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ABN: 19 101 676 779

28 February 2020

ASX Market Announcements Office
ASX Limited

Liquefied Natural Gas Limited – FY 2020 Half-Year Results for Announcement to the Market

In accordance with the ASX 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 2019; and

(ii) The Financial Report for the Half-Year Ended 31 December 2019.

For and on behalf of Liquefied Natural Gas Limited

Greg Vesey, Executive Chairman

For further information, contact:

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LIQUEFIED NATURAL GAS LIMITED

ABN 19 101 676 779

APPENDIX 4D

FOR THE HALF - YEAR ENDED

DECEMBER 31, 2019

LIQUEFIED NATURAL GAS LIMITED

ABN 19 101 676 779

Results for announcement to the market

Current reporting period:	6 months ending December 31, 2019
Previous corresponding reporting period:	6 months ending December 31, 2018

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

Consolidated	**December 31 2019 $'000**	**December 31 2018 $'000**	**Change %**	**Movement**
Revenues from ordinary activities	70	439	84%	Decrease
Loss from ordinary activities after tax attributable to members	13,889	16,903	18%	Decrease
Net loss for the period attributable to members	13,889	16,900	18%	Decrease

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 2019 $	**December 31 2018 $**
Net tangible assets per security	0.03	0.09

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, 2019

LIQUEFIED NATURAL GAS LIMITED
ABN 19 101 676 779

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CORPORATE DIRECTORY

LIQUEFIED NATURAL GAS LIMITED
ABN 19 101 676 779

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

COMPANY SECRETARY
Andrew Gould, Company Secretary

REGISTERED OFFICE
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SOLICITORS
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Perth, WA 6000

BANKERS
ANZ Banking Group
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ASX CODE
LNG

OTC ADR CODE
LNGLY

DIRECTORS' REPORT

Your directors submit their report for the half-year ended December 31, 2019.

DIRECTORS

The names of the Liquefied Natural Gas Limited (the **Company**, **Group**, or **LNGL**) Company 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).

Gregory M Vesey	Executive Chairman, Managing Director and Chief Executive Officer
Richard Beresford	Non-Executive Director
Leeanne Bond	Non-Executive Director
Michael Steuert	Non-Executive Director
Paul Cavicchi	Non-Executive Chairman through November 14, 2019
Philip Moeller	None-Executive Director through November 14, 2019

REVIEW AND RESULTS OF OPERATIONS

LNGL closed December 2019 with the Company's total cash position at A$8.3 million and without debt. We continued to manage our liquidity closely, consistent with our stated plans. The Company recognized the need for immediate new sources of liquidity and evaluated several strategic options. LNGL's Board engaged legal and financial advisors to assist the Company in its review of options.

LNGL continued its emphasis on signing long-term offtake contracts for Magnolia LNG with market competitive contract pricing 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. Our marketing efforts reflect an appropriate balance of the need to close capacity sales at Magnolia LNG while providing acceptable returns to shareholders. LNGL is targeting end-users and LNG-to-power projects in Asia and Europe that stand to benefit most from the stability and affordability of long-term LNG contracts. Efforts with select Asian counterparties especially in Vietnam progressed in the period. We are also vigorously pursuing potential customers in other parts of the world.

During the reporting period:

- On July 22, 2019, the Board of Directors announced to the ASX its decision to re-domicile LNGL to the U.S. with a listing on the NASDAQ Stock Exchange.
- On September 16, 2019, LNGL jointly announced an alliance with Delta Offshore Energy Pte Ltd (**DeltaOE**) and the Bac Lieu Provincial Government in Vietnam to deliver an LNG-to-power project for the province. The DeltaOE led power project includes the construction and operation of an LNG import terminal, 3,200-megawatt combined-cycle power plant and delivery of power generation to the Bac Lieu Province. The integrated project is expected to commence operations in 2023 pending finalization of anticipated government approvals.

  The memorandum of understanding (**MOU**) details all material terms of the proposed LNG sale and purchase agreement (**SPA**) having a target commercial start date of no later than January 1, 2024 (which may be adjusted accordingly by Magnolia). DeltaOE and Magnolia are obligated to use reasonable efforts to negotiate and agree the terms and conditions of the SPA pursuant to which Magnolia will supply 2 mtpa of LNG to DeltaOE on a free-on-board basis for a term of at least 20 years, which contract is back-to-back with the power purchase agreement between DeltaOE and the Bac Lieu Province.

  The MOU does not itself constitute a definitive binding SPA at this stage, but it does evidence the intent of the parties to work towards execution of a binding SPA for 25% of Magnolia's current nameplate capacity of 8 mtpa (to be increased to 8.8 mtpa subject to Federal Energy Regulatory Commission (FERC) approval). 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 MOU. 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.
- LNGL participated 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.

