



# 2015 Annual Review

**Liquefied Natural Gas Limited**

ABN 19 101 676 779



## Annual Review 2015



### Our Logo

We chose the “RED ANT” as our logo because it is distinctive and bold and represents strength, energy, hard work and perseverance characteristics we want to be trademarks of our corporate culture.

### Our Mission

Our mission is to create substantial shareholder value through successful execution of our ‘Energy Link’ strategy, distinguishing LNG as a pure LNG infrastructure investment opportunity. This entails safely developing mid-scale, low cost, efficient and reliable LNG liquefaction terminals to serve the international energy market’s demand for natural gas. This integrates demonstrated skills in identifying and securing strategically located project sites, with development of these sites in a rapid, cost effective manner.

### Our Business Model

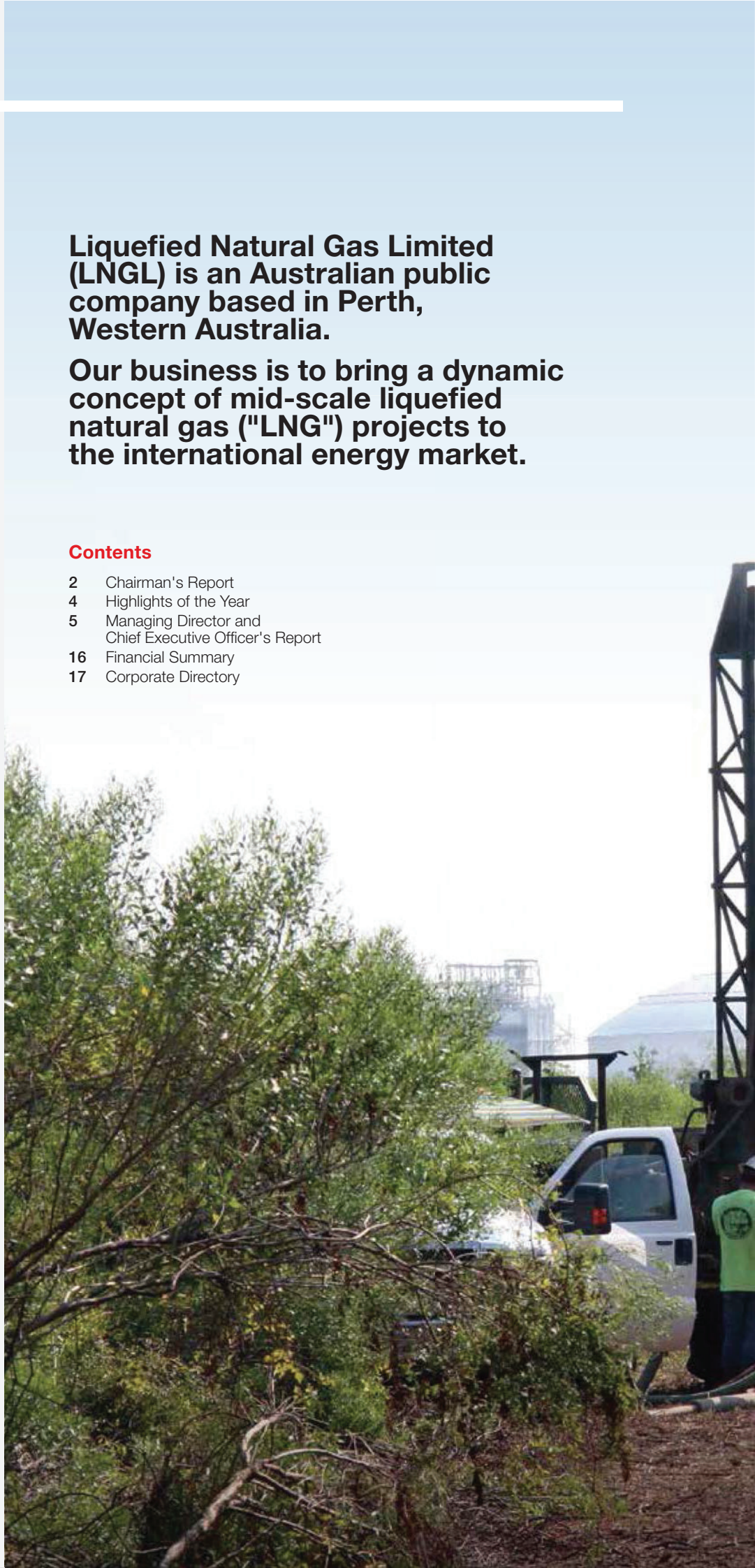
Our business model applies the Company’s wholly owned and developed OSMR® LNG process, which centres on delivering four key principles: industry competitive capital cost; optimised plant energy efficiency; shortened development and construction schedules; and an overall smaller environmental impact footprint, including reduced carbon emissions relative to other LNG technologies.

**Liquefied Natural Gas Limited (LNG) is an Australian public company based in Perth, Western Australia.**

**Our business is to bring a dynamic concept of mid-scale liquefied natural gas (“LNG”) projects to the international energy market.**

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# Energy Link Strategy

The Company's 'Energy Link' strategy is to safely develop mid-scale LNG export terminals to link proven gas reserves with existing LNG buyers.

We aim to remain at the forefront of approach to LNG development and processing technology to ensure the Company's LNG terminal development projects are world competitive in terms of capital and operating costs, operating efficiencies, and environmental impact. We seek to ensure our neighbouring communities benefit from our operations on an enduring basis while we minimise and mitigate any potential impact of our presence.

The realisation of these strategic goals is supported by:

- Our approach to project identification and development,
- Our engineering, procurement and construction (EPC) strategy; and
- Our application of the patented optimised single mixed refrigerant (OSMR®) technology supports realisation of these strategic goals.

## Chairman's Report



# Welcome

## to our 2015 Annual Review.

I am pleased to introduce the 2015 Liquefied Natural Gas Limited (**LNGL** or **Company**) Annual Review.

Our Company has made further substantial progress during the year with our key projects involving the 8 mtpa Magnolia LNG project (**Magnolia LNG**), located in Lake Charles, Louisiana, USA and the 8 mtpa Bear Head LNG project (**Bear Head LNG**), located at Point Tupper, Nova Scotia, Canada.

Despite the challenging environment of low oil prices and a slowdown in Asian and European economies, which have more recently affected global capital markets, LNGL has delivered significant milestones, which are summarised in the Managing Director and Chief Executive Officer's Report.

LNGL's 'Energy Link' strategy aims to safely develop mid-scale LNG export terminals to link proven gas reserves with existing LNG buyers. The Company's wholly owned optimised single mixed refrigerant (**OSMR**<sup>®</sup>) liquefaction technology aims to deliver lower capital and operating costs, faster construction timelines, improved efficiency, and environmental benefits relative to traditional configurations. This LNG technology platform, along with our unique modular design and construction methods, provide compelling competitive advantages, which will allow the Company to build, own, and operate LNG facilities on strategically located sites. In a world where natural gas is increasingly the preferred energy choice, LNGL is well positioned to fulfil our mission of achieving market leadership in the mid-scale LNG sector.

In line with our strategy of acquiring new, strategically located project sites where we can fast track projects by substantially replicating our existing engineering, commercial, and financial work and knowhow, we acquired the Bear Head LNG project in Nova Scotia, Canada, which further advances our strategy of becoming a recognised leader in the North American LNG sector.

LNGL continues to investigate other opportunities in North America, and elsewhere, to implement its strategy in a disciplined manner with a focus on shareholder returns.

To support the continuing development of our North American projects and advancement of LNGL's strategy, a number of Board of Directors (**Board**) and executive management team appointments were made during the year.

### Board Developments

We welcomed Paul Cavicchi as the Company's first non-executive United States (**U.S.**) director effective 1 October 2014. Based in Houston, Paul brings over 30 years leadership experience in the international energy industry across a range of gas and power projects, which include development and construction of LNG infrastructure. Paul's most recent executive position was as Executive Vice President of GDF SUEZ Energy North America, Inc.

In February 2015, LNGL welcomed the appointment of Michael Steuert as the Company's second non-executive U.S. director. Mike was the Chief Financial Officer and Senior Vice President and Controller at Fluor Corporation from May 2001 until his retirement in May 2012. His focus was on risk and project management, Sarbanes Oxley, compliance and ethics, capital structure, and development of a world-class finance function. Mike also holds Board positions with Weyerhaeuser Corporation, and Kurion Inc.

I would like to thank Madam Yao Guihua (Grace) who has been a Non-Executive Director since August 2013 when her employer China Huanqiu Contracting and Engineering Corporation (**HQC**) was a major shareholder in the Company.



**Richard Beresford**  
Chairman

Grace will step down from the Board immediately following the Annual General Meeting on 19th November 2015. It has been a pleasure having Grace on the Board and we look forward to continuing the close relationship with HQC in pursuit of joint LNG opportunities.

### Executive Management Team Appointments

LNGL welcomed the appointment of Mike Mott as LNGL's Chief Financial Officer, based in Houston, Texas. Mike was previously employed by BG Group from 2003, where he held a number of senior finance, strategy and operations roles. Prior to BG Group, Mike held progressively senior accounting and risk management roles for Dynegy Inc. from 1995, becoming SVP - Chief Accounting Officer and Controller from 2001 to 2003. He spent thirteen years with Price Waterhouse LLP before joining Dynegy.

More recently, LNGL welcomed the appointment of Ms Kinga Doris as General Counsel and Joint Company Secretary, based in Houston. Kinga is responsible for all statutory, securities, regulatory and other legal activities of the LNGL group as well as management of outside legal counsel across all operations and global project activities.

Kinga has 20 years of experience advising global energy companies in various capacities including corporate law, securities, corporate finance, and M&A.

On 26 September 2014, LNGL announced that the Employment Agreement for the current Managing Director/Chief Executive Officer, Mr F Maurice Brand had been extended to 30 June 2017.

### Market-facing Developments

During the 2015 financial year, LNGL's market capitalisation increased from \$955.5 million as at 1 July 2014 to over \$1.9 billion at 30 June 2015. The increasing market capitalisation reflects the strong support the Company continues to receive from our new and existing institutional investors, as well as a strong retail investor base that has resulted in a total number of shareholders of 8,290 at the date of this Report. As at the date of this report, LNGL's market capitalisation was approximately \$700 million reflecting the decline in the broader equity markets. LNGL announced that the Company had been included in the S&P/ASX 200 Index and S&P/ASX 300 Index, as well as the S&P/ASX All Australian Index. This was an important milestone for LNGL.

During the 2015 financial year, LNGL raised \$212.7 million gross through two share placements, which attracted significant interest from a large number of institutional investors from North America, Australia and Asia. Proceeds from the capital raisings were used to fund the development of the Magnolia LNG project, the acquisition, permitting and initial front end engineering and design (FEED) work on the Bear Head LNG project, undertake due diligence on a third possible North American LNG project, and for general working capital purposes.

The LNGL Board has advised that LNGL will likely list on an appropriate U.S. exchange near the time of commencement of full construction of the Magnolia LNG project, resulting in a dual listing with its existing shares on the ASX.

At this stage, the Board has made no decisions as to whether to list on a U.S. exchange or as to the exact timing of such listing. The Company will consider further options to unlock value for all LNGL shareholders at the North American asset or project level.

### Developments in Corporate Governance

During the financial year, the Board of LNGL in conjunction with Executive Management performed substantial work to further develop the Company's corporate governance policies, procedures, and reporting requirements, which are reflected on our website and in the "Directors' Report" and "Corporate Governance" sections of this Annual Report. This work will continue in preparation for the potential dual listing of the Company in 2016.

On behalf of the Board, we especially thank our Managing Director / Chief Executive Officer Maurice Brand for his energy, hard work and commitment in achieving the targets we set and getting the Company to where it is today. Maurice is supported by a dedicated and highly capable executive team, and I extend the Board's thanks to each for their strong drive to achieving the Company's goals.

The Company is well positioned to pursue further growth and development boldly, strategically and responsibly to deliver the highest value we can achieve for you, our shareholders.

Thank you for your continuing support.

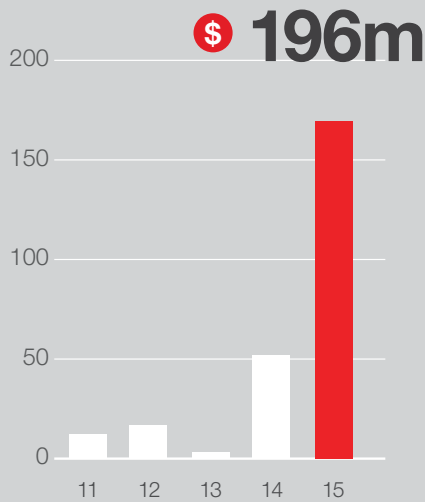
**Richard Beresford**  
Chairman

29 September 2015

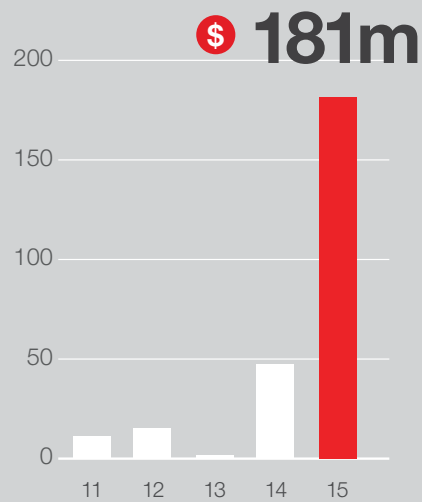
## Highlights of the Year

# Financial Highlights

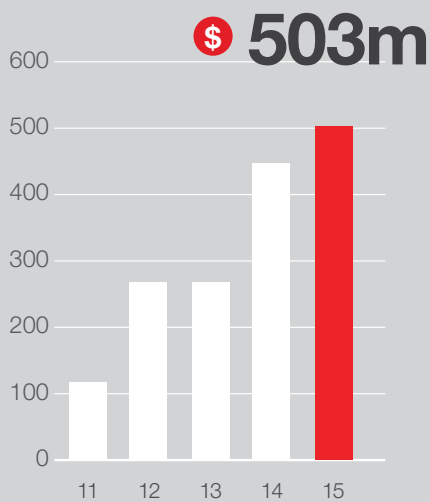
Total assets (\$m's)



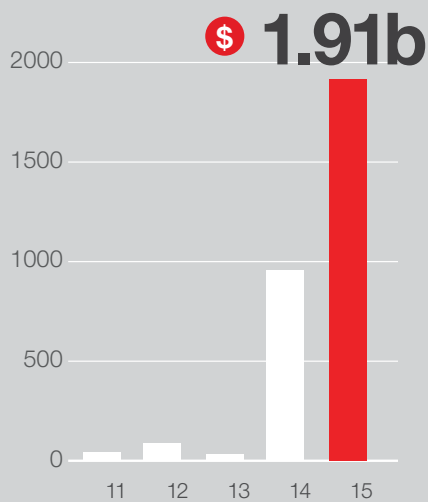
Net cash (\$m's)



Shares on issue (\$m's)



Market capitalisation (\$m's)



## Managing Director and Chief Executive Officer's Report

# Review of Operations



**FM (Maurice) Brand**  
Managing Director/Chief Executive

Fiscal 2015 was a year of opportunity, change, and challenge for LNG, during which we materially advanced our North American opportunities, and enhanced our corporate and project resource skills and capabilities through key personnel additions, while contending with a significant fall in oil prices, a weakening global economy, and a short-term slowing in demand for LNG.

In pursuing our business strategy, we laid important foundations for future growth and success.

