



ASX/MEDIA RELEASE

7 February 2011

LODGEMENT OF CLEANSING PROSPECTUS

The Directors of Liquefied Natural Gas Limited (ASX: LNG, *Company*) advise that the Company has today lodged the attached Cleansing Prospectus with the Australian Securities and Investments Commission (*ASIC*).

The primary purpose of the Cleansing Prospectus is not to raise capital but to remove any trading restrictions that may have attached to certain shares issued under the Company's 2004 and 2005 Employee Share Option Plans (*Plans*). That is, to ensure that shares issued, prior to the closing date of the Cleansing Prospectus (14 February 2011), pursuant to the exercise of options under the Plans will be able to be freely sold within 12 months of their date of issue without future breaches of section 707(3) of the Corporations Act 2001 (Cth) (*Corporations Act*).

Background:

As announced to the ASX on 8 October 2010, a comprehensive review of the Plans resulted in the Company reporting to ASIC and the ASX potential contraventions of section 707(3) of the Corporations Act.

The Plans were drafted so as to permit the issue of options to consultants. Based on advice received at the time, the Company was unaware that this had the consequence of the Company being unable to rely on the relief set out in ASIC Class Order [CO 03/184], in relation to the issue of shares upon the exercise of options granted under the Plans.

As a result, persons who were issued shares on the exercise of options granted under the Plans, and then sold those shares within 12 months, may have inadvertently and unknowingly been in contravention of the Corporations Act.

To regularise this position, the Company:

- has lodged the Cleansing Prospectus, in relation to shares issued pursuant to the Plans prior to 14 February 2011, to enable those shares to be freely sold without future breaches of section 707(3) of the Corporations Act;
- has appointed legal advisers to apply on its behalf to Court for an order seeking relief from the potential contraventions by the affected persons (those who sold shares issued pursuant to the Plans within 12 months of their date of issue); and
- will be taking steps (such as issuing "cleansing statements" under section 708A(5) of the Corporations Act or applying to ASIC for relief under section 741 of the Corporations Act) to ensure that future shares issued upon exercise of the remaining options under the Plans will be able to be freely sold within 12 months of their date of issue without breaching section 707(3) of the Corporations Act.

The Company believes that:

- (a) there has been no contravention of the Corporations Act by the Company;
- (b) the subsequent, but now superseded, 2009 Employee Share Option Plan was fully compliant with ASIC Class Order [CO 03/184]; and
- (c) the current Performance Rights Plan is fully compliant with ASIC Class Order [CO 03/184].

For further information contact:

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Managing Director & Chief Executive Officer
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Mr David Gardner
Company Secretary
Telephone: + 61 8 9366 3700

Liquefied Natural Gas Limited
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Telephone: (08) 9366 3700 **Facsimile:** (08) 9366 3799
Email: LNG@LNGLimited.com.au
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Liquefied Natural Gas Limited

ABN 19 101 676 779

Cleansing Prospectus

For the offer of 100 fully paid ordinary shares in the capital of the Company at a price of \$0.60 per Share to raise up to \$60.

This Prospectus has been issued to facilitate the secondary trading of certain Shares issued by the Company prior to the Closing Date of the Offer (including prior to the date of this Prospectus). It has also been issued to provide information on the Offer of 100 Shares referred to above.

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Important information

This Prospectus is dated 7 February 2011 and was lodged with ASIC on that date. None of ASIC, ASX or their respective officers take responsibility for the contents of this Prospectus.

No securities will be allotted on the basis of this Prospectus later than its expiry date of 13 months after the date of this Prospectus.

Shareholders and prospective investors should read this document in its entirety and, if in doubt, should consult their professional advisors.

This Prospectus is a transaction specific prospectus for an offer of continuously quoted securities (as defined in the Corporations Act) and has been prepared in accordance with section 713 of the Corporations Act. It does not contain the same level of disclosure as an initial public offering prospectus. In making representations in this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

No person is authorised to give information or to make any representation in connection with this Prospectus which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of Shares, in any jurisdictions outside Australia. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of applicable securities laws.

Any forward looking statements in this Prospectus are based on the Company's current expectations about future events. They are, however, subject to known and unknown risks, uncertainties and assumptions, many of which are outside of the control of the Company and its Directors, that could cause actual results, performance or achievements to differ materially from future results, performance or achievements expressed or implied by any forward looking statements in this Prospectus.

Definitions

Defined terms and abbreviations used in this Prospectus are explained in the Glossary set out in Section 7 of this Prospectus. A reference to time in this Prospectus is to Australian Western Standard Time (AWST), unless otherwise stated.

Risk factors

Potential investors should consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus. For further information in relation to the risk factors of the Company please refer to Section 4 of this Prospectus.

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1 Details of the Offer

1.1 Offer

By this Prospectus, the Company invites investors identified by the Directors to apply for a total of 100 Shares at an issue price of \$0.60 per Share payable in full on application to raise \$60.

1.2 Objectives

The Company is seeking to raise only a nominal amount of \$60 under this Prospectus and, accordingly, the purpose of this Prospectus is not to raise capital.

The primary purpose of this Prospectus is to remove trading restrictions that may have attached to certain Shares issued by the Company prior to the Closing Date (including prior to the date of this Prospectus). Further details in relation to those Shares are set out in Section 2.1 below.

Under section 707(3) of the Corporations Act, if securities are issued without disclosure to investors under Part 6D.2 of the Corporations Act, any offers to sell those securities within 12 months of their date of issue will require disclosure to investors by way of a prospectus or other disclosure document.

Section 708A(11) of the Corporations Act provides that an offer to sell securities does not need disclosure to investors under Part 6D.2 of the Corporations Act if:

- (a) the relevant securities are in a class of securities that are quoted securities of the body; and
- (b) either:
 - (i) a prospectus is lodged with ASIC on or after the day on which the relevant securities were issued but before the day on which the sale offer is made; or
 - (ii) a prospectus is lodged with ASIC before the day on which the relevant securities are issued and offers of securities that have been made under the prospectus are still open for acceptance on the day on which the relevant securities were issued; and
- (c) the prospectus is for an offer of securities issued by the body that are in the same class of securities as the relevant securities.

