LIQUEFIED NATURAL GAS LIMITED

ABN 19 101 676 779

ANNUAL REPORT
FOR THE YEAR ENDED
30 JUNE 2014

LIQUEFIED NATURAL GAS LIMITED
ABN 19 101 676 779

WHO WE ARE

Liquefied Natural Gas Limited (the "Company") is an Australian public listed company, having had its shares admitted for official quotation on the Australian Stock Exchange on 14 September 2004. Liquefied Natural Gas Limited is the parent company to a number of subsidiaries (the "Group").

The Company brings the concept of mid-scale liquefied natural gas ("LNG") projects to the international energy market in providing an "Energy Link" between smaller proven gas reserves than required for traditional large scale LNG projects, and existing LNG buyers and new niche energy markets seeking LNG as an alternative fuel.

OUR OBJECTIVE

Our objective is to create wealth for our shareholders by combining innovation, enterprise and leading edge technology. We aim to become the leader in the mid-scale LNG sector of the international energy market by identifying and then supplying energy solutions to both gas suppliers and energy users who would otherwise not have access to natural gas or have a mismatch of LNG supply and demand due to the long lead time to develop major LNG projects.

The Company will achieve this by:

- Securing market leadership in the mid-scale LNG sector;
- Satisfying the needs of our customers on a competitive and reliable basis;
- Contributing to growth and economic development in the countries in which we operate;
- Placing a strong emphasis on both creating a safe working environment and protecting the environments in which we operate; and
- Strategic participation in natural gas resources that may provide gas feedstock for the Company's LNG projects.

OUR LOGO

We chose the **"RED ANT"** as our logo because it is distinctive and bold and represents ***strength, energy, hard work and perseverance*** - characteristics we want to be trademarks of our corporate culture.

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CORPORATE DIRECTORY

LIQUEFIED NATURAL GAS LIMITED
ABN 19 101 676 779

DIRECTORS
Richard Jonathan Beresford, Non-Executive Chairman
Fletcher Maurice Brand, Managing Director & Chief Executive Officer
Leeanne Kay Bond, Non-Executive Director
Yao Guihua, Non-Executive Director

COMPANY SECRETARY
David Michael Gardner

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ASX CODE
LNG

OTC ADR CODE
LNGLY

CHAIRMAN'S REPORT

I am pleased to introduce the 2014 Liquefied Natural Gas Limited (LNGL) Annual Report.

The 10th year of the Company has been transformational in so many ways.

- We have made substantial progress with our flagship 8 mtpa Magnolia LNG Project, located in Lake Charles, Louisiana, USA which remains on track for a target of Financial Close in mid-2015. We have recruited outstanding and experienced project execution specialists in Houston - John Baguley, Rick Cape, Rafael Hernandez, Gregory Pilkinton and Ron Hogan - to join Ernie Megginson, Jim Schultz and Komi Hassan. We are continuing to build the team.

- In line with our strategy of acquiring new, strategically located project sites where we can get a head start by substantially replicating our existing engineering, commercial and financial work and knowhow we acquired the Bear Head LNG Project in Nova Scotia, Canada which further advances our mission of becoming a recognised leader in the North American LNG sector. John Godbold and Ian Salmon have joined to spearhead the delivery of Bear Head to Financial Close.

- The Company raised more than $73 million during the financial year in order to substantially fund development of the Magnolia LNG Project through to Financial Close in mid-2015. It is pleasing to note that through these capital raisings, LNG has attracted a large number of institutional investors from North America, Australia and Asia that recognise the Company's latent value and future potential.

- During the 2014 Financial Year, LNG Limited's market capitalisation increased from $32.123 million as at 1 July 2013 to $955.465 million at June 30 2014. This reflects the strong support the Company continues to receive from our new and existing institutional investors as well as a strong retail investor base that has resulted in a total number of shareholders of 6,971 as of today. This support has come largely from the Company substantially delivering against the project milestones we have set. We are now on the cusp of entering the ASX top 200 companies on 19 September 2014.

We expect 2015 and beyond to further build on the momentum generated by these achievements.

LNGL's widely patented OSMR® LNG technology platform, along with our unique modular design and construction methods, provides compelling competitive advantages which will allow the Company to build, own and operate LNG facilities on strategically located sites. Our OSMR® LNG processing technology not only enables the company to deliver liquefied natural gas cost effectively, but also provide LNG buyers and natural gas owners with innovative and competitive solutions. In a world where natural gas is increasingly the preferred energy choice, LNGL is well positioned to fulfil our mission of achieving market leadership in the mid-scale LNG sector, satisfying the needs of our customers in a competitive, reliable and principled manner, contributing to the growth and economic development in the countries in which we operate, while also emphasising safety and environmental sustainability.

The LNGL Board is also transforming to ensure we have the right mix of expertise and experience to lead the Company with its main focus on North America over the next few years.

Paul Bridgwood and Norman Marshall stepped down from the Board after the Company's Annual General Meeting on 25 November 2013, but continue in their key executive roles of Chief Technical Officer and Chief Financial Officer respectively. As inaugural Directors their contributions have been central to the Company's progress. We also announced the appointment to the Board of Directors of Madam Yao Guihua (Grace) initially as an Executive Director and Joint CEO, and later in the year, as a Non-Executive Director. Grace replaced Madam Wang Xinge (Cathy) who had resigned as Executive Director and Joint CEO on 1 August 2013. Mr Zhang Gaowu (Gavin), who joined the Board in August 2011, also resigned during the year. I thank Cathy and Gavin for their contribution during their time on the Board.

These changes have enabled the Board to seek the appointment in the next few months of up to two US based Non-Executive Directors and align the company with ASX corporate governance recommendations for the majority of the Directors to be independent.

On behalf of the Board we especially thank our Managing Director and Chief Executive Officer Maurice Brand for his energy, hard work and commitment in achieving the targets we set and getting the Company to where it is today.

Maurice is also supported by a dedicated and highly capable executive team, and I extend the Board's thanks to each for their strong drive to achieving the Company's goals.

The Company is now in the best position in its 10 year history to pursue further growth and development boldly, strategically and responsibly to deliver the highest value we can achieve for you, our shareholders.

Thank you for your continuing support.

Richard Beresford

Richard Beresford
Chairman
17 September 2014

MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER'S REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

During the financial year ending 30 June 2014, Liquefied Natural Gas Limited (LNGL or the Company) has made significant steps towards the delivery of its vision to create wealth for our shareholders by progressing the development of competitive and innovative LNG projects in key markets throughout the world.

In order to achieve this vision, LNG is emerging as a leader in the mid-scale LNG sector by:

- Identifying and securing strategically located project sites to build, own and operate LNG facilities;
- Using the Company's wholly owned OSMR® LNG process technology to deliver LNG competitively and cost effectively; and
- Offering innovative and commercially sound solutions to LNG buyers and natural gas owners which enhance their business outcomes.

Implementation of the Company's strategy is demonstrated with significant progress being made with our flagship Magnolia LNG project and the recent acquisition of Bear Head LNG Corporation that will provide a continuing growth path for LNGL. In time, the Company expects to secure additional opportunities based on the fundamental development principles that have been applied to the development of Magnolia LNG and are to be applied to Bear Head LNG.

MAGNOLIA LNG PROJECT, LOUISIANA, USA

LNGL continues to make excellent progress advancing the Magnolia LNG (MLNG) Project with a target to achieve Financial Close in mid-2015 and first LNG in 2018. Detailed information on the Magnolia LNG project is available on the company's website at www.magnolialng.com.

Whilst there have been many highlights for the year across all key aspects of the Magnolia LNG project, the Company is very conscious of the fact that a number of material approvals and project agreements are yet to be completed in order for Financial Close to be achieved in mid-2015. The achievements and items to be completed are summarised below.

- **PROJECT SCOPE**. The MLNG Project comprises the proposed development of an 8 mtpa LNG export project on a 116 acre site, in an established LNG shipping channel in the Lake Charles District of Louisiana. The project is based on the staged development of 4 x 2 mtpa LNG production trains using the Company's wholly owned OSMR® LNG process technology and a modified LNG plant Front End Engineering and Design (FEED) for the Company's Fisherman's Landing LNG Project in Gladstone, Queensland, Australia.

Schematic Representation of the Proposed Magnolia LNG Project
Port of Lake Charles, Louisiana, USA

- **PROJECT SITE**. In early March 2013, MLNG executed an exclusive and legally binding four year option to lease the 116 acre site. The option to lease is with the Lake Charles Harbour and Terminal District (Port Authority) and includes a negotiated 30 year Lease Agreement with four ten year options to extend the term of the lease for up to 70 years. The 30 year Lease Agreement will be executed at Financial Close in mid-2015, some 18 months before the expiry of the four year option to lease term. LNGL has enjoyed a strong relationship with the Port Authority, state government and local community. The Company has implemented a community support programme with a local committee to assess and allocate grants within the community. The Company is very encouraged by the support it has received from all local stakeholders, including the Port Authority and state entities such as the Louisiana Economic Development Board.

Proposed Site Layout for the Magnolia LNG Project which also shows the Kinder Morgan Louisiana KMLP Pipeline that traverses the MLNG site

- **US LNG EXPORT APPROVALS FOR LNG**. The US Department of Energy (DOE) is the responsible body to grant LNG export approvals. DOE has granted MLNG authorisation to export an additional 4 mtpa of LNG from the Magnolia LNG Project to countries that have a Free Trade Agreement (FTA) with the United States, which brings the total to 8 mtpa approved for export to FTA countries. The DOE authorisation is valid for the first LNG sales to commence within ten years, and then for a further 25 years from first LNG sales. LNG sales are permitted to all existing, and any future countries that have, or enter into, a Free Trade Agreement with United States Government. MLNG has also submitted a request for authorisation to export LNG to Non-FTA Countries for up to 8 mtpa. The DOE announced in May 2014 a revised procedure for processing applications to export LNG to non-FTA countries that enables the DOE to focus on projects that are more likely to advance to commercial operations. This change of procedure is expected to materially benefit Magnolia LNG in bringing forward a decision on our application to export up to 8mpta to non-FTA countries in 2015.

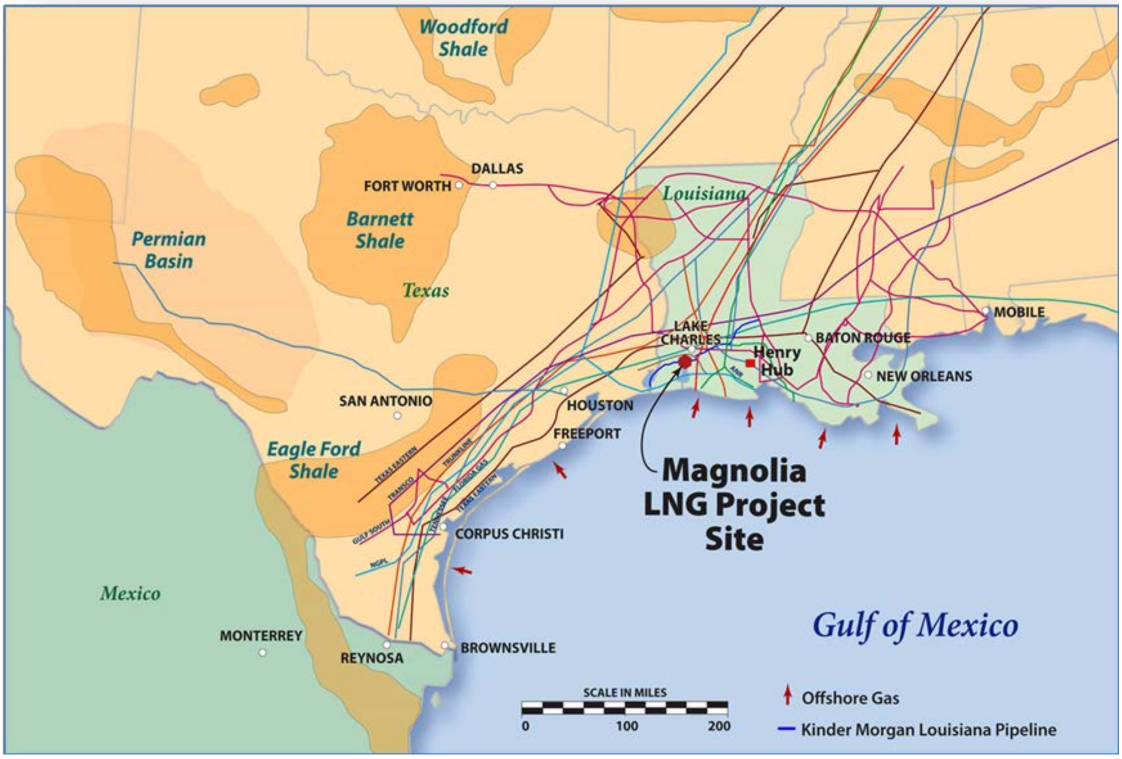
- **PROJECT PERMITS AND APPROVALS.** The US Federal Energy Regulatory Commission (FERC) is the US body that has the responsibility to administer the US National Environmental Policy Act. On 30 April 2014, LNGL announced that MLNG had filed an application with the FERC seeking authorisation for the siting, construction, ownership and operation of the proposed Magnolia LNG Project. The FERC filing follows extensive work performed by the LNGL and Magnolia LNG teams on FEED, pre-filing consultation and preparation of 13 draft Resource Reports for FERC. The work, which has been ongoing since early 2013, also has involved consultation with other federal, state and local agencies, such as the Louisiana Department of Environmental Quality, US Department of Transportation and the US Coast Guard. On 15 May 2014, LNGL announced that FERC had formally accepted MLNG's filing application. MLNG is now among leading LNG export projects based in the United States to have completed this important milestone – a critical step towards permitting and approvals necessary for the Project's construction. The next step is the issue by FERC of a draft Environmental Impact Statement (DEIS) which the Company considers will be issued in 2014. Once the DEIS is issued, it is likely that the Final Environmental Impact Statement (FEIS) will be issued in approximately four months from the DEIS being released. It is usual for FERC to issue a conditional order for the project some 30-45 days after the FEIS. After satisfaction of several conditions in the order, FERC staff issues a Notice to Proceed (NTP) that will authorise Magnolia LNG to commence construction. This final approval is expected in mid-2015. The NTP is expected to be the last approval required to allow the Company to achieve unconditional Financial Close and to access Project funding of US$2.2 billion for phase 1 of Magnolia LNG.

Project (Company)	Location	Sponsor	Capacity mtpa	Offtake mtpa	FTA Approval	Non-FTA Approval	Non-FTA Approval mtpa	First LNG Proposed	FERC Status	FERC 'filing' Date
Sabine Pass (T1-4)	Louisiana	Cheniere Energy	18	18	Y	Y	16.9	2015	Approved, Apr-12	Dec-11
Cameron LNG, LLC	Louisiana	Sempra Energy	12	12	Y	Y	13	2018/19	Approved, Jun-14	Dec-12
Freeport LNG	Texas	Freeport	13.2	13.2	Y	Y	13.2	2018	Approved, Jul-14	Aug-12
Corpus Christi	Texas	Cheniere Energy	13.5	3	Y	N	-	2018/19	Filing	Jun-13
Sabine Pass (T5-6)	Louisiana	Cheniere Energy	9		Y	N	-	2018/19	Filing	Sep-13
Magnolia LNG	***Louisiana***	***Liquefied Natural Gas Ltd***	***8***	***-***	***Y***	***N***	***-***	***2018***	***Filing***	***Apr-14***
Lake Charles	Louisiana	Southern Union (BG)	15	15	Y	Y	15.3	2019	Filing	Mar-14
Cove Point	Maryland	Dominion Resources	5.3	4.6	Y	Y	5.9	2018/19	Filing	Apr-13
Jordan Cove	Oregon	Veresen	6	-	Y	Y	4	2019	Filing	May-13
Oregon LNG	Oregon	Leucadia National Corp	9	-	Y	Y	9	2019	Filing	Jun-13
Lavaca Bay FLNG	Texas	Excelerate Energy	4.4	-	Y	N	-	2019	Filing	Feb-14
Elba Island LNG	Georgia	Southern LNG/Kinder Morgan	2.5	2.5	Y	N	-	tbc	Filing	Mar-14
Golden Pass	Texas	Exxon Mobil / Qatar Petroleum	15.6	-	Y	N	-	tbc	Filing	Jul-14
Gulf LNG	Mississippi	GE Energy & Kinder Morgan	11.5	-	N	N	-	tbc	Pre-filing	Dec-12
CE FLNG	Louisiana	CE FLNG	8.2	-	Y	N	-	tbc	Pre-filing	Apr-13
Gulf Coast LNG	Texas	M S Smith	13.2	-	Y	N	-	tbc	n/a	-
Carib Energy	TBC	Crowley Maritime	0.3	-	Y	N	-	tbc	n/a	-
Main Pass Energy Hub	Louisiana	Freeport-McMoran Energy	24	-	Y	N	-	tbc	n/a	-
Pangea LNG	Texas	Pangea LNG Holdings	8.4	-	Y	N	-	tbc	n/a	-
Waller LNG	Louisiana	Waller LNG Services	1.2	-	Y	N	-	tbc	n/a	-
Gasfin LNG	Louisiana	Gasfin Development	1.5	-	Y	N	-	tbc	n/a	-
Venture Global LNG	Texas	Venture Global	5.1	-	Y	N	-	tbc	n/a	-
Eos & Barca LNG	Texas	Eos & Barca	24.5	-	Y	N	-	tbc	n/a	-
Total			**229.4**	**68.3**			**77.3**			

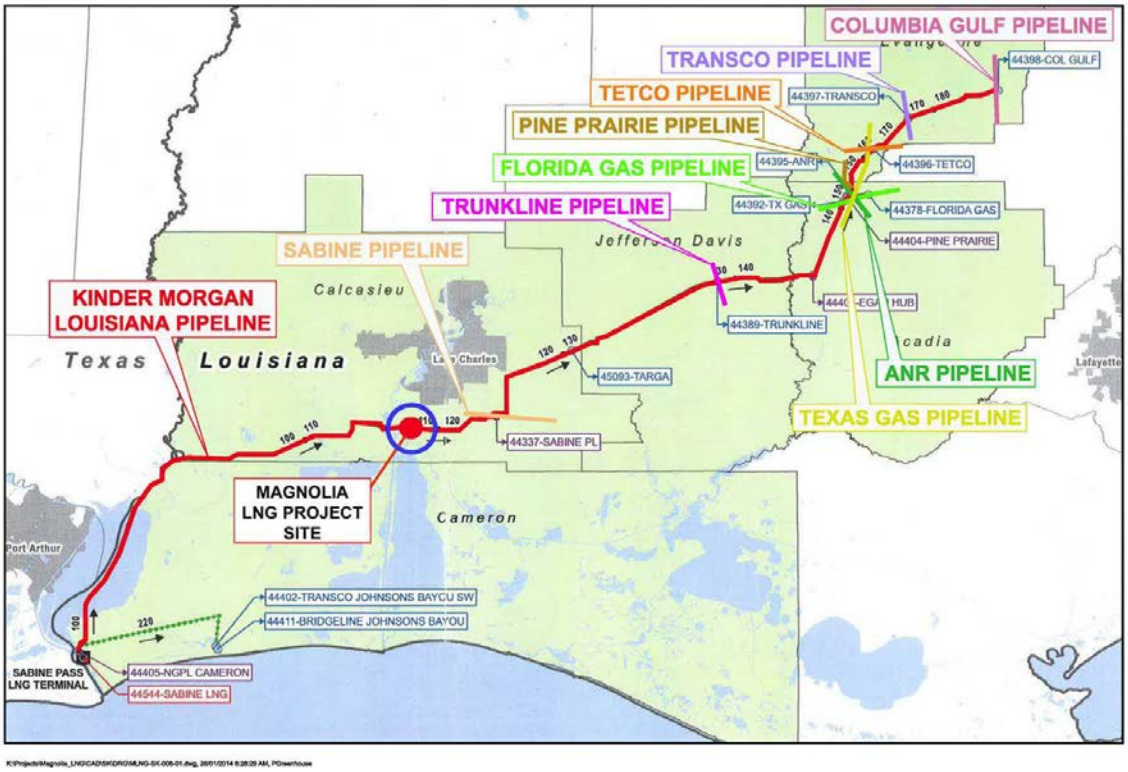
Sources: US Dept of Energy; Company Presentations; Fosters Stockbroking Research

Table showing the relative status of the Magnolia LNG Project to other US LNG projects. Based on this table, MLNG is in the first 10 FERC LNG progressed projects.

- **GAS PIPELINE LOCATED ON THE MAGNOLIA LNG SITE**. On 29 January 2014, the Company signed a Precedent Agreement (PA), with Kinder Morgan Louisiana Pipeline LLC (KMLP), a wholly owned subsidiary of Kinder Morgan, Inc (NYSE: KMI). Kinder Morgan, Inc. (and associated companies) is the largest midstream and the fourth largest energy company (based on combined enterprise value of US$105 billion) in North America. The Company has an interest in or operates approximately 80,000 miles of pipelines and 180 terminals. Their pipelines transport natural gas, refined petroleum products, crude oil, carbon dioxide and more. The Precedent Agreement provides firm gas transportation rights for each of the four LNG trains proposed for the MLNG Project, from various receipt points along the existing KMLP pipeline to the MLNG Project site. The KMLP pipeline traverses the MLNG Project site. Upon satisfaction of the conditions precedent in the PA, KMLP will execute multiple Firm Transportation Service Agreements for the MLNG Project, substantially in the form attached to the PA. On 14 July 2014, LNGL announced that FERC had accepted KMLP application pursuant to Section 7(c) of the Natural Gas Act for the Lake Charles Expansion Project. The Expansion Project involves the installation of new compression and other related facilities on the KMLP Pipeline, allowing gas to be transported to the proposed MLNG Project, which is located along the Calcasieu River, near Lake Charles, Louisiana. This expansion will enable gas supply for the 8 mtpa Magnolia LNG Project site from several major interconnected interstate pipelines in the region. These interconnected pipelines and associated infrastructure access the major gas reserves that will supply the US LNG export industry located in the US Gulf States.



Map showing location of nearby unconventional Gas Shale Plays and connecting gas transmission pipelines (including KMLP) to the Magnolia LNG Project site



Map of the Kinder Morgan Louisiana Pipeline which traverses Magnolia LNG Project site

- **ENGINEERING PROCUREMENT AND CONSTRUCTION (EPC) CONTRACT.** During the year, the Company signed a Memorandum of Understanding (MOU) in regards to the preferred engagement of the SKEC Group as the engineering, procurement and construction (EPC) contractor for the 8 mtpa Magnolia LNG Project. This was followed by a Technical Services Agreement with SK Engineering and Construction Company Ltd and its subsidiary SK E&C USA, Inc (SKEC Group). The SK Group, based in Seoul, Korea, is the third largest conglomerate in South Korea. The SK Group is composed of 95 subsidiary and affiliate companies that share the SK brand and culture. SK Group has more than 70,000 employees who work from 113 offices worldwide. The SK Group is involved in the chemical, petroleum and energy industries, it also has South Korea's largest wireless mobile phone service provider, SK Telecom, and provides services in construction, shipping, marketing and telecommunications.
  The key scope of activities under the Technical Services Agreement will include:
  - Review all the Resource Reports submitted to FERC and assist MLNG to complete the FERC filing process through to FERC Notice to Proceed with construction;
  - Complete sufficient Front End Engineering Design (FEED) and open book cost estimating activities, in conjunction with MLNG, to enable the Fixed Price under the EPC Contract to be agreed; and
  - Negotiate the Fixed Price EPC Contract, including compensation to MLNG by way of liquidated damages for late completion and LNG plant performance non-compliance, on terms satisfactory to MLNG, Stonepeak as equity partner and project debt finance providers.

  The SKEC Group has already satisfactorily completed a detailed review of the Company's OSMR® process technology which will be employed in the Magnolia LNG Project and as a result, subject to final FEED verification, each LNG train will have a design capacity of 2 mtpa and a SKEC Group guaranteed capacity of 1.7 mtpa.

  The SKEC Group also provided the Company with an initial estimate of the EPC costs of US$1.570 billion, which is consistent with the Company's budget estimate, including appropriate contingencies. This estimate is for the Magnolia LNG Project's initial development phase of two LNG trains (totalling 4 mtpa), including gas treatment facilities, 2 x 160,000 m^3 storage tanks, jetty/ship loading facilities and related infrastructure for the full 8 mtpa Magnolia LNG Project. It should be noted that the EPC estimate of US$1.570 billion is less than the US$1.8 billion that the Company has allowed in its total capital cost of US$2.2 billion for Phase 1. The final capital cost estimate will be known later this calendar year.

  Subsequently, on 11 July 2014, LNGL announced that MLNG had executed an EPC Contract Term Sheet with SK E&C USA in relation to the first phase of the Company's Magnolia LNG Project. The EPC Term Sheet details the generally agreed position of SK E&C and MLNG in relation to over 45 key commercial provisions to be further developed in a Lump Sum Turn Key (LSTK) EPC Contract.
  The Company plans to execute a bankable EPC contract in 2014.

- **TOLLING AGREEMENTS.** The Company has chosen a LNG Tolling Agreement business model with its proposed LNG Buyers but also maintain some flexibility to also offer a LNG Sales and Purchase Agreement (LNGSPA) business model. The Tolling Agreement model is typically for a 20 year term, with a 5 year extension option, and incorporates an overall Tolling Fee that includes a monthly capacity component plus an amount that covers all Operations and Maintenance (O&M) costs. The O&M component of the monthly fee will increase in line with US inflation over the 20 years. The Tolling parties are also responsible for gas supply, delivery of gas to the Magnolia LNG site through the KMLP gas pipeline and supply of gas for use in the LNG plant. The Tolling parties handle the marketing and shipping. MLNG takes no commodity risk. Tolling parties are required to provide substantial security in support of their financial commitment to Magnolia LNG.