The foundations, revealed in the following key highlights<sup>1</sup> realised during the year, reflect a rapid advancement of the Magnolia LNG project towards financial close in 2016, the acquisition and aggressive development of the Bear Head LNG project, and solidification of our technology advantage through additional approved OSMR<sup>®</sup> patents.

- U.S. Federal Energy Regulatory Commission (**FERC**) issued Notice of Schedule for Environmental Review (**SER**) and Draft Environmental Impact Statement (**DEIS**) to Magnolia LNG
- Magnolia LNG signed a legally binding tolling agreement with Meridian LNG Holdings Corp (**Meridian LNG**) for firm capacity rights for up to 2 mtpa for an initial term of 20 years
- EPC contract terms and conditions agreed between Magnolia LNG and KSJV, a joint venture between KBR, Inc. (**KBR**) and SK E&C USA, Inc. (**SKEC**)
- Global alliance announcements with Chart Industries (**Chart**), Siemens Energy Inc. (**Siemens**), and EthosEnergy Group (**EthosEnergy**) that provide key materials, components and services to the future construction and operation of Magnolia LNG and, potentially, other future LNG opportunities
- Clough-CH IV selected as owner's engineer for the Magnolia LNG project
- Acquired the Bear Head LNG project in Richmond County, Nova Scotia, Canada for US\$11.0 million
- Bear Head LNG obtained all 10 of the initial federal, provincial, and local regulatory approvals needed to construct a LNG facility on the Strait of Canso in Nova Scotia
- U.S. Department of Energy (**DOE**) granted Bear Head LNG authorisation to export up to 440 billion cubic feet (**bcf**) per year of U.S. natural gas to Canada, and up to 8 mtpa of LNG from Canada to free trade agreement (**FTA**) countries
- FERC recognised Bear Head LNG as an 'approved' Canadian LNG export terminal project
- Canada's National Energy Board (**NEB**) granted authorisation to export up to 8 mtpa of LNG from Bear Head LNG's project site starting in 2019, with expanded authority to 12 mtpa in 2024, and a license to import 1.2 bcf/day of natural gas from the U.S., an amount adequate to produce the authorised annual LNG exports
- Bear Head LNG followed the First Nations consultation process and signed a Memorandum of Understanding with the Assembly of Nova Scotia Mi'kmaq Chiefs
- OSMR<sup>®</sup> technology patent granted in the U.S., Canada and other countries.

<sup>1</sup> Includes announcements post 30 June 2015

## Managing Director and Chief Executive Officer's Report

continued

In addition, during 2014/15, we materially advanced our focus on corporate governance, sustainability, diversity, and our approach to safety and asset integrity, bringing to the forefront these important corporate attributes.

LNG's Business Principles guide our decisions, actions and behaviours. Our core business is safe development of mid-sized LNG projects that will offer natural gas to meet a growing international energy demand. Effective management of key risks are critical to the successful implementation of our strategy in addition to protecting the interests of LNG's shareholders and other key stakeholders, which includes our employees, business partners, and the communities in which we operate.

Our risk management procedures and processes are designed to enable realisation of these goals.

We are laser focused on delivering the immediate Magnolia LNG project milestones of finalising our EPC contract pricing and executing binding offtake agreements for the remaining 6 mtpa of capacity. Concurrently, we remain vigilant in advancing the successes to date by identifying and procuring pipeline capacity and gas supply to unlock the Bear Head LNG value proposition, and to continue our efforts to identify gas supply for Fisherman's Landing LNG.

We also continue to evaluate additional growth opportunities that would benefit from our Energy Link strategy.

### Business discussion and analysis

The following discussion and analysis of our operations, financial condition, and results of operations should be read in conjunction with our financial statements and the related notes to those statements included elsewhere in this Annual Report. In addition to historical financial information, the following discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our results and the timing of selected events may differ materially from those anticipated in these forward-looking statements as a result of many factors.

## Magnolia LNG Project

### Louisiana, USA

#### Project Overview

The Magnolia LNG project comprises the proposed development of an 8 mtpa LNG export project on a 115 acre site, in an established LNG shipping channel (along the Calcasieu River shipping channel) in the Lake Charles District of Louisiana.

The project is based on development of four LNG production trains of 2 mtpa each using the Company's wholly owned OSMR® LNG process technology. The site lease is with the Lake Charles Harbour and Terminal District, encompassing a 30-year lease agreement, with four 10-year options for Magnolia LNG to extend the term of the lease for up to 70 total years.

Feed gas supply will come from the highly-liquid U.S. Gulf Coast gas market via several gas suppliers. Gas supply will be delivered to the site via the Kinder Morgan Louisiana Pipeline (KMLP). Magnolia LNG has entered into a 20-year binding pipeline capacity agreement with Kinder Morgan Louisiana Pipeline LLC to deliver gas to the site for the full 8 mtpa of the project.

Magnolia LNG signed a binding agreement with Meridian LNG Holdings Corp for firm capacity rights for up to 2 mtpa on 22 July 2015.

Magnolia LNG continues negotiations with a number of other LNG buyers for the purchase of LNG on 20-year terms (with extension options).





Detailed information on the Magnolia LNG project is available on the Company's website:

**[www.lnglimited.com.au](http://www.lnglimited.com.au)**  
under "Assets" or at  
**[www.magnoliang.com](http://www.magnoliang.com)**

### Project Permits and Approvals

The FERC is the U.S. body that has the responsibility to administer the U.S. National Environmental Policy Act.

The Magnolia LNG project has received its FERC issued SER, setting 16 November 2015 as the anticipated date for issuance of the project's final environmental impact statement (FEIS). The SER also establishes a 90-day-post-FEIS decision deadline for all agencies responsible for issuing related federal authorisations.

On 14 July 2014, FERC accepted KMLP's application pursuant to Section 7(c) of the Natural Gas Act for the Lake Charles Expansion Project, which includes the installation of compression and other related facilities on the

existing KMLP pipeline, facilitating the full required volumes of natural gas to be transported to the proposed 8 mtpa Magnolia LNG project. KMLP's application seeks FERC's authorisation to construct and operate the Lake Charles Expansion Project.

The FERC approval process for the Lake Charles Expansion Project is running in parallel with FERC's regulatory review of the Magnolia LNG project. FERC formally accepted the Magnolia LNG application on 15 May 2014.

The DOE is the U.S. responsible body to grant LNG export approvals. DOE has already granted Magnolia LNG authorisation to export a total of 8 mtpa of LNG from the Magnolia LNG project to FTA countries.

The DOE authorisation is valid for the first LNG sales to commence within 10 years, and then for a further 25 years from first LNG sales date. Magnolia LNG has submitted a request for authorisation to export LNG to Non-FTA countries for up to 8 mtpa. Magnolia LNG anticipates a decision by DOE on its Non-FTA request following receipt of the FERC's final order to proceed with the project.

## Managing Director and Chief Executive Officer's Report

continued

### Engineering Procurement and Construction (EPC) Contract

In early 2015, KBR joined the Magnolia LNG project as the lead partner in an integrated joint venture with SKEC referred to as the KSJV. Subsequently, Magnolia LNG and KSJV agreed on terms and jointly initialled the EPC contract including terms and conditions, full scope of work, and all supporting contract schedules and attachments.

KSJV will provide LNGL a fixed-price on the full 8 mtpa project, as well as a 6 mtpa project, providing certainty of pricing for a six-month period from the EPC contract's effective date. The two firm KSJV prices allow LNGL flexibility in its FID decision to match a firm EPC contract price with the outcome of ongoing liquefaction capacity marketing efforts without further KSJV negotiations during the six-month period. As part of the EPC contract, the KSJV will fully guarantee the LNG production and fuel gas efficiency of each train at the guaranteed production rate of 206 metric tons/hour (1.7 mtpa) and fuel gas efficiency of 8%, incorporating the OSMR® process design provided by LNGL.

Magnolia LNG and KSJV continue to progress negotiations on the lump sum, fixed-price turnkey prices and expect to conclude this negotiation and announce signing of the binding contract during the last quarter of 2015.

Additionally, Magnolia LNG completed a tender process and selected Clough-CH IV to fulfil the role of owner's engineer for the EPC phase of the project. This engagement includes providing technical and project execution support personnel in support of Magnolia LNG as oversight to the KSJV contractor activities as the project moves through detailed design, construction, commissioning and start up in support of delivering LNG from the first of the four planned 2 mtpa LNG trains.

### LNG Offtake Agreements

#### On 23 July 2015, LNGL announced that Magnolia LNG had signed a legally binding agreement with Meridian LNG for firm capacity rights for up to 2 mtpa.

Under the liquefaction tolling agreement (LTA), Magnolia LNG will provide liquefaction services to Meridian LNG over the term of the contract in return for monthly capacity payments. Meridian LNG is responsible for procurement and delivery of feed gas to the liquefaction plant and for arranging all LNG shipping required to transport the LNG from the liquefaction plant to its customers.

Meridian LNG intends to deliver the LNG to Port Meridian, its Höegh LNG operated floating re-gasification terminal in the UK, with the re-gasified natural gas delivered to E.ON Global Commodities (EGC) under a 20-year gas sales agreement (GSA) executed and announced by Meridian LNG on 23 April 2015.

Key terms of the LTA include:

- Initial term of 20 years, with option to extend by a further 5 years;
- Firm annual capacity of 1.7 mtpa with a further 0.3 mtpa to be offered at Magnolia LNG's discretion; and
- Conditions precedent, including that Magnolia LNG achieves financial close no later than 30 June 2016.

Marketing of the remaining 6 mtpa of Magnolia LNG capacity continues with a number of investment-grade, as well as some non-investment grade counterparties. Certain negotiations (with investment-grade counterparties) are advanced and progressing through the internal investment decision authorisation process attendant to each counterparty.

Each of the offtake negotiations are for initial 20-year terms, with some taking the form of a liquefaction tolling agreement and some being LNG sale and purchase agreements. Current negotiated pricing remains at levels supporting announced EBITDA guidance of \$2.50/mmBtu across the full 8 mtpa project.

### Equity Commitment

In 2014 the Company executed an Equity Commitment Agreement (ECA) with New York headquartered Stonepeak Partners LP (Stonepeak). The ECA governs the relationship, cooperation, rights and obligations between Stonepeak and the Company through to Financial Close. The ECA also incorporates the Magnolia LLC Agreement, which sets out the respective rights and obligations of Stonepeak and the Company from Financial Close, including the construction and funding of the Magnolia LNG project, the management and governance of the project, the allocation and distribution of future profits, and other related matters.

The Stonepeak commitment remains in place. In light of market interest in the Magnolia LNG project, LNGL and Stonepeak are undertaking discussions to adjust the original ECA to encompass the full 8 mtpa project in a single phase financing.

### Other Matters

On 28 January 2015, LNGL announced that Magnolia LNG had executed a Gas Pipeline Interconnect Agreement (PIA) with KMLP that sets out the technical scope and specifications for gas supply to the Magnolia LNG plant. The PIA defines each parties' obligations in relation to the design, procurement, construction, installation, operations, maintenance and ownership of the facilities. Magnolia LNG has already entered into a legally binding agreement with KMLP to access 1.4 bcf/day of capacity over a 20-year term. This capacity is sufficient for Magnolia LNG to produce its full 8 mtpa design capacity.

## Bear Head LNG Project

### 📍 Nova Scotia, Canada



Detailed information on the Bear Head LNG project is available on the Company's website:

[www.lnglimited.com.au](http://www.lnglimited.com.au)  
under "Assets" or at  
[www.bearheadlng.com](http://www.bearheadlng.com)

### Project Acquisition and Overview

**On 28 July 2014 the Company announced, and subsequently closed in late August 2014, the acquisition of 100% of Bear Head LNG Corporation (Bear Head LNG) from a subsidiary of Anadarko Petroleum Corporation for US\$11.0 million.**

The Bear Head LNG project was initiated in 2001 as an LNG import facility. Environmental permits were approved around 2004 and construction began in 2005. Prior owners spent more than US\$100 million on development, engineering, and construction before activity ceased in 2007 because of changing energy market dynamics. Site improvements were maintained and permits were kept active in the intervening years before the 2014 purchase of Bear Head LNG Corporation by LNGL.

The Bear Head LNG project is located in Point Tupper, Richmond County, Nova Scotia, Canada.

Bear Head LNG is developing the proposed LNG export project on the north bank of the Strait of Canso, which has direct access to the North Atlantic. The Bear Head LNG facility is being designed to produce approximately 8 mtpa of LNG with potential for future capacity expansion.

Project development on a 255-acre site, will include four LNG production trains, LNG storage tanks, a marine terminal and associated infrastructure. The majority of site preparation and access work is complete. The marine terminal site is on the Strait of Canso, a waterway that is sheltered, remains ice-free, and requires no dredging.

## Managing Director and Chief Executive Officer's Report

continued

The Strait area shipping community is served by established tug, pilot, and marine support operations.

**The Bear Head LNG acquisition is in line with LNGL's strategy of acquiring sites where the Company can replicate its Magnolia LNG project approach and fast-track development by using its existing LNGL development team and its OSMR® technology.**

### Project Management Appointments

With the acquisition of Bear Head LNG Corporation, LNGL appointed Mr. John Godbold and Mr. Ian Salmon to lead development of the Bear Head LNG project. John previously led LNG development projects for Pangea LNG, Gulf Coast LNG, and El Paso Energy, and developed 50+ bcf of salt dome storage facilities. Ian was previously CFO of Featherwood Capital, RDG Energy Group, and Pangea LNG, and previously worked for El Paso Energy and Morgan Stanley. Both John and Ian have extensive LNG knowledge and industry relationships. John is responsible for the project and reports to LNGL's Managing Director/Chief Executive Officer Maurice Brand.

### Project Permits and Approvals

Bear Head LNG requires Canadian federal, provincial, and local regulatory approvals to construct the proposed export project.

All 10 required initial permits are approved and in place as listed below.

- Environmental Assessment Approval from the Nova Scotia Environment (**NSE**)
- Permit to Construct from the Nova Scotia Utility and Review Board (**UARB**)
- Navigable Waters Protection Act Authorisations (Federal Government)
- Transport Canada Canadian Environmental Assessment Agency (**CEAA**) Screening (Federal Government)
- Fisheries and Oceans Canada CEAA Screening (Federal Government)
- Authorisation for Works or Undertakings Affecting Fish Habitat (Federal Government)
- Environment Act Water Approval – Wetland Infill (Government of Nova Scotia)
- Breaking Soil of Highways Permit (Government of Nova Scotia)
- Development Permit (Municipality of Richmond County)
- Beaches Act Clearance (Government of Nova Scotia)

On 17 August 2015, Canada's NEB granted Bear Head LNG Corporation and Bear Head LNG (USA), LLC (collectively, Bear Head LNG) authorisation to export LNG. The NEB licencing decision approved Bear Head LNG's application for authority to export up to 8 mtpa of LNG from Canada starting in 2019, with expanded authority to increase production to 12 mtpa in 2024. The export licence extends for a period of 25 years from the date of first LNG export.

The DOE granted Bear Head LNG authority to export U.S. natural gas to Canada and to export LNG from Canada to FTA countries. This allows export of up to 440 bcf per year of U.S. natural gas to Canada and up to 8 mtpa of LNG to FTA countries. Bear Head LNG has also filed an application with the DOE for authorisation to export to Non-FTA countries.

Bear Head LNG has applied to the DOE for authority to import for subsequent export up to 250 bcf per year of Canadian natural gas by pipeline that is "in transit" through the U.S., back into Canada for delivery to Bear Head LNG's proposed liquefied natural gas export facility. This authorisation would allow a portion of the Bear Head LNG's natural gas requirements to come from sources in Western and Central Canada, enhancing commercial supply options. The NEB also granted Bear Head LNG a licence to import 1.2 bcf/day of natural gas from the U.S., an amount adequate to produce the authorised annual LNG exports.

