



**June 2019**

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

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

Liquefied Natural Gas Limited (LNGL or the Company) ended its fiscal year focused on marketing and commercial efforts to sign offtake contracts for Magnolia LNG as well as exploring new liquidity options. Concurrently, we achieved important milestones that bring us closer to a final investment decision. These milestones include state government approval of our Louisiana Industrial Tax Exemption, Notice of Schedule for Environmental Review from the U.S. Federal Energy Regulatory Commission (FERC) providing line of sight for our 0.8 million tonnes per annum (mtpa) capacity increase for Magnolia LNG, and the execution of an updated legally binding lump-sum turnkey (LSTK) fully wrapped engineering, procurement, and construction contract (EPC Contract) with the KBR-SKE&C joint venture (KSJV).

Overall, the predicted liquefied natural gas (LNG) market over-supply materialized, momentarily softening global LNG spot pricing. We believe current market conditions are transitory and will improve over the coming months as demand and weather-related factors improve. Regardless, long-term LNG contracts based on stable Henry Hub pricing remain attractive to customers across the globe, and we continue to market Magnolia LNG accordingly.

Our marketing efforts outside of China are robust, and meaningful progress toward firm agreements was made during the fourth quarter. While we continue to work with potential Chinese counterparts, execution of any offtake agreements with China remains paused as the U.S. – China trade issues continue.

On July 22, 2019, the Board of Directors announced its decision to re-domicile LNGL to the U.S. with a listing on the NASDAQ Stock Exchange. We believe listing on the NASDAQ will deliver significant benefits for our shareholders and favorably position the Company for the future. The decision was made following significant diligence and deliberation by the Board. The re-domiciliation process will utilize a Scheme of Arrangement under the Australian Corporations Act (Scheme) pursuant to which LNGL's shareholders will exchange their securities in LNGL for securities in a newly incorporated U.S. Delaware company, once shareholder, judicial, and regulatory approvals are secured. Further details including the timeline, tax implications, and independent expert's report will be included in a Scheme Booklet that will be sent to shareholders prior to the Scheme Meeting.

In keeping with our promise to shareholders, we continue to manage our liquidity closely, consistent with our stated plans. We closed June 2019 with the Company's total cash position at A\$21.8 million. LNGL remains debt-free. The Company recognizes the need for future liquidity, and we are confident in our ability to raise new capital for our business.

Yours sincerely,

Gregory M. Vesey, Managing Director and Chief Executive Officer

### **Liquefied Natural Gas Limited**

**ASX Code:** LNG  
**OTC ADR:** LNGLY  
**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  
**Leeanne 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 June 28, 2019**

Shares on Issue	571,812,166
Performance Rights	18,008,233
ADRs on Issue	5,883,017

#### **SUBSTANTIAL SHAREHOLDERS at June 28, 2019**

Top 20 Shareholders	56.6%
- Baupost Group, LLC	10.9%
- IDG Energy Investment Group Ltd	9.9%
North American	48.0%
Australasia and Asia	21.3%
Directors & Management	< 1.0%

**QUARTERLY HIGHLIGHTS*****Magnolia LNG:***

- On May 23, 2019, LNGL announced that Magnolia LNG received its Industrial Tax Exemption Program (ITEP) incentive from the State of Louisiana following approval by the Louisiana Board of Commerce and Industry, local governments, and Gov. John Bel Edwards. The ITEP program offers tax incentives for manufacturers who make a commitment to jobs and payroll in Louisiana.
- On June 11, 2019, LNGL announced it had received Notice of Intent (NOI) from the FERC that the agency will prepare a supplemental Environmental Impact Statement (EIS) for the 0.8 mtpa production capacity increase application for the Company's wholly-owned subsidiary, Magnolia LNG LLC (Magnolia). FERC's NOI only pertains to the capacity uplift for Magnolia from 8.0 mtpa to 8.8 mtpa and not to Magnolia's existing FERC Order and Notice to Proceed (NTP) for its original 8.0 mtpa capacity. On June 26, 2019 FERC issued Notice of Schedule for Environmental Review which provides for Notice of Availability of the Supplemental Final Environmental Impact Statement on January 24, 2020 and an April 23, 2020 Federal Authorization Decision Deadline.
- On June 24, 2019, LNGL announced that Magnolia LNG had agreed to an updated legally binding LSTK fully wrapped EPC Contract with KSJV, in relation to the Magnolia LNG project. The updated agreement is valid until December 31, 2019, and incorporates the 0.8 mtpa capacity uplift for Magnolia currently undergoing the FERC approval process, for a total installed capacity of 8.8 mtpa. The updated EPC Contract cost of US\$4.623 billion is based on 8.8 mtpa, providing an installed capacity EPC cost/tonne price of US\$525, resulting in a total forecasted project cost of approximately \$700/tonne for the 8.8 mtpa Magnolia LNG project (inclusive of estimated owner and financing costs).

