LIQUEFIED NATURAL GAS LIMITED

ABN 19 101 676 779

APPENDIX 4E
UNAUDITED PRELIMINARY FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2017

LIQUEFIED NATURAL GAS LIMITED
ABN 19 101 676 779

Results for announcement to the market

Current reporting period: 12 months ended 30 June 2017

Previous corresponding reporting period: 12 months ended 30 June 2016

This preliminary financial report is presented in Australian dollars, unless otherwise indicated.

Consolidated	30 June 2017 $'000	30 June 2016 $'000	Change %	Movement
Revenues from ordinary activities	367	569	(36)	Down
Loss from ordinary activities after tax attributable to members	29,310	115,109	(75)	Down
Net loss for the period attributable to members	29,691	115,187	(74)	Down

Operating Results

Revenue relates to interest income and has decreased due to the lower average cash and short–term investments held by the Company than in the corresponding financial year.

The Company's policy is to expense all development expenditure until such time as the Board is satisfied that all material issues in relation to a project have been adequately identified and addressed, to the extent possible, and it is probable that the project will achieve final investment decision and proceed to construction, within a reasonable period. Currently, LNGL is expensing 100 percent of its development expenditures. Development expenditures expensed in fiscal 2017 totalled $12.4 million compared with $89.3 million expensed during fiscal 2016.

LNGL Group's net loss after income tax for the year ended June 30, 2017 totalled $29.3 million, which compared with a loss of $115.2 million in the year ended June 30, 2016. The 2017 fiscal loss included the aforementioned project development costs of $12.4 million, $2.5 million of share-based payment expenses, and $13.6 million in administration, corporate, and compliance costs in the period.

The decreasing loss from ordinary activities and the net loss for the period reflect the impact of the Company's liquidity management plan.

As at 30 June 2017, the LNGL Group had $40.3 million (cash and cash equivalents) plus $4.2 million of other financial assets.

Financial Position

During the financial year, net assets of the Company and its controlled entities (the LNGL Group) decreased by $26.6 million, from $81.0 million as at July 1, 2016 to $54.4 million as at June 30, 2017, primarily reflecting the slowing of the Company's development activities as it works to procure offtake sales.

Dividend and Other Returns to Shareholders

There were no dividends paid or proposed during or as at the end of the financial year. There were no share buy backs or proposed share buy backs during the financial year.

Net Tangible Assets

	30 June 2017 $	30 June 2016 $
Net tangible assets per security	0.11	0.16

Audit

This preliminary financial report is based on accounts which are in the process of being audited.

Company Overview and Review of Operations

Liquefied Natural Gas Limited's (**LNGL**, the **Company** or the **Group**) corporate offices are based in Perth, Western Australia, with offices in Houston, Texas; Lake Charles, Louisiana; and Halifax, Nova Scotia.

Our business strategy is to bring a concept of mid-scale liquefied natural gas (**LNG**) projects to the international energy market.

We are currently developing LNG export terminal projects in the United States, Canada, and Australia having combined aggregate design production capacity of nearly 20 mtpa, with a further expansion option of up to 4 mtpa in Canada. Our mission is to create substantial shareholder value through successful execution of our 'Energy Link' strategy, distinguishing LNGL as a pure LNG infrastructure investment opportunity. This entails safely developing mid-scale, low cost, efficient and reliable LNG liquefaction terminals to serve the international energy market's demand for natural gas. This integrates demonstrated skills in identifying and securing strategically located project sites, with development of these sites in a rapid, cost effective manner.

Our business model applies the Company's wholly owned and developed OSMR® LNG process, which centres on delivering four key principles: industry competitive capital cost; optimized plant energy efficiency; shortened development and construction schedules; and an overall smaller environmental impact footprint, including reduced carbon emissions relative to other LNG technologies.

We are continually evaluating additional growth opportunities that would benefit from our 'Energy Link' strategy.