### Engineering Work

Bear Head LNG has completed initial FEED work with KBR, which has knowledge of the local site, since they executed the FEED work for Bear Head LNG when it was proposed as an LNG import facility. KBR leads KSJV, the joint venture for the FEED and EPC contract for the Magnolia LNG project.

### Gas Supply

Natural gas supply for LNG exports through Bear Head LNG is expected to come from producers in the U.S. and Canada. Bear Head LNG continues to progress discussions and negotiations relative to all three potential gas paths: U.S., offshore Nova Scotia, and Western and Central Canada.

## Fisherman's Landing LNG Project

### 📍 Gladstone, Queensland, Australia



For further information about the Fisherman's Landing LNG project please refer to the Company's website: [www.lnglimited.com.au](http://www.lnglimited.com.au) under "Assets".

The Fisherman's Landing LNG project (**FLLNG**) comprises the development of a 3.5 mtpa LNG project at the Port of Gladstone, Queensland, Australia. The initial development is based on two LNG trains, each of a design capacity of 1.75 mtpa, with a guaranteed 1.5 mtpa LNG production capacity.

On 31 October 2014, LNGL announced that its 100% owned subsidiary, Gladstone LNG Pty Ltd and owner of FLLNG, agreed a Variation to the Agreement for Lease with the Gladstone Ports Corporation until 31 March 2016, in two phases. The first phase was an extension of the term from 1 November 2014 to 31 March 2015, with the Company paying an option fee of \$500,000.

The second phase was a further extension to 31 March 2016, which involved payment of a further option fee of \$1 million. There were no other material changes to the Agreement for Lease, initially signed on 4 May 2010.

LNGL executed a non-binding memorandum of intent with Tri-Star Petroleum Company (**Tri-Star**) to put in place a proposed GSA with LNG buyers. Tri-Star and LNGL are working together with selected LNG buyers to negotiate a legally binding heads of agreement for supply of up to 100 PJ/year of gas (260 TJ/d) from Tri-Star's gas reserves for a term of 20-years. The parties may also negotiate a tolling agreement for the processing of the Tri-Star gas through FLLNG to produce 1.5 mtpa of LNG.

During the year, the Queensland Government's Department of Natural Resources and Mines extended the dates for completion of the FLLNG project construction under Petroleum Facility Licence No. 18 (**PFL 18**) and the Petroleum Pipeline Licence No. 161 (**PPL 161**). PFL 18 was extended from 31 October 2014 to 31 December 2017 and PPL 161 was extended one year to 31 December 2017.

Although FLLNG is effectively being managed on a care and maintenance basis, the Company is continuing to work on securing adequate gas supply for the initial LNG train to produce 1.75 mtpa of LNG, including potential gas supply from Tri-Star's significant gas reserves.

## Managing Director and Chief Executive Officer's Report

continued

### OSMR® Patents and LNG Technology Pty Ltd

LNG Technology Pty Ltd wholly owns the Company's OSMR® liquefaction technology that aims to deliver lower capital and operating costs, faster construction timelines, improved efficiency and environmental benefits.

The OSMR® process is based on a proven simple single mixed refrigerant system with the addition of conventional combined heat and power, and ammonia refrigeration

technology to enhance plant performance (LNG output and overall process efficiency). These proven technologies, together with the Company's plant design and construction strategy involving modular design, seek to substantially improve LNG project economics.

The Company continues to further its international patent applications, which cover two engineering design features (being the basis of the Company's OSMR® process), entitled:

- A Method and System for Production of Liquid Natural Gas; and
- Improvements to the OSMR® process (applications only filed in Australia and USA).

The Company is also progressing a patent application over another wholly developed and owned process, entitled "Boil-off Gas Treatment Process and System".

The current status of OSMR patent applications filed by the Company in various countries is as follows:



Map of the World showing countries with green ticks where patents have been granted to protect the OSMR® process. The red markers indicate countries where the OSMR® process patent has been filed but not granted and awaiting a decision.

During the year, LNG Limited announced that LNG Technology Pty Ltd had been granted a patent in Canada and the USA for its OSMR® process technology.

Advancement of global patent protection allows the Company to develop international opportunities as well as progressing its main three projects:

- Magnolia LNG 8 mtpa LNG development project in Lake Charles, Louisiana, USA;
- Bear Head LNG 8 mtpa LNG development project in Richmond County, Nova Scotia, Canada; and
- FLLNG 3.5 mtpa LNG development project in Queensland, Australia.



For further information about OSMR® technology, including a paper on "OSMR® Liquefaction Process for LNG Projects" please refer to the Company's website: [www.lnglimited.com.au](http://www.lnglimited.com.au) under "Assets".

## Corporate

### Funding and Financial Results

Our primary sources of capital resources and liquidity include existing cash and cash equivalents, other financial assets, LNGL's equity in its projects, and the capital markets. We believe that our capital resources from these sources are adequate to execute our corporate strategy and to meet our obligations as they come due; however, there are risks and uncertainties that could negatively impact our future results of operations and financial condition. Some of these risks and uncertainties are outside the control of management.

**During the financial year, net assets of the Company and its controlled entities (the LNGL Group) increased by \$134.0 million, from \$47.6 million as at 1 July 2014 to \$181.6 million as at 30 June 2015, primarily reflecting strong investor support for two capital raisings undertaken during the year, partially offset by cost of the issuances, the acquisition of Bear Head LNG Corporation, and development spend.**

Funds raised totalling \$212.7 million gross resulted from placement of 40 million new ordinary shares in May 2015, raising \$174.0 million gross, and a placement of 14.9 million new ordinary shares in August 2014, raising \$38.7 million gross. Use of net proceeds from these two share placements included development of the Magnolia LNG project; the acquisition, permitting and initial FEED work on the Bear Head LNG project; and for general working capital purposes.

The Company's policy is to expense all development expenditure until such time as the Board is satisfied that all material issues in relation to a project have been adequately identified and addressed, to the extent possible, and it is probable that the project will achieve final investment decision and proceed to construction, within a reasonable period.

The increasing loss from ordinary activities and the net loss for the period reflect the advancement of the Magnolia LNG project during the period, including FEED and EPC work by KSJV, advancement of offtake negotiations, and continuing regulatory and permitting work. In addition, the Bear Head LNG Corporation acquisition and associated aggressive development of the Bear Head LNG project occurred in the current year.

LNGL Group's net loss after income tax for the financial year ended 30 June 2015 totalled \$86.3 million. This included project costs of: \$71.9 million on the development of the Company's LNG projects, \$0.6 million on patent and other intellectual property costs and \$8.2 million in administration, corporate, and compliance costs in the period.

As at 30 June 2015, the LNGL Group had \$47.0 million (cash and cash equivalents) plus \$134.8 million other financial assets invested in interest bearing term investments. The Company will continue to apply these funds in developing the Magnolia LNG and Bear Head LNG projects, maintaining the Fisherman's Landing LNG project on a care and maintenance basis, furthering its new LNG project identification program, and as working capital.

## Risks and Uncertainties

The business activities of LNGL are subject to various risks and uncertainties that may affect the future performance of LNGL's results of operations and financial condition. While many of the risk factors are largely beyond the control of LNGL and its Board, LNGL will seek to mitigate the risks where possible and economically viable. LNGL is subject to risks that are specific to LNGL and its businesses, risks that are specific to the LNG industry at-large, and general business risks. The following represent examples of such risks (the list is not exhaustive).

Risks specific to LNGL include a myriad of project development risks, future financing requirements at both corporate and project levels, dependency on key contractors and corporate alliances, counterparty and credit risks, key personnel risks, and technology and intellectual property risks. Industry specific risks include fluctuations in demand for LNG globally, industry competition, the availability of gas feedstock and pipeline capacity outright as well as the need for such feedstock and capacity to be at economically competitive prices, government policy and regulation, evolving health and environmental policies and regulations, industrial dispute risks, availability of qualified construction and operations workforce, and country risks. General business risks include economic cycles, commodity price fluctuations, foreign currency and interest rate exposures, general legal and taxation matters, and other similar factors.

## Managing Director and Chief Executive Officer's Report

continued

### Outlook

LNGL is well positioned to participate in the North American LNG growth story by continuing to build the foundations of the Magnolia LNG and Bear Head LNG projects.

The Company's key current focus areas include:

- Signing a legally binding lump sum turn-key EPC contract with KSJV;
- Signing additional legally binding offtake agreements for the remaining 6 mtpa of Magnolia LNG capacity;
- Renegotiating the Stonepeak ECA based on an 8 mtpa Magnolia LNG project;
- Agreeing a term sheet on the debt facilities for the Magnolia LNG project, and
- Procuring economically competitive pipeline capacity and gas feedstock for Bear Head LNG and FLLNG.

During this past year, the Magnolia LNG project has realised a series of key milestones, including:

- Issuance by the FERC of the SER and DEIS;
- Announcement of the legally binding Meridian LNG LTA; and
- Ordering of key liquefaction equipment components from Chart, and agreement on global alliances with Siemens and EthosEnergy.

These events, in combination with the status of negotiations with other offtake counterparties, increase our expectations for developing the full 8 mtpa Magnolia LNG project.

LNGL's recent announcements and continuing negotiations combine to reinforce the Company's previous Magnolia LNG EBITDA<sup>2</sup> guidance across the full 8 mtpa project of US\$2.50/mmBtu.

Similarly, the Bear Head LNG project has achieved a series of milestones since acquisition. In May 2015, Bear Head received the last of 10 initial Canadian federal, provincial and local regulatory approvals needed to construct the proposed facility. The July 2015 decision by the DOE to grant Bear Head LNG export authorisation to FTA countries is an important commercial milestone. The favourable NEB decision in mid-August 2015 continues the steady progress toward completion of regulatory approval for the project.

Bear Head LNG completed its Phase I FEED work performed by KBR. Integration of KBR's prior FEED work for the Bear Head LNG site and the Magnolia LNG FEED will enable the Bear Head LNG project to be fast tracked toward a future final investment decision.

While LNGL secured a 12-month extension to 31 March 2016 to the site option agreement to lease at the FLLNG project site at Gladstone, Queensland, securing gas supply for this project is critical for the Company to further extend its Option to Lease. The Company is continuing to work on securing adequate gas supply for the initial first LNG train to produce up to 1.75 mtpa of LNG, including potential gas supply from Tri-Star's significant gas reserves.

The opening of the Houston office has been successful with the employment of 31 full-time staff to ensure the appropriate resourcing for LNGL, Magnolia LNG and Bear Head LNG.

The Board is very pleased with the high calibre and depth of management experience amongst the staff that have joined our Company.

I take this opportunity to thank my fellow directors and all members of our management and staff. I especially wish to express my appreciation for their ongoing support and dedication to help progress and develop the Magnolia LNG and Bear Head LNG projects for our shareholders.

I also wish to acknowledge our loyal shareholders that have supported LNGL throughout the year.

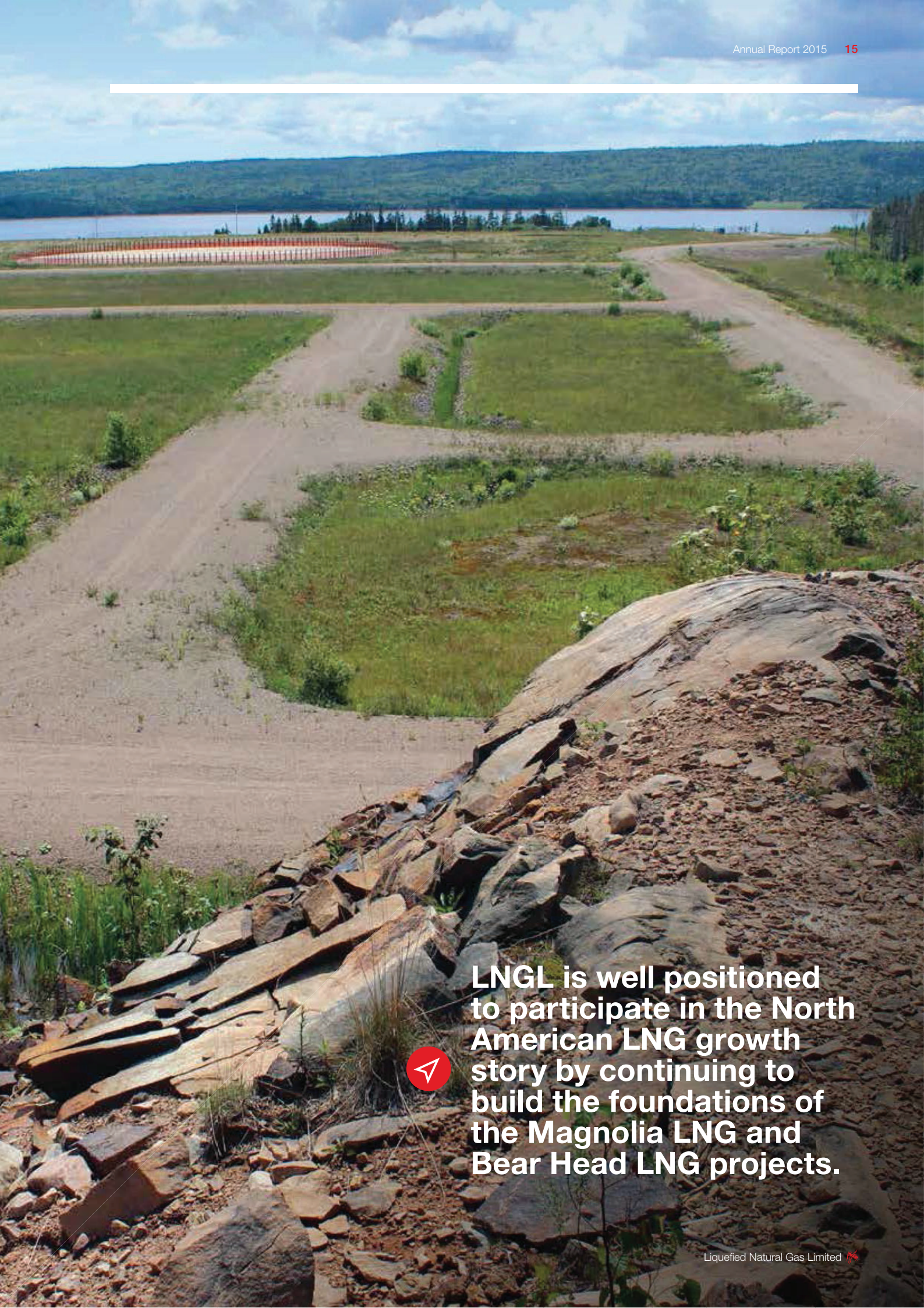


**FM (Maurice Brand)**  
Managing Director/  
Chief Executive Officer

29 September 2015

<sup>2</sup> EBITDA is an acronym for earnings before interest, taxes, depreciation and amortisation. EBITDA is computed as total revenues (sum of all tolling and SPA fees) less, all operating, maintenance and commissioning expenses, and state and local taxes. The metric excludes depreciation expenses on invested capital, interest expenses on project indebtedness, and any non-operating revenues or expenses. Because we have not disclosed forecasted interest, depreciation, non-operating items and income tax provisions, we have not made any forecast of net income. EBITDA is a non-GAAP (generally accepted accounting principle) measure typically applied as a proxy measure of operating cash flows. EBITDA has limitations as an analytical tool and should not be considered in isolation or in lieu of an analysis of our results as reported under GAAP.





