LIQUEFIED NATURAL GAS LIMITED

ABN 19 101 676 779

FINANCIAL REPORT
FOR THE HALF - YEAR ENDED
31 DECEMBER 2009

LIQUEFIED NATURAL GAS LIMITED
ABN 19 101 676 779

Contents

Corporate Information

LIQUEFIED NATURAL GAS LIMITED
ABN 19 101 676 779

DIRECTORS
Phillip John Harvey, Non-Executive Chairman
Fletcher Maurice Brand, Managing Director & Chief Executive Officer
Paul William Bridgwood, Director & Chief Technical Officer
Norman Marshall, Director & Chief Financial Officer
Richard Jonathan Beresford, Non-Executive Director
Leeanne Kay Bond, Non-Executive Director
Nicholas Paul Davies, Non-Executive Director
Stephen Grant Bizzell, Non-Executive Director (alternate director for Nicholas Paul Davies)

COMPANY SECRETARY
David Michael Gardner

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ASX CODE
LNG

DIRECTORS' REPORT

Your directors submit their report for the half-year ended 31 December 2009.

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.

Phillip John Harvey	Non-Executive Chairman
Fletcher Maurice Brand	Managing Director & Chief Executive Officer
Paul William Bridgwood	Executive Director & Chief Technical Officer
Norman Marshall	Executive Director & Chief Financial Officer
Richard Jonathan Beresford	Non-Executive Director
William Thomas Hornaday	Non-Executive Director (resigned 26 November 2009)
Gary Malcolm Smith	Non-Executive Director (resigned 18 December 2009)
Leeanne Kay Bond	Non-Executive Director (appointed 20 October 2009)
Nicholas Paul Davies	Non-Executive Director
Stephen Grant Bizzell	Alternate Director for Nicholas Paul Davies

REVIEW AND RESULTS OF OPERATIONS

During the half-year to 31 December 2009 the Company has been primarily focussed on progressing the 3 million tonnes per annum ***("mtpa")*** liquefied natural gas ***("LNG")*** project development at Fisherman's Landing in Gladstone, Queensland.

Financial Results

The consolidated net loss from continuing operations, after income tax, for the half-year, excluding minority interest was $17,876,966 (2008: $10,646,793 excluding minority interest), up 68% on the previous corresponding period. This was largely the result of increased administrative and project development expenses in relation to the Company's progression of its Gladstone LNG Project, "Fisherman's Landing", Port of Gladstone, Queensland.

Corporate

During the period, the Company raised a gross amount of $ 47,282,000 through the placement of 23,500,000 shares at $1.25 per share and a share purchase plan that resulted in the issue of a further 14,325,600 shares at $1.25 per share.

There were no other material corporate developments during the half-year to 31 December 2009. The Company's primary focus continued to be the ongoing development of its Gladstone LNG Project.

Operations

(a) ***LNG Projects*:**

Gladstone LNG Project – Fisherman's Landing, Queensland, Australia:

Project Status

On 4 January 2010, the Company announced that a restructure ("in principle") would take place in order to simplify the commercial structure of the Gladstone LNG Project ("**LNG Project**").

On 11 February 2010 the Company announced that it had entered into a conditional Heads of Agreement for the sale of the LNG Project to Arrow Energy Limited ("**Arrow**") (see Significant Events after Balance Date below). The proposed sale will require approval at a Meeting of Members.

The below comments cover the current development status of the LNG Project and the basis of development if the aforementioned sale to Arrow is not finalised.

LNG Plant Site

The Port of Gladstone is operated by Gladstone Ports Corporation Limited ("***GPC"***). The Company executed a Licence Agreement in August 2008 with GPC in relation to an area of ~25 hectares of reclaimed land, adjacent to the existing Fisherman's Landing No 5 berth, for development of the LNG Project.

Gladstone LNG Pty Ltd, the Company's special purpose project company, and GPC are advancing a Lease Agreement for an initial term of 20 years plus two 5 year optional term extensions, which is expected to be signed in March 2010 quarter.

In October 2009, agreement was reached with GPC for the Company to commence its ground improvement and early site works programme, which followed the completion of the deposit of dredge material on the site for the first LNG train of 1.5 mtpa production capacity.

Agreement was reached with GPC in October 2009 for additional dredge material to be placed on the second LNG train location, which will also have an LNG production capacity of 1.5 mtpa.

These current ground improvements and early site works will assist to significantly reduce future capital costs, shorten the overall construction schedule and facilitate commencement of full construction activities in 2010, to allow for the LNG Project's first LNG shipment in 2012.

Gas Supply

Arrow reported in January 2010 that planning for its gas supply to the LNG Project remains on track and it is focused on delivering a Final Investment Decision ***("FID")*** in the March quarter of 2010.

Arrow is continuing with an Environmental Impact Statement for the Surat Gas Project, with the majority of gas produced from this project expected to supply the LNG Project. In February 2010 Arrow was awarded a pipeline licence for the proposed Surat Basin - Gladstone Pipeline.

LNG Buyer

In September 2009, Golar LNG Energy Limited, the Company's LNG off-taker, signed a Heads of Agreement ***("HOA")*** with Toyota Tsusho Corporation, of Japan as the LNG end buyer for the first 1.5 mtpa of LNG produced by the LNG Project.

Toyota Tsusho, part of the Toyota Group, will import the LNG through existing LNG import terminals.

LNG Project Development and Engineering Design

SK Engineering & Construction Co Ltd **("*SKEC*")** and Laing O'Rourke Australia Construction Pty Ltd ("***LOR"***) continued to work on post front end engineering and design ***("FEED")*** documentation, value engineering options and a detailed FEED audit process with the Company and Chicago Bridge and Iron ***("CBI")***, the Company's Project Management Consultant.

