Liquefied Natural Gas Limited
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ABN: 19 101 676 779

23 February 2018

ASX Market Announcements Office
ASX Limited

Liquefied Natural Gas Limited – FY 2018 Half Year Results for Announcement to the Market

In accordance with the Listing Rules, Liquefied Natural Gas Limited (ASX: LNG; OTC ADR: LNGLY) encloses the following information:

(i) The ASX Appendix 4D for the Half Year Ended 31 December 2017; and

(ii) The Financial Report for the Half Year Ended 31 December 2017.

Yours sincerely

Andrew Gould
Joint Company Secretary
Liquefied Natural Gas Limited

LIQUEFIED NATURAL GAS LIMITED

ABN 19 101 676 779

APPENDIX 4D
FOR THE HALF YEAR ENDED
31 DECEMBER 2017

LIQUEFIED NATURAL GAS LIMITED
ABN 19 101 676 779

Results for announcement to the market

Current reporting period:	6 months ending 31 December 2017
Previous corresponding reporting period:	6 months ending 31 December 2016

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

Consolidated	31 December 2017 $'000	31 December 2016 $'000	Change %	Movement
Revenues from ordinary activities	170	190	11%	Down
Loss from ordinary activities after tax attributable to members	13,321	13,605	2%	Down
Net loss for the period attributable to members	13,317	13,604	2%	Down

Operating Results

For commentary on the financial results please refer to information provided in the Directors Report in the attached interim financial report. The half-year report should be read in conjunction with the most recent annual report.

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

	31 December 2017 $	31 December 2016 $
Net tangible assets per security	0.08	0.14

Details of entities over which control has been gained or lost during the period

Not applicable.

LIQUEFIED NATURAL GAS LIMITED

ABN 19 101 676 779

FINANCIAL REPORT
FOR THE HALF - YEAR ENDED
31 DECEMBER 2017

LIQUEFIED NATURAL GAS LIMITED
ABN 19 101 676 779

CONTENTS

CORPORATE DIRECTORY

LIQUEFIED NATURAL GAS LIMITED
ABN 19 101 676 779

DIRECTORS
Paul Cavicchi, Non-Executive Chairman
Gregory M Vesey, Managing Director / Chief Executive Officer
Richard Beresford, Non-Executive Director
Leeanne Bond, Non-Executive Director
Michael Steuert, Non-Executive Director
Philip Moeller, Non-Executive Director

JOINT COMPANY SECRETARIES
Andrew Gould (Australia)
Kinga Doris (United States)

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ASX CODE
LNG

OTC ADR CODE
LNGLY

DIRECTORS' REPORT

Your directors submit their report for the half-year ended 31 December 2017.

DIRECTORS

The names of the Liquefied Natural Gas Limited (the **Company**, **Group**, or **LNGL**) company's directors in office during the half-year and until the date of this report are as below.

Directors were in office for the entire period (unless otherwise stated).

Paul Cavicchi	Non-Executive Chairman
Richard Beresford	Non-Executive Director
Leeanne Bond	Non-Executive Director
Michael Steuert	Non-Executive Director
Philip Moeller	Non-Executive Director
Gregory M Vesey	Managing Director and Chief Executive Officer

REVIEW AND RESULTS OF OPERATIONS

Liquefied Natural Gas Limited (**LNGL** or the **Company**) holds a strong competitive position in the mid-scale LNG industry with our LNG projects: Magnolia LNG, in Lake Charles, Louisiana, USA and Bear Head LNG in Richmond County, Nova Scotia, Canada. Our North American projects have successfully achieved milestones that provide indisputable evidence that Magnolia LNG and Bear Head LNG should be at the forefront of supplying the next wave of global LNG demand.

The Magnolia LNG project enters 2018 shovel ready and first in-line to satisfy demand for new LNG supply. Our team is solely focused on completing our marketing of Magnolia LNG's offtake capacity in order to take FID (a financial investment decision). The project has all required US Federal Energy Regulatory Commission (**FERC**) and US Department of Energy (**DoE**) permits and approvals, has construction price certainty through its industry competitive LSTK engineering, procurement, and construction (**EPC**) contract price with KSJV (a KBR – SKE&C joint venture led by KBR), certainty of gas supply, equity via a commitment from Stonepeak Infrastructure Partners, and a debt financing process led by BNP Paribas.

For LNG buyers attempting to determine which US greenfield LNG project is most likely to succeed and thus to contract with, you must look no further than Magnolia LNG. Once bankable offtake is sold, Magnolia LNG will move straight to financial close and construction. The project has no other obligations to meet. As LNG developments are considered, Magnolia LNG is the most viable greenfield liquefaction project in the world today.