**LNGL is well positioned to participate in the North American LNG growth story by continuing to build the foundations of the Magnolia LNG and Bear Head LNG projects.**

## Financial Summary

### Statement of Comprehensive Income for the year ended 30 June 2015

	Consolidated	
	2015	2014
	\$	\$
Revenue	668	275
Other income	7,931	308
Administration expenses	(8,171)	(4,035)
Finance costs	(1)	(6)
Project development expenses	(71,885)	(20,099)
Share based payment expenses	(14,758)	–
Other expenses	(41)	(1,108)
<b>Loss before income tax</b>	<b>(86,257)</b>	<b>(24,665)</b>
Income tax expense	(50)	–
<b>Loss after income tax</b>	<b>(86,307)</b>	<b>(24,665)</b>
<b>Net loss for the period</b>	<b>(86,307)</b>	<b>(24,665)</b>

#### Other comprehensive income:

*Items that may be reclassified to profit and loss*

Foreign currency translation	559	663
<b>Other comprehensive income for the period, net of tax</b>	<b>559</b>	<b>663</b>
<b>Total comprehensive income for the period</b>	<b>(85,748)</b>	<b>(24,002)</b>

Loss for the period is attributable to:

Non-controlling interest	(1)	(5)
Equity holders of the Parent	(86,306)	(24,660)
	<b>(86,307)</b>	<b>(24,665)</b>

Total comprehensive income for the period is attributable to:

Non-controlling interest	(1)	(5)
Equity holders of the Parent	(85,747)	(23,997)
	<b>(85,748)</b>	<b>(24,002)</b>

	Cents	Cents
<b>Loss per share attributable to the ordinary equity holders of the Company:</b>		
— Basic loss per share	(18.58)	(7.39)
— Diluted loss per share	(18.58)	(7.39)

### Statement of Cash Flows

for the year ended 30 June 2015

	Consolidated	
	2015	2014
	\$'000	\$'000
<b>Cash flows from operating activities</b>		
Receipts from the Australian Taxation Office	326	81
Interest received	618	225
Research and development tax concession rebate	–	308
Payments to suppliers and employees	(70,920)	(22,379)
<b>Net cash flows used in operating activities</b>	<b>(69,976)</b>	<b>(21,765)</b>
<b>Cash flows from investing activities</b>		
(Investment in)/proceeds from security deposits classified as other financial assets	(1,028)	(2,223)
Investment in other financial assets	(130,634)	–
Purchase of property, plant and equipment	(11,624)	(248)
Proceeds from sale of Australian listed shares	–	443
<b>Net cash used in investing activities</b>	<b>(143,286)</b>	<b>(2,028)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of ordinary shares	212,670	73,932
Transaction costs on issue of ordinary shares	(8,255)	(4,043)
Proceeds from the exercise of options	582	361
Repayment of finance lease principal	(3)	(2)
Interest paid	(1)	(6)
<b>Net cash flows from financing activities</b>	<b>204,993</b>	<b>70,242</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(8,269)</b>	<b>46,449</b>
Net foreign exchange differences	7,469	(261)
Cash and cash equivalents at beginning of year	47,771	1,583
<b>Cash and cash equivalents at end of year</b>	<b>46,971</b>	<b>47,771</b>

## Statement of Financial Position

as at 30 June 2015

	Consolidated	
	2015 \$'000	2014 \$'000
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	46,971	47,771
Trade and other receivables	2,485	343
Other financial assets	134,830	3,168
Prepayments	325	156
<b>Total current assets</b>	<b>184,611</b>	<b>51,438</b>
<b>Non-current assets</b>		
Property, plant and equipment	12,120	292
<b>Total non-current assets</b>	<b>12,120</b>	<b>292</b>
<b>Total assets</b>	<b>196,731</b>	<b>51,730</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	13,859	3,409
Interest-bearing liabilities	3	3
Income tax payable	50	-
Provisions	971	507
<b>Total current liabilities</b>	<b>14,883</b>	<b>3,919</b>
<b>Non-current liabilities</b>		
Interest-bearing liabilities	9	12
Provisions	230	197
<b>Total non-current liabilities</b>	<b>239</b>	<b>209</b>
<b>Total liabilities</b>	<b>15,122</b>	<b>4,128</b>
<b>Net assets</b>	<b>181,609</b>	<b>47,602</b>
<b>Equity</b>		
<i>Equity attributable to equity holders of the Parent:</i>		
Contributed equity	392,021	187,024
Reserves	27,298	11,981
Accumulated losses	(237,593)	(151,287)
<b>Parent interests</b>	<b>181,726</b>	<b>47,718</b>
<b>Non-controlling interest</b>	<b>(117)</b>	<b>(116)</b>
<b>Total equity</b>	<b>181,609</b>	<b>47,602</b>

## Disclaimer:

This financial summary is an edited extract from the 2015 financial statements and is provided for illustrative purposes only. Complete audited financial statements, including all explanatory notes, are available in the 2015 Financial Report which can be downloaded from the Liquefied Natural Gas Limited website [www.lnglimited.com.au](http://www.lnglimited.com.au).

## Corporate Directory

ABN 19 101 676 779

## Directors

**Richard Beresford**  
Non-Executive Chairman

**Fletcher Maurice Brand**  
Managing Director/  
Chief Executive Officer

**Leeanne Bond**  
Non-Executive Director

**Yao Guihua**  
Non-Executive Director

**Paul Cavicchi**  
Non-Executive Director

**Michael Steuert**  
Non-Executive Director

**Company Secretary**  
David Gardner

## Registered Office &amp; Principal Place of Business

Level 1, 10 Ord Street  
West Perth, WA, 6005

T. +61 (0) 8 9366 3700  
F. +61 (0) 8 9366 3799  
E. [LNG@LNGlimited.com.au](mailto:LNG@LNGlimited.com.au)  
W. [www.lnglimited.com.au](http://www.lnglimited.com.au)

## Auditors

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

## Solicitors

**Clifford Chance**  
Level 7, 190 St Georges Terrace  
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

T. (within Australia): 1300 554 474

T. (outside Australia): +61 1300 554 474

## ASX Code

LNG

## OTC ADR Code

LNGLY



[www.lnglimited.com.au](http://www.lnglimited.com.au)

This Annual Review provides an overview of the past 12 months. Further information about LNG's performance can be found in the 2015 Financial Report document and on our website at [www.lnglimited.com.au](http://www.lnglimited.com.au).





# 2015 Financial Report

**Liquefied Natural Gas Limited**

ABN 19 101 676 779



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# Financial Report 2015 →

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**Liquefied Natural Gas Limited (LNGL)**  
is an Australian public company based  
in Perth, Western Australia.

**Our business is to bring a dynamic  
concept of mid-scale liquefied  
natural gas (“LNG”) projects to  
the international energy market.**

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# Directors' Report

## for the year ended 30 June 2015

Your directors submit their report for the year ended 30 June 2015.

### 1. DIRECTORS

The names and details of the Company's directors in office at any time during the financial year and until the date of this report are as follows. Directors were in office the entire period unless otherwise stated.

#### Names, Qualifications, Experience and Special Responsibilities

##### Mr. Richard Jonathan Beresford

*Non-Executive Chairman*

FAIE, FAICD, BSc (Mechanical Engineering), and MSc (Technology and Development).

Richard has over 30 years' experience in the international energy natural gas and renewable energy industries spanning research, technology commercialisation, strategic planning, operations, consultancy, business development, acquisitions, marketing, and general management.

Richard spent 12 years with British Gas plc, including 3 years in London managing a portfolio of downstream gas and power generation investments in Asia, and 4 years in Jakarta as Country Manager, Indonesia. He joined Woodside Petroleum Limited in 1996 where he became General Manager, Business Development, then Managing Director of Metasource, Woodside's green energy subsidiary, until 2001. Richard was Head of Gas Strategy and Development of CLP Power Hong Kong Limited from January 2005 to March 2007 leading negotiations for LNG supply to its power plants.

Richard has been a non-executive director (**NED**) of ASX listed Eden Energy Limited since May 2007.

Richard was a director of ASX listed Green Rock Energy Limited, a Perth based energy explorer and developer, from September 2008 including a period as executive chairman. He resigned in April 2015 following the company's re-instatement on the ASX as Black Rock Mining Limited.

Richard contributes the following skills and experience to the Board:

- Technology and Innovation
- International Experience
- Marketing and Business Development
- Project Management
- Finance
- Corporate Governance, Environmental and Sustainability
- Government and Community Relation
- Risk Management
- Legal and Regulatory
- Contracts and Negotiation
- Business Strategy
- Mergers and Acquisitions
- Health and Safety

##### Mr. Fletcher Maurice Brand

*Managing Director and Chief Executive Officer*

FAICD, FAIM

Maurice is the founder, Managing Director and Chief Executive Officer of LNGL, which listed on the ASX in September 2004. Maurice has extensive experience in the global energy industry spanning over 29 years, including responsibility for energy related projects in Australia, Indonesia and India.

Maurice has not been a director of any other listed company during the three years prior to 30 June 2015.

Maurice contributes the following skills and experience to the Board:

- Technology and Innovation
- International Experience
- Marketing and Business Development
- Project Management
- Finance
- Government and Community Relations
- Legal and Regulatory
- Business Strategy
- Mergers and Acquisitions

# Directors' Report

## continued

### 1. DIRECTORS (continued)

#### Madam Yao Guihua

##### *Non-Executive Director*

Madam Yao holds a bachelor's and master's Degree in Chemical Engineering from Tianjin University in China. She currently holds the position of General Manager of HQC Australia Branch Ltd, within China Huanqiu Contracting & Engineering Corporation (HQC), and is responsible for the management of the Branch. Prior to this appointment she was based in Singapore in the role of HQSM General Manager and Executive Director.

Madam Yao has over 28 years' experience in the oil and gas industry and has been responsible for project selection and feasibility study, project finance, market exploration and development, international bidding, contract negotiation and project management.

Madam Yao has not been a director of any other listed company during the three years prior to 30 June 2015.

Madam Yao contributes the following skills and experience to the Board:

- Technology and Innovation
- International Experience
- Marketing and Business Development
- Project Engineering, Construction and Execution
- Government and Community Relations
- Risk Management
- Legal and Regulatory
- Contracts and Negotiation
- Project Management
- Health and Safety

#### Ms. Leeanne Kay Bond

##### *Non-Executive Director*

BE (Chem), MBA, FIEAust, RPEQ, FAICD

Leeanne is a professional company director with board roles in the energy, water and engineering services sectors. She has qualifications in engineering and management, and over 28 years' experience across a broad range of industrial sectors including energy, minerals, infrastructure and water resources.

From 1996 to 2006, Leeanne held a number of management roles with Worley Parsons in Queensland, including General Manager Hydrocarbons and Development Manager, where Leeanne negotiated project alliances and supervised contracts and projects with many Australian and international companies.

Leeanne is Deputy Chair of Territory Generation, the power generation entity owned by the Northern Territory Government. She was previously a NED for Queensland Government's Tarong Energy Corporation, Queensland Bulk Water Supply Authority, and the Australian Water Recycling Centre of Excellence.

Leeanne is a director of JKTech, a company wholly owned by the University of Queensland, and is the sole director and owner of Breakthrough Energy Pty Ltd, a project and business development consulting firm.

Leeanne has been a NED of ASX listed Coffey International Limited since February 2012.

Leeanne contributes the following skills and experience to the Board:

- Technology and Innovation
- International Experience
- Marketing and Business Development
- Project Management
- Finance
- Corporate Governance
- Government and Community Relations
- Audit and Accounting
- Risk Management
- Legal and Regulatory
- Contracts and Negotiation
- Business Strategy
- Mergers and Acquisitions
- Health and Safety
- Project Engineering, Construction and Execution
- Environmental and Sustainability



## 1. DIRECTORS (continued)

### Mr. Paul J. Cavicchi

*Non-Executive Director (appointed 1 October 2014)*

BSCE, MSCE and MBA

Based in Houston, Texas, U.S., Paul brings over 30 years leadership experience in the international energy industry across a range of gas and power projects, which includes development and construction of LNG infrastructure.

Paul's most recent executive position was as Executive Vice President of GDF SUEZ Energy North America, Inc. (**GSENA**) a subsidiary of GDF SUEZ Energy International where he supervised and directed all business development efforts for GSENA in the United States, Canada and Mexico. His responsibilities included corporate and project acquisitions, greenfield development in the areas of merchant power generation, renewable power generation, industrial cogeneration, gas infrastructure (including LNG) and retail energy services. His responsibilities also included the commercial partnering and financing of investment assets. He was responsible for a development budget of \$20 million annually, and a construction budget that often exceeded \$2 billion in annual value.

Previously Paul had been President & CEO of SUEZ Renewable Energy NA, LLC, and before that President and CEO of SUEZ Energy Generation North America, Inc., all based in Houston.

Paul is a Registered Professional Engineer, State of New Hampshire, and has an MBA from the Colgate Darden Graduate School of Business Administration at the University of Virginia and a M.S. in Civil Engineering from the University of Massachusetts.

Paul has not been a director of any other listed company during the three years prior to 30 June 2015.

Paul contributes the following skills and experience to the Board:

- Environmental and Sustainability
- International Experience
- Marketing and Business Development
- Project Management
- Finance
- Project Engineering, Construction and Execution
- Government and Community Relations
- Risk Management
- Legal and Regulatory
- Contracts and Negotiation
- Business Strategy
- Mergers and Acquisitions
- Health and Safety

### Mr. D. Michael Steuert

*Non-Executive Director (appointed 9 February 2015)*

Based in Dallas-Fort Worth, Texas, U.S., Mike brings valuable international financial management experience.

Mike's most recent executive position was as Chief Financial Officer and Senior Vice President and Controller of Fluor Corporation, where his focus was on risk and project management, Sarbanes Oxley, compliance and ethics, capital structure strength, and development of a world-class finance function.

Previously Mike has been CFO of Litton Industries; CFO of GenCorp Inc.; and prior to that, held developmental controllership and treasury positions in US and Europe with TRW Inc.

Mike also holds Board positions with Weyerhaeuser Corporation; and Kurion Inc. He retired from the board of PrologisInc this year after 14 years of service.

Mike earned both bachelor's and master's degrees from the Carnegie Mellon University and has completed postgraduate training at Harvard University and the University of Pennsylvania's Wharton School of Business.

Mike contributes the following skills and experience to the Board:

- Project Management
- International Experience
- Corporate Governance
- Finance
- Audit and Accounting
- Risk Management
- Legal and Regulatory
- Business Strategy
- Mergers and Acquisitions
- Project Engineering, Construction and Execution

# Directors' Report

continued

## 1. DIRECTORS (continued)

Mr. David Michael Gardner

*Company Secretary*

BComm, ACA, AGIA, MAICD

David is a Chartered Accountant and Chartered Secretary and commenced his career with Ernst & Young in Business Services in Brisbane and Melbourne.

With over 20 years' experience in the accountancy profession, David joined the Company after 6 years in the land development industry. David's current responsibilities include all areas of compliance with the Company's statutory obligations for reporting, corporate governance, Board and Committee meetings support and business support for the Perth office. David also oversees the Company's contracts and agreements, information technology, intellectual property, insurance and tax.

David has not been a director of a listed company during the three years prior to 30 June 2015.