SKEC has also commenced and is progressing the FEED for the second LNG train of 1.5 mtpa production capacity.

SKEC confirmed it's acceptance of the use of the Company's OSMR® LNG process for the Project and agreed to provide an LNG process "performance guarantee", as part of the Engineering, Procurement and Construction ***("EPC")*** Contract Joint Venture, with LOR.

A Development Services Agreement **("*DSA*")** for early site works was signed with LOR in October 2009 which covers all essential site works through to April 2010, at which time it is planned to replace the DSA with an EPC contract with LOR and SKEC for the construction of the LNG Project.

Early site works, by LOR, commenced during the half year and is progressing well.

LNG Project Execution and Management

The Company participated in several project reviews with a view to strengthening its overall project execution capabilities. As a result, additional staff have been appointed and the role of CBI as Project Management Consultant has been expanded so that full construction can commence in April 2010. Full construction is subject to Arrow and the Company achieving their respective FID's by 31 March 2010 including each party's funding plans from April 2010.

Project Financing

The Company had appointed BNP Paribas as Financial Advisor to the LNG Project following completion of a comprehensive selection and evaluation process and BNP Paribas brought to the LNG Project a major international bank, with extensive proven experience in relation to oil and gas project financing. Due to the proposed sale of the LNG Project to Arrow the Company recently terminated the engagement of BNP Paribas but will move to reappoint BNP Paribas, or such similar international project financing bank, if the sale to Arrow is not finalised.

The Company's intention remains to debt finance at least 50% of the LNG Project development cost, through an appropriate mix of financing instruments including senior commercial bank project financing, Export Credit Agency financing and equipment supplier financing.

Other LNG Projects and Markets

During the half-year, there were no material developments in relation to:

- PNG LNG Project, Papua New Guinea (PNG)
- Qeshm LNG Project, Iran:
- Banggai (Donggi-Senoro) LNG Project, Central Sulawesi, Indonesia.

The Company maintains an active program of identification and review of other potential mid scale LNG project opportunities.

(b) Gas Link Global Limited

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

The net proceeds of the sale of Petroleum Retention Licence No. 10 and Petroleum Prospecting Licence No. 240 to Oil Search (PNG) Limited, of US$ 1,002,140 was received during December 2009. GLG does not hold any other gas acreage following this sale and settlement.

(c) LNG Technology Pty Ltd

During the last six months, credible independent reports were received verifying the OSMR® process including a report from SKEC who, subject to their selection as the EPC contractor will, jointly with LNG Technology Pty Ltd (a wholly owned subsidiary of the Company and owner of the OSMR® process), guarantee the OSMR® process for the Gladstone LNG Project.

The Company has forwarded instructions to over 20 countries and regions to apply for international patents on its enhanced liquefaction process (OSMR®) that covers two engineering design features and materially improves overall liquefaction plant efficiency/cost. The two applications are for:

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

Arrow has advised of its intention to use the Company's OSMR® liquefaction technology.

SIGNIFICANT CHANGE IN STATE OF AFFAIRS

Covered in "Review and Results of Operations".

SIGNIFICANT EVENTS AFTER BALANCE DATE

Two significant events have occurred subsequent to the end of the half-year to 31 December 2009:

(a) Restructure of the Gladstone LNG Project

On 17 February 2009, Arrow signed a Heads of Agreement ***("HOA")*** with the Company to provide coal seam gas to the Company's 100% owned Gladstone LNG Project "Fisherman's Landing" in the Port of Gladstone ***("Gladstone LNG Project")***. The HOA had an option for Arrow to purchase a 20% shareholding in the Gladstone LNG Project.

On 19 February 2009, Golar LNG Energy Limited ***("Golar")*** signed a HOA with the Company with respect to LNG off-take from the Gladstone LNG Project. The HOA had an option for Golar to purchase a 40% shareholding in the Gladstone LNG Project.

On 4 January 2010 the Company signed a revised HOA with Arrow. The revised HOA established the "principles" of a material restructure of the Gladstone LNG Project, with the objectives of assisting both parties to achieve their targeted FID in the March 2010 quarter and provide increased certainty of the Gladstone LNG Project's first LNG shipment in late 2012.

Under the revised proposal the Gladstone LNG Project would be split into an optimised structure of "InfraCo" (LNG storage tank, jetty and ship loader) and "TrainCo" (gas treatment and liquefaction plant), a structure which has been successfully used in other existing LNG projects, including Egypt LNG and Atlantic LNG.

Under the proposed project structure, Arrow would be the seller of LNG produced by TrainCo, and it was proposed that Golar, the Company's LNG offtaker, and Arrow enter into an LNG Marketing Heads of Agreement (which would replace the existing LNG Sales Heads of Agreement between Gladstone LNG Pty Ltd and Golar). Golar in turn has entered into a LNG Sales Heads of Agreement with Toyota Tsusho, part of the worldwide Toyota group of companies.

However, this proposed restructure was replaced with a Share Sale and Purchase Agreement ***("SPA")*** HOA signed on 10 February 2010 with Arrow for the sale of the Gladstone LNG Project.

(b) Agreement for the sale of the Gladstone LNG project to Arrow Energy Limited.

As per an announcement on 11 February 2010, the Companies executed a conditional Heads of Agreement with Arrow to sell the entire Gladstone LNG Project to Arrow through the sale of the Company's 100% owned subsidiary Gladstone LNG Pty Ltd for a combination of cash, milestone payments, royalties and Arrow options. This agreement supersedes the previously announced InfraCo/TrainCo release on 4 January 2010 that contemplated the Company's ongoing equity investment in the Gladstone LNG Project.