Key milestones achieved during the financial year ended 30 June 2017 and through the date of this report follow:

- ✓ Mr. Paul J Cavicchi became Chairman of LNGL's Board of Directors with the previous Chairman, Mr. Richard J Beresford, remaining on the Board as a Non-Executive Director
- ✓ The LNGL Board authorised the Company's management team to explore the possibility of redomiciling the Company to the United States of America along with a listing on either the New York Stock Exchange or NASDAQ
- ✓ FERC issued its Order on Rehearing fully reaffirming its April 15, 2016 authorisation of the proposed Magnolia LNG export facility
- ✓ Magnolia LNG received its Notice to Proceed (**NTP**) from the FERC to commence Initial Site Preparation activities for the Magnolia LNG project
- ✓ DOE granted the Magnolia LNG project authorisation to export liquefied natural gas from the U.S. to countries with which the U.S. has not entered into a free trade agreement (**Non-FTA**), supplementing the existing approval to export to free trade agreement (**FTA**) countries
- ✓ Magnolia LNG extended the validity period of its binding engineering, procurement, and construction (**EPC**) contract with KSJV (a KBR – SKE&C joint venture led by KBR) through December 31, 2017
- ✓ Magnolia LNG entered into a Ground Lease for the Magnolia LNG project with the Lake Charles Harbor and Terminal District
- ✓ Magnolia LNG and Stonepeak signed an Amended and Restated Equity Commitment Agreement (**ECA**) that provides Magnolia LNG with certainty of equity funding at a lower cost of capital than the previous agreement
- ✓ Magnolia LNG and Meridian LNG Holdings Corp further extended certain conditions precedent for the Meridian LNG offtake agreement from 31 December 2016 to 30 November 2017. All other provisions of the governing agreements not specifically amended by this extension remain in full force and effect
- ✓ The Nova Scotia Environment (**NSE**) approved Bear Head LNG's Greenhouse Gas and Air Emission Management Plan
- ✓ Transport Canada's TERMPOL Review Committee completed their review of the Bear Head LNG TERMPOL report
- ✓ Bear Paw Pipeline Corporation Inc. (**Bear Paw**), an indirect wholly owned subsidiary of LNGL, received Nova Scotia Utility and Review Board approval to construct a 62.5 km natural gas pipeline from Goldboro, Nova Scotia to the proposed Bear Head LNG liquefied natural gas export facility in Point Tupper, Richmond County, Nova Scotia
- ✓ Bear Paw received its environmental assessment (**EA**) approval from the NSE
- ✓ LNGL announced its exit from the Fisherman's Landing LNG project.

LIQUEFIED NATURAL GAS LIMITED
UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2017

		CONSOLIDATED			
		2017		2016	
	Note	**In thousands ($)**			
Revenue	A1	**$**	**367**	$	569
Other income	A1		**551**		7,286
Total revenue and other income			**918**		7,855
Administrative expense	A1		**(13,638)**		(19,372)
Finance costs	A1		**(1)**		(1)
Project development expenses	A1		**(12,423)**		(89,289)
Share-based payment expenses	A1 and D4		**(2,518)**		(14,333)
Other expenses	A1		**(1,539)**		---
Total expenses			**(30,119)**		(122,995)
Loss before income tax expense			**(29,201)**		(115,140)
Income tax expense			**(111)**		28
Loss after income tax expense			**(29,312)**		(115,112)
Net loss for the period		**$**	**(29,312)**	$	(115,112)
Other comprehensive income (loss) for the period:					
Foreign currency translation, net of tax		**$**	**(381)**	$	(78)
Total comprehensive income (loss) for the period		**$**	**(29,693)**	$	(115,190)
Loss for period is attributable to:					
Non-controlling interest		**$**	**(2)**	$	(3)
Equity holders of the parent			**(29,310)**		(115,109)
Total comprehensive income		**$**	**(29,312)**	$	(115,112)
Total comprehensive income (loss) for the period:					
Non-controlling interest		**$**	**(2)**	$	(3)
Equity holders of the parent			**(29,691)**		(115,187)
Total comprehensive income		**$**	**(29,693)**	$	(115,190)
Loss per share attributable to ordinary equity holders:					
Basic loss per share (cents per share)	A6		**(5.76)**		(22.88)
Fully diluted loss per share (cents per share)	A6		**(5.76)**		(22.88)

LIQUEFIED NATURAL GAS LIMITED
UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

