is not cast on behalf of a person who is excluded from voting on this Resolution, and:

- (a) the person is appointed as proxy by writing that specifies the way the proxy is to vote on the Resolution; or
- (b) the person is the Chairman and the appointment of the Chairman as proxy does not specify the way the proxy is to vote on this Resolution, but expressly

authorises the Chairman to exercise the proxy even if this Resolution is connected with the remuneration of a member of the Key Management Personnel.

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### **3. Resolution 2 - Election of Madam Yao Guihua as Director**

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

*"That in accordance with article 9.1(e)(1) of the Constitution and for all other purposes, Madam Yao Guihua, a Director, retires and being eligible, is re-elected as a Director on the terms and conditions in the Explanatory Memorandum."*

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### **4. Resolution 3 – Approval of Revised Liquefied Natural Gas Limited Incentive Rights Plan**

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

*"That, for the purposes of ASX Listing Rule 7.2 (Exception 9(b)) and for all other purposes, approval is given for the Company to adopt a revised employee incentive scheme, being the Liquefied Natural Gas Limited Incentive Rights Plan, and for the issue of securities under the Revised Plan, on the terms and conditions set out in the Explanatory Statement."*

#### **Voting Exclusion**

The Company will disregard any votes cast on this Resolution by a Director (except one who is ineligible to participate in the Revised Plan) and any of his associates.

The Company will not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

In accordance with section 250BD of the Corporations Act, a vote on this Resolution must not be cast by or on behalf of a member of the Key Management Personnel, or a Closely Related Party of such member.

A vote may be cast by such person if the vote is not cast on behalf of a person who is excluded from voting on this Resolution, and:

- (a) the person is appointed as proxy by writing that specifies the way the proxy is to vote on the Resolution; or
- (b) the person is the Chairman and the appointment of the Chairman as proxy does not specify the way the proxy is to vote on this Resolution, but expressly authorises the Chairman to exercise the proxy even if this Resolution is connected with the remuneration of a member of the Key Management Personnel.

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## 5. Resolution 4 – Approval of Liquefied Natural Gas Limited Non-Executive Director (NED) Rights Plan

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

*“That, for the purposes of ASX Listing Rule 7.2 (Exception 9(b)) and for all other purposes, approval is given for the Company to adopt an additional employee incentive scheme, being the Liquefied Natural Gas Limited Non-Executive Director (NED) Rights Plan, and for the issue of securities under the NED Rights Plan, on the terms and conditions set out in the Explanatory Statement.”*

### Voting Exclusion

The Company will disregard any votes cast on this Resolution by a Director (except one who is ineligible to participate in the Non-Executive Plan in relation to the Company) and any of his associates.

The Company will not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

In accordance with section 250BD of the Corporations Act, a vote on this Resolution must not be cast by or on behalf of a member of the Key Management Personnel, or a Closely Related Party of such member.

A vote may be cast by such person if the vote is not cast on behalf of a person who is excluded from voting on this Resolution, and:

- (a) the person is appointed as proxy by writing that specifies the way the proxy is to vote on the Resolution; or
- (b) the person is the Chairman and the appointment of the Chairman as proxy does not specify the way the proxy is to vote on this Resolution, but expressly authorises the Chairman to exercise the proxy even if this Resolution is connected with the remuneration of a member of the Key Management Personnel.

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## 6. Resolution 5 – Ratification of Share Placement

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

*“That in accordance with Listing Rule 7.4 and for all other purposes, Shareholders ratify the prior issue of 40,000,000 Shares on the terms and conditions in the Explanatory Memorandum.”*

### **Voting Exclusion**

The Company will disregard any votes cast on this Resolution by a person who participated in the Share Placement and any associate of that person (or those persons).

The Company will not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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## **7. Resolution 6 – Approval of Grant of Options to Merriman Capital Inc.**

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

*"That in accordance with Listing Rule 7.1 and for all other purposes, Shareholders approve the grant of 3,000,000 Options on the terms and conditions in the Explanatory Memorandum."*

### **Voting Exclusion**

The Company will disregard any votes cast on this Resolution by a person who may participate in the Placement Options and a person who might obtain a benefit if this Resolution is passed, except a benefit solely in the capacity of a holder of Shares, and any associate of that person (or those persons).

The Company will not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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## **8. Resolution 7 – Approval of 10% Placement Facility**

To consider and, if thought fit, to pass with or without amendment, as a special resolution the following:

*"That in accordance with Listing Rule 7.1A and for all other purposes, Shareholders approve the issue of Equity Securities of up to 10% of the issued capital of the Company (at the time of issue), calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions in the Explanatory Memorandum."*

### **Voting Exclusion**

The Company will disregard any votes cast on this Resolution by a person (and any associates of such a person) who may participate in the 10% Placement Facility and a

person who might obtain a benefit if this Resolution is passed, except a benefit solely in the capacity of a holder of Shares, and any associate of that person (or those persons).

The Company will not disregard a vote if:

- (a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

**BY ORDER OF THE BOARD**

A handwritten signature in black ink, appearing to read 'D. Gardner', written in a cursive style.

David Gardner  
**Company Secretary**

Dated: 25 October 2013

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# LIQUEFIED NATURAL GAS LIMITED

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## EXPLANATORY MEMORANDUM

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### 1. Introduction

The Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the Meeting to be held at the Celtic Club, 48 Ord Street, West Perth, Western Australia, on Monday 25 November 2013 at 3:00pm (WST).

The Explanatory Memorandum forms part of the Notice which should be read in its entirety. The Explanatory Memorandum contains the terms and conditions on which the Resolutions will be voted.

The Explanatory Memorandum includes the following information to assist Shareholders in deciding how to vote on the Resolutions:

Section 2:	Action to be taken by Shareholders
Section 3:	Annual Report
Section 4:	Resolution 1 – Remuneration Report
Section 5:	Resolution 2 – Election of Director – Madam Yao Guihua
Section 6	Resolution 3 – Approval of Revised Incentive Rights Plan
Section 7	Resolution 4 – Approval of NED Rights Plan
Section 8	Resolution 5 – Ratification of Share Placement
Section 9	Resolution 6 – Approval of Issue of Options
Section 10	Resolution 7 – Approval of 10% Placement Facility
Schedule 1:	Definitions
Schedule 2:	Summary of Terms of Revised Incentive Rights Plan
Schedule 3:	Summary of Terms of NED Rights Plan
Schedule 4:	Summary of Terms of Placement Options
Schedule 5:	Listing Rule 7.3A.6 Disclosure

A Proxy Form is located at the end of the Explanatory Memorandum.

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## **2. Action to be taken by Shareholders**

Shareholders should read the Notice including the Explanatory Memorandum carefully before deciding how to vote on the Resolutions.

### **2.1 Proxies**

A Proxy Form is attached to the Notice. This is to be used by Shareholders if they wish to appoint a representative (a 'proxy') to vote in their place. All Shareholders are invited and encouraged to attend the Meeting or, if they are unable to attend in person, sign and return the Proxy Form to the Company in accordance with the instructions thereon. Lodgement of a Proxy Form will not preclude a Shareholder from attending and voting at the Meeting in person.

Please note that:

- (a) a member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy;
- (b) a proxy need not be a member of the Company; and
- (c) a member of the Company entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

Proxy forms must be received by the Company no later than 3pm (WST) on Saturday 23 November 2013, being at least 48 hours before the meeting.

The enclosed Proxy Form provides further details on appointing proxies and lodging Proxy Forms.