The agreement is subject to Arrow completing its confirmatory due diligence and the Company gaining shareholder approval for the sale, with a shareholder meeting planned within 45 days from the date of signing of the definitive sale agreements.

There are a number of very good reasons for the sale to Arrow including:

- It simplifies all the disparate commercial agreements to provide a simplified integrated project structure and it will facilitate progression of the Gladstone LNG Project to full construction.
- It eliminates the need for any further capital expenditure by the Company for the Gladstone LNG Project.
- It gives the Company a very strong cash position and balance sheet, together with the retained rights to its OSMR® technology.
- It allows management to redeploy its focus to the marketing of its OSMR® technology and pursuit of other mid-scale LNG project opportunities, while still retaining significant revenue upside to the Gladstone LNG Project through agreed milestone payments and royalties.

The sale price for the acquisition by Arrow is as follows:

- Subject to provision of LNG Ltd shareholder approval to the sale, reimbursement of actual costs incurred to date on the Gladstone LNG Project, estimated at A$45 million as at 28 February 2010;

- Milestone payments comprising:
  - A$24 million payable at the earlier of:
    - i) Arrow's FID for the first LNG train; and
    - ii) Arrow reaching its FID milestone date under its agreement with Shell;
  - A$24 million when the LNG project first produces annualised LNG production of 1 million tonnes per annum; and
  - A$63.5 million when the LNG project first produces annualised LNG production of 3 million tonnes per annum.

- Royalty payments (for the right to use the OSMR® technology) comprising:
  - A royalty of 0.9%, adjustable based on the final development costs of the first LNG train (adjustable to a minimum of 0.7%) and related infrastructure and calculated on the difference between the prevailing oil price, at the time of each LNG shipment, and "US$60/bbl"oil price for the first 1.7 mtpa of LNG produced in each contract year. The first LNG train has been designed to produce between 1.5 mtpa and 1.7 mpta;
  - A royalty of 0.9% calculated on the difference between the prevailing oil price, at the time of each LNG shipment and "US$50/bbl" oil price for the next 1.8 mtpa of LNG produced;
  - The royalties are for a period of 20 years from the first LNG shipment and are payable within 7 days of receipt of payment for the relevant LNG shipment or 45 days from the relevant LNG shipments departure from the Port of Gladstone (whichever date is the earlier).

- OSMR® technology process and support fee, comprising:

  - US$10 million technology process and support fee for Arrow's use of the Company's OSMR® technology for the first LNG train, with US$5 million to be paid by Arrow to the Company by 12 March 2010 and a further US$5 million payable at notice of readiness to proceed to construction of the first LNG train; and
  - An additional US$10 million technology process and support fee payable for each additional LNG train developed at the project site using the OSMR® technology.

- Arrow options: The grant to the Company of 12.5 million options to acquire Arrow shares at an exercise price of $3.50 with a 14 May 2010 expiry date.

Subject to finalisation of definitive sale agreements between Arrow and the Company, the only remaining condition to the sale is the provision of approval, to the sale, by the Company's shareholders.

As at the date of this report, the Company has heads of agreement in place with both Arrow and Golar.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration on page 7 forms part of the Directors' report for the half-year ended 31 December 2009.

Signed in accordance with a resolution of the directors.

P.J Harvey	F.M. Brand
Director & Chairman	Director & Chief Executive Officer
Perth, Western Australia	Perth, Western Australia
9 March 2010	9 March 2010

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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 2009, 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

RJ Curtin
Partner
Perth
9 March 2010

Statement of Comprehensive Income

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009	Note	CONSOLIDATED 2009 $	2008 $
Continuing operations			
Other revenue	2a	526,041	681,414
Revenue		**526,041**	681,414
Other income	2b	166,534	472,915
Sales & marketing expenses		(110,614)	(39,613)
Administration expenses		(3,383,165)	(2,264,845)
Project development expenses		(15,060,173)	(7,580,026)
Other expenses		-	(2,714,593)
Finance costs		(1,387)	(1,705)
Loss from continuing operations before income tax		**(17,862,764)**	(11,446,453)
Income tax expense		(14,202)	-
Loss from continuing operations after income tax		**(17,876,966)**	(11,446,453)
Net loss for the period		**(17,876,966)**	(11,446,453)
Other comprehensive income			
Foreign currency translation		15,283	1,148
Other comprehensive income for the period, net of tax		**15,283**	1,148
Total comprehensive loss for the period		**(17,861,683)**	(11,445,305)
Loss for the period is attributable to:			
Non-controlling interest		**-**	(799,660)
Owners of the Parent		**(17,876,966)**	(10,646,793)
		(17,876,966)	(11,446,453)
Total comprehensive loss for the period is attributable to:			
Non-controlling interest		**-**	(799,344)
Owners of the Parent		**(17,861,683)**	(10,645,961)
		(17,861,683)	(11,445,305)
Loss per share from continuing operations attributable to the ordinary equity holders of the Parent:		**Cents**	Cents
– basic loss per share		**(9.50)**	(7.30)
– diluted loss per share		**(9.50)**	(7.30)