  Non-binding Tolling Agreement Term Sheets have been signed with Brightshore Overseas Ltd (Gunvor Group); Gas Natural SDG, SA; LNG Holdings Corp; and AES Latin American Development Ltd. In total these Term Sheets are for capacity of some 7 mtpa of the planned 8 mtpa. The Company has substantial interest from multiple parties for the remaining 1 mtpa capacity.

  - Brightshore Overseas Ltd is an affiliate of the commodities trading house Gunvor Group.
  - Gas Natural SDG, S.A. is part of the Spanish energy multinational, Gas Natural Fenosa Group (Madrid Stock Exchange: GAS).
  - LNGL Holdings is a wholly-owned subsidiary of the Canadian Investment Fund, West Face Capital Group.

- AES Latin American Development Ltd is a wholly-owned subsidiary of the global power company, The AES Corporation Group (NYSE: AES).

Negotiations are underway with each of the four parties who have signed Term Sheets as well as other parties. The Company plans to execute legally binding and bankable agreements in 2014.

- **PROJECT EQUITY.** During the year, the Company executed an Equity Commitment Agreement (ECA) with New York headquartered Stonepeak Partners LP. The ECA is subject to various conditions precedent and investment committee approval. Stonepeak Infrastructure Partners invests in North American infrastructure assets with stable cash flows, inflation linkage, and high barriers to entry. Stonepeak manages capital on behalf of pension funds, insurance companies both in the US and internationally. The Firm's founding partners, Michael Dorrell and Trent Vichie, have combined thirty years of infrastructure investing experience. Together they have invested over US$2 billion of equity into North American infrastructure investments when with Macquarie Bank Ltd, and formerly (from 2008) led the Blackstone Group infrastructure division prior to forming Stonepeak in 2011.

  The ECA governs the relationship, cooperation, rights and obligations between Stonepeak and the Company through to Financial Close and incorporates the Magnolia LLC Agreement, which sets out the respective rights and obligations of Stonepeak and the Company from Financial Close, including the construction and funding of the MLNG Project, the management and governance of the project, the allocation and distribution of future profits, and other related matters. The Magnolia LLC Agreement serves the same purpose as a Joint Operating/Venture Agreement or Shareholder Agreement would in Australia.

  The key terms of the ECA include:

  - Stonepeak will commit to provide 100% of the project equity at Financial Close, which is estimated to be US$660 million. Stonepeak will receive an approximate 50% interest in the MLNG Project (based on a pre-determined internal rate of return) in exchange for the project equity funding. The final equity percentage is set after the Commercial Operations Date of the second 2 mtpa LNG train. Once set, the Company and Stonepeak equally receive their dividends over the life of the project. The equity percentage for phase 2, which is a further 4 mtpa, is also set once the equity percentage is finalised at the time of Commercial Operations for the first phase of 4 mtpa.

  - The Company will receive a one-off success fee on the project reaching Financial Close, calculated at 3% of the total project capital cost (the fee is currently estimated to be US$66 million);

  - Stonepeak has approved the payment by MLNG to the Company of an OSMR® technology license fee of US$25 million for LNG trains 1 and 2, with 50% payable at Financial Close and 50% payable at Commercial Operations Date. A further payment of US$25 million will be payable for LNG trains 3 and 4 under the same terms; and

  - Stonepeak has appointed one of its founding partners, Trent Vichie, to the Board of MLNG, with no voting rights prior to Financial Close and the commencement of Stonepeak's project equity financing contribution.

  The Stonepeak equity represents 30% of the estimated total capital cost of US$2.2 billion for the construction and commissioning of Magnolia LNG Project's initial two LNG trains of 4 mtpa.

  The Company's US advisor, New York based EAS Advisors, LLC, introduced the Company to Stonepeak and assisted the Company in the completion of the Equity Commitment Agreement.

- **PROJECT DEBT.** BNP Paribas has been appointed as Financial Advisor and debt arranger to work with MLNG and Stonepeak in securing long term project debt financing of an estimated US$1.540 billion. The engagement of BNP Paribas followed an extensive evaluation process. BNP Paribas brings an impressive project financing history and substantial capabilities and resources to the MLNG project. BNP Paribas and the Company have a relationship spanning more than seven years with BNP Paribas having been previously appointed as the project finance advisor to the Company's proposed Fisherman's Landing LNG Project in Gladstone, Queensland. Merlin Advisors, LLC has been appointed as the Lenders' Engineer for the financing of Magnolia LNG. Under the engagement Merlin's scope of work will comprise two key phases:

- Review of the current status of the Project, including the site, FEED, material contract terms and development plans and schedule, to identify any issues which could potentially impact Project delivery; and
- Ongoing review of the Project development to provide early identification of any potential bankability and project financing issues.

- **MAGNOLIA LNG MANAGEMENT BASED IN HOUSTON.** During the year MLNG established and staffed an office in Houston, Texas.

  The appointments in the Houston office include John G. Baguley as Chief Operating Officer and Rick R. Cape as Chief Commercial Officer.

  - John Baguley has over 30 years' experience with the global EPC company, KBR, Inc., including the last 13 years as a Project Director in the delivery of FEED and EPC services for major LNG plants and projects in Indonesia, Australia, Canada, China, Taiwan and Malaysia. In addition to his project roles, John has also supported KBR in a corporate role as Vice President, LNG Development and was Vice President, Project Management in KBR's Gas Monetisation Business Unit at the time of joining Magnolia LNG.

  - Rick Cape has over 30 years of leadership experience in the oil and gas industry, with some 20 years with the BP group in the USA, UK, Australia and Caribbean. In 2002, Rick was elected by the shareholders of the one of the world's largest producers of LNG, Atlantic LNG Company (Atlantic LNG) of Trinidad and Tobago, as President and CEO to lead the growth of Atlantic LNG from one LNG train to its current four-train, 15 mtpa capacity.

  - More recently, Rafael Hernandez, Gregory Pilkinton and Ron Hogan have joined and also bring a wealth of global and US LNG experience in project delivery and understand what is required to deliver Financial Close and the execution of EPC Contracts.

- **LAKE CHARLES OFFICE OPENED IN OCTOBER 2013.** In addition to opening its North American headquarters in Houston, a dedicated project and community liaison office was opened in Lake Charles, Louisiana. The office was officially opened by City of Lake Charles Mayor Randy Roach in a ribbon-cutting ceremony and open house that was attended by more than 70 local and state elected officials: the board of commissioners and executive management of the Lake Charles Harbour and Terminal District (Port of Lake Charles), Southwest Louisiana Economic Development Alliance officials, and respected local community and business leaders.

Photo of Opening Ceremony with Mayor Randy Roach shown cutting the ribbon, flanked by Magnolia LNG President Maurice Brand (right) and Magnolia LNG VP – Development Ernie Megginson (left)

BEAR HEAD LNG PROJECT, NOVA SCOTIA, CANADA

On 28 July 2014 the Company announced, and subsequently closed in late August 2014, the acquisition of 100% of Bear Head LNG Corporation (BHLC) from a subsidiary of Anadarko Petroleum Corporation for US$11.0 million. Detailed information on the Bear Head LNG Project is available on the company's website at www.bearheadlng.com.

The Bear Head LNG Project is located in Richmond County, Nova Scotia, Canada, and the key assets include:

- A 255-acre site comprising industrial-zoned land (180 acres) and deep-water acreage (75 acres) as well as foundations in place for two 180,000 cubic meter LNG tanks. The land has been cleared, a majority of site works completed and roads constructed.

- The Project Rights of the previously proposed LNG import terminal, including all assets, rights and obligations associated with the Bear Head project.

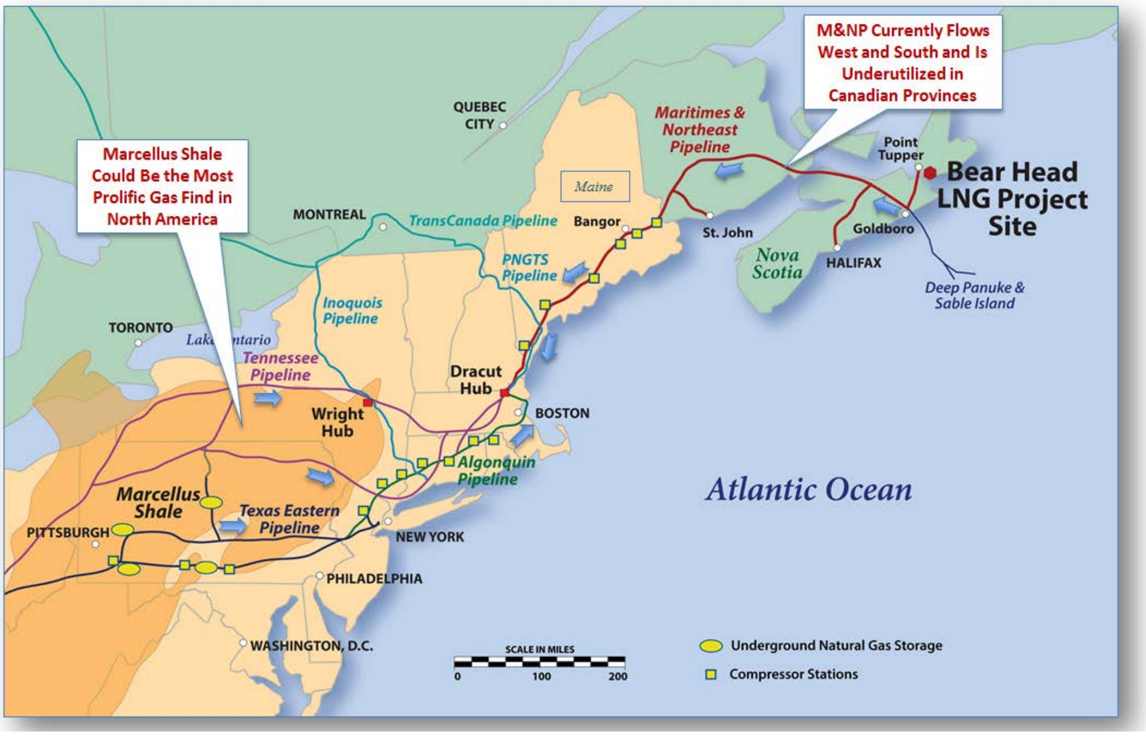
The Nova Scotia Government and Richmond County Support for LNGL have provided strong support to the Company's proposals for LNGL plans to transform the Bear Head site into a 4 mtpa LNG export facility with potential for future expansion.

This acquisition is in line with LNGL's strategy of acquiring sites in North America where the Company can replicate its Magnolia LNG Project and fast-track development by using its existing LNGL development team and its OSMR® technology.

The Company has already developed a gas supply plan and a transportation plan, and has interest from several parties to enter into Tolling Agreements, adopting the same business model as the Magnolia LNG Project.

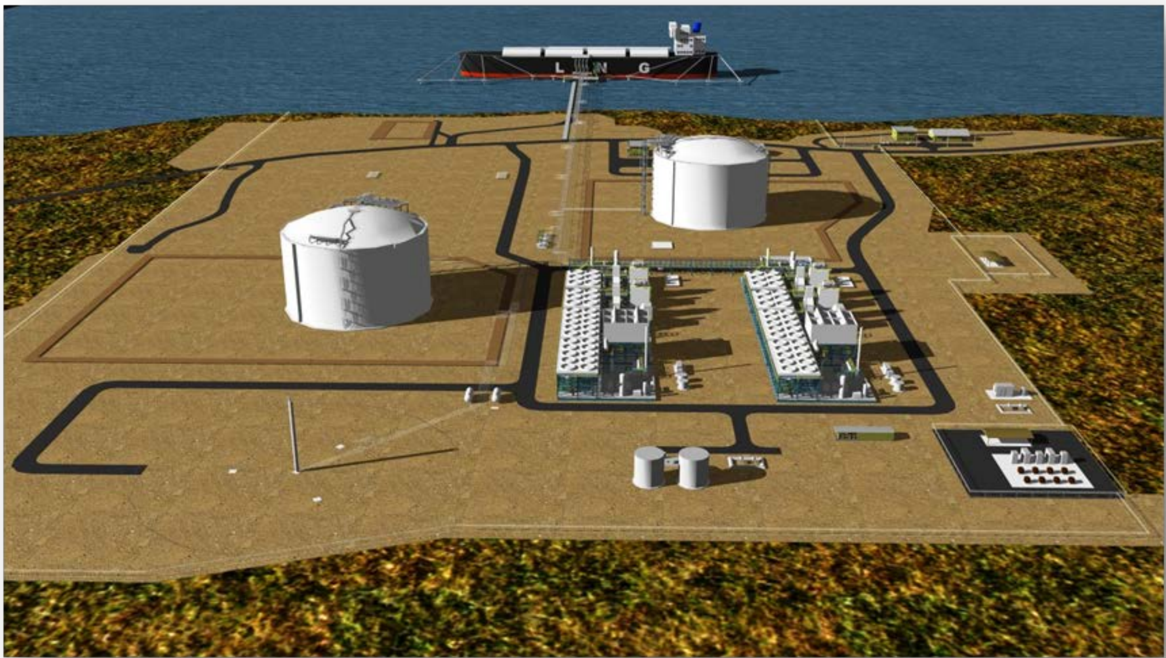
LNGL undertook due diligence on the Bear Head LNG opportunity from October 2013 and as a consequence, has formed the view that all permits and approvals are capable of being obtained by mid-2015. LNGL plan to make a Final Investment Decision during 2016.

The Executive Team for the Bear Head LNG Project will be led by John Godbold, as Chief Operating Officer and Project Director, and Ian Salmon, as Chief Financial Officer and Chief Commercial Officer. Both have considerable operational, commercial and financial experience in the energy and LNG sector.



Location of the Marcellus Shale Play and natural gas transmission pipelines relative to the Bear Head LNG Project site

Aerial View of the Bear Head LNG Project Site, Nova Scotia, Canada



Schematic Site Layout for the proposed Bear Head LNG Export Project, Nova Scotia, Canada

LIQUEFIED NATURAL GAS LIMITED

FISHERMAN'S LANDING LNG PROJECT, GLADSTONE, QUEENSLAND, AUSTRALIA

The Gladstone Ports Corporation has granted the Company with a three month extension to 30 September 2014 for a site option agreement to lease the Fisherman's Landing LNG Project site at Gladstone, Queensland. Although the project is effectively on a care and maintenance basis, the Company is continuing to work on securing adequate gas supply for the initial first LNG train to produce 1.5 mtpa of LNG.

The Fisherman's Landing LNG Project comprises the development of a 3.8 mtpa LNG project. The initial development is based on two LNG trains, each of a design capacity of 1.9 mtpa and a guaranteed 1.5 mtpa LNG production capacity.

OSMR® PATENTS and LNG TECHNOLOGY PTY LTD

LNG Technology Pty Ltd, a wholly owned subsidiary, owns the Company's 100% optimised single mixed refrigerant (OSMR®) liquefaction technology that seeks to deliver lower capital operating costs, faster construction, improved efficiency and environmental benefits. At Financial Close of Magnolia LNG in mid 2015, the Company will receive its first license fees of US$25 million based on the 4 mtpa LNG project with 50% of the fees payable at Financial Close and 50% balance at Commercial Operations Date. A further US$25 million will be paid on the same basis at the Financial Close of Phase 2.

The OSMR® process is based on a proven simple single mixed refrigerant system with the addition of conventional combined heat and power and ammonia refrigeration technology to significantly enhance the plant performance (LNG output and overall process efficiency).

This results in a plant cost of around half that of competing technologies (based on $/tpa) and an overall plant efficiency which is around 30% better than traditional LNG projects (with a 30% reduction in carbon emissions). This, together with the Company's plant and construction strategy, substantially improves LNG project economics.

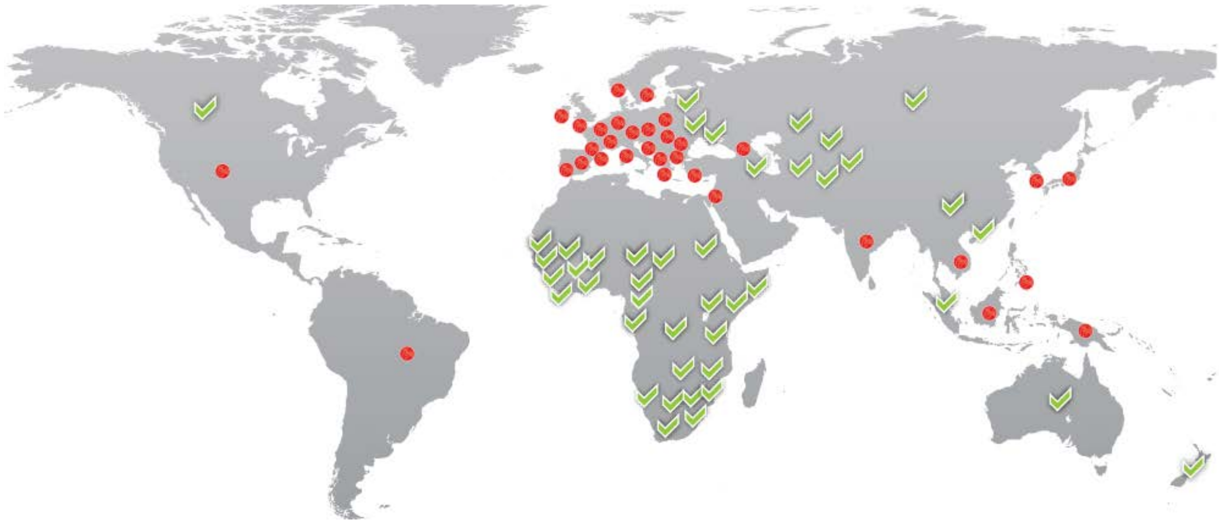
The OSMR® process is planned to be used in the Company's proposed 8 mtpa Magnolia LNG Project; 4 mtpa Bear Head LNG Project and 3.8 mtpa Gladstone LNG Project.

The Company continues to further its international patent applications which cover two engineering design features (being the basis of the Company's OSMR® process), entitled:

- A Method and System for Production of Liquid Natural Gas; and
- Improvements to the OSMR® process (applications only filed in Australia and USA).

The Company is also progressing a patent application over another wholly developed and owned process, entitled "Boil-off Gas Treatment Process and System".

The current status of patent applications filed by the Company in various countries is as follows:



Map of the world showing countries with green ticks where patents have been granted to protect the OSMR® process. The red markers indicate countries where the OSMR® process patent has been filed but not granted and awaiting a decision.

CORPORATE

FUNDING AND FINANCIAL RESULTS

During the year, LNGL raised approximately $73.2 million (pre costs) in new equity to substantially fund the development of the MLNG Project and for general working capital purposes. This has significantly strengthened the company's financial position and given it the flexibility to not only advance its flagship Magnolia LNG Project, but to also pursue future growth opportunities.

The Board's policy is to expense all development expenditure until such time as the Board is satisfied that there is a high probability of a project achieving a final investment decision. During the financial year the Company expensed all project development expenditure in relation to the Magnolia LNG Project in compliance with this policy.

The net loss after income tax of the Company and its controlled entities (the "Group") for the financial year ended 30 June 2014 (excluding non-controlling interests) totalled $24,660,282. This includes project costs of $17,954,202 on the development of the Company's Magnolia LNG Project, $455,164 on the Fisherman's Landing LNG Project at Gladstone, $1,568,778 on the acquisition of Bear Head LNG Corporation (including due diligence costs and US$750,000 of exclusivity payments which were deducted from the purchase price of US$11 million) and $121,250 on patent and other intellectual property costs. In addition to these project costs, the Group expended $5,148,817 in administration, corporate and compliance costs for the financial year.

As at 30 June 2014 the Group had available cash of $47,771,425 and other current assets of $3,667,061 (including term deposits) which the Company will continue to apply to developing the Magnolia LNG Project, maintaining the Fisherman's Landing LNG Project on a care and maintenance basis and furthering its new LNG project identification program and working capital.

Subsequent to 30 June 2014, the Company raised a gross total of $38,670,284 (pre costs) through a Share Placement. These funds are predominantly being applied to the acquisition of Bear Head LNG Corporation (US$11 million) and the development of this project (including the FEED Study, permit and regulatory approvals and all project documentation).

MAJOR CHANGES IN SHAREHOLDER BASE

As a result of these equity raisings, LNGL now counts some of the world's leading funds as US focussed major and significant shareholders. This has been achieved with the introduction of an active investor relations plan and significantly, by the Company achieving its stated key milestones in the development of Magnolia LNG.

US ADR PROGRAMME

On 20 January 2014, LNGL announced that the Company had arranged for the quotation of its American Depositary Receipts (ADRs) on the OTC International platform in the United States. The Company's ADRs trade under the symbol "LNGLY". The Company will continue to trade under the symbol "LNG" on the Australian Securities Exchange (ASX).

The ADRs enable qualifying non-US companies to have direct exposure to the US investment community and will complement the LNGL's ASX listing.

OUTLOOK

LNGL is well positioned to participate in the exceptional US LNG growth story by laying the foundations with the Magnolia LNG Project. Magnolia LNG will remain the Company's main focus during the 2014/2015 financial year.

The immediate focus is the delivery of three key milestones:

- Signing of a legally binding lump sum turn-key EPC contract with SK E&C;
- Signing of legally binding Tolling Agreements for the supply of 4 mtpa of LNG; and
- Issue by FERC of the Draft EIS to satisfy the National Environmental Policy Act.

The achievement of these three milestones will be important steps towards Financial Close for the MLNG project which is targeted for mid-2015 and first LNG in 2018.

Following the acquisition of Bear Head LNG Corporation, the company contemplates a fast-track development by using the existing LNGL development team, the OSMR® process technology and to replicate Magnolia LNG. We are targeting a Final Investment Decision on the Bear Head LNG Export Project in 2016 and LNG export to commence in 2019. An important step in achieving these objectives is securing gas supply and gas transportation to the site. Negotiations and plans are already well progressed in these two key areas.

While we secured a three-month extension to 30 September 2014 to the site option agreement to lease at the Fisherman's Landing LNG Project site at Gladstone, Queensland, securing gas supply for this project is critical for the company to further extend its Option to Lease. The Company will continue to make every effort to achieve that outcome.

In pace with achieving the above goals, the Company will continue to monitor the prospects for other opportunities, particularly in North America.

In view of the significant assets under development in North America, the company plans to open a corporate office in Houston, and to assess a range of structure and corporate options in order to further unlock access to investors and improve shareholder value.

The hard work over the last couple of years is starting to deliver results but our focus is now firmly on the future with a fierce desire to deliver Financial Close for Magnolia LNG in mid-2015

I take this opportunity to thank my fellow Directors and all members of our management and staff. I especially wish to express my appreciation to those who have participated on the endless early morning and late at night conference calls with the US based Magnolia LNG and Bear Head LNG teams.

I also wish to acknowledge our loyal shareholders that have supported the "red ant" since our inaugural listing on the ASX on the 14 September 2004.

FM (Maurice) Brand
Managing Director/Chief Executive Officer
17 September 2014

DIRECTORS' REPORT

Your directors submit their report for the year ended 30 June 2014.

1. DIRECTORS

The names and details of the Company's directors in office at any time during the financial year and until the date of this report are as follows. Directors were in office the entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

Mr. Richard Jonathan Beresford
- Non-Executive Chairman

BSc (Mechanical Engineering), MSc (Technology and Development), FAIE, FAICD

Richard Beresford has over 30 years' experience in the international energy industry spanning research, technology commercialisation, strategic planning, operations, consultancy, business development, acquisitions, marketing and general management.

Richard spent 12 years with British Gas plc, including 3 years in London managing a portfolio of downstream gas and power generation investments in Asia and 4 years in Jakarta as Country Manager. He joined Woodside Petroleum Limited in 1996 where he became General Manager, Business Development, then Managing Director of Metasource, Woodside's green energy subsidiary, until 2001. Richard was Head of Gas Strategy and Development of CLP Power Hong Kong Limited from January 2005 to March 2007.

Richard is currently the Executive Chairman of ASX listed Green Rock Energy Limited, a Perth based energy explorer and developer. Richard has held this position since March 2012 and prior to this appointment, he was the Managing Director and a non-executive director of Green Rock Energy Limited from September 2008.

Richard has also been a non-executive director of ASX listed Eden Energy Limited since May 2007. He also joined the Board of The Men of the Trees in June 2011.

Mr. Fletcher Maurice Brand
- Managing Director and Chief Executive Officer

FAICD, FAIM

Maurice is the founder, Managing Director and Chief Executive Officer of Liquefied Natural Gas Limited which listed on the ASX in September 2004.

Liquefied Natural Gas Limited has introduced to the LNG industry an innovative approach to the establishment of mid-scale LNG plants which are cost competitive with larger traditional scale LNG plants.

Maurice has extensive experience in the global energy industry spanning over 28 years, including responsibility for energy related projects in Australia, Indonesia and India.

Maurice has not been a director of any other listed company during the three years prior to 30 June 2014.

Madam Yao Guihua
- Non-Executive Director (previously Executive Director and Joint-Chief Executive Officer, appointed as Non-Executive Director on 21 May 2014)

Madam Yao holds a Bachelors and Masters Degree in Chemical Engineering from Tianjin University in China. Madam Yao currently holds the position of General Manager of HQC Australia Branch Ltd within China Huanqiu Contracting & Engineering Corporation ("HQC") and is responsible for the management of the Branch. Prior to this appointment she was based in Singapore in the role of HQSM General Manager and Executive Director.

Madam Yao has over 27 years' experience in the oil and gas industry and has been responsible for project selection and feasibility study, project finance, market exploration and development, international bidding, contract negotiation and project management.