Alternatively, Shareholders can vote online by visiting <http://www.linkmarketservices.com.au>. Select "Investor Login" and enter Liquefied Natural Gas Limited or the ASX code (LNG) in the Issuer name field, your Securityholder Reference Number (SRN) or Holder Identification Number (HIN), which is shown on the front of your proxy form, postcode and security code which is shown on the screen and click "Login". Select the "Voting" tab and then follow the prompts. You will be taken to have signed your proxy form if you lodge it in accordance with the instructions given on the website.

### **2.2 Voting Exclusion Statement**

In accordance with section 250R of the Corporations Act, a vote on Resolution 1 must not be cast (in any capacity) by, or on behalf of:

- (a) a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report; or
- (b) a Closely Related Party of such member.

However, a person described above may cast a vote on Resolution 1 if the vote is not cast on behalf of a person who is excluded from voting on Resolution 1, and:

- (a) the person is appointed as proxy by writing that specifies the way the proxy is to vote on this Resolution; or



- (b) the person is the Chairman and the appointment of the Chairman as proxy does not specify the way the proxy is to vote on the resolution, but expressly authorises the Chairman to exercise the proxy even if the Resolution is connected with the remuneration of a member of the Key Management Personnel.

The Chairman intends to exercise all available proxies in favour of Resolution 1.

### **2.3 Voting Prohibition by Proxy Holders (Remuneration of Key Management Personnel)**

In accordance with section 250BD of the Corporations Act, a vote on Resolution 3 must not be cast (in any capacity) by, or on behalf of:

- (a) a member of the Key Management Personnel; or
- (b) a Closely Related Party of such member.

However, a person described above may cast a vote on Resolution 3 if the vote is not cast on behalf of a person who is excluded from voting on Resolution 3, and:

- (a) the person is appointed as proxy by writing that specifies the way the proxy is to vote on this Resolution; or
- (b) the person is the Chairman and the appointment of the Chairman as proxy does not specify the way the proxy is to vote on the resolution, but expressly authorises the Chairman to exercise the proxy even if the Resolution is connected with the remuneration of a member of the Key Management Personnel.

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## **3. Annual Report**

In accordance with section 317 of the Corporations Act, Shareholders will be offered the opportunity to discuss the Annual Report, including the Financial Report, the Directors' Report and the Auditor's Report for the financial year ended 30 June 2013.

There is no requirement for Shareholders to approve the Annual Report.

At the Meeting, Shareholders will be offered the opportunity to:

- (a) discuss the Annual Report which is available online at: <http://www.lnlimited.com.au/irm/content/annual-reports.aspx?RID=177;>
- (b) ask questions about, or comment on, the management of the Company; and
- (c) ask the auditor questions about the conduct of the audit and the preparation and content of the Auditor's Report.

In addition to taking questions at the Meeting, written questions to the Chairman or to the Company's auditor about:

- (a) the preparation and content of the auditor's report;
- (b) the conduct of the audit;

- (c) accounting policies adopted by the Company in relation to the preparation of the financial statements; and
- (d) the independence of the auditor in relation to the conduct of the audit,

may be submitted no later than 5 business days before the Meeting to the Company Secretary at the Company's registered office.

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## 4. Resolution 1 – Remuneration Report

In accordance with subsection 250R(2) of the Corporations Act, the Company must put the Remuneration Report to the vote of Shareholders. The Directors' Report contains the Remuneration Report which sets out the remuneration policy for the Company and the remuneration arrangements in place for the Key Management Personnel.

In accordance with subsection 250R(3) of the Corporations Act, Resolution 1 is advisory only and does not bind the Directors. If Resolution 1 is not passed, the Directors will not be required to alter any of the arrangements in the Remuneration Report.

The *Corporations Amendment (Improving Accountability on Director and Executive Remuneration) Act 2011* which came into effect on 1 July 2011, amended the Corporations Act to provide that Shareholders will have the opportunity to remove the whole Board except the managing director if the Remuneration Report receives a 'no' vote of 25% or more (**Strike**) at two consecutive annual general meetings.

Where a resolution on the Remuneration Report receives a Strike at two consecutive annual general meetings, the Company will be required to put to Shareholders at the second annual general meeting a resolution on whether another meeting should be held (within 90 days) at which all Directors (other than the managing director) who were in office at the date of approval of the applicable Directors' Report must stand for re-election.

The Company's Remuneration Report did not receive a Strike at the 2012 annual general meeting. If the Remuneration Report receives a Strike at this Meeting, Shareholders should be aware that if a second Strike is received at the 2014 annual general meeting, this may result in the re-election of the Board.

The Chairman will allow a reasonable opportunity for Shareholders at the Meeting to ask about, or make comments on the Remuneration Report.

Resolution 1 is an ordinary Resolution.

The Chairman intends to exercise all available proxies in favour of Resolution 1.

If the Chairman is appointed as your proxy and you have not specified the way the Chairman is to vote on Resolution 1, by signing and returning the Proxy Form, you are considered to have provided the Chairman with an express authorisation for the Chairman to vote the proxy in accordance with the Chairman's intention, even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel of the Company.

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## 5. Resolution 2 – Election of Madam Yao Guihua as Director

In accordance with Listing Rule 14.4, a director appointed to fill a casual vacancy or as an addition to the Board must not hold office (without re-election) past the next annual general meeting of the entity.

Article 9.1(e)(1) of the Constitution requires that a director appointed to fill a casual vacancy or as an addition to the Board pursuant to article 9.1(d) of the Constitution, must retire from office at the annual general meeting of the entity immediately following such appointment.

Madam Yao Guihua was appointed as a Director by the Board with effect from 2 August 2013 pursuant to article 9.1(d) of the Constitution.

Article 9.1(h) of the Constitution provides that a Director who retires under article 9.1(e)(1) of the Constitution is eligible for re-election.

Resolution 2 therefore provides that Madam Yao Guihua retires by rotation and seeks re-election.

Details of the qualifications and experience of Madam Yao Guihua are set out in the Annual Report.

The Board (excluding Madam Yao Guihua) recommends that Shareholders vote in favour of Resolution 2.

Resolution 2 is an ordinary resolution.

The Chairman intends to exercise all available proxies in favour of Resolution 2.

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## 6. Resolution 3 – Approval of the Revised Incentive Rights Plan

### 6.1 Background

At a general meeting of the Company held on 10 January 2011, approval was given for the establishment of the Plan. The Company issued the following Performance Rights pursuant to the Plan:

Date Issued	Recipient	Number of rights issued	Exercise Price	First Exercise Dates	Expiry Dates
10-01-2011	Leeanne Bond	150,000	\$0.738	10-01-2012	10-07-2012
		150,000	\$0.791	10-07-2012	10-01-2013
		150,000	\$0.844	10-01-2013	10-01-2014
10-01-2011	Richard Beresford	150,000	\$0.738	10-01-2012	10-07-2012

		150,000	\$0.791	10-07-2012	10-01-2013
		150,000	\$0.844	10-01-2013	10-01-2014
10-01-2011	Fletcher Brand	150,000	\$0.738	10-01-2012	10-07-2012
		150,000	\$0.791	10-07-2012	10-01-2013
		150,000	\$0.844	10-01-2013	10-01-2014
10-01-2011	Paul Bridgwood	150,000	\$0.738	10-01-2012	10-07-2012
		150,000	\$0.791	10-07-2012	10-01-2013
		150,000	\$0.844	10-01-2013	10-01-2014
10-01-2011	Norman Marshall	150,000	\$0.738	10-01-2012	10-07-2012
		150,000	\$0.791	10-07-2012	10-01-2013
		150,000	\$0.844	10-01-2013	10-01-2014

### **(Issued Rights)**

The Board recently undertook a review of the Plan and retained external professional advisers to make recommendations to improve the efficacy of the Plan. The Board has proposed that a Revised Plan be implemented.