Likewise, Bear Head LNG has completed its regulatory permitting process. Bear Head markets itself as a viable outlet for stranded Canadian natural gas resources looking for economic access to global LNG markets, demand, and pricing. Bear Head is uniquely positioned as a key component of an East Coast Canada export strategy.

In keeping with our promise to shareholders, LNGL managed its liquidity consistent with our stated plans. We closed December 2017 with the Company's total cash position at A$33 million (A$29 million in cash and cash equivalents plus A$4 million in investments in term deposits classified as Other Financial Assets on the Statement of Financial Position). The Company has no debt.

Project Update

(a) Magnolia LNG Project, Lake Charles, Louisiana, United States (Magnolia LNG)

- On 20 December 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 30 June 2018. All other terms and conditions of the contract remain unchanged.
- On 4 December 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 31 March 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 23 July 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).

(b) Bear Head LNG Project, Nova Scotia, Canada (Bear Head LNG)

- Bear Head LNG worked to close remaining conditions to fully permit the project for construction.
- Bear Head LNG is attracting increasing attention from Western Canadian basin gas producers as an alternative viable 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).

Corporate

Board of Directors

- LNGL held its Annual General Meeting in Melbourne on 16 November 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.

Personnel

- On 13 November 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.

Share Capital Movements

- On 1 July 2017, 2,274,137 Performance Rights lapsed and 258,686 Performance Rights were forfeited.
- On 11 July 2017, 5,205,000 Incentive Rights (3,123,000 Performance Rights and 2,082,000 Retention Rights) were issued.
- On 30 November 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 16 November 2017 AGM.
- On 13 December 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 17 November 2016 AGM.
- On 19 December 2017, 776,060 NED Rights were issued following approval at the 16 November 2017 AGM.
- Following the above five (5) security movements, the number of incentive rights reported to the ASX in the Appendix 3B on 19 December 2017 was 15,277,232. The number of ordinary shares was reported as 513,701,956.

Financial Results

The consolidated net loss after income tax for the half-year, excluding non-controlling interest, was $13.3 million (2016: $13.6 million). Project development expenditure were $6.1 million (2016: $7.0m), reflecting the Company's liquidity management plan and sole focus on completing the marketing of Magnolia LNG's offtake capacity. Administration expenditure decreased from $6.4 million (2016) to $5.0 million, reflecting full initiation of the Company's cost-reduction program.

SIGNIFICANT EVENTS AFTER BALANCE DATE

The following significant events have occurred subsequent to the half-year ended 31 December 2017:

(a) Magnolia LNG

None

(b) Bear Head LNG

None

(c) Fisherman's Landing LNG

On 15 February 2018, Gladstone LNG Pty Ltd (Gladstone), a wholly owned subsidiary of LNGL, agreed to transfer all licenses, environmental authorities, records, reports, information, and data relating to, developed by, or commissioned for Gladstone in respect of the Fisherman's Landing LNG project to a third-party buyer for US$1 million plus reimbursement of certain statutory charges. Prior to execution of this transaction, LNGL had maintained Gladstone as a going concern as it progressed negotiations with the third-party. The information, data, and assets transferred to the third-party represent all things necessary for the continued operation of the Gladstone business. Sale proceeds are divided into two tranches - US$200,000 is paid immediately to LNGL upon execution of the Transfer Agreement, with the remaining US$800,000 deposited in a trust account that will be released to LNGL once conditions precedent are satisfied. Receipt by LNGL of the US$800,000 is contingent upon the third-party buyer receiving indicative approval by the regulators for the transfer of the permits and licences within two-months of execution of the Transfer Agreement. Further, if the third-party declares Financial Close of an LNG project, as defined in the Transfer Agreement occurs, the third-party shall pay LNGL an incremental US$4 million within 5 business days of giving notice.

(d) Corporate

The number of unlisted incentive rights reported in the Appendix 3B on 19 December 2017 (15,277,232) has reduced by 626,290 due to forfeiture of Incentive Rights by staff who have left the Company, and increased by 300,000 Incentive Rights which were issued to Joe B'Oris (Chief Development Officer) who joined the Company on 27 November 2017. The number of unlisted incentive rights as at the date of this report is 14,950,942.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration on page 6 forms part of the Directors' Report for the half-year ended 31 December 2017.

Signed in accordance with a resolution of the directors.

P. Cavicchi	G. M. Vesey
Chairman	Chief Executive Officer
23 February 2018	23 February 2018

Ernst & Young
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Auditor's Independence Declaration to the Directors of Liquefied Natural Gas Limited

As lead auditor for the review of Liquefied Natural Gas Limited for the half-year ended 31 December 2017, I declare to the best of my knowledge and belief, there have been:

a. no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b. no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Liquefied Natural Gas Limited and the entities it controlled during the financial period.