Statement of Financial Position

AS AT 31 DECEMBER 2009	Note	CONSOLIDATED 31 December 2009 $	 30 June 2009 $
ASSETS			
Current assets			
Cash and cash equivalents		48,642,546	13,455,934
Trade and other receivables		1,098,213	676,705
Other financial assets		1,020,000	1,020,000
Prepayments		70,952	74,790
		50,831,711	15,227,429
Non-current assets held for sale	6	-	1,851,974
Total current assets		**50,831,711**	17,079,403
Non-current assets			
Receivables		299	299
Plant and equipment		193,288	142,003
Total non-current assets		193,587	142,302
TOTAL ASSETS		**51,025,298**	17,221,705
LIABILITIES			
Current liabilities			
Trade and other payables		5,019,387	1,661,351
Interest-bearing borrowings		8,066	7,615
Provisions		400,573	312,836
Income tax payable		14,202	-
		5,442,228	1,981,802
Liabilities directly associated with the assets held for sale	6	-	784,888
Total current liabilities		**5,442,228**	2,766,690
Non-current liabilities			
Interest-bearing borrowings		12,306	16,455
Provisions		123,182	75,820
Total non-current liabilities		**135,488**	92,275
TOTAL LIABILITIES		**5,577,716**	2,858,965
NET ASSETS		**45,447,582**	14,362,740
EQUITY			
Equity attributable to equity holders of the Parent			
Contributed equity		96,537,803	48,378,122
Reserves		9,383,834	8,581,707
Accumulated losses		(60,474,055)	(42,597,089)
Parent interests		45,447,582	14,362,740
Minority interests		-	-
TOTAL EQUITY		**45,447,582**	14,362,740

Statement of Changes in Equity

FOR THE HALF YEAR ENDED 31 DECEMBER 2009

CONSOLIDATED

	Ordinary shares $	*Convertible redeemable preference shares* $	*Convertible redeemable preference shares reserve* $	*Option reserve* $	*Equity reserve* $	*Foreign currency translation reserve* $	*Accumulated losses* $	*Owners of the Parent* $	*Non-controlling interest* $	*Total* $
At 1 July 2009	**48,378,110**	**12**	**4,032,001**	**3,904,509**	**578,292**	**66,905**	**(42,597,089)**	**14,362,740**	**-**	**14,362,740**
Loss for the period	–	–	–	–	–	–	(17,876,966)	(17,876,966)	–	(17,876,966)
Foreign currency translation differences	–	–	–	–	–	15,283	–	15,283	–	15,283
Total comprehensive income/(loss) for the half year	–	–	–	–	–	**15,283**	**(17,876,966)**	(17,861,683)	–	(17,861,683)
Transactions with owners in their capacity as owners										
Shares issued on share placement	29,375,000	–	–	–	–	–	–	29,375,000	–	29,375,000
Shares issued on share purchase plan	17,907,000	–	–	–	–	–	–	17,907,000	–	17,907,000
Transaction cost on shares issued	(1,505,469)	–	–	–	–	–	–	(1,505,469)	–	(1,505,469)
Shares issued on exercise of options	2,383,150	–	–	–	–	–	–	2,383,150	–	2,383,150
Share-based payments	–	–	-	786,844	–	–	–	786,844	–	786,844
At 31 December 2009	**96,537,791**	**12**	**4,032,001**	**4,691,353**	**578,292**	**82,188**	**(60,474,055)**	**45,447,582**	**–**	**45,447,582**
At 1 July 2008	35,989,856	12	–	2,309,329	1,899,907	–	(20,284,407)	19,914,697	3,490,693	23,405,390
Loss for the period	–	–	–	–	–	–	(10,646,793)	(10,646,793)	(799,660)	(11,446,453)
Foreign currency translation differences	–	–	–	–	–	832	–	832	316	1,148
Total comprehensive income/(loss) for the	–	–	–	–	–	832	(10,646,793)	(10,645,961)	(799,344)	(11,445,305)
Transactions with owners in their capacity as owners										
Shares issued on exercise of options	81,310	–	–	–	–	–	–	81,310	–	81,310
Share-based payments	–	–	–	665,873	–	–	–	665,873	34,241	700,114
At 31 December 2008	36,071,166	12	–	2,975,202	1,899,907	832	(30,931,200)	10,015,919	2,725,590	12,741,509

Statement of Cash Flows

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009	*Note*	*CONSOLIDATED* ***2009*** ***$***	*2008* *$*
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of GST)		(14,661,316)	(7,055,721)
Interest received		296,107	754,915
Receipts from customers		356,270	-
Net cash flows used in operating activities		**(14,008,939)**	(6,300,806)
Cash flows from investing activities			
Proceeds from investment in term deposits (cash deposits)		-	12,511,300
Purchase of plant and equipment		(78,338)	(36,943)
Acquisition of subsidiary, net of cash acquired		-	(150,578)
Proceeds from sale of interest in exploration licences		1,214,702	-
Net cash flows from investing activities		**1,136,364**	12,323,779
Cash flows from financing activities			
Proceeds from issue of shares		49,665,150	81,310
Payment for capital raising costs		(1,505,469)	-
Repayment of finance lease liability		(3,698)	(3,296)
Payment for hire purchase interest		(1,303)	(1,705)
Loan to unrelated entities		-	(271)
Net cash flows from financing activities		**48,154,680**	76,038
Net increase in cash and cash equivalents		**35,282,105**	6,099,011
Net foreign exchange differences		(95,493)	1,396
Cash and cash equivalents at beginning of period		13,455,934	8,544,748
Cash and cash equivalents at end of period	3	**48,642,546**	14,645,155

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 2009 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 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 2009 and considered together with any public announcements made by Liquefied Natural Gas Limited during the half-year ended 31 December 2009 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

The Group has adopted the following Standards from 1 July 2009. Adoption of these Standards did not have any effect on the financial position or performance of the Group, except for the adoption of AASB 2008-1 *Amendments to Australian Accounting Standards - Share-based Payment: Vesting Conditions and Cancellations [AASB 2*] effective 1 January 2009.

