**Liquefied Natural Gas Limited**
45 Ventnor Avenue, West Perth
Western Australia 6005
Ph: 61 8 9366 3700
Fax: 61 8 9429 8800
Email: lng@lnglimited.com.au
Website: www.lnglimited.com.au
ABN: 19 101 676 779

22 February 2019

ASX Market Announcements Office
ASX Limited

**Liquefied Natural Gas Limited – FY 2019 Half Year Results for Announcement to the Market**

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

(i) The ASX Appendix 4D for the Half-Year Ended 31 December 2018; and

(ii) The Financial Report for the Half-Year Ended 31 December 2018.

Yours sincerely

Andrew Gould
Joint Company Secretary
Liquefied Natural Gas Limited

**For further information, contact:**
**Mr. Micah Hirschfield**
**Sr. Manager, Communications and Investor Relations**
**Liquefied Natural Gas Limited**
**+1 713 815 6920**
mhirschfield@lnglimited.com

**Mr. Andrew Gould**
**Joint Company Secretary**
**Liquefied Natural Gas Limited**
**+61 (0)8 9366 3700**
AGould@lnglimited.com.au

# LIQUEFIED NATURAL GAS LIMITED
ABN 19 101 676 779

# APPENDIX 4D
# FOR THE HALF - YEAR ENDED
# DECEMBER 31, 2018

## LIQUEFIED NATURAL GAS LIMITED
**ABN 19 101 676 779**

**Results for announcement to the market**

| | |
|---|---|
| Current reporting period: | 6 months ending December 31, 2018 |
| Previous corresponding reporting period: | 6 months ending December 31, 2017 |

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

| Consolidated | December 31 2018 $'000 | December 31 2017 $'000 | Change % | Movement |
|---|---|---|---|---|
| Revenues from ordinary activities | 439 | 170 | 158% | Increase |
| Loss from ordinary activities after tax attributable to members | 16,903 | 13,321 | 27% | Increase |
| Net loss for the period attributable to members | 16,900 | 13,317 | 27% | Increase |

**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**

| | December 31 2018 $ | December 31 2017 $ |
|---|---|---|
| Net tangible assets per security | 0.09 | 0.08 |

**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**
**DECEMBER 31, 2018**

**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)

**REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS**
45 Ventnor Avenue
West Perth, WA, 6005
Telephone: +61 (0) 8 9366 3700
Facsimile: +61 (0) 8 9429 8800
Email: LNG@LNGlimited.com.au
Website: www.lnglimited.com.au

**AUDITORS**
Ernst & Young
The Ernst & Young Building
11 Mounts Bay Road
Perth, WA, 6000

**SOLICITORS**
Johnson Winter & Slattery
Level 4 167 St Georges Tce
Perth, WA 6000

**BANKERS**
ANZ Banking Group
77 St Georges Terrace
Perth, WA, 6000

**SHARE REGISTER**
Link Market Services Limited
Locked Bag A14
Sydney NSW 1235
Telephone (within Australia): 1300 554 474
Telephone (outside Australia): +61 2 9287 0303
Facsimile: +61 2 9287 0303

**ASX CODE**
LNG

**OTC ADR CODE**
LNGLY

## DIRECTORS' REPORT

Your directors submit their report for the half-year ended December 31, 2018.

### 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

Our LNG capacity contract pricing offer is very market competitive. This pricing, when combined with our execution and delivery strategy, mature regulatory status, and financing plans, presents buyers with a very attractive commercial opportunity - Magnolia LNG.

LNGL continued its emphasis on signing long-term offtake contracts for Magnolia LNG while ensuring that our best in class project execution and delivery strategy is fully ready to meet customer needs arising in this LNG market environment.

Most LNG industry participants are bullish on the prospects for execution of new long-term offtake agreements in 2019. Consistent with this thesis, active negotiations for Magnolia LNG capacity continue with focus on Asian and European customers. Efforts with select Asian counterparties progressed substantially in the period despite uneven trade discussion rhetoric. Similarly, we are making positive progress with key counterparties in Europe. We are also vigorously pursuing potential customers in other parts of the world as well.

