



December 2019

Quarterly Activity Report and Appendix 4C

A Message from the Executive Chairman

Liquefied Natural Gas Limited (LNGL or the Company) achieved several milestones in the second quarter of the fiscal year, with a synopsis of these accomplishments provided in the Quarterly Activities section following this letter.

Shortly after quarter end, LNGL received the Supplemental Final Environmental Impact Statement (FEIS) from the United States Federal Energy Regulatory Commission (FERC) for the Magnolia LNG production capacity amendment. The FEIS is a key milestone in our effort to increase Magnolia LNG's capacity to 8.8 million tonnes per annum (mtpa) to further enhance project economics. We also reported advancement on our MOU to supply 2 mtpa of LNG to an LNG-to-power project in Vietnam.

In the quarter, LNGL held its 2019 Annual General Meeting (AGM) in Sydney on Thursday, November 14, 2019. A recording of the presentation, including questions and answers, is available on the Company's website under "Webcasts and Interviews" in the Media section. I encourage shareholders to listen to the presentation if they were unable to attend the AGM. In relation to the AGM, Paul Cavicchi and Philip Moeller were not re-elected and stepped down from the Board at the conclusion of the meeting. The LNGL Directors thank Mr Cavicchi and Mr Moeller for their significant contributions to the Company.

Our marketing efforts, particularly in Southeast Asia and specifically in Vietnam, are making headway. China and the U.S. have signed a phase one trade deal. Despite this step, a 25 percent tariff on U.S. LNG imports remains in effect, and we have yet to see any material change from Chinese customers.

LNGL continues to aggressively pursue every opportunity to bring the Bear Head project to fruition and also to commercialize the OSMR® technology. The Company continues to recognize the potential benefits of a redomicile but has temporarily paused its efforts to focus on liquidity. More information will be released upon the completion of the liquidity process.

In keeping with our promise to shareholders, we continue to manage our liquidity closely, consistent with our stated plans. We closed December 2019 with the Company's total cash position at A\$8.3 million and LNGL remains debt-free. The Company recognizes the need for immediate new sources of liquidity and is currently evaluating several strategic options. LNGL's Board has engaged legal and financial advisors to assist the Company in its review of options.

Yours sincerely,

Gregory M. Vesey, Executive Chairman, Managing Director and CEO

Liquefied Natural Gas Limited

ASX Code: LNG
OTC ADR: LNGLY
ABN: 19 101 676 779

CONTACT DETAILS

SYDNEY	HOUSTON
L25, 20 Bond Street Sydney NSW 2000 Australia	1001 McKinney Street Suite 600 Houston, TX 77002 USA

Tel: +61(0)2 7201 8312 **Tel:** +1 713 815 6900
Fax: +61(0)2 8580 4666 **Fax:** +1 713 815 6905
Email: LNG@LNGLimited.com.au
Website: www.lnlimited.com.au

BOARD OF DIRECTORS

Gregory M Vesey
Executive Chairman
Leeanne Kay Bond
Non-Executive Director
Richard Jonathan Beresford
Non-Executive Director
D. Michael Steuert
Non-Executive Director

ISSUED CAPITAL at December 31, 2019

Shares on Issue	576,607,151
Performance Rights	15,003,200
ADRs on Issue	7,995,817

SUBSTANTIAL SHAREHOLDERS at Dec 31, 2019

Top 20 Shareholders	53.9%
- IDG Energy Investment Group Ltd	9.8%
- Baupost Group, LLC	7.3%
North American	46.8%
Australasia and Asia	18.2%
Directors & Management	< 1.0%