Madam Yao has not been a director of any other listed company during the three years prior to 30 June 2014.

Ms. Leeanne Kay Bond
- Non-Executive Director

BE (Chem), MBA, FIEAust, RPEQ, GAICD

Leeanne is a professional company director with board roles in the energy, water and engineering services sectors. She has qualifications in engineering and management, and over 27 years' experience across a broad range of industrial sectors including energy, minerals, infrastructure and water resources.

From 1996 to 2006 Leeanne held a number of management roles with WorleyParsons in Queensland, including General Manager Qld, NT & PNG, General Manager Hydrocarbons and Development Manager (Qld), where Leeanne negotiated project alliances and supervised contracts and projects with many Australian and international companies.

Leeanne was a non-executive director of Tarong Energy Corporation for seven years until retiring on 30 June 2011 as part of the Queensland energy generator's restructure. Leeanne has been a board member of the Queensland Bulk Water Supply Authority (Seqwater) since February 2008 and the Australian Water Recycling Centre of Excellence since July 2011 until her retirement on 31 December 2012 as part of the water industry restructure. Leeanne is the sole director and owner of Breakthrough Energy Pty Ltd, a project and business development consulting firm.

Leeanne has been a non-executive director of ASX listed Coffey International Limited since February 2012.

Mr Zhang Gaowu
- Previous Non-Executive Director (resigned on 21 May 2014)

Mr Zhang has an MBA from Beijing Jiaotong University and is the Deputy Director of Finance and Assets of HQC. Mr Zhang joined HQC in 2007 as the Financial Controller of HQSM Engineering Pte Ltd (Singapore) which is a subsidiary of HQC. He was relocated to HQC's headquarters in May 2010 as the Deputy Director of Finance and Assets division. His responsibilities include the financial management of the overseas business interests of HQC and the group's asset management and mergers and acquisitions.

His previous experience includes Finance Supervisor of Beijing Ershang Group, Auditor of Shaanxi Kodo and Finance Manager of Shaanxi Yongli Construction Co.

Mr Zhang is a member of The Association of Chartered Certified Accountants and The Chinese Institute of Certified Public Accountants. He has over 15 years working experience in finance and accounting in China and overseas, and has a complete practical familiarity with both the Chinese Accounting Standards and the International Financial Reporting Standards.

Mr Zhang has not been a director of any other listed company during the three years prior to 30 June 2014.

Mr. Paul William Bridgwood
- Chief Technical Officer (resigned as Executive Director on 25 November 2013)

BAppSc (Mechanical Engineering)

Paul is a mechanical engineer with 34 years' experience in the energy and resource industries, including offshore and onshore oil and gas, power generation, LNG and related energy projects.

Paul spent 8 years with Worley Engineering in multi-discipline offshore/onshore and project engineering roles followed by 14 years with Energy Equity Corporation Ltd including development of the Alice Springs/Yulara LNG to power project, Barcaldine integrated gas to power project in Queensland, Sengkang integrated gas to power project in Sulawesi Indonesia and several independent power and gas projects in India. In the LNG field, Paul has developed innovative techno-economic improvements to LNG production, transport and receiving station facilities over a period of 25 years.

Paul is the originator of the OSMR® process owned by the Company for which international patent applications have been granted. Paul led the front end engineering and design process for the Company's proposed LNG Projects which has resulted in a 50% capital cost reduction and 30% efficiency improvement compared to traditional LNG projects.

Paul has not been a director of any other listed company during the three years prior to 30 June 2014.

Mr. Norman Marshall
- Chief Financial Officer (resigned as Executive Director on 25 November 2013)

MAppdFin, MAICD

Norm has over 30 years' experience in banking and finance, treasury management and contract negotiation, documentation and compliance work.

Norm had 20 years with the Commonwealth Bank of Australia and was the bank's Head of Institutional Banking, Western Australia from 1996 to 2001, being the investment banking arm of the bank. Norm's banking and finance experience includes corporate, project and tax based financing, capital markets issues, treasury management, risk and financial analysis and management, credit management and recovery, business development, credit documentation and compliance and divisional budgeting and planning.

Norm was the former Chief Financial Officer and General Manager, Finance and Commercial for Portman Mining Limited, which was involved in the development and operation of iron ore production and export projects. Responsibilities also included business development, mergers and acquisitions, project analysis and feasibility studies and contract negotiation, documentation and compliance.

Norm has not been a director of any other listed company during the three years prior to 30 June 2014.

Mr. David Michael Gardner
- Company Secretary

BComm, ACA, AGIA, MAICD

David is a Chartered Accountant and Chartered Secretary and commenced his career with Ernst & Young in Business Services in Brisbane and Melbourne.

With over 20 years' experience in the accountancy profession, David joined the Company in 2008 after 6 years in the land development industry. Responsibilities included all areas of compliance, financial reporting, tax planning, project analysis and treasury together with corporate governance.

David has not been a director of a listed company during the three years prior to 30 June 2014.

Interest in the shares, options and performance rights of the Company and related bodies corporate

At the date of this report, the interest of the directors in the shares, options and performance rights of Liquefied Natural Gas Limited are:

Name of director	Number of ordinary shares	Number of unlisted performance rights
R.J. Beresford	414,692	-
F.M. Brand	4,500,000	-
L.K. Bond	-	-
G. Yao	-	-

Directors meetings

During the year, eighteen directors meetings were held. The number of meetings attended by each director and the number of meetings held during the financial year were as follows:

	Board of Directors meetings	Remuneration Committee meetings	Audit & Risk Committee meetings	Nomination Committee meetings
Number of Meetings Held	18	3	2	3
	Attended	Attended	Attended	Attended
R.J. Beresford	18	3	2	3
F.M. Brand	17	-	-	3
L.K. Bond	17	3	2	3
G. Yao	14	-	-	-
X. Wang	3	-	-	-
G. Zhang	15	-	2	-
P.W. Bridgwood	10	-	-	-
N. Marshall	10	-	-	-

Directors were eligible to attend all meetings held during the year, except:

(i) Mr P.W. Bridgwood and Mr N. Marshall, who resigned from the Board following the Company's Annual General Meeting on 25 November 2013, but continued in their key executive roles of Chief Technical Officer and Chief Financial Officer respectively;

(ii) Madam X. Wang, who resigned from the Board on 1 August 2013;

(iii) Madam G. Yao, who was appointed to the Board on 1 August 2013; and

(iv) Mr G. Zhang, who resigned from the Board on 21 May 2014.

Remuneration Committee

The Remuneration Committee currently comprises Mr R.J. Beresford (Chairman) and Ms L.K. Bond with Mr F.M Brand invited to attend all meetings. No additional fees are paid for participation in the Remuneration Committee.

Audit & Risk Committee

The Audit & Risk Committee currently comprises Ms L.K. Bond (Chairman) and Mr R.J. Beresford. Mr F.M. Brand, Madam G. Yao and Mr N. Marshall are invited to attend all meetings. No additional fees are paid for participation in the Audit & Risk Committee.

Nomination Committee

The Nomination Committee currently comprises Mr R.J. Beresford (Chairman), Ms L.K. Bond and Mr F.M. Brand. No additional fees are paid for participation in the Nomination Committee.

2. PRINCIPAL ACTIVITIES

The principal activity of the entities within the Group during the financial year was the identification and progression of opportunities for the development of LNG projects to facilitate the production and sale of LNG.

3. OPERATING AND FINANCIAL REVIEW

(a) Financial Results

The net loss after income tax of the Group (excluding non-controlling interests) for the financial year ended 30 June 2014 totalled $24,660,282 (2013: $13,383,649). This equates to a loss of 7.39 cents (2013: 5.00 cents) per share based on 333,882,059 (2013: 267,699,015) weighted average ordinary shares on issue during the year ended 30 June 2014.

During the financial year the Company expensed all project development expenditure, in compliance with the Board's policy to expense all development expenditure until such time as the Board is satisfied that all material issues in relation to a project have been adequately identified and addressed, to the extent possible, and there is a high probability of the project achieving final investment decision and proceeding to development, within a reasonable period. Refer to the Chairman and Chief Executive Officers' Report for further information.

(b) Review of Financial Condition

Capital structure

During the financial year 410,000 ordinary shares were issued to employees and 240,000 were issued to consultants on the exercise of options. Since the end of the financial year, 50,000 ordinary shares have been issued to employees on the exercise of options.

During the financial year no shares were issued to directors or employees on the exercise of performance rights. Since the end of the financial year, no ordinary shares have been issued to directors or employees on the exercise of performance rights.

As at the date of this report the Company had 461,402,201 fully paid ordinary shares of which all were listed for quotation on the Australian Securities Exchange ("ASX").

Cash from operations

During the year the Company generated no cash flow from operating activities, with cash receipts primarily comprising proceeds from the sale of available for sale financial assets, a research and development concession rebate, refunds of GST and interest on cash deposits with banks. The Company places its cash with high quality Australian financial institutions with Standard and Poor's credit ratings of: short-term A-1+ and long-term AA-.

Cash during the year was primarily applied to the advancement of the Company's Magnolia LNG Project.

Liquidity and funding

As at 30 June 2014, the Company had available cash of $47,771,425 (2013: $1,583,418), including term deposits, to continue to apply to progression of its core activities, being the advancement of its prospective LNG production projects and LNG process, storage and shipping research and development programs. The above available cash excludes $3,168,142 (2013: $945,000) of security deposits for bank guarantees issued in relation to the Gladstone LNG Project site, the Magnolia LNG Project and the head office rental, which are classified as other financial assets (refer to note 14).

Treasury policy

The Company incurs costs in several currencies, including Australian dollars, United States dollars and Canadian dollars. The Company's current policy is not to implement hedging instruments but to maintain some cash in foreign currencies to protect against the risk of adverse exchange rate movements. When exchange rates are favourable against budget assumptions the Company will accept the prevailing exchange rate on the date of payment, otherwise the Company will effect payment from its foreign currency holdings.
However, as one or more LNG production projects progress to final investment decision and the Company's

foreign currency expenditure commitments increase, and the timing of such payments have an acceptable degree of certainty, the Company will establish a Treasury Committee to actively monitor the Company's exposure to foreign currency exchange rate movements, including availability of natural hedges (e.g. matching foreign currency receipts and expenditure) and consider the implementation of foreign currency hedging instruments to mitigate potentially unfavourable foreign exchange rate movements.

As the majority of each LNG production project's income is likely to be in United States dollars, the Company will, to the extent possible, endeavour to maximise the use of natural hedges (e.g. borrowing and expenditure in United States dollars).

The Company's policy for cash on deposit is to hold the majority of such cash with major Australian banks.

4. DIVIDEND

The directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend to the date of this report.

5. SHARE OPTIONS

Un-issued shares

At 30 June 2014 there were 4,310,000 (2013: 2,110,000) un-issued ordinary shares under options, and 4,260,000 at the date of this report. Refer to note 26 of the financial statements for further details of options outstanding.

Option holders do not have any rights, by virtue of options, to participate in any share issue of the Company or any related bodies corporate.

Shares issued from the exercise of options

During the financial year, 410,000 options were exercised by employees (2013: nil). Since the end of the financial year to the date of this report, 50,000 options have been exercised by employees.

6. PERFORMANCE RIGHTS

Un-issued shares

At 30 June 2014 there were no (2013: 750,000) un-issued ordinary shares under performance rights and none at the date of this report. Refer to note 26 of the financial statements for further details of the performance rights.

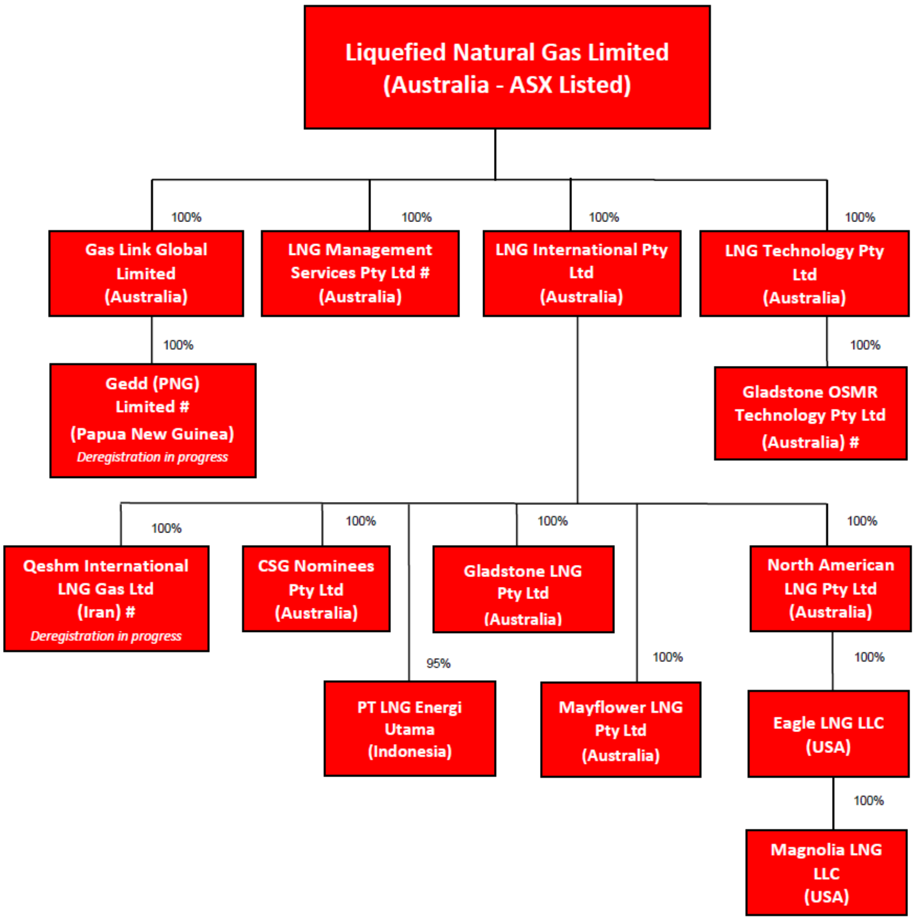
Rights holders do not have any rights, by virtue of rights holdings, to participate in any share issue of the Company or any related bodies corporate.

Shares issued from the exercise of rights

During the financial year, no performance rights were exercised (2013: nil). Since the end of the financial year to the date of this report, no rights have been exercised by directors or employees.

7. CORPORATE STRUCTURE

Liquefied Natural Gas Limited is a company limited by shares and is incorporated and domiciled in Australia. The Company has prepared a consolidated financial report incorporating the entities that it controlled during the financial year, which are set out in note 28. The Group's corporate structure as at 30 June 2014 was as follows:



\# These companies had no activities during the financial year.

8. LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Group is well positioned to participate in the exceptional US LNG growth story by laying the foundations with the Magnolia LNG Project, which will remain the Company's main focus during 2014 and 2015.

The primary focus for the remainder of 2014 is the delivery of three key milestones:

(i) Signing of a legally binding lump sum turn-key EPC contract with SK E&C;
(ii) Signing of legally binding Tolling Agreements for the supply of 4 mtpa of LNG; and
(iii) Completion of the Draft Environmental Impact Statement ("EIS") to satisfy the National Environmental Policy Act, which is then expected to lead to the issue of the Final EIS in first half of 2015.

The achievement of these three milestones will be important steps towards Financial Close for the MLNG project which is targeted for mid-2015, with first LNG export targeted for 2018.

The post-balance date acquisition of Bear Head LNG Corporation is consistent with the Group's strategy of acquiring sites in North America where the Group can replicate its Magnolia LNG project and fast-track development by using the existing development team and OSMR® process technology. The Group is targeting a Final Investment Decision on the Bear Head LNG Export Project in 2016 and the commencement of LNG exports in 2019. An important step in achieving these objectives is securing gas supply and gas transportation to the site. Negotiations and plans are already well progressed in these two key areas.

9. ENVIRONMENTAL REGULATION AND PERFORMANCE

Magnolia LNG Project

On 30 April 2014, pursuant to Section 3(a) of the Natural Gas Act ("NGA") and Part 153 of the to the Federal Energy Regulation Commission's ("FERC") regulations, the Magnolia LNG Project submitted a Formal Application for the authorisation to site, construct and operate liquefaction and export facilities at its proposed site near Lake Charles, Louisiana, United States. This follows the successful completion of the Pre-Filing process with the FERC, whereby the Project prepared thirteen volumes of Resource Reports covering all of the critical environmental and safety aspects for the Magnolia LNG Project. The FERC is now preparing a Draft Environmental Impact Statement ("DEIS") for public review and comment.

In addition, the Magnolia LNG Project submitted an Air Permit application to the Louisiana Department of Environmental Quality ("LDEQ") on 23 June 2014.

There have been no known breaches of environmental regulations to which the Company is subject.

Gladstone LNG Project

The Queensland Department of Environment and Resource Management has granted an Environmental Authority ("EA") to the Company in relation to its Gladstone LNG Project. The EA sets out the conditions under which the Company is required to:

- Construct and operate the Gladstone LNG Project;
- Minimise the likelihood of any environmental harm;
- Carry out and report on various monitoring programs; and
- Carry out any remediation works once the design life of the plant has been reached.

There have been no known breaches of environmental regulations to which the Company is subject.

REMUNERATION REPORT (AUDITED)

The information in this section is audited.

This report outlines the director and executive remuneration arrangements for the Company and the Group in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purposes of this report, Key Management Personnel ("KMP") of the Company are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the Company, and includes the five senior executives of the Company and the Group receiving the highest remuneration.

For the purposes of this report, the term "executive" encompasses the executive directors and senior executives of the Company and the Group.

(a) Details of Key Management Personnel (including the five highest paid senior executives of the Company and the Group)

(i) *Directors*

Richard Jonathan Beresford	Non-Executive Chairman
Fletcher Maurice Brand	Managing Director & Chief Executive Officer
Leeanne Kay Bond	Non-Executive Director
Yao (Grace) Guihua	Non-Executive Director (previously Executive Director, became Non-Executive on 21 May 2014)
Wang (Cathy) Xinge	Previous Executive Director & Joint Chief Executive Officer (resigned 1 August 2013)
Zhang (Gavin) Gaowu	Previous Non-Executive Director (resigned on 21 May 2014)

(ii) *Senior Executives*

David Michael Gardner	Company Secretary
Paul William Bridgwood	Chief Technical Officer (resigned as Executive Director on 25 November 2013 but continued as senior executive)
Norman Marshall	Chief Financial Officer (resigned as Executive Director on 25 November 2013 but continued as senior executive)
Garry John Frank Triglavcanin	Group Commercial Manager
Lincoln Andrew Clark	Group Engineering Manager

At year end the Group had five senior executives.

(b) Remuneration of Key Management Personnel

Remuneration Policy objectives

The performance of the Company depends to a great extent on the quality of its directors, executives and staff. To successfully achieve its objectives, the Company must attract, motivate, and retain highly skilled and experienced KMP.

As an overall objective, the Board endeavours to remunerate in such a way that motivates directors, executives and other staff to pursue the long term growth and success of the Company within an appropriate control framework. The Board also considers the relationship between KMP performance and remuneration in determining the variable remuneration for KMP.

Remuneration Committee

The Remuneration Committee of the Board is responsible for reviewing remuneration policy, reviewing compensation arrangements for KMP and making recommendations to the Board. The Remuneration Committee comprises the Chairman and one independent non-executive director. As appropriate the Remuneration Committee takes independent remuneration advice including best remuneration practice.

The Remuneration Committee regularly assesses the appropriateness of the nature and amount of fixed and variable remuneration of KMP with reference to relevant employment market conditions. The Remuneration Committee then submits a recommendation to the Board. To assist in achieving the above objectives, the Remuneration Committee links the nature and amount of variable components of remuneration to the achievement of the Company's development, operational and financial objectives.

During the year, the Remuneration Committee received advice and recommendations from Godfrey Remuneration Group (GRG). GRG was paid a fee of $46,500 for performing market benchmarking studies and proposing short and long term remuneration arrangements for directors, executives and staff. GRG was appointed by the Remuneration Committee and reports were provided to the Remuneration Committee only. Therefore the remuneration recommendations were free from undue influence by any member or members of the key management personnel to whom recommendations related.

The Board is satisfied that GRG's remuneration recommendations were made free from undue influence by any member or members of the key management personnel to whom recommendation relates as all remuneration recommendations were solely determined by the Remuneration Committee taking into account advice received from GRG.

Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive directors' and executives' remuneration is separate and distinct.

(1) Non-executive directors' remuneration

Objective

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain directors with the necessary expertise and experience whilst incurring a cost that is acceptable to shareholders.

Structure

a. The Company may pay non-executive directors a maximum aggregate amount of fees as determined by a general meeting of the Company's shareholders, currently being $300,000. This maximum amount of fees was approved by shareholders at the Company's Annual General Meeting on 26 November 2011 and applies for 3 years. Remuneration payable by the Company and its subsidiaries to non-executive directors must not be a commission on, or percentage of, profits or operating revenue. The Company has stated its intention to recruit one or more US-based directors and will accordingly seek shareholder approval to increase this maximum aggregate amount;

b. The Company must pay all travelling and other expenses properly incurred by the non-executive directors in connection with the affairs of the Company, including attending and returning from general meetings of the Company or meetings of the directors or of committees of the directors;

c. If a non-executive director renders or is called upon to perform extra services or to make any special exertions in connection with the affairs of the Company, the Board may arrange for additional remuneration to be paid to that director;

d. The Board may, at any time after a non-executive director dies or otherwise ceases to hold office as a non-executive director, pay to the non-executive director or a legal personal representative, spouse, relative or dependant of the non-executive director, in addition to the remuneration of that non-executive director, a lump sum payment in respect of past services rendered by that non-executive director; and

e. The Board may issue non-executive directors with options or rights which are consistent with a strategy of conserving cash without compromising the independence of non-executive directors. Shareholders approved a Rights Plan for non-executive directors at the 2013 Annual General Meeting.

The remuneration of non-executive directors for the periods ending 30 June 2014 and 30 June 2013 is detailed in the remuneration table included in this Remuneration Report.

(2) Executive and staff compensation

Objective

The Company aims to reward executives and staff with a level and mix of fixed and variable compensation commensurate with their position and responsibilities within the entity so as to:

- reward executives and staff for overall Company and/or individual performance against targets set to appropriate benchmarks;
- align the interests of executives with those of shareholders;
- link rewards with strategic goals and performance of the Company; and
- ensure total compensation is competitive by market standards.

Structure

In determining the level and make up of executive and staff compensation, the Remuneration Committee considers factors such as the Company's financial ability to pay and the individual performance and level of individual contributions to the Company's strategic goals and performance. The Remuneration Committee regularly assesses the appropriateness of the nature and amount of fixed and variable remuneration of executives and staff with reference to relevant employment market conditions, and in particular in comparison with the Company's peer group of ASX-listed companies with similar market capitalisations and in the same industry.

Compensation consists of the following components:

- Fixed Compensation
- Variable Compensation
  - Short Term Incentive
  - Long Term Incentive

Fixed compensation

Objective

The level of fixed compensation is set so as to provide a base level of compensation which is both appropriate to the position and is competitive in the market.

Fixed remuneration is reviewed annually by the Remuneration Committee and the process consists of a review of the Company's performance and its ability to pay as well as individual performance, relevant comparative compensation in the market, annual changes in the Consumer Price Index (CPI) and, where appropriate, external advice on remuneration policies and practices.

Structure

Executives are given fixed remuneration in cash and fringe benefits such as car parking and a travel allowance.

Key decisions during the year

In November 2012 the Board agreed to voluntary temporary reductions in fixed remuneration with all Directors taking a 20% salary reduction effective from 1 January 2013. This reduction was reviewed by the Board at the end of 2013 and, given the improved performance of the Company, the reductions were withdrawn from 1 January 2014 and the amounts withheld were recompensed to Directors.

Variable compensation – Short Term Incentive ("STI")

Objective

The objective of the STI program is to link the achievement of the Company's strategic goals and performance with the compensation received by executives and staff.

Structure

On an annual basis, the Company's Board, based on recommendations by the Remuneration Committee, will determine at its sole discretion the provision of a STI award in the form of a cash bonus, after taking into consideration the following:

- the overall performance of the Company over the review period, which includes achievement of short-term goals and objectives;
- the performance of specific projects of the Company over the review period, including the achievement of certain project milestones, utilisation of resources within the approved budget and the achievement of targeted milestones in the development of new or improved technology through the Company's research and development programs;
- the relevant executive's contribution in relation to the overall performance, and the performance of specific projects, of the Company; and
- recommendations of the Remuneration Committee.

Key decisions during the year

In line with best remuneration practice, the Board approved the introduction of the assessment of individual performance against objectives set at the beginning of the review period in determining the amount of STI bonus to be paid. The maximum available STI bonus (for outstanding performance) will be set as a percentage of the individual's fixed remuneration. No STI bonus will be paid when individual performance does not exceed a threshold level.

Variable compensation – Long-Term Incentive ("LTI")

Objective

The objective of the LTI plan is to reward executives and staff in a manner that aligns this component of remuneration with the creation of shareholder wealth.

Structure

- The Board has the sole discretion to grant variable long-term incentive awards in the form of share options or rights which are linked to the Company's achievement of long term goals and objectives such as:
    - growth in the Company's share price in absolute terms and/or relative to the market;
    - the achievement of final investment decision close of LNG projects;
    - the identification and generation of new LNG project opportunities; the identification and development of LNG technology improvements to reduce LNG project capital and operating costs (improve project efficiency and competitiveness).

