LIQUEFIED NATURAL GAS LIMITED

ABN 19 101 676 779

FINANCIAL REPORT
FOR THE HALF - YEAR ENDED
31 DECEMBER 2011

LIQUEFIED NATURAL GAS LIMITED
ABN 19 101 676 779

Contents

Corporate Information

LIQUEFIED NATURAL GAS LIMITED
ABN 19 101 676 779

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

COMPANY SECRETARY
David Michael Gardner

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SOLICITORS
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BANKERS
ANZ Banking Group
77 St Georges' Terrace
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ASX CODE
LNG

DIRECTORS' REPORT

Your directors submit their report for the half-year ended 31 December 2011.

DIRECTORS

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

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

Richard Jonathan Beresford	Non-Executive Chairman
Leeanne Kay Bond	Non-Executive Director
Zhang Gaowu (Gavin)	Non-Executive Director (appointed 1 August 2011)
Fletcher Maurice Brand	Managing Director & Joint-Chief Executive Officer
Wang Xinge (Cathy)	Executive Director & Joint-Chief Executive Officer (appointed 1 August 2011)
Paul William Bridgwood	Executive Director & Chief Technical Officer
Norman Marshall	Executive Director & Chief Financial Officer

REVIEW AND RESULTS OF OPERATIONS

During the half-year to 31 December 2011 the Company has been primarily focussed on progression of gas supply opportunities for its 100% owned 3 million tonnes per annum liquefied natural gas ***(LNG)*** project development at Fisherman's Landing, Port of Gladstone, Queensland, Australia (***Gladstone LNG Project***).

Financial Results

The consolidated net loss after income tax for the half-year, excluding non-controlling interest, was $4,379,811 (2010: $5,441,814), down 20% on the previous corresponding period. This was largely the result of lower administrative expenses, while gas supply opportunities for the Gladstone LNG Project were progressed.

Corporate

During the period, 53,250,000 shares were issued to China Huanqiu Contracting & Engineering Corporation (***HQC***) for cash consideration of $20,144,475, making HQC the largest shareholder of the Company. The immediate objectives of the Company and HQC are to position the Gladstone LNG Project to proceed to final investment decision and to globally promote the use of the Company's 100% owned and developed OSMR® LNG process technology.

There were no other material corporate developments during the half-year to 31 December 2011. The Company's primary focus continued to be the progression of gas supply opportunities for its Gladstone LNG Project.

SIGNIFICANT EVENTS AFTER BALANCE DATE

The following significant event has occurred subsequent to the end of the half-year to 31 December 2011:

(a) EPC Services and Open Book Conversion Contract signed

On 20 January 2012, an EPC Services and Open Book Conversion Contract (***EPCSOBC*)** was signed in Beijing between HQC and the Company's wholly owned subsidiary Gladstone LNG Pty Ltd, in relation to the Company's Gladstone LNG Project.

The signing of the EPCSOBC follows the completion of the Front End Engineering Design (***FEED***) by HQC and provision of an estimated EPC Contract price of US$760 million, which is in line with the Company's expectation. The estimated EPC Contract price is for one LNG train, including LNG tank and related infrastructure (but excluding marine works), with a design LNG production capacity of approximately 1.9 million tonnes per annum and guaranteed LNG production capacity of 1.5 million tonnes per annum.

Based on the estimated EPC Contract price, the Company's total estimated development cost, including marine works and other development and financing costs, remains at approximately $1.1 billion for one LNG train.

The Company and HQC will now proceed on an open book basis to complete the detailed engineering design and agree a fixed lump sum EPC Contract price and bankable EPC Contract, by 30 June 2012. The objective is to have the definitive and legally binding Fixed Price EPC Contract agreed and ready for signing on the Gladstone LNG Project securing gas supply and progressing to Final Investment Decision (***FID***). The EPCSOBC includes an agreed detailed EPC Contract term sheet, which will form the basis of the final Fixed Price EPC Contract.

Based on the FEED, and other work, undertaken by HQC to date, the construction schedule remains unchanged at 30 months from FID to first LNG production.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration on page 4 forms part of the Directors' Report for the half-year ended 31 December 2011.