		CONSOLIDATED	
		2017	2016
	Note	**In thousands ($)**	
Assets			
Current assets			
Cash and cash equivalents	C1	**$ 40,294**	$ 67,187
Trade and other receivables	B1	**114**	746
Other financial assets	C1	**4,156**	4,270
Prepayments		**400**	347
Total current assets		**44,964**	72,550
Non-current assets			
Property, Plant and equipment	A2	**12,044**	12,006
Total non-current assets		**12,044**	12,006
Total assets		**$ 57,008**	$ 84,556
Liabilities			
Current liabilities			
Trade and other payables	B2	**$ 2,151**	$ 2,586
Interest-bearing liabilities	C2	**4**	3
Income tax payable		**---**	9
Employee benefits and provisions	B3	**379**	930
Total current liabilities		**2,534**	3,528
Non-current liabilities			
Interest-bearing liabilities	C2	**2**	6
Employee benefits and provisions	B3	**41**	71
Total non-current liabilities		**43**	77
Total liabilities		**2,577**	3,605
Net assets		**$ 54,431**	$ 80,951
Equity			
Equity attributable to equity holders of the Parent:			
Contributed equity	C4	**$ 392,875**	$ 392,220
Reserves		**43,690**	41,553
Accumulated losses		**(382,012)**	(352,702)
Parent interests		**54,553**	81,071
Non-controlling interest		**(122)**	(120)
Total equity		**$ 54,431**	$ 80,951

LIQUEFIED NATURAL GAS LIMITED
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017

	Note	Ordinary shares	Share options reserve	Performance rights reserve	Redeemable preference share reserve	Equity reserve	Foreign currency translation reserve	Accumulated losses	Owners of the parent	Non-controlling interest	Total
						In thousands ($)					
At 1 July 2016		**$ 392,220**	**$ 6,078**	**$ 29,576**	**$ 4,032**	**$ 578**	**$ 1,289**	**$ (352,702)**	**$ 81,071**	**$ (120)**	**$ 80,951**
Loss for the period	A6	---	---	---	---	---	---	**(29,310)**	**(29,310)**	**(2)**	**(29,312)**
Other comprehensive income		---	---	---	---	---	**(381)**	---	**(381)**	---	**(381)**
Total comprehensive income for the period		---	---	---	---	---	**(381)**	**(29,310)**	**(29,691)**	**(2)**	**(29,693)**
Transactions with owners in their capacity as owners:											
Issue costs on conversion of rights	C4	**(19)**	---	---	---	---	---	---	**(19)**	---	**(19)**
Exercise of options	C4	**674**	---	---	---	---	---	---	**674**	---	**674**
Share based payment	D4	---	---	**2,518**	---	---	---	---	**2,518**	---	**2,518**
At 30 June 2017		**$ 392,875**	**$ 6,078**	**$ 32,094**	**$ 4,032**	**$ 578**	**$ 908**	**$ (382,012)**	**$ 54,553**	**$ (122)**	**$ 54,431**
At 1 July 2015	A6	$ 392,021	$ 6,078	$ 15,243	$ 4,032	$ 578	$ 1,367	$ (237,593)	$ 181,726	$ (117)	$ 181,609
Loss for the period		---	---	---	---	---	---	(115,109)	(115,109)	(3)	(115,112)
Other comprehensive income		---	---	---	---	---	(78)	---	(78)	---	(78)
Total comprehensive income for the		---	---	---	---	---	(78)	(115,109)	(115,187)	(3)	(115,190)
Transactions with owners in their capacity											
Exercise of options	C4	199	---	---	---	---	---	---	199	---	199
Share based payment	D4	---	---	14,333	---	---	---	---	14,333	---	14,333
At 30 June 2016		$ 392,220	$ 6,078	$ 29,576	$ 4,032	$ 578	$ 1,289	$ (352,702)	$ 81,071	$ (120)	$ 80,951

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LIQUEFIED NATURAL GAS LIMITED
UNAUDITED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2017