Resolution 3 is seeking approval of the Revised Plan.

The Revised Plan provides for the issuance of Rights which, upon a determination by the Board that the performance conditions attached to the Rights have been met, will result in the issue of one ordinary Share in the Company for each Performance Right.

The Company wishes to exempt issues of securities under the Revised Plan from contributing towards the rolling annual limit of 15% of issued Shares prescribed by Listing Rule 7.1. This limit otherwise applies to all new issues of equity securities made without Shareholder approval. Shareholder approval of the Revised Plan is therefore sought under Listing Rule 7.2, Exception 9, whereby the Shareholders may approve in advance the issue of securities made under the Revised Plan as exceptions to the limit under Listing Rule 7.1.

It is proposed that the Issued Rights will remain subject to the terms of the Plan.

Pursuant to the Listing Rules, Shareholders must re-approve the Revised Plan and all Rights issuable pursuant thereto every three years.

The Company proposes to apply to ASIC for conditional relief akin to class order 03/184 in relation to the Revised Plan.

### **Reasons for the Revised Plan**

Executive Key Management Personnel remuneration is determined by the non-executive members of the Board, having consideration for relevant market practices and the circumstances of the Company on an annual basis. It is the view of the non-executive members of the Board that it is in the interests of shareholders for selected executives to receive part of their total remuneration package in the form

of at-risk securities that will vest based on performance against indicators that are linked to shareholder benefit during a defined Measurement Period.

The Revised Plan is therefore designed to accommodate a significant component of at-risk remuneration and to create alignment between shareholder benefit and the remuneration of selected executive Key Management Personnel. If approved, grants under the Revised Plan will facilitate the Company providing appropriate, competitive and performance-linked remuneration to the executive Key Management Personnel of the Company. The non-executive members of the Board seek to ensure that grants to executives are made at a level that will appropriately position their total remuneration package in the market, in accordance with the Company's remuneration policies. The Board regularly reviews market positioning, the elements and mix of remuneration for executive Key Management Personnel to ensure remuneration remains reasonable, within the range of market practices, and is appropriate to the circumstances of the Company.

Non-executive Directors are not eligible to participate in the Plan. The Company's Directors understand that some stakeholders see the participation of non-executive directors in a securities based incentive plan designed for executives as compromising the independence of directors in overseeing the operation of the plan. Therefore the Company has designed a separate plan in order to provide securities to non-executive directors and grants made under the plan will not have any performance based vesting conditions and no link with the vesting of executive incentives.

#### **Further Information**

Further information about the Revised Plan is set out in Schedule 2 and a copy can be obtained by contacting the Company.

### **6.2 Specific Information Required by Listing Rule 7.2**

In accordance with the requirements of Listing Rule 7.2 Exception 9(b) the following information is provided:

- (a) The material terms of the Revised Plan are summarised in Schedule 2.
- (b) The Issued Rights comprise all of the Performance Rights issued under the Plan. No Rights have been issued under the Revised Plan as at the date of the Notice.
- (c) A voting exclusion statement has been included for the purposes of Resolution 3.

**6.3** Mr Brand, Mr Marshall, Mr Bridgwood and Madam Yao as Executive Directors, have an interest in Resolution 3 and therefore believe it inappropriate to make a recommendation. The other Directors, being the Non-Executive Directors, are unanimously in favour of the approval of the Revised Plan under Resolution 3 and unanimously recommend that Shareholders vote in favour of Resolution 3.

**6.4** The Chairman intends to cast all available proxies in favour of Resolution 3.

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## **7. Resolution 4 – Approval of NED Rights Plan**

### **7.1 Background**

As noted in Item 6 above, the Board recently undertook a review of the Plan and retained external professional advisers to make recommendations and it was proposed by the Board that a separate non-executive directors' rights plan be implemented.

Resolution 4 is seeking approval of the NED Rights Plan.

The NED Rights Plan provides for the issuance of Rights which, upon a determination by the Board that conditions attached to the Rights have been met, will result in the issue of one ordinary Share in the Company for each Right.

The Company wishes to exempt issues of securities under the Revised Plan from contributing towards the rolling annual limit of 15% of issued Shares prescribed by Listing Rule 7.1. This limit otherwise applies to all new issues of equity securities made without Shareholder approval. Shareholder approval of the Revised Plan is therefore sought under Listing Rule 7.2, Exception 9, whereby the Shareholders may approve in advance the issue of securities made under the Revised Plan as exceptions to the limit under Listing Rule 7.1.

Pursuant to the Listing Rules, Shareholders must re-approve the NED Rights Plan and all Rights issuable pursuant thereto every three years.

The Company proposes to apply to ASIC for conditional relief akin to class order 03/184 in relation to the NED Rights Plan.

#### **Reasons for the NED Rights Plan**

Key Management Personnel remuneration (including the Non-Executive Directors' remuneration) is determined by the non-executive members of the Board, having consideration for relevant market practices and the circumstances of the Company on an annual basis. It is the view of the non-executive members of the Board that it is in the interests of shareholders for the Non-Executive Directors of the Company to receive part of their main board package in the form of securities that will vest based on a period of service during a defined Measurement Period.

The NED Rights Plan is therefore designed to provide appropriate incentivisation for the Non- Executive Directors. If approved, grants under the NED Rights Plan will facilitate the Company providing appropriate, competitive and shareholder-experience-linked remuneration to the Non-Executive Directors. The Non-Executive Directors seek to ensure that grants to Key Management Personnel are made at the level that will appropriately position their remuneration in the market, in accordance with the Company's remuneration policies. The Board received independent expert advice with regards to Key Management Personnel remuneration and regularly reviews market positioning, the elements and mix of remuneration for non-executive Key Management Personnel to ensure remuneration remains reasonable, within the range of market practices, and is appropriate to the circumstances of the Company.

Executive Directors and other Employees are not eligible to participate in the NED Rights Plan.

As at the date of this Notice of Meeting, no Rights have been issued under the NED Rights Plan.

### **Further Information**

Further information about the NED Rights Plan is set out in Schedule 3 and a copy can be obtained by contacting the Company.

## **7.2 Specific Information Required by Listing Rule 7.2**

In accordance with the requirements of Listing Rule 7.2 Exception 9(b) the following information is provided:

- (a) The material terms of the NED Rights Plan are summarised in Schedule 3.
- (b) No Rights have been issued under the NED Rights Plan as at the date of the Notice.
- (c) A voting exclusion statement has been included for the purposes of Resolution 4.

**7.3** Mr Beresford, Mr Zhang and Ms Bond, as the Non-Executive Directors, have an interest in Resolution 4 and therefore believe it inappropriate to make a recommendation. The other Directors, being the Executive Directors, are unanimously in favour of the approval of the NED Rights Plan under Resolution 4 and unanimously recommend that Shareholders vote in favour of Resolution 4.

**7.4** The Chairman intends to cast all available proxies in favour of Resolution 4.

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## **8. Resolution 5 – Ratification of Share Placement**

### **8.1 General**

On 07 August 2013, the Company issued 40,000,000 ordinary shares of the Company at an issue price of A\$0.20 per share to institutional and sophisticated investors (**Share Placement**), raising gross proceeds of A\$8,000,000.

In accordance with Listing Rule 7.1, the Company must not, subject to specified exceptions, issue or agree to issue more securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

Listing Rule 7.4 provides that where a company in a general meeting ratifies the previous issue of securities made pursuant to Listing Rule 7.1 (and provided that the previous issue did not breach Listing Rule 7.1) those securities will be deemed to have been made with Shareholder approval for the purpose of Listing Rule 7.1.