QUARTERLY ACTIVITIES***Magnolia LNG:***

- On October 11, 2019, Magnolia LNG and DeltaOE agreed to extend the validity date of their MOU until July 1, 2020 and entered into an Amended and Restated Memorandum of Understanding. The parties also agreed to use reasonable efforts to negotiate and reach agreement on the terms and conditions of the SPA by May 31, 2020.
- On November 4, 2019, LNGL announced that the Company had been chosen to participate in a United States Business Development Trade Mission to Thailand, Indonesia, and Vietnam led by U.S. Secretary of Commerce Wilbur Ross from November 3 – 8, 2019 including attendance at the Indo-Pacific Business Forum in Bangkok. The mission sought to accelerate U.S. commercial activity in Southeast Asia including liquefied natural gas (LNG) and other industries, supporting job creation and export opportunities for U.S. based companies and projects, and to meet the region's needs for economic growth and development.
- On November 25, 2019, LNGL announced the Company had extended the validity period of its binding engineering, procurement, and construction (EPC) contract with KSJV (a KBR – SK E&C joint venture led by KBR) for its 100% owned subsidiary, Magnolia LNG LLC (Magnolia LNG). The binding lump sum turnkey (LSTK) EPC US\$4.623 billion contract providing an installed EPC cost/tonne of US\$525 is now valid through June 30, 2020.

The agreement incorporates the 0.8 million tonnes per annum (mtpa) capacity uplift for Magnolia, which has now received its Supplemental Final Environmental Impact Statement (FEIS) from the Federal Energy Regulatory Commission (FERC), for a total installed capacity of 8.8 mtpa. FERC is scheduled to complete its regulatory review of Magnolia's capacity uplift in April 2020.

- On December 27, 2019, LNGL expressed its support and gratitude for the recent approval of the amendments to Vietnam's Power Development Plan 7 (PDP7) by Prime Minister Nguyễn Xuân Phúc. The amendments incorporate DeltaOE's proposed 3,200-megawatt LNG-to-power project into the PDP7, which had originally been planned as a coal-fired facility.

The approval clears the path for DeltaOE to negotiate and finalize a 25-year power purchase agreement (PPA) with EVN to underpin its LNG-to-power project in Vietnam's Bac Lieu Province, and concurrently, empowers LNGL and DeltaOE to work towards finalizing a binding sale and purchase agreement for delivery of 2 mtpa of U.S. liquefied natural gas from Magnolia LNG pursuant to the parties' non-binding memorandum of understanding.

Bear Head LNG:

- LNGL continues to progress Bear Head LNG and the Bear Paw Pipeline having recently received extensions on the deadlines for the projects' construction permits from the Nova Scotia Utility and Review Board. We are aggressively pursuing every opportunity to bring the Bear Head project to market and continue to address gas path solution opportunities with Canadian gas producers and pipeline companies.

Corporate:

- On October 11, 2019, LNGL released its 2019 Annual Report (Shareholder Version) and 2019 Notice of Annual General Meeting to the ASX.
- On November 14, 2019, LNGL held its Annual General Meeting (AGM) in Sydney and announced the results of the AGM which involved all the Resolutions (1 to 4) not being carried. In relation to Resolutions 2 and 3, Paul Cavicchi and Philip Moeller were not re-elected and stepped down from the Board at the conclusion of the AGM. The LNGL Directors thank Mr Cavicchi and Mr Moeller for their significant contributions to the Company.

In light of Mr Cavicchi having been the Board's Chairman and Compensation Committee Chairman, the remaining LNGL Directors elected Gregory Vesey as Executive Chairman and D. Michael Steuert as Compensation Committee Chairman, with both appointments made on an interim basis.

OSMR® Process Technology:

- LNGL continues to examine technical improvements in the OSMR® technology and plant modular design to further reduce costs.
- The Company continues to engage with third-parties interested in using the OSMR® technology in their projects.

Security movements:

- On November 22, 2019, LNGL announced the vesting of Non-Executive Director Rights, which were approved by shareholders at the AGM on 15 November 2018, into 619,672 ordinary shares.
- During the period, 385,000 Incentive Rights were forfeited as a result of an employee ceasing to be engaged by LNGL.

Financial Position:

During the three-months ended December 31, 2019, net operating cash outflow was A\$6.9 million, which compared with the net operating cash outflow of A\$6.8 million for the three-months ended September 30, 2019. LNGL's total cash balance as at December 31, 2019 was A\$8.3 million (inclusive of A\$549,000 restricted cash), which compares to A\$14.9 million at September 30, 2019, reflecting a net decrease in reported cash of A\$6.6 million.