Ernst & Young

Partner
23 February 2018

DH:JS:IPL:017

LIQUEFIED NATURAL GAS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2017

	Note	CONSOLIDATED	
		2017	2016
		$'000	$'000
Revenue	2	170	190
Other income	2	144	1,592
Administration expenses		(5,040)	(6,357)
Finance costs		-	-
Project development expenses	5	(6,050)	(6,995)
Share based payment expenses		(2,076)	(1,901)
Other expenses	2	(461)	(6)
Loss before income tax		**(13,313)**	(13,477)
Income tax (expense)/benefit		(8)	(128)
Loss after income tax		**(13,321)**	(13,605)
Net loss for the period		**(13,321)**	(13,605)
Other comprehensive income:			
Items that may be reclassified to profit and loss			
Foreign currency translation		(66)	205
Other comprehensive income for the period, net of tax		(66)	205
Total comprehensive income for the period		**(13,387)**	(13,400)
Loss for the period is attributable to:			
Non-controlling interest		(4)	(1)
Equity holders of the Parent		(13,317)	(13,604)
		(13,321)	(13,605)
Total comprehensive income for the period is attributable to:			
Non-controlling interest		(4)	(1)
Equity holders of the Parent		(13,383)	(13,399)
		(13,387)	(13,400)
Loss per share attributable to the ordinary equity holders of the Company:		**Cents**	Cents
- Basic loss per share		**(2.60)**	(2.66)
- Diluted loss per share		**(2.60)**	(2.66)

This financial statement should be read in conjunction with the accompanying notes.

LIQUEFIED NATURAL GAS LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	CONSOLIDATED	
		31 DEC 2017 **$'000**	30 JUN 2017 $'000
Assets			
Current assets			
Cash and cash equivalents	3	28,991	40,294
Trade and other receivables		304	114
Other financial assets	3	4,023	4,156
Prepayments		247	400
Total current assets		**33,565**	**44,964**
Non-current assets			
Property, plant and equipment		11,960	12,044
Total non-current assets		**11,960**	**12,044**
Total assets		**45,525**	**57,008**
Liabilities			
Current liabilities			
Trade and other payables		2,106	2,151
Interest-bearing liabilities		-	4
Income tax payable		-	-
Provisions		291	379
Total current liabilities		**2,397**	**2,534**
Non-current liabilities			
Interest-bearing liabilities		-	2
Provisions		8	41
Total non-current liabilities		**8**	**43**
Total liabilities		**2,405**	**2,577**
Net assets		**43,120**	**54,431**
Equity			
Equity attributable to equity holders of the Parent:			
Contributed equity	7	392,875	392,875
Reserves		45,700	43,690
Accumulated losses		(395,329)	(382,012)
Parent interests		**43,246**	**54,553**
Non-controlling interest		(126)	(122)
Total equity		**43,120**	**54,431**

This financial statement should be read in conjunction with the accompanying notes.

LIQUEFIED NATURAL GAS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2017

	Ordinary shares	Share options reserve	Rights reserve	Redeemable preference share reserve	Equity reserve	Foreign currency translation reserve	Accumulated losses	Owners of the Parent	Non-controlling interest	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 July 2017	392,875	6,078	32,094	4,032	578	908	(382,012)	54,553	(122)	54,431
Loss for the period	–	–	–	–	–	–	(13,317)	(13,317)	(4)	(13,321)
Other comprehensive income	–	–	–	–	–	(66)	–	(66)	–	(66)
Total comprehensive income/(loss) for the half-year	–	–	–	–	–	**(66)**	**(13,317)**	**(13,383)**	**(4)**	**(13,387)**
Transactions with owners in their capacity as owners										
Exercise of options	–	–	–	–	–	–	–	-	–	-
Cost of rights converted into ordinary shares	–	–	–	–	–	–	–	-	–	-
Share based payments	–	–	2,076	–	–	–	–	2,076	–	2,076
At 31 December 2017	**392,875**	**6,078**	**34,170**	**4,032**	**578**	**842**	**(395,329)**	**43,246**	**(126)**	**43,120**
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	–	–	–	–	–	–	(13,604)	(13,604)	(1)	(13,605)
Other comprehensive income	–	–	–	–	–	205	–	205	–	205
Total comprehensive income/(loss) for the half-year	–	–	–	–	–	205	(13,604)	(13,399)	(1)	(13,400)
Transactions with owners in their capacity as owners										
Exercise of options	674	–	–	–	–	–	–	674	–	674
Cost of rights converted into ordinary shares	(18)	–	–	–	–	–	–	(18)	–	(18)
Share based payments	–	–	1,901	–	–	–	–	1,901	–	1,901
At 31 December 2016	392,876	6,078	31,477	4,032	578	1,494	(366,306)	70,229	(121)	70,108

This financial statement should be read in conjunction with the accompanying notes.