Once this Prospectus is lodged with ASIC, Shares issued by the Company prior to the Closing Date (including prior to the date of this Prospectus) without disclosure under Part 6D.2 of the Corporations Act will be able to be freely sold within 12 months of their date of issue without breaching section 707(3) of the Corporations Act.

1.3 Opening and Closing Dates of the Offer

The Offer will open once this Prospectus is lodged with ASIC and will remain open until the Closing Date of 14 February 2011. The Directors reserve the right to close the Offer early or extend the Offer should they consider it necessary to do so.

1.4 Application

Applications for Shares must be made by investors at the direction of the Company and must be made using the Application Form accompanying this Prospectus.

Payment for the Shares must be made in full at the issue price of \$0.60 per Share.

Completed Application Forms and accompanying cheques must be mailed or delivered to:

Advanced Share Registry Services Pty Ltd
Postal address: PO Box 1156
Nedlands WA 6909
Australia
Delivery address: 150 Stirling Highway
Nedlands WA 6009
Australia

Cheques should be made payable to "Liquefied Natural Gas Limited Share Offer Account" and crossed "Not Negotiable". Completed Application Forms must reach the address set out above by no later than the Closing Date.

1.5 Allotment of Shares

Allotment of Shares will take place as soon as practicable after the Closing Date.

Application moneys will be held in a separate subscription account until allotment. This account will be established and kept by the Company in trust for the Applicants until the Shares are issued or the money is returned to the Applicants. Any interest earned on the application moneys will be for the benefit of the Company and will be retained by the Company irrespective of whether allotment takes place and each Applicant waives the right to claim any interest.

The Directors will determine the allottees of all the Shares. The Directors reserve the right to reject any application or to allocate any Applicant fewer Shares than the number applied for.

Where the number of Shares allotted is less than the number applied for, the surplus monies will be returned by cheque as soon as practicable after the Closing Date. Where no allotment is made, the amount tendered on application will be returned in full by cheque as soon as practicable after the Closing Date. Interest will not be paid on monies refunded.

1.6 Underwriter

The Offer is not underwritten.

1.7 Australian Securities Exchange Listing

Application for Official Quotation of the Shares offered pursuant to this Prospectus will be made to ASX within 7 days after the date of this Prospectus.

If approval is not obtained from ASX before the expiration of 3 months after the date of issue of this Prospectus (or such period as varied by ASIC), the Company will not issue any Shares and will repay all application monies for the Shares as soon as practicable, without interest.

The fact that ASX may grant Official Quotation to the Shares is not to be taken in any way as an indication of the merits of the Company or the Shares offered for subscription.

1.8 Restrictions on the Distribution of the Prospectus

The distribution of this Prospectus outside of Australia may be restricted by law.

This Offer does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus.

Residents of countries outside Australia should consult their professional advisers as to whether any government or other consents are required, or whether any formalities need to be observed should they wish to make an application to take up Shares on the basis of this Prospectus. The return of a duly completed Application Form will be taken to constitute a representation and warranty that there has been no breach of applicable laws and that all approvals and consents have been obtained.

1.9 Clearing House Electronic Subregister System (CHES) and Issuer Sponsorship

The Company will not be issuing share certificates. The Company is a participant in CHES for those investors who have a sponsoring stockbroker.

Investors who do not wish to participate through CHES will be issuer sponsored by the Company. Because the sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation.

Electronic registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with separate statements (similar to a bank account statement) that set out the number of Shares allotted to them under this Prospectus. Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

1.10 Privacy Act

If you complete an application for Shares, you will be providing personal information to the Company (directly or through the Company's share registry). The Company collects, holds and will use that information to assess your application, service your needs as a Shareholder, facilitate distribution payments and corporate communications to you as a Shareholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company's share registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company or its share registry if you wish to do so at the relevant contact numbers set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1988 (Cwth), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the application for Shares, the Company may not be able to accept or process your application.

1.11 Enquiries

Any questions concerning the Offer should be directed to the Company Secretary, Mr David Gardner, on (08) 9366 3700.

2 Purpose and effect of the Offer

2.1 Purpose of the Offer

The primary purpose of this Prospectus is to remove any trading restrictions that may have attached to certain Shares issued by the Company prior to the Closing Date (including prior to the date of this Prospectus).

As announced to ASX on 8 October 2010, a comprehensive review of the Company's 2004 and 2005 Employee Share Option Plans (**Plans**) resulted in the Company reporting to ASIC and ASX potential contraventions of section 707(3) of the Corporations Act.

The Plans were drafted so as to permit the issue of Options to consultants. Based on advice received at the time, the Company was unaware that this had the consequence of the Company being unable to rely on the relief set out in ASIC Class Order [CO 03/184], in relation to the issue of Shares upon the exercise of Options granted under the Plans.

As a result, persons who were issued Shares on the exercise of Options granted under the Plans, and then sold those Shares within 12 months, may have inadvertently and unknowingly been in contravention of the Corporations Act.

To regularise this position, the Company has appointed legal advisers to apply on its behalf to Court for an order seeking relief from the potential contraventions by the affected persons.

The Company has also issued this Prospectus to ensure that Shares issued prior to the Closing Date (including prior to the date of this Prospectus) pursuant to exercises of Options under the Plans will be able to be freely sold within 12 months of their date of issue without future breaches of section 707(3) of the Corporations Act.

The Company believes that:

- (a) there has been no contravention of the Corporations Act by the Company;
- (b) the subsequent, but now superseded, 2009 Employee Share Option Plan was fully compliant with ASIC Class Order [CO 03/184]; and
- (c) the current Performance Rights Plan is fully compliant with ASIC Class Order [CO 03/184].