		CONSOLIDATED	
		2017	2016
	Note	**In thousands ($)**	
Cash flows from operating activities			
Receipts from taxation authorities		**$ 497**	$ 1,196
Interest received		**382**	620
Research and development tax concession rebate		**1,050**	462
Payments to suppliers and employees		**(27,421)**	(119,408)
Net cash flows used in operating activities	C1	**(25,492)**	(117,130)
Cash flows from investing activities			
(Investment in) / proceeds from security deposits classified as other financial assets		**---**	(74)
Proceeds from other financial assets		**---**	130,634
Purchase of property, plant and equipment	A2	**(409)**	(87)
Net cash (used in)/from investing activities		**(409)**	130,473
Cash flows from financing activities			
Transaction costs on issue of ordinary shares	C4	**(19)**	---
Proceeds from the exercise of options		**674**	199
Repayment of finance lease principal		**(3)**	(3)
Interest paid		**(1)**	(1)
Net cash flows from financing activities		**651**	195
Net increase/(decrease) in cash and cash equivalents		**(25,250)**	13,538
Net foreign exchange differences		**(1,643)**	6,678
Cash and cash equivalents at beginning of year		**67,187**	46,971
Cash and cash equivalents at end of year	C1	**$ 40,294**	$ 67,187

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

(a) Compliance with IFRS

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board (**AASB**) and International Financial Reporting Standards (**IFRS**), as issued by the International Accounting Standards Board.

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group as at 30 June each year.

Subsidiaries are all those entities over which the Group has the power to control. When assessing whether the Group controls another entity the following factors are considered: the existence of power; the exposure or rights to variable returns, and the ability to use the Group's power to affect the amount of the subsidiary's returns.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

All inter-company balances and transactions, income and expenses, and profit and losses resulting from intra-group transactions have been eliminated in full upon consolidation.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Subsidiary acquisitions pre-1 July 2009 are accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition.

Subsidiary acquisitions post-1 July 2009 are accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values.

Non-controlling interests not held by the Group are allocated their share of net profit or loss after tax in the income statement and are presented within equity in the consolidated balance sheet, separately from Parent shareholder's equity.

(c) Operating segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenue and incur expenses (including revenue and expenses relating to transactions with other components of the same entity), for which discrete financial information is available, and whose operating results are regularly reviewed by the entity's chief operating decision maker. Such review is to assess operating segment performance, which informs decisions about resources allocated to the segment. Operating segments include startup operations, which are yet to earn revenue. Management will also consider other factors in determining its operating segments, such as the existence of a line manager and the level of segment information presented to the Board of Directors.

Information about other business activities and operating segments that do not meet minimum quantitative criteria are combined and disclosed in a separate "all other segments" category.

The Group's operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team.

(d) Foreign currency translation

Both the functional and presentation currency of the Company and its Australian subsidiaries is Australian dollars ($). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The United States subsidiaries' functional currency is United States Dollars, which is translated to Australian dollars for consolidated financial statement presentation. The Indonesian subsidiary's functional currency is Indonesian Rupiah, which is translated to Australian dollars for consolidated financial statement presentation.

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance date.

All exchange differences in the consolidated financial statements are recorded in the Statement of Comprehensive Income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The profit or loss of overseas subsidiaries is translated into Australian dollars at the average exchange rate for the reporting period or at the exchange rate ruling at the date of each transaction. Assets and liabilities are translated at exchange rates prevailing at balance date.

Exchange variations resulting from the translation are recognised in the foreign currency translation reserve in equity in the Statement of Financial Position and Statement of Changes in Equity, respectively.

(e) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand, and short-term deposits with (i) an original maturity of three-months or less; (ii) that are readily convertible to known amounts of cash; and (iii) which are subject to an insignificant risk of changes in value.

For the purposes of the cash flow statement, cash and cash equivalents include cash and cash equivalents as defined above, net of outstanding bank overdrafts, if any.

(f) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

Collectability of trade receivables is reviewed on an ongoing basis at an operating segment level. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will be unable to collect the receivable. Financial difficulties of the debtor, default payments, or debts more than 120 days overdue are considered objective evidence of impairment. The amount of impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

(g) Business combinations

Prior to 1 July 2009, business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the aggregate acquisition cost. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Post-1 July 2009 business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquire, the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies, and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with AASB 139 – Financial Instruments: Recognition and Measurement, either in profit or loss or in other comprehensive income. If the contingent consideration is classified as comprehensive income within equity, it shall not be remeasured.

(h) Goodwill and intangibles

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. The Group performs its impairment testing using the fair value less costs to sell method for the cash-generating units to which the goodwill has been allocated.