LIQUEFIED NATURAL GAS LIMITED
CASH FLOW STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2017

		CONSOLIDATED	
		Half Year Ended 31 December	
	Note	**2017 $'000**	2016 $'000
Cash flows from operating activities			
Interest received		181	147
Research and development tax concession rebate		-	499
Payments to suppliers and employees		(11,118)	(14,200)
Net cash flows used in operating activities		**(10,937)**	**(13,554)**
Cash flows from investing activities			
Proceeds from /(Investment in) deposits classified as other Financial assets		102	(20,237)
Purchase of property, plant and equipment		-	(409)
Net cash from/(used in) investing activities		**102**	**(20,646)**
Cash flows from financing activities			
Proceeds from the exercise of options		-	674
Cost of rights converted into ordinary shares		-	(18)
Repayment of finance lease principal		(6)	(2)
Interest paid		-	(1)
Net cash flows (used in)/from financing activities		**(6)**	**653**
Net decrease in cash and cash equivalents		**(10,841)**	**(33,547)**
Net foreign exchange differences		(462)	1,041
Cash and cash equivalents at beginning of period		40,294	67,187
Cash and cash equivalents at end of period	3	**28,991**	**34,681**

This financial statement should be read in conjunction with the accompanying notes.

LIQUEFIED NATURAL GAS LIMITED - NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

General Information

This general purpose condensed financial report for the half-year ended 31 December 2017 was authorised for issue in accordance with a resolution of the directors on 23 February 2018.

Liquefied Natural Gas Limited (the Company or Group) is a company limited by shares, domiciled and incorporated in Australia. Its shares are publicly traded on the Australian Securities Exchange.

The Company is a for-profit entity and is primarily involved in mid-scale liquefied natural gas projects.

Basis of preparation

This general purpose condensed consolidated financial report for the half-year ended 31 December 2017 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001.*

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Company and its subsidiaries (the Group) as the full annual financial report.

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2017, and considered together with any public announcements made by the Company during the half-year ended 31 December 2017 in accordance with the continuous disclosure obligations of the ASX Listing Rules.

The financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

The accounting policies and method of computation are the same as those adopted by the Group in the most recent annual financial report, except the new policies as disclosed below.

New standards

All new and amended Australian Accounting Standards and Interpretations, issued by the Australian Accounting Standards Board (AASB), mandatory as of 1 July 2017 to the Group have been adopted. The adoption of new standards and interpretations has not resulted in a material change to the financial performance or position of the Group; however, it has resulted in some changes to the Group's presentation of, or disclosure in, its half-year financial statements.

The Group has not elected to early adopt any other new standards or amendments that are issued but not yet effective. The assessments of the new standard or amendments remains consistent with the impact outlined in the Group's Annual Financial Report.

	CONSOLIDATED	
	31 DEC 2017 $'000	**31 DEC 2016 $'000**
2. REVENUE, INCOME AND EXPENSES		
(a) Revenue		
Interest revenue	170	190
	170	**190**
(b) Other Income		
Research and development rebate	144	551
Foreign exchange gains	-	1,041
	144	**1,592**
(c) Other Expenses		
Foreign exchange losses	(461)	-
	(461)	**-**

3. CASH AND CASH EQUIVALENTS AND OTHER FINANCIAL ASSETS

	CONSOLIDATED	
Cash and cash equivalents	**31 DEC 2017 $'000**	**30 JUN 2017 $'000**
Cash at bank and in hand	28,260	38,788
Short-term deposits	731	1,506
	28,991	**40,294**
Other financial assets		
Security deposits	4,023	4,156
	33,014	**44,450**

4. DIVIDEND PAID AND PROPOSED

There were no dividends paid or proposed during the half-year ended 31 December 2017.

5. 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 operating segments used for management purposes, and, where appropriate, the Group has 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 reportable operating segment is based on the aggregation of the following operating segments:

- Magnolia LNG project;
- Bear Head LNG project; and
- Fisherman's Landing LNG project.

In applying the aggregation criteria, management have made a number of judgements surrounding:

- The economic characteristics of the company's projects, including consideration of the macroeconomic environment impacting each individual project;
- Percentage of consolidated revenue that the operating segment will contribute; and
- The regulatory environment the Company's projects operate in.

5. OPERATING SEGMENTS (Continued)

Technology and Licensing

The technology 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 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 internally are the same as those contained in the annual report for the year ended 30 June 2017 and in the prior period.

