

# Liquefied Natural Gas Limited



## CWC Japan LNG & Gas Summit

John Baguley, Chief Operating Officer



**February 6, 2018**

ASX: LNG and U.S. OTC Sponsored ADR: LNGLY

# Forward looking statement

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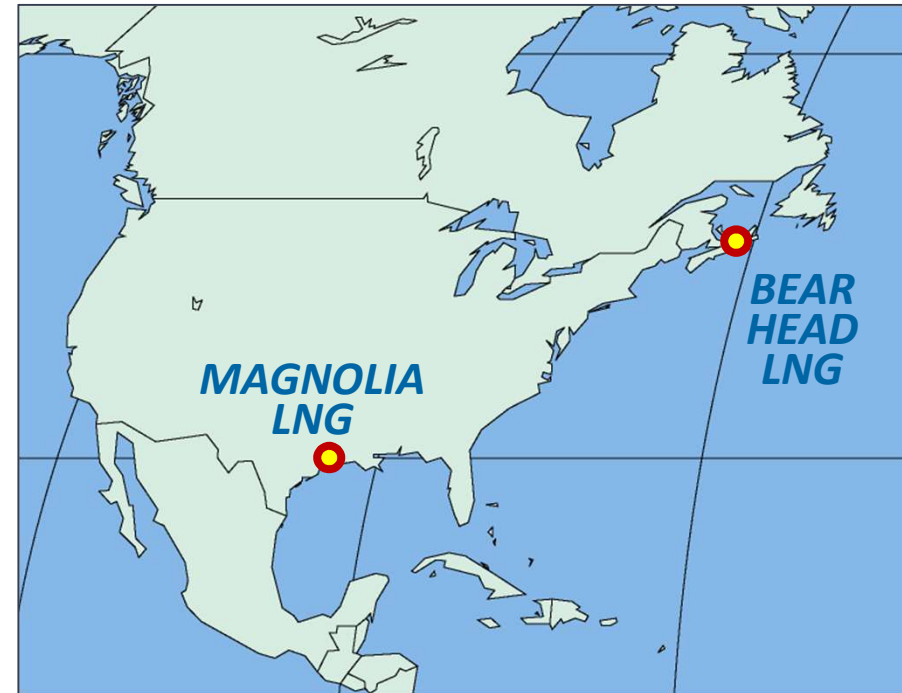
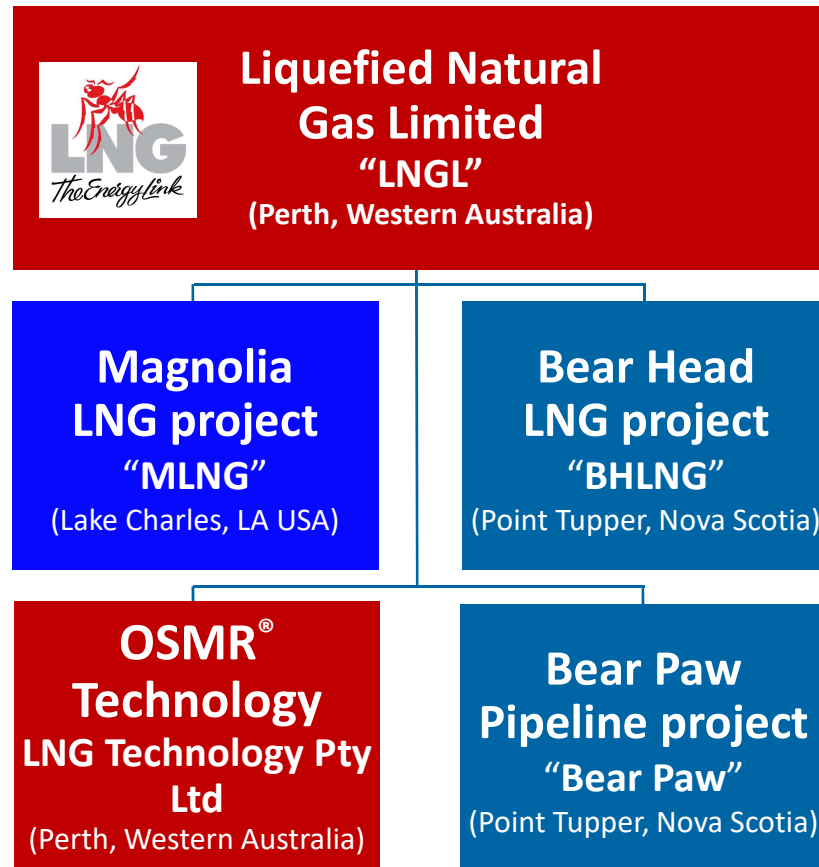
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# Corporate structure



