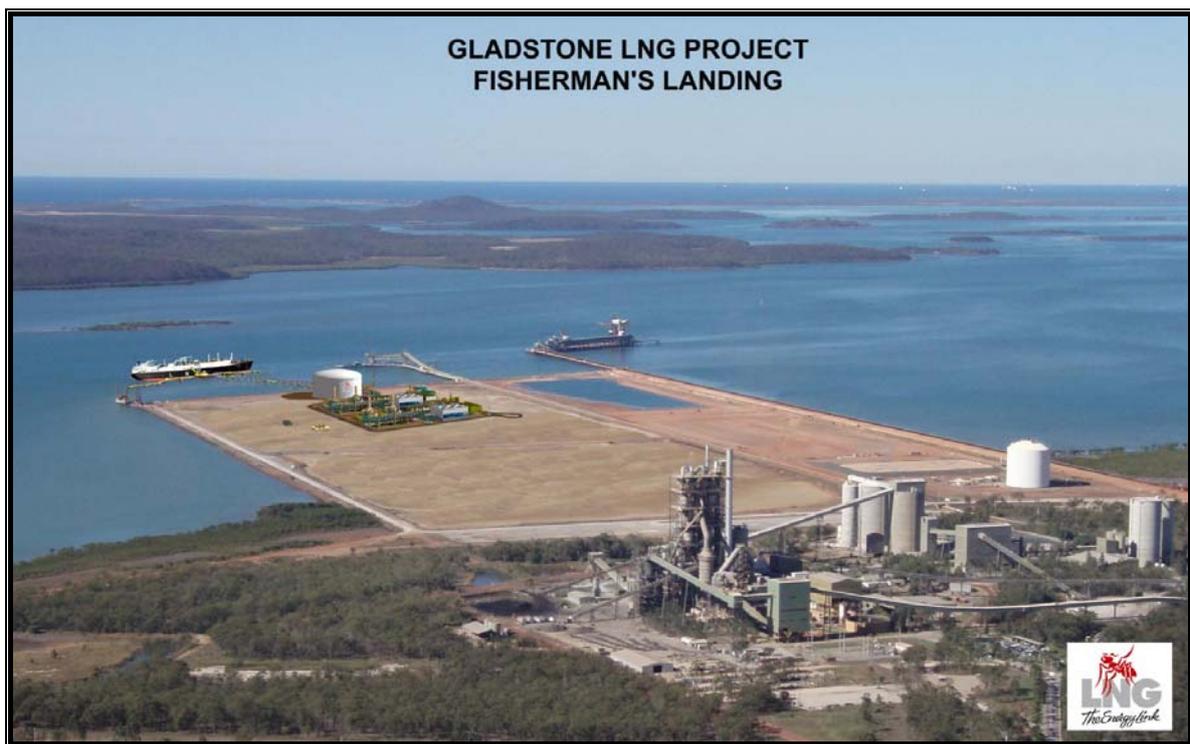




LIQUEFIED NATURAL GAS LIMITED
(ABN 19 101 676 779)

MARCH 2010

QUARTERLY REPORT



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



LIQUEFIED NATURAL GAS LIMITED
(A.B.N 19 101 676 779)

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QUARTERLY REPORT

1. Status of the Company's Gladstone LNG Project – Fisherman's Landing

On 11 February 2010, the Company announced it had executed a conditional Heads of Agreement (*HOA*) with Arrow Energy Limited (*Arrow*) to sell, to Arrow, the Company's Gladstone LNG Project (via the sale of 100% of the Company's special purpose project company "Gladstone LNG Pty Ltd"). The sale was and remains subject to the execution of binding definitive agreements and approval by the Company's shareholders (*Sale*).

On 8 March 2010, Arrow received a conditional takeover proposal from Shell/PetroChina, for those parties to acquire 100% of Arrow. Notwithstanding the advanced nature of the definitive Sale agreements, Arrow subsequently requested that progression of the definitive Sale agreements be placed on hold, pending clarification of the position in relation to the Shell/PetroChina takeover proposal.