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.

The following items and associated assets and liabilities are not allocated to operating segments, as they are not considered part of the core operations of any segment:

– Interest revenue;
– Realised foreign exchange gains and losses;
– Corporate expenses; and
– Finance costs.

The following tables present the revenue and profit or loss information for the Group's operating segments for the half-years ended 31 December 2017 and 31 December 2016:

Half Year ended 31 December 2017	**LNG Infrastructure $'000**	**Technology and Licensing $'000**	**Unallocated $'000**	**Total $'000**
Revenue				
Research and development concession	-	-	144	**144**
Interest revenue	-	-	170	**170**
Inter-segment sales	-	-	-	**-**
Subtotal	-	-	314	**314**
Inter-segment eliminations	-	-	-	**-**
Total segment revenue and other income	-	-	314	**314**
Expenditure				
Project development costs				
Employee compensation and benefits	2,467	391	-	**2,858**
Defined contribution plans	44	31	-	**75**
Consulting fees (FEED, legal, etc)	376	-	-	**376**
Other expenses	2,692	49	-	**2,741**
Total project development costs	5,579	471	-	**6,050**

5. OPERATING SEGMENTS (Continued)

	LNG Infrastructure $'000	Technology and Licensing $'000	Unallocated $'000	Total $'000
Half Year ended 31 December 2017				
Other expenditure				
Corporate charges	-	28	4,950	**4,978**
Share-based payments	-	599	1,477	**2,076**
Depreciation of non-current assets	-	-	75	**75**
Operating lease payments	-	-	448	**448**
Income tax expense at 30% (2016: 30%)	-	-	8	**8**
Segment and Group costs and expenses	(5,579)	(1,098)	(6,958)	**(13,635)**
Segment and Group net loss	(5,579)	(1,098)	(6,644)	**(13,321)**
Half Year ended 31 December 2016				
Revenue				
Research and development concession	-	-	551	551
Net foreign exchange gain	-	-	1,041	1,041
Interest revenue	-	-	190	190
Inter-segment sales	-	-	-	-
Subtotal	-	-	1,782	1,782
Inter-segment eliminations	-	-	-	-
Total segment revenue and other income	-	-	1,782	1,782
Expenditure				
Project development costs				
Employee compensation and benefits	4,046	467	-	4,513
Defined contribution plans	41	24	-	65
Consulting fees (FEED, legal, etc)	1,070	-	-	1,070
Other expenses	1,230	117	-	1,347
Total project development costs	6,387	608	-	6,995
Other expenditure				
Corporate charges	-	139	5,936	6,075
Share-based payments	-	649	1,252	1,901
Depreciation of non-current assets	-	-	114	114
Operating lease payments	-	-	168	168
Loss on sale of property, plant and equipment	-	-	6	6
Income tax expense at 30% (2015: 30%)	-	-	128	128
Segment and Group costs and expenses	(6,387)	(1,396)	(7,604)	(15,387)
Segment and Group net loss	(6,387)	(1,396)	(5,822)	(13,605)

The following table summarizes the assets and liabilities for the Group's operating segments:

Assets				
31 December 2017	11,658	1	33,866	**45,525**
30 June 2017	12,231	2	44,775	**57,008**

Unallocated assets primarily consisted of cash and equivalents of $28,991,000 (30 June 2017: $40,294,000) and other financial assets of $4,023,000 (30 June 2017: $4,156,000). Unallocated liabilities as at 31 December 2017 were $1,145,000 (30 June 2017: $415,000).

6. COMMITMENTS AND CONTINGENCIES

(a) Capital commitments

At 31 December 2017, there were no commitments in relation to the purchase of plant and equipment (30 June 2017: $nil).

(b) Operating lease commitments – Group as lessee

The Company leases its corporate and project offices under an operating lease. There are no restrictions placed upon the lessee upon entering into these leases. Certain leases contain renewal provisions that are at the option of the Company. Certain leases contain a clause to enable upward revision of the rental charge on an annual basis based on the consumer price index.

	CONSOLIDATED	
	31 DEC 2017 $'000	**30 JUN 2017 $'000**
Future minimum rentals payable under non-cancellable operating leases is as follows:		
- Within one year	1,024	742
- After one year but not more than five years	2,379	2,296
-More than five years	32,096	31,701
Aggregate non-cancellable operating lease expenditure contracted for at reporting date	**35,499**	**34,739**

(c) Guarantees

The Company's subsidiary, Magnolia LNG LLC ("MLNG"), has provided a bank guarantee (issued by ANZ Bank) for the amount of US$2,000,000, in favour of KMLP which is a condition of the Precedent Agreement between MLNG and KMLP, providing firm gas transportation rights for the Magnolia LNG Project.