Our marketing efforts continue with an appropriate balance for the need to close capacity sales at Magnolia LNG while providing acceptable returns to shareholders.

During the reporting period:

- Our binding lump sum turnkey contract with KSJV was extended to June 30, 2019;
- We did not extend our offtake agreement with Meridian LNG; the decision to allow this agreement to lapse frees up desired capacity from Magnolia LNG for offtakers that are more closely aligned with Magnolia's development needs;
- We moved to finalize design capacity at Magnolia LNG through filings made with both the U.S. Federal Energy Regulatory Commission (FERC) and the Department of Energy (DOE); and
- LNGL held its 2018 Annual General Meeting (AGM).

As we envision a final investment decision (FID) for Magnolia LNG, we incurred one-time charges during the quarter working with our existing project partners. Payments made for work performed with the Kinder Morgan Louisiana Pipeline (KMLP) and KSJV (a KBR – SKE&C joint venture led by KBR), to refresh and update the project's pipeline capacity and engineering, procurement and construction (EPC) elements, increased cash outflow in the quarter relative to previous periods. We closed December 2018 with the Company's total cash position at A$36.6 million and remain debt free. We continue to manage our liquidity closely, consistent with our stated plans

### PROJECT UPDATES

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

On November 19, 2018, Magnolia LNG, LLC filed an application with the FERC for a limited amendment to increase the authorized capacity of the facility from 8.0 mtpa to 8.8 mtpa.

On December 21, 2018, LNGL announced that its 100% owned project company, Magnolia LNG LLC and Meridian LNG

Holdings Corp mutually agreed not to extend the deadline for satisfaction of the conditions precedent to the Liquefaction Tolling Agreement beyond December 31, 2018.

On December 20, 2018, LNGL announced an extension of the validity period of its current binding engineering and procurement contract (EPC) between KSJV and Magnolia LNG. The binding lump sum turnkey (LSTK) US$4.354 billion EPC is now valid through June 30, 2019. The initial agreement with KSJV was signed on November 16, 2015 with an installed capacity EPC cost/tonne range of US$495 to US$544 based on final design at final investment decision (FID).

On December 31, 2018, Magnolia LNG LLC filed an application with DOE Office of Fossil Energy to increase the quantity of authorized exports of domestically produced LNG to non-free trade agreement and free trade agreement nations to 8.8 mtpa, up from the current 8.0 mtpa approved level.

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

On July 17, 2018, Bear Head LNG, LLC signed a Memorandum of Agreement (MOA) with the Nova Scotia Construction Labour Relations Association Limited and Cape Breton Building and Construction Trades. The MOA ensured access to the skilled workforce needed for Bear Head's proposed liquefied natural gas (LNG) facility on the Strait of Canso in Richmond County, Nova Scotia.

**CORPORATE**

**(a) Board of Directors**

LNGL held its Annual General Meeting in Melbourne on November 15, 2018. On that day, LNGL advised that at that Annual General Meeting Resolutions 2, 3, 4, 5, 6, 7, 9, 10 and 11 were carried on a poll. Resolution 8 relating to the issue of NED Rights to a Non-Executive Director was not carried. Non-binding advisory Resolution 1 (Remuneration Report) and Resolution 12 (which was a motion to conduct a Board Spill Meeting) were also not carried by the requisite number of votes. Although the failure to carry Resolution 1 by the requisite number of votes gave rise to a requirement to put Resolution 12 to the Annual General Meeting, there was no need for the Company to hold a Board Spill Meeting.

**(b) Share Capital Movements**

The following share movements and activities occurred during the reporting period.