### Interest in the shares, options and performance rights of the Company and related bodies corporate

As at 30 June 2015, the interest of the directors in the shares, options and performance rights of LNG are:

Name of director	Number of ordinary shares	Number of unlisted performance rights
R. Beresford	414,692	32,819
F. Brand	4,500,000	1,839,933
L. Bond	–	20,102
G. Yao	–	16,409
P. Cavicchi	60,000	7,771
M. Steuert	–	–

## 2. DIRECTORS MEETINGS

During the year, fourteen directors meetings were held. The number of meetings attended by each director and the number of meetings held during the financial year were as follows:

	Board of Directors meetings	Remuneration Committee meetings	Audit & Risk Committee meetings	Nomination Committee meetings
Number of meetings held	14	2	2	2
	Attended	Attended	Attended	Attended
R. Beresford	14	2	2	2
F. Brand	14	–	–	2
L. Bond	13	2	2	2
G. Yao	12	–	–	–
P. Cavicchi	10	2	–	–
M. Steuert	5	–	1	–

Directors were eligible to attend all meetings held during the year, except:

- Mr P Cavicchi was appointed to the Board on 1 October 2014; and
- Mr. M. Steuert was appointed to the Board on 9 February 2015

### Remuneration Committee

The Remuneration Committee (**RC**) currently comprises Mr R. Beresford (Chairman), Ms L. Bond, and Mr P Cavicchi. No additional fees were paid to the Chairman of the Remuneration Committee but Ms L. Bond and Mr P Cavicchi were paid \$7,500 (pro-rata) each for participation in the RC.

## 2. DIRECTORS MEETINGS (continued)

### Audit & Risk Committee

The Audit & Risk Committee (**A&RC**) currently comprises Ms L. Bond (Chairman), Mr R. Beresford and Mr M. Steuert. Madam G. Yao, Mr F.M. Brand and Mr M. Mott were invited to attend all meetings. No additional fees were paid to Mr R. Beresford for participation in the A&RC, Ms L. Bond was paid \$15,000 as Chairman and Mr M. Steuert was paid \$7,500 (pro-rata) for participation in the A&RC.

### Nomination Committee

The Nomination Committee (**NC**) currently comprises Mr R. Beresford (Chairman), Ms L. Bond, Mr F.M. Brand. No additional fees are paid for participation in the NC.

### Operating and Financial Review

Refer to the Managing Director and Chief Executive Officers' Report for further information.

## 3. DIVIDEND

The directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend to the date of this report.

## 4. SHARE OPTIONS

### Un-issued Shares

At 30 June 2015 there were 2,569,000 (2014: 4,310,000) un-issued ordinary shares under options. Refer to Note 24 of the financial statements for further details of options outstanding.

Option holders do not have any rights, by virtue of options, to participate in any share issue of the Company or any related bodies corporate.

### Shares issued from the exercise of options

During the financial year, 1,741,000 (2014: 650,000) options were exercised.

### Performance Rights

#### Un-issued Shares

At 30 June 2015 there were 13,166,654 (2014: nil) un-issued ordinary shares under performance rights. Refer to note 24 of the financial statements for further details of the performance rights.

Rights holders do not have any rights, by virtue of rights holdings, to participate in any share issue of the Company or any related bodies corporate.

#### Shares Issued from the Exercise of Rights

During the financial year, no performance rights were exercised (2014: nil). Since the end of the financial year to the date of this report, no rights have been exercised by directors or employees.

## 5. LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Refer to the Managing Director and Chief Executive Officers' Report for further information.

## 6. ENVIRONMENTAL REGULATION AND PERFORMANCE

### Magnolia LNG Project

On 30 April 2015, pursuant to Section 3(a) of the Natural Gas Act and Part 153 of the to the FERC's regulations, the Magnolia LNG project submitted a Formal Application for the authorisation to site, construct and operate liquefaction and export facilities at its proposed site near Lake Charles, Louisiana, United States. During the ensuing months, Magnolia LNG prepared responses to FERC's data requests covering various clarifications of the engineering, environmental, and safety aspects of the project. On 30 April 2015, FERC issued a SER for the Magnolia LNG and Lake Charles Expansion (i.e. KMLP) projects. The SER set out FERC's plan to issue the FEIS for the combined projects by 16 November 2015, and the completion of all federal authorisations related to the projects by 14 February 2016. FERC subsequently issued the DEIS on 17 July 2015.

There have been no known breaches of environmental regulations to which the Company is subject.

### Bear Head LNG Project

On 15 May 2015, Bear Head LNG Corporation received from NSE, approval of its updated provincial Environmental Assessment (**EA**) for the development of a nominal 8 mtpa export facility at Point Tupper, Richmond County, Nova Scotia in accordance with Section 40 of the Environment Act and subsection 13(1)(b) of the Environmental Assessment Regulations. The NSE Approval was the last of the initial 10 federal, provincial and municipal approvals needed to proceed to construction related activities. The EA sets out the conditions under which the Company is required to:

- Provide management plans, including inventory analysis for various activities impacting the environment, including Air and Green House gas emissions
- Develop Environmental effects monitoring plans
- Develop contingency plans in accordance with NSE guidelines
- Perform any remediation works once the design life of the plant has been reached.

## Directors' Report

continued

### 6. ENVIRONMENTAL REGULATION AND PERFORMANCE (continued)

The other 9 approvals include:

- Environmental Assessment Approval (NSE)
- Permit to Construct (UARB)
- Navigable Waters Protection Act Authorisations (Federal Government)
- Transport Canada CEAA Screening (Federal Government)
- Fisheries and Oceans Canada CEAA Screening (Federal Government)
- Authorisation for Works or Undertakings Affecting Fish Habitat (Federal Government)
- Environment Act Water Approval – Wetland Infill (Government of Nova Scotia)
- Breaking Soil of Highways Permit (Government of Nova Scotia)
- Development Permit (Municipality of Richmond County)
- Beaches Act Clearance (Government of Nova Scotia)

There have been no known breaches of environmental regulations to which the Company is subject.

#### Fisherman's Landing LNG Project

The Queensland Department of Environment and Resource Management has granted an EA to the Company in relation to its FLLNG. The EA sets out the conditions under which the Company is required to:

- Construct and operate FLLNG;
- Minimise the likelihood of any environmental harm;
- Carry out and report on various monitoring programs; and
- Carry out any remediation works once the design life of the plant has been reached.

There have been no known breaches of environmental regulations to which the Company is subject.

## Remuneration Report (Audited)

The information in this section is audited.

### Introduction from the Chair of the Remuneration Committee

I am pleased to present to you the 2015 LNGL Remuneration Report.

LNGL's transition from a 'start-up' development based in Australia towards becoming a builder and owner of major LNG infrastructure focused on North America presents several challenges in remuneration, including

- The need to continue to attract high-calibre experienced executives to ensure successful development, construction and operation of our LNG projects;
- Recognition of the material differences in remuneration expectations and 'best practice' between Australia and North America, for example in equity-based components of remuneration; and
- The need to ensure there is reasonable alignment of executive reward and shareholder value outcomes with a focus on achievement of major milestones in LNG project delivery.

Such considerations provide the context in which the Board made its executive remuneration decisions in 2015 and is doing for 2016.

The table below shows that all growth in staff and director numbers has been in the USA.

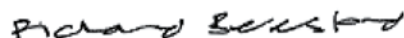
	USA Employees	Australian Employees	USA Non-Executive Directors	Australian & Chinese Non-Executive Directors
<b>30 June 2014</b>	8	12	0	3
<b>30 June 2015</b>	31	12	2	3

If the Company is to meet its strategic objectives we expect growth in US numbers to continue over the next few years. The challenge for the RC is to 'bridge' between the remuneration expectations, practice and governance advice in Australia and the USA and manage the differences between them.

Based on feedback from our shareholders and corporate governance stakeholders, we have sought to further align LNGL's remuneration policies with Australian corporate governance best practice paying increasing attention to the statutory requirements and practice expectations we would face in the event of full listing in the US in 2016.

This year the Company has increased the overall level of disclosure in the Remuneration Report. We have also provided guidance on continued considerations of our remuneration framework for 2016 including additional 'remuneration risk management' measures including retention period and clawback provisions. The Board welcomes dialogue with investors around LNGL's remuneration framework, and shareholders may refer to section 2.2 for a summary of this engagement during LNGL's FY15. The Company's Remuneration and Clawback policies are on our website.

As noted on page 48, there will be a change in the Board's committee structure effective 1st October 2015 which includes independent NED Mr Paul Cavicchi replacing me as Chair of the Remuneration Committee.



Richard Beresford

# Directors' Report

continued

## 1. Persons Covered by this Report

Key Management Personnel (**KMP**) includes directors of the Company and senior executives (**Senior Executives**). Senior Executives are the CEO and those individuals who are responsible for planning, directing and controlling the activities of the Company.

The details of the NED's who held office during the 2015 financial year are set out in the following table. Unless otherwise indicated, each NED held office for the entire 2015 reporting period.

Name	Title	Committee Membership(s)
Mr. Richard Beresford	Chairman	Audit & Risk Committee Member Remuneration Committee Chair Nomination Committee Chair
Ms. Leeanne Bond	NED	Audit & Risk Committee Chair Remuneration Committee Member Nomination Committee Member
Mr. Paul Cavicchi (appointed 1 October 2014)	NED	Remuneration Committee Member
Mr. Michael Steuert (appointed 9 February 2015)	NED	Audit & Risk Committee Member
Ms. Grace Yao	NED	None

The details of KMP who held office during the 2015 financial year are set out in the following table. Unless otherwise indicated, each KMP held office for the entire 2015 reporting period.

Name	Title
Mr. Fletcher Maurice Brand	MD/CEO
Mr. Mike Mott (appointed 1 October 2014)	CFO
Mr. David Gardner	Company Secretary
Mr. Paul William Bridgwood	CTO
Mr. Norman Marshall	Group Executive – Strategy Development

## 2. Context of and Changes to KMP Remuneration

### 2.1 FY15 Remuneration Policies and Practices

The following factors, among others, contributed to the rapid, increased scale and complexity of the Company over the FY15 reporting period:

- Substantial progress on the Magnolia LNG project targeting financial close in 2016;
- Acquisition of and substantial progress on the Bear Head LNG project;
- Appointment of several executives in North America to progress the development of both these projects; and
- Planning and preparing for a dual listing of the Company's shares on both ASX and U.S. exchange, requiring a significant contribution from KMP.

On this basis, the RC has considered additional changes to the Company's remuneration policy and disclosures in the interest of keeping pace with market best practice, whilst at the same time seeking to retain and motivate Company executives and ensure that executive remuneration remains aligned with shareholder wealth outcomes. Where possible, the Company has sought to provide guidance in this report around key changes to its remuneration practice that will take effect from the commencement of the FY16 reporting period.

## 2. Context of and Changes to KMP Remuneration (continued)

### 2.2 Responses to Shareholder and Governance Adviser Feedback

The Company welcomes feedback from shareholders and governance advisers in respect of remuneration practices and disclosures applicable to the 2014 remuneration report. The RC has considered and responds to this feedback as follows:

- At risk' component to Senior Executives' total remuneration packages was considered to be relatively low.
  - LNG will continue to provide incentive grants under the Long Term Incentive Plan (**LTIP**) to ensure that a material portion of total remuneration available to executives is at-risk and linked to long term Company performance and shareholder value creation.
  - Commencing in FY15, LNG has introduced a formal Short Term Incentive Plan (**STIP**) with individual performance measures. This annual incentive scheme further underpins the 'at-risk' component to executive total remuneration packages.
- The performance period applicable to one of the proposed Executive Director LTI grants at the 2014 AGM was less than three years, being the minimum vesting period required pursuant to Australian corporate governance best practice.
  - The RC is committed to ensuring that all future LTI grants carry a minimum three year performance period.
- Provide additional context around the rationale for applying market adjusted TSR (**MATSR**) as a performance measure for Incentive Rights.
  - MATSR assesses LNG's TSR performance by removing the TSR attributable to the broader market and then setting a premium milestone appropriate to shareholders' expectations. The S&P/ASX All Ordinaries Accumulation Index is applied as the peer group given that it is regarded to be the most appropriate indicator of broad equity market movements.
- Elaborate on the rationale for NED participation in a share rights plan.
  - To protect the independence of the participating directors, LNG's NED Rights Plan does not provide any entitlements that carry performance-based vesting conditions. The intention of this Plan is to promote alignment between the directors and shareholders, through the use of equity-based incentive grants. Company executives are not entitled to participate in the NED Rights Plan. Additional NED Rights grants will likely be provided to NEDs on an annual basis.

### 2.3 Guidance on Remuneration Matters under Consideration from FY16

This section outlines the remuneration matters currently being considered by the Board, which were not resolved during FY15:

- Adjustments to the LTI quantum and vesting conditions to better align with US remuneration practices.
  - Future increases to Senior Executive incentive opportunities will be increasingly weighted towards equity-based, long-term incentive grants.
- With the remuneration focus shifting from Australia to the U.S. (noting that LNG now has a majority of North American employees and an increasing number of North American executives over the course of its planned developments, further adjustments to remuneration to ensure competitiveness within the North American market, including both quantum and structure, need to be considered.
  - To the extent possible, packages will be transitioned over time to avoid significant year-on-year increases to executive remuneration packages. The Board is of the view that it is better to make moderate but steady adjustments along the way rather than waiting for the disparity between market and internal pay practices to emerge, which may pose challenges in retaining key staff.
  - As, and if, LNG continues successful development of its projects in North America, it is expected to grow in terms of value, scale and complexity, which is in turn is expected to influence further increases in executive remuneration over time in order to maintain market competitiveness.

# Directors' Report

continued

## 3. Overview of LNG's Remuneration Policy and Governance

The following outlines LNG's remuneration governance framework and summarises the related policies, plans and other documents that constitute that framework.

### 3.1 Remuneration Committee Role and Responsibilities

The role of the RC is to ensure that the remuneration policies implemented are designed to enhance corporate and individual performance to the benefit of LNG's shareholders. That is, the development, maintenance and application of the Remuneration Policy and its implementation for the purposes of making recommendations to the Board regarding KMP remuneration matters, as well as advising the Board on procedures that must be undertaken in relation to the governance of remuneration (such as the calculation of grants of incentives, review of performance conditions and receipt of independent advice, etc.). Under its charter, the RC is to be composed of at least two members with the majority being independent directors. The role and responsibilities of the RC are summarised in the Corporate Governance Policy, which is available on the Company website.

### 3.2 Executive Remuneration Policy

The Company's approach to executive remuneration is contained in the Remuneration Policy document on the LNG website.

#### 3.2.1 Executive Remuneration Structure and Instruments

Executive remuneration arrangements are designed to strike an appropriate balance between fixed and variable components. 'At risk' incentive awards, both annual performance-based payments and long-term equity-based grants, are designed to promote alignment between employees and LNG's shareholders. On the advice of the RC the Board considers, and as appropriate adopts, measures designed to increase this alignment which may include but are not limited to (i) retention periods for vested incentive awards to KMP, (ii) guidelines for share ownership by KMP and directors and (iii) clawback provisions in the event of behaviours causing significant loss of shareholder value or damage to the Company's reputation. Some of these measures may be mandated in the jurisdictions in which we operate.

#### 3.2.2 Remuneration Structure

The mix of fixed and variable remuneration is designed to ensure alignment between executive performance, LNG's operating strategy and long-term shareholder wealth creation. The remuneration mix varies between employees depending on an individual's role and responsibilities. Senior Executives will generally have remuneration packages that are more 'at risk' than those of their subordinate colleagues.

#### 3.2.3 Fixed Remuneration

Fixed remuneration is most commonly paid in the form of base salary (**Base Package**) and, where applicable, statutory superannuation or pension payments. Remuneration provided to Senior Executives is set with reference to roles of a similar nature and required experience, with consideration for companies: of a similar size and complexity; comparable assets and operations; and that operate in similar regions and countries for which LNG must compete for talent. This approach is designed to ensure that competent and experienced professionals are attracted and retained across business cycles.

