



Liquefied Natural Gas Limited (Administrators Appointed) (LNGL or the Company)

Frequently Asked Questions (FAQ) - Shareholders

The following information seeks to provide answers to questions of the shareholders of LNGL. This information was last updated on 10 June 2020.

The information contained herein is general in nature and is not intended to be specific advice. Shareholders should seek appropriate professional advice on their individual circumstances. Information includes:

1. Background to the Administrators' appointment
2. Future of LNGL
3. Sale of the Magnolia LNG Project
4. Bear Head LNG Project
5. Effect on shareholdings
6. Additional information

1. Background to the Administrators' appointment

Question	Response
What has happened to LNGL?	<p>On 30 April 2020, the directors of LNGL resolved to appoint Messrs Craig Crosbie, Simon Theobald and Daniel Walley as joint and several Administrators. The Administrators were appointed because it became apparent to LNGL's management that LNGL would likely have difficulties in meeting its financial commitments.</p> <p>Some directors of LNGL resigned shortly prior to appointment of the Administrators and, following the appointment, the remaining directors of LNGL resigned.</p> <p>On the same day as the appointment of the Administrators to LNGL, LNGL entered a trading halt on the Australian Securities Exchange ("ASX").</p> <p>Subsequently, on 1 May 2020, LNGL was suspended from official quotation, which has the effect of ASX market participants (including shareholders) not being able to place or amend orders for, or trade in, the LNGL securities. Note that LNGL remains listed on the ASX and it has not been delisted.</p>
What has happened to LNGL's Australian Subsidiaries?	<p>On 6 May 2020, Messrs Crosbie, Theobald and Walley were appointed joint and several Administrators of four of LNGL's wholly owned Australian subsidiaries by the respective sole director of the subsidiaries. The subsidiary companies are LNG International Pty Ltd (ACN 099 217 455), LNG Technology Pty Ltd (ACN 115 455 788), Mayflower LNG Pty Ltd (ACN 145 733 071) and North American LNG Pty Ltd (ACN 145 961</p>

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Question	Response
	<p>306), all Administrators Appointed) (the “Australian Subsidiaries”). The Administrators were appointed because it became apparent to the Australian Subsidiaries’ management that the Australian Subsidiaries would have difficulties in meeting their financial commitments.</p> <p>The Supreme Court of Victoria ratified the Administrators’ appointments on 7 May 2020.</p>
<p>What were the circumstances leading up to the appointment of Administrators?</p>	<p>LNGL is the holding company of a number of subsidiaries both in Australia and internationally, specifically the USA and Canada (collectively referred to as the “Group”).</p> <p>The Group was developing two liquefied natural gas (“LNG”) export terminals:</p> <ul style="list-style-type: none"> • Bear Head LNG Project - situated in Nova Scotia, Canada • Magnolia LNG Project - situated in Lake Charles, Louisiana, USA, <p>(the “Projects”).</p> <p>The Projects were both in development phase and neither had reached financial close.</p> <p>Prior to the appointment of Administrators, LNGL was subject to a takeover bid by a Singaporean company, LNG-9 Pte Ltd. However, the takeover bid was withdrawn in April 2020.</p> <p>As set out in the ASX announcement dated 14 April 2020, LNGL indicated that its cash reserves were sufficient to meet its commitments until May 2020. However, it urgently needed to secure additional meaningful funding to continue operating beyond then.</p>
<p>Does the appointment of Administrators to LNGL affect the US and Canadian subsidiaries?</p>	<p>The Administrators’ appointment does not extend to entities which are domiciled in the US or Canada.</p>
<p>What is the role of a Voluntary Administrator?</p>	<p>The Australian corporations law provides for a suitably qualified, independent person(s) to be appointed as an administrator to:</p> <ul style="list-style-type: none"> • take control of a company, its assets, operations and undertakings (to the exclusion of the directors); • continue trading the business; • investigate the affairs and business of a company and the circumstances surrounding its financial difficulties; • hold meetings of creditors (including employees); and • report to creditors on the outcome of their investigations with a view to recommending to creditors a path forward for the company.