- LNGL held its 2019 Annual General Meeting (AGM) on November 14, 2019 and released its 2019 Annual Report on October 11, 2019.
- Magnolia LNG extended the validity date of its binding lump sum turnkey contract with KSJV to June 30, 2020.

PROJECT UPDATES

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

On September 27, 2019, the United States Federal Energy Regulatory Commission (FERC) issued the Draft Supplemental Environmental Impact Statement (DEIS) for the production capacity amendment to the Company's Magnolia LNG project. Magnolia LNG's production capacity amendment, filed with FERC on November 19, 2018, would increase the total authorized production capacity of Magnolia LNG from the currently authorized 8 mtpa to 8.8 mtpa.

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

During the reporting period, Bear Head LNG and the Bear Paw Pipeline received extensions on the deadlines for the projects' construction permits from the Nova Scotia Utility and Review Board.

CORPORATE

(a) Board of Directors

LNGL held its Annual General Meeting in Sydney on November 14, 2019. On that day, LNGL advised that at that Annual General Meeting Resolutions 1, 2, and 3 were not carried on a poll. Failure to carry Non-Binding Advisory Resolution 1 (Remuneration Report) by the requisite number of votes constitutes a first strike under the ASX two strikes rule. In relation to Resolution 2 (Re-election of Paul Joseph Cavicchi as a Director) and Resolution 3 (Re-election of Philip D. Moeller as a Director), the Directors were not re-elected and stepped down from the Board at the conclusion of the meeting. LNGL Directors elected Gregory Vesey as Executive Chairman and D. Michael Steuert as Compensation Committee Chairman, with both appointments made on an interim basis.

(b) Share Capital Movements

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

- On July 3, 2019, 4,175,313 ordinary shares were issued from the conversion of 4,175,313 incentive rights.
- On July 3, 2019, LNGL announced that 5,443,000 Incentive Rights (3,265,800 Performance Rights and 2,177,200 Retention Rights) were issued. Refer to the second Appendix 3B released to the ASX on 3 July 2019, and the June 2019 Quarterly Report (page 2) released to the ASX on 30 July 2019.
- During the December 2019 Quarter, 385,000 Incentive Rights were forfeited as a result of an employee ceasing to be engaged by LNGL. Refer to the December 2019 Quarterly Activity Report released to the ASX on 31 January 2020.
- On November 22, 2019, LNGL announced the issue of 619,672 Ordinary Shares to Non-Executive Directors (NED) following the vesting of 637,820 unlisted NED Rights on November 22, 2019. These NED Rights were approved by shareholders at the 2018 AGM on November 15, 2018. Refer to the Appendix 3B released to the ASX on November 22, 2019.

Following the above security movements, the number of incentive rights outstanding at December 31, 2019 totalled 15,003,200. The number of ordinary shares totals 576,607,151.

(c) Financial Results

During the six-months ended December 31, 2019, net operating cash outflow was A$13.6 million, which compared with net operating cash outflow of A$14.8 million for the six-months ended December 31, 2018.

LNGL's cash balance as at December 31, 2019 was A$8.3 million (inclusive of A$549,000 of restricted cash), which compared to A$21.8 million (combining cash and other financial assets) at June 30, 2019, reflecting a net decrease in reported cash of A$13.8 million. The change in reported cash from June 30, 2019 reflected net cash outflows of A$13.8 million and a non-cash impact of A$0.3 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, 2018 was A$36.6 million (combining cash and other financial assets).

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.

SIGNIFICANT EVENTS AFTER BALANCE DATE

The following significant events have occurred subsequent to the half-year ended December 31, 2019:

(a) Magnolia LNG

On January 24, 2020, Magnolia LNG received the Supplemental Final Environmental Impact Statement from FERC for the production capacity amendment, which would increase the total authorized production capacity of Magnolia LNG from the currently authorized 8 mtpa to 8.8 mtpa.

(b) Bear Head LNG

None

(c) Corporate

The number of unlisted Incentive Rights (15,003,200) and LNGL Ordinary Shares (576,607,151) reported in the Appendix 3B to the ASX on November 22, 2019 has changed by the following events:

(i) A decrease of 60,000 Retention Rights (as part of the 300,000 Incentive Rights issued to Joe B'Oris (Chief Development Officer) in February 2018) which vested into 60,000 Ordinary Shares on January 31, 2020. Refer to the Appendix 2A released to the ASX on February 4, 2020; and

(ii) A decrease of 1,630,000 Incentive Rights due to forfeiture on February 5, 2020 by an employee who left LNGL.

The number of unlisted Incentive Rights as at the date of this report is 13,313,200, comprising: 3,980,200 Retention Rights and 9,333,000 Performance Rights. The number of LNGL Ordinary Shares on issue at the date of this report is 576,667,151.