The Company will also take steps (such as issuing "cleansing statements" under section 708A(5) of the Corporations Act or applying to ASIC for relief under section 741 of the Corporations Act) to ensure that future Shares issued upon exercise of Options under the Plans will be able to be freely sold within 12 months of their date of issue without breaching section 707(3) of the Corporations Act.

2.2 Effect on capital structure

The effect of the Offer on the capital structure of the Company is set out below.

Shares	Number
Shares currently on issue	213,339,015
Shares offered pursuant to the Offer	100
Total Shares on issue after the Closing Date if Offer is taken up	213,339,115

The Company also has 7,805,000 Options and 2,250,000 Performance Rights on issue. This will not change as a result of the Offer.

After expenses of the Offer of approximately \$20,000, there will be no proceeds from the Offer. The expenses of the Offer (exceeding \$60) will be met from the Company's existing cash reserves.

2.3 Financial effects

The Offer will have an effect on the Company's financial position. Set out below is the consolidated (unaudited) balance sheet of the Group as at 31 December 2010 and the consolidated balance sheet of the Group (pro-forma, unaudited) as at 31 December 2010, incorporating the effects of the Offer, being the share capital issue of \$60 and the costs of lodging the Prospectus of approximately \$20,000.

The pro-forma, unaudited balance sheet excludes movements from carrying out general business operations.

The pro forma, unaudited balance sheet is illustrative only and may not represent the financial position of the Company following the close of the Offer. The pro forma, unaudited balance sheet also does not take into account the effect of the transaction with China Huanqiu Contracting & Engineering Corporation announced to ASX on 28 January 2011 (and described further in Section 3 below).

Balance Sheet 31-Dec-10

	Consolidated 31-Dec-10 \$	Pro-forma adjustments \$	Pro-forma Balance sheet \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	9,004,797	60	9,004,857
Other financial assets	1,790,000		1,790,000
Trade and other receivables	461,162		461,162
Prepayments	116,049		116,049
TOTAL CURRENT ASSETS	11,372,008	60	11,372,068
NON-CURRENT ASSETS			
Available for sale financial assets	5,810,214		5,810,214
Receivables	299		299
Plant and equipment	420,745		420,745
TOTAL NON-CURRENT ASSETS	6,231,258	-	6,231,258
TOTAL ASSETS	17,603,266	60	17,603,326

LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	718,152	20,000	738,152
Interest-bearing liabilities	9,049		9,049
Provisions	252,524		252,524
TOTAL CURRENT LIABILITIES	979,725	20,000	999,725
NON-CURRENT LIABILITIES			
Interest-bearing liabilities	3,257		3,257
Provisions	176,670		176,670
TOTAL NON-CURRENT LIABILITIES	179,927	-	179,927
TOTAL LIABILITIES	1,159,652	20,000	1,179,652
NET ASSETS	16,443,614	(19,940)	16,423,674
EQUITY			
Contributed equity	96,936,191	60	96,936,251
Reserves	9,693,153		9,693,153
Accumulated losses	(90,165,410)	(20,000)	(90,185,410)
Parent interests	16,463,934	(19,940)	16,443,994
Non-controlling interests	(20,320)	-	(20,320)
TOTAL EQUITY	16,443,614	(19,940)	16,423,674

2.4 Other effects

As explained in Section 2.1 above, another effect of the Offer is that Shares issued prior to the Closing Date (including prior to the date of this Prospectus) pursuant to exercises of Options under the Plans will be able to be freely sold within 12 months of their date of issue without future breaches of section 707(3) of the Corporations Act and without further disclosure to investors under Part 6D.2 of the Corporations Act.

3 Further information about HQCEC transaction

3.1 Background

As announced to the ASX on 28 January 2011, on 27 January 2011 the Company signed a Share Placement Term Sheet (**Term Sheet**) with China Huanqiu Contracting & Engineering Corporation (**HQCEC**). HQCEC is a wholly owned subsidiary of China National Petroleum Corporation, which is China's largest producer and supplier of crude oil and natural gas.

The legally binding Term Sheet includes, amongst other things, the terms upon which HQCEC will subscribe for 53,250,000 shares in the Company, being equivalent to approximately 19.9% of the total issued shares in the Company following the placement (**Placement**).

Further information about the Placement and Term Sheet can be found in the Company's ASX announcement of 28 January 2011, and additional details relating to some aspects of the Term Sheet are set out below.

3.2 Consent and consultation rights

As part of the HQCEC transaction, the Company and HQCEC will enter into a legally binding process deed which will become effective on completion of the Placement (**Process Deed**). The Process Deed will provide (among other things) that, with effect from completion of the Placement and for so long as HQCEC and its affiliates together hold at least 15% of the Shares or for a period of 60 months from the date of the Placement (whichever is the earlier date), the Company will not do, and will procure that none of its subsidiaries does, any of the following (including agreeing to or announcing an intention to do any of the following) without obtaining HQCEC's prior written consent, provided that in deciding whether or not to give its consent at all times HQCEC acts reasonably:

- (a) subject to the Company's board of Directors reserving the right to raise the minimum amount of capital, including by the issuance of securities, to ensure compliance with section 588G of the Corporations Act, provided that HQCEC will have a right of first refusal to require the Company to issue to it up to such number of securities in the Company as is required to ensure that HQCEC (together with its nominees) holds in aggregate at least that percentage of the Shares as it would have held but for any such issuance of securities (calculated on a fully diluted basis), undertake any issuances of any equity securities or securities convertible into equity securities other than the issuance of options or performance rights to key employees in accordance with an existing employee incentive plan and his or her employment agreement;
- (b) undertake any material asset acquisitions or disposals. For this purpose, an acquisition or disposal will be considered material if it is an individual transaction with a value of \$1,000,000 or more or there are a series of similar or related transactions with an aggregate value of \$5,000,000 or more;
- (c) incur additional financial indebtedness, including guaranteeing the obligations of any person other than a wholly-owned subsidiary or procuring any guarantee of the Company's or any of its subsidiaries' obligations, in an individual transaction with a value of \$1,000,000 or more or a series of similar transactions with an aggregate value of \$5,000,000 or more;
- (d) agree to dispose of any proprietary rights to the Company's OSMR[®] LNG process technology or any other intellectual property owned by the Company or any of its subsidiaries and material to their business (**LNG IP**) or agreeing to license or otherwise authorise any person to use any LNG IP other than on arms-length commercial terms; and
- (e) transfer or otherwise dispose of any equity or debt securities in Gladstone LNG Pty Ltd, LNG Technology Pty Ltd or any other entity that directly or indirectly has any ownership or economic interests in the Company's Gladstone LNG Project or LNG IP.