- On August 1, 2018, LNGL announced that the Company was granted a waiver by the ASX from Listing Rule 6.18 as referred to on page 2 of the Company's ASX announcement dated June 4, 2018, which related to the Share Placement to IDG Energy Investment Group Limited (IDG). The waiver granted IDG top-up rights to maintain their 9.9% investment in LNGL, subject to certain exceptions.
- On July 10, 2018, LNGL announced that:

  a. 2,244,449 – 2015 Performance Rights lapsed;

  b. 839,750 – 2017 Retention Rights partially vested and Ordinary Shares were issued;

  c. 3,114,000 – 2018 Performance Rights were issued; and

  d. 2,076,000 – Retention Rights were issued.
- On November 21, 2018, LNGL announced the issue of 1,600,000 Incentive Rights to Gregory Matthew Vesey (Managing Director & CEO of LNGL) which was approved by shareholders at the 2018 AGM.
- The 56,444,500 IDG Placement Shares were released from escrow on December 10, 2018.
- On December 13, 2018, LNGL announced the issue of 765,960 Shares to Non-Executive Directors (NED) following the vesting of 776,060 unlisted NED Rights on November 16, 2018.
- On December 14, 2018, LNGL announced that 637,820 NED Rights were issued following approval at the 2018 AGM on November 15, 2018.

Following the above security movements, the number of incentive rights outstanding at December 31, 2018 totalled 18,184,033. The number of ordinary shares totals 571,752,166.

**(c) Financial Results**

During the six-months ended December 31, 2018, net operating cash outflow was A$14.8 million, which compared with net operating cash outflow of A$10.9 million for the six-months ended December 31, 2017. Payments made for work performed with the Kinder Morgan Louisiana Pipeline (KMLP) and KSJV (a KBR – SKE&C joint venture led by KBR) during the 2018 period, to refresh and update the project's pipeline capacity and engineering, procurement and construction (EPC) elements, increased cash outflow in the current period relative to the 2017 half-year results.

LNGL's cash balance as at December 31, 2018 was A$36.6 million (inclusive of A$3.4 million of restricted cash), which compared to A$50.7 million (combining cash and other financial assets) at June 30, 2018, reflecting a net decrease in reported cash of A$14.1 million. The change in reported cash from June 30, 2018 reflected net cash outflows of A$14.8 million and a non-cash impact of A$0.7 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's total cash balance at December 31, 2017 was A$33.0 million (combining cash and other financial assets). Fluctuations in reported cash from that reporting period reflect cash used in operations and cash received through the share sale to IDG, which raised A$27.2 million net in June 2018 that resulted in total cash at June 30, 2018 of A$50.7 million.

The preponderance of forecasted cash outflows is denominated in US dollars, supporting maintenance of most cash and cash equivalents in US dollars as a foreign exchange risk mitigation strategy. Historically, LNGL maintained a material portion of its existing cash and cash equivalents in US dollars and will look to do so in the future to coordinate cash reserves with forecasted cash outflows. 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.

The liquidity management plan in place remains on course to fund operating requirements into the second quarter 2020. The Company contemplates the continuity of normal business activity in delivering its goals of reaching financial investment decisions, constructing, and operating its liquefaction projects. LNGL's ability to extend available liquidity beyond existing capacity is dependent upon the future successful raising of incremental funding through any one or a combination of: the successful marketing of offtake capacity and the resulting financing of one or more of its projects; marketing of the OSMR® technology and services; the sale of equity and/or debt; or the sale of assets. Management believes it has options for raising incremental capital and that execution of its plans will enable extension of existing liquidity as and when required. However, Management acknowledges the risks and uncertainty of raising additional capital through the above means and that failure to do so would impose negative implications to the business.

**SIGNIFICANT EVENTS AFTER BALANCE DATE**

The following significant events have occurred subsequent to the half-year ended December 31, 2018:

**(a) Magnolia LNG**

None

**(b) Bear Head LNG**

None

**(c) Corporate**

None

**AUDITOR'S INDEPENDENCE DECLARATION**

The Auditor's Independence Declaration on page 7 forms part of the Directors' Report for the half-year ended December 31, 2018.