Incentive Rights Plan

Shareholders approved an Incentive Rights Plan for executives and staff at the 2013 AGM. It is expected that the first grants of rights under this plan will be made in the 2014/15 Financial Year although the measurement period for setting the vesting conditions of some rights may commence in the 2013/14 Financial Year. Vesting conditions for these rights will include the Company's market performance (absolute and relative shareholder return) and the achievement of project milestones. Vesting periods for these rights will be at least 2 years and typically 3 years. It is the intention of the Board in future to make annual grants under the Incentive Rights Plans.

Grants under the previous Option Plans and Performance Rights Plan

At 30 June 2014, there were 50,000 unexercised share options that were issued under Employee Option Plans, which were exercised subsequent to year-end. All performance rights issued on 2 August 2010 have expired unexercised.

LTI Restrictions

Directors, executives and staff are prohibited from entering into arrangements to protect the value of unvested LTI awards.

The Board has a Securities Trading Policy to which the Directors, executives and staff must adhere.

The key elements of the securities trading policy are:

- Directors, employees and certain consultants of the Company that possess inside information must not deal, or get others to do so, or pass on the inside information to others (insider trading);
- dealings of a short-term nature are prohibited;
- dealings that by their timing, size or regularity may bring the Company into disrepute amongst shareholders or potential investors are prohibited;
- unlawful dealings are prohibited;
- restricted persons must not deal in the Company's Securities in the following "Closed Periods":
  - in the two weeks prior to, and the 24 hours after the release of the Company's half-yearly results and preliminary final results to the ASX; nor
  - in the two weeks prior to and the 24 hours after the annual general meeting of the Company;
- upon receipt of a written application, the Company will consider exceptional circumstances that may warrant trading to take place during a "Closed Period"; and
- should a person make a second breach of this policy they are required to resign immediately.

The complete Securities Trading Policy is available on the Company's website.

The following table sets out the remuneration paid to directors and named executives of the Group during the financial year. Other than those noted below, the Group had no other executives during the financial year.

		Short term			Post-employment	Long-term	Share-based payments		Total	Total performance related
		Salary & fees	Cash bonuses	Non-monetary benefits	Superannuation	LSL Provision	Options	Performance rights		
Non-Executive Directors		$	$	$	$	$	$	$	$	%
R.J. Beresford – Chairman	**2014**	**106,564**	**-**	**-**	**-**	**-**	**-**	**-**	**106,564**	**-**
	2013	83,268	-	-	-	-	-	10,594	93,862	11.3
L.K. Bond	**2014**	**69,115**	**-**	**-**	**-**	**-**	**-**	**-**	**69,115**	**-**
	2013	54,000	-	-	-	-	-	10,594	64,594	16.4
G. Yao (appointed as Non-Executive 21 May 2014) (Note 4)	**2014**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2013	-	-	-	-	-	-	-	-	-
G. Zhang (resigned 21 May 2014)	**2014**	**77,324**	**-**	**-**	**-**	**-**	**-**	**-**	**77,324**	**-**
	2013	60,000	-	-	-	-	-	-	60,000	-
Sub-total: Non-executive directors	**2014**	**253,003**	**-**	**-**	**-**	**-**	**-**	**-**	**253,003**	**-**
	2013	197,268	-	-	-	-	-	21,188	218,456	9.7

LIQUEFIED NATURAL GAS LIMITED

		Short term			Post-employment	Long-term	Share-based payments		Total	Total performance related
		Salary & fees	Cash bonuses (Note 1)	Non-monetary benefits (Note 2)	Superannuation	LSL Provision	Options	Performance rights		(Note 3)
		$	$	$	$	$	$	$	$	%
Executive Directors										
F.M. Brand	**2014**	**406,687**	**31,457**	**44,368**	**35,000**	**22,765**	-	**-**	**540,277**	**5.8**
Managing Director & Chief Executive Officer	2013	323,776	-	14,248	25,000	-	-	10,594	373,618	2.8
G. Yao (appointed 1 August 2013,	**2014**	**160,000**	**-**	**-**	**-**	**-**	**-**	**-**	**160,000**	**-**
became Non-Executive 21 May 2014) (Note 4)	2013	-	-	-	-	-	-	-	-	-
X. Wang (resigned 1 August 2013)	**2014**	**15,420**	**-**	**-**	**1,426**	**-**	**-**	**-**	**16,846**	**-**
Previous Executive Director	2013	304,908	-	-	16,470	-	-	-	321,378	-
Senior Executives										
D.M. Gardner	**2014**	**186,415**	**15,335**	**4,368**	**17,306**	**5,251**	**-**	**-**	**228,675**	**6.7**
Company Secretary	2013	182,218	-	4,200	16,354	4,042	-	-	206,814	-
P.W. Bridgwood	**2014**	**423,912**	**31,457**	**24,464**	**17,775**	**22,765**	**-**	**-**	**520,373**	**6.0**
Chief Technical Officer (Previous Executive Director) (Note 5)	2013	332,258	-	13,558	16,470	-	-	10,594	372,880	2.8
N. Marshall	**2014**	**423,912**	**31,457**	**20,000**	**17,775**	**22,765**	-	**-**	**515,909**	**6.1**
Chief Financial Officer (Previous Executive Director) (Note 5)	2013	332,258	-	8,198	16,470	-	-	10,594	367,520	2.9
G.J.F. Triglavcanin	**2014**	**322,135**	**26,480**	**24,615**	**17,775**	**5,351**	**-**	**-**	**396,356**	**6.7**
Group Commercial Manager	2013	266,019	-	24,200	16,349	8,068	1,301	-	315,937	0.4
L.A. Clark	**2014**	**316,801**	**26,218**	**24,368**	**17,775**	**5,460**	**-**	**-**	**390,622**	**6.6**
Group Engineering Manager	2013	311,600	-	21,188	16,470	7,918	1,301	-	358,477	0.4
Sub-total: Executive directors and senior executives	**2014**	**2,255,282**	**162,404**	**142,183**	**124,832**	**84,357**	**-**	**-**	**2,769,058**	**5.9**
	2013	2,053,037	-	85,592	123,583	20,028	2,602	31,782	2,316,624	1.5
Grand total	**2014**	**2,508,285**	**162,404**	**142,183**	**124,832**	**84,357**	**-**	**-**	**3,022,061**	**5.4**
	2013	2,250,305	-	85,592	123,583	20,028	2,602	52,970	2,535,080	2.2

Notes to Remuneration Tables

1. 100% of the cash bonuses were granted on 19 December 2013 and were paid in full. No amounts are accrued but unpaid at 30 June 2014.
2. Non-monetary benefits include travel allowances and car parking bays.
3. The performance criteria used to determine the cash bonus, share options and performance rights granted to the above executives are set out under the STI and LTI of the variable remuneration sections of the Remuneration Report respectively.
4. On 21 May 2014, China Huanqiu Contracting & Engineering Corporation ("HQC") reduced its shareholding in the Company. In accordance with the Process Deed signed with HQC on 3 May 2011, Mr G. Zhang resigned as Non-Executive Director, and Madam G. Yao resigned as Executive Director. The Board asked Madam G. Yao to continue with the Company as a Non-Executive Director to advise and assist with the Company's plans on gas supply for the Fisherman's Landing Gladstone LNG Project. All fees in the above table for Madam G. Yao were in her capacity as an Executive Director prior to 21 May 2014.
5. Mr P.W. Bridgwood and Mr N. Marshall stepped down from the Board after the Company's Annual General Meeting on 25 November 2013, but continued in their key executive roles of Chief Technical Officer and Chief Financial Officer respectively.
6. In addition to the remuneration disclosed in the above table, during the year the Company has incurred a premium of $25,815 (excl. GST) (2013: $24,750) in respect of an insurance policy insuring the directors and officers against any liabilities and expenses and costs that may arise as a result of work performed in their respective capacities.

Compensation performance rights – granted and vested during the year

No compensation options or performance rights were granted or vested during the year.

Compensation options and performance rights – granted as part of remuneration

30 June 2014	Value of options granted during the year $	Value of options exercised during the year $	Remuneration consisting of options for the year %	Value of performance rights granted during the year $	Value of performance rights exercised during the year $	Remuneration consisting of performance rights for the year %
Non-executive directors						
R.J. Beresford	-	-	-	-	-	-
L.K. Bond	-	-	-	-	-	-
G. Yao	-	-	-	-	-	-
G. Zhang	-	-	-	-	-	-
Executive directors						
F.M. Brand	-	-	-	-	-	-
X. Wang	-	-	-	-	-	-
Other executives						
D.M. Gardner	-	50,985	-	-	-	-
P.W. Bridgwood	-	-	-	-	-	-
N. Marshall	-	-	-	-	-	-
G.J.F. Triglavcanin	-	28,860	-	-	-	-
L.A. Clark	-	28,860	-	-	-	-

There were no alterations to the terms and conditions of options or performance rights granted as remuneration since their grant date. No performance rights were exercised during the year (2013: nil).

Details of the Company's Share Option Plan and Performance Rights Plan are provided under note 26.

350,000 shares were issued on exercise of compensation options by key management personnel (2013: nil).

Option holdings of Key Management Personnel and their related parties

30 June 2014	Balance at beginning of year 1 July 2013	Granted as remuner-ation	Options exercised	Options cancelled/ forfeited	Balance at end of year 30 June 2014	Vested at 30 June 2014 Total	Not exer-cisable	Exer-cisable
Directors								
R.J. Beresford	-	-	-	-	-	-	-	-
F.M. Brand	-	-	-	-	-	-	-	-
L.K. Bond	-	-	-	-	-	-	-	-
G. Yao	-	-	-	-	-	-	-	-
X. Wang	-	-	-	-	-	-	-	-
G. Zhang	-	-	-	-	-	-	-	-
Executives								
D.M. Gardner	300,000	-	(150,000)	(150,000)	-	-	-	-
P.W. Bridgwood	-	-	-	-	-	-	-	-
N. Marshall	-	-	-	-	-	-	-	-
G.J.F. Triglavcanin	100,000	-	(100,000)	-	-	-	-	-
L.A. Clark	100,000	-	(100,000)	-	-	-	-	-
Total	**500,000**	**-**	**(350,000)**	**(150,000)**	**-**	**-**	**-**	**-**

Performance rights holdings of Key Management Personnel and their related parties

30 June 2014	Balance at beginning of year 1 July 2013	Granted as remuner-ation	Rights exercised	Rights cancelled/ forfeited	Balance at end of year 30 June 2014	Vested at 30 June 2014 Total	Not exer-cisable	Exer-cisable
Directors								
R.J. Beresford	150,000	-	-	(150,000)	-	-	-	-
F.M. Brand	150,000	-	-	(150,000)	-	-	-	-
L.K. Bond	150,000	-	-	(150,000)	-	-	-	-
G. Yao	-	-	-	-	-	-	-	-
X. Wang	-	-	-	-	-	-	-	-
G. Zhang	-	-	-	-	-	-	-	-
Executives								
D.M. Gardner	-	-	-	-	-	-	-	-
P.W. Bridgwood	150,000	-	-	(150,000)	-	-	-	-
N. Marshall	150,000	-	-	(150,000)	-	-	-	-
G.J.F. Triglavcanin	-	-	-	-	-	-	-	-
L.A. Clark	-	-	-	-	-	-	-	-
Total	**750,000**	**-**	**-**	**(750,000)**	**-**	**-**	**-**	**-**

Shareholdings of Key Management Personnel and their related parties

Shares held in Liquefied Natural Gas Ltd (number)	Ordinary Shares			
30 June 2014	Balance 1 July 2013	On exercise of options	Net other change	Balance 30 June 2014
Directors				
R.J. Beresford	369,692	-	70,000	439,692
F.M. Brand	6,000,000	-	170,000	6,170,000
L.K. Bond	-	-	-	-
G. Yao	-	-	-	-
X. Wang	-	-	-	-
G. Zhang	-	-	-	-
Executives				
D.M. Gardner	17,000	150,000	(120,000)	47,000
P.W. Bridgwood	13,290,040	-	(5,191,000)	8,099,040
N. Marshall	1,657,692	-	(1,157,692)	500,000
G.J.F. Triglavcanin	-	100,000	(100,000)	-
L.A. Clark	-	100,000	(85,000)	15,000
Total	**21,334,424**	350,000	(6,413,692)	**15,270,732**

All equity transactions with KMP other than those from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

Loans to Key Management Personnel and their related parties

There were no loans made to KMP personnel during the year.

Other transactions and balances with Key Management Personnel and their related parties

Directors fees paid to Clearer Sky Pty Ltd, a company in which Mr. R.J. Beresford is a director for the financial year amounted to $106,564 (excluding GST) [2013: $83,268]. At reporting date, no amount is outstanding [2013: $nil].

Directors fees paid to Breakthrough Energy Pty Ltd, a company in which Ms. L.K. Bond is a director for the financial year amounted to $69,115 (excluding GST) [2013: $54,000]. At reporting date, $nil is outstanding [2013: $nil].

The above payments have all been disclosed as remuneration in the table in the Remuneration Report section in the Directors' Report.

Other than the above, other consultancy services provided by Clearer Sky Pty Ltd amounted to $70,380 (excluding GST) [2013: $42,780].

Employment contracts

Fletcher Maurice Brand, Managing Director and Chief Executive Officer:

Mr. Brand is employed under an Executive Service Agreement with the Company which commenced on 13 July 2011. Prior to this, Mr. Brand was employed under a consultancy contract between his company, Martech International Pty Ltd, and the Company which commenced on 1 October 2004.

Under the terms of the Executive Service Agreement:

- The appointment of the Executive continues for a period of four years.
- Mr. Brand may terminate the agreement by giving no less than twelve months' notice of termination to the Company.
- The Company may terminate the agreement immediately if Mr. Brand commits a breach under the agreement and for any other reason by giving no less than twelve months' notice of termination.
- Unless otherwise agreed by the Board of the Company any options held by Mr. Brand will lapse one month from the date of termination.
- In relation to any performance rights held by Mr. Brand they will lapse:
  - Automatically if Mr. Brand ceases to be an eligible employee and the performance rights have not vested;
  - After one month or at the expiry date, whichever is the earlier (or as otherwise agreed by the Board) if Mr. Brand ceases to be an eligible employee and the performance rights have vested; and
  - After six months or at the expiry date, whichever is the earlier (or as otherwise agreed by the Board) if Mr. Brand ceases to be an eligible employee and termination is due to a prescribed event (such as retirement, retrenchment, bankruptcy or death) and the performance rights have vested.
- Mr. Brand is subject to post employment restrictions. Mr Brand will not, without the fully informed and written consent of the Company, directly or indirectly engage in a business or activity that is in competition with the Company, in Australia, for a pre-determined restraint period. The restraint period varies depending on the activity undertaken by Mr Brand, but the maximum period of restraint is 12 months from the Termination Date.
- Upon termination Mr. Brand is entitled to receive all accrued entitlements up to the date of termination.

Paul William Bridgwood, Chief Technical Officer:

Mr. Bridgwood is employed under an Executive Service Agreement with the Company which commenced on 13 July 2011. Prior to this, Mr. Bridgwood was employed under a consultancy contract between his company, Sinedie Pty Ltd, and the Company which commenced on 1 October 2004.

Under the terms of the Executive Service Agreement:

- The appointment of the Executive continues for a period of five years.
- Mr. Bridgwood may terminate the agreement by giving no less than twelve months' notice of termination to the Company.
- The Company may terminate the agreement immediately if Mr. Bridgwood commits a breach under the agreement and for any other reason by giving no less than twelve months' notice of termination.
- Unless otherwise agreed by the Board of the Company any options held by Mr. Bridgwood will lapse one month from the date of termination.
- In relation to any performance rights held by Mr. Bridgwood they will lapse:
  - Automatically if Mr. Bridgwood ceases to be an eligible employee and the performance rights have not vested;
  - After one month or at the expiry date, whichever is the earlier, (or as otherwise agreed by the Board) if Mr. Bridgwood ceases to be an eligible employee and the performance rights have vested; and

  - After six months or at the expiry date, whichever is the earlier, (or as otherwise agreed by the Board) if Mr. Bridgwood ceases to be an eligible employee and termination is due to a prescribed event (such as retirement, retrenchment, bankruptcy or death) and the performance rights have vested.

- Mr. Bridgwood is subject to post employment restrictions. Mr Bridgwood will not, without the fully informed and written consent of the Company, directly or indirectly engage in a business or activity that is in competition with the Company, in Australia, for a pre-determined restraint period. The restraint period varies depending on the activity undertaken by Mr Bridgwood, but the maximum period of restraint is 12 months from the Termination Date.

- Upon termination Mr. Bridgwood is entitled to receive all accrued entitlements up to the date of termination.

Norman Marshall, Chief Financial Officer:

Mr. Marshall is employed under an Executive Service Agreement with the Company which commenced on 13 July 2011. Prior to this, Mr. Marshall was employed via an employment contract with the Company which commenced on 1 October 2004.

Under the terms of the Executive Service Agreement:

- The appointment of the Executive continues for a period of four years.

- Mr. Marshall may terminate the agreement by giving no less than twelve months' notice of termination to the Company.

- The Company may terminate the agreement immediately if Mr. Marshall commits a breach under the agreement and for any other reason by giving no less than twelve months' notice of termination.

- Unless otherwise agreed by the Board of the Company any options held by Mr. Marshall will lapse one month from the date of termination.

- In relation to any performance rights held by Mr. Marshall they will lapse:
  - Automatically if Mr. Marshall ceases to be an eligible employee and the performance rights have not vested;
  - After one month or at the expiry date, whichever is the earlier, (or as otherwise agreed by the Board) if Mr. Marshall ceases to be an eligible employee and the performance rights have vested; and
  - After six months or at the expiry date, whichever is the earlier, (or as otherwise agreed by the Board) if Mr. Marshall ceases to be an eligible employee and termination is due to a prescribed event (such as retirement, retrenchment, bankruptcy or death) and the performance rights have vested.

- Mr. Marshall is subject to post employment restrictions. Mr Marshall will not, without the fully informed and written consent of the Company, directly or indirectly engage in a business or activity that is in competition with the Company, in Australia, for a pre-determined restraint period. The restraint period varies depending on the activity undertaken by Mr Marshall, but the maximum period of restraint is 12 months from the Termination Date.

- Upon termination Mr. Marshall is entitled to receive all accrued entitlements up to the date of termination.

David Michael Gardner, Company Secretary

Mr. Gardner is employed under an employment contract with the Company, which commenced on 1 July 2010. Between 6 October 2008 and 30 June 2010, Mr. Gardner was employed by the Company's wholly-owned subsidiary, Gas Link Global Limited ("GLG") under the same terms. Under the terms of the contract:

- Mr. Gardner may terminate the contract by giving no less than one month notice of termination to the Company.

- The Company may terminate the contract immediately if Mr. Gardner commits a breach under the contract and for any other reason by giving no less than six months' notice of termination.

- Unless otherwise agreed by the Board of the Company any options held by Mr. Gardner will lapse one month from the date of termination.

- Upon termination Mr. Gardner is entitled to receive all accrued entitlements up to the date of termination.

Garry John Frank Triglavcanin, Group Commercial Manager:

Mr. Triglavcanin is employed under an Executive Service Agreement with the Company's wholly-owned subsidiary LNG International Pty Ltd which commenced on 13 July 2011. Prior to this, Mr. Triglavcanin was employed via a service contract with the same Company which commenced on 1 June 2006.

Under the terms of the Executive Service Agreement:

- The appointment of the Executive continues for a period of four years.

- Mr. Triglavcanin may terminate the agreement by giving no less than three months' notice of termination to the Company.

- The Company may terminate the agreement immediately if Mr. Triglavcanin commits a breach under the agreement and for any other reason by giving no less than three months' notice of termination.

- Unless otherwise agreed by the Board of the Company any options held by Mr. Triglavcanin will lapse one month from the date of termination.

- Mr. Triglavcanin is subject to post employment restrictions. Mr Triglavcanin will not, without the fully informed and written consent of the Company, directly or indirectly engage in a business or activity that is in competition with the Company, in Australia, for a period of 3 months from the Termination Date.

- Upon termination Mr. Triglavcanin is entitled to receive all accrued entitlements up to the date of termination.

Lincoln Andrew Clark, Group Engineering Manager:

Mr. Clark is employed under an Executive Service Agreement with the Company's wholly-owned subsidiary LNG International Pty Ltd which commenced on 13 July 2011. Prior to this, Mr. Clark was employed via a service contract with the same Company which commenced on 29 August 2005.

Under the terms of the Executive Service Agreement:

- The appointment of the Executive continues for a period of four years.

- Mr. Clark may terminate the agreement by giving no less than three months' notice of termination to the Company.

- The Company may terminate the agreement immediately if Mr. Clark commits a breach under the agreement and for any other reason by giving no less than three months' notice of termination.

- Unless otherwise agreed by the Board of the Company any options held by Mr. Clark will lapse one month from the date of termination.

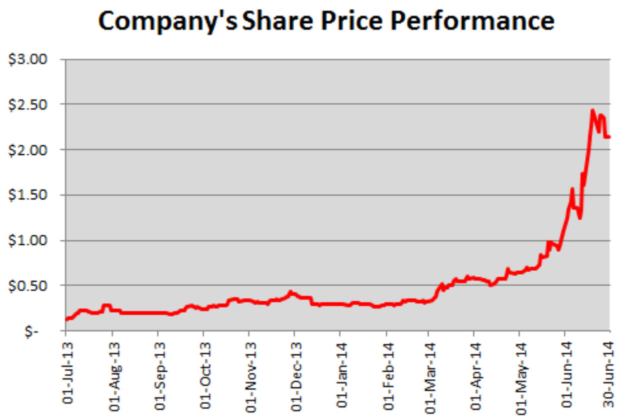
- Mr. Clark is subject to post employment restrictions. Mr Clark will not, without the fully informed and written consent of the Company, directly or indirectly engage in a business or activity that is in competition with the Company, in Australia, for a period of 3 months from the Termination Date.

- Upon termination Mr. Clark is entitled to receive all accrued entitlements up to the date of termination.

(c) Company Performance

Company's share price performance
The graph below shows the Company's share price performance during the financial year ended 30 June 2014.

ASX: "LNG"; OTC ADR: "LNGLY"



Loss per share
Below is information on the consolidated entity's loss per share for the previous four financial years and for the current year ended 30 June 2014.

	2014	2013	2012	2011	2010
Basic loss per share (cents)	(7.39)	(5.00)	(6.22)	(5.60)	(21.16)

Dividends
No dividends were paid for the year ended 30 June 2014.

End of remuneration report.

10. INDEMNIFICATION AND INSURANCE OF DIRECTORS AND COMPANY SECRETARY

An Officer's Protection Deed has been entered into with each of the directors (as named in Section 1 of this report) in office and the Company Secretary at the date of this report. Under the deed, the Company has agreed to indemnify the directors and the Company Secretary against any claims or for any expenses or costs that may arise as a result of work performed in their respective capacities. There is no monetary limit to the extent of the indemnity.

During the financial year the Company has incurred a premium of $25,815 (excl. GST) (2013: $24,750) in respect of a policy insuring the directors and officers against any liabilities and expenses and costs that may arise as a result of work performed in their respective capacities. This amount is not part of the directors' remuneration disclosed in Section 10 above. As at 30 June 2014, the insurance cover was limited to $10 million.

11. RISK MANAGEMENT

The Company takes a proactive approach to risk management and seeks to manage risks such as project risk, contractual risk, compliance risk and finance risk. The Board has a number of mechanisms in place to ensure management's objectives and activities are aligned with those determined by the Board of the Company, including:

- Board approval of the Company's strategic plan and objectives;
- Board approval of the Company's annual financial forecasts and operating budgets;
- Board approval of all material contracts and agreements;
- Board approval of all project developments, where a project is to proceed beyond initial identification and review and will be the subject of binding contractual commitments and material expenditure obligations;
- Regular review by the Board of the Company's adherence to and performance against the above items; and
- Regular review by the Audit & Risk Committee of the Company's Risk Management Process, with improvements introduced where appropriate.

12. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Company during the financial year ended 30 June 2014.

13. SIGNIFICANT EVENTS AFTER BALANCE DATE

(a) EPC Contract Term Sheet Signed with SK E&C Group

On 11 July 2014 the Company's wholly owned subsidiary, Magnolia LNG LLC, executed an EPC Contract Term Sheet with SK E&C USA ("EPC Term Sheet") in relation to the first phase of the Company's Magnolia LNG Project.

The EPC Term Sheet details the generally agreed position of SK E&C and MLNG in relation to over 45 key commercial provisions to be further developed and included in a Lump Sum Turn Key EPC Contract. BNP Paribas, MLNG's project finance adviser and Merlin Advisors LLC, the lenders' technical consultant, contributed to the establishment of the EPC Term Sheet to assist in ensuring bankability of the provisions.

(b) FERC Accepts Kinder Morgan's Filing Application

On 14 July 2014, the US Federal Energy Regulatory Commission ("FERC") accepted Kinder Morgan Louisiana Pipeline LLC's ("KMLP") application pursuant to Section 7(c) of the Natural Gas Act for the Lake Charles Expansion Project. KMLP's application seeks FERC's authorisation to construct and operate the Lake Charles Expansion Project, which would include the installation of compression and other related facilities on the existing KMLP Pipeline, facilitating the full required volumes of natural gas to be transported to the proposed 8 mtpa Magnolia LNG Project, which is located along the Calcasieu River, near Lake Charles, Louisiana, United States of America.

The FERC approval process for the Lake Charles Expansion Project will run in parallel with FERC's regulatory review of the Magnolia LNG Project. FERC formally accepted the Magnolia LNG application on 15 May 2014.

(c) Acquisition of Bear Head LNG Project for US$11 Million

On 27 July 2014, the Company signed an agreement to acquire 100% of Bear Head LNG Corporation from a subsidiary of Anadarko Petroleum Corporation for US$11 million. The transaction was subsequently finalised on 26 August 2014, following the satisfaction of standard closing conditions and consents.