The Company and Arrow subsequently signed an extension in the HOA term, to 30 June 2010, subject to inclusion of new and amended provisions so that the HOA:

- will be a non-exclusive arrangement;
- can be terminated by either party on the giving of 1 day's written notice; and
- imposes no liability on either party upon termination.

The non-exclusive nature of the Arrow HOA extension means that the Company can freely explore all gas supply opportunities and project structure options with other parties, some of whom have previously expressed interest in the Gladstone LNG Project.

On the 22 March 2010, Arrow recommended the acquisition by the Shell/PetroChina Joint Venture following a planned demerger.

Since that time, the proposed Sale, as contemplated on the 11 February 2010, has not progressed and given the definitive Sale agreements have not been concluded with Arrow, the Gladstone LNG Project still remains 100% owned and controlled by the Company, through its wholly owned subsidiary "Gladstone LNG Pty Ltd".

The Company is currently actively pursuing the development of the Gladstone LNG Project in two key areas;

- (i) The selection of a **Strategic Partner** to:
 - Purchase a major equity share in the Gladstone LNG Project;
 - Purchase the LNG produced; and
 - Financially support the Company's proposed Gas Supply Plan for the Gladstone LNG Project.

The selection process for a Strategic Partner is underway with the Company holding meetings with a number of parties who meet the Company's selection criteria.

- (2) The implementation of a **Gas Supply Plan** to secure gas supply to the Gladstone LNG Project. The Company is pleased with the progress being made with potential gas suppliers and the general recognition that the significant cost and schedule benefits of the Gladstone LNG Project site at Fisherman's Landing, the mid-scale nature of the LNG plant and the early site works undertaken to date, all render the Gladstone LNG Project well placed to be successfully developed and commercialised, in a much shorter time frame than other, much larger, LNG projects planned in the Port of Gladstone.

The Gladstone LNG Project remains uniquely positioned in that all key environmental, development and license approvals have either been received, or are expected to be received shortly and the continuation of site works and full construction can be readily reactivated if the Company is able to implement its Gas Supply Plan and conclude the selection of its Strategic Partner.

The Company expects to be in a position to advise Shareholders on the progress of its plans for the Gladstone LNG Project during the second quarter 2010.

2. COMPANY'S OTHER LNG ACTIVITIES

The Company's technical, engineering and development work undertaken, in relation to the Gladstone LNG Project, will now allow the Company to pursue other mid-scale LNG project opportunities (nationally and globally).

Numerous other potential LNG project opportunities have been the subject of conceptual and pre-feasibility studies by the Company but placed on hold due to the Company's focus on the Gladstone LNG Project. While still maintaining its primary focus on the Gladstone LNG Project, the Company considers that a number of these other LNG project opportunities can be reassessed and progressed in a timely manner. Further information will be provided to shareholders when agreements have been executed.

3. LNG TECHNOLOGY PTY LTD

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

The LNG 16 conference will be attended by over 2,500 delegates with some 200 exhibitors and is the largest global LNG conference, being held once in every three years. The Company's Technical Director, Paul Bridgwood, together with Don Hill, Vice President – Gas Monetization, CB&I Lummus, have jointly published a technical paper for presentation at the LNG 16 conference, titled "Simple low cost LNG production".

Furthermore, the Company has forwarded instructions to over 20 countries and regions to apply for international patents over its OSMR[®] process which covers two engineering design features and materially improves overall liquefaction plant efficiency/cost. The two applications are for:

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

4. 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.