Signed in accordance with a resolution of the directors.

| | |
|---|---|
| P. Cavicchi | G. M. Vesey |
| Chairman | Chief Executive Officer |
| February 21, 2019 | February 21, 2019 |

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

## 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 2018, 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

Darryn Hall
Partner
21 February 2019

**LIQUEFIED NATURAL GAS LIMITED**
**STATEMENT OF COMPREHENSIVE INCOME**
**FOR THE HALF YEAR ENDED DECEMBER 31, 2018**

| | Note | CONSOLIDATED 2018 $'000 | 2017 $'000 |
|---|---|---|---|
| Revenue | 2 | 439 | 170 |
| Other income | 2 | 713 | 144 |
| | | | |
| Administration expenses | 5 | (7,286) | (5,040) |
| Project development expenses | 5 | (9,122) | (6,050) |
| Share based payment expenses | 5 | (1,650) | (2,076) |
| Other expenses | 2 | - | (461) |
| **Loss before income tax** | | **(16,906)** | (13,313) |
| | | | |
| Income tax (expense)/benefit | | 3 | (8) |
| **Loss after income tax** | | **(16,903)** | (13,321) |
| **Net loss for the period** | | **(16,903)** | (13,321) |
| | | | |
| **Other comprehensive income:** | | | |
| *Items that may be reclassified to profit and loss* | | | |
| Foreign currency translation | | 814 | (66) |
| **Other comprehensive income for the period, net of tax** | | 814 | (66) |
| **Total comprehensive income for the period** | | **(16,089)** | (13,387) |
| | | | |
| Loss for the period is attributable to: | | | |
| Non-controlling interest | | (3) | (4) |
| Equity holders of the Parent | | (16,900) | (13,317) |
| | | **(16,903)** | (13,321) |
| | | | |
| Total comprehensive income for the period is attributable to: | | | |
| Non-controlling interest | | (3) | (4) |
| Equity holders of the Parent | | (16,086) | (13,383) |
| | | **(16,089)** | (13,387) |
| | | | |
| **Loss per share attributable to the ordinary equity holders of the Company:** | | **Cents** | Cents |
| - Basic loss per share | | **(2.96)** | (2.60) |
| - Diluted loss per share | | **(2.96)** | (2.60) |

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

**LIQUEFIED NATURAL GAS LIMITED**
**STATEMENT OF FINANCIAL POSITION**
**AS AT DECEMBER 31, 2018**

| | Note | CONSOLIDATED | |
|---|---|---|---|
| | | **DEC 31, 2018 $'000** | JUN 30, 2018 $'000 |
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 3 | 33,205 | 22,476 |
| Trade and other receivables | | 244 | 60 |
| Other financial assets | 3 | 3,362 | 28,222 |
| Prepayments | | 731 | 545 |
| **Total current assets** | | **37,542** | **51,303** |
| **Non-current assets** | | | |
| Property, plant and equipment | | 11,883 | 11,920 |
| **Total non-current assets** | | **11,883** | **11,920** |
| **Total assets** | | **49,425** | **63,223** |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | | 3,054 | 2,396 |
| Provisions | | 386 | 405 |
| **Total current liabilities** | | **3,440** | **2,801** |
| **Non-current liabilities** | | | |
| Provisions | | 16 | 14 |
| **Total non-current liabilities** | | **16** | **14** |
| **Total liabilities** | | **3,456** | **2,815** |
| **Net assets** | | **45,969** | **60,408** |
| **Equity** | | | |
| *Equity attributable to equity holders of the Parent:* | | | |
| Contributed equity | 7 | 420,106 | 420,106 |
| Reserves | | 47,683 | 45,219 |
| Accumulated losses | | (421,689) | (404,789) |
| **Parent interests** | | **46,100** | **60,536** |
| Non-controlling interest | | (131) | (128) |
| **Total equity** | | **45,969** | **60,408** |