The Bear Head LNG Project ("Bear Head") is located in Richmond County, Nova Scotia, Canada, and the key assets include:

- A 255-acre site comprising industrial-zoned land (180 acres) and deep-water acreage (75 acres) as well as foundations in place for two 180,000 cubic meter LNG tanks. The land has been cleared, a majority of site works completed and roads constructed.
- The Project Rights of the previously proposed LNG import terminal, including all assets, rights and obligations associated with the Bear Head project.

This acquisition is in line with Group's strategy of acquiring sites in North America where the Group can replicate its Magnolia LNG Project and fast-track development by using its existing development team and its OSMR® technology.

The Group plans to transform Bear Head into a 4 mtpa LNG export facility with potential for future expansion, has already developed a gas supply plan and a transportation plan, and has interest from several parties to enter into Tolling Agreements, adopting the same business model as the Magnolia LNG Project.

The Group is in discussions with gas transportation companies and owners of gas reserves regarding the supply of natural gas from onshore and offshore Canadian natural gas supply options, and the Marcellus Shale Gas Play in North-Eastern USA, to the Bear Head site.

As part of this transaction, Mr John Godbold was appointed as Chief Operating Officer and Project Director of Bear Head LNG Corporation. John will be responsible for the project and reports to the Group's Managing Director, Maurice Brand. He has led energy projects for Pangea LNG, Gulf Coast LNG and El Paso Energy, and is a former NASA engineer.

Mr Ian Salmon was appointed as Chief Financial Officer and Chief Commercial Officer of Bear Head LNG Corporation. Ian previously worked for El Paso Energy and Morgan Stanley.

(d) A$38.6 million Share Placement to Fund Bear Head LNG Project

On 30 July 2014**,** the Company raised A$38.6 million (before costs) via a placement of 14,873,186 ordinary shares at A$2.60 to US and Australasian institutional investors.

The capital raising will be used to:

(i) fund the acquisition of 100% of Bear Head LNG Corporation from a subsidiary of Anadarko Petroleum Corporation for US$11 million (refer to (c) above); and
(ii) fund the development (including the FEED Study, permit and regulatory approvals and all Project Documentation) of Bear Head through to a possible Final Investment Decision in 2016.

(e) Exercise of options

On 11 July 2014, 50,000 shares were issued on the exercise of options. At the date of this report there are 4,260,000 options outstanding.

14. AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

The directors have received a declaration of independence from the auditors which is included on page 97.

Indemnification of auditors
To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

Non-audit services
The following non-audit services were provided by the Company's auditor, EY Australia. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit services provided means that auditor independence was not compromised.

EY Australia received or are due to receive the following amounts for the provision of non - audit services:

	CONSOLIDATED 2014 $
Amounts received or due and receivable by EY (Australia) for:	
Other services in relation to the entity and any other entities in the Consolidated Group:	
- tax and other services	125,077
Amounts received or due and receivable by related practices of EY (Australia) for:	
- tax services provided by overseas firms	206,999
	332,076

Signed in accordance with a resolution of the directors.

Richard Beresford

Richard Jonathan Beresford
Chairman
Perth, Western Australia
17 September 2014

LIQUEFIED NATURAL GAS LIMITED

CORPORATE GOVERNANCE STATEMENT

The Board of directors of the Company is responsible for establishing and maintaining the corporate governance framework of the Group and is guided by the ASX Corporate Governance Council ("CGC") Principles and Recommendations with 2010 Amendments (2nd Edition ASX Corporate Governance Council August 2007 ("Principles")). The Principles and Recommendations set out corporate governance practices for entities listed on the ASX that in the CGC's view are likely to achieve good governance outcomes and meet the reasonable expectations of most investors in most situations.

The Board notes that on 27 March 2014, the CGC released the final form of the 3rd Edition of its Corporate Governance Principles and Recommendations. These principles take effect for a listed entity's full financial year commencing on or after 1 July 2014. The main additional matters that the Company will report on for the 2014/15 Financial Year include, amongst other things:

- Disclosure of any material exposure to economic, environmental and social sustainability risks together with how the Company manages or intends to manage these risks; and
- Disclosures on the remuneration of executive directors and other senior executives is to include a summary of the Company's policies and practices regarding the deferral of performance-based remuneration and the reduction, cancellation or clawback of performance-based remuneration in the event of serious misconduct or a material misstatement in financial statements.

During the 2013/14 financial year the Company's practices were compliant with the existing Principles, except where noted in the following table:

ASX Corporate Governance – Best Practice Recommendation

	Best Practice Recommendation	Comply Yes / No	Page Reference
Principle 1 – Lay solid foundations for management and oversight			
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose these functions.	Yes	Page 43
1.2	Companies should disclose the process for evaluating the performance of senior executives.	Yes	Page 43
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1.	Yes	Page 43
Principle 2 – Structure the Board to add value			
2.1	A majority of the board should be independent directors.	No	Page 44
2.2	The chair should be an independent director.	Yes	Page 44
2.3	The roles of chair and chief executive officer (CEO) should not be exercised by the same individual.	Yes	Page 44
2.4	The board should establish a nomination committee.	Yes	Page 44
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Yes	Page 44
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2.	Yes	Page 44
Principle 3– Promote ethical and responsible decision-making			
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code.	Yes	Page 45
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.	No	Page 45

ASX Corporate Governance – Best Practice Recommendation			
	Best Practice Recommendation	**Comply Yes / No**	**Page Reference**
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	No	Page 45
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	Yes	Page 45
3.5	Companies should provide the information indicated in the Guide to reporting on Principle 3.	Yes	Page 45
Principle 4 – Safeguard integrity in financial reporting			
4.1	The board should establish an audit committee.	Yes	Page 45
4.2	The audit committee should be structured so that it: - consists only of non-executive directors; - consists of a majority of independent directors; - is chaired by an independent chair, who is not chair of the board; and - has at least three members.	 Yes Yes Yes Yes	Page 45
4.3	The audit committee should have a formal charter.	Yes	Page 45
4.4	Companies should provide the information in the Guide to reporting on Principle 4.	Yes	Page 46
Principle 5 – Make timely and balanced disclosure			
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclosure of those policies or a summary of those policies.	Yes	Page 46
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5.	Yes	Page 46
Principle 6 – Respect the rights of shareholders			
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes	Page 46
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6.	Yes	Page 46
Principle 7 – Recognise and manage risk			
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes	Page 47
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Yes	Page 47

ASX Corporate Governance – Best Practice Recommendation

	Best Practice Recommendation	Comply Yes / No	Page Reference
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes	Page 47
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	Yes	Page 47
Principle 8 – Remunerate fairly and responsibly			
8.1	The board should establish a remuneration committee.	Yes	Page 47
8.2	The remuneration committee should be structured so that it: - consists of a majority of independent directors; - is chaired by an independent chair; and - has at least three members.	Yes	Page 47
8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Yes	Page 47
8.4	Companies should provide the information in the Guide to reporting on Principle 8.	Yes	Page 47

Where the Company has not been compliant with the Principles, the "if not, why not" explanation approach has been adopted which is strongly supported by the CGC.

Principle 1 – Lay solid foundations for management and oversight

The Board is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable. Responsibility for managing the business of the Company on a day-to-day basis has been delegated to the Managing Director and the management team. The directors' responsibilities include:

- setting the strategic direction and objectives of the Company and establishing defined goals to ensure these strategic objectives are met;
- monitoring the performance of management against the established goals and overall strategic objectives of the Company;
- ensuring that there are adequate internal controls and ethical standards of behavior adopted and complied with within the Company;
- ensuring that the business risks of the Company are identified and understood, and that appropriate monitoring and reporting procedures and controls are in place to manage these risks, while acknowledging that all risks may not be totally eliminated; and
- ensuring the risk management function includes mechanisms to review and monitor corporate performance across a broad range of risk and compliance issues affecting assets, business operations, capital expenditure, capital management, acquisitions, divestures, finance, occupational health and safety, management, environmental issues, native title and heritage issues and corporate governance.

The performance of senior executives is monitored and evaluated by the Remuneration Committee which takes into account the performance of the executives over the year and ensure that there are adequate procedures in place for recruitment, induction, training, remuneration (both short term and long term) and succession planning.

Directors clearly understand their corporate expectations at the time of their appointment. Formal letters setting out key terms and conditions are executed and each director is provided with a Director's Information Kit. The Director's Information Kit provides guides to duty of care, duty of loyalty, dealing in securities and the Company's Constitution.

Principle 2 – Structure the Board to add value

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report is included in the Directors' Report on pages 17, 18, and 19. Directors of the Company are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement.

In the context of director independence, "materiality" is considered from both the Company and individual director's perspectives. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 5% of the appropriate base amount. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors which point to the actual ability of the director in question to influence the direction of the Company. The appropriate base amount depends on the nature of the item being considered. For example, if a director's interest in a supplier is being considered, there would be two appropriate base amounts, the first being the Company's total purchases from all suppliers and the second being the total sales to all customers by the relevant supplier.

In accordance with the definition of independence above, and the prescribed materiality thresholds, the following directors of the Company are considered to be independent:

Name	Position
Richard Jonathan Beresford	Chairman
Leeanne Kay Bond	Non-Executive Director

At the date of this report, two of the four directors on the Board are considered independent.

The Company does not currently adhere to the Principle that recommends that the majority of the Board should comprise independent directors, but will regularly review Board composition. It is considered that the current Board structure is appropriate for the nature and size of the Company and its stage of development. The current mix of skills and diversity of the Board, and the Board's intention to recruit at least one appropriately experienced US-based independent director, will provide the competencies needed to direct the continued growth of the Company and to enable it to achieve its strategic objectives.

The Chair of the Board, Mr Richard Jonathan Beresford, is an independent director of the Company and Mr Fletcher Maurice Brand is the Managing Director and Chief Executive Officer at the date of this report. Mr Brand manages all corporate and project identification and development activities.

There are procedures in place, agreed by the Board, to enable directors, in furtherance of their duties, to seek independent professional advice at the Company's expense.

The description of the skills and experience of each director is outlined in the Directors' Report and the term in office held by each director at the date of this report is as follows:

Name	Term in office
Richard Jonathan Beresford	10 years and 7 months
Fletcher Maurice Brand	12 years and 1 month
Leeanne Kay Bond	4 years and 11 months
Yao (Grace) Guihua	1 year and 2 months

The Board has established a Nomination Committee which is required to meet at least annually, to ensure that the Board continues to operate within the established guidelines including, where necessary, selecting candidates for the position of director. The Nomination Committee comprises Mr Richard Jonathan Beresford (Chairman), Mr Fletcher Maurice Brand and Ms Leeanne Kay Bond. During the year three Nomination Committee meetings were held.

Principle 3 – Promote ethical and responsible decision-making

The Board of the Company actively promotes ethical and responsible decision making. The standard of ethical behaviour required by directors and officers is set out in a code of conduct, which forms part of the Company's Corporate Governance Policy. The Board updates the Code of Conduct as necessary, which ensures that it reflects an appropriate standard of behaviour and professionalism.

The code requires that all directors act honestly, in good faith and in the best interests of the Company as a whole. The policy also addresses director's duties, due diligence, conflicts of interest, use of information and professional integrity.

The Board recognises the Company has a number of legal and other obligations to non-shareholder stakeholders such as employees, clients/customers, community and the environment as a whole and is therefore committed to appropriate corporate practices.

The directors are of the opinion that the culture and practices necessary to manage risk, legal compliance and enhancement of corporate reputation were in place during the reporting year.

The Company did not establish a policy concerning diversity during the year. The ASX Corporate Governance Council recommends that listed entities report on diversity in their annual reports. The Board has identified that as at the date of this report the Company employs twenty three people (excluding directors) in Australia and the United States, and applies appropriate diversity considerations and practices in the recruitment and development of its staff and directors.

Notwithstanding the formal requirements above, the Board is of the view that a diversity policy will be considered again when the number of persons that are employed substantially increases. As at the date of this report the number of women in the whole organisation, in senior executive positions and on the Board is as follows:

Role	Number of Women	Total Number of Persons
Whole Organisation	10	27
Senior Executive Positions	1	9
Board of Directors	2	4

The Company has twenty one full-time employees, two part-time employees and four directors at the date of this report. The Company continues to be an equal opportunity employer and the Board considers that the gender balance is appropriate for the Company at its current stage of development. The internal approach to diversity is that the Company does not discriminate at any level or for any reason and always selects the most appropriate person for the job. The current mix of staff is evidence of applying an unbiased approach to recruiting and retaining employees.

When the Board implements a diversity policy, it will be made publically available in accordance with the ASX Corporate Governance Council Guidelines.

Principle 4 – Safeguard integrity in financial reporting

The Board has established an Audit & Risk Committee which operates under a terms of reference (Audit & Risk Committee Charter) approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information as well as non-financial considerations. The Board has delegated the responsibility for the establishment and maintenance of a framework of internal control (including the maintenance of a risk register) for the management of the Company to the Audit & Risk Committee.

The Audit & Risk Committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in financial reports.

The members of the Audit & Risk Committee during the year are:

Name	**Position**
Leeanne Kay Bond	Chairman
Richard Jonathan Beresford	Member
Zhang (Gavin) Gaowu	Member (resigned 21 May 2014)

All the members are non-executive directors but other executive directors are invited and attended the meetings. The Board is satisfied that the Audit & Risk Committee is of sufficient size, independence and technical expertise to discharge its mandate effectively and in line with CGC Principles.

Within the Directors' Report the qualifications of the members can be found together with details on the number of meetings of the Audit & Risk Committee held during the year and the attendees at those meetings.

The external auditor was appointed by the Board. The Audit & Risk Committee as part of its charter is required to conduct a review, at least annually, in relation to the external auditor. The Audit & Risk Committee, amongst other things, reviews the independence of the auditor and the auditor's performance, in relation to the adequacy of the scope and quality of the annual statutory audit and half-year review and the fees charged. The Company's auditors have an ongoing policy of audit engagement partner rotation every five years.

Principle 5 – Make timely and balanced disclosures

The Company's Corporate Governance Policies include a Market Disclosure Policy which details the Company's commitment to ensuring compliance with market disclosure.

For administrative convenience, the Company Secretary is the person responsible for:

- communications with the ASX;
- communications with the executive directors and the Board in relation to continuous disclosure matters;
- overseeing and coordinating information to brokers, shareholders and the media; and
- liaising with other stakeholders.

Draft Company ASX releases are reviewed by executive directors, non-executive directors and where applicable senior management prior to release in order to ensure:

- all releases are factually accurate, balanced and objective;
- there is no material omission of information;
- announcements are released in a timely manner; and
- announcements comply with practices and procedures of the ASX Company Announcements Platform.

The Company Secretary ensures that at every Board meeting, continuous disclosure is on the agenda and that all directors have an opportunity to put forward any information that may need disclosure. On a weekly basis, the Company Secretary also contacts all directors to ensure that they do not have any information or matters that need disclosure.

Principle 6 – Respect the rights of shareholders

The Company places significant importance on effective communication with shareholders and is committed to keeping them informed of all major developments that affect the Company. This information is communicated via:

- the Company's Annual Report and half yearly financial report;
- quarterly activity and cash flow reports;
- other Company announcements that comply with continuous disclosure obligations in accordance with ASX Listing Rules;
- market briefings to assist shareholders and stakeholders to understand key issues;
- postings on the Company's websites;
- the Chairman's address at the annual general meeting; and
- shareholder meetings and investor relations presentations.

The Company's website has a dedicated Investor Centre section that is updated regularly for the purpose of displaying all important Company information including media releases and presentations. Shareholders are encouraged to subscribe to the Company's electronic email alert that allows them to be updated with Company announcements at the same time the announcements are released to the ASX.

Separate websites have been created for the Magnolia LNG Project and Bear Head LNG Project specifically targeted at investors in the United States and Canada.

Principle 7 – Recognise and manage risk

The Company takes a proactive approach to risk management and the Board is ultimately responsible for ensuring that any risks and opportunities affecting the Company meeting its objectives, are identified on a timely basis.

The Company has a Risk Management Process based on *Standards Australia AS/NZS ISO 31000:2009 Risk management – Principles and guidelines.* The Company's aim is to achieve best practice in controlling all material risks to which the Company is exposed. The Risk Management Process enables the Company to make well-informed decisions on risk acceptance (or otherwise) and controls. The Board, through the Audit & Risk Committee, regularly reviews the effectiveness of the risk management process.

The chief executive officer and the chief financial officer consider the Company's reporting is founded on a sound system of risk management and internal controls and that the system is operating effectively in all material respects. Internal control checklists used by the chief executive officer and the chief financial officer are also updated during the year to reflect the Company's current position.

The Board has a number of other mechanisms in place to identify and manage the Company's risks. Refer to Section 12 of the Directors' Report for details.

Principle 8 – Remunerate fairly and responsibly

The Board has established a Remuneration Committee comprising an independent Chairman, Mr Richard Jonathan Beresford and one non-executive director, Ms Leeanne Kay Bond, to supervise employment management guidelines and policies and assist in developing and recommending remuneration arrangements. The Company's Managing Director also attends the meeting by invitation. The Remuneration Committee is of sufficient size and independence to discharge its mandate effectively and the Company has in place a Charter for the Remuneration Committee that details membership, duties and reporting.

To fulfill its business strategies, the Company needs to be well placed to secure and retain the services of high calibre directors and executives. Remuneration needs to be appropriate in terms of quantum and structure to attract, retain and motivate directors and executives.

As outlined in the Remuneration Report, the Remuneration Committee considers advice from independent consultants on relevant employment market conditions and structures its remuneration accordingly. Executive directors' and senior executives' remuneration packages are a balance of fixed and incentive pay (performance rights) reflecting both short and long-term performance objectives appropriate to the Company's circumstances, goals and for risk acceptance parameters.

Non-executive directors receive fixed remuneration and rights under the Non-Executive Directors Rights Plan approved by shareholders at the 2013 AGM. Given the nature of the Company's business, particularly the combination of innovation, enterprise and leading technology, the Company is somewhat speculative in terms of performance and risk. The remuneration strategy of issuing rights to non-executive directors is consistent with a business focusing on conserving cash while providing rewards linked to growth in shareholder value.

It is the Company's objective to provide maximum shareholder benefit from the retention of a high quality Board and executive team by remunerating directors and key executives fairly and appropriately. Remuneration is also linked to the Company's development, operational and financial performance, relative to the Company's objectives and budgets.

For details on the amount of remuneration and all monetary and non-monetary components for each of the executive directors, non-executive directors and senior executives, refer to the Remuneration Report in Section 10 of the Directors' Report.

The Remuneration Committee's recommendations are considered by the Board, including the payment of bonuses, rights and other incentive payments having regard to the overall performance of the Company and the performance of the individual during the period.

There is presently no scheme to provide retirement benefits to non-executive directors.

The members of the Remuneration Committee and the number of meetings held during the year are outlined in Section 1 of the Directors' Report.

LIQUEFIED NATURAL GAS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2014

	Note	CONSOLIDATED	
		2014	2013
		$	$
Revenue	6	275,197	189,530
Other income	7	307,647	467,057
Administration expenses		(4,034,943)	(2,725,081)
Finance costs		(5,661)	(1,003)
Project development expenses		(20,099,394)	(5,872,510)
Other expenses	8(e)	(1,108,213)	(5,464,580)
Loss before income tax		**(24,665,367)**	(13,406,587)
Income tax expense	9	-	-
Loss after income tax		**(24,665,367)**	(13,406,587)
Net loss for the period		**(24,665,367)**	(13,406,587)
Other comprehensive income:			
Items that may be reclassified to profit and loss			
Foreign currency translation	23(b)	662,883	(108,314)
Other comprehensive income for the period, net of tax		662,883	(108,314)
Total comprehensive income for the period		**(24,002,484)**	(13,514,901)
Loss for the period is attributable to:			
Non-controlling interest		(5,085)	(22,938)
Equity holders of the Parent	23(a)	(24,660,282)	(13,383,649)
		(24,665,367)	(13,406,587)
Total comprehensive income for the period is attributable to:			
Non-controlling interest		(5,085)	(22,938)
Equity holders of the Parent		(23,997,399)	(13,491,963)
		(24,002,484)	(13,514,901)
Loss per share attributable to the ordinary equity holders of the Company:		**Cents**	Cents
- Basic loss per share	11	**(7.39)**	(5.00)
- Diluted loss per share	11	**(7.39)**	(5.00)

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

LIQUEFIED NATURAL GAS LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

	Note	CONSOLIDATED	
		2014	2013
		$	$
Assets			
Current assets			
Cash and cash equivalents	12	47,771,425	1,583,418
Trade and other receivables	13	342,753	39,844
Other financial assets	14	3,168,142	945,000
Prepayments		156,166	67,059
Total current assets		**51,438,486**	2,635,321
Non-current assets			
Available for sale financial assets	15	-	481,520
Receivables	16	299	299
Plant and equipment	17	291,308	123,052
Total non-current assets		**291,607**	604,871
Total assets		**51,730,093**	3,240,192
Liabilities			
Current liabilities			
Trade and other payables	18	3,409,041	1,117,320
Interest-bearing liabilities	19	2,871	-
Provisions	20	507,223	255,587
Total current liabilities		**3,919,135**	1,372,907
Non-current liabilities			
Interest-bearing liabilities	19	12,177	-
Provisions	21	197,555	301,087
Total non-current liabilities		**209,732**	301,087
Total liabilities		**4,128,867**	1,673,994
Net assets		**47,601,226**	1,566,198
Equity			
Equity attributable to equity holders of the Parent:			
Contributed equity	22	187,024,078	117,509,466
Reserves	23(b)	11,980,722	10,794,939
Accumulated losses	23(a)	(151,287,713)	(126,627,431)
Parent interests		**47,717,087**	1,676,974
Non-controlling interest	24	**(115,861)**	(110,776)
Total equity		**47,601,226**	1,566,198

The above statement of financial position should be read in conjunction with the accompanying notes.

LIQUEFIED NATURAL GAS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014

	Ordinary shares $	**Share options reserve $**	**Performance rights reserve $**	**Redeemable preference share reserve $**	**Equity reserve $**	**Foreign currency translation reserve $**	**Accumulated Losses $**	**Owners of the parent $**	**Non-controlling interest $**	**Total $**
At 1 July 2013	117,509,466	5,554,762	484,875	4,032,001	578,292	145,009	(126,627,431)	1,676,974	(110,776)	**1,566,198**
Loss for the period	-	-	-	-	-	-	(24,660,282)	(24,660,282)	(5,085)	**(24,665,367)**
Other comprehensive income	-	-	-	-	-	662,883	-	662,883	-	**662,883**
Total comprehensive income for the period	-	-	-	-	-	**662,883**	**(24,660,282)**	**(23,997,399)**	**(5,085)**	**(24,002,484)**
Transactions with owners in their capacity as owners:	-	-	-	-	-	-	-	-	-	-
Shares issued on placement	69,153,142	-	-	-	-	-	-	69,153,142	-	69,153,142
Exercise of options	361,470	-	-	-	-	-	-	361,470	-	361,470
Share based payment	-	522,900	-	-	-	-	-	522,900	-	522,900
At 30 June 2014	**187,024,078**	**6,077,662**	**484,875**	**4,032,001**	**578,292**	**807,892**	**(151,287,713)**	**47,717,087**	**(115,861)**	**47,601,226**
At 1 July 2012	117,509,466	5,686,122	431,905	4,032,001	578,292	253,323	(113,243,782)	15,247,327	(87,838)	15,159,489
Loss for the period	-	-	-	-	-	-	(13,383,649)	(13,383,649)	(22,938)	(13,406,587)
Other comprehensive income	-	-	-	-	-	(108,314)	-	(108,314)	-	(108,314)
Total comprehensive income for the period	-	-	-	-	-	(108,314)	(13,383,649)	(13,491,963)	(22,938)	(13,514,901)
Transactions with owners in their capacity as owners:	-	-	-	-	-	-	-	-	-	-
Share based payment	-	(131,360)	52,970	-	-	-	-	(78,390)	-	(78,390)
At 30 June 2013	117,509,466	5,554,762	484,875	4,032,001	578,292	145,009	(126,627,431)	1,676,974	(110,776)	1,566,198

The above statement of changes in equity should be read in conjunction with the accompanying notes.

LIQUEFIED NATURAL GAS LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2014

	Note	CONSOLIDATED 2014 $	2013 $
Cash flows from operating activities			
Receipts from the Australian Taxation Office		81,383	271,048
Interest received		225,126	213,646
Research and development tax concession rebate		307,647	356,068
Payments to suppliers and employees		(22,379,443)	(8,575,490)
Net cash flows used in operating activities	25	**(21,765,287)**	(7,734,728)
Cash flows from investing activities			
(Investment in)/proceeds from security deposits classified as other financial assets	14	(2,223,142)	1,000,000
Purchase of plant and equipment	17	(247,582)	(9,759)
Proceeds from sale of Australian listed shares	15	442,496	1,427,895
Net cash from/(used in) investing activities		**(2,028,228)**	2,418,136
Cash flows from financing activities			
Proceeds from issue of ordinary shares	22	69,888,357	-
Proceeds from the exercise of options	22	361,470	-
Repayment of finance lease principal		(1,552)	-
Interest paid		(5,661)	(1,003)
Net cash flows (used in)/from financing activities		**70,242,614**	(1,003)
Net (decrease)/increase in cash and cash equivalents		**46,449,099**	(5,317,595)
Net foreign exchange differences		(261,092)	8,718
Cash and cash equivalents at beginning of year		1,583,418	6,892,295
Cash and cash equivalents at end of year	12	**47,771,425**	1,583,418

The above cash flow statement should be read in conjunction with the accompanying notes.