Signed in accordance with a resolution of the directors.

Richard Beresford

R. J. Beresford
Chairman
Perth, Western Australia
16 February 2012

F.M. Brand
Managing Director
Perth, Western Australia
16 February 2012

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

In relation to our review of the financial report of Liquefied Natural Gas Limited for the half-year ended 31 December 2011, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

R J Curtin
Partner
Perth
16 February 2012

Statement of Comprehensive Income

FOR THE HALF-YEAR ENDED 31 DECEMBER 2011	Note	CONSOLIDATED 2011 $	2010 $
Revenue	2a	551,568	430,356
		551,568	430,356
Other income	2b	273,964	109,740
Sales & marketing expenses		(6,892)	(47,566)
Administration expenses		(1,624,744)	(2,866,790)
Project development expenses		(3,344,837)	(2,752,244)
Other expenses		(267,600)	(319,301)
Finance costs		(347)	(1,130)
Loss from continuing operations before income tax		**(4,418,888)**	(5,446,935)
Income tax expense		-	-
Loss from continuing operations after income tax		**(4,418,888)**	(5,446,935)
Net loss for the period		**(4,418,888)**	(5,446,935)
Other comprehensive income			
Foreign currency translation		17,794	62,348
Gain/(loss) on available for sale financial assets		(1,284)	(458,870)
Other comprehensive income for the period, net of tax		**16,510**	(396,522)
Total comprehensive loss for the period		**(4,402,378)**	(5,843,457)
Loss for the period is attributable to:			
Non-controlling interest		(39,077)	(5,121)
Owners of the Parent		(4,379,811)	(5,441,814)
		(4,418,888)	(5,446,935)
Total comprehensive loss for the period is attributable to:			
Non-controlling interest		(39,077)	(5,121)
Owners of the Parent		(4,363,301)	(5,838,336)
		(4,402,378)	(5,843,457)
Loss per share from continuing operations attributable to the ordinary equity holders of the Parent:		**Cents**	Cents
– basic loss per share		**(1.66)**	(2.55)
– diluted loss per share		**(1.66)**	(2.55)

Statement of Financial Position

		CONSOLIDATED	
AS AT 31 DECEMBER 2011	***Note***	***31 December 2011*** ***$***	*30 June 2011* *$*
ASSETS			
Current assets			
Cash and cash equivalents	3	11,225,433	5,814,531
Trade and other receivables		676,613	295,877
Other financial assets		1,945,000	1,945,000
Prepayments		103,361	149,106
Total current assets		**13,950,407**	8,204,514
Non-current assets			
Available for sale financial assets	4	14,310,940	3,694,638
Receivables		299	299
Plant and equipment		354,136	369,329
Total non-current assets		**14,666,375**	4,064,266
TOTAL ASSETS		**28,615,782**	12,268,780
LIABILITIES			
Current liabilities			
Trade and other payables		989,575	672,346
Interest-bearing borrowings		3,257	7,912
Provisions		181,767	226,166
Total current liabilities		**1,174,599**	906,424
Non-current liabilities			
Provisions		253,633	204,286
Total non-current liabilities		**253,633**	204,286
TOTAL LIABILITIES		**1,428,232**	1,110,710
NET ASSETS		**27,187,550**	11,158,070
EQUITY			
Equity attributable to equity holders of the Parent:			
Contributed equity		117,509,466	97,364,991
Reserves		10,761,924	10,458,031
Accumulated losses		(101,016,080)	(96,636,269)
Parent interests		**27,255,310**	11,186,753
Non-controlling interests		**(67,760)**	(28,683)
TOTAL EQUITY		**27,187,550**	11,158,070