The effect of passing Resolution 5 will be to allow the Company to issue securities in the future up to the 15% annual placement capacity set out in Listing Rule 7.1, without obtaining prior Shareholder approval.

Resolution 5 is an ordinary resolution.

The Chairman intends to exercise all available proxies in favour of Resolution 5.

## 8.2 Specific information required by Listing Rule 7.5

In accordance with Listing Rule 7.4, information is provided in relation to the Placement as follows:

- (a) 40,000,000 Shares were issued to institutional and sophisticated investors on 07 August 2013.
- (b) The Shares were issued at an issue price of A\$0.20 each.
- (c) The Shares are fully paid ordinary shares in the capital of the Company and rank equally to in all respect with the Company's existing Shares.
- (d) The proceeds from the issue have, and will continue, to be used to further the 100% owned Magnolia LNG Project, at Lake Charles, Louisiana, USA and for general working capital requirements.
- (e) A voting exclusion statement is included in the Notice for Resolution 5.

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## 9. Resolution 6 - Approval of Issue of Options to Merriman Capital Inc.

### 9.1 General

Resolution 6 seeks Shareholder approval for the issue of 3,000,000 Options (**Placement Options**) on the terms set out in Schedule 4.

The Placement Options will, subject to Shareholder approval of Resolution 6, be granted to Merriman Capital Inc (**Merriman**). Merriman introduced the Company to Stonepeak Partners and advised on the Stonepeak Partners LLC transaction. Merriman also acted as US financial adviser to the Company in connection with the Share Placement that was completed on 07 August 2013. The grant of the Placement Options forms part of the consideration agreed with Merriman in respect of the provision of advisory services.

Merriman is not a related party or an associate of a related party of the Company.

The Board believes that Resolution 6 is in the best interests of the Company and its Shareholders and unanimously recommends that Shareholders vote in favour of this Resolution.

Resolution 6 is an ordinary resolution.

The Chairman intends to exercise all available proxies in favour of Resolution 6.

### 9.2 Listing Rule 7.1

Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

The effect of Resolution 6 will be to allow the Directors to issue the Placement Options during the period of 3 months after the Meeting (or such longer period of time as ASX may in its discretion allow), without using the Company's 15% annual placement capacity.



### 9.3 Specific information required by Listing Rule 7.3

In accordance with Listing Rule 7.3, information is provided in relation to the Placement as follows:

- (a) The maximum number of Placement Options to be issued is 3,000,000.
- (b) The Placement Options will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules) and it is intended that allotment will occur on the same date.
- (c) The Placement Options will be capable of being exercised at any time for a period commencing on the date of grant and expiring on 07 August 2016.
- (d) The exercise price of the Placement Options will be as set out in Schedule 4.
- (e) The Placement Options will, subject to Shareholder approval of Resolution 6, be granted to Merriman who acted as US financial adviser to the Company in connection with the Share Placement. The grant of the Placement Options forms part of the consideration agreed with Merriman in respect of the provision of advisory services.
- (f) Upon exercise the holder of a Placement Option will receive one fully paid ordinary share in the capital of the Company and such shares will be issued on the same terms and conditions as the Company's existing Shares.
- (g) The Placement Options will not be granted progressively and will be granted pursuant to a single grant.
- (h) A voting exclusion statement is included in the Notice for Resolution 6.

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## 10. Resolution 7 – Approval of 10% Placement Facility

### 10.1 General

Listing Rule 7.1A enables eligible entities to issue Equity Securities up to 10% of its issued share capital through placements over a 12 month period after the annual general meeting (**10% Placement Facility**). The 10% Placement Facility is in addition to the Company's 15% placement capacity under Listing Rule 7.1.

An eligible entity for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less. The Company is an eligible entity.

The Company has no immediate intention to use the 10% Placement Facility and is seeking Shareholder approval by way of a special resolution to have the ability, if required, to issue Equity Securities under the 10% Placement Facility. The number of Equity Securities to be issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to Section 10.2(c) below).

The Board unanimously recommends that Shareholders vote in favour of Resolution 7.

Resolution 7 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

The Chairman intends to exercise all available proxies in favour of Resolution 7.

## **10.2 Listing Rule 7.1A**

### **(a) Shareholder approval**

The ability to issue Equity Securities under the 10% Placement Facility is subject to Shareholder approval by way of a special resolution at an annual general meeting.

### **(b) Equity Securities**

Any Equity Securities issued under the 10% Placement Facility must be in the same class as an existing quoted class of Equity Securities of the company.

The Company, as at the date of the Notice, has on issue Shares and Convertible Securities.

### **(c) Formula for calculating 10% Placement Facility**

Listing Rule 7.1A.2 provides that eligible entities which have obtained Shareholder approval at an annual general meeting may issue or agree to issue, during the 12 month period after the date of the annual general meeting, a number of Equity Securities calculated in accordance with the following formula:

$$(A \times D) - E$$

**A** is the number of shares on issue 12 months before the date of issue or agreement:

- (A) plus the number of fully paid shares issued in the 12 months under an exception in Listing Rule 7.2;
- (B) plus the number of partly paid shares that became fully paid in the 12 months;
- (C) plus the number of fully paid shares issued in the 12 months with Shareholder approval under Listing Rule 7.1 and 7.4. This does not include an issue of fully paid shares under the entity's 15% placement capacity without Shareholder approval;
- (D) less the number of fully paid shares cancelled in the 12 months.

Note that A has the same meaning in Listing Rule 7.1 when calculating an entity's 15% placement capacity.

**D** is 10%

**E** is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with Shareholder approval under Listing Rule 7.1 or 7.4.

**(d) Listing Rule 7.1 and Listing Rule 7.1A**

The ability of an entity to issue Equity Securities under Listing Rule 7.1A is in addition to the entity's 15% placement capacity under Listing Rule 7.1.

At the date of the Notice, the Company has on issue 310,829,015 Shares and therefore has a capacity to issue:

- (i) 154,852 Equity Securities under Listing Rule 7.1; and
- (ii) Subject to Shareholder approval being sought under Resolution 7, 31,082,901 Equity Securities under Listing Rule 7.1A.

The actual number of Equity Securities that the Company will have capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Equity Securities in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to Section 10.2(c) above).

**(e) Minimum Issue Price**

The issue price of Equity Securities issued under Listing Rule 7.1A must be not less than 75% of the VWAP of Equity Securities in the same class calculated over the 15 Trading Days immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within 5 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.

**(f) 10% Placement Period**

Shareholder approval of the 10% Placement Facility under Listing Rule 7.1A is valid from the date of the annual general meeting at which the approval is obtained and expires on the earlier to occur of:

- (i) the date that is 12 months after the date of the annual general meeting at which the approval is obtained; or
- (ii) the date of Shareholder approval of a transaction under Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking),

or such longer period as allowed by ASX (**10% Placement Period**).

### 10.3 Listing Rule 7.1A

The effect of Resolution 7 will be to allow the Directors to issue the Equity Securities under Listing Rule 7.1A during the 10% Placement Period without using the Company's 15% placement capacity under Listing Rule 7.1.