1. CORPORATE INFORMATION

The financial report of Liquefied Natural Gas Limited ("the Company") for the year ended 30 June 2014 was authorised for issue in accordance with a resolution of the directors on 17 September 2014.

The Company is incorporated in Australia and is a company limited by shares, with its shares publicly traded on the Australian Securities Exchange ("ASX"). The Company ("the Parent") is the parent company to a number of subsidiaries (collectively the "Group").

The nature of the operations and principal activities of the Group are described in the Directors' Report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis, other than available for sale financial assets which have been measured at fair value.

The financial report is presented in Australian dollars ($).

(a) Compliance with IFRS

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

(b) New accounting standards and interpretations

Since 1 July 2013, the Group has adopted the following Standards and Interpretations, mandatory for all annual reporting periods beginning on or after 1 July 2013. Adoption of these Standards and Interpretations did not have any effect on the financial position or performance of the Group.

Reference	**Title**	**Application date of standard***	**Application date for Group***
AASB 10	Consolidated Financial Statements	1 January 2013	1 July 2013
AASB 11	Joint Arrangements	1 January 2013	1 July 2013
AASB 12	Disclosure of Interests in Other Entities	1 January 2013	1 July 2013
AASB 13	Fair Value Measurement	1 January 2013	1 July 2013
AASB 2012-2	Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities	1 January 2013	1 July 2013
AASB 2012-5	Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle	1 January 2013	1 July 2013
AASB 2012-9	Amendment to AASB 1048 arising from the withdrawal of Australian Interpretation 1039	1 January 2013	1 July 2013
AASB 2011-4	Amendments to Australian Accounting Standards to *Remove Individual Key Management Personnel Disclosure Requirements* [AASB 124]	1 July 2013	1 July 2013

The Group has not elected to early adopt any other new standards or amendments.

Standards and interpretations issued not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ending 30 June 2014. These are outlined in the table below.

Reference	Title	Summary	Impact on Group financial report	Application date of standard*	Application date for Group*
AASB 2012-3	Amendments to Australian Accounting Standards - *Offsetting Financial Assets and Financial Liabilities*	AASB 2012-3 adds application guidance to AASB 132 *Financial Instruments: Presentation* to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.	The amendment is not expected to have a significant impact on the Group's financial report.	1 January 2014	1 July 2014
AASB 9	Financial Instruments	On 24 July 2014 the IASB issued the final version of IFRS 9 which replaces IAS 39 and includes a logical model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early application. The final version of IFRS 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. The AASB is yet to issue the final version of AASB 9. A revised version of AASB 9 (AASB 2013-9) was issued in December 2013 which included the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures. AASB 9 includes requirements for a simplified approach for classification and measurement of financial assets compared with the requirements of AASB 139.	The amendment is not expected to have a significant impact on the Group's financial report.	1 January 2018	1 July 2018
AASB 2013-3	Amendments to AASB 136 *– Recoverable Amount Disclosures for Non-Financial Assets*	AASB 2013-3 amends the disclosure requirements in AASB 136 *Impairment of Assets*. The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal.	The amendment is not expected to have a significant impact on the Group's financial report.	1 January 2014	1 July 2014

Reference	Title	Summary	Impact on Group financial report	Application date of standard*	Application date for Group*
Annual Improvements 2010–2012 Cycle	Annual Improvements to IFRSs 2010–2012 Cycle	This standard sets out amendments to International Financial Reporting Standards (IFRS) and the related bases for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements process. These amendments have not yet been adopted by the AASB. The following items are addressed by this standard: (a) IFRS 2 - Clarifies the definition of 'vesting conditions' and 'market condition' and introduces the definition of 'performance condition' and 'service condition'. (b) IFRS 3 - Clarifies the classification requirements for contingent consideration in a business combination by removing all references to IAS 37. (c) IFRS 8 - Requires entities to disclose factors used to identify the entity's reportable segments when operating segments have been aggregated. An entity is also required to provide a reconciliation of total reportable segments' asset to the entity's total assets.	The amendment is not expected to have a significant impact on the Group's financial report.	1 July 2014	1 July 2014
		(d) IAS 16 & IAS 38 - Clarifies that the determination of accumulated depreciation does not depend on the selection of the valuation technique and that it is calculated as the difference between the gross and net carrying amounts. (e) IAS 24 - Defines a management entity providing KMP services as a related party of the reporting entity. The amendments added an exemption from the detailed disclosure requirements in paragraph 17 of IAS 24 for KMP services provided by a management entity. Payments made to a management entity in respect of KMP services should be separately disclosed.			
Annual Improvements 2010–2012 Cycle	Annual Improvements to IFRSs 2010–2012 Cycle	This standard sets out amendments to International Financial Reporting Standards (IFRS) and the related bases for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements process. These amendments have not yet been adopted by the AASB. The following items are addressed by this standard: (a) IFRS 13 - Clarifies that the portfolio exception in paragraph 52 of IFRS 13 applies to all contracts within the scope of IAS 39 or IFRS 9, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in IAS 32. (b) IAS 40 - Clarifies that judgment is needed to determine whether an acquisition of investment property is solely the acquisition of an investment property or whether it is the acquisition of a group of assets or a business combination in the scope of IFRS 3 that includes an investment property. That judgment is based on guidance in IFRS 3.	The amendment is not expected to have a significant impact on the Group's financial report.	1 July 2014	1 July 2014

Reference	**Title**	**Summary**	**Impact on Group financial report**	**Application date of standard***	**Application date for Group***
AASB 1031	Materiality	The revised AASB 1031 is an interim standard that cross-references to other Standards and the F*ramework (*issued December 2013) that contain guidance on materiality. AASB 1031 will be withdrawn when references to AASB 1031 in all Standards and Interpretations have been removed.	The amendment is not expected to have a significant impact on the Group's financial report.	1 January 2014	1 July 2014
AASB 2013-9	Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments	The Standard contains three main parts and makes amendments to a number Standards and Interpretations. Part A of AASB 2013-9 makes consequential amendments arising from the issuance of AASB CF 2013-1. Part B makes amendments to particular Australian Accounting Standards to delete references to AASB 1031 and also makes minor editorial amendments to various other standards. Part C makes amendments to a number of Australian Accounting Standards, including incorporating Chapter 6 *Hedge Accounting* into AASB 9 *Financial Instruments*.	The amendment is not expected to have a significant impact on the Group's financial report.	Part A – 20 December 2013 Part B – 1 January 2014 Part C – 1 January 2015	Part A – 30 June 2014 Part B – 1 July 2014 Part C – 1 July 2015
Amend-ments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	IAS 16 and IAS 38 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.	The amendment is not expected to have a significant impact on the Group's financial report.	1 January 2016	1 July 2016

Reference	**Title**	**Summary**	**Impact on Group financial report**	**Application date of standard***	**Application date for Group***
IFRS 15	Revenue from Contracts with Customers	IFRS 15 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. IFRS 15 supersedes: (a) IAS 11 Construction Contracts (b) IAS 18 Revenue (c) IFRIC 13 Customer Loyalty Programmes (d) IFRIC 15 Agreements for the Construction of Real Estate (e) IFRIC 18 Transfers of Assets from Customers (f) SIC-31 Revenue—Barter Transactions Involving Advertising Services The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps: (a) Step 1: Identify the contract(s) with a customer (b) Step 2: Identify the performance obligations in the contract (c) Step 3: Determine the transaction price (d) Step 4: Allocate the transaction price to the performance obligations in the contract (e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation Early application of this standard is permitted.	The impact of this standard has not yet been assessed as the Group does not yet have revenue other than interest.	1 January 2017	1 July 2017

* Application date is for annual reporting periods beginning on or after the date shown in the above tables.

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group as at 30 June each year.

Subsidiaries are all those entities over which the Group has the power to control. When assessing whether the Group controls another entity the following factors are considered: the existence of power; the exposure or rights to variable returns and the ability to use the Group's power to affect the amount of the subsidiary's returns.

The financial statements of subsidiaries are prepared for the same reporting period as the Parent company, using consistent accounting policies.

All inter-company balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full upon consolidation.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Subsidiary acquisitions pre-1 July 2009 are accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition.

Subsidiary acquisitions post-1 July 2009 are accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values.

Non-controlling interests not held by the Group are allocated their share of net profit or loss after tax in the income statement and are presented within equity in the consolidated balance sheet, separately from Parent shareholder's equity.

(d) Operating segments – refer note 5

An operating segment is a component of an entity that engages in business activities from which it may earn revenue and incur expenses (including revenue and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start up operations which are yet to earn revenue. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the Board of directors.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team.

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for "all other segments".

(e) Foreign currency translation

Both the functional and presentation currency of the Company and its Australian subsidiaries is Australian dollars ($). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The United States subsidiaries' functional currency is United States Dollars, which is then translated to Australian dollar presentation currency. The Indonesian subsidiary's functional currency is Indonesian Rupiah, which is then translated to Australian dollar presentation currency.

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance date.

All exchange differences in the consolidated financial report are taken to the profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The profit or loss of overseas subsidiaries is translated into Australian dollars at the average exchange rate for the reporting period or at the exchange rate ruling at the date of each transaction. Assets and liabilities are translated at exchange rates prevailing at balance date.

Exchange variations resulting from the translation are recognised in the foreign currency translation reserve in equity.

(f) Cash and cash equivalents – refer note 12

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the cash flow statement, cash and cash equivalents include cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(g) Trade and other receivables – refer note 13

Trade receivables, which generally have 30-90 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 120 days overdue are considered objective evidence of impairment. The amount of impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

(h) Business combinations

Prior to 1 July 2009, business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Post-1 July 2009 business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group’s operating or accounting policies and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 either in profit or loss or in other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured.

(i) Goodwill and intangibles

Goodwill
Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. The Group performs its impairment testing using the fair value less costs to sell method for the cash-generating units to which the goodwill has been allocated.

When the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit (group of cash-generating units) and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

Research and development costs
Research costs are expensed as incurred. An intangible asset arising from development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefits from the related project.

The carrying value of an intangible asset arising from development expenditure is tested for impairment annually when the asset is not yet available for use or more frequently when an indication of impairment arises during the reporting period.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is de-recognised.

(j) Plant and equipment – refer note 17

Cost and valuation
Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in profit or loss as incurred.

Depreciation
Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Computer hardware	3 to 5 years
Computer software	3 to 10 years
Furniture & fittings	10 years
Office equipment	5 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

De-recognition and disposal
An item of plant and equipment is de-recognised upon disposal or when no further future economic benefits are expected from its use or disposal.

(k) Leases – refer note 30

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Finance leases (Group as a lessee)
Leases which effectively transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit and loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating leases (Group as a lessee)
Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

(l) Impairment of non-financial assets other than goodwill

Intangible assets that have an indefinite useful life and are not subject to amortisation are tested annually for impairment or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

(m) Trade and other payables – refer note 18

Trade and other payables are carried at amortised cost and due to their short-term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(n) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the period they occur. The Group does not currently hold any qualifying assets.

(o) Provisions and employee benefits – refer note 20 & 21

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance date using a discounted cash flow methodology. The risk specific to the provision is factored into the cash flows and as such a risk-free government bond rate relative to the expected life of the provision is used as a discount rate. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Employee leave benefits and other post-employment benefits:

Wages, salaries, annual leave and sick leave
Liabilities for wages and salaries, including non-monetary benefits and annual leave due to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts due to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Long service leave
The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

The Company does not operate a defined benefit pension plan.

(p) Share-based payment transactions – refer note 26

The Group provides benefits to employees (including directors and senior executives) in the form of share-based payments, whereby services are rendered in exchange for rights over shares ("equity-settled transactions").

The Company has a Share Option Plan and a Performance Rights Plan, which provides share options or performance rights to "eligible employees" including full-time employees, part-time employees, directors and senior executives.

The cost of these equity-settled transactions with employees, directors and senior executives (for awards granted after 7 November 2002 that were unvested at 1 January 2005) is measured by reference to the fair value of the equity instruments at the date at which they are granted if the fair value of the services provided cannot be estimated reliably. The fair value is determined using a binomial or Black-Scholes model.

In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the Company ("market conditions"), and or non-vesting conditions if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled ("the vesting period"), ending on the date on which the relevant employees, directors or senior executives become fully entitled to the award ("the vesting date").

The cumulative expense recognised for equity-settled transactions at each subsequent reporting date until vesting date reflects (i) the grant date fair value of the award (ii) the expired portion of the vesting period and (iii) the Group's current best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The charge to the profit or loss for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding credit to equity.

Equity-settled awards granted by the Company to employees of its subsidiaries are recognised in the Company's separate financial statements as an additional investment in the subsidiary with a corresponding credit to equity. As a result, the expense recognised by the Company in relation to equity-settled awards only represents the expense associated with grants to employees of the Company. The expense recognised by the Group is the total expense associated with all such awards.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated. Any award subject to a market condition is considered to vest irrespective of whether or not that market condition is fulfilled, provided that all other conditions are satisfied.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options or performance rights is reflected as additional share dilution in the computation of diluted earnings per share.

(q) Contributed equity – refer note 22

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(r) Revenue and other income recognition – refer note 6

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Rendering of services
Where the contract outcome can be reliably measured, revenue is recognised when control of the right to be compensated for the services and the stage of completion can be reliably measured. Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract. Where the contract outcome cannot be reliably measured, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Interest revenue
Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Research & development (R&D) rebate income
R&D rebate income is recognised when the return is prepared and the amount can be reliably measured.

(s) Income and other taxes – refer note 9

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance date.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses, can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates, or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Other taxes
Revenue, expenses and assets are recognised net of the amount of Goods and Service Tax ("GST"), except:

- when the GST incurred on a purchase of goods and services is not recoverable from the Australian Tax Office ("ATO") in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the balance sheet.

Cash flows are included in the cash flow statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the ATO is classified as part of operating cash flow.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the ATO.

(t) Earnings per share ("EPS") – refer note 11

Basic EPS is calculated as net profit or loss attributable to members of the Parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit or loss attributable to members of the Parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after-tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(u) Investments and other financial assets – refer note 14 & 15

Investments and financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. The classification depends on the purpose for which the investments were acquired. Designation is re-evaluated at each financial year end, but there are restrictions on reclassifying to other categories. When financial assets are recognised initially, they are measured at fair value, plus (in the case of assets not at fair value through profit or loss) directly attributable transaction costs.

(i) Financial assets at fair value through profit or loss
Financial assets classified as held for trading are included in the category "financial assets at fair value through profit or loss". Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains and losses on investments held for trading are recognised in profit or loss and the related assets are classified as current assets in the balance sheet.

(ii) Held-to-maturity investments
Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are de-recognised or impaired, as well as through the amortisation process.

(iii) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are de-recognised or impaired. These are included in current assets, except for those with maturities greater than 12 months after balance date, which are classified as non-current.

(iv) Available-for-sale investments
Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is de-recognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include: using recent arm's length market transactions, reference to the current market value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible and keeping judgemental inputs to a minimum.

(v) Exploration and evaluation expenditure

Expenditure on exploration and evaluation is accounted for in accordance with the "area of interest" method. The Group's application of the accounting policy for the cost of exploring and evaluating discoveries is closely aligned to the US GAAP-based "successful efforts" method. Exploration licence acquisition costs are capitalised and subject to half-yearly impairment testing.

All exploration and evaluation expenditure, including general permit activity, geological and geophysical costs are expensed as incurred except where an area of interest is recognised, and it is expected that the expenditure will be recouped through successful exploitation of the area of interest, or alternatively, by its sale.

Each potential or recognised area of interest is reviewed half-yearly to determine whether economic quantities of reserves have been found or whether further exploration and evaluation work is underway or planned to support the continued carry forward of capitalised costs.

Upon approval for the commercial development of an area of interest, accumulated expenditure for the area of interest is reclassified as capitalised development expenditure.

The recoverability of the carrying amount of the exploration and evaluation assets is dependent upon successful development and commercial exploitation, or alternatively, sale of the respective area of interest.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise finance leases, receivables, available for sale financial assets, cash and cash equivalents, and term deposits. Other financial assets and liabilities include receivables and payables, which arise directly from operations.

The Group manages exposure to key financial risks in accordance with the Group's financial risk management policy. Interest rate risk, foreign currency risk, price risk, credit risk, and liquidity risk arise as part of the normal course of the Group's operation. The Board reviews and agrees on policies for managing each of these risks. The Group's management of financial risk is aimed to ensure net cash flows are sufficient to meet financial commitments as and when they fall due, and to fund the progression of the Group's core activity being the identification and progression of opportunities for the development of LNG projects to facilitate the production and sale of LNG. To achieve its objective, the Group may also consider raising additional equity, if necessary.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, price risk, credit risk and liquidity risk. The Group uses different methods to measure and manage different types of risks which it is exposed to, including monitoring the Group's level of exposure to interest rate, foreign exchange rate and price risks and assessment of market forecasts for interest rates and foreign exchange rates. Ageing analysis and monitoring of specific credit allowances are undertaken to manage credit risk. Liquidity risk is managed through cash flow monitoring and forecast.

Risk exposures and responses

Interest rate risk
The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's cash and term deposits held with two Australian financial institutions. The interest rate risk is managed by the Group through constant analysis of the market interest rates and its exposure to changes in variable interest rates. Within this analysis, consideration is given to potential renewals of existing positions, alternative financing and the mix of fixed and variable interest rates. To minimise interest rate risk, the Group analyses its cash flow position and may invest excess cash into a fixed rate term deposit for a short to medium term.

At balance date, the Group had the following financial assets exposed to Australian variable interest rate risk that is not designated as cash flow hedges:

	CONSOLIDATED	
	2014	2013
	$	$
Financial assets		
Cash and cash equivalents (note 12)	47,771,425	1,583,418
Other financial assets (term deposits) (note 14)	3,168,142	945,000
Net exposure	**50,939,567**	2,528,418

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

At 30 June 2014, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgements of reasonably possible movements:	**Post tax profit Higher/(Lower)**		**Equity Higher/(Lower)**	
	2014	2013	**2014**	2013
CONSOLIDATED	**$**	$	**$**	$
+ 0.5% (50 basis points) (2013: +1.5%)	**254,698**	37,926	**254,698**	37,926
- 0.5% (50 basis points) (2013: -1.5%)	**(254,698)**	(37,926)	**(254,698)**	(37,926)

Significant assumptions used in the interest rate sensitivity analysis include:

- The 0.5% sensitivity is based on reasonably possible movements over a financial year, after observation of a range of actual historical rate movements during the past 5 year period; and
- The net exposure at balance date is representative of what the Group was and is expecting to be exposed to in the next twelve months from balance date.

Foreign exchange risk
The Group has transactional currency exposures, mainly due to costs incurred in currencies other than its functional currency, such as United States dollars, Canadian dollars and Indonesian rupiah. The Company's current policy is not to implement hedging instruments but to maintain some cash in foreign currencies to protect against the risk of adverse exchange rate movements. When exchange rates are favourable against budget assumptions the Company will accept the prevailing exchange rate on the date of payment, otherwise the Company will effect payment from its foreign currency holdings.

However, as and when the Group's foreign currency expenditure commitments increase, and the timing of such payments have an acceptable degree of certainty, the Group will actively monitor its exposure to foreign currency exchange rate movements, including availability of natural hedges (e.g. matching foreign currency receipts and expenditure) and consider the implementation of foreign currency hedging instruments to mitigate potentially unfavourable foreign exchange rate movements.

At 30 June 2014, the Group had the following exposure to US$ foreign currency that is not designated as cash flow hedges:

	CONSOLIDATED	
	2014	2013
Financial assets	**$**	$
US$ cash and cash equivalents	12,521,654	42,108
Financial liabilities		
Trade and other payables	(2,569,166)	(351,435)
Net exposure	**9,952,488**	(309,327)

At 30 June 2014, had the Australian dollar moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgements of reasonably possible movements:	**Post tax profit Higher/(Lower)**		**Equity Higher/(Lower)**	
	2014	2013	**2014**	2013
CONSOLIDATED	**$**	$	**$**	$
AUD/USD +10% (2013: +10%)	**(976,238)**	30,319	**(976,238)**	30,319
AUD/USD -10% (2013: -10%)	**1,193,180**	(37,056)	**1,193,180**	(37,056)

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Significant assumptions used in the foreign exchange sensitivity analysis include:

- The 10% sensitivity is based on reasonably possible movements over a financial year, after observation of actual historical rate movement during the past 5 year period;
- The translation of net assets in subsidiaries with a functional currency other than A$ has not been included in the sensitivity analysis as part of the equity movement; and
- The net exposure at balance date is representative of what the Group was and is expecting to be exposed to in the next twelve months from balance date.

Price risk
The Group's exposure to price risk is moderate. Price risk arises from available for sale financial assets, which are share investments in Australian listed entities. To limit this risk, the Board reviews all investment decisions in accordance with the financial risk management policy. All available for sale financial assets are publicly traded on the ASX.

At balance date, the Group had the following financial assets exposed to price risk associated with movements in Australian listed share prices:

	CONSOLIDATED	
	2014	2013
Financial assets	**$**	$
Available for sale financial assets (note 15)	-	481,520
Financial liabilities	**-**	-
	-	481,520
Net exposure	-	481,520

At 30 June 2014, had share prices moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgements of reasonably possible movements:	**Post tax profit Higher/(Lower)**		**Equity Higher/(Lower)**	
	2014	2013[1]	**2014**	**2013**[1]
CONSOLIDATED	**$**	$	**$**	**$**
Share price +20% (2013: +20%)	**-**	96,304	**-**	96,304
Share price -20% (2013: -20%)	**-**	(96,304)	**-**	(96,304)

[1] Assuming that the decrease represents a significant or prolonged decrease in the value of the investment.

Credit risk
Financial assets that potentially subject the Group to credit risk consist primarily of cash, trade and other receivables and term deposits. The Group places its cash with high quality Australian financial institutions with Standard and Poor's credit rating of A-1+ (short term) and AA- (long term). The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these financial assets.

It is also the Group's policy that customers who wish to trade on unsecured credit terms will be subject to credit verification procedures. Receivable balances are also monitored on an ongoing basis to reduce the Group's exposure to bad debts.

At balance date, the Group's credit risk relates mainly to trade and other receivables of $342,753 (2013: $39,844).

The Group does not have any outstanding receivables that are past due payment dates.

The carrying amounts of the financial assets represent the maximum credit exposure.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk

Liquidity risk arises from the financial liabilities of the Group and the Group's subsequent ability to meet their obligations to repay their financial liabilities as and when they fall due.

It is the Group's policy to ensure it has adequate cash reserves to meet known committed corporate and project development expenditure over the ensuing 18 months and additional equity will be raised as necessary to maintain the cash reserve coverage. It is also the Group's policy to generally fund all project development expenditure, through to final investment decision of a project, from its equity generated cash reserves.

At 30 June 2014, except for payables, the Group had no debt (2013: nil) and its activities are primarily funded from cash reserves from share issues, interest revenue and research and development concession rebates. The majority of cash reserves are held in term deposit with the ANZ Banking Group and Westpac Banking Corporation, with funds transferred as necessary to the Group's working accounts to meet short-term expenditure commitments.

The remaining contractual maturities of the Group's financial liabilities are:

	CONSOLIDATED	
	2014	2013
As at 30 June 2014	**$**	$
6 months or less	**3,409,041**	1,117,320
6-12 months	**-**	-
1-5 years	**-**	-
Over 5 years	**-**	-
	3,409,041	1,117,320

Maturity analysis of financial assets and liabilities based on management's expectation:

As at 30 June 2014 CONSOLIDATED	**≤6 months $**	**6-12 months $**	**1-5 years $**	**>5 years $**	**Total $**
Financial assets					
Cash and cash equivalents	47,771,425	-	-	-	47,771,425
Receivables	342,753	-	-	-	342,753
Other financial assets	3,168,142	-	-	-	3,168,142
	51,282,320	**-**	**-**	**-**	**51,282,320**
Financial liabilities					
Trade and other payables	3,409,041	-	-	-	3,409,041
	3,409,041	**-**	**-**	**-**	**3,409,041**
Net maturity	**47,873,279**	**-**	**-**	**-**	**47,873,279**

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

As at 30 June 2013 CONSOLIDATED	≤6 months $	6-12 months $	1-5 years $	>5 years $	Total $
Financial assets					
Cash and cash equivalents	1,583,418	-	-	-	1,583,418
Receivables	39,844	-	-	-	39,844
Other financial assets	945,000	-	-	-	945,000
Available for sale financial assets	481,520	-	-	-	481,520
	3,049,782	-	-	-	3,049,782
Financial liabilities					
Trade and other payables	1,117,320	-	-	-	1,117,320
	1,117,320	-	-	-	1,117,320
Net maturity	1,932,462	-	-	-	1,932,462

The risk implied from the values shown in the table above, reflects a balanced view of cash inflows and outflows.

Fair value
The methods for estimating fair value are outlined in the relevant notes to the financial statements.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In applying the Group’s accounting policies, management is required to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates based on experience and various other factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

The following are the critical accounting policies for which significant judgements, estimates and assumptions are made in the preparation of the Group’s financial statements. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

(i) Significant accounting judgements

Operating lease commitments – Group as lessee
The Group has entered into leases for office premises and determined that the lessor retains all the significant risks and rewards of ownership of the office premises and thus has classified the leases as operating leases.

Recovery of deferred tax assets
Deferred tax assets arising from deductible temporary differences and tax losses are not recognised as management does not consider it probable that future taxable profits will be available to utilise those temporary differences and tax losses.

Taxation
Management judgement is required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised in the balance sheet. Deferred tax assets, including those arising from un-recouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

Assumptions about the generation of future taxable profits depend on management's estimate of future cash flows. These depend on estimates of future revenues, operating costs, capital expenditure, dividend and other project development costs. Judgements are also required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of tax losses and temporary differences not yet recognised in the balance sheet.