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 DECEMBER 31, 2018**

| | 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 July 1, 2018** | 420,106 | 6,078 | 33,321 | 4,032 | 578 | 1,210 | (404,789) | 60,536 | (128) | **60,408** |
| Loss for the period | – | – | – | – | – | – | (16,900) | (16,900) | (3) | (16,903) |
| Other comprehensive income | – | – | – | – | – | 814 | – | 814 | – | 814 |
| **Total comprehensive income/(loss) for the half-year** | – | – | – | – | – | 814 | (16,900) | (16,086) | (3) | (16,089) |
| **Transactions with owners in their capacity as owners** | | | | | | | | | | |
| Share based payments | – | – | 1,650 | – | – | – | – | 1,650 | – | 1,650 |
| **At December 31, 2018** | **420,106** | **6,078** | **34,971** | **4,032** | **578** | **2,024** | **(421,689)** | **46,100** | **(131)** | **45,969** |
| | | | | | | | | | | |
| At July 1, 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 | | | | | | | | | | |
| Share based payments | – | – | 2,076 | – | – | – | – | 2,076 | – | 2,076 |
| At December 31, 2017 | 392,875 | 6,078 | 34,170 | 4,032 | 578 | 842 | (395,329) | 43,246 | (126) | 43,120 |

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

**LIQUEFIED NATURAL GAS LIMITED**
**STATEMENT OF CASH FLOWS**
**FOR THE HALF YEAR ENDED DECEMBER 31, 2018**

| | Note | CONSOLIDATED Half Year Ended December 31, 2018 $'000 | 2017 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from taxation authorities | | 31 | - |
| Interest received | | 342 | 181 |
| Payments to suppliers and employees | | (15,204) | (11,118) |
| **Net cash flows used in operating activities** | | **(14,831)** | (10,937) |
| **Cash flows from investing activities** | | | |
| Proceeds from deposits classified as other Financial assets | | 25,000 | 102 |
| **Net cash from investing activities** | | **25,000** | 102 |
| **Cash flows from financing activities** | | | |
| Repayment of finance lease principal | | - | (6) |
| **Net cash flows (used in) financing activities** | | - | (6) |
| **Net increase/(decrease) in cash and cash equivalents** | | **10,169** | (10,841) |
| Net foreign exchange differences | | 560 | (462) |
| Cash and cash equivalents at beginning of period | | 22,476 | 40,294 |
| **Cash and cash equivalents at end of period** | 3 | **33,205** | 28,991 |

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

## 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

### General Information

This general purpose condensed financial report for the half-year ended December 31, 2018 was authorized for issue in accordance with a resolution of the directors on February 21, 2019.

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 December 31, 2018 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 June 30, 2018 and considered together with any public announcements made by the Company during the half-year ended December 31, 2018 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 realization 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 for 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 July 1, 2018 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 | |
|---|---|---|
| | **DEC 31, 2018 $'000** | DEC 31, 2017 $'000 |
| **2. REVENUE, INCOME AND EXPENSES** | | |
| **(a) Revenue** | | |
| Interest revenue | 439 | 170 |
| | **439** | 170 |
| **(b) Other Income** | | |
| Research and development rebate | 153 | 144 |
| Foreign exchange gains | 560 | - |
| | **713** | 144 |
| **(c) Other Expenses** | | |
| Foreign exchange losses | - | (461) |
| | **-** | (461) |

**3. CASH AND CASH EQUIVALENTS AND OTHER FINANCIAL ASSETS**

| | CONSOLIDATED | |
|---|---|---|
| **Cash and cash equivalents** | **DEC 31, 2018 $'000** | JUN 30, 2018 $'000 |
| Cash at bank and in hand | 32,332 | 21,636 |
| Short-term deposits | 873 | 840 |
| | **33,205** | 22,476 |
| **Other financial assets** | | |
| Security deposits | 3,362 | 28,222 |
| | **3,362** | 28,222 |

**4. DIVIDEND PAID AND PROPOSED**

There were no dividends paid or proposed during the half-year ended December 31, 2018.

**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; and the

– Bear Head LNG project.

In applying the aggregation criteria, management have made several 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.