### 10.4 Specific information required by Listing Rule 7.3A

Pursuant to and in accordance with Listing Rule 7.3A, the following information is provided in relation to the approval of the 10% Placement Facility:

- (a) The Equity Securities will be issued at an issue price of not less than 75% of the VWAP for the Company's Equity Securities over the 15 Trading Days immediately before:
  - (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
  - (ii) if the Equity Securities are not issued within 5 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.
- (b) If Resolution 7 is approved by Shareholders and the Company issues Equity Securities under the 10% Placement Facility, the existing Shareholders' voting power in the Company will be diluted as shown in the table below. There is a risk that:
  - (i) the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the Meeting; and
  - (ii) the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date or the Equity Securities are issued as part of consideration for the acquisition of a new asset,which may have an effect on the amount of funds raised by the issue of the Equity Securities.
- (c) The table below shows the dilution of existing Shareholders on the basis of the current market price of Shares and the current number of ordinary securities for variable "A" calculated in accordance with the formula in Listing Rule 7.1A(2) as at the date of this Notice.
- (d) The table shows:
  - (i) two examples where variable "A" has increased, by 50% and 100%. Variable "A" is based on the number of ordinary securities the Company currently has on issue. The number of ordinary securities on issue may increase as a result of issues of ordinary securities that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or future specific placements under Listing Rule 7.1 that are approved at the Meeting or a future Shareholders' meeting; and

- (ii) two examples of where the issue price of ordinary securities has decreased by 50% and increased by 100% as against the current market price.

Variable 'A' in Listing Rule 7.1A.2		Dilution		
		\$0.14 50% decrease in Issue Price	\$0.28 Issue Price	\$0.56 100% increase in Issue Price
<b>Current Variable A</b> 310,829,015 Shares	<b>10% Voting Dilution</b>	31,082,901 Shares	31,082,901 Shares	31,082,901 Shares
	<b>Funds raised</b>	\$4,351,606	\$8,703,212	\$17,406,424
<b>50% increase in current Variable A</b> 466,243,522 Shares	<b>10% Voting Dilution</b>	46,624,352 Shares	46,624,352 Shares	46,624,352 Shares
	<b>Funds raised</b>	\$6,527,409	\$13,054,818	\$26,109,637
<b>100% increase in current Variable A</b> 612,658,030 Shares	<b>10% Voting Dilution</b>	62,165,803 Shares	62,165,803 Shares	62,165,803 Shares
	<b>Funds raised</b>	\$8,703,212	\$17,406,424	\$34,812,849

**The Table has been prepared on the following assumptions:**

- (iii) The Company issues the maximum number of Equity Securities available under the 10% Placement Facility.
- (iv) No Options or Rights are exercised into Shares before the date of the issue of the Equity Securities;
- (v) The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
- (vi) The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Facility, based on that Shareholder's holding at the date of the Meeting.
- (vii) The table shows only the effect of issues of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.
- (viii) The issue of Equity Securities under the 10% placement Facility consists only of Shares. If the issue of Equity Securities includes Listed Options, it is assumed that those Listed Options are exercised into Shares for the purpose of calculating the voting dilution effect on existing Shareholders.
- (ix) The issue price is \$0.28, being the closing price of the Shares on ASX on 15 October 2013.
- (e) The Company will only issue the Equity Securities during the 10% Placement Period. The approval under Resolution 7 for the issue of the Equity Securities will cease to be valid in the event that Shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities or Listing Rule 11.2 (disposal of main undertaking).
- (f) The Company may seek to issue the Equity Securities for the following purposes:

- (i) non-cash consideration for the acquisition of new assets and investments. In such circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3; or
  - (ii) cash consideration. In such circumstances, the Company intends to use the funds raised towards an acquisition of new assets or investments (including expense associated with such acquisition), continued expenditure on the Company's current assets and/or general working capital.
- (g) The Company will comply with the disclosure obligations under Listing Rules 7.1A(4) and 3.10.5A upon issue of any Equity Securities.
- (h) The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility. The identity of the allottees of Equity Securities will be determined on a case-by-case basis having regard to the factors including but not limited to the following:
  - (i) the methods of raising funds that are available to the Company, including but not limited to, rights issue or other issue in which existing security holders can participate;
  - (ii) the effect of the issue of the Equity Securities on the control of the Company;
  - (iii) the financial situation and solvency of the Company; and
  - (iv) advice from corporate, financial and broking advisers (if applicable).
- (i) The allottees under the 10% Placement Facility have not been determined as at the date of the Notice but may include existing substantial Shareholders and/or new Shareholders who are not a related party or an associate of a related party of the Company.
- (j) Further, if the Company is successful in acquiring new resources assets or investments, it is possible that the allottees under the 10% Placement Facility will be the vendors of the new assets or investments.
- (k) In the 12 months preceding the date of this Notice the Company issued a total of 43,130,000 Equity Securities which represent 16.11% of the total number of Equity Securities on issue at 25 October 2012. Further detail as required under Listing Rule 7.3A.6 in respect of these Equity Securities is set out in Schedule 5.
- (l) A voting exclusion statement is included in the Notice.
- (m) At the date of the Notice, the Company has not approached any particular existing Shareholder or security holder or an identifiable class of existing security holder to participate in the issue of the Equity Securities. No existing Shareholder's votes will therefore be excluded under the voting exclusion in the Notice.

## Schedule 1 - Definitions

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In the Notice, words importing the singular include the plural and vice versa.

**\$** means Australian Dollars.

**10% Placement Facility** has the meaning given in Section 10.1.

**10% Placement Period** has the meaning given in Section 10.2(f).

**Annual Report** means the Directors' Report, the Financial Report, and Auditor's Report, in respect to the year ended 30 June 2013.

**ASIC** means the Australian Securities and Investment Commission.

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

**Auditor's Report** means the auditor's report on the Financial Report.

**Board** means the board of Directors of the Company.

**Chairman** means the person appointed to chair the Meeting.

**Closely Related Party** means:

- (a) a spouse or child of the member; or
- (b) has the meaning given in section 9 of the Corporations Act.

**Company** means Liquefied Natural Gas Limited ACN 101 676 779.

**Constitution** means the constitution of the Company as at the date of the Meeting.

**Convertible Security** means a security of the Company which is convertible into Shares.

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

**Director** means a director of the Company.

**Directors' Report** means the annual directors' report prepared under chapter 2M of the Corporations Act for the Company and its controlled entities.

**Equity Security** has the same meaning as in the Listing Rules.

**Exercise Period** has the meaning given in Schedule 4.

**Explanatory Memorandum** means the explanatory memorandum which forms part of the Notice.

**Executive Director** shall have the meaning given in article 10.3 of the Constitution.

**Financial Report** means the annual financial report prepared under Chapter 2M of the Corporations Act for the Company and its controlled entities.

**Holder** has the meaning given in Schedule 4.

**Incentive Rights Plan** means Revised Plan.

**Key Management Personnel** means persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

**Listing Rules** means the listing rules of ASX.

**Meeting** has the meaning given in the introductory paragraph of the Notice.

**Notice** means this notice of annual general meeting.

**Non-Executive Directors** means those Directors who are not Executive Directors.

**NED Rights Plan** means the Liquefied Natural Gas Limited performance rights plan for Non-Executive Directors as summarised in Schedule 3.

**Options** mean options granted by the Company to acquire Shares.

**Option Tranche** has the meaning given in Schedule 4.

**Participants** means those persons entitled to participate in the Revised Plan and the NED Rights Plan, as the context requires.

**Placement Options** has the meaning given in Section 9.1.

**Plan** means the Liquefied Natural Gas performance rights plan in force at the date of this notice and previously approved at a meeting of the Company on 10 January 2011.

**Proxy Form** means the proxy form attached to the Notice.

**Remuneration Report** means the remuneration report of the Company contained in the Directors' Report.

**Resolution** means a resolution referred to in the Notice.

**Revised Plan** means the revised Liquefied Natural Gas Limited Incentive Rights Plan for Employees and Executive Directors as summarised in Schedule 2.