On February 28, 2020 LNGL announced that it has entered into a Bid Implementation Agreement (BIA) with LNG9 PTE LTD (LNG9), a Singapore-base private company, pursuant to which LNG9 will make an offer to acquire all the issued ordinary shares of LNGL, which includes all shares underlying the outstanding LNGL sponsored ADRs (LNGLY), under the terms of an off-market takeover bid (Offer) and to take the Company private. Under the terms of the Offer, LNGL shareholders will receive US$0.13 in cash per share (or the Australian dollar equivalent), valuing the share capital of LNGL at approximately US$75 million. The Offer is subject to certain conditions as set out in the BIA, including:

- 90% minimum acceptance by LNGL shareholders;
- The Committee on Foreign Investment in the United States (CFIUS) neither preventing consummation of the Offer nor imposing conditions that adversely impact the transaction;
- If required, confirmation from the Foreign Investment Review Board (FIRB), that there are no objections to the Offer under Australia's foreign investment regime, or that approval is not required;
- No other regulatory actions impeding or materially adversely impacting the acquisition of LNGL shares by LNG9 under the Offer;
- No prescribed occurrences occurring in relation to LNGL;
- No material acquisitions or disposals or capital expenditure outside the ordinary course by LNGL;
- No dividends or other distributions by LNGL;
- No material adverse change occurring in respect of LNGL;
- No statement made to ASX by LNGL prior to the date of this announcement becoming (or becoming known to be) incomplete, incorrect, untrue or misleading in a material respect; and

- “No shop”, “no talk” and “no due diligence” restrictions on LNGL as well as notification and matching rights in the event of a competing proposal.

First Wall Street Capital Corp. (Lender) has agreed to provide bridge financing to LNGL in the form of a non-revocable Senior Secured Convertible Note (Note) financing facility for the purposes of facilitating ongoing marketing and development of LNGL’s projects, and to meet LNGL’s working capital requirements, including its transaction costs. Bridge financing transaction details include:

- The maximum face value of the Note facility is US$6 million, with US$1.0m to be drawn down at closing and five further drawdowns of US$1.0m at 30-day intervals at LNGL’s option; the interest rate is 12% per annum payable-in-kind (by adding accrued interest to the outstanding principal amount of the notes); and the term (to Maturity Date) is 6-months from close.
- LNGL may pre-pay amounts outstanding under the bridge financing facility at any time subject to a make-good payment of the interest which would have accrued had such prepaid amount remained outstanding until the Maturity Date.
- The Note facility is secured by a first priority, fully perfected security interest over a 49% limited partnership interest in Magnolia LNG Investment LP, the indirect owner of 100% of Magnolia LNG LLC (the Magnolia LNG project company) and a guaranty by Magnolia LNG Investment LP.
- Drawdown under the Note facility is conditional on these security documents, and the Bid Implementation Agreement, being executed.
- The Notes are convertible in whole or in part at Lender’s option from the Closing Date until the Maturity Date.
- If the Lender exercises its conversion right to convert in whole, LNGL will issue the Lender the maximum 86,500,072 shares available for issue under LNGL’s ASX Listing Rule 7.1 capacity and, the lender must:
  - pay LNGL the unfunded balance of US$6 million (minus the sum of the Subscription Amounts plus accrued but unpaid interest already drawn down and received by LNGL up to the date of the conversion notice) which will be converted at a price per share equal to the volume weighted average price of LNGL shares over the 15 trading days before the Lender gives the notice; plus
  - pay the Company the conversion price on the balance of the 86,500,072 Shares,

  with such payments due to the Company within five Business Days of the date of the Conversion Notice.
- If the Lender exercises its conversion right of the then outstanding principal and accrued but unpaid interest (convert in part) at a date prior to funding the final drawdown and chooses to only convert that balance into new ordinary shares of LNGL, the Lender shall receive a number of shares based on various agreed conversion prices between defined conversion prices between approximately US$0.1387 and US$0.1394 (depending on the month of conversion) as set out in the Secured Convertible Note Subscription Deed.
- Upon exercise of the conversion option by Lender, if the full number of 86,500,072 new ordinary shares are issued by LNGL in satisfaction of the conversion feature, then to the extent any balance remains owing under the Note facility, LNGL will repay such amount in cash.
- If any issue of shares upon conversion of Notes is limited by section 606 of the Corporations Act, LNGL will convene a meeting of its shareholders to seek approval for the purposes of Item 7 of Section 611 of the Corporations Act.
- Should a Termination Event pursuant to clause 8 of the BIA occur upon lapse or withdrawal of LNG9’s bid, Lender may nominate a director to the board of LNGL while amounts are owing under the Note facility.

Based upon the Offer from LNG9 and the Note from First Wall Street Capital Corp. the Company contemplates the continuity of normal business activity in delivering its goals of reaching financial investment decisions, constructing, and operating its liquefaction projects.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration on page 9 forms part of the Directors' Report for the half-year ended December 31, 2019.