Statement of Changes in Equity

FOR THE HALF YEAR ENDED 31 DECEMBER 2011 **CONSOLIDATED**

	Ordinary shares	*Share options reserve*	*Performance rights reserve*	*Redeemable preference share reserve*	*Equity reserve*	*Foreign currency translation reserve*	*Available for sale reserve*	*Accumulated losses*	*Owners of the Parent*	*Non-controlling interest*	*Total*
	$	*$*	*$*	*$*	*$*	*$*	*$*	*$*	*$*	*$*	*$*
At 1 July 2011	97,364,991	5,512,300	159,265	4,032,001	578,292	176,173	–	(96,636,269)	11,186,753	(28,683)	11,158,070
Loss for the period	–	–	–	–	–	–	–	(4,379,811)	(4,379,811)	(39,077)	(4,418,888)
Other comprehensive income	–	–	–	–	–	17,794	(1,284)	–	16,510	–	16,510
Total comprehensive income/(loss) for the half year	–	–	–	–	–	17,794	(1,284)	(4,379,811)	(4,363,301)	(39,077)	(4,402,378)
Transactions with owners in their capacity as owners											
Shared issued on share placement	20,144,475	–	–	–	–	–	–	–	20,144,475	–	20,144,475
Share-based payments	–	117,006	170,377	–	–	–	–	–	287,383	–	287,383
At 31 December 2011	**117,509,466**	**5,629,306**	**329,642**	**4,032,001**	**578,292**	**193,967**	**(1,284)**	**(101,016,080)**	**27,255,310**	**(67,760)**	**27,187,550**
At 1 July 2010	96,936,191	5,218,441		4,032,001	578,292	102,744	–	(84,664,764)	22,202,905	(15,199)	22,187,706
Loss for the period	–	–		–	–	–	–	(5,441,814)	(5,441,814)	(5,121)	(5,446,935)
Other comprehensive income	–	–		–	–	62,348	(458,870)	–	(396,522)	–	(396,522)
Total comprehensive income/(loss) for the half year	–	–		–	–	62,348	(458,870)	(5,441,814)	(5,838,336)	(5,121)	(5,843,457)
Transactions with owners in their capacity as owners											
Share-based payments	–	236,993		–	–	–	–	–	236,993	–	236,993
At 31 December 2010	96,936,191	5,455,434		4,032,001	578,292	165,092	(458,870)	(90,106,578)	16,601,562	(20,320)	16,581,242

Statement of Cash Flows

FOR THE HALF-YEAR ENDED 31 DECEMBER 2011	Note	CONSOLIDATED 2011 $	2010 $
Cash flows from operating activities			
Payments to suppliers and employees		(4,381,431)	(8,078,817)
Interest received		397,899	373,710
Receipts from customers and the Australian Tax Office		140,895	660,921
Net cash flows used in operating activities		**(3,842,637)**	(7,044,186)
Cash flows from investing activities			
Purchase of available for sale financial assets		(10,882,478)	(6,319,688)
Purchase of plant and equipment		(18,821)	(20,301)
Net cash flows used in investing activities		**(10,901,299)**	(6,339,989)
Cash flows from financing activities			
Proceeds from issue of shares		20,144,475	-
Repayment of finance lease liability		(4,655)	(4,149)
Payment for finance lease interest		(347)	(853)
Net cash flows from/(used in) financing activities		**20,139,473**	(5,002)
Net increase/(decrease) in cash and cash equivalents		**5,395,537**	(13,389,177)
Net foreign exchange differences		15,365	(218,398)
Cash and cash equivalents at beginning of period		5,814,531	22,612,372
Cash and cash equivalents at end of period		**11,225,433**	9,004,797

Notes to the Financial Statements

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

This general purpose financial report for the half-year ended 31 December 2011 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

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

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2011 and considered together with any public announcements made by the Company during the half-year ended 31 December 2011 in accordance with the continuous disclosure obligations of the ASX Listing Rules.

