



## ASX/MEDIA RELEASE

24 October 2013

# STONEPEAK PARTNERS SIGNS DEFINITIVE AGREEMENTS FOR US\$660M EQUITY FUNDING FOR MAGNOLIA LNG PROJECT

- **New York infrastructure fund Stonepeak Partners LP underwrites full equity requirement of US\$660 million, for the construction and commissioning of Magnolia LNG from Final Investment Decision to Commercial Operations Date (first LNG production)**
- **Stonepeak Partners LP to assist Magnolia LNG to negotiate and execute all Definitive Project Agreements and to access Project Debt Financing of US\$1.540 billion**

**Liquefied Natural Gas Ltd (“the Company”)** is pleased to confirm that wholly owned subsidiaries of the Company and Stonepeak Partners LP (“**Stonepeak**”) have signed a legally binding Equity Commitment Agreement, including the agreed final form of the Magnolia LLC Agreement, to provide 100% of the construction equity for the Company’s Magnolia LNG Project (“**Magnolia LNG**” or “**the Project**”) in Louisiana, United States. The total Stonepeak equity contribution is estimated to be US\$660 million.

Stonepeak and the Company signed an equity funding and strategic alliance term sheet on 26 July 2013, the key terms of which are incorporated in the Equity Commitment Agreement. Based on the Project’s current financial model, Stonepeak’s US\$660 million equity investment will provide it with an approximate 50% equity interest in the Project, with the Company retaining around a 50% equity interest.

**The Stonepeak equity transaction comprises two documents, namely:**

- Equity Commitment Agreement**, which governs the relationship, cooperation, rights and obligations between Stonepeak and the Company in relation to the Project through to a Final Investment Decision (“**FID**”); and
- Magnolia LLC Agreement**, which sets out the respective rights and obligations of Stonepeak and the Company from FID, including the construction and funding of the Project, the management and governance of the Project, the allocation and distribution of the Project’s 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.

This marks a major milestone for the Company in the development of the Project with equity funding plans for the Project’s construction and operations now in place. The key terms of the Equity Commitment Agreement include:

- Stonepeak will commit to provide 100% of the Project equity at FID, 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 Company will receive a one-off success fee on the Project reaching FID, 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 Magnolia LNG to the Company of an OSMR® technology license fee of US\$25 million for trains 1 and 2, with 50% payable at FID and 50% payable at Commercial Operations Date. A further payment of US\$25 million will be payable for trains 3 and 4 under the same terms;
- Stonepeak will assist the Company in securing long term Project debt financing, which is estimated at US\$1.540 billion. In this regard, Stonepeak will work with the Company in ensuring all material Project agreements and other documents are in a bankable form. Stonepeak and the Company have selected three parties to present final proposals for the role of Project Financial Advisor; and
- Stonepeak will be entitled to appoint one manager to the Board of Magnolia LNG, LLC (the Project ownership company), with no voting rights prior to FID and the commencement of Stonepeak's Project equity financing contribution.

Stonepeak Managing Director and co founder, Trent Vichie, said that "We are delighted to enter into this partnership with the Company for the Magnolia LNG Project. We look forward to working with the Company's Project management team to bring the Project to FID and ultimately commercial operations."

The Company's Managing Director, Maurice Brand, commented: "The Stonepeak Equity Commitment Agreement is a significant milestone in the development of the Magnolia LNG Project, and has considerably de-risked our path to LNG production. The Project is set to be within the first 5 LNG export projects in the US to commence LNG supply."

"Obtaining equity funding in a short period of time from a well-regarded infrastructure fund is a solid endorsement of the Project, the OSMR® LNG Liquefaction Process, and the Company's ability to develop and operate a major US LNG export facility."

The Project is based on the development of 2 x 2mtpa LNG trains in Stage 1. First production is anticipated in the first half 2018. The Project can be increased by an additional 2 x 2mtpa LNG trains at a marginal cost for a total nominal capacity of 8mtpa.