Signed in accordance with a resolution of the directors.

G. M. Vesey

Executive Chairman and Managing Director / Chief Executive Officer

February 28, 2020

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 the half-year financial report Liquefied Natural Gas Limited for the half-year ended 31 December 2019, 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
28 February 2020

DH:DA:LNG:004

LIQUEFIED NATURAL GAS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED DECEMBER 31, 2019

	Note	CONSOLIDATED	
		2019	2018
		$'000	$'000
Interest revenue		70	439
Other income	2	381	713
Administration expenses	5	(7,207)	(7,286)
Project development expenses	5	(4,875)	(9,122)
Interest expense on lease liabilities		(630)	-
Depreciation on right-of-use assets		(507)	-
Share based payment expenses	5	(1,121)	(1,650)
Loss before income tax		**(13,889)**	**(16,906)**
Income tax (expense)/benefit		-	3
Loss after income tax		**(13,889)**	**(16,903)**
Net loss for the period		**(13,889)**	**(16,903)**
Other comprehensive income:			
Items that may be reclassified to profit and loss			
Foreign currency translation		(57)	814
Other comprehensive income (loss) for the period, net of tax		(57)	814
Total comprehensive loss for the period		**(13,946)**	**(16,089)**
Loss for the period is attributable to:			
Non-controlling interest		-	(3)
Equity holders of the Parent		(13,889)	(16,900)
		(13,889)	**(16,903)**
Total comprehensive loss for the period is attributable to:			
Non-controlling interest		-	(3)
Equity holders of the Parent		(13,946)	(16,086)
		(13,946)	**(16,089)**
Loss per share attributable to the ordinary equity holders of the Company:		**Cents**	Cents
- Basic loss per share		**(2.41)**	(2.96)
- Diluted loss per share		**(2.41)**	(2.96)

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

LIQUEFIED NATURAL GAS LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019

	Note	CONSOLIDATED	
		DEC 31, 2019 $'000	JUN 30, 2019 $'000
Assets			
Current assets			
Cash and cash equivalents	3	7,705	19,756
Trade and other receivables	8	284	187
Other financial assets	3	549	2,048
Prepayments		580	946
Total current assets		**9,118**	**22,937**
Non-current assets			
Right-of-use assets		13,956	-
Property, plant and equipment		11,803	11,824
Total non-current assets		**25,759**	**11,824**
Total assets		**34,877**	**34,761**
Liabilities			
Current liabilities			
Trade and other payables	8	1,699	3,264
Employee benefits and provisions – current		405	338
Lease liabilities – current		1,013	-
Total current liabilities		**3,117**	**3,602**
Non-current liabilities			
Employee benefits and provisions – non-current		30	27
Lease Liabilities – non-current		13,428	-
Total non-current liabilities		**13,458**	**27**
Total liabilities		**16,575**	**3,629**
Net assets		**18,302**	**31,132**
Equity			
Equity attributable to equity holders of the Parent:			
Contributed equity	7	420,091	420,096
Reserves		50,553	49,489
Accumulated losses		(452,206)	(438,317)
Parent interests		**18,438**	**31,268**
Non-controlling interest		(136)	(136)
Total equity		**18,302**	**31,132**

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, 2019

	Ordinary shares	Share options reserve	Performance 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, 2019	420,096	6,078	36,644	4,032	578	2,157	(438,317)	31,268	(136)	**31,132**
Loss for the period	–	–	–	–	–	–	(13,889)	(13,889)	-	(13,889)
Other comprehensive loss	–	–	–	–	–	(57)	–	(57)	–	(57)
Total comprehensive income/(loss) for the period	–	–	–	–	–	(57)	(13,889)	(13,946)	-	(13,946)
Transactions with owners in their capacity as owners										
Issue costs (rights conversion)	(5)	-	-	-	-	-	-	(5)	-	(5)
Share based payments	–	–	1,121	–	–	–	–	1,121	–	1,121
At December 31, 2019	**420,091**	**6,078**	**37,765**	**4,032**	**578**	**2,100**	**(452,206)**	**18,438**	**(136)**	**18,302**
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										
Issue costs (rights conversion)	–	–	–	–	–	–	–	–	–	–
Share based payments	–	–	1,650	–	–	–	–	1,650	–	1,650
At December 31, 2018	420,096	6,078	34,971	4,032	578	2,024	(421,689)	46,100	(131)	45,969

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, 2019

	Note	CONSOLIDATED Half Year Ended December 31,	
		2019	2018
		$'000	$'000
Cash flows from operating activities			
Receipts from taxation authorities		-	31
Interest received		70	342
Payments to suppliers and employees		(13,563)	(15,204)
Interest paid		(65)	-
Net cash flows used in operating activities		**(13,558)**	**(14,831)**
Cash flows from investing activities			
Proceeds from deposits classified as other financial assets		-	25,000
Net cash from investing activities		**-**	**25,000**
Cash flows from financing activities			
Issue costs (rights conversion)		(5)	-
Payment of principal portion of lease liabilities		(257)	-
Net cash used in financing activities		**(262)**	**-**
Net increase/(decrease) in cash, cash equivalents and other financial assets		**(13,820)**	**10,169**
Net foreign exchange differences		270	560
Cash, cash equivalents and other financial assets at beginning of period		21,804	22,476
Cash, cash equivalents and other financial assets at end of period	3	**8,254**	**33,205**

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, 2019 was authorized for issue in accordance with a resolution of the directors on February 28, 2020.