The Company's subsidiary, Gladstone LNG Pty Ltd, has provided a bank guarantee (issued by ANZ Bank) for the amount of A$789,263, in favour of Queensland's Department of Environment and Resource Management ("DERM"), which is a condition of DERM's environmental authority approval for the FLLNG Project. The bank guarantee is valid until all environmental authorities are received.

Gladstone LNG Pty Ltd has provided a bank guarantee (issued by ANZ Bank) for the amount of A$151,106, in favour of DERM, which is a condition of DERM's environmental authority approval for the FLLNG Project's proposed gas pipeline. The bank guarantee is valid until it is no longer required by the State of Queensland.

The Company's subsidiary, LNG International Pty Ltd has provided a C$500,000 letter of credit (issued by the Bank of Montreal), in favour of the UARB.

Term deposits of $4,023,000 (30 June 2017: $4,156,000) are held by the Company and pledged as security for the above guarantees.

(e) Insurance claims

There are no active or pending material insurance claims at the date of this report.

(f) Legal claims

There are no legal claims outstanding against the Group at the date of this report, which in management's opinion require accrual of legal obligations as at the balance sheet date and through the date of this report.

(g) Wahoo Agreement

As at 31 December 2017 and through the date of this report, the Company has not recognized within its financial statements a provision for any success fee payments associated with the Agreement or the Confidential Agreement, given the obligating events (i.e. the achievement of specific milestones) have not occurred and thus accrual for payment is inappropriate under applicable accounting standards.

7. CONTRIBUTED EQUITY

		CONSOLIDATED	
		Number	**$'000**
(a) Movement in ordinary shares on issue:			
At 1 July 2016		**503,977,606**	**392,220**
Exercise of options	(i)	1,759,000	674
Vesting of Performance Rights into ordinary shares	(ii)	6,224,720	-
Vesting of NED Rights into ordinary shares	(iii)	66,499	-
Less: Costs	(iv)	-	(19)
At 31 December 2016		**512,027,825**	**392,875**
Vesting of Performance Rights into ordinary shares	(v)	952,137	-
At 30 June 2017		**512,979,962**	**392,875**
Vesting of NED Rights into ordinary shares	(vi)	721,994	-
At 31 December 2017		**513,701,956**	**392,875**

(i) During the half-year ended 31 December 2016, 1,759,000 ordinary shares were issued on the exercise of options. The weighted average exercise price of the options exercised was $0.383.

(ii) On 4 July 2016, the Company issued 6,224,720 ordinary shares upon the vesting of 6,245,402 rights under the Performance Rights Plan.

(iii) On 2 December 2016, the Company issued 66,499 ordinary shares upon the vesting of 73,111 rights under the NED Rights Plan.

(iv) In accordance with the terms of the Rights Plans, $1,000 was paid in cash to each participant on the vesting of rights into ordinary shares.

(v) On 27 January 2017, the Company issued 952,137 ordinary shares upon the vesting of 952,992 rights under the Performance Rights Plan.

(vi) On 13 December 2017, the Company issued 721,994 ordinary shares upon the vesting of 732,304 rights under the NED Rights Plan.

At 31 December 2017, 513,701,956 of the Company's ordinary shares were listed for Official Quotation on the ASX.

(b) Terms and conditions of ordinary shares

Voting rights

Each ordinary share entitles its holder to one vote, either in person or by proxy, attorney or representative at a meeting of the Company. In case of an equality of votes, the Chairman of the meeting shall have a second or casting vote.

Dividends

Ordinary shares have the right to receive dividends as declared and in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

(c) Rights

The Company has an Incentive Rights Plan under which performance rights to subscribe for the Company's ordinary shares have been granted to the Managing Director and employees. 4,083,000 Performance Rights and 2,722,000 Retention Rights were issued during the period. 2,274,137 performance rights lapsed during the period due to milestone conditions not being met. 258,686 performance rights were forfeited during the period due to rights holders no longer being employed by the Company.

The Performance Rights partially or fully vest if the Group's total shareholder return (TSR) is greater than 100% of the TSR of the All Ordinaries Accumulation Index at the end of the measurement period. The Performance Rights have a zero exercise price. The Retention Rights will vest in full if the participant remains employed on the last day of the measurement period. The fair value of the rights granted with market conditions is estimated at the date of grant

7. CONTRIBUTED EQUITY (Continued)

using a Monte Carlo Simulation model, taking into account the terms and conditions upon which the rights were granted. For Performance Rights with non-market conditions, the share price on grant date was adopted as the fair value. The contractual life of each right granted s 3 years from the date of grant.

