



December 2017

Quarterly Highlights and Appendix 4C

A Message from the Managing Director and Chief Executive Officer

The second quarter of Liquefied Natural Gas Limited's (LNGL or the Company) fiscal year was very active as we maintained our concentration on securing offtake for Magnolia LNG in a slowly more bullish market, and continued to progress the Bear Head LNG project.

Our Annual General Meeting (AGM) was held in Melbourne on November 16, 2017. I wish to thank those shareholders who attended the AGM. I encourage those shareholders who could not attend (if they have not already done so) to listen to the webcast recording of the AGM presentation, and associated questions and answers, on our website.

During the quarter, LNGL made three significant announcements:

- The extension of the validity period of its current binding engineering, procurement, and construction (EPC) contract with KSJV for Magnolia LNG through June 30, 2018.
- Magnolia LNG and Meridian LNG agreed to extend the financial close date of their legally binding offtake agreement to March 31, 2018.
- Appointment of Joe B'Oris as Chief Development Officer with overall responsibility for all aspects of commercial development and marketing, offtake agreements, project development and strategy, and ensuring organizational knowledge regarding market factors impacting global LNG supply and demand.

Over the last quarter, our discussions with potential offtakers have gained momentum. With the record breaking winter temperatures, a sharp increase in global spot LNG prices, and a gas shortage in parts of Asia, the window is closing to secure long-term LNG supply having first delivery in 2022 or early 2023. We continue to have productive and serious discussions with offtakers and remain confident in our ability to sign offtake agreements with credit-worthy buyers.

Bear Head LNG worked to close remaining conditions to fully permit the project for construction. We are attracting increasing attention from Western Canadian basin gas producers as a viable alternative outlet for their production. Discussions on agreements with producers and pipeline partners in support of advancing Bear Head LNG toward an eventual final investment decision (FID) continues.

The Company's primary focus is on finalizing offtake agreements. Additionally, we are weighing various options to extend our liquidity runway, and will report any significant developments as they occur. In keeping with our promise to shareholders, we continue to manage our liquidity closely, consistent with our stated plans. We closed December 2017 with the Company's total cash position at A\$33.0 million, and remain debt free.

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

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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 as at 29 December '17

Shares on Issue	513,701,956
Performance Rights	15,277,232
ADRs on Issue	4,353,135

SUBSTANTIAL SHAREHOLDERS as at 29 Dec '17

Top 20 Shareholders	49.5%
North American	43.7%
- Baupost Group, LLC	12.1%
- Valinor Management, LLC	8.2%
Australasia and Asia	19.5%
Directors & Management	<1.0%

QUARTER HIGHLIGHTS

Magnolia LNG:

- On December 20, 2017, LNGL announced it had extended the validity period of its current binding engineering, procurement, and construction (EPC) contract with KSJV (a KBR – SKE&C joint venture led by KBR) for Magnolia LNG. The binding lump sum turnkey (LSTK) EPC US\$4.354 billion contract is now valid through June 30, 2018. All other terms and conditions of the contract remain unchanged.
- On December 4, 2017, LNGL announced that Magnolia LNG and Meridian LNG Holdings Corporation (Meridian LNG) had agreed to extend the financial close date of their legally binding offtake agreement to March 31, 2018. All other provisions of the governing agreements not specifically amended by this extension remain in full force and effect. LNGL's agreement with Meridian LNG was signed on July 23, 2015 and included firm capacity rights at Magnolia for up to 2 million tonnes per annum (mtpa) for an initial term of 20 years with an option to extend by a further five years.
- During the December quarter, marketing of Magnolia LNG capacity continued with several counterparties. Substantially all the offtake negotiations are for initial 20-year terms under liquefaction tolling agreements (LTA) or sales and purchase agreements (SPA).

Bear Head LNG:

- During the December quarter, Bear Head LNG continued to market capacity to all three potential gas paths: U.S., offshore Nova Scotia; and Western and Central Canada.

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.