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, 2019 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, 2019 and considered together with any public announcements made by the Company during the half-year ended December 31, 2019 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 Group has net current assets of $6,001,000 as at December 31, 2019 (June 30, 2019: $19,335,000), inclusive of cash, cash equivalents and other financial assets of $8,254,000 (June 30, 2019: $21,804,000), and for the half-year ended December 31, 2019 incurred an operating cash outflow of $13,558,000 (2018: $14,831,000).

On February 28, 2020 the Group announced it had received an offer to acquire all of the issued ordinary shares of LNG Limited under the terms of an off-market takeover bid (Offer) from LNG9 PTE LTD (LNG9), a Singapore-based private company. In conjunction with the Offer, the Group has accepted a Senior Secured Convertible Note (Note) bridging loan from First Wall Street Capital to allow for the completion of the Offer transaction. The Note is subject to the terms and the Offer is subject to the conditions set out in Note 10 Events After the Reporting Date.

In the directors' opinion, there are reasonable grounds to believe that the Group will be successful in finalising the transactions and therefore will continue to settle its liabilities arising in the ordinary course of business. However, the directors note that it is subject to conditions.

In the event either or both the transactions do not occur as proposed, there is a material uncertainty whether it will continue as a going concern and therefore whether it will realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the half-year financial report. No adjustments have been made relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

The Group's auditor included an emphasis matter paragraph in the Half-Year Review Report for the Financial Statements for year ended December 31, 2019 relating to the Group's ability to continue as a going concern.

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

The Group adopted AASB 16 as of July 1, 2019. The leases recognised by the Group under AASB 16 predominantly relate to ground and property leases. AASB 16 provides a new lessee accounting model which requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value. The depreciation of the right-of-use assets and interest on the lease liabilities are recognised in the statement of comprehensive income. Before the adoption of AASB 16, the Group classified each of its leases (as lessee) at inception as either a finance lease or operating lease. For operating leases, the leased item was not capitalised and the lease payments were recognised in the statement of comprehensive income on a straight-line basis.

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Several other amendments and interpretations apply for the first-time beginning July 1, 2019, but do not have an impact on the condensed financial report of the Group.

Transition to AASB 16

The Group adopted the new standard using the modified retrospective approach and applied the practical expedient per AASB 16.C10(a) and (c) per below:

(a) Apply a single discount rate to a portfolio of leases with reasonably similar characteristics.

(c) Apply a recognition exemption for leases for which the lease term ends within 12 months of the date of initial application.

Lease liabilities are measured at the present value of future payments on the initial date of application, being July 1, 2019. The right-of-use assets are measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application. Any difference between the right-of-use assets and lease liabilities is recognised as an adjustment to opening retained earnings on July 1, 2019.

Impact on the statement of financial position (increase/(decrease)) as at July 1, 2019 is, as follows (in $'000s):

Right-of-use assets	14,603
Prepayments	(330)
Total assets	14,273
Lease liabilities	14,273
Total liabilities	14,273
Total adjustment on retained earnings	-

Lease liabilities reconciliation on transition (in $'000s):

Operating lease commitments disclosed at June 30, 2019	**46,313**
Weighted average incremental borrowing rate as at July 1, 2019	9.0%
Add:	
Lease excluded in the operating lease commitments disclosure	198
Less:	
Present value discount of lease liabilities	(32,185)
Commitments related to short term leases	(53)
Lease liabilities recognised on transition	**14,273**

Amounts recognised in the statement of financial position and statement of comprehensive income (in $'000s):

	Right-of-use assets			
	Site and office	Office equipment	Total	**Lease liabilities**
As at July 1, 2019	14,581	22	14,603	14,273
Depreciation expense	(501)	(6)	(507)	–
Interest expense	–	–	–	630
Foreign exchange movement	(140)	–	(140)	(142)
Payments	–	–	–	(321)
As at December 31, 2019	13,940	16	13,956	14,440

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Payments of $35,000 for short term leases and no payments for leases of low value assets were expensed in the statement of comprehensive income for the half-year ended December 31, 2019.

