



## ASX/MEDIA RELEASE

11 SEPTEMBER 2013

### MAGNOLIA LNG PROJECT UPDATE – ON TRACK

The Directors of Liquefied Natural Gas Limited (**Company**) wish to provide a general update on the development progress of its wholly owned Magnolia LNG Project (**MLNG Project**), in Louisiana, United States of America (**US**).

The MLNG Project's Pre-Filing process (project approvals and permits) is on track for the lodgement of all 13 draft Resource Reports, with the US Federal Energy Regulatory Commission (**FERC**), in November 2013. Attached is a copy of the August 2013 Monthly Progress Report, submitted to FERC, as required under the FERC regulations.

The Company expects to execute an Equity Commitment Agreement with Stonepeak Partners LP (**Stonepeak**) this month. The key terms were advised to Company shareholders on the 26 July 2013, including:

- Stonepeak and the Company will cooperate, under a dedicated strategic alliance, in the development, funding, construction and operation of the MLNG Project;
- Stonepeak will provide 100% of the MLNG Project equity finance (currently estimated at ~US\$660 million) from financial close, for the construction and commissioning of the MLNG Project. In consideration of the equity financing Stonepeak will be granted an estimated 50% interest in the MLNG Project, at financial close.
- The final Stonepeak equity interest in the MLNG Project will be determined at financial close, based on an agreed MLNG Project financial model and an agreed Stonepeak internal rate of return on its equity investment;
- The Company will receive a one-off success fee on the MLNG Project achieving financial close, equivalent to 3% of the total MLNG Project capital cost (such fee is estimated at US\$66 million);
- Stonepeak will assist the Company to 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 material MLNG Project agreements and other documents are in a 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 MLNG Project equity contributions.

The Company will issue, on schedule, the first draft of a definitive Tolling Agreement to Brightshore Overseas Ltd (**Brightshore**), an affiliate of Gunvor Group. The key terms include:

- Brightshore shall be responsible to deliver gas, including gas usage for the LNG plant, at its own expense, to the MLNG Project for liquefaction, storage, and delivery onto LNG ships arranged by Brightshore;
- A term of 20 years from first LNG production, plus a five year extension option at Brightshore's election;

- MLNG shall reserve, for Brightshore, firm LNG production capacity of 1.7 mtpa, plus 0.3 mtpa of interruptible capacity, in total being equivalent to one LNG train;
- Brightshore will pay to the Company:
  - A Fixed Monthly Capacity Fee over the 20 years, that will total approximately US\$3.7 billion;
  - A Fixed Monthly Operating and Maintenance Fee, which increases in line with US inflation; and
  - A Variable Operating and Maintenance Fee based on actual LNG production and which increases in line with US inflation;
- Brightshore will also pay a Fixed Monthly Bonus Capacity Fee in the event that the MLNG Project obtains authorisation from the US Department of Energy, Office of Fossil Energy, for the export of LNG to countries that do not have a Free Trade Agreement with the US;
- Brightshore will be provided certain preferential rights, as a foundation customer of the MLNG Project; and
- Brightshore and the Company agree to work together with the intention of agreeing and executing a legally binding Tolling Agreement. The Company is required to submit the first draft of the Tolling Agreement by the 30 September 2013.

The Company is on track to deliver to Gas Natural SDG SA (**GNF**) a draft legally binding Tolling Agreement, in October 2013, under which MLNG will reserve, for GNF firm LNG production capacity of up to 1.7 mtpa. GNF will be responsible for the delivery of gas, including gas usage for the LNG plant, to the MLNG Project for liquefaction, storage and delivery onto LNG ships arranged by GNF.

The Company is also on track to select its preferred Engineering, Procurement and Construction (**EPC**) Contractor and to obtain from the Contractor, in November 2013, a total capital cost range for the MLNG Project.

The Company has executed an agreement to lease office premises in Houston, US which will be fully operational in October 2013.

The Company is now in the process of building a strong MLNG Project management team in the US and has this week made the following appointments:

- **Ernie Megginson – Vice President, Development**

Ernie has been assisting the Company in the development of the MLNG Project since October 2012.

Activities include Department of Energy filings; FERC filings; coordinating local and state government relations, technical design, and environmental permitting.

Prior to commencing work on the MLNG Project, Ernie managed the proposed LNG import project for the Jamaican Government (2011 – 2012) and provided consulting services (through his company, Megginson and Associates, Inc.) to the Energy sector (2003-2012), including a number of US projects covering gasification, biomass, biodiesel, tar sands and petcoke gasification projects.

Ernie worked with major global energy groups, including Texaco, Amoseas, and ChevronTexaco prior to establishing his own consultancy practice in 2003.

