



## ASX/MEDIA RELEASE

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# MAGNOLIA LNG AGREES EPC CONTRACT WITH SK E&C GROUP

### Highlights:

- **Engineering, Procurement & Construction (EPC) contract agreed with SK E&C Group**
- **The proposed EPC contract will now be reviewed by external advisers to verify bankability with a target execution date this month**
- **Total capital cost for 8 mtpa project remains as previously stated on 24 February 2014 at US\$3.5 billion and equates to US\$440/tonne**
- **LNG train-only liquefaction capital costs for 8 mtpa facility, using the Company's wholly owned OSMR® technology, is estimated at ~US\$300/tonne**
- **Magnolia LNG remains on schedule for Financial Close in mid-2015**

Liquefied Natural Gas Limited (**ASX: LNG; OTC ADR: LNGLY**) (the **Company**) is pleased to advise that its wholly owned subsidiary, Magnolia LNG LLC (**MLNG**), has agreed to an EPC contract with SK E&C USA (**EPC Contract**) in relation to the Company's Magnolia LNG Project. The Contract covers the initial 4 mtpa LNG installation, comprising two LNG trains, each with a LNG design capacity of 2 mtpa, two 160,000m<sup>3</sup> storage tanks, a jetty and ship loading facility and related infrastructure, and all required approvals and licenses for the full 8 mtpa project. An additional two x 2 mtpa trains (Trains 3 & 4) are planned to follow the initial 4 mtpa installation.

The EPC Contract, which is a Lump Sum Turn Key model, has now been forwarded to BNP Paribas, MLNG's project finance adviser, Merlin Advisors LLC, the lenders' technical consultant, and legal advisors White and Case for final review. The finance adviser review aims to ensure third party acceptability of all proposed EPC Contract provisions to enable MLNG financial close consistent with project timelines. The EPC Contract has also been forwarded to Stonepeak Partners LLC, the proposed Magnolia LNG Project Equity partner, for their final review together with its advisers.

Execution of the EPC Contract is planned for later this month, subject to LNGL Board approval.

The capital cost for the initial contracted work totals \$1.986 billion for the two-train installation and associated facilities, and comprises two components:

1. A Lump Sum, Fixed Price of US\$1.391 billion (70% of contract value) valid through 30 June 2015; and
2. A Provisional Sum of US\$595 million representing 30% of contract value.

During the period to 31 March 2015, the Company and SK E&C will conduct further optimisation and cost reductions. Any resultant cost reductions will be apportioned between the parties, but in any event, the Lump Sum component will not exceed the agreed fixed price of US\$1.391 billion. The Company and SK E&C will continue to develop, finalise and agree the Provisional Sum by 31 March 2015, with the agreed amount converting to a lump sum, fixed price contract at that time, also valid to 30 June 2015.

During the period to 31 March 2015, the parties will also agree to the capital cost for Trains 3 & 4, currently estimated at ~US\$1 billion total for the two trains, and a timeline to fully implement the 8 mtpa MLNG Project at an estimated total cost of US\$3.5 billion as summarised below:

<b>Magnolia LNG Project Costs Summary</b>		
<b>Trains</b>	<b>Cost</b>	<b>US\$ Billion</b>
1 and 2	EPC – lump sum fixed price (70%)	1.391
1 and 2	EPC – provisional sum (30%)	0.595
	<b>Sub-total</b>	<b>1.986</b>
3 and 4	EPC – estimated	1.014
	<b>Sub-total</b>	<b>3.000</b>
1 to 4	Company costs	0.500
1 to 4	<b>Total</b>	<b>3.500</b>

LNGL Managing Director and Chief Executive Officer, Maurice Brand, said that based on the extensive FEED and costing work completed and with the open book nature of the SK E&C Group agreements, the final EPC capital cost is estimated at ~US\$3 billion, with a total MLNG Project cost for the 8 mtpa project (inclusive of Company costs) estimated at US\$3.5 billion. The Company first advised the estimated total cost of US\$3.5 billion on 24 February 2014, and this capital cost estimate has been included in all documentation submitted to the Federal Energy Regulatory Commission (FERC) as part of MLNG’s filing currently being progressed with FERC.

“Based on recently reported data, MLNG remains at the very low end of capital costs on a per/tonne basis, when compared with other US LNG projects. The SK E&C costs reinforce the Company’s view that our business model of mid-scale, modular based LNG trains of 2 mtpa design capacity, incorporating the Company’s OSMR® LNG liquefaction process, is valid and provides for a sustainable long-term business that can be replicated in the future”, said Mr Brand.

MLNG’s Chief Operating Officer, John Baguley said, “I am pleased with the steady progress being made with the SK E&C Group as we work through all the EPC Contract and project related activities towards planned financial close in mid-2015. The period through to 31 March 2015, during which we will convert the Provisional Sum into a combined lump sum, fixed price contract valid to 30 June 2015, will position Magnolia LNG to immediately enter construction phase once all necessary approvals and licenses are received. This period will also allow us to incorporate any comments received from FERC as they prepare the Draft Environmental Impact Statement, and to undertake the rigorous planning and scheduling required to provide first LNG in 2018. The SK E&C project schedule and budget through to 30 June 2015 remain on target.”

## About Liquefied Natural Gas Limited

Liquefied Natural Gas Limited 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 wholly owned subsidiary of LNGL, which is developing an 8 million tonne per annum (**mtpa**) LNG export terminal, in the Port of Lake Charles, Louisiana, USA;
- Bear Head LNG Corporation (**Bear Head**), a Canadian based wholly owned subsidiary of LNGL, which is developing an 8 mtpa LNG export terminal in Richmond County, Nova Scotia, Canada with potential for further expansion;
- Gladstone LNG Pty Ltd, a wholly owned subsidiary, which is progressing the 3.8 mtpa **Fisherman's Landing LNG (FLLNG) Project** at the Port of Gladstone in Queensland, Australia; and
- LNG Technology Pty Ltd, a wholly owned subsidiary, which owns and develops the Company's **OSMR<sup>®</sup> LNG liquefaction process**, a mid-scale LNG business model that plans to deliver lower capital operating costs, faster construction and improved efficiency, relative to larger traditional LNG projects.

### About the Magnolia LNG Project

The Magnolia LNG Project is 100% owned by Magnolia LNG LLC, which is a wholly owned subsidiary of Liquefied Natural Gas Limited. The project comprises the proposed development of an 8 mtpa LNG project on a 115 acre site, on an established LNG shipping channel in the Lake Charles District, State of Louisiana, United States of America.

The project is based on the development of four x 2 mtpa LNG production trains using the Company's wholly owned OSMR<sup>®</sup> LNG process technology, and the completed LNG plant front end engineering and design from the Company's Gladstone Fisherman's Landing LNG Project in Queensland, Australia.

Magnolia LNG Project's business model is to provide liquefaction services to LNG buyers who pay a monthly fixed capacity fee, plus all LNG plant operating and maintenance costs. In addition, each LNG Tolling Party is responsible for supplying and transporting gas to the Magnolia LNG Project at its own expense.

For further information on the Magnolia LNG project, please visit [www.magnoliaLNG.com](http://www.magnoliaLNG.com).

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