Question	Response
	<p>The creditors ultimately get to vote on what happens to the company at the second meeting of creditors.</p> <p>The Administrators have broad powers including the power to sell or close a company’s business, or sell individual assets in the lead up to the creditors’ decision on the company’s future at the second meeting of creditors.</p> <p>The Administrators must also report to the Australian Securities and Investments Commission (“ASIC”) on possible offences by people involved with the company.</p>
<p>What progress has been made by the Administrators since their appointment to LNGL and the Australian Subsidiaries?</p>	<p>The Administrators have taken control of LNGL and its Australian Subsidiaries and the directors’ powers ceased as a result of those appointments.</p> <p>Following their appointment, the Administrators have undertaken the following tasks:</p> <ul style="list-style-type: none"> • Performed an urgent assessment of the financial position of LNGL, the Australian Subsidiaries and the broader corporate group; • Completed an urgent sale of the Magnolia LNG Project, which completed on 26 May 2020; • Applied to the Court for an extension of the time period in which to hold the second meeting of creditors (given the size and complexity of LNGL and the Australian Subsidiaries), which meeting is now to be held by early September 2020; • Considering options for the remaining assets of LNGL and the Australian Subsidiaries; • Held the first meeting of creditors on 12 May 2020. (At the first creditors’ meeting the Administrators provided information to the creditors on the voluntary administration process and confirmed if creditors wished to form a committee of inspection. Detailed Minutes of this meeting are available through ASIC); • Reporting to creditors and completing other statutory obligations; • Carrying out investigations into the affairs of LNGL and the Australian Subsidiaries; • Investigating potential recoveries which may be available to creditors in a liquidation scenario; and • Commenced preparing their Report to Creditors. <p>Further information on the Voluntary Administration process, insofar as it relates to shareholders, can be found on the ASIC website: https://asic.gov.au/regulatory-resources/insolvency/insolvency-for-shareholders/insolvency-a-guide-for-shareholders/</p>



Question	Response
<p>Are the Administrators independent of the Company, the Australian Subsidiaries and their former directors?</p>	<p>Yes, the Administrators are independent of the Company, the Australian Subsidiaries and their respective directors.</p> <p>Messrs Crosbie, Theobald and Walley are registered with ASIC (the Australian regulator) to take appointments as administrators.</p> <p>The <i>Corporations Act 2001</i> (Cth) and professional standards require an administrator to outline any pre-existing relationships or potential conflicts of interest in respect of an insolvent company in a document called a Declaration of Independence, Relevant Relationships and Indemnities (DIRRI). A DIRRI is provided to creditors and lodged with ASIC.</p> <p>The Administrators completed a DIRRI for LNGL dated 4 May 2020 and a DIRRI for the Australian Subsidiaries dated 8 May 2020.</p>

2. Future of LNGL

Question	Response
<p>What options are available for LNGL?</p>	<p>The Administrators are required to undertake investigations into the business, affairs, property and financial statements of LNGL. A report will be prepared by the Administrators for creditors (including employees) outlining the findings of their investigations. They will also make a recommendation to creditors regarding a course of action for the future of the Company and its Australian Subsidiaries which they believe is in the best interests of creditors. This report will be provided by the Administrators to the creditors of LNGL and the Australian Subsidiaries prior to the second meetings of creditors.</p> <p>Creditors of the respective companies will get to decide the future of the Company and its Australian Subsidiaries at the second meetings of creditors due to be held by early September 2020. The options available for creditors to vote upon in respect of each of the companies in administration are:</p> <ol style="list-style-type: none"> 1. End the voluntary administration and return control to the director(s). 2. Approve a Deed of Company Arrangement (“DOCA”), a binding arrangement between a company and its creditors governing how the company’s affairs will be dealt with going forward (and which is essentially a compromise of the creditors’ debts and claims). 3. Wind up the company and appoint a liquidator.
<p>When will the second meetings of creditors be held?</p>	<p>The Administrators successfully applied to the Supreme Court of Victoria to extend the convening period for the second meetings of creditors for LNGL and the Australian Subsidiaries up to and including 28 August 2020. The second meetings of creditors must be held within 5 business days of this date.</p>
<p>Can I vote at the Second Meeting?</p>	<p>No, shareholders are not entitled to vote on the future of LNGL.</p>



