



**December 2018**

## **Quarterly Highlights and Appendix 4C**

### **A Message from the Managing Director and Chief Executive Officer**

Our LNG capacity contract pricing offer is very market competitive. This pricing, when combined with our execution and delivery strategy, mature regulatory status, and financing plans, presents buyers with a very attractive commercial opportunity - Magnolia LNG.

The second quarter of LNG Limited's fiscal year featured continued emphasis on signing long-term offtake contracts for Magnolia LNG while ensuring that our best in class project execution and delivery strategy is fully ready to meet customer needs arising in this LNG market environment.

Most LNG industry participants are bullish on the prospects for execution of new long-term offtake agreements in 2019. Consistent with this thesis, active negotiations for Magnolia LNG capacity continue with focus on Asian and European customers. Efforts with select Asian counterparties progressed substantially in the period despite uneven trade discussion rhetoric. Similarly, we are making positive progress with key counterparties in Europe. We are also vigorously pursuing potential customers in other parts of the world as well.

Our marketing efforts continue with an appropriate balance for the need to close capacity sales at Magnolia LNG while providing acceptable returns to shareholders.

You will have recently seen, our binding lump sum turnkey contract with KSJV was extended to June 30, 2019. During the quarter, we did not extend our offtake agreement with Meridian LNG. The decision to allow the agreement to lapse frees up desired capacity from Magnolia LNG for offtakers that are more closely aligned with Magnolia's development needs.

LNG Limited held its 2018 Annual General Meeting (AGM) in Sydney on Thursday, November 15, 2018. A recording of my presentation, including question and answers, is on our website under "Webcasts and Interviews" in the Media section. I encourage shareholders to listen to the presentation if they were unable to attend the AGM.

As we envision a final investment decision (FID) for Magnolia LNG, we incurred one-time charges during the quarter working with our existing project partners. Payments made for work performed with the Kinder Morgan Louisiana Pipeline (KMLP) and KSJV (a KBR – SKE&C joint venture led by KBR), to refresh and update the project's pipeline capacity and engineering, procurement and construction (EPC) elements, increased cash outflow in the quarter relative to previous periods. We closed December 2018 with the Company's total cash position at A\$36.6 million and remain debt free. We continue to manage our liquidity closely, consistent with our stated plans.

Yours sincerely,

Gregory M. Vesey, Managing Director and Chief Executive Officer

### **Liquefied Natural Gas Limited**

ASX Code: LNG  
 OTC ADR: LONGLY  
 ABN: 19 101 676 779

#### **CONTACT DETAILS**

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#### **BOARD OF DIRECTORS**

**Paul J. Cavicchi**  
Chairman  
**Gregory M Vesey**  
Managing Director and Chief Executive Officer  
**Leanne Kay Bond**  
Non-Executive Director  
**Richard Jonathan Beresford**  
Non-Executive Director  
**D. Michael Steuert**  
Non-Executive Director  
**Philip D. Moeller**  
Non-Executive Director

#### **ISSUED CAPITAL at Dec. 31, 2018**

Shares on Issue	571,752,166
Performance Rights	18,184,033
ADRs on Issue	5,779,420

#### **SUBSTANTIAL SHAREHOLDERS at Dec. 31, 2018**

Top 20 Shareholders	59.8%
- Baupost Group, LLC	10.9%
- IDG Energy Investment Group Ltd	9.9%
- Valinor Management, LLC	7.3%
North American	53.2%
Australasia and Asia	20.2%

**QUARTER HIGHLIGHTS*****Magnolia LNG:***

- On November 19, 2018, Magnolia LNG, LLC filed an application with the US Federal Energy Regulatory Commission (FERC) for a limited amendment to increase the authorized capacity of the facility from 8.0 mtpa to 8.8 mtpa.
- On December 21, 2018, LNG Limited announced that its 100% owned project company, Magnolia LNG LLC, and Meridian LNG Holdings Corp have mutually agreed not to extend the deadline for satisfaction of the conditions precedent to the Liquefaction Tolling Agreement beyond the current date of December 31, 2018.
- On December 20, 2018, LNG Limited announced an extension of the validity period of its current binding EPC contract with KSJV and Magnolia LNG. The binding lump sum turnkey (LSTK) EPC US\$4.354 billion contract is now valid through June 30, 2019. The initial agreement with KSJV was signed on 16 November 2015 with an installed capacity EPC cost/tonne range of US\$495 to US\$544 based on final design at final investment decision (FID).
- On December 31, 2018, Magnolia LNG LLC filed an application with Department of Energy (DOE) Office of Fossil Energy to increase the quantity of authorized exports of domestically produced LNG up to 8.8 to non-free trade agreement and free trade agreement nations.

***Bear Head LNG:***

- During this quarter, Bear Head LNG continued to market capacity primarily to major Western Canadian Sedimentary Basin producers and address gas path solution opportunities with Canadian pipeline companies.

***OSMR® Process Technology***

- LNG Limited continued to examine technical improvements in the OSMR® technology and plant modular design to further reduce costs.
- The Company continues to engage with third-parties interested in using the OSMR® technology in their projects.

***Security movements:***

- On December 14, 2018, LNG Limited announced in an Appendix 3B notice to the ASX that 637,820 NED Rights were issued following approval at the 2018 AGM on November 15, 2018.
- On December 13, 2018, LNG Limited announced in an Appendix 3B notice the issue of 765,960 Shares to Non-Executive Directors (NED) following the vesting of 776,060 unlisted NED Rights on November 16, 2018.
- On November 21, 2018, LNG Limited announced in an Appendix 3B notice the issue of 1,600,000 Incentive Rights to Gregory Matthew Vesey (Managing Director & CEO of LNG Limited) which was approved by shareholders at the 2018 AGM.