***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 commercialize the LNG technology. The business model aims to derive licensing fees or royalties from the utilization of, or the sub-licensing of the LNG technology. The technology and licensing business has been determined as both an operating segment and a reportable segment.

**5. OPERATING SEGMENTS (Continued)**

***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 June 30, 2018 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% (2017: 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 December 31, 2018 and December 31, 2017:

| **Half Year ended December 31, 2018** | **LNG Infrastructure $'000** | **Technology and Licensing $'000** | **Unallocated $'000** | **Total $'000** |
|---|---|---|---|---|
| **Revenue** | | | | |
| Research and development concession | - | - | 153 | **153** |
| Interest revenue | - | - | 439 | **439** |
| Other income | - | - | 560 | **560** |
| **Subtotal** | - | - | 1,152 | **1,152** |
| Inter-segment eliminations | - | - | - | **-** |
| **Total segment revenue and other income** | - | - | 1,152 | **1,152** |
| **Expenditure** | | | | |
| *Project development costs* | | | | |
| Employee compensation and benefits | 1,292 | 78 | - | **1,370** |
| Defined contribution plans | 20 | 15 | - | **35** |
| Consulting fees (FEED, legal, etc) | 5,306 | - | - | **5,306** |
| Other expenses | 2,411 | - | - | **2,411** |
| Total project development costs | 9,029 | 93 | - | **9,122** |

**5. OPERATING SEGMENTS (Continued)**

| | **LNG Infrastructure $'000** | **Technology and Licensing $'000** | **Unallocated $'000** | **Total $'000** |
|---|---|---|---|---|
| **Half Year ended December 31, 2018** | | | | |
| *Other expenditure* | | | | |
| Corporate charges | - | (32) | 6,898 | **6,866** |
| Share-based payments | - | 78 | 1,572 | **1,650** |
| Depreciation of non-current assets | - | - | 64 | **64** |
| Operating lease payments | - | - | 356 | **356** |
| Income tax expense at 30% (2017: 30%) | - | - | (3) | **(3)** |
| **Segment and Group costs and expenses** | (9,029) | (139) | (8,887) | **(18,055)** |
| **Segment and Group net loss** | (9,029) | (139) | (7,735) | **(16,903)** |
| | | | | |
| **Half Year ended December 31, 2017** | | | | |
| 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 |
| *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) |

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

| **Assets** | **LNG Infrastructure** | **Technology and Licensing** | **Unallocated** | **Total** |
|---|---|---|---|---|
| December 31, 2018 | 11,980 | - | 37,445 | **49,425** |
| June 30, 2018 | 12,165 | 1 | 51,057 | **63,223** |

Unallocated assets primarily consisted of cash and equivalents of $33,205,000 (June 30, 2018: $22,476,000) and other financial assets of $3,362,000 (June 30, 2018: $28,222,000). Unallocated liabilities as at December 31, 2018 were $1,808,000 (June 30, 2018: $359,000).

## 6. COMMITMENTS AND CONTINGENCIES

### (a) Capital commitments

At December 31, 2018, there were no commitments in relation to the purchase of plant and equipment (June 30, 2018: $nil).

### (b) Operating lease commitments – Group as lessee

The Company leases its corporate and project offices under operating leases. There are no restrictions placed upon the lessee upon entering 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 | |
|---|---|---|
| | **DEC 31, 2018 $'000** | **JUN 30, 2018 $'000** |
| Future minimum rentals payable under non-cancellable operating leases is as follows: | | |
| Within one year | 1,054 | 877 |
| After one year but not more than five years | 4,453 | 4,511 |
| More than five years | 40,912 | 38,977 |
| **Aggregate non-cancellable operating lease expenditure contracted for at reporting date** | **46,419** | **44,365** |