Key milestones, "Conditions Precedent", that Magnolia LNG will need to satisfy prior to Stonepeak commencing the Project equity financing, which are all usual for the nature of the Project, include:

- Executed Tolling Agreements for a total of 3.4mtpa of Firm Capacity with parties such as Gunvor. Magnolia LNG has already provided Gunvor with the first comprehensive preliminary draft tolling agreement for its consideration;
- Executed lump sum turnkey Engineering, Procurement and Construction ("**EPC**") "wrap" contract, which includes a fixed EPC cost and completion and production and plant efficiency performance guarantees. This EPC contract minimises cost and schedule overrun risks, as these risks are borne by the appointed EPC Contractor. Magnolia LNG expects to appoint its preferred EPC Contractor in the fourth quarter 2013;
- Executed Project Debt Financing Facility of US\$1.540 billion, being 70% of the total capital cost estimate of US\$2.260 billion for trains 1 and 2. Stonepeak and the Company will shortly select a Project Financial Advisor to assist Magnolia LNG ensure Project bankability and to secure the Project debt financing;
- Executed minimum 30 years Lease Agreement with the Lake Charles Harbour and Terminal District ("**Port**"). Magnolia LNG has already signed a 4 year Site Option Agreement with the Port and agreed the definitive Lease Agreement; and

- The Federal Energy Regulatory Commission (“**FERC**”) issuing to Magnolia LNG a Notice to Proceed with construction of the Project. This is on schedule for early 2015 and is expected to be the last Condition Precedent to be satisfied to achieve FID.

As previously announced, the Company has signed a non-binding Tolling Agreement Term Sheet with Brightshore Overseas Ltd (an affiliate of Gunvor) and a non-binding Heads of Agreement with Gas Natural SDG SA (“**GNF**”), for the 4mtpa planned output of Stage 1.

Mr. Brand added, “The Company is now focused on signing the definitive Tolling Agreements for the 3.4 mtpa Stage 1 firm capacity of the Project with Gunvor and GNF, selecting its preferred EPC Contractor, and progressing the required FERC approvals. We will continue to update shareholders on our progress on a monthly basis and when material agreements have been executed.”

The Company was advised on the transaction by EAS Advisors LLC, (through Merriman Capital Inc.), ([www.easadvisors.com](http://www.easadvisors.com)) a financial advisory group based in New York whose principal is Mr Edward Sugar. In consideration of the EAS advice, the Company will issue 3 million options in the Company to EAS Advisors, who also assisted in the placement of new shares in the Company during August 2013. The placement was managed by Foster Stockbroking Ltd, a Sydney based stockbroker. ([www.fostock.com](http://www.fostock.com)).

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**ABOUT STONEPEAK PARTNERS – [www.stonepeakpartners.com](http://www.stonepeakpartners.com)**

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 and formerly led the Blackstone Group (from 2008) infrastructure division prior to forming Stonepeak in 2011.

Prior to joining Blackstone, Michael was a Senior Managing Director and Trent a Managing Director in Macquarie Bank’s infrastructure team in North America from 2000 to 2008.

On the 9 October 2013, Stonepeak completed a capital raising and now manages over US\$1.65 billion of equity.

A copy of the 9 October 2013 Press Release is attached.