#### 3.2.4 Variable Remuneration

Variable remuneration payments are provided to eligible participants upon the achievement of predetermined absolute and relative performance milestones approved by the Board. This forms the 'at risk' component of individual remuneration packages and is subject to Board discretion in instances where payment outcomes are determined to be misaligned with Company performance and shareholder interests over the relevant measurement period.

##### 3.2.4.1 Short Term Incentive Plan (STIP)

A portion of employee variable compensation relates to an annual cash-based incentive (**Annual Bonus**) provided pursuant to the STIP. The maximum individual payment under this incentive scheme is determined by the Board on the advice of the RC and reviewed annually. Key performance indicators are finalised prior to the commencement of the performance period, with threshold, target and stretch levels of achievement made available to STIP participants. Such annual performance objectives are designed to reflect LNG's immediate project and corporate development strategy and linked to key financial indicators and other drivers of shareholder value creation. Eligible recipients must remain employed with the Company at the time of the incentive award payment. The Board retains its discretion to determine that a portion of the annual STIP award is deferred into Company equity instruments such as performance rights to promote further alignment with the interests of shareholders.

##### 3.2.4.2 Long Term Incentive Plan (LTIP)

The LTIP is designed so that a component of remuneration is equity-based and measured over a period of sufficient length to promote sustained performance that is aligned with the long term interests of shareholders. Consistent with corporate governance best practice, LTIP grants apply a minimum three year performance (measurement) period. Such incentives will most commonly take the form of performance (share) rights, but may take any form of equity (e.g. share options), with consideration for the taxation rules and corporate governance principles applicable to the jurisdictions in which LNG staff are employed.



### 3. Overview of LNG's Remuneration Policy and Governance (continued)

Performance milestones (vesting conditions) pursuant to the LTIP may take the form of a relative market performance measure, an absolute (internal) measure, project delivery or other corporate milestones. Any awards that do not satisfy the vesting conditions at the end of the measurement period will lapse. The appropriateness of vesting conditions applied under the LTIP are reviewed annually, with prospective grant performance milestones and adjusted to reflect the growth and changing nature of LNG's investments, business activities and long term strategic objectives.

#### 3.3 Variable Executive Remuneration – STIP for 2015

##### Short Term Incentive Plan (STIP) Conditions for Offers commencing during Financial Year 2015 (FY15)

Aspect	Plan Features, Offers and Comments
Measurement Period	Calendar Year (1 January to 31 December). Note that this Measurement Period is different from the Measurement Period for the LTIP which is based on the Financial Year (1 July to 30 June). The Board plans to bring the STIP into alignment with the LTIP and the Company's reporting year following the planned dual listing.
Award Opportunities	<p>The MD/CEO was offered a target-based STI equivalent to 25% of the Base Package for target performance, with a stretch opportunity of up to 50% of the Base Package for exceptional performance.</p> <p>Other Senior Executives who were offered a target-based STI equivalent to 20% of Base Package for target performance, with a stretch opportunity of up to 40% of Base Package for exceptional performance.</p>
Key Performance Indicators (KPIs), Weighting and Performance Goals	<p>Key Performance Indicators (<b>KPIs</b>) vary to some extent between participants and reflect the nature of individual responsibilities.</p> <ul style="list-style-type: none"> <li>– KPIs include a mix of project-related development tasks, including opportunity identification, approvals and permitting goals, contracting and project funding milestones.</li> <li>– Individual Performance KPIs relate to a mix of organisational performance targets, including business plan, health and safety, risk management and people and culture targets.</li> </ul> <p>Weightings are applied to the KPIs selected for each participant to reflect the relative emphasis of each KPI.</p> <p>The Board selected KPIs that were identified as having the strongest links with LNG's current strategy and objectives whilst linking to value creation for shareholders, and those objectives over which individuals carry direct control or influence.</p>
Award Determination and Payment	<p>Annual Bonus payments are typically determined following the end of the Measurement Period and the half-yearly audit of Company accounts.</p> <p>Payments are provided in the form of cash, unless otherwise determined by the Board.</p> <p>Where it has been determined by the Board that recommended annual bonus outcomes are misaligned with Company performance or shareholder wealth outcomes for the period, the Board carries the discretion to reduce or withhold STIP payments to eligible recipients.</p>
Cessation of Employment During a Measurement Period	<p>In the event of cessation of employment due to dismissal for cause all STI entitlement in relation to the Measurement Period is forfeited.</p> <p>In the event of cessation of employment due to resignation, all STI entitlement in relation to the Measurement Period is forfeited, unless otherwise determined by the Board.</p> <p>In the event of cessation of employment for other reasons (i.e. – “good leavers”):</p> <ul style="list-style-type: none"> <li>– The STI award opportunity for the Measurement Period may, at the Board's discretion, be pro-rated to reflect the portion of the Measurement Period worked; and</li> <li>– Remaining STI opportunity awards will be determined following the end of the Measurement Period in the normal way. The Board retains discretion.</li> </ul>

# Directors' Report

continued

## 3. Overview of LNG's Remuneration Policy and Governance (continued)

### 3.4 Variable Executive Remuneration – LTIP Awards for 2014 and 2015

#### LNG Executive Incentive Rights Plan (IRP)

Aspect	Plan Rules, Offers and Comments
Form of Rights	<p><b>Plan Rules</b></p> <p>The Incentive Rights Plan Rules specify that Incentive Rights will be either:</p> <ul style="list-style-type: none"> <li>– Performance Rights, which vest subject to the satisfaction of conditions related to performance; or</li> <li>– Retention Rights, which vest subject to continuous employment.</li> </ul> <p>Upon vesting, an Incentive Right confers an entitlement to the value of a Liquefied Natural Gas Limited ordinary share (Share).</p> <p>Without the approval of the Board, Incentive Rights may not be sold, transferred, mortgaged, charged or otherwise dealt with or encumbered.</p> <p><b>FY15 Offers</b></p> <p>During the reporting period, LNG made two grants of Performance Rights, each with two tranches. However, one of the grants was made in relation to the LTI that was intended to be granted during the FY14 period (as part of FY14 remuneration following approval of the Incentive Rights Plan by shareholders at the 2013 Annual General Meeting), but was not issued until FY15 as implementation issues related to the LTIP were being addressed by the Board and not resolved until mid-2014. The Board determined that the measurement period should start on 1 January 2014 so as not to unfairly disadvantage employees.</p>
LTI Value	<p><b>Plan Rules</b></p> <p>The Board retains discretion to determine the value of LTI to be offered each year.</p> <p><b>FY15 Offers</b></p> <p>In relation to the MD/CEO, LTI was offered in the form of Incentive Rights equivalent to 75% of Base Package when target vesting applies. A stretch level of achievement is available for exceptional performance on the MATSR tranche of the grant only, as the other tranche is subject to an operational milestone with a binary outcome.</p> <p>For certain other direct reports to the MD/CEO, executive KMP and other key contributors, the Performance Rights granted was equivalent to between 60% and 75% of Base Packages when target vesting applies. A stretch level is available for exceptional performance on the MATSR tranche of the grant only, as the other tranche is subject to an operational milestone with a binary outcome.</p> <p><b>Comments</b></p> <p>The Board receives independent remuneration advice regarding the appropriate portion of Base Package to offer executives in the form of LTI.</p> <p>The LTI grant of Performance Rights is calculated by applying the following formula:</p> $\text{Number of Performance Rights} = \text{Base Package} \times \text{Target LTI\%} \div \text{Target Vesting \%} \div \text{Right Value} \times \text{Tranche Weighting}$ <p>In this calculation, the Right Value is the Share price on the day before the start of the Measurement Period (a VWAP calculation is used which ends on this day).</p>

### 3. Overview of LNG's Remuneration Policy and Governance (continued)

Aspect	Plan Rules, Offers and Comments																					
Measurement Period	<p><b>Plan Rules</b> The Measurement Period will be three years unless otherwise determined by the Board.</p> <p><b>FY15 Offers</b> The measurement period will be the three financial years from 1 July 2014 to 30 June 2017 in relation to the grant that formed part of the FY15 remuneration package for executives.</p> <p>Another grant of LTI was made to executives during FY15 which was intended to have been granted during FY14 (as part of FY14 remuneration) for the reasons stated above. On the basis that executives had already completed a portion of the measurement period in relation to the FY14 year, the commencement date was adjusted back six months to 1 January.</p> <p><b>Comments</b> LNG intends to maintain the application of three year Measurement Periods and the practice of providing an annual grant of LTI awards to eligible participants.</p>																					
Vesting Conditions	<p><b>Plan Rules</b> The Board has discretion to set vesting conditions for each offer.</p> <p>The Board retains discretion to modify LTI vesting outcomes when it is determined that awards vesting are inconsistent with shareholder outcomes and Company performance over the Measurement Period.</p> <p>Incentive Rights that do not vest will lapse.</p> <p><b>FY15 Offers</b> Except as indicated below, a participant must remain employed by the Company during the Measurement Period and the performance conditions must be satisfied for Rights to vest.</p> <p>The performance condition in relation to half (50%) of the LTI (<b>tranche 1 or first tranche</b>) is MATSR, which compares the TSR of the Company to the TSR of the All Ordinaries Accumulation Index (<b>XAOAI</b>). Actual vesting is to be determined by the following vesting scale which has been calibrated in consideration of shareholders expectations of the Company:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">LNG TSR Relative to XAOAI TSR (% XAOAI TSR) over Measurement Period</th> <th style="text-align: left;">Vesting % (of Maximum/Grant)</th> <th style="text-align: left;">Performance Level</th> </tr> </thead> <tbody> <tr> <td>Less than 100%</td> <td>0%</td> <td></td> </tr> <tr> <td>100%</td> <td>0%</td> <td>Threshold</td> </tr> <tr> <td>Above 100% and below 150%</td> <td>Pro rata vesting from 0% to 50%</td> <td></td> </tr> <tr> <td>150%</td> <td>50%</td> <td>Target</td> </tr> <tr> <td>Above 150% and below 200%</td> <td>Pro rata vesting from 50% to 100%</td> <td></td> </tr> <tr> <td>200% or more</td> <td>100%</td> <td>Stretch</td> </tr> </tbody> </table>	LNG TSR Relative to XAOAI TSR (% XAOAI TSR) over Measurement Period	Vesting % (of Maximum/Grant)	Performance Level	Less than 100%	0%		100%	0%	Threshold	Above 100% and below 150%	Pro rata vesting from 0% to 50%		150%	50%	Target	Above 150% and below 200%	Pro rata vesting from 50% to 100%		200% or more	100%	Stretch
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# Directors' Report

continued

## 3. Overview of LNG's Remuneration Policy and Governance (continued)

Aspect	Plan Rules, Offers and Comments																					
	<p>In relation to the grant made during FY15 that was remuneration for FY14, the following vesting scale applies:</p> <table border="1"> <thead> <tr> <th style="text-align: left;">LNG TSR Relative to XAOAI TSR (% XAOAI TSR) over Measurement Period</th> <th style="text-align: left;">Vesting % (of Maximum/Grant)</th> <th style="text-align: left;">Performance Level</th> </tr> </thead> <tbody> <tr> <td>Less than 150%</td> <td>0%</td> <td></td> </tr> <tr> <td>150%</td> <td>0%</td> <td>Threshold</td> </tr> <tr> <td>Above 150% and below 200%</td> <td>Pro rata vesting from 0% to 50%</td> <td></td> </tr> <tr> <td>200%</td> <td>50%</td> <td>Target</td> </tr> <tr> <td>Above 200% and below 300%</td> <td>Pro rata vesting from 50% to 100%</td> <td></td> </tr> <tr> <td>300% or more</td> <td>100%</td> <td>Stretch</td> </tr> </tbody> </table> <p>The performance condition in relation to the remaining half (50%) of the LTI (<b>tranche 2 or second tranche</b>) is a selected <b>Milestone condition</b>, being a binary conditions (either achieved or not achieved) related to the completion of key long-term project milestones considered to be critical to LNG's continued growth and success. In both grants (made in respect of FY 14 and FY15 remuneration), the applied milestone objective was financial close of the Magnolia LNG project or another project of similar value to the Company at the determination of the Board.</p> <p>In both grants a 'gate condition' of positive TSR was applied to both tranches.</p> <p><b>Comments</b></p> <p>A form of TSR was selected as it recognises the total returns (share price movement and dividends assuming they are reinvested into company shares) that accrue to shareholders over the Measurement Period. This measure creates the most direct alignment between the experience of shareholders and the scaling of rewards realised by Senior Executives.</p> <p>Market adjusted TSR was selected to ensure that LTIP participants do not receive windfall gains from broad market movements unrelated to the performance of the Senior Executives. While relative TSR was considered, it was not possible to identify a comparator group of companies that was statistically robust enough to be meaningful and the Board was concerned that this would undermine the link between executive performance and reward outcomes.</p> <p>At this stage, the internal measures that will most clearly align with shareholder value creation will be the achievement of the key long-term milestones that are pre-requisites for the Company in developing and executing its LNG projects. On this basis, milestone objectives were selected, and will either achieved or not achieved. No vesting scale or stretch levels of achievement are applicable to this portion of the LTI scheme. Board discretion to vary vesting will generally only be applied when the vesting that would otherwise apply is considered by the Board to be inappropriate.</p>	LNG TSR Relative to XAOAI TSR (% XAOAI TSR) over Measurement Period	Vesting % (of Maximum/Grant)	Performance Level	Less than 150%	0%		150%	0%	Threshold	Above 150% and below 200%	Pro rata vesting from 0% to 50%		200%	50%	Target	Above 200% and below 300%	Pro rata vesting from 50% to 100%		300% or more	100%	Stretch
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Retesting	<p><b>Plan Rules</b></p> <p>The practice of re-testing is not permitted. LTI grants that do not satisfy the vesting conditions at the end of the measurement period will lapse.</p>																					
Amount Payable for Incentive Rights	<p><b>Plan Rules</b></p> <p>No amount is payable for Incentive Rights.</p> <p><b>Comments</b></p> <p>The value of Incentive Rights is included in assessments of remuneration benchmarking and policy positioning. This is standard market practice and consistent with the nature of the Incentive Rights.</p>																					

### 3. Overview of LNG's Remuneration Policy and Governance (continued)

Aspect	Plan Rules, Offers and Comments
Exercise of Vested Incentive Rights	<p><b>Plan Rules</b> Incentive Rights may be exercised upon vesting, subject to the payment of any Exercise Price and the receipt of an Exercise Notice.</p> <p><b>FY15 Offers</b> No amount is payable by participants to exercise vested Incentive Rights.</p>
Dealing Restrictions on Shares	<p><b>Plan Rules</b> Shares acquired when vested Incentive Rights are exercised will be Restricted Shares. Such Shares may not be sold or otherwise disposed of if this action would breach the Company's Share Trading Policy, the insider trading provisions of the Corporations Act or any other additional dealing restrictions included in the offer of the Incentive Rights.</p> <p><b>FY15 Offers</b> No additional dealing restrictions were attached to FY15 offers.</p> <p><b>Comments</b> Dealing restrictions aim to create alignment between the point of sale and the point of taxation.</p>
Cessation of Employment	<p><b>Plan Rules</b> In the event of cessation of employment due to dismissal for cause all unvested Incentive Rights are forfeited. In the event of cessation of employment due to resignation or dismissal all unvested Incentive Rights are forfeited unless otherwise determined by the Board ("Bad Leaver"). In the event of cessation of employment for other reasons, such as death, disablement, redundancy or retirement with the Board's permission ("Prescribed Event" or "Good Leaver");</p> <p>a. Incentive Rights that were granted to the Participant during the financial year in which the termination occurred will be forfeited in the same proportion as the remainder of the financial year bears to the full year.</p> <p>All remaining Incentive Rights for which Vesting Conditions have not been satisfied as at the date of cessation of employment will remain "on foot", subject to the original vesting conditions.</p> <p><b>Comments</b> Plan rules ensure that former employee participants who are "good leavers" will generally be treated the same as participants who remain employees.</p>
Change of Control Provisions	<p><b>Plan Rules</b> In the event of a change of control unvested Rights may vest in the same proportion as the Share Price has increased since the beginning of the measurement period. Remaining Rights would either lapse or some or all may vest at the Board's discretion. In relation to Shares that have resulted from the vesting of Rights, dealing restrictions specified in the Invitation would also be lifted.</p>

# Directors' Report

continued

## 3. Overview of LNG's Remuneration Policy and Governance (continued)

### 3.5 NED Remuneration Policy

Non-Executives Director (**NED**) remuneration is generally provided by way of fees and statutory superannuation, if applicable, within an aggregate NED fee cap. Any proposed increase to the NED fee cap must be approved by LNGL's shareholders. NEDs are also eligible to receive Committee member fees to recognise the additional responsibility and workload in providing specialist advice to the Board.