LNGL is an Australian public company (ASX: LNG and U.S OTC sponsored ADR: LNgLY)

- Developer of mid-scale LNG export terminals
- Developments to be project financed and rated
- Patented OSMR® liquefaction process technology
- 16 – 20 mtpa of capacity under development

**Delivering competitive and innovative LNG projects to the global market**

# Magnolia LNG project

- 115-acre leased site in Lake Charles, Louisiana
- KBR-SK (KSJV) lump sum, turnkey EPC contract<sup>1</sup>
  - 8 mtpa project - 4 x 2 trains, 2 tanks, all amenities
  - OSMR® technology
  - Gas turbines, compressors, cold boxes, bulk materials
  - Mob / de-mob costs / capital spares / contractor insurance
  - EPC profit, risk funding, escalation, contingency
- Owner's and other costs contracted or verifiable
- Over nine meters existing elevation, de-risks storm surge exposure
- On Calcasieu industrial waterway, with existing LNG ship channel and turning basin
- Adjacent to major U.S. gas pipeline interconnects
- Proximity to large labor pool, industrial infrastructure, and grid power
- Financing costs at market rates at Financial Close

<sup>1</sup> Price validity through June 30, 2018



**Magnolia is a fully-permitted U.S. greenfield LNG project**



# Bear Head LNG project

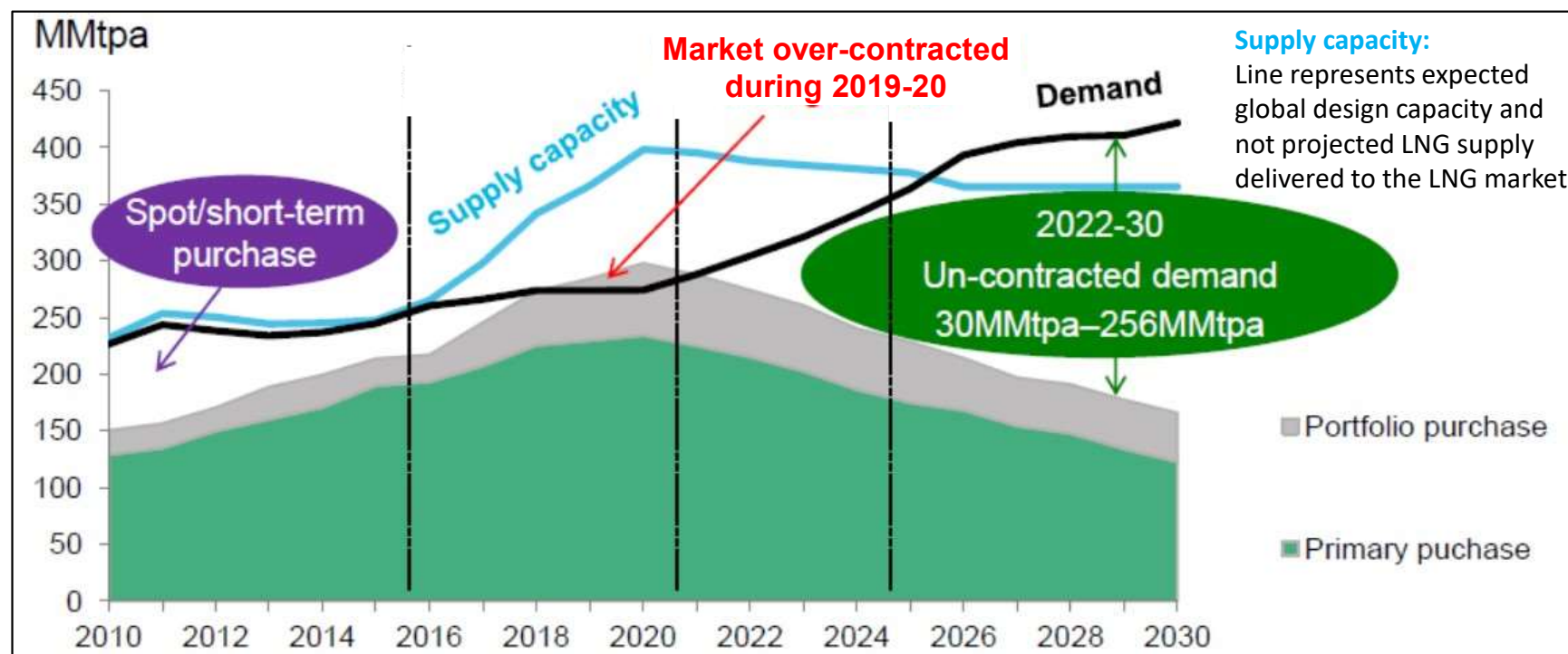
- 8 mtpa with expansion option to 12 mtpa project in Point Tupper, Nova Scotia
- 327-acres owned in existing industrial park
- Naturally deep water, ice free, and direct Atlantic access
- Similar shipping costs to Asia as U.S. Gulf Coast
- FTA and Non-FTA approved, liquefaction plant permitted for construction (Canadian FERC equivalent)
- Pipeline design and approvals in place
- Phase I FEED complete
  - Utilizing OSMR® technology
  - Targeting US Gulf Coast equivalent cost structure
  - Leveraging Magnolia LNG project design
- Excellent relationships with First Nations and government authorities
- LNG export option for currently stranded Western Canadian gas resources
  - FOB price competitive with U.S. Gulf Coast projects