3.3 Arrangements with directors

The Term Sheet requires that, prior to the entry into the formal documentation in relation to the Placement, the Company's executive Directors (Messrs Maurice Brand, Paul Bridgwood and Norman Marshall) enter into revised employment arrangements on terms to be agreed and will also enter into a legally binding deed in favour of the Company pursuant to which they will undertake to the Company not to sell, transfer or otherwise dispose of in any manner, directly

or indirectly, a prescribed number of Shares controlled by them for a specified period, the terms of which are yet to be agreed.

4 Risk factors

4.1 General

The business activities of the Company are subject to various risks that may impact on the future performance of the Company. While most risk factors are largely beyond the control of the Company and its Directors, the Company will seek to mitigate the risks where possible and economically viable (for example, by obtaining appropriate insurances and by putting in place safeguards and appropriate systems).

An investment in the Company carries no guarantee with respect to the payment of dividends, return of capital or price at which Shares will trade.

A number of material risk factors are set out below. This list is not exhaustive and potential Applicants should examine the contents of this Prospectus and consult their professional advisers before deciding whether to apply for Shares.

When used in this Section 4, the term “Company” includes the Company and its subsidiaries and references to the business of the Company includes the businesses of the Company and its subsidiaries.

4.2 Risks relating to the Offer

Applicants are being offered Shares at a price of \$0.60, which may be higher than or lower than the market price of Shares at the time Shares are issued under the Offer. The market price of Shares will fluctuate during the Offer period and afterwards. There is an ongoing risk, which exists for shares in all companies, that the share price may fall in the future.

4.3 General and industry risks

The Company is subject to the inherent risks of the gas and LNG production and development industries and general economic risks in varying degrees. A non-exhaustive list of some of the more important of these risks is set out below.

- **Economic conditions:** Economic conditions, both domestic and global, may affect the performance of gas and LNG production and development companies like the Company. Adverse changes in such things as global and country-by-country economic growth, the level of economic activity and inflation, interest rates, exchange rates, government policy (including fiscal, monetary and regulatory policies), general consumption and consumer spending, employment rates and industrial disruption, among others, are outside the control of the Company and may result in material adverse impacts on the Company's business and its operating results.
- **Share market conditions:** As the Company is listed on the ASX, its share price is subject to the numerous influences that may affect both the trends in the share market and the share prices of individual companies, including movements in international and local stock markets, changes in the outlook for commodities (more specifically, gas and LNG), inflation, interest rates, general economic conditions and changes in government, fiscal, monetary and regulatory policies. In the future, these factors may cause Shares to trade below current prices and may affect the income and expenses of the Company.
- **General legal and taxation matters:** Future earnings, asset values and the relative attractiveness of Shares may be affected by changes in law and government policy, in

particular, changes to taxation law (including transaction and other duty, capital gains tax and GST) and new or revised taxes such as resource rent taxes.

- **Commodity price fluctuations:** The price of gas and LNG is influenced by numerous variable factors, including laws and regulations, economic conditions and physical and trading demand and supply. Fluctuations in gas and LNG prices may, positively or negatively, influence the operating and financial performance of projects and businesses in which the Company has an interest or proposes to have an interest, notwithstanding that the Company may at some point obtain long term gas sale agreements and LNG sale agreements (in which the pricing provisions may include periodic review to market during the term of the agreement).
- **Gas related issues:** Gas appraisal and production well drilling and transition of gas discoveries to commercial production are endeavours which may be positively or negatively impacted by numerous issues including, but not limited to, mining, petroleum, heritage and environmental legislation (including gas exploration and production licence and permit approvals), industrial disputes, cost overruns, native title claims and compensation, native heritage issues and other unforeseen contingencies.
- **Native title claims:** It is possible that native title claims may be lodged in relation to land in which the Company may have an interest. Similar such legislation and issues may also exist in other countries in which the Company may invest in the future. Claims of this nature may prevent a project proceeding, delay project development or result in additional project development costs.
- **Gas recovery:** There is the risk that gas discoveries in which the Company invests may fail to realise their estimated potential recoverable resources or reserves and/or gas flow rates. The risk exists that any given potential trap will not contain hydrocarbons or economically exploitable hydrocarbons by reason of failure of any one of the critical factors required to achieve commercialisation of a gas discovery. This may include, but is not limited to, inappropriately placed or timed hydrocarbon generation or migration, ineffective seal or later disruption of the trap. A potential trap may also contain non-commercial volumes due to adverse reservoir conditions or inadequate hydrocarbon charge.
- **Contract risks:** The Company is and will in the future be a party to numerous contracts and agreements. Numerous of these contracts and agreements relate directly or indirectly to the provision of funding, services and product by the Company and include provisions which may impose financial and/or other claims on the Company for non-performance of the Company's obligations under the contract/agreement. Such provisions may include, amongst other things, liquidated damages, latent defects/damages and warranties and indemnities. A material claim under such provisions could adversely impact on the Company's operating and financial performance.
- **Counterparty risks:** There exists the risk that counterparties to contracts and agreements with the Company may breach the terms of such contracts and agreements. Such breach or breaches may lead to default by the counterparty and termination of the relevant contract by the Company. While the Company will undertake all reasonable due diligence in assessing the operating and financial capability of contracting counterparties to fulfil their relevant contractual obligations, and procure credit support where necessary and available, it is not possible to fully mitigate such counterparty risks and a breach of contract by a counterparty could adversely impact on the operating and financial performance of the Company.
- **Competition risks:** The businesses in which the Company is involved are subject to domestic and global competition. While the Company will undertake all reasonable due diligence in its business investment decisions and controls, the Company will have no influence or control over the activities or actions of its competitors, which activities or

actions may, positively or negatively, affect the operating and financial performance of the Company's projects and businesses.