- AASB 8 *Operating Segments* effective 1 January 2009, this has resulted in the revision of the Group's segment note disclosure.
- AASB 101 *Presentation of Financial Statements (revised 2007)* effective 1 January 2009, the revised Standard separates owner and non-owner changes in equity. The Statement of Changes in Equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the Statement of Comprehensive Income which presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present one statement.
- AASB 7 *Financial Instruments: Disclosures* effective 1 January 2009.
- AASB 123 *Borrowing Costs (revised 2007)* effective 1 January 2009.
- AASB 3 *Business Combinations (revised 2008)* effective 1 July 2009.
- AASB 127 *Consolidated and Separate Financial Statements (revised 2008)* effective 1 July 2009.
- AASB Interpretation 16 *Hedges of a Net Investment in a Foreign Operation* effective 1 October 2008.
- AASB Interpretation 17 and AASB 2008-13 *Distribution of Non-cash Assets to Owners and consequential amendments to Australian Accounting Standards AASB 5 and AASB 110* effective 1 July 2009.
- AASB Interpretation 18 *Transfers of assets from customers* effective 1 July 2009.
- AASB 2008-1 *Amendments to Australian Accounting Standards - Share-based Payment: Vesting Conditions and Cancellations [AASB 2*] effective 1 January 2009.
- AASB 2008-2 *Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations arising on Liquidation* effective 1 January 2009.
- AASB 2008-3 *Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127* effective 1 July 2009.
- AASB 2008-5 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project* effective 1 January 2009.
- AASB 2008-6 *Further Amendments to Australian Accounting Standards arising from Annual Improvements to Project [AASB 1 & AASB 5]* effective 1 July 2009.
- AASB 2008-7 *Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* effective 1 January 2009.
- AASB 2008-8 *Amendments to Australian Accounting Standards – Eligible Hedged Items* effective 1 July 2009.

Notes to the Financial Statements

- AASB 2009-2 *Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments [AASB 4, AASB 7, AASB 1023 & AASB 1038]* operative for period beginning on or after 1 January 2009 that end on or after 30 April 2009.
- AASB 2009-4 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2 and AASB 138 and AASB Interpretation 9 & 16]* effective 1 July 2009.
- AASB 2009-6 *Amendments to Australian Accounting Standards* operative for period beginning on or after 1 January 2009 that end on or after 30 June 2009.
- AASB 2009-7 *Amendments to Australian Accounting Standards* effective 1 July 2009.

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

Restatement of comparative disclosures

Due to the adoption of AASB 2008-1 *Amendments to Australian Accounting Standards - Share-based Payment: Vesting Conditions and Cancellations [AASB 2]* effective 1 January 2009, the Group's net loss for the last financial year ending 30 June 2009 was increased by $2,776,131. As a result, the opening balance for the Group's accumulated losses and redeemable preference share reserve as at 1 July 2009 have been restated to $42,597,089 and $8,581,707 respectively.

The impact of this restatement is summarized below:

	30-Jun-09
Increase in share-based payment expense	2,776,131
Increase in net loss for the period	**2,776,131**
Increase in options reserve	2,776,131
Increase in accumulated losses	(2,776,131)
Net increase/(decrease) in equity	**-**

	CONSOLIDATED	
	2009	*2008*
	$	*$*
2. REVENUE, INCOME AND EXPENSES		
(a) Other Revenue		
Interest	526,041	681,414
	526,041	681,414
(b) Other Income		
Net foreign exchange gain	117,599	472,915
Research and development rebate	48,935	-
	166,534	472,915
(c) Expenses		
Impairment loss on receivables	**-**	2,454,469
Goodwill written off	**-**	260,124
Share-based payment expense	**786,844**	732,687

Notes to the Financial Statements

	CONSOLIDATED	
	2009	*2008*
	$	*$*
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	3,142,546	395,155
Short-term deposits	45,500,000	14,250,000
	48,642,546	14,645,155

4. DIVIDEND PAID AND PROPOSED

There were no dividends paid or proposed during the half-year ended 31 December 2009.

5. 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 and advancement of each project to financial close at which time the Company expects to obtain reimbursement of all, or part of, the development costs incurred by the Company to that date and then fund the project via a suitable mix of project debt and equity. The oil and gas project development business has been determined as both an operating segment and a reportable segment.

Investment in existing oil and gas discoveries and prospective acreage

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

Technology development and licensing

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

Notes to the Financial Statements

Accounting policies and inter-segment transactions

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

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

Segment loans payable and loans receivable
Segment loans are initially recognized at the consideration received. Intersegment loans receivable and loans payable that are interest-free are not adjusted to fair value based on market interest rates.

Income tax expense
Income tax expense/deferred tax benefit is calculated based on the segment operating net profit/(loss) using a notional charge of 30% (2008: 30%). No effect is given for taxable or deductible temporary differences.

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

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

- Interest revenue
- Provision of diminution of related company receivables
- Provision of diminution of investment in subsidiaries
- Corporate expenses
- Finance costs

The following table shows the revenue and profit or loss information for reportable segments for the half-years ended 31 December 2009 and 31 December 2008.

		Continuing operations		
Half-year ended 31 December 2009	***Oil and gas project development***	***Investment in oil and gas discoveries***	***Technology development and licensing***	***Total***
Revenue	***$***	***$***	***$***	***$***
Other revenue	-	-	-	-
Inter-segment sales	-	124,206	-	124,206
Total segment revenue	**-**	**124,206**	**-**	**124,206**
Inter-segment elimination				(124,206)
Unallocated revenue				526,041
Total revenue per the statement of comprehensive income				**526,041**

Notes to the Financial Statements

Result				
Segment result	**(16,160,429)**	**(434,662)**	**48,925**	**(16,546,166)**
Reconciliation of segment net profit/(loss) after tax to net profit/(loss) before tax				
Income tax expense at 30% (2008:30%)				14,202
Unallocated revenue				526,041
Finance costs				(1,303)
Corporate charges				519,207
Unallocated expenditure				(2,374,745)
Net profit/(loss) before tax per the statement of comprehensive income				**(17,862,764)**

Segment assets for the half-year ended 31 December 2009 are as follows:

Segment assets				
Segment operating assets	**1,570,016**	**7,519,080**	**49,025**	**9,138,121**
Intersegment eliminations				(105,195)
Unallocated assets[1]				41,992,372
Total assets from continuing operations per the statement of financial position				**51,025,298**

[1] Unallocated assets primarily consisted of cash and cash equivalents of $40,284,714, investment in other financial assets of $1,000,000, receivables of $470,378, prepayment of $48,490 and plant and equipment of $188,790.