- **James (Jim) Schulz – Engineering Manager**

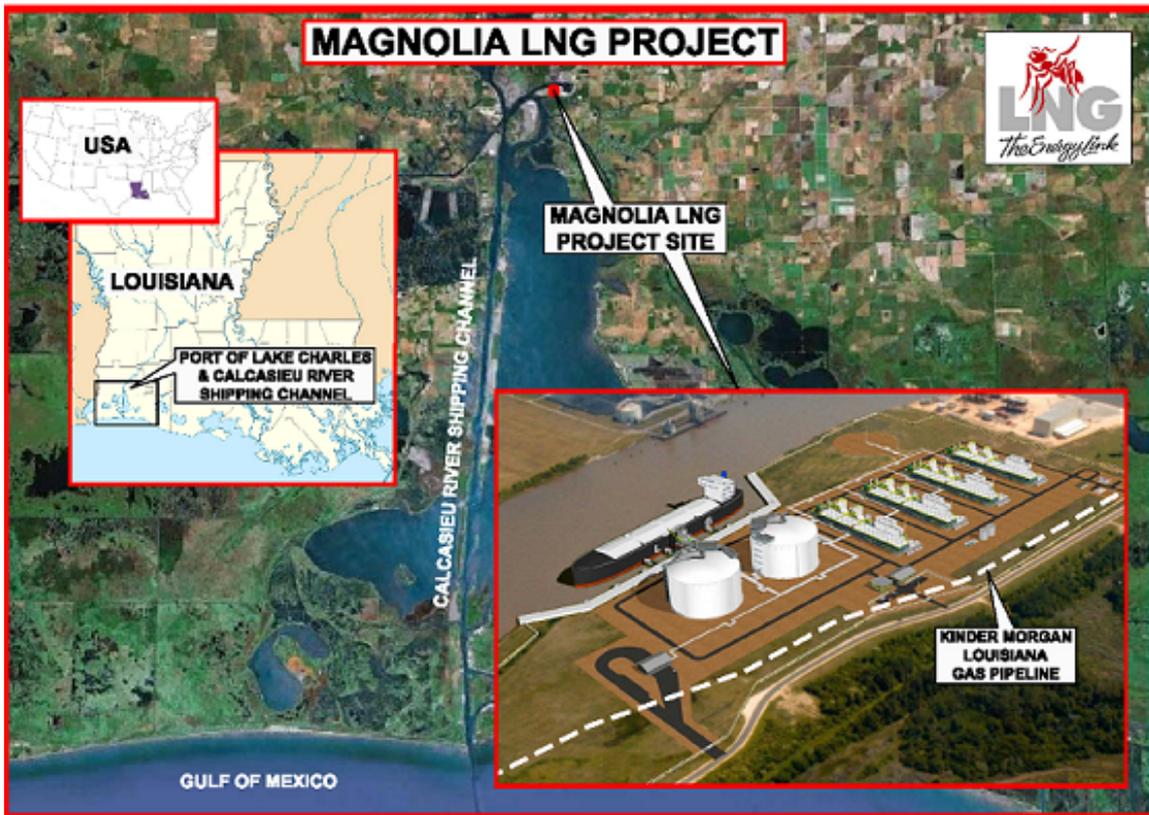
Prior to joining the MLNG Project team, Jim worked with Chevron Global from 2008 on the Wheatstone Downstream LNG Project, off-shore Western Australia, in the capacity of Pre FEED Lead Engineer and as an Area Engineering Manager.

From 2005 to 2008, Jim was Project Director for Cheniere Energy, Inc's. Sabine Pass LNG terminal, having joined Cheniere in 2005 from MW Kellogg Company / Kellogg Brown & Root where he worked on a number of LNG and Energy related projects from 1978.

- **Komi Hassan – Environmental, Health and Safety Manager**

Komi is an experienced Senior Project Manager having provided environmental engineering consulting services to clients, whilst employed since 2008 with Ecology & Environment, Inc. (based in Baton Rouge, the capital city of the State of Louisiana, US). These activities incorporated permitting, environmental document preparation and compliance with state, local and Federal regulatory requirements, including FERC.

Prior to joining Ecology & Environment, Inc., Komi worked with The Bioengineering Group and Shaw Environmental & Infrastructure, Inc., in Baton Rouge.



For further information contact:

**Mr Maurice Brand**  
Managing Director & Joint Chief Executive Officer

**Mr David Gardner**  
Company Secretary

**Liquefied Natural Gas Limited**  
Ground Floor, 5 Ord Street, West Perth WA 6005  
**Telephone:** (08) 9366 3700 **Facsimile:** (08) 9366 3799  
Email: [LNG@LNGLimited.com.au](mailto:LNG@LNGLimited.com.au)  
Website: [www.LNGLimited.com.au](http://www.LNGLimited.com.au)



## **Introduction**

By letter order dated March 20, 2013, Magnolia LNG, LLC, LLC (“Magnolia LNG”) was granted approval by the Director of the Office of Energy Projects of the Federal Energy Regulatory Commission (“FERC” or “Commission”) to utilize the Commission’s Pre-Filing review process for the proposed Magnolia LNG Project (“Project”). The Commission’s Pre-Filing review of the Project has been assigned Docket No. PF 13-09-000.