The Company has a NED Rights Plan under which rights to subscribe for the Company's ordinary shares have been granted to non-executive directors. 776,060 NED Rights were issued during the period. The NED Rights vest after a 12 month service period has passed. No NED Rights were cancelled during the period.

For the six months ended 31 December 2017, the Group has recognised $2,076,000 (2016: $1,901,000) of share-based payments expense for the rights in the statement of profit or loss.

8. FINANCIAL INSTRUMENTS

(a) Overview of financial instruments

Set out below is an overview of the financial instruments, other than cash, held by the Group as at 31 December 2017:

	31 DEC 2017 $'000	30 JUN 2017 $'000
Financial assets:		
Loans and receivables		
Receivables	304	114
Other financial assets	4,023	4,156
Total Current	**4,327**	**4,270**
Total Non-Current	**-**	**-**
Total Financial Assets	**4,327**	**4,270**
Financial liabilities:		
At amortised cost		
Trade and other payables	2,106	2,151
Interest-bearing liabilities	-	4
Total Current	**2,106**	**2,155**
Interest-bearing liabilities	-	2
Total Non-Current	**-**	**2**
Total Financial Liabilities	**2,106**	**2,157**

(b) Fair values

Set out below is a comparison of the carrying amounts and fair values of financial instruments as at 31 December 2017:

	Carrying Amount $'000	Fair Value $'000
Financial assets:		
Trade and other receivables (i)	304	304
Other financial assets (i)	4,023	4,023
Total Current	**4,327**	**4,327**
Total Non-Current	**-**	**-**
Total	**4,327**	**4,327**

(i) Due to the short-term nature of the above financial instruments, their carrying amounts approximate their fair value.

8. FINANCIAL INSTRUMENTS (Continued)

	Carrying Amount $'000	Fair Value $'000
Financial liabilities:		
Trade and other payables	2,106	2,106
Interest-bearing liabilities	-	-
Total Current	**2,106**	**2,106**
Interest-bearing liabilities	-	-
Total Non-Current	**-**	**-**
Total	**2,106**	**2,106**

(c) Risk Management Activities

The Group's principal financial instruments comprise finance leases, receivables, available for sale financial assets, cash and cash equivalents, and term deposits. Other financial assets and liabilities include receivables and payables, which arise directly from operations.

Interest rate risk, foreign currency risk, price risk, credit risk, and liquidity risk arise as part of the normal course of the Group's operation. The Board reviews and agrees on policies for managing each of these risks. The Group's management of financial risk is aimed to ensure net cash flows are sufficient to meet financial commitments as and when they fall due, and to fund the progression of the Group's core activity being the identification and progression of opportunities for the development of LNG projects to facilitate the production and sale of LNG. To achieve its objective, the Group may also consider raising additional equity.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, price risk, credit risk and liquidity risk. The Group uses different methods to measure and manage different types of risks which it is exposed to, including monitoring the Group's level of exposure to interest rate, foreign exchange rate and price risks, and assessment of market forecasts for interest rates and foreign exchange rates. Ageing analysis and monitoring of specific credit allowances are undertaken to manage credit risk. Liquidity risk is managed through cash flow monitoring and forecasting.

Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cashflows of an exposure will fluctuate because of changes in foreign exchange rates. The Group has transactional currency exposures, mainly due to costs incurred in currencies other than its functional currency, such as United States dollars, Canadian dollars and Indonesian rupiah. The Company's current policy is not to implement hedging instruments but to maintain cash in foreign currencies to protect against the risk of adverse exchange rate movements. When exchange rates are favourable against budget assumptions the Company will generally accept the prevailing exchange rate on the date of payment, otherwise the Company will effect payment from its foreign currency holdings.

As and when the Group's foreign currency expenditure commitments increase, and the timing of such payments have an acceptable degree of certainty, the Group will consider the implementation of foreign currency hedging instruments to mitigate potentially unfavourable foreign exchange rate movements.

Interest rate risk

Interest rate risk is the risk the fair value or future cashflows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's cash and term deposits held with two Australian financial institutions. The interest rate risk is managed by the Group through analysis of the market interest rates and its exposure to changes in variable interest rates. Within this analysis, consideration is given to potential renewals of existing positions, alternative financing, and the mix of fixed and variable interest rates. To minimise interest rate risk, the Group analyses its cash flow position and may invest excess cash in fixed rate term deposits for a short- to medium-term period.

8. FINANCIAL INSTRUMENTS (Continued)

Credit risk

Financial assets that potentially subject the Group to credit risk consist primarily of cash, trade and other receivables and term deposits. The Group places its cash with high quality Australian financial institutions with Standard and Poor's credit rating of A-1+ (short term) and AA- (long term).