When the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit (group of cash-generating units) and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

Research and development costs

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefits from the related project.

The carrying value of an intangible asset arising from development expenditure is tested for impairment annually when the asset is not yet available for use or more frequently when an indication of impairment arises during the reporting period.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is de-recognised.

The Group does not currently hold any goodwill or intangible assets.

(i) Plant and equipment

Cost and valuation

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in profit or loss as incurred.

Depreciation

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

- Computer hardware 3 to 5 years
- Computer software 3 to 10 years
- Furniture and fittings 10 years
- Office equipment 5 years

The assets' residual values, useful lives, and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

De-recognition and disposal

An item of plant and equipment is de-recognised upon disposal or when no further future economic benefits are expected from its use or disposal.

(j) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Finance leases (Group as a lessee)

Leases which effectively transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit and loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

The Group does not currently have any finance leases.

Operating leases (Group as a lessee)

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

(k) Impairment of non-financial assets other than goodwill

Intangible assets that have an indefinite useful life and are not subject to amortisation are tested annually for impairment or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

The Group does not currently hold any non-financial assets.

(l) Trade and other payables

Trade and other payables are carried at amortised cost and due to their short-term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(m) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period-of-time to get ready for its intended use or sale) are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the period they occur. The Group does not currently hold any qualifying assets.

(n) Provisions and employee benefits

The Group employs personnel in different countries and is subject to differing local employment laws and benefit offerings. To the extent applicable in local jurisdictions, the following accounting policies apply.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance date using a discounted cash flow methodology. The risk specific to the provision is factored into the cash flows and as such a risk-free government bond rate relative to the expected life of the provision is used as a discount rate. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave due to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts due to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave and accrued annual vacation leave are recognised when the leave is taken and are measured at the rates paid or payable.

Long service leave

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Benefit plans

The Group does not operate a defined benefit pension plan, but offers a voluntary savings plan in the U.S. and contributes to the superannuation funds established in Australia.

In 2015, the Group established a defined contribution plan (401(k) Plan) for eligible U.S. employees. The 401(k) Plan allows eligible employees to contribute up to 100% of their compensation up to the IRS maximum. The Group matches employee contributions up to 3.5 percent of said contribution. Employees immediately vest in the contributions made by the Group.

(o) Share-based payment transactions

The Group provides benefits to employees (including directors and senior executives) in the form of share-based payments, whereby services are rendered in exchange for rights over shares (**equity-settled transactions**).

The Group has a Share Option Plan and a Performance Rights Plan, which provide share options or performance rights to eligible employees including full-time employees, part-time employees, directors and senior executives.

The cost of these equity-settled transactions with employees, directors and senior executives (for awards granted after 7 November 2002 that were unvested at 1 January 2005) is measured by reference to the fair value of the equity instruments at the date at which they are granted if the fair value of the services provided cannot be estimated reliably. The fair value is determined using a binomial or Black-Scholes model.

In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the Group (**market conditions**) and/or non-vesting conditions, if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (**vesting period**), ending on the date on which the relevant employees, directors or senior executives become fully entitled to the award (**vesting date**).

The cumulative expense recognised for equity-settled transactions at each subsequent reporting date until vesting date reflects (i) the grant date fair value of the award (ii) the expired portion of the vesting period and (iii) the Group's current best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The charge to the profit or loss for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding credit to equity.

Equity-settled awards granted by the Group to employees of its subsidiaries are recognised in the Group's separate financial statements as an additional investment in the subsidiary with a corresponding credit to equity. As a result, the expense recognised by the Group in relation to equity-settled awards only represents the expense associated with grants to employees of the Group. The expense recognised by the Group is the total expense associated with all such awards.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated. Any award subject to a market condition is considered to vest irrespective of whether or not that market condition is fulfilled, provided that all other conditions are satisfied.

If the terms of an equity-settled award are modified, as a minimum, an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if there were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options or performance rights is reflected as additional share dilution in the computation of diluted earnings (loss) per share.

(p) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(q) Revenue and other income recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Rendering of services

Where the contract outcome can be reliably measured, revenue is recognised when control of the right to be compensated for the services and the stage of completion can be reliably measured. Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract. Where the contract outcome cannot be reliably measured, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Interest revenue

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Research & development (R&D) rebate income

R&D rebate income is recognised when the return is prepared and the amount can be reliably measured.