The proposed Magnolia LNG Project includes an 8 million tonne per annum (“mtpa”) liquefied natural gas (“LNG”) facility in the Port of Lake Charles, Louisiana, that will receive natural gas sourced from North America via an existing pipeline and liquefy, store, and deliver it as needed to LNG carriers for export overseas; LNG carriers and barges for domestic marine distribution and the possibility of LNG bunkering; and LNG trucks for road distribution to LNG refueling stations in Louisiana and the surrounding states. The Project will include four 2-mtpa LNG trains.

This Monthly Progress Report, which covers the period from August 1, 2013 through August 31, 2013, provides a brief summary of significant Project activities or changes in Project information that have occurred during the reporting period.

## **Filings with the Commission**

No filings were made with the Commission during this period.

## **Agency Contacts**

The following Agency contacts were held during the reporting period:

- Issued letter to the Louisiana State Historic Preservation Office to initiate consultation related to the compliance with Section 106 of the National Historic Preservation Act of 1966, as amended.
- Held phone conversation and issued follow-up memo to the U.S. Fish & Wildlife Service (USFWS) to initiate consultation related to the potential impacts to sensitive species and natural resources related to the development of the Magnolia LNG project.
- Held phone conversation and issued follow-up memo to the Louisiana Department of Wildlife and Fisheries to initiate consultation related to the potential impacts to



sensitive species and natural resources related to the development of the Magnolia LNG project.

- Consulted with the U.S. Army Corps of Engineers (USACE) related to obtaining the USACE's approval of the sampling and testing protocols for the planned dredging and excavation of the berth pocket.
- Held meeting with FERC staff and representatives of Kinder Morgan Louisiana Pipeline (KMLP) on August 29, 2013, to review coordination of FERC filing requirements between the Magnolia LNG project and proposed KMLP compression facilities for delivery of natural gas to the Magnolia LNG project.

### **Engineering**

The following engineering work was performed during the reporting period:

- Geotechnical site investigation was initiated in early August 2013 and is expected to be completed by early September 2013. This program was modified to include six additional land-based borings and four water-based cores to comply with the USACE requirements for sampling in the planned berth pocket.
- The following documents have been prepared and are currently being reviewed:
  - Basis of Design
  - Building Drawings
  - Control Systems
  - Isolation Philosophy – Engineering Design Standard
  - Piping Material Specification
  - Flare size calculations
  - Design Codes and Standards
  - Management of Change and Reporting Procedures
  - LNG Storage Tank Assembly Drawings

### **Environmental**

The following environmental work was during the reporting period:

- Continued work on air emissions inventory, air modeling protocols, and air permit project work.
- Draft GIS and Wetland Delineation Survey Report prepared and being reviewed.



- Preparing responses to FERC's data request related to draft Resource Reports #1 and # 10.
- Work on other draft Resource Reports has been initiated and data collection is on-going.

### **Scope Update**

There are currently no changes to the Project scope.

### **Stakeholder Activities**

The following Stakeholder meetings have been held during the reporting period:

- Met with the Lake Charles Fire Department (LCFD), Lake Charles, Louisiana. The purpose of the meeting was to introduce the Magnolia LNG project to the LCFD, which is the largest fire protection agency in Calcasieu Parish. The discussion was also focused on the fire protection capability and availability of the LCFD for emergencies at the Magnolia LNG site, during both construction and operations. LCFD participants included Keith Murray, Fire Chief; Robin Rhorer, Planning and Research Officer; and Richard Broussard, Administrative Assistant to the Fire Chief.
- Met with Larry DeRoussel, Executive Director of the Lake Area Industry Alliance in Lake Charles, Louisiana. Purpose was to introduce the Magnolia LNG project to Mr. DeRoussel and to inquire as to the membership requirements and services offered by the organization. Most of the major industrial facilities in Calcasieu Parish are members in this organization, including the Trunkline and Cameron LNG projects.
- Met with Richard B. Smith, Vice President of Workforce Development, SWLA Economic Development Alliance. The purpose of the meeting was to provide an overview of the Magnolia LNG project and its timeline. Mr. Smith provided several reports generated by the SWLA Economic Development Alliance relative to current and future major projects in the area, as well as the related supply and demand for construction and permanent employees for those projects.

### **Schedule Update**

There are currently no changes to the Project schedule.