The preponderance of forecasted cash outflow is denominated in US dollars, supporting holding of the majority of 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 align 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 Company contemplates the continuity of normal business activity in delivering its goals of reaching financial investment decisions, constructing, and operating its liquefaction projects. The Company must find new sources of liquidity in order to maintain operations as a going concern. 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; taking on secured or unsecured debt; the sale of equity or debt convertible into equity; entering into a joint venture or strategic transaction with a third party; or the sale of assets or some or all of the Company's business. The Company recognizes the need for immediate new sources of liquidity and is currently evaluating several strategic options. LNGL's Board has engaged legal and financial advisors to assist the Company in its review of options.

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)2 7201 8312
agould@lnglimited.com.au

ABOUT LIQUEFIED NATURAL GAS LIMITED

LNGL is an ASX listed company (Code: **LNG** and OTC ADR: **LNGLY**) whose portfolio consists of 100% ownership of the following companies:

- Magnolia LNG LLC (**Magnolia LNG**), a US-based subsidiary, which is developing an 8 mtpa or greater LNG export terminal, in the Port of Lake Charles, Louisiana, USA;
- Bear Head LNG Corporation Inc. (**Bear Head LNG**), a Canadian based subsidiary, which is developing an 8 - 12 mtpa LNG export terminal in Richmond County, Nova Scotia, Canada;
- Bear Paw Pipeline Corporation Inc. (**Bear Paw**), which is proposing to construct and operate a 62.5 km gas pipeline lateral to connect gas supply to Bear Head LNG; and
- LNG Technology Pty Ltd, a subsidiary which owns and develops the Company's **OSMR**[®] LNG liquefaction process, a mid-scale LNG business model that plans to deliver lower capital and operating costs, faster construction, and improved efficiency, relative to larger traditional LNG projects.

Liquefied Natural Gas Limited
Level 25, 20 Bond Street, Sydney NSW 2000
Telephone: +61 (0)2 7201 8312; Facsimile: +61 (02) 8580 4666
Email: LNG@LNGLimited.com.au
Website: www.LNGLimited.com.au

Disclaimer

Forward-looking statements may be set out within this correspondence. Such statements are only predictions, and actual events or results may differ materially. Please refer to our forward-looking statement disclosure contained on our website at www.LNGLimited.com.au and to the Company's Annual Report and Accounts for a discussion of important factors, which could cause actual results to differ from these forward-looking statements. The Company does not undertake any obligation to update publicly, or revise, forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required.

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

Liquefied Natural Gas Limited

ABN

19 101 676 779

Quarter ended ("current quarter")

31 December 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) research and development/patents	(71)	(71)
(b) LNG project development	(1,442)	(4,867)
(c) advertising and marketing	-	-
(d) leased assets	(285)	(541)
(e) staff costs	(2,362)	(4,820)
(f) administration and corporate costs	(2,798)	(3,526)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	13	70
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(6,945)	(13,755)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-

For personal use only

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (Sale of Gladstone LNG Pty Ltd)	-	-
2.6 Net cash from / (used in) investing activities	-	-

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes, rights or options	(5)	(5)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	(5)	(5)

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	14,879	21,804
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(6,945)	(13,755)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(5)	(5)

For personal use only

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	378	263
4.6	Cash and cash equivalents at end of quarter	8,307	8,307

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	7,758	14,319
5.2	Call deposits	549	560
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	8,307	14,879

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000

371

-

Payments to directors include salaries, directors' fees, bonuses and superannuation payments to executive and non-executive directors.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter \$A'000

-

-

Not applicable.

For personal use only

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

Not applicable.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development/patent costs	-
9.2 LNG project development	1,017
9.3 Advertising and marketing	-
9.4 Leased assets	260
9.5 Staff costs	2,629
9.6 Administration and corporate costs	2,124
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	6,030

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions \$A'000	Disposals \$A'000
10.1 Name of entity	N/a	N/a
10.2 Place of incorporation or registration	N/a	N/a
10.3 Consideration for acquisition or disposal	N/a	N/a
10.4 Total net assets	N/a	N/a
10.5 Nature of business	N/a	N/a

For personal use only

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:



Date: 31 January 2020

Joint Company Secretary

Print name:

Andrew Gould

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

For personal use only