5. EXPLORATION EXPENDITURE

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

6. CORPORATE

6.1 Major Corporate Shareholders:

As at 31 March 2010, the Company's two major corporate shareholders were:

- **Arrow Energy Ltd (7.52%)**
Arrow Energy Ltd (www.arrowenergy.com.au) is one of Australia's leading producers of coal seam gas with significant assets throughout eastern Australia and Asia. Arrow and the Company had entered into a heads of agreement (*HOA*) under which Arrow would supply gas to the Company's Gladstone LNG Project. Subsequently, that HOA was replaced with a HOA for Arrow to purchase the Gladstone LNG Project, which is termed to the 30 June 2010.
- **Golar LNG Energy Limited (5.31%)**
Golar LNG Limited and Golar LNG Energy Limited (www.golarlng.com) – the Golar Group – is the world's largest independent group dedicated to LNG shipping, with over 30 years experience in the global LNG industry. In recent years the Golar Group has expanded its activities to include floating LNG regasification vessels and other sections of the LNG value chain.

6.2 Unlisted Options:

As at 31 March 2010 the Company had issued 9,840,000 unlisted options under its Option Plan Rules, which permit the Company to issue options in aggregate (in number) up to 15% of the Company's total issued fully paid ordinary shares.

7 CAPITAL STRUCTURE (as at 31 March 2010)

Class of Security	Issued	Quoted
Fully Paid Ordinary Shares	212,839,015	212,839,015
Options Issued	9,840,000	-

Note: The 12 “B” Class Redeemable Preference Shares included in the December 2009 Quarterly Report have been redeemed by the Company at a total cost of \$12.

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

Attached to this quarterly report.

9. CORPORATE INFORMATION (as at 31 March 2010)

ASX Code: LNG

Directors:

Phillip John Harvey	Non-Executive Chairman
Fletcher Maurice Brand	Managing Director/Chief Executive Officer
Richard Jonathan Beresford	Non-Executive Director
Leeanne Kay Bond	Non-Executive Director
Paul William Bridgwood	Director/Chief Technical Officer
Norman Marshall	Director/Chief Financial Officer
Nicholas Paul Davies	Resigned as a Non-Executive Director on 17 March 2010
Stephen Grant Bizzell	Resigned as a Non-Executive Director on 17 March 2010

Company Secretary:

David Michael Gardner

Registered Office:

Ground Floor,
5 Ord Street,
West Perth 6005,
Western Australia

Telephone: (08) 9366 3700
Facsimile: (08) 9366 3799
Email: LNG@LNGLimited.com.au
Website: www.LNGLimited.com.au

Substantial Shareholders (as at 31 March 2010):

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

Appendix 5B

Mining exploration entity quarterly report

Name of entity

LIQUEFIED NATURAL GAS LIMITED

ABN

19 101 676 779

Quarter ended ("current quarter")

31 MARCH 2010

Consolidated statement of cash flows

	Current quarter	Year to date (9 months)
	\$A'000	\$A'000
Cash flows related to operating activities		
1.1 Receipts from customers & ATO	778	1,567
Payments to suppliers and employees		
(a) project development	(18,881)	(31,344)
1.2 (b) administration and others	(2,553)	(5,185)
1.3 Dividends received	-	-
Interest and other items of a similar nature		
1.4 received	577	873
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other – R&D tax concession rebate	-	-
Net operating cash flows	(20,079)	(34,089)
Cash flows related to investing activities		
Payment for purchases of:		
(a)prospects	-	-
(b)equity investments	-	-
1.8 (c) other : -fixed assets	(15)	(93)
Proceeds from sale of:		
(a)exploration licences		1,215
(b)equity investments	-	-
1.9 (c)other - fixed assets	-	-
Proceeds from (investment in) cash term		
1.10 deposit	1,020	1,020
Net investing cash flows	1,005	2,142
Total operating and investing cash flows		
1.11 (carried forward)	(19,074)	(31,947)