### (c) Guarantees

The Company's subsidiary, Magnolia LNG LLC ("MLNG"), has provided a bank guarantee (issued by ANZ Bank) for US$1,066,000, in favor 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, 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 $3,362,000 (June 30, 2018: $3,222,000) 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 December 31, 2018 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 July 1, 2017** | | **512,979,962** | **392,875** |
| Vesting of NED Rights into ordinary shares | (i) | 721,994 | - |
| **At December 31, 2017** | | **513,701,956** | **392,875** |
| Ordinary shares issued | (ii) | 56,444,500 | 28,222 |
| Less: Costs | (ii) | - | (991) |
| **At June 30, 2018** | | **570,146,456** | **420,106** |

| | | | |
|---|---|---|---|
| Partial vesting of Retention Rights into ordinary shares | (iii) | 839,750 | - |
| Vesting of NED Rights into ordinary shares | (iv) | 765,960 | - |
| **At December 31, 2018** | | **571,752,166** | **420,106** |

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

(ii) During the 2018 financial year, 56,444,500 ordinary shares were issued for $28,222,000 consideration on a share placement. The issue costs of the share placement were $991,000.

(iii) In July 2018, the Company issued 839,750 ordinary shares upon the vesting of Retention Rights under the Performance Rights Plan.

(iv) On December 13, 2018, the Company issued 765,960 ordinary shares upon the vesting of 776,060 rights under the NED Rights Plan.

At December 31, 2018, 571,752,166 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. 4,074,000 Performance Rights and 2,716,000 Retention Rights were issued during the period. 2,244,449 performance rights lapsed during the period due to milestone conditions not being met. No 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 using a Monte Carlo Simulation model, considering 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. 637,820 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 December 31, 2018, the Group has recognised $1,650,000 (2017: $2,076,000) 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:

| | DEC 31, 2018 $'000 | JUN 30, 2018 $'000 |
|---|---|---|
| **Financial assets:** | | |
| Receivables | 244 | 60 |
| Other financial assets | 3,362 | 28,222 |
| **Total Current** | **3,606** | **28,282** |
| **Total Non-Current** | **-** | **-** |
| **Total Financial Assets** | **3,606** | **28,282** |
| | | |
| **Financial liabilities:** | | |
| *At amortised cost* | | |
| Trade and other payables | 3,054 | 2,396 |
| **Total Current** | **3,054** | **2,396** |
| **Total Non-Current** | **-** | **-** |
| **Total Financial Liabilities** | **3,054** | **2,396** |

**(b) Fair values**

Set out below is a comparison of the carrying amounts and fair values of financial instruments as at December 31, 2018:

| | Carrying Amount $'000 | Fair Value $'000 |
|---|---|---|
| **Financial assets:** | | |
| Trade and other receivables (i) | 244 | 244 |
| Other financial assets (i) | 3,362 | 3,362 |
| **Total Current** | **3,606** | **3,606** |
| **Total Non-Current** | **-** | **-** |
| **Total** | **3,606** | **3,606** |

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

| | Carrying Amount $'000 | Fair Value $'000 |
|---|---|---|
| **Financial liabilities:** | | |
| Trade and other payables | 3,054 | 2,050 |
| **Total Current** | **3,054** | **2,050** |
| **Total Non-Current** | **-** | **-** |
| **Total** | **3,054** | **2,050** |

**(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.

**8. FINANCIAL INSTRUMENTS (Continued)**

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 make 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.

*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 $244,000 (June 30, 2018: $60,000).

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.

**8. FINANCIAL INSTRUMENTS (Continued)**

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 December 31, 2018, except for payables, the Group had no debt (June 30, 2018: 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) [2017: $52,200]. At reporting date, no amount is outstanding [2017: $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) [2017: $61,200]. At reporting date, no amount is outstanding [2017: $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 December 31, 2018:

**(a) Magnolia LNG**

None

**(b) Bear Head LNG**

None

**(c) Corporate**

None

**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 December 31, 2018 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

February 21, 2019

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

# 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 statement of financial position as at 31 December 2018, 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 2018 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 2018 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.



DH:DA:LNG:002

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.

## Independence

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

Ernst & Young

Darryn Hall
Partner
Perth
21 February 2019