Project development expenses
Management judgement is required to assess whether development expenses should be capitalised. In determining whether to capitalise the development expenses, management needs to assess whether all material issues in relation to a project have been adequately identified and addressed, to the extent possible, and there is a high probability of the project achieving final investment decision and proceeding to development, within a reasonable period.

As the above factors have not been satisfied, all development expenditure has been expensed during the financial year.

Impairment of available-for-sale financial assets
In determining the amount of impairment of financial assets, the Group has made judgements to identify financial assets whose decline in fair value below cost is considered "significant" or "prolonged". A significant decline is based on the historical volatility of the share price. The higher the historical volatility, the greater the decline in fair value required before it is likely to be regarded as significant. A prolonged decline is based on the length of time over which the share price has been below cost. A sudden decline followed by immediate recovery is less likely to be considered prolonged compared to a sustained fall of the same magnitude over a longer period.

The Group considers a less than 10% decline in fair value is unlikely to be considered significant for investments actively traded in a liquid market, whereas a decline in value of greater than 20% will often be considered significant, subject to appropriate consideration of other factors.

Generally the Group does not consider a decline in value over a period of less than three months to be prolonged. However, where the decline in fair value is greater than six months for liquid investments, it is usually considered prolonged.

(ii) Significant accounting estimates and assumptions

Share-based payment transactions
The Group measures the cost of equity-settled transactions with directors and employees by reference to the fair value of equity instruments at the date at which they are granted. The fair value is determined using a binomial or Black Scholes model with the assumptions detailed in the share-based payment note to the financial statements.

Valuation of investments
The Group has decided to classify investments in listed securities as "available for sale" investments and movements in fair value are recognised directly in equity, unless the decline in fair value is considered significant or prolonged. The fair value of listed shares has been determined by reference to published price quotations in an active market.

Impairment of receivables
The Group determines whether receivables are impaired on an ongoing basis. When there is objective evidence that the Group will not be able to collect the receivable, an impairment of the receivable is recognised. During the year, due to the decrease in the net assets of the subsidiaries, the Parent has made an impairment for the amount owing by these subsidiaries. The amount of impairment is the receivable carrying amount.

5. OPERATING SEGMENTS

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 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.

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 or ability to commercialise the LNG technology, with the aim being 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 a reportable segment.

Management have reassessed the segments in current year. The prior year segment note has been restated for comparative purposes.

Accounting policies

The accounting policies used by the Group in reporting segments internally are the same as those contained in Note 2 to the accounts and in the prior period except as detailed below:

5. OPERATING SEGMENTS (Continued)

Corporate charges
Corporate charges comprise non-segmental expenses such as certain head office expenses.

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% (2013: 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;
- Corporate expenses; and
- Finance costs.

The following table shows the revenue and profit or loss information for reportable segments for the years ended 30 June 2014 and 30 June 2013.

Year ended 30 June 2014 **Revenue**	***Oil and gas project development*** ***$***	***Technology development and licensing*** ***$***	***Total*** ***$***
Other revenue	-	-	-
Inter-segment sales	-	-	-
Total segment revenue	-	-	-
Inter-segment elimination			-
Unallocated revenue			275,197
Unallocated other income			307,647
Total revenue per the statement of comprehensive income			**582,844**
Segment profit/(loss)	(20,017,170)	(121,597)	**(20,138,767)**
Reconciliation of segment net profit/(loss) after tax to net profit/(loss) before tax			
Income tax expense at 30% (2013: 30%)			-
Unallocated revenue and other income			582,844
Finance costs			(5,661)
Corporate charges			(5,103,783)
Net profit/(loss) before tax per the statement of comprehensive income			**(24,665,367)**
Segment assets for the year ended 30 June 2014 are as follows:			
Segment assets			
Segment operating assets	239,758	499	**240,257**
Intersegment eliminations			-
Unallocated assets[1]			51,489,836
Total assets per the statement of financial position			**51,730,093**
Unallocated liabilities			**4,128,867**

[1] Unallocated assets primarily consisted of cash and cash equivalents of $47,771,425 and other financial assets of $3,168,442.

5. OPERATING SEGMENTS (Continued)

Year ended 30 June 2013 Revenue	*Oil and gas project development* *$*	*Technology development and licensing* *$*	*Total* *$*
Other revenue	-	-	-
Inter-segment sales	-	-	-
Total segment revenue	-	-	-
Inter-segment elimination			-
Unallocated revenue			189,530
Unallocated other income			467,057
Total revenue per the statement of comprehensive income			656,587
Segment profit/(loss)	(7,256,213)	(78,942)	(7,335,155)
Reconciliation of segment net profit/(loss) after tax to net profit/(loss) before tax			
Income tax expense at 30% (2012: 30%)			-
Unallocated revenue and other income			656,587
Finance costs			(1,003)
Corporate charges			(6,727,016)
Net profit/(loss) before tax per the statement of comprehensive income			(13,406,587)
Segment assets for the year ended 30 June 2013 are as follows:			
Segment assets			
Segment operating assets	1,107,298	816	1,108,114
Intersegment eliminations			(477,843)
Unallocated assets[1]			2,609,921
Total assets per the statement of financial position			3,240,192
Unallocated liabilities			1,673,994

[1] Unallocated assets primarily consisted of cash and cash equivalents of $1,583,418 and other financial assets of $945,000.

The analysis of the location of segment assets is as follows:

	CONSOLIDATED	
	2014 **$**	2013 $
Australia	24,683	1,085,429
United States	202,387	-
Indonesia	12,688	22,685
Total	**239,758**	1,108,114

6. REVENUE

	CONSOLIDATED	
	2014	2013
	$	$
Interest revenue	275,197	189,530
Total revenue	**275,197**	189,530

7. OTHER INCOME

	CONSOLIDATED	
	2014	2013
	$	$
Research and development concession rebate	307,647	356,068
Net foreign exchange gain	-	110,989
Total other income	**307,647**	467,057

8. EXPENSES

	CONSOLIDATED	
	2014	2013
	$	$
(a) Depreciation		
Plant and equipment	49,867	51,124
Plant and equipment under lease	1,901	3,936
Total depreciation of non-current assets	**51,768**	55,060
(b) Finance costs		
Finance charges payable under finance leases	897	-
Interest charges payable under insurance premium funding	4,764	1,003
Total finance costs	**5,661**	1,003
(c) Lease payments included in administration expenses		
Minimum lease payments - operating leases	458,576	331,560
Total operating lease rental	**458,576**	331,560
(d) Employee benefit expense		
Wages and salaries	4,227,335	2,378,304
Consultancy fees	-	1,011,823
Annual leave provision	37,241	24,448
Long service leave provision	110,863	(22,453)
Superannuation	198,190	216,475
Other non-monetary benefits	125,886	94,644
Share-based payments expense-key management personnel and employees	-	(78,390)
Total employee benefits expense	**4,699,515**	3,624,851

8. EXPENSES (Continued)

	CONSOLIDATED	
	2014 **$**	2013 $
(e) Loss before income tax includes the following:		
Decrease in the fair value of available-for-sale financial assets (note 15)	-	1,462,330
Loss on sale of available-for-sale financial assets (note 15)	39,024	3,869,437
Net foreign exchange loss	1,041,632	-
Research and development costs	704,170	653,142

9. INCOME TAX

	CONSOLIDATED	
	2014 **$**	2013 $
(a) Income tax expense		
Current tax expense	-	-
Deferred tax expense	-	-
Prior year under/(over) provision	-	-
Income tax expense/(benefit)	-	-

(b) Numerical reconciliation between aggregate tax expense recognised in the income statement and tax expense calculated per the statutory income tax rate

A reconciliation between tax expense and the product of accounting profit/(loss) before income tax multiplied by the Company's applicable income tax rate is as follows:		
Total accounting loss before tax	**(24,665,367)**	(13,406,587)
Prima facie tax @ 30% (2013: 30%)	(7,399,610)	(4,021,976)
Increase in tax expense due to:		
Expenditure not deductible for tax purposes	575,273	3,646,537
Decrease in tax expense due to:		
Reversal of share-based payments (equity-settled)	-	(23,517)
Black-hole expenditure	(661,448)	(750,025)
Deferred tax benefits not recognised	7,485,785	1,148,981
Income tax expense/(benefit)	-	-

9. INCOME TAX (Continued)

(c) Recognised deferred tax assets and liabilities

	Balance Sheet		Profit or Loss	
	2014	2013	**2014**	2013
	$	$	**$**	$
CONSOLIDATED				
Deferred tax liabilities				
Accrued income	16,401	1,081	15,320	(27,660)
Unrealised foreign exchange gain	-	35,408		35,408
Gross deferred income tax liabilities	16,401	36,489		
Set-off of deferred tax assets	(16,401)	(36,489)		
Net deferred tax liabilities	**-**	**-**		
Deferred tax assets				
Income tax losses recognised to the extent of deferred tax liabilities	16,401	36,489	(15,320)	7,748
Gross deferred tax assets	16,401	36,489		
Set-off of deferred tax liabilities	(16,401)	(36,489)		
Net deferred tax assets	**-**	**-**		
Deferred tax expense/(benefit)			**-**	**-**

There is no current or deferred tax relating to items that are charged or credited to equity.

(d) Tax losses

At 30 June 2014, the Group had Australian tax losses of $36,140,848 (2013: $30,888,229) for which no deferred tax asset has been recognised. These losses are available indefinitely for offset against future taxable income subject to continuing to meet the relevant statutory tests.

(e) Other unrecognised temporary differences

As at 30 June 2014, the Group has temporary differences of $88,426,222 (2013: $68,453,784) for which no deferred tax asset has been recognised. There is no unrecognised temporary difference associated with the Group's investments in subsidiaries (2013: $Nil).

(f) Tax consolidation

Refer to note 27(d) for details of the tax consolidated group.

10. DIVIDEND PAID AND PROPOSED

There were no dividends paid or proposed during or as at the end of the financial year.

11. EARNINGS PER SHARE

The following data is used in the calculations of basic and diluted earnings per share:

(a) Earnings used in calculating earnings per share

	CONSOLIDATED	
	2014 $	2013 $
For basic earnings per share:		
Net loss attributable to ordinary equity holders of the Parent	**(24,660,282)**	(13,383,649)
For diluted earnings per share:		
Net loss attributable to ordinary equity holders of the Parent	**(24,660,282)**	(13,383,649)

(b) Weighted average number of shares	**2014 Number**	2013 Number
Weighted average number of ordinary shares for basic earnings per share	**333,882,059**	267,699,015
Weighted average number of ordinary shares adjusted for the effect of dilution	**333,882,059**	267,699,015

(c) Information on the classification of securities

Share options and performance rights
Share options and performance rights granted to directors and employees that could potentially dilute basic earnings per share in the future, are excluded from the calculation of diluted earnings per share because they are anti-dilutive for both of the periods presented. There were 4,310,000 (2013: 2,110,000) share options and no performance rights (2013: 750,000) that were excluded from the calculation of diluted earnings per share.

(d) Conversion, calls, subscription or issues after 30 June 2014

50,000 fully paid ordinary shares in the Company were issued pursuant to the exercise of share options between the reporting date and the date of completion of these financial statements.

The Company has issued 14,873,186 fully paid ordinary shares since the reporting date and before the date of completion of these financial statements (refer to note 32).

12. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	CONSOLIDATED	
	2014 $	2013 $
Cash at bank and in hand	13,771,425	382,843
Short-term deposits	34,000,000	1,200,575
	47,771,425	1,583,418

Cash at bank earns interest at floating rates based on daily bank deposit rates. The carrying amount of cash and cash equivalents represents fair value.

Short-term deposits are made for varying periods of between 7 to 90 days, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

Details regarding credit risk and interest rate risk are disclosed in note 3.

13. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	Note	CONSOLIDATED 2014 $	2013 $
Other receivables			
- goods & services tax receivable	(i)	275,043	28,265
- other receivables	(i)	67,710	11,579
Total current receivables		**342,753**	39,844

(i) Terms and conditions
Other receivables are unsecured, non-interest-bearing and are usually settled on 30-90 day terms. These receivables do not contain impaired assets and are not past due. It is expected that these receivables will be received when due.

(ii) Fair value and credit risk
Due to the short-term nature of these receivables, the carrying amounts are assumed to approximate their fair value. The maximum exposure to credit risk is the carrying amount of these receivables.

(iii) Liquidity risk and credit risk
Details regarding liquidity risk and credit risk exposure are disclosed in note 3.

14. CURRENT ASSETS – OTHER FINANCIAL ASSETS

	CONSOLIDATED 2014 $	2013 $
Investments in term deposits (cash deposits)	3,168,142	945,000
	3,168,142	945,000

(i) Investments in term deposits are made for varying periods of between 90 and 180 days and earn interest at the respective term deposit fixed rates.
(ii) Included in this balance is a A$790,000 security deposit held by the ANZ in relation to the issue of a A$789,263 bank guarantee, by the ANZ, in favour of Queensland's Department of Environment and Resource Management ("DERM"), which is a condition of DERM's environmental authority approval for the Gladstone LNG Project.
(iii) Included in this balance is a A$155,000 security deposit held by the ANZ in relation to the issue of a A$151,106 bank guarantee, by the ANZ, in favour of DERM, which is a condition of DERM's environmental authority approval for the Gladstone LNG Project's proposed gas pipeline.
(iv) Included in this balance is a A$100,000 security deposit held by ANZ in relation to the issue of a A$100,000 bank guarantee, by the ANZ, in favour of Colin St Investments Pty Ltd, pertaining to leasehold improvements of the head office premises.
(v) Included in this balance is a US$2,000,000 security deposit held by the ANZ in relation to the issue of a US$2,000,000 bank guarantee, by the ANZ, in favour of Kinder Morgan Louisiana Pipeline ("KMLP"), which is a condition of the Precedent Agreement between the Company's subsidiary, Magnolia LNG LLC, and KMLP.

Due to the short-term nature of the above financial instruments, their carrying amounts approximate their fair value. The maximum exposure to credit risk is the carrying amount of these financial instruments. Details regarding foreign exchange risk, interest rate risk and credit risk are disclosed in note 3.

15. NON-CURRENT ASSETS – AVAILABLE FOR SALE FINANCIAL ASSETS

	CONSOLIDATED	
	2014	2013
	$	$
Shares in Australian listed entities (i)	**-**	481,520
	-	481,520

During the year, the Company sold 9,260,000 shares in Metgasco Limited (ASX: MEL) for net proceeds of $442,496. The loss on the sale of MEL shares was $39,024 (note 8). The Group holds no further Metgasco shares.

Prior year available for sale investments consisted of investments in ordinary shares, and therefore had no fixed maturity date or coupon rate.

(i) Fair value
The fair value of listed available-for-sale investments was determined directly by reference to published price quotations in an active market.

16. NON-CURRENT ASSETS – RECEIVABLES

		CONSOLIDATED	
		2014	2013
	Note	**$**	$
Other receivables-related parties:			
- other related parties	13(i)	299	299
Total non-current receivables		**299**	299

(i) Fair value and credit risk
The non-current receivables from related parties are repayable on demand and the carrying amounts of these receivables approximate their fair value. The maximum exposure to credit risk is the carrying amount of the receivables.

(ii) Liquidity risk and credit risk
Details regarding liquidity risk and credit risk exposure are disclosed in note 3.

17. NON-CURRENT ASSETS – PLANT AND EQUIPMENT

	CONSOLIDATED	
Reconciliation of carrying amounts at the beginning and end of the year	**2014** **$**	2013 $
At 1 July, net of accumulated depreciation and impairment	123,052	251,552
Additions	247,582	9,759
Impairment	(27,558)	(83,199)
Depreciation charge for the year	(51,768)	(55,060)
At 30 June, net of accumulated depreciation and impairment	**291,308**	123,052
Cost	803,258	583,234
Accumulated depreciation and impairment	(511,950)	(460,182)
Net carrying amount	**291,308**	123,052

Impairment losses of $27,558 were recognised by the Group in the financial year, which are included within other expenses in the statement of comprehensive income.

17. NON-CURRENT ASSETS – PLANT AND EQUIPMENT (Continued)

The useful life of the plant and equipment was estimated to be between 3 to 10 years both for 2014 and 2013.

A photocopier, acquired at a cost of $16,599 is held under a finance lease. The leased asset is pledged as security for the related finance lease liability. The carrying amount of equipment held under finance leases at 30 June 2014 is $14,698 (2013: $nil).

18. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	Note	CONSOLIDATED	
		2014	2013
		$	$
Trade creditors and accruals	(i)	3,337,636	1,040,417
Other creditors	(i)	71,405	76,903
		3,409,041	1,117,320

(i) Terms and conditions
Trade creditors and accruals are non-interest bearing and are normally settled on 30 day terms. Other creditors are non-interest bearing and are normally settled within one year.

(ii) Fair value
Due to the short-term nature of these payables, their carrying value is assumed to approximate their fair value.

(iii) Foreign exchange and liquidity risk
Information on foreign exchange and liquidity risk exposures are set out in note 3.

19. INTEREST BEARING LIABILITIES

		CONSOLIDATED	
		2014	2013
Current	**Maturity**	**$**	$
Finance lease liability (note 30)	2015	2,871	-
		2,871	-
Non-current	**Maturity**		
Finance lease liability (note 30)	2016-2018	12,177	-
		12,177	-

Effective interest rate risk
The interest rate implicit in the finance lease is 9.65%.

Asset pledged as security
The carrying amount of assets pledged as security for the finance lease liability is as follows:

	Note	CONSOLIDATED	
		2014	2013
Non-current		**$**	$
Plant and equipment	17	14,698	-
Total assets pledged as security		**14,698**	-

20. CURRENT LIABILITIES – PROVISIONS

	CONSOLIDATED	
	2014	2013
	$	$
Annual leave	292,828	255,587
Long service leave	214,395	-
	507,223	255,587

For assumptions made or the estimation method used to determine the annual leave provision, refer to note 2(o).

21. NON-CURRENT LIABILITIES – PROVISIONS

	CONSOLIDATED	
	2014	2013
	$	$
Long service leave	197,555	301,087
	197,555	301,087

For assumptions made or the estimation method used to determine the long service leave provision, refer to note 2(o).

22. CONTRIBUTED EQUITY

		CONSOLIDATED	
		2014	2013
		$	$
Fully paid ordinary shares	(a)	187,024,078	117,509,466
		187,024,078	117,509,466

(a) Movement in ordinary shares on issue:		CONSOLIDATED	
		Number	**$**
At 30 June 2012	(i)	**267,699,015**	**117,509,466**
At 30 June 2013	(i)	**267,699,015**	**117,509,466**
Share placement	(ii)	40,000,000	8,000,000
Share purchase plan	(iii)	3,130,000	646,345
Share placement	(iv)	35,000,000	10,850,000
Share placement	(v)	10,000,000	4,200,000
Share placement	(vi)	31,207,254	17,163,990
Share placement	(vii)	58,792,746	32,336,010
Less: Share issue costs	(viii)	-	(4,043,203)
Exercise of options	(ix)	650,000	361,470
At 30 June 2014	(x)	**446,479,015**	**187,024,078**

(i) At the reporting date 267,699,015 Company shares were listed for official quotation on the ASX.
(ii) On 7 August 2013, the Company raised $8,000,000 (before costs) through the placement of 40,000,000 shares at $0.20/share.
(iii) On 9 September 2013, the Company raised $646,345 through the issue of 3,130,000 shares through a Share Purchase Plan at $0.2065/share.
(iv) On 19 December 2013, the Company raised $10,850,000 (before costs) through the placement of 35,000,000 shares at $0.31/share.

22. CONTRIBUTED EQUITY (Continued)

(v) On 20 March 2014, the Company raised $4,200,000 (before costs) through the placement of 10,000,000 shares at $0.42/share.
(vi) On 13 May 2014, the Company raised $17,163,990 (before costs) through the placement of 31,207,254 shares at $0.55/share.
(vii) On 18 June 2014, the Company raised $32,336,010 (before costs) through the placement of 58,792,745 shares at $0.55/share.
(viii) Included in share issue costs were share-based payments issued to consultants of $522,900. Refer to note 26.
(ix) During the financial year, 650,000 shares were issued for cash on the exercise of share options. Refer to note 26.
(x) At the reporting date 446,479,015 Company shares were listed for official quotation on the ASX.

(b) Capital management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

Management monitors capital through its cash flow requirements. Currently the Group has no net debt so does not monitor any gearing ratio.

At balance date, the Group had no debt and funds raised through shares issued subsequent to the year-end will be primarily applied to progression of the Group's core activities, being the advancement of prospective LNG production projects and LNG process, storage and shipping research and development programs.

The Group is not subject to any externally imposed capital requirements.

(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 consultants (refer to note 26).

(d) Performance rights

The Company has a share-based payment performance rights scheme under which rights to subscribe for the Company's ordinary shares have been granted to directors and employees (refer to note 26).

(e) Terms and conditions of contributed equity

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 the 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 of 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.

23. ACCUMULATED LOSSES AND RESERVES

(a) Movements in accumulated losses were as follows:

	CONSOLIDATED	
	2014	2013
	$	$
Balance at 1 July	(126,627,431)	(113,243,782)
Net loss for the year	(24,660,282)	(13,383,649)
Balance at 30 June	**(151,287,713)**	(126,627,431)

(b) Reserves

CONSOLIDATED	Share options reserve	Performance rights reserve	Redeemable preference share reserve	Equity reserve	Foreign currency translation reserve	Total
	$	$	$	$	$	$
At 1 July 2012	5,686,122	431,905	4,032,001	578,292	253,323	10,981,643
Share-based payment	(131,360)	52,970	-	-	-	(78,390)
Translation of foreign subsidiaries	-	-	-	-	(108,314)	(108,314)
At 30 June 2013	**5,554,762**	**484,875**	**4,032,001**	**578,292**	**145,009**	**10,794,939**
Share-based payment	522,900	-	-	-	-	522,900
Translation of foreign subsidiaries	-	-	-	-	662,883	662,883
At 30 June 2014	**6,077,662**	**484,875**	**4,032,001**	**578,292**	**807,892**	**11,980,722**

(c) Nature and purpose of reserves

Share options reserve
The share options reserve is used to record the value of share options issued by the Company and its subsidiaries (refer to note 26 for further details of the Share Option Plan).

Performance rights reserve
The performance rights reserve is used to record the value of performance rights issued by the Company (refer to note 26 for further details of the Performance Rights Plan).

Redeemable preference share reserve
The redeemable preference share reserve was used to record the value of the redeemable preference shares previously issued by the Company. All "B" class redeemable preference shares were fully cancelled and redeemed in 2011.

Equity reserve
This reserve is used to record the gain or loss arising from the sale or acquisition of non-controlling interest to or from third party investors.

Foreign currency translation reserve
This reserve is used to record foreign exchange differences arising from the translation of the financial statements of subsidiaries that have functional currencies other than Australian dollars.

24. NON-CONTROLLING INTERESTS

	CONSOLIDATED	
	2014	2013
	$	$
Accumulated losses	(115,861)	(110,776)
	(115,861)	(110,776)

25. CASH FLOW STATEMENT RECONCILIATION

	CONSOLIDATED	
	2014	2013
	$	$
(a) Reconciliation of net loss after tax to the net cash flows used in operations		
Net loss after income tax	(24,665,367)	(13,406,587)
Adjust for non-cash items:		
Depreciation expense	51,768	55,060
Share-based payment expense	-	(78,390)
Unrealised foreign exchange loss/(gain)	728,260	(130,118)
Decrease in fair value of available-for-sale financial assets	-	1,462,330
Loss on sale of available for sale financial assets	39,024	3,869,437
Fixed assets written off	27,558	114,924
Adjust for other cash items:		
Interest expense	5,661	1,003
Adjust for changes in assets/liabilities:		
(Increase)/decrease in trade and other receivables	(302,909)	136,421
(Increase)/decrease in prepayments	(89,107)	96,792
Increase in payables and accruals	2,291,721	142,405
Increase in provisions	148,104	1,995
Net cash flows used in operating activities	**(21,765,287)**	(7,734,728)

(b) Reconciliation to Cash Flow Statement

	CONSOLIDATED	
	2014	2013
	$	$
For the purposes of the Cash Flow Statement, cash and cash equivalents comprise the following at 30 June:		
Cash at bank and in hand	13,771,425	382,843
Short-term deposits	34,000,000	1,200,575
Closing cash balance (note 12)	**47,771,425**	1,583,418

(c) Non-cash financing and investing activities

	CONSOLIDATED	
	2014	2013
	$	$
Share-based payments (note 26)	-	(78,390)
	-	(78,390)

26. SHARE-BASED PAYMENT PLANS

(a) Recognised share-based payment expenses

The expense recognised for employee and other services received during the year is as follows:

	CONSOLIDATED	
	2014	2013
	$	$
Expenses arising from equity-settled share-based payment transactions	522,900	(78,390)
Total expense arising from share-based payment transactions (note (i))	**522,900**	(78,390)

(i) The cost of options issued to consultants in 2014 has been recognised directly in share issue costs within equity.

(b) Share Option Plan ("SOP")

A SOP has been established where the Company, at the discretion of the Board, grants options over the ordinary shares of the Company to directors and employees for nil cash consideration. The total number of options that may be issued to all parties who may participate under the SOP and which have not been exercised or cancelled shall not exceed 15% of the total issued ordinary shares of the Company at the time of issue of any options under this SOP. No further options will be issued under the SOP.