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

New standards

From 1 July 2011 the Group has adopted the following amending Australian Accounting Standards and Interpretations mandatory for annual periods beginning on or after 1 July 2011, including:

- AASB 124 (Revised) *Related Party Disclosures:* The revised AASB 124 *Related Party Disclosures (December 2009)* simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition. The amendment has no impact on the Group's financial report.
- AASB 2009-12 *Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]:* The amendment makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations. The amendment has no impact on the Group's financial report.
- AASB 2010-4 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101, AASB 134 and Interpretation 13]:* The amendments emphasise the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments. It clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements, and provides guidance to illustrate how to apply disclosure principles in AASB 134 for significant events and transactions. The amendment predominantly relates to disclosures and does not have a significant impact on the Group's financial report.
- AASB 2010-5 Amendments *to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042]:* This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the IASB. These amendments have no major impact on the requirements of the amended pronouncements, and as such have no impact on the Company's financial report.
- AASB 1054 *Australian Additional Disclosures*: This standard, with AASB 2011-1 relocates all Australian specific disclosures from other standards to one place and revises disclosures in a number of areas. The amendment has no impact on the Group's financial report.
- AASB 2010-6 *Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7]*: The amendments increase the disclosure requirements for transactions involving transfers of financial assets. The amendment has no impact on the Group's financial report.

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

Notes to the Financial Statements

	CONSOLIDATED	
	31 Dec 2011	31 Dec 2010
	$	$
2. REVENUE, INCOME AND EXPENSES		
(a) Revenue		
Interest revenue	551,568	430,356
	551,568	430,356
(b) Other Income		
Research and development rebate	273,964	109,740
	273,964	109,740
(c) Expenses		
Share-based payment expense	287,383	236,993
Impairment of available for sale financial assets (note 4)	264,892	-

	CONSOLIDATED	
	31 Dec 2011	30 Jun 2011
	$	$
3. CASH AND CASH EQUIVALENTS		
For the purpose of the half-year cash flow statement, cash and cash equivalents are comprised of the following:		
Cash at bank and in hand	1,725,433	1,814,531
Short-term deposits	9,500,000	4,000,000
	11,225,433	5,814,531

	CONSOLIDATED	
	31 Dec 2011	30 Jun 2011
	$	$
4. AVAILABLE FOR SALE FINANCIAL ASSETS		
Shares in listed entities[1]	14,310,940	3,694,638
	14,310,940	3,694,638

[1] During the period, the Company acquired an additional 21,966,965 shares in Metgasco Limited (ASX: MEL) for an acquisition cost of $10,867,478, and 600,000 shares in Oil Basins Limited (ASX: OBL) for an acquisition cost of $15,000. The Group has assessed that the decline in fair value of the Oil Basins Limited shares during the period was significant, and accordingly an impairment of $264,892 has been recognised in the financial statements (note 2c).

At 31 December 2011, the Company held a total of 34,570,577 shares in Metgasco Limited and 19,983,004 shares (plus 3,970,751 options) in Oil Basins Limited.

5. DIVIDEND PAID AND PROPOSED

There were no dividends paid or proposed during the half-year ended 31 December 2011.

Notes to the Financial Statements

6. SEGMENT INFORMATION

Identification of reportable segments

The Group has identified its operating segments based on information that is reviewed and used by the executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

Management identified the operating segments based on the types of the business activities or operations and/or the nature of services provided. The reportable segments are based on aggregated operating segments determined by the similarity of the types of the business activities and/or the services provided, as these are the sources of the Group's major risks and have the most effect on the rates of returns.

Reportable operating segments

The Group has identified the following reportable operating segments:

Oil and gas project development

The oil and gas project development business involves the identification and progression of opportunities for the development of LNG projects to facilitate the production and sale of LNG. This includes project development activities from pre-feasibility, detailed feasibility, gas supply and advancement of each project to final investment decision at which time the Company expects to obtain reimbursement of all, or part of, the development costs incurred by the Company to that date and then fund the project via a suitable mix of project debt and equity. The oil and gas project development business has been determined as both an operating segment and a reportable segment.

Investment in existing oil and gas discoveries and prospective acreage

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

Technology development and licensing

The technology development and licensing business is involved in the development of LNG technology, through research and development activities and the advancement, if applicable, of each developed technology to the patent application stage with the aim to derive licensing fees or royalties from the utilization of, or the sub-licensing of, the LNG technology. The technology development and licensing has been determined as both an operating segment and a reportable segment.

Accounting policies and inter-segment transactions

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

Notes to the Financial Statements

6. SEGMENT INFORMATION (Continued)

The following table shows the revenue and profit or loss information for reportable segments for the half-years ended 31 December 2011 and 31 December 2010.