1.11	Total operating and investing cash flows (brought forward)	(19,074)	(31,947)
	Cash flows related to financing activities		
1.12	Proceeds from issue of shares and exercise of share options	198	49,863
	Less : Share issue costs	-	(1,505)
1.13	Proceeds from sale of forfeited shares	-	-
1.14	Proceeds from borrowings	-	-
1.15	Repayment of borrowings	-	-
1.16	Dividends paid	-	-
1.17	Repayment of finance lease principal & interest	(3)	(8)
1.18	Loans to other entities	-	-
1.19	Loans repaid by other entities	-	-
	Net financing cash flows	195	48,350
	Net increase (decrease) in cash held	(18,879)	16,403
1.20	Cash at beginning of quarter/year	48,643	13,456
1.21	Net foreign exchange differences	(10)	(105)
1.22	Cash at end of quarter	29,754	29,754

Payments to directors of the entity and associates of the directors

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

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	355
1.24	Aggregate amount of loans to the parties included in item 1.18	-
1.25	Explanation necessary for an understanding of the transactions	
	Payments pursuant to 1.23 comprise:	
	Non-Executive Directors' Fees	\$ 71,000 (excl. GST); and
	Executive Directors' Remuneration	\$ 284,092 (excl. GST)

Non-cash financing and investing activities

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

Financing facilities available

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

Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	-
4.2	Project development	6,000
	Total	6,000

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter \$A'000	Previous quarter \$A'000
5.1	Cash on hand and at bank	2,734	3,143
5.2	Term Deposit	27,020	45,500
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
	Total: cash at end of quarter (item 1.22)	29,754	48,643

Changes in interests in mining tenements

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

Issued and quoted securities at end of current quarter

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference +securities B Class				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions (c) Conversion to fully paid ordinary shares	12 -	- -	 -	 -
7.3	+Ordinary securities	212,839,015	212,839,015		
7.4	Changes during quarter (a) Increases through issues (b) Increases through conversion Preference Share (c) Decreases through returns of capital, buy-backs	420,000 80,000 	420,000 80,000 	40 cents 38 cents 	40 cents 38 cents
7.5	+Convertible debt securities (description)	-	-	-	-
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	- -	- -	- -	- -

7.7	Options	<i>Number</i>		<i>Exercise price</i>	<i>Expiry date</i>
	(a) Options over ordinary shares, exercisable at 40 cents	500,000	-	40 cents	28 April 2010
	(b) Options over ordinary shares, exercisable at 38 cents	760,000	-	38 cents	16 February 2011
	(c) Options over ordinary shares, exercisable at 65 cents	1,380,000	-	65 cents	31 December 2010
	(d) Options over ordinary shares, exercisable at 68 cents	60,000	-	68 cents	30 November 2012
	(e) Options over ordinary shares, exercisable at 66.7 cents	2,490,000	-	66.70 cents	10 December 2012
	(f) Options over ordinary shares, exercisable at 88 cents	1,600,000	-	88 cents	9 September 2013
	(g) Options over ordinary shares, exercisable at 84 cents	150,000	-	84 cents	17 September 2013
	(h) Options over ordinary shares, exercisable at 62.1 cents	2,550,000	-	62.10 cents	30 April 2014
	(i) Options over ordinary shares, exercisable at 40 cents	350,000	-	40 cents	30 May 2011
	TOTAL OPTIONS ISSUED	9,840,000			
7.8	Issued during quarter :				
	(a) Options over ordinary shares, exercisable at 40 cents	350,000	-	40 cents	30 May 2011
	TOTAL	350,000			
7.9	Exercised during quarter				
	(a) Options over ordinary shares, exercisable at 40 cents	270,000	-	40 cents	28 April 2010
	(b) Options over ordinary shares, exercisable at 40 cents	150,000	-	40 cents	31 May 2010
	(c) Options over ordinary shares, exercisable at 38 cents	80,000	-	38 cents	16 February 2011
	TOTAL	500,000			
7.10	Expired during quarter	-	-	-	-
7.11	Debentures <i>(totals only)</i>	-	-	-	-
7.12	Unsecured notes <i>(totals only)</i>	-	-	-	-

Compliance statement

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



David Michael Gardner
Company Secretary

19 April 2010

Notes

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

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