Set out below are the new accounting policies of the Group upon adoption of AASB 16:

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of office equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below $5,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Key estimates and judgments

<u>Discount rate</u>

Judgement is required to determine the discount rate, where the discount rate is the Group’s incremental borrowing rate if the rate implicit in the lease cannot be readily determined. The incremental borrowing rate is determined with reference to the Group's weighted average cost of capital, given the Group is debt-free and in the pre-development stage.

2. OTHER INCOME

	CONSOLIDATED	
Other Income	**DEC 31, 2019 $’000**	DEC 31, 2018 $’000
Research and development rebate	-	153
Foreign exchange gains	381	560
	381	**713**

3. CASH AND CASH EQUIVALENTS AND OTHER FINANCIAL ASSETS

	CONSOLIDATED	
	DEC 31, 2019	JUN 30, 2019
Cash and cash equivalents	**$'000**	$'000
Cash at bank and in hand	7,705	19,756
	7,705	19,756
Other financial assets		
Security deposits	549	2,048
	549	2,048

4. DIVIDEND PAID AND PROPOSED

There were no dividends paid or proposed during the half-year ended December 31, 2019.

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

Focuses on the identification and progression of opportunities for the development of LNG projects. 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 project finance 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 includes the aggregation of the Magnolia LNG project and the Bear Head LNG project in all reporting periods. In applying the aggregation criteria, management have made judgements surrounding the economic characteristics of the company's projects, including consideration of the macroeconomic environment impacting each individual project, the 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.

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, 2019 and in the prior period.

5. OPERATING SEGMENTS (Continued)

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 27.5% (2018: 27.5%). 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, 2019 and December 31, 2018:

Half Year ended December 31, 2019	LNG Infrastructure $'000	Technology and Licensing $'000	Unallocated $'000	Total $'000
Revenue				
Research and development concession	-	-	-	**-**
Interest revenue	-	-	70	**70**
Other income	-	-	381	**381**
Subtotal	-	-	451	**451**
Inter-segment eliminations	-	-	-	**-**
Total segment revenue and other income	-	-	451	**451**
Expenditure				
Project development costs				
Employee compensation and benefits	984	135	-	**1,119**
Defined contribution plans	26	10	-	**36**
Consulting fees (FEED, legal, etc)	1,198	21	-	**1,219**
Other expenses	2,420	80	-	**2,501**
Total project development costs	4,628	246	-	**4,875**

5. OPERATING SEGMENTS (Continued)

	LNG Infrastructure $'000	Technology and Licensing $'000	Unallocated $'000	Total $'000
Half Year ended December 31, 2019				
Other expenditure				
Corporate charges	-	-	7,207	**7,207**
Share-based payments	-	-	1,121	**1,121**
Depreciation of right-of-use assets	630	-	-	**630**
Interest expense on lease liability	507	-	-	**507**
Income tax expense at 27.5% (2018: 27.5%)	-	-	-	**-**
Segment and Group costs and expenses	(5,765)	(246)	(8,328)	**(14,340)**
Segment and Group net loss	(5,765)	(246)	(7,877)	**(13,889)**
Half Year ended December 31, 2018				
Revenue				
Research and development concession	-	-	153	153
Interest revenue	-	-	439	439
Inter-segment sales	-	-	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
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)

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

Assets	**LNG Infrastructure**	**Technology and Licensing**	**Unallocated**	**Total**
December 31, 2019	26,380	-	8,497	**34,877**
June 30, 2019	11,915	1	22,845	**34,761**

Unallocated assets primarily consisted of cash and equivalents of $7,705,000 (June 30, 2019: $19,756,000) and other financial assets of $549,000 (June 30, 2019: $2,048,000). Unallocated liabilities as at December 31, 2019 were $2,661,000 (June 30, 2019: $1,570,000).

6. COMMITMENTS AND CONTINGENCIES

(a) Capital commitments

At December 31, 2019, there were no commitments in relation to the purchase of plant and equipment (June 30, 2019: $nil).

(b) Guarantees

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 $549,000 (June 30, 2019: $2,048,000) are held by the Company and pledged as security for the above guarantees.

(c) Insurance claims

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

(d) 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.

(e) Wahoo Agreement

As at December 31, 2019 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, 2018		**570,146,456**	**420,106**
Ordinary shares issued		-	-
Share issue costs		-	(10)
Vesting of rights	(i)	1,665,710	-
At June 30, 2019		**571,812,166**	**420,096**
Employee rights converted to ordinary shares - July 19	(ii)	4,175,313	-
Vesting of rights	(iii)	619,672	-
Share issue costs		-	(5)
At December 31, 2019		**576,607,151**	**420,091**

(i) During the 2019 financial year, 1,665,710 shares were issued on the vesting of 5,011,373 rights.

(ii) On July 3, 2019, 4,175,313 ordinary shares were issued from the conversion of 4,175,313 incentive rights.

(iii) On November 22, 2019, the Company issued 619,672 ordinary shares upon the vesting of 637,820 rights under the NED Rights Plan.