	Continuing operations			
Half-year ended 31 December 2011	***Oil and gas project development***	***Investment in oil and gas discoveries***	***Technology development and licensing***	***Total***
Revenue	***$***	***$***	***$***	***$***
Inter-segment sales	-	-	-	-
Total segment revenue	**-**	**-**	**-**	**-**
Inter-segment elimination				-
Unallocated revenue				551,568
Other income				273,964
Total revenue per the statement of comprehensive income				**825,532**
Result				
Segment result	**(3,295,284)**	**(162,520)**	**(49,553)**	**(3,507,357)**
Reconciliation of segment net profit/(loss) after tax to net profit/(loss) before tax				
Income tax expense at 30% (2010:30%)				-
Unallocated revenue and other income				825,532
Finance costs				(347)
Corporate charges				(1,736,716)
Net profit/(loss) before tax per the statement of comprehensive income				**(4,418,888)**
Segment assets for the half-year ended 31 December 2011 are as follows:				
Segment assets				
Segment operating assets	**14,351,555**	**483,850**	**2,140**	**14,837,545**
Unallocated assets[1]				13,778,237
Total assets from continuing operations per the balance sheet				**28,615,782**

[1] Unallocated assets primarily consisted of cash and cash equivalents of $11,225,433 and other financial assets of $1,945,000.

Notes to the Financial Statements

6. SEGMENT INFORMATION (Continued)

Half-year ended 31 December 2010	*Continuing operations* *Oil and gas project development*	*Investment in oil and gas discoveries*	*Technology development and licensing*	*Total*
Revenue	*$*	*$*	*$*	*$*
Inter-segment sales	-	-	-	-
Total segment revenue	-	-	-	-
Inter-segment elimination				-
Unallocated revenue				430,356
Other income				109,740
Total revenue per the statement of comprehensive income				540,096
Result				
Segment result	(2,712,265)	-	(39,979)	(2,752,244)
Reconciliation of segment net profit/(loss) after tax to net profit/(loss) before tax				
Income tax expense at 30% (2009:30%)				-
Unallocated revenue and other income				540,096
Finance costs				(1,130)
Corporate charges				(3,233,657)
Net profit/(loss) before tax per the statement of comprehensive income				(5,446,935)
Segment assets for the half-year ended 31 December 2010 are as follows:				
Segment assets				
Segment operating assets	5,790,469	807,225	705	6,598,399
Unallocated assets[1]				11,146,496
Total assets from continuing operations per the balance sheet				17,744,895

[1] Unallocated assets primarily consisted of cash and cash equivalents and other financial assets of $10,794,797.

7. COMMITMENTS AND CONTINGENCIES

(a) Capital commitments

At 31 December 2011, there were no capital commitments.

(b) Operating lease – Group as lessee

At 31 December 2011, the future minimum lease rental commitment in relation to the non-cancellable operating leases for the office premises in Australia and for the offices in Indonesia occupied by the Group was $227,895 (2010: $378,676).

Notes to the Financial Statements

7. COMMITMENTS AND CONTINGENCIES (Continued)

(c) Finance lease – Group as lessee

At 31 December 2011, the future minimum lease commitment in relation to a photocopier purchased in May 2008, was $3,334 (2010: $13,337). The lease expires on 22 April 2012.

(d) Contingencies – employment and consultancy contracts

The Group has entered into employment and consultancy agreements whereby the Group has agreed to pay $1,662,903 (2010: $851,355) in the event of termination by the Group of these employment and consultancy agreements.

(e) Contingencies – bonus payments

The Group has entered into an employment agreement with one employee, whereby the Group has agreed to pay the following to the employee subject to the achievement of certain milestones:

(i) Bonus payment of $60,000, subject to the achievement of Commercial Operation Date of the Gladstone LNG Project (***COD Date***) by a certain date as defined in the employment agreement.