**MAGNOLIA LNG PROJECT – [www.magnolialng.com](http://www.magnolialng.com)**

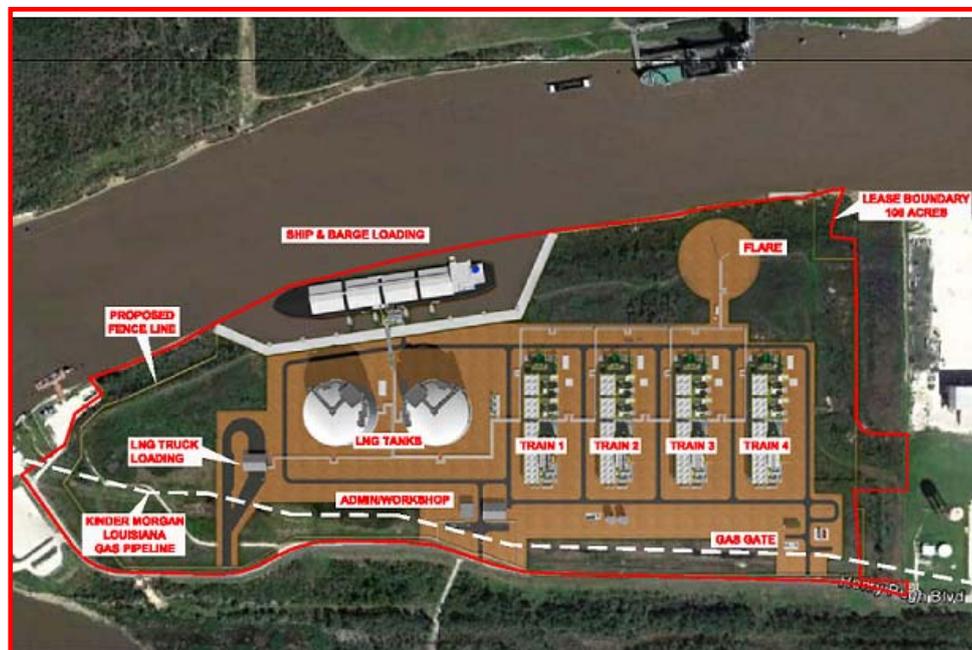
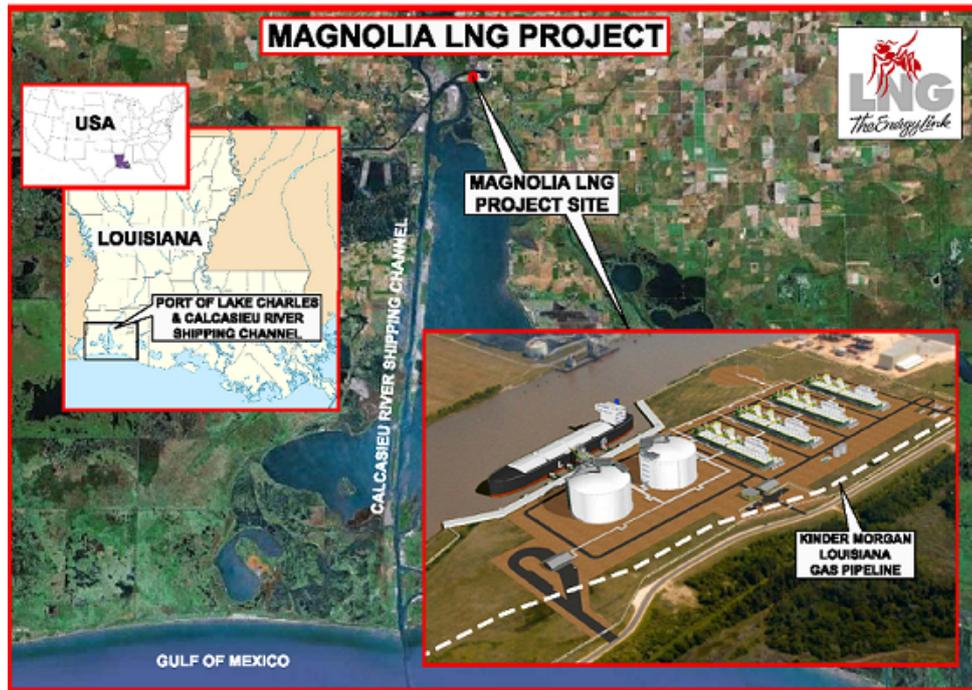
The project comprises the proposed development of an 8 mtpa LNG project on a 108 acres site, in an established LNG shipping channel in the Lake Charles District, State of Louisiana, United States of America.

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 the completed LNG plant front end engineering and design of the Company’s Gladstone Fisherman’s Landing LNG Project, in Queensland, Australia.