- As part of their total remuneration NEDs are eligible to receive awards under the rules of the LNGL NED Rights Plan as approved by shareholders from time-to-time. NED Rights do not carry any performance conditions so as to protect the independence of the NEDs.

### 3.6 NED Rights Plan

#### NED Rights Plan (NEDRP)

Aspect	Plan Rules, Offers and Comments
Purpose	<p>The objective of the NEDRP is to facilitate alignment between NED's and LNGL shareholders, whilst at the same time maintaining the independence of the directors.</p> <p>The NEDRP is intended to give effect to that component of the Non-Executive Director Remuneration Policy that includes salary sacrifice of Board fees into equity in the Company. This is a separate plan from the LTIP incentive scheme.</p>
Form	<p>The NEDRP currently offers service (share) rights. No amount is payable by the recipient.</p> <p>Upon vesting, a right confers an entitlement to the value of a Liquefied Natural Gas Limited ordinary share (Share) which the Board of Liquefied Natural Gas Limited may determine to pay in Shares and/or cash.</p> <p>Without the approval of the Board, NEDRP Rights may not be sold, transferred, mortgaged, charged or otherwise dealt with or encumbered.</p>
Grant Value	<p><b>Plan Rules</b></p> <p>The Board has discretion over the value of NEDRP rights to be offered.</p> <p><b>FY15 Offers</b></p> <p>The RC has concluded 30% of the cash-based Board fees (excluding Committee fees) are to be provided in the form of NEDRP Rights.</p>
Vesting Condition	One year of continuous service.
Exercise of Vested NED Rights	<p><b>Plan Rules</b></p> <p>After NEDRP Rights vest and subsequent to the receipt of an exercise notice from the participant the Board will determine their value, which will be delivered in Shares. No amount is payable by participants to exercise vested Incentive Rights.</p>
Dealing Restrictions on Shares	<p><b>Plan Rules</b></p> <p>Shares acquired when vested NEDRP Rights are exercised will be Restricted Shares. Such Shares may not be sold or otherwise disposed of if this action would breach the Company's Share Trading Policy, the insider trading provisions of the Corporations Act or any other additional dealing restrictions included in the offer of the NEDRP Rights.</p>
Early Termination of NED Term	<p><b>Plan Rules</b></p> <p>The NEDRP contains provisions concerning the treatment of vested and unvested NEDRP Rights in the event that a Plan Participant ceases to be a NED during the Measurement Period.</p> <p>If a Participant who ceases Board service by reason of Retirement or the occurrence of another Prescribed Event (as defined under the plan, being death, disablement etc), the NEDRP Rights held by the Participant will be pro-rated for time served. The treatment of the balance of NEDRP Rights will be subject to Board discretion at the end of the Measurement Period.</p> <p>Under any other circumstances of cessation of employment, all rights will lapse.</p>
Change of Control of the Company	<p><b>Plan Rules</b></p> <p>In the event of a change of control unvested NEDRP Rights may vest in the same proportion as the Share Price has increased since the beginning of the measurement period. Remaining Rights would either lapse or some or all may vest at the Board's discretion. In relation to Shares that have resulted from the vesting of NEDRP Rights, dealing restrictions specified in the Invitation would also be lifted.</p>

#### 4. FY15 Executive Remuneration

During FY15, the Board continued to make adjustments to KMP remuneration to ensure consistency with competitive market practice. The average increase to KMP fixed pay during the period is significantly less than the increases recommended by LNG's remuneration advisors. When providing such increases, the RC has carried regard for the Company's transition from a technology and project developer towards becoming a significant builder and operator of LNG infrastructure assets.

There were a number of new Senior Executive appointments in North America during the FY15 period. In order to attract the required calibre of executive talent the RC resolved to provide competitive packages to these individuals, and in doing so considered market-based remuneration in North America, which is where the Company must compete for talent. A key consideration in setting these remuneration packages was ensuring that substantial pay inequity is not incurred between executive positions.

Independent remuneration advice was considered in setting the level of KMP remuneration for the FY 15 period.

Godfrey Remuneration Group used the following comparator group of companies in the energy, utilities and infrastructure businesses in the same range of market capitalisation as LNGL:

BlueScope Steel Limited, Orora Limited, WorleyParsons Limited, Adelaide Brighton Limited, Dulux Group Limited, Recall Holdings Limited, CSR Limited, ALS Limited, Downer EDI Limited, Nufarm Limited, Whitehaven Coal Limited, Mineral Resources Limited, Beach Energy Limited, Energy Developments Limited, McMillan Shakespeare Limited, GWA Group Limited, Monadelphous Group Limited, Transfield Services Limited, AWE Limited and Paladin Energy Limited.

The Board also took into account advice from Longnecker & Associates in the USA using the following comparator group of companies in the gas processing and pipeline industry in the same range of market capitalisation as LNGL: American Midstream Partners LP, Antero Midstream Partners LP, Columbia Pipeline Partners LP, Crestwood Equity Partners LP, Dominion Midstream Partners LP, Enbridge Energy Management LLC, Ferrellgas Partners LP, Holly Energy Partners LP, Martin Midstream Partners LP, Midcoast Energy Partners LP, Northwest Natural Gas Company, Nustar GP Holdings LLC, SemGroup Corporation, Southcross Energy Partners LP, Tallgrass Energy Partners LP and Valero Energy Partners LP.

With regard to the STIP, the following award opportunities were made available to eligible participants in the scheme:

Position		Target (% of base salary)	Stretch (% of base salary)
MD/CEO	CY14	25%	50%
Other Executives (KMP)	CY14	20%	40%

These STI entitlement opportunities remain unchanged in respect of the CY15 performance period.

Shareholders should note that, unlike the reporting calendar for LNGL which applies a fiscal balance date (1 July through 30 June), Senior Executive performance under the STIP is measured on a calendar year basis (1 January through 31 December). As such, STI payments disclosed for the FY15 period relate to performance achieved over calendar year 2014.

With regard to the LTIP, the following award opportunities have been made available to eligible participants in the scheme:

Position		Target (% of base salary)	Stretch (% of base salary)
MD/CEO	FY15	75%	150%
Other Executives (KMP)	FY15	60%-75%	120%-150%

#### 5. Guidance on FY16 Executive Remuneration

The Base Pay to the Managing Director/Chief Executive Officer for FY16 will be increased from the current \$667,000 to \$1 million in two stages:

- 50% of the recommended increase (\$167,000) from 1 July 2015; and
- The balance of the recommended increase (\$166,000) from 1 January 2016 provided that, in the Board's reasonable opinion, financial close of the Magnolia LNG project has been achieved.

The Board considers that this increase is justified because of the substantially increased workload of the Managing Director/Chief Executive Officer given:

- The remaining milestones to be met to achieve financial close of the Magnolia LNG project in the US
- The acquisition and further development of the Bear Head LNG project in Canada
- Preparation for a listing on an appropriate exchange in the US
- Assessment of additional LNG opportunities for the Company's development 'pipeline'
- His relocation to Houston

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### 5. Guidance on FY16 Executive Remuneration (continued)

The total increase is approximately 30% less than the \$1.44 million recommended by independent remuneration adviser GRG based on a benchmarking against peer companies in March 2015 when LNG's market capitalisation was \$1.4 billion (and which has since been in the approximate range from \$2.3 billion to \$0.6 billion).

The Managing Director/Chief Executive Officer Base Pay at \$1 million will be approximately 2 times the average base pay for the next level of senior executives and approximately 3.3 times the average base pay for all employees.

From 1 July 2015, approximately two-thirds of the Managing Director/Chief Executive Officer's total remuneration package is 'at risk', with more than three quarters of the 'at risk' proportion attributed to the equity-based long term incentive scheme.

1. Target STI available is equivalent to 25% of base pay; stretch is equal to 50% of base pay. STI percentages for calendar year 2016 will be reviewed by the Board in the second half of 2015 together with those for other KMP.
2. The target LTI available is equivalent to 150% of base pay with stretch at 300%. The Managing Director/Chief Executive Officer Incentive Rights granted in FY 2016 will, in addition to the 3-year measurement period to achieve the vesting conditions, have an additional 2-year retention period during which any vested rights may only be sold to cover tax liabilities resulting from the vesting. This total period of 5 years from award to unfettered ownership of shares is considered by the Board to align the Managing Director/Chief Executive Officer wealth outcome with shareholder value outcomes given that during the period the construction and operational performance of the Company's LNG projects will become apparent. The vesting conditions are:
  - Tranche 1 (50%): The performance condition is MATSR, which compares the TSR of the Company to the TSR of the All Ordinaries Accumulation Index (**XAOAI**). Actual vesting is to be determined by the following vesting scale which has been calibrated in consideration of shareholders expectations of the Company:

<b>LNG TSR Relative to XAOAI TSR (% XAOAI TSR) over Measurement Period</b>	<b>Vesting % (of Maximum/Grant)</b>	<b>Performance Level</b>
Less than 100%	0%	
100%	0%	Threshold
Above 100% and below 150%	Pro rata vesting from 0% to 50%	
150%	50%	Target
Above 150% and below 200%	Pro rata vesting from 50% to 100%	
200% or more	100%	Stretch

Vesting according to the scale above will only occur if the LNG TSR is greater than zero at the end of the measurement period.

- Tranche 2 (50%): The performance condition is if the Board, in its reasonable opinion, assesses that financial close of the Bear Head LNG Project (or a project of at least the same potential value to the Company) has been achieved during the measurement period. In order for Tranche 2 Performance Rights to vest, the Board, in its reasonable opinion, must have assessed that financial close of the Magnolia LNG Project (or a project of at least the same potential value to the Company) has been achieved. For the avoidance of doubt, Tranche 2 Performance Rights will only vest when financial close is achieved on a second LNG project for the Company in a new location.

In setting this remuneration mix, regard has been taken for the US market whereby LNG's US-based remuneration advisers have reported that the median of the US peer group applies a multiple of 275% of base pay to LTI at target performance and 450% at stretch performance.

Base pay increases for other KMP for FY16 are small increases to meet contractual obligations generally based on inflation indices. In order to move towards US remuneration practice LTI percentages for 2016 broadly have been increased with 'C-level' direct reports to the Managing Director/Chief Executive Officer having a target LTI available at 100% of base pay with stretch at 200%. The same 2-year retention period as for the Managing Director/Chief Executive Officer will apply to the 'C-level' direct reports.



## 6 Guidance on FY16 NED Remuneration

The NED remuneration package is reviewed annually with any changes effective from 1st July.

GRG (Australia) and Longnecker & Associates (USA) (L&A) were engaged by the Company in the first half of 2015 to provide market remuneration data for companies in similar business and in the same range of market capitalisation, and to recommend a NED remuneration package to take effect from 1st July 2015. Allowing for exchange rate differences the two recommendations were broadly similar in total value although the GRG recommendation has a higher fee component and the L&A recommendation has a higher equity component than the approved package for FY16 shown below. The Board believes that the FY16 package is reasonable given the increasing workload of Directors and the plan to recruit additional North American NEDs.

Component	FY16	FY15
Base Fee – Board Chair	\$270,000	\$200,000
Base Fee – NED	\$120,000	\$100,000
Committee Fee – Chair	\$25,000	\$15,000
Committee Fee – Member	\$12,500	\$7,500
NED Rights Value as % of Total Fees	40%	30%

The above fees are payable in US\$ for US-based NEDs and A\$ for other NEDs. Note that the Board Chair does not receive Committee fees. Fees are currently paid only for A&RC and RC. The new Committee structure (and associated fees) to come into effect on 1st October 2015) will contain a new Safety, Sustainability, People & Culture Committee for which fees will be paid.

## 7. Performance Outcomes for FY15

### 7.1 Company Performance

The following table summarises LNG's leading financial performance and shareholder value metrics over the most recent financial years:

Date	Revenue (\$'000)	Project Development Expense (\$'000)	Loss After Tax (\$'000)	Share Price	Change in Share Price	Dividends	Short Term Change in Shareholder Value over 1 year (SP increase + dividends)		Long Term (cumulative) 3 years Change in Shareholder Value	
							Amount	%	Amount	%
30 June 2015	668	72,150	(86,522)	3.81	1.67	–	1.67	78%	3.49	1072%
30 June 2014	275	20,099	(24,665)	2.14	2.02	–	2.02	1683%	1.79	511%
30 June 2013	190	5,873	(13,407)	0.12	(0.21)	–	(0.21)	(63%)	(0.19)	(61%)
31 June 2012	831	8,178	(16,667)	0.325	(0.03)	–	(0.03)	(7%)		
31 June 2011	673	4,584	(11,985)	0.35	0.04	–	0.04	13%		
31 June 2010	1,328	37,913	(42,083)	0.31						

Revenue relates to interest income and research and development grants and increased due to interest earned on the higher average cash and short-term investments balance held by the Company following two capital raisings in the fiscal 2015 period.

The Company expenses all project development expenditures. The Company's policy is to expense all development expenditure until such time as the Board is satisfied that all material issues in relation to a project have been adequately identified and addressed, to the extent possible, and it is probable that the project will achieve final investment decision and proceeding to construction and operation, within a reasonable period. The increasing loss from ordinary activities and the net loss for the current fiscal period reflects project costs of \$72.2 million on the development of the Company's LNG projects; \$0.6 million on patent and other intellectual property costs, and \$8.2 million in administration, corporate, and compliance costs in the period, partially offset by the aforementioned revenue.

### 7. Performance Outcomes for FY15 (continued)

#### 7.2 Links between Performance and Reward

The remuneration of executive KMP is composed of three parts:

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- Base Package, which is the fixed component to executive remuneration;
- STI, which varies upon the delivery of annual Company and individual performance targets; and
- LTI, which varies based upon the achievement of long-term performance targets that are designed to align with shareholder wealth outcomes over time.

The STIs recorded for the FY15 period were paid in cash. The following table details the quantum of STI awards that were determined in respect of the CY14 performance period and paid during FY15:

Name	Position Held at 30 June 2015	Weighting	Achievement
Mike Mott	CFO	29,872	25%
Paul Bridgwood	CTO	90,000	20%
Norman Marshall	Group Executive – Strategic Development	179,000	40%
David Gardner	Company Secretary	42,000	20%

Generally, KMP performance for CY14 was at or above target.