- **Environmental risks:** Development of gas resources has some impact on the environment. It is possible that environmental claims could arise in the future against the Company and the potential for liability is an ever-present risk. The Company is required to comply with certain environmental management issues from time to time.
- **Government policy:** Industry profitability can be affected by changes in government, both within Australia and externally, which are not within the control of the Company. The Company's activities are subject to extensive laws and regulations controlling not only the activities of the Company, but also the possible effects of such activities upon the environment and upon interests of native and/or indigenous peoples, among other things. Permits from a variety of regulatory authorities are required for many aspects of the Company's business. There is no assurance that permits will be obtained when sought or that unfavourable conditions will not be imposed. Future legislation and regulations could cause additional expense, capital expenditures, restrictions and delays in the development of the Company's projects and technologies, the extent of which cannot be predicted.
- **Weather and climatic conditions:** The current and future operations of the Company, including development and production, may be affected by limitations on activities due to seasonal and unexpected weather patterns, heavy rain, floods and other weather and climate conditions.
- **Country risks:** The Company may undertake investments in the future in various countries where the economic, legal and political conditions vary from Australia. In addition, the relevant economic, legal and political conditions may change from time to time and such changes may have a positive or negative impact on the Company's projects or businesses in the relevant country. While the Company will undertake all reasonable due diligence in assessing the risks associated with those countries in which it invests the economic, legal and political conditions of such countries and any changes thereto are outside the control of the Company.
- **Key personnel risks:** Various activities relating to the Company's projects and businesses require personnel with appropriate industry experience and qualifications and in some cases the loss of such key personnel may have an impact on the relevant activities of the Company. The Company will endeavour to appropriately secure the tenure of key personnel on competitive market terms and in most cases it is likely that appropriate replacement personnel will be available from the market.
- **Foreign currency exchange rate risks:** Revenue and expenditure of the Company may be domiciled in currencies other than Australian dollars and as such expose the Company to foreign exchange movements, which may have a positive or negative influence on the Australian dollar equivalent of such revenue and expenditure. The Company may invest in projects and businesses in countries outside Australia in which case movements in the currency of the relevant country against the Australian dollar may increase or decrease the Australian dollar equivalent value of the investment. The Company will appropriately monitor and assess such risks and may from time to time implement measures, such as foreign exchange currency hedging, to assist manage these risks. However, hedging may not be implemented in all cases and the measures themselves may expose the Company to related risks.
- **Insurance risks:** The Company may, where economically practicable and available, endeavour to mitigate some project and business risks by procuring relevant insurance cover. However, such insurance cover may not always be available or economically justifiable and the policy provisions and exclusions may render a particular claim by the Company outside the scope of the insurance cover. While the Company will undertake all reasonable due diligence in assessing the creditworthiness of its insurance providers

there will remain the risk that an insurer defaults in payment of a legitimate claim by the Company under an insurance policy.

- **Industrial dispute risks:** The Company's projects and businesses may be adversely impacted by industrial disputes by employees of the Company, its contractors, its contract counterparties and/or other third parties. The Company will endeavour to provide working conditions, including salaries, which are consistent with best industry practice for the country and/or region in which it conducts its projects and businesses. The Company will also endeavour to ensure its contractors and contract counterparties also adopt such practices. However, the risk of industrial disputes and the potential negative impact on a project or business of the Company cannot be fully mitigated.
- **Terrorism and war risks:** The Company's projects and businesses may be adversely impacted by acts of terrorism or war. While the Company will undertake all reasonable due diligence in assessing the risks of terrorism and war in the countries and regions in which it invests, the risks of acts of terrorism and war cannot be fully mitigated.

4.4 Risks specific to the Company and its business

The Company is also subject to risks which are specific to the Company and its businesses. A non-exhaustive list of some of the more important of these risks is set out below.

- **Gas feedstock:** The Company is attempting to secure gas feedstock through the procurement of gas sales agreements with third parties or the development of strategic partnerships with third parties. These third parties will be subject to the gas-related risks identified in this Section 4 and, as such, circumstances may occur where the party is unable to meet the contracted gas supply volumes or quality. The Company's development is partially reliant on the Company securing suitable and sufficient gas feedstock and development may be hindered if feedstock cannot be secured on favourable terms.
- **LNG development:** The Company's development of LNG production plants may be adversely impacted by numerous issues including, but not limited to, land access, force majeure circumstances, floods, native title and heritage and environmental legislation, industrial disputes, cost overruns, governmental approval, licensing and permitting processes and other unforeseen contingencies. Such issues could render development uneconomical, result in a need to cease development of a project, adversely impact on the operating and financial performance of a project or result in a need to shut down a project. There is no assurance that the Company's attempts to develop and exploit its projects will be successful or that production will remain profitable in the long term. The operations of the Company may be affected by various factors not within its control, including operational and technical difficulties encountered in production, sourcing difficulties, commissioning difficulties, difficulties operating and maintaining plant and equipment, mechanical failure, industrial accidents, processing deficiencies, labour shortages, industrial and environmental disputes, maintaining government approvals, flooding or other adverse weather conditions, fire, explosions and unexpected shortages or increases in the costs of consumables, spare parts, plant equipment or labour. These risks and hazards could also result in damage to or destruction of production facilities, personal injury, environmental damage, business interruption, monetary losses and possible legal liability. The Company may become subject to liability for accidents, pollution or other hazards against which it cannot insure or against which it may elect not to insure because of premium costs or for other reasons, or in amounts which exceed policy limits.
- **Future financing requirements:** At some point in time, the Company may require further financing to develop projects or to meet future objectives. There is no assurance that the Company will be successful in obtaining the financing required as and when needed, particularly given recent volatility in global financial markets. Despite the Company's capital raising track record, volatile markets for commodities may make it difficult or impossible for the Company to obtain debt financing or equity financing on favourable

terms or at all. Failure to obtain additional financing on a timely basis may cause the Company to postpone future development plans or reduce or terminate some or all of its operations.