Question	Response
	<p>However, if a shareholder has a separate claim against LNGL by way of a creditor/debtor relationship, that is, distinct from any claim in respect of their shareholding in LNGL, then they may submit a Proof of Debt form to the Administrators and may be entitled to vote at the second meeting of creditors in their capacity as a creditor.</p>
<p>Can I attend the second meeting of creditors?</p>	<p>Only creditors are able to participate in the second meeting of creditors.</p> <p>However, with the consent of the creditors present at the meeting, observers may be permitted to attend. An observer is unable to vote on any resolutions put to the creditors, ask questions or otherwise participate in the meeting.</p> <p>Any shareholder that wants to attend the meeting as an observer will need to contact our office in advance of the second meeting of creditors.</p>
<p>What happens to my shares if LNGL enters into a DOCA?</p>	<p>The administration of the Company will end. A deed administrator will be appointed and the Company will execute the DOCA. Once the DOCA is executed the Company and its creditors will be bound by the DOCA (and its terms which terms must be substantially similar to those terms as approved by creditors at the second meeting of creditors).</p> <p>If the Company enters into a DOCA, the shareholders cannot transfer their shares in the Company without permission from the external administrator or the court.</p> <p>Additionally, the terms of a DOCA are very flexible. One such term which may be included in a DOCA is a “444GA” share transfer which provides a deed administrator a statutory right to transfer your shares to a third party (for no consideration) as part of the DOCA, either with the written consent of the shareholder or with the court’s permission.</p> <p>If a DOCA involving a “444GA” share transfer is proposed in relation to LNGL, you should seek appropriate professional advice on your individual circumstances.</p>
<p>What happens to my shares if LNGL enters into liquidation?</p>	<p>If the Company enters liquidation shareholders cannot transfer their shares in the Company without permission from the external administrator or the court.</p> <p>Additionally, under Australian law the shareholders of an insolvent company are subordinated to all creditors of the company (unsecured and secured) in all insolvency regimes, which means that shareholders will not receive a dividend unless and until all creditors of the company are paid in full for their claims. As a result, depending on the level of creditors, shareholders may be unlikely to receive any dividend in a liquidation scenario.</p>
<p>How long will the whole process take?</p>	<p>Unfortunately, due to the complexity of the issues and the necessary investigations, the Administrators are not able to say with any certainty when the external administration process will conclude.</p> <p>The Administrators should have a better idea of timing in respect of the</p>



Question	Response
	conclusion of the external administration of LNGL after the second creditors' meeting.

3. Sale of the Magnolia LNG project

Question	Response
Had LNGL been engaging with other parties prior to the Administrators appointment?	According to the Company's ASX Announcement dated 14 April 2020, the Company was working with parties on strategic alternatives for the Group.
Will the Administrators look into the actions taken by the Company and its directors, in relation to the pursuit of these strategic alternatives?	<p>As noted above, the Administrators are required to undertake investigations into the business, property, affairs and financial circumstances of LNGL and the broader corporate group.</p> <p>If shareholders have any specific concerns or evidence of wrongdoing they should provide this to the Administrators as a matter of urgency.</p>
Why did the Administrators enter into a sale transaction in respect of the Magnolia LNG Project?	<p>As noted in LNGL's 14 April 2020 ASX Announcement, the Group's liquidity reserves were only sufficient to meet its financial commitments until May 2020. Given these circumstances, it is the opinion of the Administrators that executing a sale transaction in respect of the Magnolia LNG Project, prior to exhaustion of the Group's remaining liquidity, was in the best interests of the Company and its creditors.</p> <p>In addition to the cash purchase price and other consideration provided by the acquirer, the transaction also potentially mitigates the Company's exposure to contingent liabilities associated with the Magnolia LNG Project and its related operations, that may have been crystallised had the transaction not been executed.</p>
What happened to the transaction announced on 12 May 2020?	<p>On 12 May 2020, the Administrators on behalf of the Company entered into a binding sale transaction in respect of the Magnolia LNG Project with Global Energy Megatrend Limited (GEM) (the GEM Transaction).</p> <p>The GEM Transaction was subsequently terminated pursuant to the terms of the underlying agreement due to GEM's failure to close the transaction within the required timeframe.</p>
Who purchased LNGL's interests in the Magnolia LNG Project?	<p>Following the termination of the GEM Transaction, LNGL entered into a new transaction with another party, Magnolia LNG Holdings LLC (Magnolia). This transaction successfully completed on 26 May 2020 (Magnolia Transaction) under which Magnolia purchased LNGL's interest in the Magnolia LNG Project.</p> <p>It should be noted that Magnolia is a third party and is not related to the existing LNGL group of companies, the Australian Subsidiaries or their directors.</p>

Question	Response
<p>What consideration was received?</p>	<p>As set out in the ASX Announcement dated 26 May 2020, the cash price paid was US\$2m.</p> <p>In addition to the cash purchase price, LNGL has received an unsecured, non-interest bearing promissory note (Note) issued by Magnolia. The quantum of the Note is subject to adjustment for certain liabilities that Magnolia has assumed, but is expected to be approximately AU\$2m.</p> <p>The Note is payable if the Magnolia LNG Project reaches financial close and a notice to proceed has been issued for the initiation of construction.</p>
<p>Do my shares in the Company transfer as part of the Magnolia Transaction?</p>	<p>No, the Magnolia Transaction does not transfer your shares to Magnolia or any other entity.</p>
<p>How does the Magnolia Transaction affect my shareholding?</p>	<p>As part of the Magnolia Transaction, LNGL and Magnolia have agreed to work together (on a non-exclusive basis) on a potential recapitalisation proposal for the Company (Recapitalisation Proposal).</p> <p>Under the Recapitalisation Proposal, Magnolia and the Administrators, on behalf of LNGL, are seeking to execute a DOCA.</p> <p>If the Recapitalisation Proposal proceeds, Magnolia can pay out the Note (see above for details) by issuing existing shareholders in LNGL with additional shares in the recapitalised LNGL to the value of the Note.</p> <p>If the Recapitalisation Proposal does not succeed, the Administrators will consider any other available options.</p>
<p>If the Recapitalisation Proposal is successful, what does this mean?</p>	<p>This would allow shareholders to retain their shareholding interests in the recapitalised LNGL. However, existing shareholding interests would likely be heavily diluted as any recapitalisation would likely involve issues of shares to new investors and/or to vendors of assets.</p> <p>Additional shares would only be issued to existing shareholders to pay out the Note (in proportion to existing shareholdings) if financial close is reached on the Magnolia LNG Project.</p>
<p>Will the Administrators provide details of other parties that submitted proposals in relation to the Company, including other proposals to acquire the Magnolia LNG Project?</p>	<p>No, except in circumstances where those details are required to be disclosed in accordance with the Administrators' statutory duties.</p>