**Right** means a right issued by the Company pursuant to the Plan, the Revised Plan or the NED Rights Plan (as applicable)

**Schedule** means a schedule to the Notice.

**Section** means a section of the Explanatory Memorandum.

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

**Share Placement** means the placement of Shares by the Company detailed in Section 8.1.

**Shareholder** means a shareholder of the Company.

**Strike** has the meaning given in Section 4.

**Trading Day** means a day determined by ASX to be a trading day in accordance with the Listing Rules.

**Vesting Conditions** has the meaning given in Schedule 2.

**VWAP** means volume weighted average price.

**WST** means Western Standard Time, being the time in Perth, Western Australia.



## Schedule 2 – Summary of terms of Revised Plan

### Principal changes made to the Plan

Aspect	Details
Instrument	The definition of a Right has been materially adjusted to be more flexible and to include not only the right to a Share, but the right to the value of a Share which may be satisfied in whole or in part in cash as well as in Shares. While previously issued Rights have in many respects been similar to options, newly issued Rights under the Revised Plan will not have an exercise price attached to them, i.e. the exercise price is nil. The value to be realised is then a function of performance against indicators ( <b>Vesting Conditions</b> ) and the Share price.
Eligibility	Non-Executive Directors are no longer considered eligible so as to ensure their independence with regards to the oversight of the Revised Plan.
Terms & Conditions	Some adjustments have been made to the terms & conditions associated with the Revised Plan, in particular with regards to change of control and major return of capital events, such that instead of 100% vesting as was previously the case for a change of control, the increase in the Share price from the beginning of the measurement period to the relevant event will determine the vesting percentage (up to a maximum of 100% vesting), with the vesting of other Rights subject to Board discretion. Major return of capital events were not previously specifically addressed.
Number of Incentive Rights (IRs)	This aspect remains at the discretion of the Board. It is intended that the number Rights to be granted will now be determined annually with regard to a participant's base package and the policy of the Company regarding long term incentives for the role.
Vesting	This aspect remains at the discretion of the Board. Previously Rights vested based only on the completion of a period of service. It is intended that performance rights will be the main form of Rights that will be used and they will vest based on Company performance. Retention rights may also be used and they will vest based on a service condition.
Vesting/ Measurement Period	This aspect remains at the discretion of the Board. Previously Rights vested in tranches after one, two and three years from the grant date. The vesting period for Rights issued under the Revised Plan will be aligned with the performance measurement period and it is intended to be three years under normal circumstances with no vesting prior to performance being tested at the end of the three years between the start of the financial year in which the grant is made, and the end of the financial year three

Aspect	Details
	years later. Different measurement periods may be applied when warranted.
Vesting Conditions	This aspect remains at the discretion of the Board. The Board will disclose the proposed Vesting Conditions when shareholder approval of grants of Rights to directors is sought at forthcoming general meetings of the Company in accordance with applicable law and regulation.
Retesting	No retesting is permitted under the Revised Plan.
Exercise Price	This aspect remains at the discretion of the Board. It is intended that no amount will be payable by a participant to exercise a Right that has vested. Previously an exercise price was payable, however performance conditions did not apply.
Cessation of Employment	<p>Previously the Plan specified Board discretion to determine vesting in the case of a “good-leaver” (under a prescribed event or due to “Retirement” as defined in the Plan, being together inclusive of cessation due to death, disability, redundancy, retirement by agreement of the Board and others determined by the Board). However this approach can create incongruity between the treatment of Rights for a good leaver and performance testing of Rights for Participants that remain employed. The Revised Plan contains provisions concerning the treatment of vested and unvested Rights in the event that a participant ceases employment.</p> <p>Unless the Board determines otherwise, if a participant ceases employment for any other reason, including by reason of death, disability, redundancy, retirement or by agreement, Rights that were granted to the participant during the financial year in which the termination occurred will be forfeited in the same proportion as the remainder of the financial year bears to the full year. All remaining Rights for which the measurement period has not been completed as at the date of cessation of employment will then remain “on foot”, subject to the original Vesting Conditions. In this way all Participants are treated equitably in terms of the testing of Vesting Conditions.</p>
Lapse and Forfeiture of IRs	Rights will now lapse if the prescribed Vesting Conditions are not satisfied within the prescribed measurement period. This condition did not previously exist.

## Summary of the Revised Plan

Aspect	Details
Instrument	The Revised Plan authorises the granting of Rights to executives of the Company, which may be in the form of performance rights or retention rights. There is no immediate intention to offer retention rights to any Participant.
Eligibility	Eligibility to participate in the Revised Plan and the number of Rights offered to each individual participant will be determined by the Board. Non-Executive Directors are not eligible to participate.
Terms & Conditions	The Board has the discretion to set the terms and conditions on which it will offer Rights under the Revised Plan, including the Vesting Conditions and modification of the terms and conditions as appropriate to ensuring the plan operates as intended. All Rights offered will be subject to Vesting Conditions and in the case of performance rights the conditions are intended to be challenging and linked to growth in shareholder value.
Number of IRs	The number of Rights to be offered to a participant will be determined by multiplying their base package by the long term incentive percentage, and dividing that dollar value by the value of the type of Right being offered (as valued for remuneration purposes).
Amount payable for Right	No amount will be payable by Participants for Rights as they are part of the intended total remuneration package in each financial year.
Vesting of Rights	Upon the satisfaction of the Vesting Conditions, the value of Rights that vest will be evaluated. If the value that vests from a tranche is greater than nil, vesting will give rise to a \$1,000 cash payment with the remainder of the value will be converted into fully paid ordinary shares in the issued capital of the Company based on the then Share price, referred to as the vesting share price (rounded to nearest whole share). No exercise price is required to convert the Rights into Shares.
Vesting Period	The vesting period is aligned with the measurement period and is intended to be three years under normal circumstances with no vesting prior to performance being tested at the end of the three years between the start of the financial year in which the grant is made, and the end of the financial year three years later. The vesting period and measurement period will only be shorter in the circumstances of a transition or a new appointment. In these circumstances it may be appropriate to provide for some vesting after two years in order to recognise that under normal

Aspect	Details
	circumstances where grants are made annually and vesting periods overlap, some vesting may occur annually (subject to the satisfaction of Vesting Conditions).
Vesting Conditions	In order for Rights to vest, a Participant must remain employed by the Company during the measurement period (except in the case of death, disablement etc, see cessation of employment below). In addition performance related conditions (yet to be determined) will be specified as part of the invitation. These conditions are expected to be related to both market and non-market measures of Company performance.
Exercise Price	No amount will be payable by the Participants, although the Plan does allow for an exercise price to be specified.
Cessation of Employment	<p>The Revised Plan contains provisions concerning the treatment of vested and unvested Rights in the event that a participant ceases employment.</p> <p>Unless the Board determines otherwise, if a Plan Participant ceases employment by reason of resignation, termination for poor performance or termination for cause, all unvested Rights held by the Participant will lapse.</p> <p>Unless the Board determines otherwise, if a Participant ceases employment for any other reason, including by reason of death, disability, redundancy, retirement or by agreement, Rights that were granted to the Plan Participant during the financial year in which the termination occurred will be forfeited in the same proportion as the remainder of the financial year bears to the full year. All remaining Rights for which Vesting Conditions have not been satisfied as at the date of cessation of employment will then remain “on foot”, subject to the original Vesting Conditions.</p>
Change of Control of the Company	In the event of a change of control unvested Rights would vest in the same proportion as the share price has increased since the beginning of the measurement period. Remaining Rights would either lapse or some or all may vest at the Board’s discretion. In relation to Shares that have resulted from the vesting of Rights, dealing restrictions, if any, specified in the Invitation would also be lifted.
Voting and Dividend Rights	Rights do not carry voting or dividend rights. Shares issued when Rights vest carry the rights and entitlements of Shares, including voting and dividend rights.
Lapse and Forfeiture of Rights	Rights will lapse if the prescribed Vesting Conditions are not satisfied within the prescribed measurement period.