**BHLNG represents significant and tangible portfolio growth option**

# Global LNG supply / demand fundamentals

## LNG supply and demand fundamentals balance in 2022



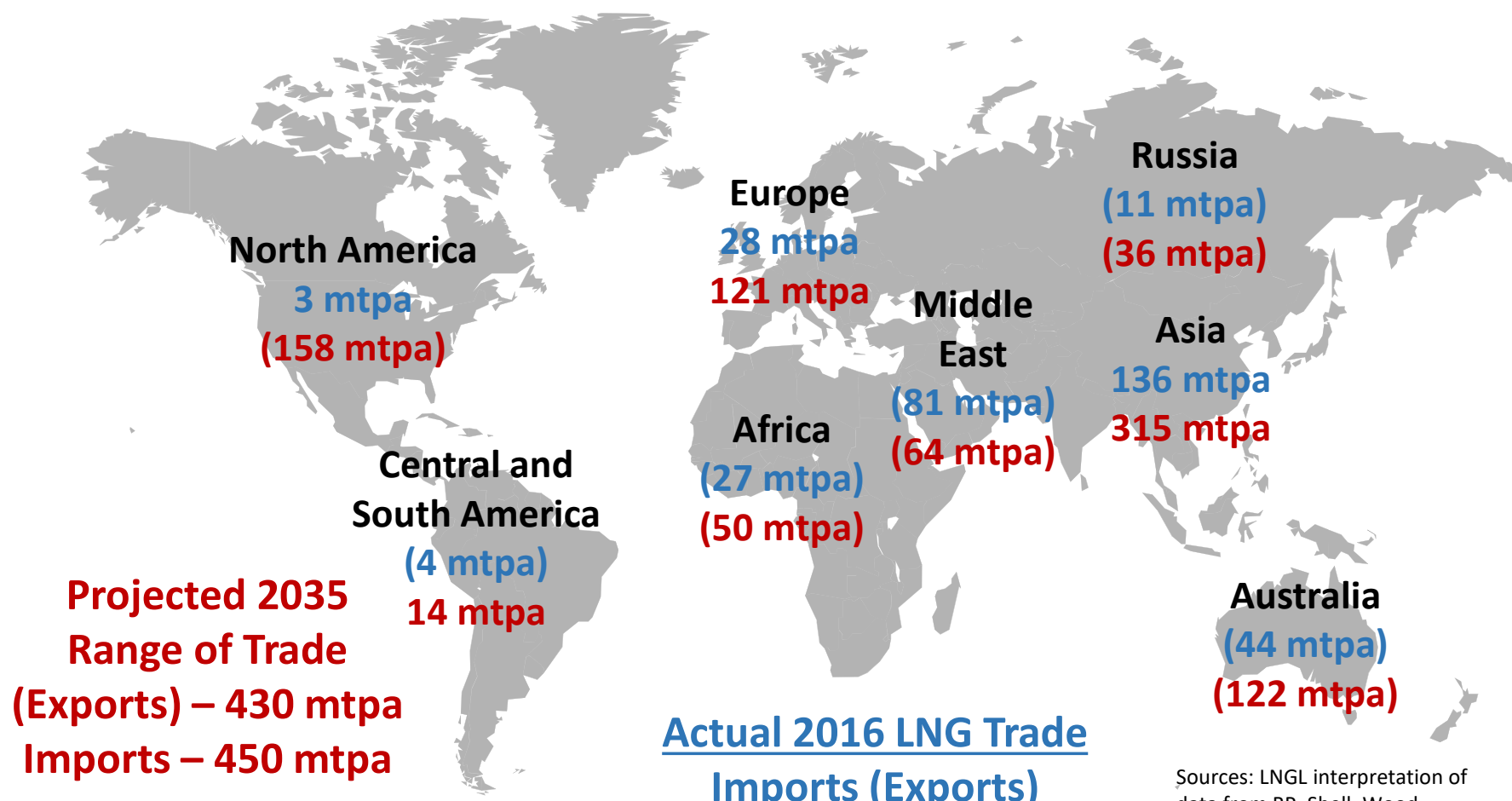
Source: Bloomberg New Energy Finance (2017)