Corporate:

- LNGL held its Annual General Meeting in Melbourne on November 16, 2017. All the resolutions set out in the Notice of Annual General Meeting (AGM), were carried on a poll except for non-binding advisory Resolution 1 (Remuneration Report), which was not carried.
- On November 13, 2017, LNGL announced the appointment of Joseph (Joe) B'Oris as Chief Development Officer reporting to LNGL Managing Director and Chief Executive Officer, Greg Vesey. Joe has overall responsibility for all aspects of commercial development and marketing, offtake agreements, project development and strategy, and ensuring organizational knowledge regarding market factors impacting global LNG supply and demand.

Joe began his career at Getty Oil (later acquired by Texaco). While at Texaco, Joe was responsible for all commercial activities on the Sabine Pipeline, which is the owner and operator of the Henry Hub. Following his position at Texaco, he served in leadership roles in

various LNG projects across the world for Nexen Energy/CNOOC Ltd., Shell, Marathon, and Jordan Cove LNG, where he was responsible for commercial and business development activities. Joe most recently operated a private consulting business focused on supporting the development and commercial activities of various LNG development, pipeline, and midstream companies.

- On October 6, 2017, the Board of LNGL announced that it had resolved to suspend all activity related to the re-domicile of the Company in the United States to focus on current business.

Security movements:

- On November 30, 2017, 1,600,000 Incentive Rights (960,000 Performance Rights and 640,000 Retention Rights) were issued to Greg Vesey (Managing Director & CEO of LNGL) following approval at the November 16, 2017 AGM.
- On December 13, 2017, 721,994 ordinary shares were issued from the conversion of 732,304 Non-Executive Director (NED) Rights, which were approved by shareholders at the November 17, 2016 AGM.
- On December 19, 2017, 776,060 NED Rights were issued following approval at the November 16, 2017 AGM.
- Following the above three (3) security movements, the number of incentive rights reported to the ASX in the Appendix 3B on December 19, 2017 was 15,277,232. The number of ordinary shares was reported as 513,701,956.

Financial Position:

During the three-months ended December 31, 2017, net operating cash outflow was A\$5.3 million, which compared with the net operating cash outflow of A\$6.0 million for the three-months ended September 30, 2017. Management believes the liquidity management plan remains on course to deliver its goal of liquidity to the end of 2018 but acknowledges there remain risks to realizing the goal.

LNGL's total cash balance as at December 31, 2017 was A\$33.0 million, which compares to A\$38.2 million as at September 30, 2017, reflecting a net reduction in reported cash of A\$5.2 million. The change in reported cash between periods reflected net cash outflows of A\$5.3 million, and a non-cash impact of A\$0.1 million from currency translation effect relating to movements in exchange rates associated with cash held in denominations other than the Australian dollar (primarily U.S. dollars).

LNGL maintains a material portion of its existing cash and cash equivalents denominated in US dollars. The preponderance of forecasted cash outflows is denominated in US dollars, supporting maintenance of a majority of cash and cash equivalents denominated in US dollars as a foreign exchange risk mitigation strategy. 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.



For further information, contact:

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Joint Company Secretary
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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 Pty Ltd, a subsidiary which owns and develops the Company's **OSMR®** 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 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")

31 December 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	34	93
1.2 Payments for:		
(a) research and development/patents	(21)	(37)
(b) LNG project development	(992)	(3,015)
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs	(2,866)	(5,445)
(f) administration and corporate costs	(1,536)	(3,104)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	88	181
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	(8)
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(5,293)	(11,335)

+ See chapter 19 for defined terms

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.	Cash flows from investing activities		
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 (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	-	-
3.	Cash flows from financing activities		
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	-	-

+ See chapter 19 for defined terms

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Appendix 4C
Quarterly report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	-	-

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	38,216	44,449
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(5,293)	(11,335)
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	91	(100)
4.6	Cash and cash equivalents at end of quarter	33,014	33,014

5.	Reconciliation of cash and cash equivalents 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	28,991	34,108
5.2	Call deposits	4,023	4,108
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	33,014	38,216

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
400
-

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	2,610
9.3	Advertising and marketing	-
9.4	Leased assets	-
9.5	Staff costs	2,799
9.6	Administration and corporate costs	1,564
9.7	Other (provide details if material)	-
9.8	Total estimated cash outflows	6,973

10.	Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
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 January 2018

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.