- **Technology risks:** Numerous facets of the Company's businesses relate to the use of technology owned by the Company, held by third parties or freely available to the Company. Technology advancements may render the technology owned by, or used by, the Company as uneconomic or obsolete, which in turn may adversely impact on the operating and financial performance of the Company. The Company will take all reasonable, prudent and economically practicable measures to remain at the forefront of new gas extraction and LNG processing technologies, including as necessary the patenting of the Company's own technology developments and securing access rights to third party technology enhancements. However, situations may occur where patent applications of Company developed technology are not successful and/or prohibited access to new technology and technology enhancements and/or an inability to attain access to such technology on commercial terms, adversely impact on the Company's operating and financial performance.
- **Non-controlling ownership risks:** The Company owns substantial (ie, greater than 5%) interests in Metgasco Limited and Oil Basins Limited. However, these interests may not allow the Company to exercise any significant influence or control over potential gas resources held by those entities. The Company is exposed to the operational and other decisions of the management and boards of those entities and of other entities which might control or potentially control those entities.

5 Other important information

5.1 Continuous disclosure obligations

The Company is listed on ASX (ASX: LNG) and is a "disclosing entity" (as defined in section 111AC of the Corporations Act) for the purposes of section 713 of the Corporations Act. As such, the Company is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is subject to the ASX Listing Rules which require continuous disclosure of any information the Company has concerning it that a reasonable person would expect to have a material effect on the price or value of its securities. The Company's ASX announcements are available from www.asx.com.au.

In addition, the Company is also required to lodge various documents with ASIC. Copies of documents lodged with ASIC in relation to the Company may be obtained from, or inspected at, an ASIC office.

The Company will provide a copy of each of the following documents, free of charge, to any person on request between the date of this Prospectus and the Closing Date:

- (a) the annual financial report for the financial year ended 30 June 2010 lodged by the Company with ASIC on 30 September 2010; and
- (b) any continuous disclosure notices given by the Company to ASX in accordance with the ASX Listing Rules after the lodgement of the annual financial report referred to in (a) and before the lodgement of this Prospectus with ASIC.

Details of documents lodged with ASX since the date of lodgement of the Company's latest annual financial report and before the lodgement of this Prospectus with ASIC are set out in the table below.

Date	Description of announcement
31 January 2011	Quarterly Report December 2010
28 January 2011	Placement and Strategic Partner Term Sheet Signed with HQCEC
27 January 2011	Request for Trading Halt
27 January 2011	Trading Halt
14 January 2011	Queensland Floods
13 January 2011	Constitution
12 January 2011	Appendix 3Y - Change of Director`s Interest Notices
12 January 2011	Appendix 3B - Issue of Performance Rights
10 January 2011	General Meeting of Members Results
10 January 2011	Indonesian Decision Validates LNG`s Concerns
24 December 2010	Securities Trading Policy
6 December 2010	Notice of General Meeting
23 November 2010	Appendix 3Z - Final Director`s Interest Notice
23 November 2010	Results of AGM
23 November 2010	AGM Presentation
23 November 2010	Chairman`s Address to Shareholders
29 October 2010	Quarterly Report September 2010
19 October 2010	Notice of Annual General Meeting and Proxy Form
13 October 2010	Response to ASX Price and Volume Query
8 October 2010	2004 and 2005 Employee Share Option Plans

This Prospectus is a “transaction specific prospectus”. In general terms a “transaction specific prospectus” is only required to contain information in relation to the effect of the issue of securities on the Company and the rights and liabilities attaching to the securities. It does not need to include general information in relation to all of the assets and liabilities, financial position and performance, profits and losses and prospects of the issuing company because the market should already have access to all information necessary to reach an informed view about the relevant continuously quoted securities.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all of the

information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

As at the date of this Prospectus, other than information included in this Prospectus, the Company has not excluded any information from a continuous disclosure notice in accordance with the ASX Listing Rules that is information that investors and their professional advisers would reasonably require (and would reasonably expect to find in this Prospectus) for the purpose of making an informed assessment of:

- (a) the assets and liabilities, financial position and performance, profits and losses and prospects of the Company; and
- (b) the rights and liabilities attaching to the Shares.

Further information regarding the Company can be obtained via the ASX website at www.asx.com.au or the Company website at www.lnglimited.com.au.

5.2 Directors' interests

Other than as set out below or elsewhere in this Prospectus, no Director or proposed director of the Company holds, or held at any time during the two years before the lodgement of this Prospectus with ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer pursuant to this Prospectus; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid, and no benefits have been given or agreed to be given, to any Director or proposed director of the Company, either to induce him or her to become, or to qualify him or her as, a Director or otherwise for services rendered by him or her in connection with the formation or promotion of the Company or the Offer.