	Continuing operations			
Half-year ended 31 December 2008 Revenue	*Oil and gas project development* *$*	*Investment in oil and gas discoveries* *$*	*Technology development and licensing* *$*	*Total* *$*
Other revenue	-	-	-	-
Inter-segment sales	-	21,000	-	21,000
Total segment revenue	-	21,000	-	21,000
Inter-segment elimination				(21,000)
Unallocated revenue				681,414
Total revenue per the statement of comprehensive income				681,414
Result				
Segment result	(8,363,774)	56,773	(39,758)	(8,346,759)
Reconciliation of segment net profit/(loss) after tax to net profit/(loss) before tax				
Unallocated revenue				681,414
Unallocated expenditure				(4,106,015)
Corporate charges				326,612
Finance costs				(1,705)
Net profit/(loss) before tax per the comprehensive income statement				(11,446,453)

Notes to the Financial Statements

Segment assets for the half-year ended 31 December 2008 are as follows:

Segment assets				
Segment operating assets	289,407	9,585,120	100	9,874,627
Intersegment eliminations				(33,381)
Unallocated assets[1]				7,823,779
Total assets from continuing operations per the Statement of Financial Position				17,665,025

[1] The unallocated assets consisted primarily of cash and cash equivalents of $7,259,102, receivables of $391,638, prepayments of $44,937 and plant and equipment of $128,102.

6. ASSETS HELD FOR SALE

On 1 October 2008, the Group acquired Gedd (PNG) Limited (**"Gedd PNG"**) which held interests in the Petroleum Retention Licence ***(PRL)*** 10 and Petroleum Prospecting Licence ***(PPL)*** 240, both located in Papua New Guinea. On 22 December 2008, the Gedd PNG and Oil Search (PNG) Limited signed a Sale and Purchase Agreement for the sale of Gedd PNG's 10% interest in both PRL 10 and PPL 240, which was completed on 4 December 2009. The total consideration was US$1,630,600, being US$1,002,140 for PRL 10 and US$628,460 for PPL 240. Te consideration for PPL 240 of US$628,460 was paid to Oil Search (PNG) Limited as a full settlement of the contingent liability[1] to Oil Search Limited.

[1] The contingent liability assumed upon acquisition of Gedd PNG. This liability relates to Gedd PNG's cash calls contingent liability of $785,968[(i)] (US $628,460) for Gedd PNG's share of PPL 240 cash calls for the drilling of the Korobosea-1 well. The operator of PPL 240, Oil Search Limited, had incurred cost overruns in excess of the "approval for expenditure" agreed by Gedd PNG.
[(i)] Converted at the exchange rate at the date of acquisition.

Major assets and liabilities of Gedd (PNG) at 31 December 2009, measured at the lower of carrying amount and fair value less costs to sell were as follows:

		31 December 2009	30 June 2009
	Assets	**$**	$
(a)	Petroleum Retention Licence (*PRL*) 10	-	1,138,193
(b)	Petroleum Prospecting Licence (*PPL*) 240	-	713,781
	Non-current assets classified as held for sale	**-**	1,851,974
	Liabilities		
	Amount payable to Oil Search Limited (cash calls)	-	784,888
	Liabilities directly associated with assets classified as held for sale	**-**	784,888

7. COMMITMENTS AND CONTINGENCIES

(a) Capital commitments

At 31 December 2009, there were no capital commitments.

(b) Operating lease – Group as lessee

At 31 December 2009, 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 $206,077 (2008: $428,970).

Notes to the Financial Statements

(c) Finance lease – Group as lessee

At 31 December 2009, the future minimum lease commitment in relation to a photocopier purchased in May 2008, was $23,342 (2008: $33,345). The lease expires on 22 April 2012.

(d) Other expenditure and remuneration commitments

The Group has entered into agreements with employees and certain consultants to provide services for a fixed period. At 31 December 2009, the Group's commitment in relation to these services pursuant to remuneration and consultancy agreements was $3,306,966 (2008: $607,778).

(e) Contingencies – employment and consultancy contracts

The Group has entered into employment and consultancy agreements whereby the Group has agreed to pay $1,259,326 (2008: $922,556) in the event of termination by the Group of these employment and consultancy agreements.

(f) Contingencies – bonus payments

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

(i) Bonus payment of an amount to be determined by the Company's Board of Directors ("Board") , subject to the Board declaring the commencement of construction of the Gladstone LNG Project ("***Construction Date"***);
(ii) Bonus payment of an amount to be determined by the Company's Board of Directors, subject to the Board declaring that the Gladstone LNG Project is ready to load its First Shipment of LNG ("***First Shipment Date"***).

(g) Contingent options

The Company's subsidiary, LNG International Pty Ltd has granted 900,000 contingent share options over the Company's ordinary shares to its employees. The issuance of these options is contingent upon the achievement of Financial Close (**"FC"**) and Commercial Operation (**"COD"**) in relation to the Gladstone LNG Project. The options' issue date shall be the FC Date (450,000 options) and the COD Date (450,000 options) and will have an exercise price as determined by Clause 6.2 (b) of the Company's Option Plan, in which case it must not be less than:

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

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

(h) Guarantees

The Company's subsidiary, Gladstone LNG Pty Ltd has provided a performance bond (issued by ANZ Bank) for the amount of A$1 million to Gladstone Port Corporation ***("GPC")*** as an unconditional payment guarantee for the ground improvement work carried out by Laing O'Rouke. The performance bond is valid for one year and expires on 6 May 2010.