Note: Supply capacity explanation added for clarity by LNG Limited

- Clear support for LNG's view of a 2022 shift from over- to undersupplied LNG market
- Forecasted growth continues to climb towards a doubling of consumption from current levels
- The maturity of our projects place LNG at the forefront of the next wave of LNG construction

**Most pundits agree with this range**

# Yearly net LNG imports / exports in 2035



Note: Differences in supply vs. demand results from variations in estimates

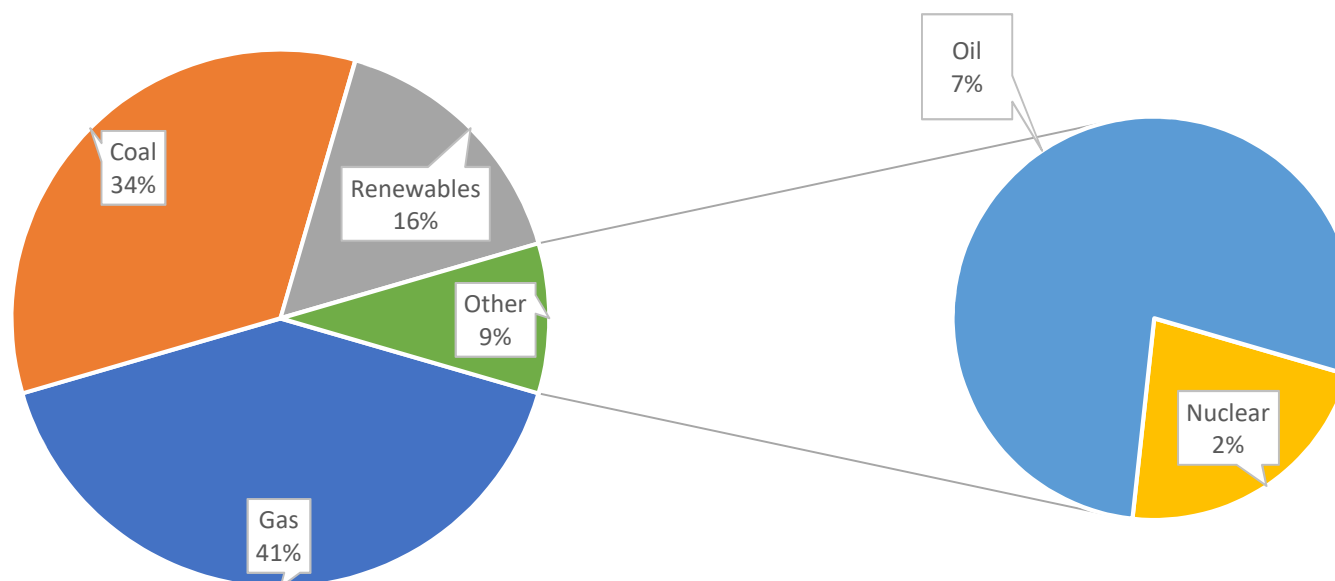
Sources: LNGL interpretation of data from BP, Shell, Wood Mackenzie, and Poten & Partners