The relevant interests of Directors in securities of the Company at the date of this Prospectus, plus remuneration information for each Director for the last two financial years, are set out below:

Name	Shares	Options	Performance Rights	Total Remuneration (including short term, long term, superannuation and share based payments) for financial year ended 30 June 2009	Total Remuneration (including short term, long term, superannuation and share based payments) for financial year ended 30 June 2010
Fletcher Maurice Brand	12,769,742	Nil	450,000	\$2,046,181 (of this, \$1,680,000 related to a share based payment in redeemable preference shares which were subsequently redeemed and cancelled due to performance milestones not being met, and \$15,000 related to certain Options which were cancelled during the year but not replaced)	\$419,841
Richard Jonathan Beresford	369,962	Nil	450,000	\$79,083 (of this, \$15,000 related to certain Options which were cancelled during the year but not replaced)	\$50,000
Leeanne Kay Bond	Nil	Nil	450,000	N/A	\$30,513 (appointed 20 October 2009)
Paul William Bridgwood	13,290,040	Nil	450,000	\$2,016,369 (of this, \$1,680,000 related to a share based payment in redeemable preference shares which were subsequently redeemed and cancelled due to performance milestones not being met)	\$416,431
Norman Marshall	1,107,692	2,250,000	450,000	\$1,005,720 (of this, \$336,000 related to a share based payment in redeemable preference shares which were subsequently redeemed and cancelled due to performance milestones not being met, \$15,000 related to certain Options which were cancelled during the year but not replaced and \$302,549 related to a share based payment in Options)	\$516,829 (of this, \$122,970 related to a share based payment in Options)

In addition to the remuneration disclosed in the above table, during the financial year ended 30 June 2010 the Company paid a premium of \$19,855 (excl. GST) (2009: \$21,781) in respect of a policy insuring the Directors and officers against any liabilities and expenses and costs that may arise as a result of work performed in their respective capacities.

Directors, companies associated with the directors and their associates are also reimbursed for all reasonable expenses properly incurred in the course of conducting their duties which include, but are not in any way limited to, out of pocket expenses, travelling expenses, disbursements made on behalf of the Company and other miscellaneous expenses.

5.3 Interests of advisers

Other than as set out below or elsewhere in this Prospectus, no underwriter, promoter or any other person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus, holds, or held at any time during the two years before the lodgement of this Prospectus with ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer pursuant to this Prospectus; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid, and no benefits have been given or agreed to be given, to any underwriter, promoter or any other person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus for services rendered by that person in connection with the formation or promotion of the Company or the Offer.

Cochrane Lishman Carson Luscombe have acted as solicitors to the Company in respect of this Prospectus. Cochrane Lishman Carson Luscombe will be paid approximately \$15,000 (excluding GST) for services in relation to this Prospectus.

5.4 Consents

Cochrane Lishman Carson Luscombe have given their written consent to being named as the solicitors to the Company in this Prospectus in the form and context in which they are named. Cochrane Lishman Carson Luscombe have not withdrawn their consent prior to the lodgement of this Prospectus with ASIC.

Cochrane Lishman Carson Luscombe:

- (a) do not make, or purport to make, any statement in this Prospectus; and
- (b) to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to their name.

5.5 Litigation

As at the date of this Prospectus, the Company is not involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against the Company.

5.6 Estimated expenses of Offer

The total expenses of the issue are estimated to be approximately \$20,000 comprising legal costs and printing and other administrative expenses, including ASIC fees.

5.7 Market price of Shares

The Company is a disclosing entity for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX.

The highest and lowest market sale prices of the Company's Shares on ASX during the 3 months immediately preceding the date of lodgement of this Prospectus with ASIC and the respective dates of those sales were:

Highest: \$0.67 per Share on 28 January 2011.

Lowest: \$0.50 per Share on 1 December 2010.

The latest available closing sale price of the Company's Shares on ASX prior to the lodgement of this Prospectus with ASIC was \$0.60 on 4 February 2011.

5.8 Rights attaching to Shares

The Shares to be issued under the Offer will be fully paid and rank equally with existing Shares.

The Company's Shares are quoted on ASX. An application will be made to ASX within seven days of the date of this Prospectus for Official Quotation of the Shares to be issued pursuant to the Offer. Official Quotation is not guaranteed or automatic on such an application. Nothing in this Prospectus is to be taken to state or imply that the Shares issued under the Offer will be granted Official Quotation. However, Official Quotation is expected in the ordinary course as the Company is already admitted to the official list of ASX.

Since the Shares to be issued under the Offer will be issued credited as fully paid, no monetary liability attaches to them.

The rights and restrictions attaching to Shares are set out in the Constitution and, in certain circumstances, are regulated by the Corporations Act, ASX Listing Rules, ASX Settlement Operating Rules and by the general law. Under section 140(1) of the Corporations Act, the Constitution has effect as a contract between the Company and each member and between a member of the Company and each other member. Accordingly, if you apply for Shares you will, as a result, become liable to comply with the Constitution.

The following is a summary of the principal rights attaching to Shares. It does not purport to be exhaustive or to constitute a definitive statement of the rights and liabilities of Shareholders. Shareholders should seek their own advice when trying to establish their rights in specific circumstances. Further details of the rights attaching to the Shares are set out in the Constitution, a copy of which can be inspected at the Company's registered office during normal business hours.

(a) Voting

Shareholders are entitled to notice of and to attend and vote at general meetings. Subject to any rights or restrictions attached to any shares or class of shares which may in the future be issued with special or preferential voting rights (at present there are none), every Shareholder present in person or by proxy, attorney or representative has one vote on a show of hands and on a poll one vote for each fully paid Share.

In the case of an equality of votes, the Chairman of the meeting shall have a second or casting vote.

(b) Dividends

The Directors may pay any interim and final dividends as, in their judgment, the financial position of the Company justifies. Subject to any shares or class of shares which may in the future be issued with special or preferential rights (at present there are none), dividends must be paid to the Shareholders in proportion to the number of Shares held by a Shareholder but where Shares are partly paid, dividends must be apportioned and paid proportionately to the amounts paid (not credited) on the Shares.