(r) Income and other taxes

Income taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- When the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses, can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates, or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

The Group does not currently have any recorded deferred tax assets or deferred tax liabilities.

Other taxes

Revenue, expenses and assets are recognised net of the amount of goods and service tax (**GST**) or equivalent, except:

- When the GST incurred on a purchase of goods and services is not recoverable from the Australian Tax Office (**ATO**) in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the balance sheet.

Cash flows are included in the cash flow statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the ATO is classified as part of operating cash flow.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the ATO.

(s) Earnings per share ("EPS")

Basic EPS is calculated as net profit or loss attributable to members of the Parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit or loss attributable to members of the Parent, adjusted for:

- Costs of servicing equity (other than dividends) and preference share dividends;
- The after-tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- Other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

Basic and diluted loss per share are the same in both periods.

(t) Other financial assets

Investments and financial assets in the scope of AASB 139 - *Financial Instruments: Recognition and Measurement,* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. The classification depends on the purpose for which the investments were acquired. Designation is re-evaluated at each financial year-end, but there are restrictions on reclassifying to other categories. When financial assets are recognised initially, they are measured at fair value, plus (in the case of assets not at fair value through profit or loss) directly attributable transaction costs.

(i) Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category "financial assets at fair value through profit or loss". Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains and losses on investments held for trading are recognised in profit or loss and the related assets are classified as current assets in the balance sheet.

The Group does not currently hold any financial assets held for trading.

(ii) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are de-recognised or impaired, as well as through the amortisation process.

The Group does not currently hold any held-to-maturity investments.

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are de-recognised or impaired. These are included in current assets, except for those with maturities greater than 12 months after balance date, which are classified as non-current.

The Group does not currently hold any loans and receivables subject to AASB 132.

(iv) Available-for-sale investments

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is de-recognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include: using recent arm's length market transactions, reference to the current market value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible and keeping judgemental inputs to a minimum.

The Group does not currently hold any available-for-sale investments.

OPERATING SEGMENTS

Identification of reportable segments

The Group has identified its operating segments based on information that is reviewed and used by the executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

Reportable segments are based on aggregated operating segments determined by the similarity of the types of business activities and/or the services provided and the regulatory environment, as these are the sources of the Group's major risks and have the most effect on rates of return.

Reportable operating segments

The Group has identified the following reportable operating segments:

LNG Infrastructure

The LNG Infrastructure business involves the identification and progression of opportunities for the development of LNG projects to facilitate the production and sale of LNG. This includes:

- Project development activities from pre-feasibility, detailed feasibility and advancement of each project to final investment decision at which time the Group expects to obtain reimbursement of all, or part of, the development costs incurred by the Group to that date and then fund the project via a suitable mix of project debt and equity;
- Construction activities; and
- Production and sale of LNG via offtake arrangements with external parties.

The LNG Infrastructure business has been determined as both an operating segment and a reportable segment.

Technology and Licensing

The technology development and licensing business is involved in the development of LNG technology, through research and development activities, and the advancement of each developed technology to the patent application stage or ability to commercialise the LNG technology. The business model aims to derive licensing fees or royalties from the utilisation of, or the sub-licensing of the LNG technology. The technology development and licensing has been determined as both an operating segment and a reportable segment.

Segment accounting policies

The accounting policies used by the Group in reporting segments are the same as those contained in the summary of accounting policies for the consolidated Group disclosed above.

Corporate charges

Corporate charges comprise non-segmental expenses such as certain head office expenses, including share based payments.

Income tax expense

Income tax expense/deferred tax benefit is calculated based on the segment operating net profit/(loss) using a notional charge of 30% (2016: 30%). No effect is given for taxable or deductible temporary differences.

It is the Group's policy that if items of revenue and expense are not allocated to operating segments then any associated assets and liabilities are also not allocated to segments. This is to avoid asymmetrical allocations within segments which management believe would be inconsistent.

Interest revenue, realised foreign exchange gains and losses, corporate expenses and finance costs (and associated assets and liabilities) are not allocated to operating segments, as they are not considered part of the core operations of any segment.