At December 31, 2019, 576,607,151 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.

7. CONTRIBUTED EQUITY (Continued)

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. 3,265,800 Performance Rights and 2,177,200 Retention Rights were issued during the period. 100,000 Performance Rights and 285,000 Retention 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 three 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. There were no NED Rights issued during the period. No NED Rights were cancelled during the period.

For the six months ended December 31, 2019, the Group has recognised $1,121,000 (2018: $1,650,000) of share-based payments expense for the rights in the Statement of Comprehensive income.

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, 2019 $'000	JUN 30, 2019 $'000
Financial assets:		
Trade and other receivables	284	187
Other financial assets	549	2,048
Total Current	**833**	**2,235**
Total Non-Current	**-**	**-**
Total Financial Assets	**833**	**2,235**
Financial liabilities:		
At amortised cost		
Trade and other payables	1,699	3,264
Total Current	**1,699**	**3,264**
Total Non-Current	**-**	**-**
Total Financial Liabilities	**1,699**	**3,264**

8. FINANCIAL INSTRUMENTS (Continued)

(b) Fair values

Set out below is a comparison of the carrying amounts and fair values of financial instruments as at December 31, 2019:

	Carrying Amount $'000	Fair Value $'000
Financial assets:		
Trade and other receivables (i)	284	284
Other financial assets (i)	549	549
Total Current	**833**	**833**
Total Non-Current	**-**	**-**
Total	**833**	**833**

(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	1,699	1,699
Total Current	**1,699**	**1,699**
Total Non-Current	**-**	**-**
Total	**1,699**	**1,699**

(c) Risk Management Activities

The Group's management of financial risk aims 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 consider raising liquidity through borrowings, sale of interest(s) in its projects, or the sale of additional equity.

The Group's principal financial instruments comprise cash and cash equivalents, receivables, term deposits, payables, and finance leases. The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, price risk, credit risk, and liquidity risk. These risks arise as part of the normal course of conducting the Group's operations. The Board reviews and agrees on policies for managing each of these risks. 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 each form of risk. Ageing analysis and monitoring of specific credit allowances are undertaken to manage credit risk. Liquidity risk is managed through cash flow monitoring and forecast.

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 and Canadian.

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 accept the prevailing exchange rate on the date of payment, otherwise the Company will make payment from its foreign currency holdings.

Interest rate risk

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 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.

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 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 counterparty, 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 credit losses. At balance sheet date, the Group's credit risk relates mainly to trade and other receivables of $284,000 (June 30, 2019: $187,000).

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.

At December 31, 2019, except for payables, the Group had no debt (June 30, 2019: nil).

The majority of cash reserves are held in deposits with financial institutions, 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 $44,328 (excluding GST) [2018: $52,200]. At reporting date, no amount is outstanding [2018: $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 $51,000 (excluding GST) [2018: $61,200]. At reporting date, no amount is outstanding [2018: $nil].

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

10. SIGNIFICANT EVENTS AFTER BALANCE DATE

(d) Magnolia LNG

On January 24, 2020, Magnolia LNG received the Supplemental Final Environmental Impact Statement from FERC for the production capacity amendment, which would increase the total authorized production capacity of Magnolia LNG from the currently authorized 8 mtpa to 8.8 mtpa.

(e) Bear Head LNG

None

(f) Corporate

The number of unlisted Incentive Rights (15,003,200) and LNGL Ordinary Shares (576,607,151) reported in the Appendix 3B to the ASX on November 22, 2019 has changed by the following events:

(ii) A decrease of 60,000 Retention Rights (as part of the 300,000 Incentive Rights issued to Joe B'Oris (Chief Development Officer) in February 2018) which vested into 60,000 Ordinary Shares on January 31, 2020. Refer to the Appendix 2A released to the ASX on February 4, 2020; and

(ii) A decrease of 1,630,000 Incentive Rights due to forfeiture on February 5, 2020 by an employee who left LNGL.

The number of unlisted Incentive Rights as at the date of this report is 13,313,200, comprising: 3,980,200 Retention Rights and 9,333,000 Performance Rights. The number of LNGL Ordinary Shares on issue at the date of this report is 576,667,151.