**LNG is circa 50% of globally traded gas in 2035 up from 32% currently**

# Japan's Energy Mix and Flexibility

Japan Electricity Generation - 2016

■ Gas ■ Coal ■ Renewables ■ Nuclear ■ Oil



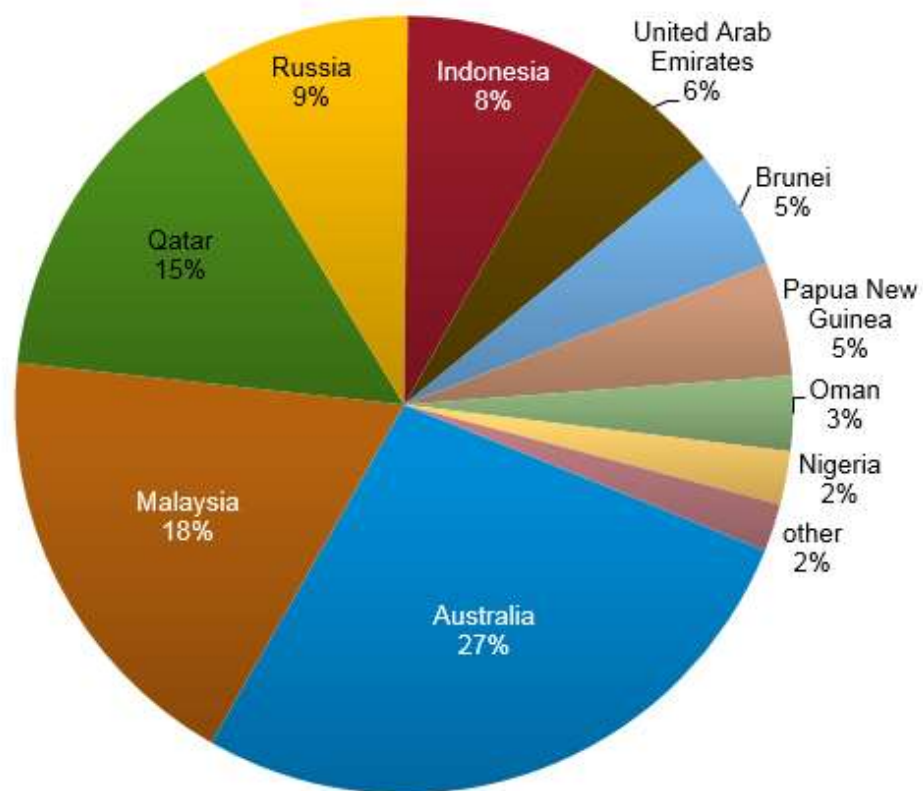
Source: LNL Interpretation of IEA Data

**Japan's capacity to swing between energy sources remains remarkable**



## Future LNG Supply

Figure 6. Japan's LNG imports by source, 2016



other: Algeria, Egypt, Norway, Equatorial Guinea, Trinidad, Yemen, Norway, Peru, U.S., and re-exported amounts