The following table shows the revenue and profit or loss information for reportable segments for the fiscal years ended 30 June 2017 and 30 June 2016, respectively.

	LNG Infrastructure		Technology & Licensing		Unallocated		Total	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
R&D concession	**$ ---**	$ ---	**$ ---**	$ ---	**$ 551**	$ 569	**$ 551**	$ 569
Net foreign exchange gain	**---**	---	**---**	---	**---**	6,787	**---**	6,787
Interest revenue	**---**	---	**---**	---	**367**	499	**367**	499
Inter-segment sales	**---**	---	**---**	---	**---**	---	**---**	---
Total revenue and other income	**---**	---	**---**	---	**918**	7,855	**918**	7,855
Inter-segment elimination	**---**	---	**---**	---	**---**	---	**---**	---
Total revenue and other income	**---**	---	**---**	---	**918**	7,855	**918**	7,855
Project development costs								
- Employee comp & benefits	**(5,987)**	(10,621)	**(360)**	---	**---**	---	**(6,347)**	(10,621)
- Defined contribution plans	**(81)**	(187)	**(62)**	---	**---**	---	**(143)**	(187)
- Consulting fees	**(2,264)**	(75,131)	**---**	---	**---**	---	**(2,264)**	(75,131)
- Site options and lease expense	**(2,328)**	---	**---**	---	**---**		**(2,328)**	---
- Other expenses	**(1,032)**	(2,885)	**(309)**	(465)	**---**	---	**(1,341)**	(3,350)
Total project development costs	**(11,692)**	(88,824)	**(731)**	(465)	**---**		**(12,423)**	(89,289)
Finance costs	**---**	---	**---**	---	**(1)**	(1)	**(1)**	(1)
Corporate charges	**---**	---	**---**	---	**(13,114)**	(18,209)	**(13,114)**	(18,209)
Share-based payments	**---**	---	**---**	---	**(2,518)**	(14,333)	**(2,518)**	(14,333)
Depreciation	**---**	---	**---**	---	**(208)**	(232)	**(208)**	(232)
Operating lease payments	**---**	---	**---**	---	**(316)**	(931)	**(316)**	(931)
Gain/(loss) on sale of PP&E	**---**	---	**---**	---	**(125)**	---	**(125)**	---
Net foreign exchange loss	**---**	---	**---**	---	**(1,414)**	---	**(1,414)**	---
Income tax expense	**---**	---	**---**	---	**(111)**	28	**(111)**	28
	$(11,692)	$(88,824)	**$ (731)**	$ (465)	**$(16,889)**	$(25,823)	**$(29,312)**	$(115,112)

The location of the Group's segment assets are as follows:

	LNG Infrastructure		Technology and Licensing		Total	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
	In thousands ($)					
Segment assets						
Australia	**$ 6**	$ 533	**$ 2**	$ 2	**$ 8**	$ 535
Canada	**11,560**	11,180	**---**	---	**11,560**	11,180
USA	**665**	837	**---**	---	**665**	837
Indonesia	**---**	2	**---**	---	**---**	2
Total segment assets	**$ 12,231**	$ 12,552	**$ 2**	2	**12,233**	12,554
Intersegment eliminations					**---**	---
Unallocated assets[1]					**44,775**	72,002
Total assets					**57,008**	84,556
Unallocated liabilities					**$ 415**	$ 1,050

[1] Unallocated assets primarily consisted of cash and cash equivalents of $40,294,000 (2016: $67,187,000) and other financial assets of $4,156,000 (2016: $4,270,000).

EARNINGS PER SHARE

The following data is used in the calculations of basic and diluted earnings per share:

	CONSOLIDATED	
	2017	2016
	In thousands ($)	
Loss used in calculating earnings per share		
For basic earnings per share:		
Net loss attributable to ordinary equity holders of the Parent	**$ (29,310)**	$ (115,109)
For diluted earnings per share:		
Net loss attributable to ordinary equity holders of the Parent	**$ (29,310)**	$ (115,109)
Weighted average number of shares		
For basic earnings per share:		
Weighted average number of ordinary shares for basic earnings per share	**509,282,478**	503,189,294
For diluted earnings per share:		
Weighted average number of ordinary shares adjusted for effect of dilution	**509,282,478**	503,189,294