



ASX/MEDIA RELEASE

26 JULY 2013

STONEPEAK STRATEGIC ALLIANCE & PROJECT EQUITY MAGNOLIA LNG PROJECT

The Directors of Liquefied Natural Gas Limited (**Company**) are pleased to advise that it has entered into a Project Development Cooperation and Equity Term Sheet (**Agreement**) with Stonepeak Partners LP (**Stonepeak**), in relation to the Company's 100% owned Magnolia LNG Project (**MLNG Project**), in Louisiana, United States (description below). The Agreement details the key terms of proposed definitive agreements to be negotiated and entered into between Stonepeak and the Company, pursuant to which:

- Stonepeak and the Company will cooperate in the development of the MLNG Project; and
- Stonepeak will provide 100% of the project equity finance from financial close, for the construction and commissioning of the MLNG Project, in consideration of a % interest in the MLNG Project (at financial close) determined by an agreed Stonepeak internal rate of return on its investment at such time.

Based on the initial development plan of 2 LNG trains, with a total capacity of 4 million tonne of LNG per annum, it is assessed that Stonepeak would hold ~50% of the MLNG Project for contributing the full US\$660 million project equity requirement. The Company would retain ~50% of the MLNG Project.

The estimated capital cost of the initial development remains as previously advised, at US\$2,200 million. The Company plans to finance the MLNG Project based on 70% project debt financing, with the 30% project equity financing provided by Stonepeak. The ownership split between Stonepeak and the Company will be determined at financial close, based on the MLNG Project financial model agreed between Stonepeak and the Company.

The Company and Stonepeak will now proceed to progress Definitive Agreements, within the agreed term of 60 days from the date of the Agreement.

In summary, the key terms under the Agreement include:

- Stonepeak and the Company to form a strategic alliance dedicated to the development, construction and operation of the MLNG Project;
- Stonepeak will commit to provide 100% of the MLNG Project equity from financial close, which is estimated at ~US\$660 million;
- Stonepeak will pay to the Company a one-off success fee on the MLNG Project achieving financial close, calculated on 3% of the total MLNG Project capital cost (such fee is estimated at US\$66 million);
- Stonepeak will assist the Company secure long term project debt financing, which is estimated at US\$1,540 million. In this regard, Stonepeak will work with the Company in ensuring all MLNG Project material agreements and other documents are in bankable form; and

- Stonepeak will be entitled to appoint one manager to the Board of Magnolia LNG, LLC (MLNG Project ownership company), but the manager will have no voting rights prior to financial close and the commencement of Stonepeak's project equity financing contribution.

The Company's Managing Director, Maurice Brand, said that "the Company was extremely pleased with the strategic alliance with Stonepeak and its early commitment to provide 100% of the MLNG Project equity from financial close. This early equity commitment will allow the MLNG Project to proceed in a timely manner and reduces the time from receipt of all permits and environmental approvals and completion of all bankable project documentation to achieve financial close and proceed to construction. In addition, it provides an increased level of confidence for LNG tolling parties and other stakeholders in relation to the MLNG Project achieving financial close."

"With the Stonepeak strategic alliance and the recently announced Tolling Term Sheet signed with Brightshore Overseas Ltd (Gunvor Group), for LNG supply to the Panama and other US Free Trade Agreement countries, the key building blocks are coming together quite rapidly and will help to build shareholder value," said Mr Brand.

For further information contact:

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ABOUT STONEPEAK PARTNERS – 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.

Stonepeak manages over US\$1.2 billion of equity and has a strategic relationship with Teachers Insurance and Annuity Association – College Retirement Equities Fund (**TIAA**) in infrastructure projects. TIAA had total assets under management of US\$520 billion as at 31 March 2013. In addition to TIAA, Stonepeak has a history of co-investing with its limited partners.

MLNG PROJECT – www.magnoliaing.com (refer to attached diagrams):

The project comprises the proposed development of an 8 mtpa LNG project on an 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 MLNG 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 MLNG Project site.

There are 11 major gas transportation "corridors" to assist and facilitate gas supply to the MLNG Project.

Shale gas resources in the US are estimated at ~750 trillion cubic feet (tcf), by an Intek Report commissioned by the US Energy Information Administration (1 January 2009). The MLNG 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.

MAGNOLIA LNG PROJECT