(c) Rights on Winding Up

The liquidator in a winding up may, with the sanction of a special resolution of Shareholders, divide among the Shareholders the whole or any part of the property of the Company and determine how the division is to be carried out as between the Shareholders or different classes of Shareholders.

Subject to any shares or class of shares which may in the future be issued with special or preferential rights (at present there are none), the surplus assets of the Company after winding up will be divided among the Shareholders in proportion to the number of Shares held by them, irrespective of the amounts paid or credited as paid on the Shares.

(d) Issue of Shares

Without prejudice to any special rights conferred on the holders of any shares or class of shares (at present there are none) and subject to the Constitution, the Corporations Act and the ASX Listing Rules, the Directors may issue shares in the Company or grant options over shares in the Company on such terms and conditions as the Directors think fit.

(e) Transfer of Shares

Subject to the Constitution, the Corporations Act and the ASX Listing Rules the Shares are freely transferable.

(f) Variation of rights

If at any time the share capital of the Company is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may be varied, whether or not the Company is being wound up, with the consent in writing of the holders of three quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class. Any variation of rights shall be subject to sections 246B and 246E of the Corporations Act. The provisions of the Constitution relating to general meetings shall apply so far as they are capable of application and with necessary alterations to every such separate meeting except that a quorum is constituted by two persons who together hold or represent by proxy one-third of the issued shares of the relevant class and, if a person holds all of the issued shares of the relevant class, a quorum is constituted by that person.

6 Directors' authorisation and consent

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with ASIC.

Dated: 7 February 2011.



Fletcher Maurice Brand
Managing Director & Chief Executive Officer
Signed for and on behalf of
Liquefied Natural Gas Limited

7 Glossary

\$ means Australian dollars.

Applicant means an investor who is entitled to and does apply for Shares pursuant to the Offer.

Application Form means an application form either attached to or accompanying this Prospectus.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited ABN 98 008 624 691 or, as the context requires, the financial market operated by it.

ASX Listing Rules means the Listing Rules of the ASX.

ASX Settlement Operating Rules means the settlement rules of the securities clearing house which operates CHESS.

CHESS means the Clearing House Electronic Subregister System for the electronic transfer of securities on ASX.

Closing Date means the date specified in Section 1.3 (unless closed earlier or extended).

Company means Liquefied Natural Gas Limited ABN 19 101 676 779.

Constitution means the constitution of the Company as at the date of this Prospectus.

Corporations Act means the Corporations Act 2001 (Cwlth).

Directors means the directors of the Company as at the date of this Prospectus.

Gladstone LNG Project means the proposed development by the Company of an LNG production project at Fisherman's Landing, Port of Gladstone, Queensland, Australia.

LNG means liquefied natural gas.

Offer means the offer of Shares referred to in the “Details of the Offer” Section of this Prospectus.

Official Quotation means official quotation on ASX.

Option means an option to subscribe for a Share.

Performance Right means a right to acquire a Share pursuant to the Company’s Performance Rights Plan.

Plans means the Company’s 2004 and 2005 Employee Share Option Plans.

Prospectus means this prospectus.

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

Shareholder means a shareholder of the Company.

Corporate Directory

Directors

Richard Jonathan Beresford, Non-Executive
Chairman

Fletcher Maurice Brand, Managing Director &
Chief Executive Officer

Leeanne Kay Bond, Non-Executive Director

Paul William Bridgwood, Director & Chief
Technical Officer

Norman Marshall, Director & Chief Financial
Officer

Share Registry*

Advanced Share Registry Services Pty Ltd
150 Stirling Highway
Nedlands, WA, 6009
Telephone: +61 8 9389 8033
Facsimile: +61 8 9389 7871

Company Secretary

David Michael Gardner

Solicitors

Cochrane Lishman Carson Luscombe
Level 12, London House
216 St Georges Terrace
Perth, Western Australia 6000
Telephone: +61 8 9262 5555
Facsimile: +61 8 9262 5522
www.clcl.com.au

Registered Office and Principal Place of Business

Ground Floor, 5 Ord Street
Perth, WA, 6005
Telephone: +61 8 9366 3700
Facsimile: +61 8 9366 3799

*** This entity has not been involved in the preparation of this Prospectus and has not consented to being named in this Prospectus. Its name is included for information purposes only.**



Liquefied Natural Gas Limited
 ABN 19 101 676 779

Application Form – Australia

This Application form is important. If you are in doubt as to how to deal with it, please contact your stockbroker or professional adviser without delay. You should read the entire Prospectus carefully before completing this form. To meet the requirements of the Corporations Act this Application Form must not be distributed unless it is included in, or accompanied by, the Prospectus.

A I/we apply for

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Number of shares in Liquefied Natural Gas Limited at \$A0.60 per share or such lesser number of shares which may be allocated to me/us

B I/we lodge full Application Monies

A\$

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C Individual/Joint Applications

Title or Company Name	Given Name(s)	Surname

Joint Applicant 2 or Account Designation

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D Enter Your Postal Address – Include State and Postcode

Unit	Street number	Street name or PO Box/Other Information

City/Suburb/Town	State	Postcode

E Enter Your Contact Details

Contact name	Telephone number – Business Hours/After Hours												
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F CHESSE Participant

Holder Identification Number (HIN)

x										
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Please note that if you supply a CHESSE HIN but the name and address details on your form do not correspond exactly with the registration details held at CHESSE, your application will be deemed to be made without the CHESSE HIN, and any securities issued as a result of the offer will be held on the Issuer Sponsored Subregister.

G Cheque Details

Drawer	Cheque Number	BSB Number	Account Number	Amount of cheque

By submitting this Application Form, I/we declare that this application is completed and lodged according to the Prospectus and I/we declare that all details and statements made by me/us are complete and accurate. I/we agree to be bound by the Constitution of Liquefied Natural Gas Limited.

Any questions concerning the Application Form should be directed to the Company Secretary, Mr David Gardner, on (08) 9366 3700.