A term deposit of A$1 million held by the Company is pledged as a security for the above performance bond.

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

Notes to the Financial Statements

(i) Insurance claims

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

(j) Legal claim

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

	CONSOLIDATED	
	Ordinary shares Number	*Convertible redeemable preference shares Number*
9. CONTRIBUTED EQUITY		
Movement of shares on issue:		
At 1 July 2008	**143,885,556**	12
Issued for cash on exercise of share options	215,000	-
At 31 December 2008	**144,100,556**	**12**
Issued for cash on exercise of share options	3,525,000	-
Issued as consideration for the acquisition of Gas Link Global Ltd's minority interest	4,442,859	-
Issued for cash from share placement	17,000,000	-
At 30 June 2009	**169,068,415**	**12**
Issued for cash on exercise of share options	5,445,000	-
Issued for cash from share purchase plan	14,325,600	-
Issued for cash from share placement	23,500,000	-
At 31 December 2009	**212,339,015**	**12**

(a) Ordinary shares

During the half-year ended 31 December 2009, 5,445,000 fully paid ordinary shares were issued from the exercise of share options by employees and consultants.

On 15 October 2009, 23,500,000 fully paid ordinary shares were issued for cash on share placement and 14,325,600 fully paid ordinary shares were issued on 6 November 2009 for cash from the share purchase plan.

At 31 December 2009, 212,339,015 of the Company's ordinary shares were listed for Official Quotation on the ASX.

(b) 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.

(c) Terms and conditions of contributed equity

(i) Ordinary shares

Voting rights

Notes to the Financial Statements

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.

(ii) “B” class redeemable preference shares

Conversion of “B” class redeemable preference shares

(a) Each “B” class redeemable preference share will be converted into 1,000,000 fully paid ordinary shares in the Company, within 14 days, of the earlier of the Company’s achievement of one of the following prescribed performance milestones:

(i) The Company receiving at least $5 million of gross revenue from technology licensing fee (including, without limitation any payments or fees by third parties for use of the technology); or

(ii) The Company successfully achieving financial close in relation to the development of LNG production plants of which the Company’s aggregate share of the design capacity of all such plants is at least 800 tonnes per day of LNG.

(b) A conversion of a “B” class redeemable preference share will not constitute a cancellation, redemption or termination of a “B” class redeemable preference share but will be by way of variation to the status of, and rights attaching to, the “B” class redeemable preference share so that it becomes 1,000,000 shares.

(c) The last conversion date, being the last date upon which one of the above performance milestones must be achieved is 9 March 2010.

Reconstruction of capital

If the Company’s ordinary capital is reconstructed, consolidated or divided into a greater or lesser number of securities, the rights of conversion for each “B” class redeemable preference share will automatically be reconstructed, consolidated or divided (as the case may be) on the same basis.

Bonus issues

If prior to the conversion of a “B” class redeemable preference share, the Company makes an issue of shares to the holders of the ordinary shares by way of capitalisation of profits or reserves (a bonus issue), then upon conversion a holder of “B” class redeemable preference shares will be entitled to have issued to it (in addition to the shares which would otherwise be issued to it upon conversion) the number of shares of the class which would have been issued to it under that bonus issue if, on the record date for the bonus issue, it had been registered as the holder of the number of ordinary shares of which it would have been registered as holder if, immediately prior to that date, it had duly converted all of its “B” class redeemable preference shares and the ordinary shares the subject of such conversion had been duly allotted and issued to it. The bonus shares will be paid up by the Company out of profits or reserves (as the case may be) in the same manner as was applied in relation to the bonus issue and upon issue will rank pari-passu in all respects with the other shares allotted upon conversion of the “B” class redeemable preference shares.

Rights to dividend and repayment of capital

“B” class preference shares have no rights to receive dividends.

Notes to the Financial Statements

In the event of winding up the company, “B” class redeemable preference shares entitle the holder to payment of the issue price paid in respect of the share in priority to any payment of capital or other distribution on an ordinary share. Thereafter, holders of the ordinary shares and holders of “B” class redeemable preference shares will participate equally in any surplus, pro-rata according to their shareholdings.

Redemption of preference shares

(a) The last date for conversion of “B” class redeemable preference shares is 9 March 2010.
(b) Any “B” class redeemable preference shares which have not been converted into an ordinary share by the last date for conversion shall be redeemed by the Company at a cost of $1.00.

Voting rights

Pending conversion each “B” class redeemable preference share confers on its holder one vote which has the same rights as a fully paid ordinary share in the circumstances set out in ASX Listing Rule 6.3 and no voting rights in any other circumstances.

Assignments

“B” class redeemable preference shares cannot be transferred, assigned or sold by the applicant.

SIGNIFICANT CHANGE IN STATE OF AFFAIRS

Covered in “Review and Results of Operations”.

SIGNIFICANT EVENTS AFTER BALANCE DATE

Two significant events have occurred subsequent to the end of the half-year to 31 December 2009:

(a) Restructure of the Gladstone LNG Project

On 17 February 2009, Arrow signed a Heads of Agreement ***(“HOA”)*** with the Company to provide coal seam gas to the Company’s 100% owned Gladstone LNG Project “Fisherman’s Landing” in the Port of Gladstone ***(“Gladstone LNG Project”)***. The HOA had an option for Arrow to purchase a 20% shareholding in the Gladstone LNG Project.