***Financial Position:***

During the three-months ended December 31, 2018, net operating cash outflow was A\$10.5 million, which compared with the net operating cash outflow of A\$4.8 million for the three-months ended September 30, 2018. LNG Limited's total cash balance as at December 31, 2018 was A\$36.6 million (inclusive of A\$3.4 million of restricted cash), which compares to A\$46.4 million at September 30, 2018, reflecting a net decrease in reported cash of A\$9.8 million. The change in reported cash between periods reflected: net cash outflows of A\$10.5 million; and a non-cash impact of A\$0.7 million from currency translation effect relating to movements in exchange rates associated with cash held in denominations other than the Australian dollar (primarily U.S. dollars).

The preponderance of forecasted cash outflows is denominated in US dollars, supporting maintenance of a majority of cash and cash equivalents in US dollars as a foreign exchange risk mitigation strategy. Historically, LNG Limited maintained a material portion of its existing cash and cash equivalents in US dollars and will look to do so in the

future to coordinate cash reserves with forecasted cash outflows. Because LNGL's reporting currency is Australian dollars, the US dollar denominated cash balances are translated to Australian dollars at each balance sheet date, with the net effect reflected as unrealized gain (loss) from translation as a period end-to-period end reconciling item in reported cash balances. The Company has no debt.

The liquidity management plan in place remains on course to fund operating requirements into the second quarter 2020. The Company contemplates the continuity of normal business activity in delivering its goals of reaching financial investment decisions, constructing, and operating its liquefaction projects. LNGL's ability to extend available liquidity beyond existing capacity is dependent upon the future successful raising of incremental funding through any one or a combination of: the successful marketing of offtake capacity and the resulting financing of one or more of its projects; marketing of the OSMR® technology and services; the sale of equity and/or debt; or the sale of assets. Management believes it has options for raising incremental capital and that execution of its plans will enable extension of existing liquidity as and when required. However, Management acknowledges the risks and uncertainty of raising additional capital through the above means and that failure to do so would impose negative implications to the business.

**For further information, contact:**

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**ABOUT LIQUEFIED NATURAL GAS LIMITED**

LNGL is an ASX listed company (Code: **LNG** and OTC ADR: **LNGLY**) whose portfolio consists of 100% ownership of the following companies:

- Magnolia LNG LLC (**Magnolia LNG**), a US-based subsidiary, which is developing an 8 mtpa or greater LNG export terminal, in the Port of Lake Charles, Louisiana, USA;
- Bear Head LNG Corporation Inc. (**Bear Head LNG**), a Canadian based subsidiary, which is developing an 8 - 12 mtpa LNG export terminal in Richmond County, Nova Scotia, Canada;
- Bear Paw Pipeline Corporation Inc. (**Bear Paw**), which is proposing to construct and operate a 62.5 km gas pipeline lateral to connect gas supply to Bear Head LNG; and
- LNG Technology Pty Ltd, a subsidiary which owns and develops the Company's **OSMR®** LNG liquefaction process, a mid-scale LNG business model that plans to deliver lower capital and operating costs, faster construction, and improved efficiency, relative to larger traditional LNG projects.

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### Disclaimer

Forward-looking statements may be set out within this correspondence. Such statements are only predictions, and actual events or results may differ materially. Please refer to our forward-looking statement disclosure contained on our website at [www.LNGLimited.com.au](http://www.LNGLimited.com.au) and to the Company's Annual Report and Accounts for a discussion of important factors, which could cause actual results to differ from these forward-looking statements. The Company does not undertake any obligation to update publicly, or revise, forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required.

## Appendix 4C

### Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

**Name of entity**

Liquefied Natural Gas Limited

**ABN**

19 101 676 779

**Quarter ended ("current quarter")**

31 December 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	31	40
1.2 Payments for		
(a) research and development/patents	(3)	(24)
(b) LNG project development	(6,333)	(7,946)
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs	(2,352)	(4,845)
(f) administration and corporate costs	(2,167)	(3,141)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	342	594
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	3
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(10,482)</b>	<b>(15,319)</b>

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (Sale of Gladstone LNG Pty Ltd)	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	-	-

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes, rights or options	-	-
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	-	-

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of quarter/year to date	46,397	50,698
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(10,482)	(15,319)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	655	1,191
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>36,570</b>	<b>36,570</b>

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	33,208	43,083
5.2	Call deposits	3,362	3,314
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>36,570</b>	<b>46,397</b>

6. <b>Payments to directors of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1 Aggregate amount of payments to these parties included in item 1.2	436
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

Payments to directors include salaries, directors' fees, bonuses and superannuation payments to executive and non-executive directors.

7. <b>Payments to related entities of the entity and their associates</b>	<b>Current quarter \$A'000</b>
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

Not applicable.

8. <b>Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

Not applicable.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development/patent costs	-
9.2 LNG project development	1,135
9.3 Advertising and marketing	-
9.4 Leased assets	-
9.5 Staff costs	3,932
9.6 Administration and corporate costs	1,249
9.7 Other (provide details if material)	-
<b>9.8 Total estimated cash outflows</b>	<b>6,316</b>

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions \$A'000	Disposals \$A'000
10.1 Name of entity	N/a	N/a
10.2 Place of incorporation or registration	N/a	N/a
10.3 Consideration for acquisition or disposal	N/a	N/a
10.4 Total net assets	N/a	N/a
10.5 Nature of business	N/a	N/a

### Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:   
Joint Company Secretary

Date: 31 January 2019

Print name: Andrew Gould

**Notes**

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.