(f) Contingent options

The Company has granted 150,000 contingent share options over the Company's ordinary shares to an employee of its subsidiary, LNG International Pty Ltd. The issue of these options is contingent upon the achievement of COD Date in relation to the Gladstone LNG Project. The options' issue date shall be the COD Date and will have an exercise price as determined by Clause 6.2 (b) of the Company's Option Plan, in which case it must not be less than:

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

(g) Guarantees

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

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

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

Term deposits of $1,945,000 are held by the Company and pledged as security for the above guarantees. Other than the above, at balance date, there are no other contingent liabilities

(h) Insurance claims

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

Notes to the Financial Statements

7. COMMITMENTS AND CONTINGENCIES (Continued)

(i) Legal claim

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

8. CONTRIBUTED EQUITY

	Ordinary shares
	Number
Movement of shares on issue:	
At 1 July 2010	**213,339,015**
At 31 December 2010	**213,339,015**
Issued for cash on exercise of share options	1,110,000
At 30 June 2011	**214,449,015**
Issued for cash from share placement	53,250,000
At 31 December 2011	**267,699,015**

(a) Ordinary shares

On 12 July 2011, 53,250,000 fully paid ordinary shares were issued for cash on share placement.

At 31 December 2011, 267,699,015 of the Company's ordinary shares were listed for Official Quotation on the ASX.

(b) Terms and conditions of ordinary shares

Voting rights

Each ordinary share entitles its holder to one vote, either in person or by proxy, attorney or representative at a meeting of the Company. In case of an equality of votes, the Chairman of the meeting shall have a second or casting vote.

Dividends

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

(c) Share options

The Company has a share-based payment option scheme under which options to subscribe for the Company's ordinary shares have been granted to directors, employees and certain consultants. No employee share options were issued or cancelled during the period.

(d) Performance rights

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

Notes to the Financial Statements

9. SIGNIFICANT EVENTS AFTER BALANCE DATE

The following significant event has occurred subsequent to the end of the half-year to 31 December 2011:

(a) EPC Services and Open Book Conversion Contract signed

On 20 January 2012, an EPC Services and Open Book Conversion Contract (***EPCSOBC*)** was signed in Beijing between China Huanqiu Contracting & Engineering Corporation *(**HQC***) and the Company's wholly owned subsidiary Gladstone LNG Pty Ltd, in relation to the Company's 3 million tonnes per annum LNG project at Fisherman's Landing, in the Port of Gladstone, Queensland (***Gladstone LNG Project***).

The signing of the EPCSOBC follows the completion of the Front End Engineering Design (***FEED***) by HQC and provision of an estimated EPC Contract price of US$760 million, which is in line with the Company's expectation. The estimated EPC Contract price is for one LNG train, including LNG tank and related infrastructure (but excluding marine works), with a design LNG production capacity of approximately 1.9 million tonnes per annum and guaranteed LNG production capacity of 1.5 million tonnes per annum.

Based on the estimated EPC Contract price, the Company's total estimated development cost, including marine works and other development and financing costs, remains at approximately $1.1 billion for one LNG train.

The Company and HQC will now proceed on an open book basis to complete the detailed engineering design and agree a fixed lump sum EPC Contract price and bankable EPC Contract, by 30 June 2012. The objective is to have the definitive and legally binding Fixed Price EPC Contract agreed and ready for signing on the Gladstone LNG Project securing gas supply and progressing to Final Investment Decision (***FID***). The EPCSOBC includes an agreed detailed EPC Contract term sheet, which will form the basis of the final Fixed Price EPC Contract.

Based on the FEED, and other work, undertaken by HQC to date, the construction schedule remains unchanged at 30 months from FID to first LNG production.

Directors’ Declaration

In accordance with a resolution of the directors of Liquefied Natural Gas Limited, I state that:

In the opinion of the directors:

(a) the financial statements, and notes of the Group are in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group’s financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and

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

On behalf of the Board

R. J. Beresford
Chairman
Perth, Western Australia
16 February 2012

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To the members of Liquefied Natural Gas Limited

Report on the Half-Year Financial Report

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

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* . As the auditor of Liquefied Natural Gas Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Conclusion

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

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and

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

Ernst & Young

Ernst & Young

RJ Curtin
Partner
Perth
16 February 2012