4. Bear Head LNG Project

Question	Response
Are the Administrators planning to realise the Company's interests in the Bear Head assets?	The Administrators are currently assessing options available in relation to the Company's remaining assets, including the Bear Head LNG Project. They have not yet formed a view on whether this will involve a sale of the Bear Head assets.

5. Effect on shareholdings

Question	Response
What does this mean for LNGLF / LNGLY shareholders?	<p>The responses contained within this FAQ relate only to ordinary shareholdings in LNGL, as listed on the ASX.</p> <p> Holders of derivatives or other instruments that are not ordinary shares of LNGL as listed on the ASX should seek their own advice as to the implications of the voluntary administration process for those instruments.</p>
Can I transfer or sell my shares in LNGL?	<p>No. A transfer of shares in LNGL or alteration of status of shareholders during the voluntary administration period will not be effective unless the Administrators provide their written consent or the court permits.</p> <p>This includes any "off-market" requests.</p> <p>Additionally, if the Company enters deed administration or liquidation, shareholders cannot transfer their shares in the Company without permission from the external administrator or the court.</p> <p>See above under section 2 for information regarding what happens to your shares if LNGL enters into a DOCA or liquidation.</p>
Can I make other changes to my shareholding details on the register?	Link Market Services, who maintains the share register of LNGL, has put a temporary hold on the ability to make any changes to the register (including to your address or bank details).
Can I get a refund for my shares?	Shareholders are not entitled to a refund on their share purchases.
What return will I receive for my shares?	<p>It is currently too early to report on an expected return, if any, to shareholders. Further clarity will be available once the Administrators' have reported to creditors in the lead up to the second meeting of creditors.</p> <p>Under Australian law the shareholders of an insolvent company are subordinated to all creditors of the company (unsecured and secured) in all insolvency regimes, which means that shareholders will not receive a dividend unless and until all creditors of the company are paid in full for their claims. As a result, depending on the level of creditors, shareholders may be unlikely to receive any dividend.</p>



Question	Response
	However, if a shareholder has a separate claim against the company by way of a creditor/debtor relationship, that is, distinct from any claim in respect of their shareholding in the company, they may be able to participate in the external administration of the company and claim a dividend in their capacity as a creditor.
Will the shares of LNGL be traded again?	The Administrators are exploring all options available, including the Recapitalisation Proposal. However, the resumption of share trading (if at all) is currently unknown.
Can I claim a capital loss on my shares now?	The Administrators are not currently able to provide shareholders with the written declaration required to claim a capital loss. Please seek independent taxation advice.
What communications should I expect to receive?	<p>A voluntary administrator is not required to report to shareholders on the progress or outcome of the voluntary administration.</p> <p>A voluntary administrator must keep books about the administration that give a complete and correct record of the administration of the company's affairs, and shareholders are entitled to inspect these books at the voluntary administrator's office on request.</p> <p>For more information please see section 6 below.</p>

6. Additional information

Question	Response
Where can I find information?	<p>The Administrators do not have a requirement to report directly to shareholders. However, ASX continuous disclosure obligations remain.</p> <p>Information that is required to be disclosed will be available on the ASX: https://www.asx.com.au/asx/share-price-research/company/LNG</p> <p>Information for creditors is available on the Administrators' website: https://insolvency.pwc.com.au/singleEntityCases/liquefied-natural-gas-limited-administrators-appointed/casePage</p> <p>Further information on the voluntary administration process, insofar as it relates to shareholders, can be found on the ASIC website: https://asic.gov.au/regulatory-resources/insolvency/insolvency-for-shareholders/insolvency-a-guide-for-shareholders/</p>
All other queries	If you have any further queries that are not addressed above, please contact Ms Courtney McLean of PwC on +61 3 8603 1974 or via email at courtney.mclean@pwc.com