The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these financial assets. It is the Group's policy that customers who wish to trade on unsecured credit terms will be subject to credit verification procedures. Receivable balances are monitored on an ongoing basis to reduce the Group's exposure to bad debts.

At balance date, the Group's credit risk relates mainly to trade and other receivables of $304,000 (30 June 2017: $114,000).

The Group does not have any outstanding receivables that are past due payment dates. The carrying amounts of the financial assets represent the maximum credit exposure.

Liquidity risk

Liquidity risk arises from the financial liabilities of the Group and the Group's subsequent ability to meet their obligations to repay their financial liabilities as and when they fall due.

It is the Group's policy to ensure it has adequate cash reserves to meet known committed corporate and project development expenditure over the ensuing 3-6 months and additional equity may be raised, as necessary, to maintain the cash reserve coverage. It is Group policy to generally fund all project development expenditure, through to final investment decision of a project, from its cash reserves.

At 31 December 2017, except for payables, the Group had no debt (30 June 2017: nil) and its activities are primarily funded from cash reserves from share issues, interest revenue, and research and development concession rebates. The majority of cash reserves are held in deposits with the ANZ Banking Group, with funds transferred as necessary to the Group's working accounts to meet short-term expenditure commitments.

9. RELATED PARTY TRANSACTIONS

(a) Fees paid to related entities

Directors' fees for Mr R.J Beresford are paid to Clearer Sky Pty Ltd, a company in which Mr. R.J. Beresford is a director. For the current half year, the amount paid was $52,200 (excluding GST) [2016: $103,256]. At reporting date, no amount is outstanding [2016: $nil].

Directors' fees for Ms. L. K. Bond are paid to Breakthrough Energy Pty Ltd, a company in which Ms. L.K. Bond is a director. For the current half year, the amount paid was $61,200 (excluding GST) [2016: $71,401]. At reporting date, no amount is outstanding [2016: $nil].

There were no loans made to related parties during the year.

10. SIGNIFICANT EVENTS AFTER BALANCE DATE

The following significant events have occurred subsequent to the half-year ended 31 December 2017:

(a) Magnolia LNG

None

(b) Bear Head LNG

None

10. SIGNIFICANT EVENTS AFTER BALANCE DATE (Continued)

(c) Fisherman’s Landing LNG

On 15 February 2018, Gladstone LNG Pty Ltd (Gladstone), a wholly owned subsidiary of LNGL, agreed to transfer all licenses, environmental authorities, records, reports, information, and data relating to, developed by, or commissioned for Gladstone in respect of the Fisherman’s Landing LNG project to a third-party buyer for US$1 million plus reimbursement of certain statutory charges. Prior to execution of this transaction, LNGL had maintained Gladstone as a going concern as it progressed negotiations with the third-party. The information, data, and assets transferred to the third-party represent all things necessary for the continued operation of the Gladstone business. Sale proceeds are divided into two tranches - US$200,000 is paid immediately to LNGL upon execution of the Transfer Agreement, with the remaining US$800,000 deposited in a trust account that will be released to LNGL once conditions precedent are satisfied. Receipt by LNGL of the US$800,000 is contingent upon the third-party buyer receiving indicative approval by the regulators for the transfer of the permits and licences within two-months of execution of the Transfer Agreement. Further, if the third-party declares Financial Close of an LNG project, as defined in the Transfer Agreement occurs, the third-party shall pay LNGL an incremental US$4 million within 5 business days of giving notice.

(d) Corporate

The number of unlisted incentive rights reported in the Appendix 3B on 19 December 2017 (15,277,232) has reduced by 626,290 due to forfeiture of Incentive Rights by staff who have left the Company, and increased by 300,000 Incentive Rights which were issued to Joe B’Oris (Chief Development Officer) who joined the Company on 27 November 2017. The number of unlisted incentive rights as at the date of this report is 14,950,942.

LIQUEFIED NATURAL GAS LIMITED
DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Liquefied Natural Gas Limited, I state that:

In the opinion of the directors:

a) the financial statements, and notes of the Group are in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the Group's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and

   (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and

b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

P. Cavicchi

Chairman

Perth, Western Australia

23 February 2018

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Building a better working world

Independent auditor's review report to the members of Liquefied Natural Gas Limited

Report on the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Liquefied Natural Gas Limited (the Company) and its subsidiaries (collectively the Group), which comprises the condensed statement of financial position as at 31 December 2017, the statement of comprehensive income, statement of changes in equity and cash flow statement for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and of its consolidated financial performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2017 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

DH:JS:LNG:004

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Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Ernst & Young

Darryn Hall
Partner
Perth
23 February 2018