***Bear Head LNG:***

- During the fourth quarter, Bear Head LNG continued to address gas path solution opportunities with Canadian pipeline companies and maintain the project's mature regulatory status.

***Corporate:***

- On May 9, 2019, LNGL made an ASX announcement applauding FERC for their consideration of greenhouse gases (GHG) in LNG export projects.

***OSMR® Process Technology:***

- LNGL 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 April 2, 2019, LNGL announced that a total of 115,800 Incentive Rights lapsed pursuant to LNGL's Incentive Rights Plan (Lapse upon Cessation of Employment without Cause) as a result of employees made redundant.

***Post Balance Sheet Date Activity:***

- On July 3, 2019, LNGL announced the vesting of 4,175,313 Retention Rights into 4,175,313 ordinary shares, and the lapsing of 3,249,900 Performance Rights pursuant to the terms of its Employee Incentive Rights Plan effective June 30, 2019. Of these amounts, 640,000 of the Retention Rights vested into 640,000 ordinary shares to the account of Gregory Vesey, Managing Director and Chief Executive Officer. 960,000 of the Performance Rights that lapsed in the period were attributed to previous grants to Mr. Vesey.

A total of 3,265,800 Performance Rights and 2,177,200 Retention Rights were granted to employees on July 1, 2019 having various measurement and vesting dates, all in compliance with the Employee Incentive Rights Plan document. In addition, the Board of Directors voted Mr. Vesey a proposed grant of 1,000,000 Performance Rights having a three-year vesting period, which is subject to ratification by the shareholders at the next Annual General Meeting.

***Financial Position:***

During the three-months ended June 30, 2019, net operating cash outflow was A\$6.7 million, which compared with the net operating cash outflow of A\$7.9 million for the three-months ended March 31, 2019. LNGL's total cash balance as at June 30, 2019 was A\$21.8 million (inclusive of A\$2.0 million of restricted cash), which compares to A\$28.7 million at March 31, 2019, reflecting a net decrease in reported cash of A\$6.9 million.

On July 10, 2019, the Company disbursed US\$1.066 million to Kinder Morgan pursuant to a contractual obligation associated with the Kinder Morgan Louisiana Pipeline capacity Precedent Agreement.

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, LNGL 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<sup>®</sup> 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 LLC, a 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 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")**

30 June 2019

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	111
1.2 Payments for		
(a) research and development/patents	(47)	(97)
(b) LNG project development	(2,812)	(13,889)
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs	(1,933)	(10,586)
(f) administration and corporate costs	(2,201)	(6,478)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	109	827
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	3
1.7 Government grants and tax incentives	135	135
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(6,749)</b>	<b>(29,974)</b>

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
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<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>-</b>	<b>-</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	-	-

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>-</b>	<b>-</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	28,684	50,698
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(6,749)	(29,974)
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	(182)	1,029
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>21,753</b>	<b>21,753</b>

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5. <b>Reconciliation of cash and cash equivalents</b> 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	19,756	26,696
5.2    Call deposits	1,997	1,988
5.3    Bank overdrafts	-	-
5.4    Other (provide details)	-	-
<b>5.5    Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>21,753</b>	<b>28,684</b>

**6.     Payments to directors of the entity and their associates**

- 6.1    Aggregate amount of payments to these parties included in item 1.2
- 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

Current quarter \$A'000
483
-

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

**7. Payments to related entities of the entity and their associates**

Current quarter \$A'000
-
-

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. Financing facilities available**

*Add notes as necessary for an understanding of the position*

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
-	-
-	-
-	-

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	2,900
9.3	Advertising and marketing	-
9.4	Leased assets	-
9.5	Staff costs	2,500
9.6	Administration and corporate costs	1,400
9.7	Other (provide details if material)	-
<b>9.8</b>	<b>Total estimated cash outflows</b>	<b>6,800</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: 30 July 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.