On February 28, 2020 LNGL announced that it has entered into a Bid Implementation Agreement (BIA) with LNG9 PTE LTD (LNG9), a Singapore-based private company, pursuant to which LNG9 will make an offer to acquire all the issued ordinary shares of LNGL under the terms of an off-market takeover bid (Offer). LNG9 desires to acquire 100% of the outstanding LNGL shares, which includes all shares underlying the outstanding

10. SIGNIFICANT EVENTS AFTER BALANCE DATE (Continued)

LNGL sponsored ADRs (LNGLY), and to take the Company private. Under the terms of the Offer, LNGL shareholders will receive US$0.13 in cash per share (or the Australian dollar equivalent), valuing the share capital of LNGL at approximately US$75 million. The Offer is subject to certain conditions as set out in the BIA, including:

- 90% minimum acceptance by LNGL shareholders;
- The Committee on Foreign Investment in the United States (CFIUS) neither preventing consummation of the Offer nor imposing conditions that adversely impact the transaction;
- If required, confirmation from the Foreign Investment Review Board (FIRB), that there are no objections to the Offer under Australia's foreign investment regime, or that approval is not required;
- No other regulatory actions impeding or materially adversely impacting the acquisition of LNGL shares by LNG9 under the Offer;
- No prescribed occurrences occurring in relation to LNGL;
- No material acquisitions or disposals or capital expenditure outside the ordinary course by LNGL;
- No dividends or other distributions by LNGL;
- No material adverse change occurring in respect of LNGL;
- No statement made to ASX by LNGL prior to the date of this announcement becoming (or becoming known to be) incomplete, incorrect, untrue or misleading in a material respect; and
- "No shop", "no talk" and "no due diligence" restrictions on LNGL as well as notification and matching rights in the event of a competing proposal.

First Wall Street Capital Corp. (Lender) has agreed to provide bridge financing to LNGL in the form of a non-revocable Senior Secured Convertible Note (Note) financing facility for the purposes of facilitating ongoing marketing and development of LNGL's projects, and to meet LNGL's working capital requirements, including its transaction costs. Bridge financing transaction details include:

- The maximum face value of the Note facility is US$6 million, with US$1.0m to be drawn down at closing and five further drawdowns of US$1.0m at 30-day intervals at LNGL's option; the interest rate is 12% per annum payable-in-kind (by adding accrued interest to the outstanding principal amount of the notes); and the term (to Maturity Date) is 6-months from close.
- LNGL may pre-pay amounts outstanding under the bridge financing facility at any time subject to a make-good payment of the interest which would have accrued had such prepaid amount remained outstanding until the Maturity Date.
- The Note facility is secured by a first priority, fully perfected security interest over a 49% limited partnership interest in Magnolia LNG Investment LP, the indirect owner of 100% of Magnolia LNG LLC (the Magnolia LNG project company) and a guaranty by Magnolia LNG Investment LP.
- Drawdown under the Note facility is conditional on these security documents, and the Bid Implementation Agreement, being executed.
- The Notes are convertible in whole or in part at Lender's option from the Closing Date until the Maturity Date.
- If the Lender exercises its conversion right to convert in whole, LNGL will issue the Lender the maximum 86,500,072 shares available for issue under LNGL's ASX Listing Rule 7.1 capacity and, the lender must:
  - pay LNGL the unfunded balance of US$6 million (minus the sum of the Subscription Amounts plus accrued but unpaid interest already drawn down and received by LNGL up to the date of the conversion notice) which will be converted at a price per share equal to the volume weighted average price of LNGL shares over the 15 trading days before the Lender gives the notice; plus
  - pay the Company the conversion price on the balance of the 86,500,072 Shares,

  with such payments due to the Company within five Business Days of the date of the Conversion Notice.

10. SIGNIFICANT EVENTS AFTER BALANCE DATE (Continued)

- If the Lender exercises its conversion right of the then outstanding principal and accrued but unpaid interest (convert in part) at a date prior to funding the final drawdown and chooses to only convert that balance into new ordinary shares of LNGL, the Lender shall receive a number of shares based on various agreed conversion prices between defined conversion prices between approximately US$0.1387 and US$0.1394 (depending on the month of conversion) as set out in the Secured Convertible Note Subscription Deed.
- Upon exercise of the conversion option by Lender, if the full number of 86,500,072 new ordinary shares are issued by LNGL in satisfaction of the conversion feature, then to the extent any balance remains owing under the Note facility, LNGL will repay such amount in cash.
- If any issue of shares upon conversion of Notes is limited by section 606 of the Corporations Act, LNGL will convene a meeting of its shareholders to seek approval for the purposes of Item 7 of Section 611 of the Corporations Act.
- Should a Termination Event pursuant to clause 8 of the BIA occur upon lapse or withdrawal of LNG9's bid, Lender may nominate a director to the board of LNGL while amounts are owing under the Note facility.

Based upon the Offer from LNG9 and the Note from First Wall Street Capital Corp. the Company contemplates the continuity of normal business activity in delivering its goals of reaching financial investment decisions, constructing, and operating its liquefaction projects.

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, 2019 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) Subject to the matters set out in Note 1 to the Financial Statements 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

G. M. Vesey

Executive Chairman and Managing Director / Chief Executive Officer

February 28, 2020

Building a better
working world

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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 2019, 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 2019 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*.

Emphasis of Matter – Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the financial report, which describes the principal conditions that raise doubt about the Group's ability to continue as a going concern. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

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 2019 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.

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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
28 February 2020

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