On 19 February 2009, Golar LNG Energy Limited ***(“Golar”)*** signed a HOA with the Company with respect to LNG off-take from the Gladstone LNG Project. The HOA had an option for Golar to purchase a 40% shareholding in the Gladstone LNG Project.

On 4 January 2010 the Company signed a revised HOA with Arrow. The revised HOA established the “principles” of a material restructure of the Gladstone LNG Project, with the objectives of assisting both parties to achieve their targeted FID in the March 2010 quarter and provide increased certainty of the Gladstone LNG Project’s first LNG shipment in late 2012.

Under the revised proposal the Gladstone LNG Project would be split into an optimised structure of “InfraCo” (LNG storage tank, jetty and ship loader) and “TrainCo” (gas treatment and liquefaction plant), a structure which has been successfully used in other existing LNG projects, including Egypt LNG and Atlantic LNG.

Under the proposed project structure, Arrow would be the seller of LNG produced by TrainCo, and it was proposed that Golar, the Company’s LNG offtaker, and Arrow enter into an LNG Marketing Heads of Agreement (which would replace the existing LNG Sales Heads of Agreement between Gladstone LNG Pty Ltd and Golar). Golar in turn has entered into a LNG Sales Heads of Agreement with Toyota Tsusho, part of the worldwide Toyota group of companies.

However, this proposed restructure was replaced with a Share Sale and Purchase Agreement ***(“SPA”)*** HOA signed on 10 February 2010 with Arrow for the sale of the Gladstone LNG Project.

Notes to the Financial Statements

(b) Agreement for the sale of the Gladstone LNG project to Arrow Energy Limited.

As per an announcement on 11 February 2010, the Companies executed a conditional Heads of Agreement with Arrow to sell the entire Gladstone LNG Project to Arrow through the sale of the Company's 100% owned subsidiary Gladstone LNG Pty Ltd for a combination of cash, milestone payments, royalties and Arrow options. This agreement supersedes the previously announced InfraCo/TrainCo release on 4 January 2010 that contemplated the Company's ongoing equity investment in the Gladstone LNG Project.

The agreement is subject to Arrow completing its confirmatory due diligence and the Company gaining shareholder approval for the sale, with a shareholder meeting planned within 45 days from the date of signing of the definitive sale agreements.

There are a number of very good reasons for the sale to Arrow including:

- It simplifies all the disparate commercial agreements to provide a simplified integrated project structure and it will facilitate progression of the Gladstone LNG Project to full construction.
- It eliminates the need for any further capital expenditure by the Company for the Gladstone LNG Project.
- It gives the Company a very strong cash position and balance sheet, together with the retained rights to its OSMR® technology.
- It allows management to redeploy its focus to the marketing of its OSMR® technology and pursuit of other mid-scale LNG project opportunities, while still retaining significant revenue upside to the Gladstone LNG Project through agreed milestone payments and royalties.

The sale price for the acquisition by Arrow is as follows:

- Subject to provision of LNG Ltd shareholder approval to the sale, reimbursement of actual costs incurred to date on the Gladstone LNG Project, estimated at A$45 million as at 28 February 2010;

- Milestone payments comprising:
    - A$24 million payable at the earlier of:
        - i) Arrow's FID for the first LNG train; and
        - ii) Arrow reaching its FID milestone date under its agreement with Shell;
    - A$24 million when the LNG project first produces annualised LNG production of 1 million tonnes per annum; and
    - A$63.5 million when the LNG project first produces annualised LNG production of 3 million tonnes per annum.

- Royalty payments (for the right to use the OSMR® technology) comprising:
    - A royalty of 0.9%, adjustable based on the final development costs of the first LNG train (adjustable to a minimum of 0.7%) and related infrastructure and calculated on the difference between the prevailing oil price, at the time of each LNG shipment, and "US$60/bbl"oil price for the first 1.7 mtpa of LNG produced in each contract year. The first LNG train has been designed to produce between 1.5 mtpa and 1.7 mpta;
    - A royalty of 0.9% calculated on the difference between the prevailing oil price, at the time of each LNG shipment and "US$50/bbl" oil price for the next 1.8 mtpa of LNG produced;
    - The royalties are for a period of 20 years from the first LNG shipment and are payable within 7 days of receipt of payment for the relevant LNG shipment or 45 days from the relevant LNG shipments departure from the Port of Gladstone (whichever date is the earlier).

- OSMR® technology process and support fee, comprising:

    - US$10 million technology process and support fee for Arrow's use of the Company's OSMR® technology for the first LNG train, with US$5 million to be paid by Arrow to the Company by 12 March 2010 and a further US$5 million payable at notice of readiness to proceed to construction of the first LNG train; and
    - An additional US$10 million technology process and support fee payable for each additional LNG train developed at the project site using the OSMR® technology.

Notes to the Financial Statements

- Arrow options: The grant to the Company of 12.5 million options to acquire Arrow shares at an exercise price of $3.50 with a 14 May 2010 expiry date.

Subject to finalisation of definitive sale agreements between Arrow and the Company, the only remaining condition to the sale is the provision of approval, to the sale, by the Company's shareholders.

As at the date of this report, the Company has heads of agreement in place with both Arrow and Golar.

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 2009 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

P.J Harvey
Director & Chairman
Perth, Western Australia
9 March 2010

F.M. Brand
Director & Chief Executive Officer
Perth, Western Australia
9 March 2010

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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 financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, other selected explanatory notes 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 and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 Interim and Other Financial Reports 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 31 December 2009 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:

i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 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*.

Ernst & Young

Ernst & Young

RJ Curtin
Partner
Perth
9 March 2010