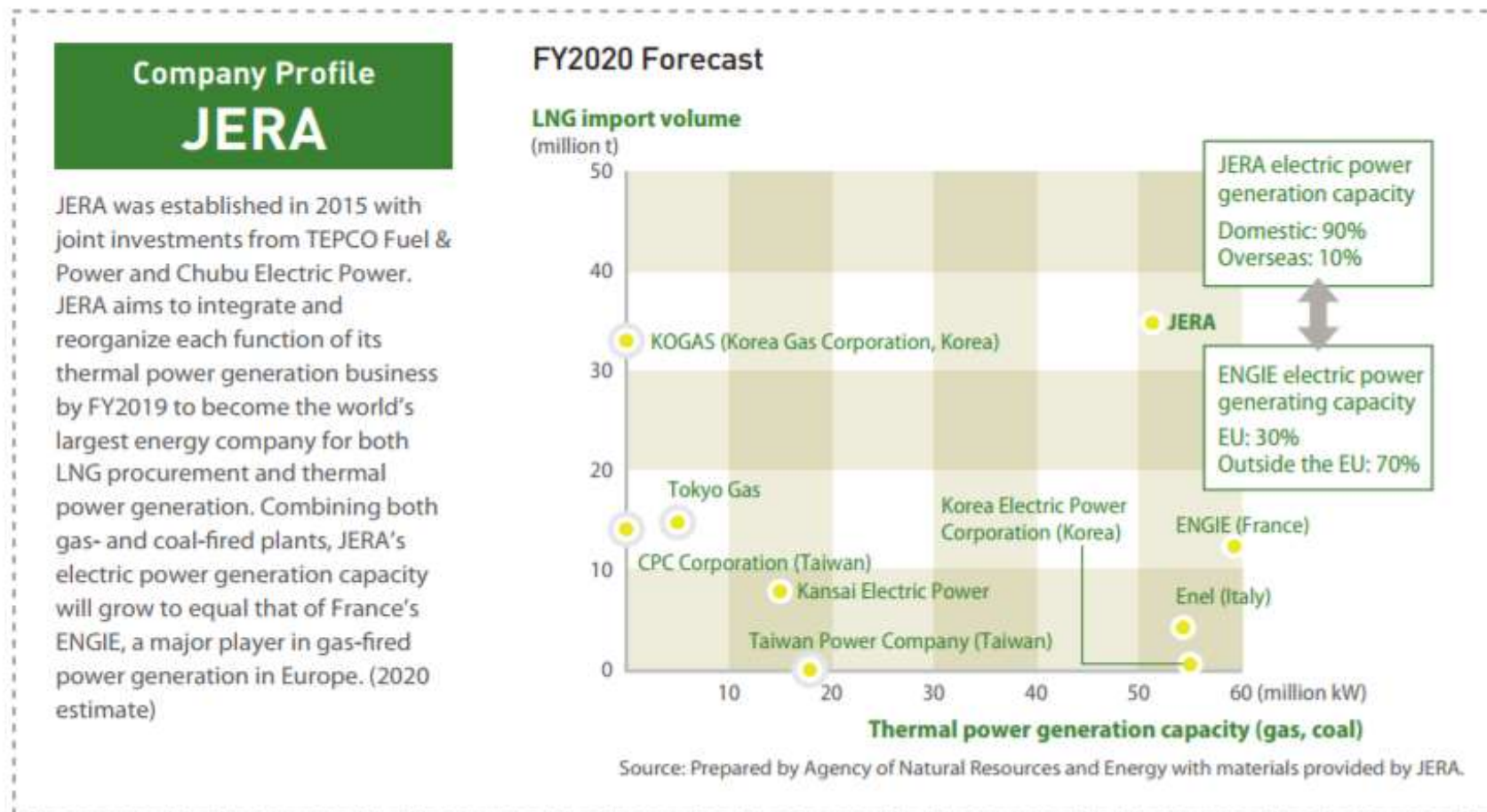


Source: IHS Energy



**Just like Shohei Ohtani, Japan and other Asian countries can look to America to support reaching their greatest potential**

## JERA as an LNG Powerhouse



Credit: Japan Ministry of Economy, Trade and Industry 2017 Japan Energy White Paper

Japan is on their way to developing METI's goal for a "highly liquid LNG market" by the first half of the 2020s

## **A LNG Buyer's Future LNG Portfolio: 40-40-20**

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**40% – 20-year contracts**

**40% – three to five year contracts**

**20% – spot pricing**

- Demand for long term contracts with LNG spot prices expected to increase
- Global LNG demand will continue to increase as additional markets and uses are found for the fuel (such as LNG bunkering)
- Offtakers without long-term agreements leave themselves open to price volatility and unknown market dynamics

**Future LNG project portfolios must balance buyer's needs  
with producer's ability to finance new projects**

## LNG Developers Bringing Costs Down

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- Mid-scale LNG projects are emerging as the sweet spot
- Minimize costs by siting LNG plants in places with existing infrastructure, i.e. pipelines, storm protection, dredging, and power supply
  - The Magnolia LNG site in Lake Charles, Louisiana
- U.S. Gulf Coast developers can offer cost stability and relative assurance through gas priced at Henry Hub
- **People matter:** LNG projects led by experienced personnel with technical, project execution and business savvy who have had the ability to plan long-term and deliver to market
- **Actions and operations matter:** Magnolia looking broadly to minimize project costs, seeking to implement an overall business model with optimized overhead and reduced long term operational costs

**Minimizing total project costs is vital to enabling LNG to compete and complement other primary energy sources**



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