Aspect	Details
No Transfer of Rights	Without the approval of the Board, Rights may not be sold, transferred, mortgaged, charged or otherwise dealt with or encumbered.
Quotation	Rights will not be quoted on the ASX. The Company will apply for official quotation of any Shares issued under the Revised Plan, in accordance with the ASX Listing Rules.
Variation of Term and Conditions	To the extent permitted by the Listing Rules, the Board retains the discretion to vary the terms and conditions of the Revised Plan. This includes varying the number of Rights to which a Participant is entitled upon a reorganisation of the capital of the Company.
Issue or Acquisition of Shares	Shares allocated to a Participant when Rights vest under the Revised Plan may be issued by the Company or acquired on or off market by the Company or its nominee. The nominee may be a trust, the purpose of which is to facilitate the operation of the plan.
Cost and Administration	The Company will pay all costs of issuing Shares, brokerage on acquisitions of Shares and all costs of administering the Revised Plan.
Other Terms of the LTI Plan	The Revised Plan also contains customary and usual terms having regard to Australian law for dealing with winding up, administration, variation, suspension and termination of the Revised Plan.
Hedging	The Company prohibits the hedging of Rights by Participants.

## Schedule 3 – Summary of terms of NED Rights Plan

Aspect	Details
Instrument	The NED Rights Plan authorises the granting of Rights to Non-executive Directors of the Company.
Eligibility	Eligibility to participate in the Plan and the number of Rights offered to each individual participant (Participant) will be determined by the Board. Executive Directors and other employees of the Company are not eligible to participate. This is intended to ensure that NEDs do not participate in the same securities based remuneration programs as executives, which may be seen as compromising their independence by some stakeholder groups.
Terms & Conditions	The Board has the discretion to set the terms and conditions on which it will offer Rights under the Plan, including the Vesting Conditions and modification of the terms and conditions as appropriate to ensuring the plan operates as intended. All Rights offered will be subject to vesting conditions. Terms and conditions including vesting conditions will be set out in an Invitation.
Number of Rights	The number of Rights to be granted to each Participant will be determined by multiplying their Board Fees by the securities percentage determined by the Board and then divided by the Share price.
Amount payable for Rights	No amount will be payable by Participants for the Rights as they are part of the intended annual remuneration package.
Vesting of Rights	Upon the satisfaction of the Vesting Conditions, the value of Rights granted under the plan and that vest from each tranche (if applicable) will be evaluated. If the value that vests from a tranche is greater than nil, vesting will give rise to a \$1,000 cash payment with the remainder of the value to be converted into fully paid ordinary shares in the issued capital of Liquefied Natural Gas Limited (Shares) based on the then Share Price, referred to as the Vesting Share Price (rounded to nearest whole share). No exercise price is required to convert the Rights into Shares.
Measurement Period	The Measurement Period and will be defined as part of the Invitation. It is intended to be one year with no vesting prior to Vesting Conditions being tested at the end 12 months between the date of grant and the date that is 12 months later. This period is designed to be sufficiently long to ensure that a real risk of forfeiture exists, yet sufficiently short to ensure that there is no “golden handcuff” effect from the granting of Rights. It is

Aspect	Details
	<p>understood that a number of stakeholder groups object to securities where it may motivate a NED to stay on as a Director of the Company when it is not in the best interests of the Company. This plan has been designed to address this concern.</p> <p>After Rights have vested and Shares have been issued, it is intended that the Shares will be subject to dealing restrictions for a minimum period of two years following vesting. The Board has discretion to modify the dealing restriction period.</p>
Vesting Conditions	<p>Vesting Conditions will be specified as part of the Invitation. It is intended that in order for Rights to vest a participant must remain in the position of Non-executive Director for the measurement period (12 months), except in the case of Retirement or Prescribed Events (being death, disablement, etc) as defined under the plan.</p>
Exercise Price	<p>It is intended that no amount will be payable by the Participants.</p>
Change of Control of the Company	<p>In the event of a change of control unvested Rights may vest in the same proportion as the Share Price has increased since the beginning of the measurement period. Remaining Rights would either lapse or some or all may vest at the Board's discretion. In relation to Shares that have resulted from the vesting of Rights, dealing restrictions specified in the Invitation would also be lifted.</p>
Voting and Dividend Rights	<p>Rights do not carry voting or dividend rights. Shares issued when Rights vest carry the same rights and entitlements as other Shares, including voting and dividend rights.</p>
Lapse and Forfeiture of Rights	<p>Rights will lapse if the prescribed Vesting Conditions are not satisfied within the prescribed measurement period.</p>
No Transfer of Rights	<p>Without the approval of the Board, Rights may not be sold, transferred, mortgaged, charged or otherwise dealt with or encumbered.</p>
Quotation	<p>Rights will not be quoted on the ASX. The Company will apply for official quotation of any Shares issued under the Plan, in accordance with the ASX Listing Rules.</p>
Variation of Term and Conditions	<p>To the extent permitted by the Listing Rules, the Board retains the discretion to vary the terms and conditions of the Plan. This includes varying the number of Rights to which a participant is entitled upon a reorganisation of the capital of the Company.</p>
Issue or Acquisition of	<p>Shares allocated to a participant when Rights vest under the Plan</p>

<b>Aspect</b>	<b>Details</b>
Shares	may be issued by the Company or acquired on or off market by the Company or its nominee. The nominee may be a trust, the purpose of which is to facilitate the operation of the plan.
Cost and Administration	The Company will pay all costs of issuing Shares, brokerage on acquisitions of Shares and all costs of administering the Plan.
Other Terms of the Revised Plan	The Plan also contains customary and usual terms having regard to Australian law for dealing with winding up, administration, variation, suspension and termination of the NED Rights Plan.
Hedging	The Company prohibits the hedging of Rights by Participants of the NED Rights Plan.



## Schedule 4 – Terms of Placement Options

### 1. Entitlement

Each Placement Option entitles the holder (**Holder**) to subscribe for one Share upon exercise.

### 2. Exercise Price and Expiry Date

- a) The exercise price of each Placement Option is based on a premium to the Share Placement price of A\$0.20. Factors of 1.2, 1.3 and 1.4 were selected for each of the three respective tranches of Placement Options (**Option Tranches**). The exercise prices are therefore in accordance with the table below:

Tranche	Option Number	Exercise Price
1	1 to 1,000,000	A\$0.24
2	1,000,001 to 2,000,000	A\$0.26
3	2,000,001 to 3,000,000	A\$0.28

- b) The expiry date of each Option is 7 August 2016 (**Expiry Date**), being 36 months from closing of the Share Placement.

### 3. Exercise Period

The Placement Options are exercisable at any time after the date of grant of the Placement Option and before the Expiry Date (**Exercise Period**), save that each Option Tranche may only be exercised in full and not part.

### 4. Notice of Exercise

The Placement Options may be exercised during the Exercise Period by notice in writing to the Company and payment of the Exercise Price for the Placement Options comprising the applicable Option Tranche. Any notice of exercise of a Placement Option received by the Company will be deemed to be a notice of the exercise of the Placement Options comprising the applicable Option Tranche as at the date of receipt.

### 5. Shares issued on exercise

Shares issued on exercise of the Placement Options rank equally with the Shares.

### 6. Quotation of Shares on exercise

Application will be made by the Company to ASX for official quotation of the Shares issued upon the exercise of the Placement Options.