The “tolling” business model being adopted for the Magnolia LNG Project is to provide liquefaction, storage and ship loading facilities to LNG buyers who pay a monthly fixed capacity fee, plus all LNG plant operating and maintenance costs. The LNG

buyers are responsible for the supply and transportation of gas to the Magnolia LNG Project site. There are 11 major gas transportation “corridors” to assist and facilitate gas supply to the Magnolia LNG Project.

Shale gas resources in the US are estimated at ~665 trillion cubic feet (tcf) by the US Energy Information Administration (June 2013). The Magnolia LNG Project only requires 0.4 tcf per annum for the full 8 mtpa LNG project. By 2020, total US gas production, including shale gas, is projected to annually exceed 25 tcf.





STONEPEAK  
INFRASTRUCTURE PARTNERS

## **Stonepeak Infrastructure Partners Raises \$1.65 Billion for Inaugural Standalone Fund**

NEW YORK, October 9, 2013 – Stonepeak Infrastructure Partners, a leading independent infrastructure investment firm, announced today that it has completed fundraising for its inaugural standalone fund, closing Stonepeak Infrastructure Fund I at \$1.65 billion. Stonepeak, founded by former members of the infrastructure investment team at Blackstone, will focus on investment opportunities in the North American middle market, targeting the water and utilities, energy and power and transportation sectors.

“We are extremely appreciative of the support we have received from our investors,” said Michael Dorrell, co-founder and Senior Managing Director of Stonepeak. “North American middle-market infrastructure represents a compelling investment opportunity, given the enormous capital needs and limited funding sources in the space. We have completed four investments and announced another two to date, and we continue to see compelling opportunities to achieve attractive risk-adjusted returns.”

Stonepeak’s fund initially targeted \$1 billion and was significantly over-subscribed, with the fund reaching its hard cap. The fund received a strategic investment from TIAA-CREF, a national financial services organization with \$523 billion in assets under management (as of 6/30/13), as well from public pension funds and other institutional investors in North America, Europe and Asia.

“Infrastructure and other real assets are an increasingly core element of investors’ asset allocation plans, and we’re grateful to have received such a resounding endorsement of our strategy and team,” added Trent Vichie, co-founder and Senior Managing Director of Stonepeak. “Now the important work begins, namely prudently investing the capital. We are seeing a strong flow of attractive potential investments, and converting this pipeline into a select number of great, lower risk infrastructure investments will be our sole focus for the foreseeable future.”

Stonepeak estimates that the North American middle market infrastructure sector represents an approximate \$1 trillion investment opportunity in the aggregate. The firm believes that the investment opportunities in the middle market (i.e. companies or projects that require equity investments of between \$50 million and \$200 million) are especially compelling, given the lesser number of capital sources in this end of the market. Stonepeak’s investments to date include a water desalination plant in Carlsbad, California, a solar-power facility in Ontario, Canada, a terminal and barge business called Tidewater in the Pacific Northwest, and a railroad terminal and storage facility in Casper, Wyoming. Stonepeak also has announced pending investments into Magnolia LNG, a Louisiana based LNG export facility, and Paradigm Midstream, a Bakken, North Dakota based midstream system.

Stonepeak employs a disciplined value-creation strategy and process. The firm’s investment team and in-house operating partners work on sourcing deals principally through their own networks, structuring investments to protect the downside and adding value during operations. Stonepeak also focuses on growing its businesses through organic initiatives at accretive returns and through accretive bolt-on acquisitions, all while instilling financial discipline and management expertise at each company. The

Stonepeak team comprises 21 professionals who have a realized track record in infrastructure assets and have worked on over \$30 billion worth of infrastructure transactions.

First Avenue Partners LLP served as the placement agent for Stonepeak Infrastructure Fund I.

-Ends-

**About Stonepeak Infrastructure Partners**

Stonepeak Infrastructure Partners is an independent infrastructure fund manager that invests in North American middle-market infrastructure. The firm targets lower risk investments in energy, power, renewables, water, transport and utilities. Stonepeak is headquartered in New York. For more information, visit [www.stonepeakpartners.com](http://www.stonepeakpartners.com).

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