(i) Terms and conditions attaching to options

The options issued to directors, employees and senior management under the SOP are subject to the Company's Option Plan Rules, including the following terms and conditions:

- The option expiry is at the discretion of the Board;
- The options are not transferable;
- The exercise price for the options shall not be less than:
  - If there was at least one transaction in shares on the 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 shares were traded during that period; or
  - If there were no transactions in shares during that five trading day period, the last price at which an offer was made to purchase shares on the ASX;
- The Company will not make application to the ASX for Official Quotation of the options;
- The Company will make application to the ASX for quotation of the shares allotted and issued upon the exercise of an option within 10 business days after the date of exercise of the option;
- There are no participating rights or entitlements inherent in the options and holders will not be entitled to participate in new issues of capital offered to shareholders during the currency of the options. However, the Company will send a notice to each holder of options before the relevant record date. This will give option holders the opportunity to exercise their options prior to the date for determining entitlements to participate in any such issue;
- If from time to time or prior to the expiry of the options, the Company makes an issue of shares to the holders of shares by way of capitalisation of profits or reserves (a bonus issue), then upon exercise of their options, an option holder will be entitled to have issued to them (in addition to shares which would otherwise be issued to them upon such exercise) the number of shares of the class which would have been issued to them under that bonus issue if on the record date for the bonus issue they had been registered as the holder of the number of shares of which they would have been registered as holder, if immediately prior to that date, they had duly exercised their options and the shares the subject of such exercise had been duly allotted and issued to them. 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 applied in relation to the bonus issue; and
- In the event of any reorganisation of the issued capital of the Company or prior to the expiry of the options, the rights of an options holder will be changed to the extent necessary to comply with the applicable ASX Listing Rules in force at the time of the reorganisation.

26. SHARE BASED PAYMENT PLANS (Continued)

(b)(ii) Summary of options granted under the SOP

Options granted to directors and employees
During the financial year no (2013: nil) unlisted options over ordinary shares in the Company were granted to directors and employees of the Company and its controlled entities.

Options granted to consultants
During the financial year 4,500,000 (2013: nil) unlisted options over ordinary shares in the Company were granted to consultants of the Company in exchange for the services provided. The weighted average exercise price of the options granted is $0.328.

The following table shows the movements in share options during the year:

	2014		2013	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
	No.	**$**	No.	$
Outstanding at beginning of year	2,110,000	0.797	6,720,000	0.720
- granted during the year	4,500,000	0.328	-	-
- cancelled and forfeited during the year	-	-	(1,650,000)[3]	0.697
- exercised during the year	(650,000) [1]	0.556	-	-
- expired during the year	(1,650,000)[2]	0.814	(2,960,000)[4]	0.678
Outstanding at end of year	4,310,000	0.338	2,110,000	0.797
Exercisable at end of year	4,310,000	0.338	2,110,000	0.797

[1] The weighted average share price at the date of exercise was $1.374.
[2] Includes 1,650,000 expired LNG options with a weighted average exercise price of $0.814.
[3] Includes 1,650,000 forfeited LNG options with a weighted average exercise price of $0.697.
[4] Includes 2,960,000 LNG options that expired during the financial year with a weighted average exercise price of $0.678.

The outstanding balance of options granted as at 30 June 2014 is represented by:

a. 50,000 options over ordinary shares with an exercise price of $0.792 per share;
b. 920,000 options over ordinary shares with an exercise price of $0.24 per share;
c. 920,000 options over ordinary shares with an exercise price of $0.26 per share;
d. 920,000 options over ordinary shares with an exercise price of $0.28 per share; and
e. 1,500,000 options over ordinary shares with an exercise price of $0.465 per share.

The weighted average remaining contractual life for the share options outstanding as at 30 June 2014 is 2.21 years (2013: 0.09 years). The range of exercise prices for options outstanding at the end of the year was $0.24 to $0.792 (2013: $0.621 to $0.88).

(b)(iii) Option-pricing model: SOP

The fair value of each equity-settled share option tranche granted is estimated on the date of grant using a Black Scholes option-pricing model with the following average assumptions used for grants made during the financial year ended 30 June 2014:

26. SHARE BASED PAYMENT PLANS (Continued)

LNG OPTIONS	**2014**
Dividend yield (%)	Nil
Expected volatility (%)	90%
Risk-free interest rate (%)	3.0%
Expected life of option (years)	3.00
Options exercise price ($)	0.24-0.465
Weighted average share price at grant date ($)	0.228
Model used	Black Scholes

The expected volatility is determined by observing the historical daily closing share price volatility of the Company and various comparable ASX listed companies operating in the energy and resources sector at various intervals prior to the grant or valuation date.

(c) Performance Rights Plan ("PRP")

A PRP has been established where the Company, at the discretion of the Board, grants performance rights ("rights") over the ordinary shares of the Company to "eligible persons". "Eligible persons" include directors, full-time employees, part-time employees and (subject to compliance with Class Order 03/184, or obtaining other applicable relief from ASIC) consultants. The total number of rights that may be issued to all parties who may participate under the PRP and which have not been exercised or cancelled shall not exceed 10% of the total issued ordinary shares of the Company at the time of issue of any rights under this PRP.

(i) Terms and conditions attaching to performance rights

The rights issued to eligible persons under the PRP are subject to the Company's Performance Rights Plan Rules, including the following terms and conditions:

- The rights expiry is at the discretion of the Board;
- The rights are not transferable;
- The exercise price for the rights is at the Board's discretion. Recommendations regarding the exercise price are made by the Remuneration Committee and passed to the Board for approval;
- The Company will not make application to the ASX for Official Quotation of the rights;
- The Company will make application to the ASX for quotation of the shares allotted and issued upon the exercise of a right within 10 business days after the date of exercise of the right;
- There are no participating privileges or entitlements inherent in the rights and holders will not be entitled to participate in new issues of capital offered to shareholders during the currency of the rights. However, the Company will send a notice to each holder of rights before the relevant record date. This will give rights holders the opportunity to exercise their rights prior to the date for determining entitlements to participate in any such issue;
- If from time to time or prior to the expiry of the rights, the Company makes an issue of shares to the holders of shares by way of capitalisation of profits or reserves (a bonus issue), then upon exercise of their rights, a rights holder will be entitled to have issued to them (in addition to shares which would otherwise be issued to them upon such exercise) the number of shares of the class which would have been issued to them under that bonus issue if on the record date for the bonus issue they had been registered as the holder of the number of shares of which they would have been registered as holder, if immediately prior to that date, they had duly exercised their rights and the shares the subject of such exercise had been duly allotted and issued to them. 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 applied in relation to the bonus issue; and
- In the event of any reorganisation of the issued capital of the Company or prior to the expiry of the rights, the privileges of a rights holder will be changed to the extent necessary to comply with the applicable ASX Listing Rules in force at the time of the reorganisation.

26. SHARE BASED PAYMENT PLANS (Continued)

(ii) Summary of performance rights granted under the PRP

Performance rights granted to directors, executives and employees
Unlisted performance rights over ordinary shares in the Company ("LNG rights").

During the financial year no unlisted performance rights over ordinary shares in the Company were granted to directors, executives and employees of the Company and its controlled entities (2013: nil).

The following table shows the movements in LNG rights during the year:

	2014		2013	
	Number of rights	**Weighted average exercise price**	Number of rights	Weighted average exercise price
	No.	**$**	No.	$
Outstanding at beginning of year	750,000	0.844	2,250,000	0.791
- expired during the year	(750,000) [1]	0.844	(1,500,000) [1]	0.765
Outstanding at end of year	-	-	750,000	0.844
Exercisable at end of year	-	-	750,000	0.844

[1] Includes 750,000 LNG rights that expired during the financial year with weighted average exercise price of $0.844.

There are no rights outstanding at 30 June 2014.

27. PARENT ENTITY INFORMATION

Information relating to Liquefied Natural Gas Limited:	**2014** **$**	2013 $
Current assets	37,880,237	3,311,818
Total assets	47,330,654	12,724,348
Current liabilities	7,642,322	7,286,780
Total liabilities	7,938,289	7,476,984
Issued capital	187,229,079	117,714,466
Accumulated losses	(158,201,140)	(122,297,453)
Share options reserve	6,321,250	5,798,350
Redeemable preference share reserve	4,032,001	4,032,001
Total shareholders’ equity	**39,381,190**	5,247,364
Profit/(loss) of the parent entity	**(35,903,687)**	(12,469,764)
Total comprehensive income of the parent entity	**(35,903,687)**	(12,469,764)

(a) Guarantees

The parent entity has not guaranteed the liabilities of its subsidiaries as at 30 June 2014.

(b) Contingent liabilities

There are no active or pending insurance or legal claims outstanding by the parent as at the date of this report.

(c) Contractual commitments

The parent entity does not have any contractual commitments for the acquisition of property, plant or equipment.

(d) Tax consolidation

Effective 11 February 2004, for the purpose of income taxation, the Company and its 100% owned Australian resident subsidiaries have formed a tax consolidated group. The head entity, Liquefied Natural Gas Limited and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the *separate taxpayer within the group approach* in determining the appropriate amount of their current taxes and deferred taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Members of the group entered into a tax sharing agreement for the allocation of income tax expense between members on 30 June 2011.

On 1 November 2007, Gas Link Global Limited (“GLG”) left the tax consolidated group as it ceased to be a wholly-owned subsidiary of the Company. Upon the acquisition of non-controlling interest in GLG on 9 March 2009 by the Company, GLG has re-joined the tax consolidated group.

As a result of entering, exiting, and re-joining into the tax consolidation group, it is likely that a portion of income tax losses will not be available to be carried forward due to the impact of the ‘available fraction’ method of recouping tax losses. The tax benefit of these tax losses has not been recognised in the current income year.

28. RELATED PARTY DISCLOSURES

The consolidated financial statements include the financial statements of Liquefied Natural Gas Limited and its controlled entities listed in the following table:

Name	Country of incorporation	Equity interest (%) 2014	2013
LNG International Pty Ltd	Australia	100	100
Gas Link Global Limited	Australia	100	100
LNG Technology Pty Ltd	Australia	100	100
LNG Management Services Pty Ltd	Australia	100	100
The following companies are controlled via LNG International Pty Ltd:			
North American LNG Pty Ltd (Note (ii))	Australia	100	100
Eagle LNG, LLC	USA	100	100
Magnolia LNG, LLC	USA	100	100
PT. LNG Energi Utama	Indonesia	95	95
Gladstone LNG Pty Ltd	Australia	100	100
CSG Nominees Pty Ltd	Australia	100	100
Mayflower LNG Pty Ltd (Note (iii))	Australia	100	100
Gladstone OSMR Technology Pty Ltd	Australia	100	100
Qeshm International LNG Gas (Ltd) (Note (i))	Iran	100	100
The following company is controlled via Gas Link Global Limited:			
Gedd (PNG) Limited (Note (i))	Papua New Guinea	100	100

(i) Deregistration of these entities is in progress.
(ii) North American LNG Pty Ltd was previously named South Australian LNG Pty Ltd.
(iii) Mayflower LNG Pty Ltd was previously named Kimberley LNG Pty Ltd.

(a) Ultimate Parent

Liquefied Natural Gas Limited is the ultimate Australian Parent company of the Group.

(b) Key Management Personal ("KMP")

Details relating to transactions with directors and other KMP, including remuneration paid, are included in note 29.

(c) Transactions with other related parties

There were no transactions with other related parties in the current or prior financial year.

(d) Employees

Contributions to superannuation funds on behalf of employees are disclosed in note 8(d).

29. KEY MANAGEMENT PERSONNEL ("KMP")

(a) Compensation of Key Management Personnel

	CONSOLIDATED	
	2014	2013
	$	$
Short-term benefits	2,812,872	2,335,897
Post-employment benefits	124,832	123,583
Long-term benefits	84,357	20,028
Share-based payment	-	55,572
	3,022,061	2,535,080

(b) Loans to Key Management Personnel

There were no loans made to KMP personnel during the year.

(c) Other transactions and balances with Key Management Personnel

Directors fees paid to Clearer Sky Pty Ltd, a company in which Mr. R.J. Beresford is a director for the financial year amounted to $106,564 (excluding GST) [2013: $83,268]. At reporting date, no amount is outstanding [2013: $nil].

Directors fees paid to Breakthrough Energy Pty Ltd, a company in which Ms. L.K. Bond is a director for the financial year amounted to $69,115 (excluding GST) [2013: $54,000]. At reporting date, $nil is outstanding [2013: $nil].

The above payments have all been disclosed as remuneration in the table in the Remuneration Report section in the Directors' Report.

Other than the above, other consultancy services provided by Clearer Sky Pty Ltd amounted to $70,380 (excluding GST) [2013: $42,780].

30. COMMITMENTS

(a) Operating lease commitments – the Group as lessee

On 29 October 2004, the Company entered into an operating lease for the office space situated on the Ground floor, 5 Ord Street, West Perth, Western Australia. The Company exercised an option under the lease to extend the lease term on several occasions. The Company terminated the lease and vacated the office space on 31 August 2014.

On 1 September 2014, the Company commenced an operating lease for office space on Level 1, 10 Ord Street, West Perth, Western Australia. The lease expires on 31 August 2017.

On 28 August 2013, the Company's wholly owned subsidiary, Magnolia LNG LLC, entered into an operating lease for office space situated at 1001 McKinney, Suite 400, Houston, Texas, United States. The lease was revised on 4 April 2014 to include the neighbouring suite, and the revised lease expires on 30 November 2017. The lease can be extended for an additional 38 month term, by notifying the landlord in writing within six to nine months of the lease expiration date.

On 22 November 2013, the Company's wholly owned subsidiary, Magnolia LNG LLC, entered into an operating lease for office space situated at the Capital One Tower, One Lakeshore Drive, Suite 1810, Lake Charles, Louisiana, United States. The lease expires on 31 December 2016. The lease can be extended for an additional 12 month term, by notifying the landlord in writing six months prior to the lease expiration date.

30. COMMITMENTS (Continued)

Future minimum rentals payable under non-cancellable operating leases as at 30 June is as follows:	**CONSOLIDATED** **2014** **$**	2013 $
- Within one year	319,376	204,871
- After one year but not more than five years	761,826	14,355
Aggregate non-cancellable operating lease expenditure contracted for at reporting date	**1,081,202**	219,226

(b) Finance lease – the Group as lessee

On 4 November 2013, the Company entered into a finance lease for the purchase of a photocopier, which expires on 4 November 2018. The lease term is for 60 months with a fixed term of repayment and the Company has the option to purchase the asset at the completion of the lease term for the residual value of $1. The interest rate implicit in the lease is 9.65%. In the prior year there were no finance leases.

Future minimum lease payments under the finance lease together with the present value of the net minimum lease payments are as follows:

	2014		2013	
CONSOLIDATED	**Minimum lease payments**	**Present value of lease payments**	Minimum lease payments	Present value of lease payments
	$	**$**	$	$
- Within one year	4,198	2,714	**-**	**-**
- After one year but not more than five years	14,339	11,511	**-**	**-**
Total minimum lease payments	18,537	14,225	**-**	**-**
- Less amounts representing finance charges	(4,312)	-	**-**	**-**
Present value of minimum lease payments	**14,225**	**14,225**	**-**	**-**

(c) Capital commitments

At year end, there were no commitments in relation to the purchase of plant and equipment (2013: $nil).

(d) Other expenditure and remuneration commitments

The Group has entered into agreements with directors and employees to provide services for a fixed period. Set out below is the commitments contracted for at reporting date but not recognised as liabilities:

	CONSOLIDATED **2014** **$**	2013 $
- Within one year	3,025,755	1,620,303
	3,025,755	1,620,303

The above amounts include commitments arising from the service and consultancy agreements of directors and executives referred to in the remuneration report of the Directors' Report that are not recognised as liabilities and are not included in the compensation of KMP.

31. CONTINGENCIES

(a) Insurance claims

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

(b) Legal claims

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

(c) Guarantees

The Company's subsidiary, Magnolia LNG LLC ("MLNG"), has provided a bank guarantee (issued by ANZ Bank) for the amount of US$2,000,000, in favour of Kinder Morgan Louisiana Pipeline ("KMLP"), which is a condition of the Precedent Agreement between MLNG and KMLP, providing firm gas transportation rights for the Magnolia LNG Project.

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

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

The Company has provided a bank guarantee (issued by ANZ Bank) for the amount of A$100,000 in favour of Colin Street Investments Pty Ltd, pertaining to leasehold improvements for the head office premises.

Term deposits of A$3,168,142 are held by the Company and pledged as security for the above guarantees (note 14).

32. EVENTS AFTER BALANCE DATE

(a) EPC Contract Term Sheet Signed with SK E&C Group

On 11 July 2014 the Company's wholly owned subsidiary, Magnolia LNG LLC, executed an EPC Contract Term Sheet with SK E&C USA ("EPC Term Sheet") in relation to the first phase of the Company's Magnolia LNG Project.

The EPC Term Sheet details the generally agreed position of SK E&C and MLNG in relation to over 45 key commercial provisions to be further developed and included in a Lump Sum Turn Key EPC Contract. BNP Paribas, MLNG's project finance adviser and Merlin Advisors LLC, the lenders' technical consultant, contributed to the establishment of the EPC Term Sheet to assist in ensuring bankability of the provisions.

(b) FERC Accepts Kinder Morgan's Filing Application

On 14 July 2014, the US Federal Energy Regulatory Commission ("FERC") accepted Kinder Morgan Louisiana Pipeline LLC's ("KMLP") application pursuant to Section 7(c) of the Natural Gas Act for the Lake Charles Expansion Project. KMLP's application seeks FERC's authorisation to construct and operate the Lake Charles Expansion Project, which would include the installation of compression and other related facilities on the existing KMLP Pipeline, facilitating the full required volumes of natural gas to be transported to the proposed 8 mtpa Magnolia LNG Project, which is located along the Calcasieu River, near Lake Charles, Louisiana, United States of America.

The FERC approval process for the Lake Charles Expansion Project will run in parallel with FERC's regulatory review of the Magnolia LNG Project. FERC formally accepted the Magnolia LNG application on 15 May 2014.

32. EVENTS AFTER BALANCE DATE (Continued)

(c) Acquisition of Bear Head LNG Project for US$11 Million

On 27 July 2014, the Company signed an agreement to acquire 100% of Bear Head LNG Corporation from a subsidiary of Anadarko Petroleum Corporation for US$11 million. The transaction was subsequently finalised on 26 August 2014, following the satisfaction of standard closing conditions and consents.

The Bear Head LNG Project “Bear Head” is located in Richmond County, Nova Scotia, Canada, and the key assets include:

- A 255-acre site comprising industrial-zoned land (180 acres) and deep-water acreage (75 acres) as well as foundations in place for two 180,000 cubic meter LNG tanks. The land has been cleared, a majority of site works completed and roads constructed.

- The Project Rights of the previously proposed LNG import terminal, including all assets, rights and obligations associated with the Bear Head project.

This acquisition is in line with Group’s strategy of acquiring sites in North America where the Group can replicate its Magnolia LNG Project and fast-track development by using its existing development team and its OSMR® technology.

The Group plans to transform Bear Head into a 4 mtpa LNG export facility with potential for future expansion, has already developed a gas supply plan and a transportation plan, and has interest from several parties to enter into Tolling Agreements, adopting the same business model as the Magnolia LNG Project.

The Group is in discussions with gas transportation companies and owners of gas reserves regarding the supply of natural gas from onshore and offshore Canadian natural gas supply options, and the Marcellus Shale Gas Play in North-Eastern USA, to the Bear Head site.

As part of this transaction, Mr John Godbold was appointed as Chief Operating Officer and Project Director of Bear Head LNG Corporation. John will be responsible for the project and reports to the Group’s Managing Director, Maurice Brand. He has led energy projects for Pangea LNG, Gulf Coast LNG and El Paso Energy, and is a former NASA engineer.

Mr Ian Salmon was appointed as Chief Financial Officer and Chief Commercial Officer of Bear Head LNG Corporation. Ian previously worked for El Paso Energy and Morgan Stanley.

(d) A$38.6 million Share Placement to Fund Bear Head LNG Project

On 30 July, the Company raised A$38.6 million (before costs) via a placement of 14,873,186 ordinary shares at A$2.60 to US and Australasian institutional investors.

The capital raising will be used to:

(i) fund the acquisition of 100% of Bear Head LNG Corporation from a subsidiary of Anadarko Petroleum Corporation for US$11 million (refer to (c) above); and

(ii) fund the development (including the FEED Study, permit and regulatory approvals and all Project Documentation) of Bear Head through to a possible Final Investment Decision in 2016.

(e) Exercise of options

On 11 July 2014, 50,000 shares were issued on the exercise of options. At the date of this report there are 4,260,000 options outstanding.

33. AUDITORS REMUNERATION

The auditor of the Company is EY Australia.

	CONSOLIDATED	
Amounts received or due and receivable by Ernst & Young (Australia) for:	**2014 $**	2013 $
- Audit or review of the financial report of the entity and any other entities in the Consolidated Group	61,340	61,825
- Other services in relation to the entity and any other entities in the Consolidated Group:		
- tax and other services	125,077	47,090
	186,417	108,915
- Tax services provided by overseas EY firm	206,999	21,591
	206,999	21,591
Amounts received or due and receivable by EY	**393,416**	130,506
Amounts received or due and receivable by non EY audit firms:		
- Audit or review of the financial report of other entity in the Consolidated Group	4,645	-
	4,645	-

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

In relation to our audit of the financial report of Liquefied Natural Gas Limited for the financial year ended 30 June 2014, 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

Fiona Drummond
Partner
17 September 2014

FD:DR:LNG:009

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 consolidated entity are in accordance with the *Corporations Act 2001*, including:

> (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
>
> (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;

(b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 1;

(c) there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable; and

(d) this declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2014.

On behalf of the Board

Richard Beresford

R.J. Beresford
Chairman

Perth, Western Australia
17 September 2014

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Independent auditor's report to the members of Liquefied Natural Gas Limited

Report on the financial report

We have audited the accompanying financial report of Liquefied Natural Gas Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the 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 financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit 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.

FD:DR:LNG:008

Opinion

In our opinion:

a. the financial report of Liquefied Natural Gas Limited is in accordance with the *Corporations Act 2001*, including:

   i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

   ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the remuneration report

We have audited the Remuneration Report included in pages 25 to 38 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Liquefied Natural Gas Limited for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Fiona Drummond
Partner
Perth
17 September 2014

FD:DR:LNG:008

ASX Additional Information

Additional information required by the ASX and not shown elsewhere in this report is as follows. The information is current as at 17 September 2014.

(a) Distribution of equity securities

(i) Ordinary share capital

- 461,402,201 fully paid ordinary shares are held by 6,971 individual shareholders.

All ordinary shares (whether fully paid or not) carry one vote per share without restriction and carry the rights to dividends.

(ii) Options

- 4,260,000 unlisted options over ordinary shares are held by 2 individual option holders.

The options do not carry a right to vote.

(iii) Performance rights

- Nil unlisted performance rights over ordinary shares.

The rights do not carry a right to vote.

(b) The number of shareholders, by size of holding, in each class of share are:

	Fully paid ordinary shares	**Options**	**Performance rights**
	Number of holders	**Number of holders**	**Number of holders**
1 – 1,000	1,938	-	-
1,001 – 5,000	2,525	-	-
5,001 – 10,000	990	-	-
10,001 – 100,000	1,322	-	-
100,001 and over	196	2	-
	6,971	2	-
The number of shareholders holding less than a marketable parcel of shares are:	419	-	-

c) Twenty largest shareholders

The names of the twenty largest holders of quoted shares are:

Ordinary shares

		Listed ordinary shares	
		Number of shares	**Percentage of ordinary shares**
1	HSBC Custody Nominees (Australia) Limited-GSCO ECA	91,789,083	19.89
2	Citicorp Nominees Pty Limited	67,028,939	14.53
3	HSBC Custody Nominees (Australia) Limited	58,936,365	12.77
4	HSBC Custody Nominees (Australia) Limited-A/C 2	16,113,637	3.49
5	J P Morgan Nominees Australia Limited	13,981,518	3.03
6	China Huanqiu Contracting & Engineering Corporation	10,000,000	2.17
7	Merrill Lynch (Australia) Nominees Pty Limited	9,804,217	2.12
8	National Nominees Limited <DB A/C>	9,115,987	1.98
9	Mr Bassam Abou Chahla & Ms Cherie Abou Chahla <Abou Chahla Family S/F A/C>	7,717,450	1.67
10	HSBC Custody Nominees (Australia) Limited-A/C 3	7,481,809	1.62
11	Mr Andrew Bruce & Mrs Wendy Bruce <Bruce Family S/F A/C>	6,607,460	1.43
12	CS Fourth Nominees Pty Ltd	6,411,760	1.39
13	Mr Paul Bridgwood	5,294,040	1.15
14	National Nominees Limited	4,905,748	1.06
15	Sasigas Nominees Pty Ltd <Fletcher M Brand Family A/C>	4,400,000	0.95
16	HSBC Custody Nominees (Australia) Limited <ST A/C>	4,355,494	0.94
17	HSBC Custody Nominees (Australia) Limited <Euroclear Bank SA NV A/C>	4,320,312	0.94
18	HSBC Custody Nominees (Australia) Limited <CW A/C>	4,060,285	0.88
19	Spacetime Pty Ltd <Copulos Exec S/F No 1 A/C>	3,359,405	0.73
20	Warbont Nominees Pty Ltd <Accumulation Entrepot A/C>	2,563,780	0.56
		338,247,289	**73.31**

d) Substantial shareholders

Ordinary shareholders	Fully paid	
	Number	**Percentage**
Baupost Group	42,684,906	9.25
Valinor Mgt	33,677,189	7.30
Claren Road Asset Mgt	27,908,282	6.05
	104,270,377	22.60

e) Cash used in operations

Since the date of the Company's admission for official quotation of its shares on the ASX, being 14 September 2004, the Company and the Group have employed the funds raised, at the time of official quotation, in a manner and for purposes consistent with that detailed in the Company's July 2004 Prospectus.