### 7. Timing of issue of Shares and quotation of Shares on exercise

Within 15 Business Days after the later of the following:

- a) receipt of a Notice of Exercise given in accordance with these terms and conditions and payment of the Exercise Price for each Placement Option comprising the applicable Option Tranche; and
- b) when excluded information in respect to the Company (as defined in section 708A(7) of the Corporations Act) (if any) ceases to be excluded information;

the Company will:

- c) allot and issue the Shares pursuant to the exercise of the Placement Options;
- d) in the circumstances where clause 7(b) applies, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act or lodge a prospectus with ASIC that qualifies the Shares issued upon exercise of the Placement Options for resale under section 708A(11) of the Corporations Act; and
- e) apply for official quotation on ASX of Shares issued pursuant to the exercise of the Placement Options.

## **8. Participation in new issues**

There are no participation rights or entitlements inherent in the Placement Options and Holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Placement Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least ten business days after the issue is announced. This will give the holders of Placement Options the opportunity to exercise their Placement Options prior to the date for determining entitlements to participate in any such issue.

## **9. Adjustment for bonus issues of Shares**

If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction, of dividends or by way of dividend reinvestment):

- (a) the number of Shares which must be issued on the exercise of a Placement Option will be increased by the number of Shares which the Holder would have received if the Holder had exercised the Placement Option before the record date for the bonus issue; and
- (b) no change will be made to the Exercise Price.

## **10. No Adjustment for rights issue**

If the Company makes an issue of Shares pro rata to existing Shareholders there will be no adjustment of the Exercise Price of a Placement Option.

## **11. Adjustments for reorganisation**

If there is any reconstruction of the issued share capital of the Company, the rights of the Holders may be varied to comply the ASX Listing Rules which apply to the reconstruction at the time of the reconstruction.

## **12. Quotation of Placement Options**

No application for quotation of the Placement Options will be made by the Company.

### **13. Placement Options transferable**

The Placement Options are non-transferable, save with the prior written agreement of the Company.

## Schedule 5 – Listing Rule 7.3A.6 Disclosure

No.	Date of Issue	Number	Class	Persons to whom the securities were issued	Issue price	Premium to market price	Consideration	
1.	7 August 2013	40,000,000	Fully paid ordinary securities	To institutional and sophisticated investors.	A\$0.20	A\$0.01 (based on closing price on ASX on date of issue of A\$0.19)	Total consideration:	A\$8,000,000
							Amount of consideration spent:	A\$381,900
							What consideration was spent on:	The development of the Magnolia LNG Project at Lake Charles, Louisiana, USA and for general working capital requirements
							Intended use for remaining consideration:	The development of the Magnolia LNG Project at Lake Charles, Louisiana, USA and for general working capital requirements
2	9 September 2013	3,130,000	Fully paid ordinary securities	Existing shareholders that were eligible to participate in a Share Purchase Plan	A\$0.2065	A\$0.0265 (based on closing price on ASX on date of issue of A\$0.18)	Total consideration:	A\$646,345
							Amount of consideration spent:	A\$0
							What consideration was spent on:	n/a
							Intended use for remaining consideration:	The development of the Magnolia LNG Project at Lake Charles, Louisiana, USA and for general working capital requirements



**Liquefied Natural Gas Limited**  
 ABN 19 101 676 779

**LODGE YOUR VOTE**



**ONLINE** >

[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)



**By mail:**  
 Liquefied Natural Gas Limited  
 C/- Link Market Services Limited  
 Locked Bag A14  
 Sydney South NSW 1235 Australia



**By fax:** +61 2 9287 0309



**All enquiries to: Telephone:** +61 1300 554 474

**SECURITYHOLDER PROXY FORM**

I/We being a member(s) of Liquefied Natural Gas Limited and entitled to attend and vote hereby appoint:

**STEP 1**

**APPOINT A PROXY**

**the Chairman of the Meeting (mark box)**

OR if you are NOT appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered securityholder) you are appointing as your proxy. I/we appoint the Chairman of the Meeting as an alternate proxy to the person named.

If no person/body corporate is named, the Chairman of the Meeting, is appointed as my/our proxy and to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at 3:00pm (WST) on Monday, 25 November 2013, at the Celtic Club, 48 Ord Street, West Perth WA and at any adjournment or postponement of the meeting. I/we expressly authorise the Chairman of the Meeting to exercise my/our proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the key management personnel.

The Chairman of the Meeting intends to vote undirected proxies in favour of all items of business.

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the meeting.

Please read the voting instructions overleaf before marking any boxes with an

**STEP 2**

**VOTING DIRECTIONS**

	For	Against	Abstain*		For	Against	Abstain*
<b>Resolution 1</b> Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<b>Resolution 5</b> Ratification of Share Placement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 2</b> Election of Director - Madam Yao Guihua	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<b>Resolution 6</b> Approval of Issue of Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 3</b> Approval of Revised Incentive Rights Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<b>Resolution 7</b> Approval of 10% Placement Facility	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 4</b> Approval of NED Rights Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				

**i** \* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

**STEP 3**

**IMPORTANT - VOTING EXCLUSIONS**

If the Chairman of the Meeting is appointed as your proxy, or may be appointed by default and you do not wish to direct your proxy how to vote as your proxy in respect of Item 4 above, please place a mark in this box. By marking this box, you acknowledge that the Chairman of the Meeting may exercise your proxy even though he/she has an interest in the outcome of that Item and that votes cast by him/her for that Item, other than as proxyholder, would be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your votes on Item 4 and your votes will not be counted in calculating the required majority if a poll is called on this Item. The Chairman of the Meeting intends to vote undirected proxies in favour of Item 4.

**STEP 4**

**SIGNATURE OF SECURITYHOLDERS - THIS MUST BE COMPLETED**

Securityholder 1 (Individual)

Sole Director and Sole Company Secretary

Joint Securityholder 2 (Individual)

Director/Company Secretary (Delete one)

Joint Securityholder 3 (Individual)

Director

This form should be signed by the securityholder. If a joint holding, either securityholder may sign. If signed by the securityholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the Corporations Act 2001 (Cth).

**LNG PRX302R**



## HOW TO COMPLETE THIS PROXY FORM

### Your Name and Address

This is your name and address as it appears on the Company's security register. If this information is incorrect, please make the correction on the form. Securityholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your securities using this form.**

### Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person in Step 1. If you appoint someone other than the Chairman of the Meeting as your proxy, you will also be appointing the Chairman of the Meeting as your alternate proxy to act as your proxy in the event the named proxy does not attend the meeting.

### Votes on Items of Business - Proxy Appointment

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of securities you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

### Appointment of a Second Proxy

You are entitled to appoint up to two persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's security registry or you may copy this form and return them both together. The appointment of the Chairman of the Meeting as your alternate proxy also applies to the appointment of the second proxy.

To appoint a second proxy you must:

- on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- return both forms together.

### Signing Instructions

You must sign this form as follows in the spaces provided:

**Individual:** where the holding is in one name, the holder must sign.

**Joint Holding:** where the holding is in more than one name, either securityholder may sign.

**Power of Attorney:** to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

### Corporate Representatives

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's security registry.

### Lodgement of a Proxy Form

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **3:00pm (WST) on Saturday, 23 November 2013**, being not later than 48 hours before the commencement of the meeting. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxy Forms may be lodged using the reply paid envelope or:



**ONLINE**  [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

Login to the Link website using the holding details as shown on the proxy form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, securityholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the proxy form).



**by mail:**

Liquefied Natural Gas Limited  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235  
Australia



**by fax:**

+61 2 9287 0309



**by hand:**

delivering it to Link Market Services Limited, 1A Homebush Bay Drive, Rhodes NSW 2138.

**If you would like to attend and vote at the Annual General Meeting, please bring this form with you.  
This will assist in registering your attendance.**