For the CY14 measurement period, the Managing Director/Chief Executive Officer's STI scheme was measured against a balanced scorecard of key performance metrics. These performance objectives were selected for the Managing Director/Chief Executive Officer in advance of the commencement of CY14 because they were regarded by the Board to be the most significant matters expected to contribute to the success of the Company and deliver benefits to LNG's shareholders. Following the end of the calendar year, the Company's activities and achievements during the period were prepared for the Board. The Board then assessed the extent to which target levels of performance had been achieved in relation to each KPI to calculate the total award payable to the Managing Director/Chief Executive Officer.

Managing Director/Chief Executive Officer CY14 STI Balanced Scorecard:

Performance Measure	Description
Corporate	Market Capitalisation: Target \$1.25 billion; Stretch \$1.75 billion
Project	Achievement of key milestones on Magnolia LNG project
Organisation	Leadership recruitment, finalisation of Magnolia project and corporate organisation structures, performance management of senior executive staff, improvement of reporting systems and risk management processes, ASX and ASIC compliance obligations.

Performance Measure	CY14 Weighting	CY14 Performance			Outcome (% of Max)
		Threshold	Target	Stretch	
Corporate	1/3			▲	100%
Project	1/3			▲	80%
Organisation	1/3		▲		65%
<b>Total</b>	<b>100%</b>			<b>▲</b>	<b>82%</b>

With regard for linking the Annual Bonus reward to drivers of shareholder wealth creation, the majority of the Managing Director/Chief Executive Officer's CY14 STI opportunity was set against project-based and organisational performance measures, particularly advancing the Magnolia LNG project. Additionally, performance considered the continued pace of growth and expansion of the Company and the requirement for the Managing Director/Chief Executive Officer to effectively recruit and manage an international senior executive team with divisional objectives. The market capitalisation performance metric has been discontinued from the Managing Director/Chief Executive Officer's STI in CY15 with the view that this may potentially overlap with the current LTI performance criteria.

Since the completion of the CY14 period the Board has replaced the former discretionary STI plan for KMP with a formalised, target-based scheme. As such, the STIs paid to KMP in FY15 reflect the former discretionary STI plan. The formalised, target-based STI scheme applicable to KMP in relation to the CY15 period will be paid in FY16 and reported upon in the 2016 Annual Report.

## 7. Performance Outcomes for FY15 (continued)

For the CY15 period, the MD/CEO 's STI scorecard applies the following performance metrics and weightings:

Performance Measure	Description
Business (55%)	Approval, permitting, contracting and opportunity targets in relation to Magnolia LNG, Bear Head LNG and LNG International.
Organisational (25%)	Progress corporate restructuring of the LNGL Group and succession planning, identification and appointment of Magnolia LNG President, establishment and board approval for LNG Technology Business Plan, and the execution of a strategic alliance with a global EPC contractor.
Health and Safety (10%)	Establish top down emphasis of HSSE within LNG and its contractor relationships, and the introduction and institutionalisation of the HSSE management framework to establish LNG's approach and expectations regarding health, safety, security and environment.
People and Culture (10%)	Setting and monitoring of KPIs for executive KMP based upon individual performance and contributions, continuous improvement of communication between senior management and the board, implementation and continuous improvement of internal systems and risk reporting mechanisms, demonstration of support and adherence to executive behavioural objectives, and continued compliance with ASX Listing Rules and ASIC regulatory obligations.

## 8. Actual 'Realised' Remuneration Relevant to FY15

The disclosures required under the Corporations Act and prepared in accordance with applicable accounting standards may make it difficult for shareholders to clearly see the actual, realised ("take home") remuneration provided to senior executives in any given year. On this basis, the following table is provided to shareholders with the intent of providing clarity in respect of 'take home' remuneration provided to executives for the FY15 period:

Name	Position Held at 30 June 2015	Year	Base Package including Superannuation		STI Achieved		Value of LTI Grant that Vested		Actual Total Remuneration Package (TRP)
			Amount	% of TRP	Amount	% of TRP	Amount	% of TRP	
Maurice Brand	MD/CEO	2015	673,682	20%	261,250	8%	2,462,804	72%	3,397,736
	MD/CEO	2014	486,055	94%	31,457	6%	–	–	517,512
Mike Mott	CFO	2015	392,571	93%	29,872	7%	–	–	422,443
	n/a	2014	–	–	–	–	–	–	–
Paul Bridgwood	CTO	2015	475,131	20%	90,000	4%	1,800,628	76%	2,365,759
	CTO	2014	466,152	94%	31,457	6%	–	–	497,609
Norman Marshall	Group Executive – Strategic Development	2015	492,262	20%	179,000	7%	1,835,794	73%	2,507,056
	CFO	2014	461,687	94%	31,457	6%	–	–	493,144
Garry Traglavcanin	Group Commercial Manager	2015	–	–	–	–	–	–	–
	Group Commercial Manager	2014	364,525	93%	26,480	7%	–	–	391,005
Lincoln Clark	Group Engineering Manager	2015	–	–	–	–	–	–	–
	Group Engineering Manager	2014	358,944	93%	26,218	7%	–	–	385,162
David Gardner	Company Secretary	2015	231,355	31%	42,000	6%	474,848	63%	748,203
	Company Secretary	2014	208,089	93%	15,335	7%	–	–	223,424

\* Note that Mr Triglavcanin and Mr Clark were no longer considered KMP during the year ending 30 June 2015.

Mr Triglavcanin and Mr Clark remain employees of the Company.

No LTI vested during the FY15 year. Outstanding grants under the LTI scheme will first be tested on 30 June 2017.

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## 9. Statutory Remuneration Disclosures for FY15

### 9.1 Senior Executive Remuneration

The following table outlines the remuneration received by Senior Executives of the Company during FY15 prepared according to statutory disclosure requirements and applicable accounting standards:

Name	Position Held at 30 June 2014	Year	Salary	Superannuation Contributions	Other Benefits	Base Package		STI		LTI		Remuneration Package (TRP)		Termination Benefits	Change in accrued leave
						Amount	% of TRP	Amount	% of TRP	Amount	% of TRP	Amount	% of TRP		
Maurice Brand	CEO	2015	594,842	35,000	43,840	673,682	20%	261,250	8%	2,462,804	72%	3,397,736	-	39,745	
	CEO	2014	406,687	35,000	44,368	486,055	94%	31,457	6%	-	0%	517,512	-	22,765	
Mike Mott	CFO	2015	362,528	-	30,043	392,571	93%	29,872	7%	-	0%	422,443	-	-	
	n/a	2014	-	-	-	-	-	-	-	-	-	-	-	-	
Paul Bridgwood	CTO	2015	452,508	18,783	3,840	475,131	20%	90,000	4%	1,800,628	76%	2,365,759	-	4,840	
	CTO	2014	423,912	17,775	24,464	466,152	94%	31,457	6%	-	0%	497,609	-	22,765	
Norman Marshall	Group Executive - Strategic Development	2015	452,508	18,783	20,971	492,262	20%	179,000	7%	1,835,794	73%	2,507,056	-	4,840	
	CFO	2014	423,912	17,775	20,000	461,687	94%	31,457	6%	-	0%	493,144	-	22,765	
Garry Triglavcanin	Group Commercial Manager	2015	-	-	-	-	-	-	-	-	-	-	-	-	
	Group Commercial Manager	2014	322,135	17,775	24,615	364,525	93%	26,480	7%	-	0%	391,005	-	5,351	
Lincoln Clark	Group Engineering Manager	2015	-	-	-	-	-	-	-	-	-	-	-	-	
	Group Engineering Manager	2014	316,801	17,775	24,368	358,944	93%	26,218	7%	-	0%	385,162	-	5,460	
David Gardner	Company Secretary	2015	208,732	18,783	3,840	231,355	31%	42,000	6%	474,848	63%	748,203	-	12,772	
	Company Secretary	2014	186,415	17,306	4,368	208,089	93%	15,335	7%	-	0%	223,424	-	5,251	

\* Note that the STI value reported in this table is the STI that was paid during FY15, being the award earned during CY14.

\*\* Note that the LTI value reported in this table is the amortised accounting charge of all grants that have not lapsed or vested. Where a market based measure of performance is used such as TSR, no adjustments can be made to reflect actual LTI vesting.

\*\*\* Note that Mr Triglavcanin and Mr Clark were no longer considered KMP during the year ending 30 June 2015. Mr Triglavcanin and Mr Clark remain employees of the Company.

## 9. Statutory Remuneration Disclosures for FY15 (continued)

### 9.2 NED Remuneration

NED's are remunerated within the current aggregate board fee cap of \$1.2 million, which was approved by shareholders at the November 2014 AGM. The fees paid to members of the LNG Board are as follows:

Position	FY14 Fees	FY15 Fees
Board Chair	158,943	\$200,000
Board Member	85,257	\$100,000
Committee Chair	–	\$15,000
Committee Member	–	\$7,500

Committee fees are only applicable to the A&RC and the RC. No fees are payable to members of the NC.

Remuneration received by NED's in FY15 and FY14 is disclosed below:

Name	Position Held at 30 June 2015	Year	Board Fees	Committee Fees	Superannuation	Other Benefits	Equity Grant	Termination Benefits	Total
Richard Beresford	Chairman	2015	179,471	–	–	–	76,714	–	256,185
	Chairman	2014	106,564	–	–	–	–	–	106,564
Leeanne Bond	Non-Executive Director	2015	103,878	–	–	–	46,988	–	150,866
	Non-Executive Director	2014	69,115	–	–	–	–	–	69,115
Grace Yao	Non-Executive Director	2015	81,572	–	–	–	38,356	–	119,928
	Non-Executive Director	2014	–	–	–	–	–	–	–
Paul Cavicchi	Non-Executive Director	2015	77,184	–	–	–	18,165	–	95,349
	Non-Executive Director	2014	–	–	–	–	–	–	–
Michael Steuert	Non-Executive Director	2015	41,806	–	–	–	–	–	41,806
	Non-Executive Director	2014	–	–	–	–	–	–	–

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### 10. Employment Terms for Key Management Personnel

#### 10.1 Service Agreements

##### *Fletcher Maurice Brand, Managing Director and Chief Executive Officer:*

Mr. Brand is employed under an Executive Service Agreement with the Company which commenced on 13 July 2011. Prior to this, Mr. Brand was employed under a consultancy contract between his company, Martech International Pty Ltd, and the Company which commenced on 1 October 2004.

Under the terms of the Executive Service Agreement:

- The appointment of the Executive continues until 30 June 2017.
- Mr. Brand may terminate the agreement by giving no less than twelve months' notice of termination to the Company.
- The Company may terminate the agreement immediately if Mr. Brand commits a breach under the agreement and for any other reason by giving no less than twelve months' notice of termination.
- In relation to any performance rights held by Mr. Brand they will lapse:
  - Automatically if Mr. Brand ceases to be an eligible employee and the performance rights have not vested;
  - After one month or at the expiry date, whichever is the earlier (or as otherwise agreed by the Board) if Mr. Brand ceases to be an eligible employee and the performance rights have vested; and
  - After six months or at the expiry date, whichever is the earlier (or as otherwise agreed by the Board) if Mr. Brand ceases to be an eligible employee and termination is due to a prescribed event (such as retirement, retrenchment, bankruptcy or death) and the performance rights have vested.
- Mr. Brand is subject to post employment restrictions. Mr Brand will not, without the fully informed and written consent of the Company, directly or indirectly engage in a business or activity that is in competition with the Company, in Australia, for a pre-determined restraint period. The restraint period varies depending on the activity undertaken by Mr Brand, but the maximum period of restraint is 12 months from the Termination Date.
- Upon termination Mr. Brand is entitled to receive all accrued entitlements up to the date of termination.

##### *Michael Mott, Chief Financial Officer:*

Mr. Mott is employed under an Executive Service Agreement with the Company which commenced on 1 October 2014.

Under the terms of the Executive Service Agreement:

- The appointment of the Executive continues until 1 October 2017.
- Mr. Mott may terminate the agreement by giving no less than twelve months' notice of termination to the Company.
- The Company may terminate the agreement immediately if Mr. Mott commits a breach under the agreement and for any other reason by giving no less than twelve months' notice of termination.
- In relation to any performance rights held by Mr. Mott they will lapse:
  - Automatically if Mr. Mott ceases to be an eligible employee and the performance rights have not vested;
  - After one month or at the expiry date, whichever is the earlier (or as otherwise agreed by the Board) if Mr. Mott ceases to be an eligible employee and the performance rights have vested; and
  - After six months or at the expiry date, whichever is the earlier (or as otherwise agreed by the Board) if Mr. Mott ceases to be an eligible employee and termination is due to a prescribed event (such as retirement, retrenchment, bankruptcy or death) and the performance rights have vested.
- Mr. Mott is subject to post employment restrictions. Mr Mott will not, without the fully informed and written consent of the Company, directly or indirectly engage in a business or activity that is in competition with the Company, in the US, for a pre-determined restraint period. The restraint period varies depending on the activity undertaken by Mr Mott, but the maximum period of restraint is 12 months from the Termination Date.
- Upon termination Mr. Mott is entitled to receive all accrued entitlements up to the date of termination.

##### *Paul Bridgwood, Chief Technical Officer:*

Mr. Bridgwood is employed under an Executive Service Agreement with the Company which commenced on 13 July 2011. Prior to this, Mr. Bridgwood was employed under a consultancy contract between his company, Sinedie Pty Ltd, and the Company which commenced on 1 October 2004.

Under the terms of the Executive Service Agreement:

- The appointment of the Executive continues until 26 May 2016
- Mr. Bridgwood may terminate the agreement by giving no less than twelve months' notice of termination to the Company.

## 10. Employment Terms for Key Management Personnel (continued)

- The Company may terminate the agreement immediately if Mr. Bridgwood commits a breach under the agreement and for any other reason by giving no less than twelve months' notice of termination.
- In relation to any performance rights held by Mr. Bridgwood they will lapse:
  - Automatically if Mr. Bridgwood ceases to be an eligible employee and the performance rights have not vested;
  - After one month or at the expiry date, whichever is the earlier, (or as otherwise agreed by the Board) if Mr. Bridgwood ceases to be an eligible employee and the performance rights have vested; and
  - After six months or at the expiry date, whichever is the earlier, (or as otherwise agreed by the Board) if Mr. Bridgwood ceases to be an eligible employee and termination is due to a prescribed event (such as retirement, retrenchment, bankruptcy or death) and the performance rights have vested.
- Mr. Bridgwood is subject to post employment restrictions. Mr Bridgwood will not, without the fully informed and written consent of the Company, directly or indirectly engage in a business or activity that is in competition with the Company, in Australia, for a pre-determined restraint period. The restraint period varies depending on the activity undertaken by Mr Bridgwood, but the maximum period of restraint is 12 months from the Termination Date.
- Upon termination Mr. Bridgwood is entitled to receive all accrued entitlements up to the date of termination.

### *Norman Marshall, Group Executive Strategy:*

Mr. Marshall is employed under an Executive Service Agreement with the Company which commenced on 13 July 2011. Prior to this, Mr. Marshall was employed via an employment contract with the Company which commenced on 1 October 2004.

Under the terms of the Executive Service Agreement:

- The appointment of the Executive continues until 31 December 2016.
- Mr. Marshall may terminate the agreement by giving no less than twelve months' notice of termination to the Company.
- The Company may terminate the agreement immediately if Mr. Marshall commits a breach under the agreement and for any other reason by giving no less than twelve months' notice of termination.
- In relation to any performance rights held by Mr. Marshall they will lapse:
  - Automatically if Mr. Marshall ceases to be an eligible employee and the performance rights have not vested;
  - After one month or at the expiry date, whichever is the earlier, (or as otherwise agreed by the Board) if Mr. Marshall ceases to be an eligible employee and the performance rights have vested; and
  - After six months or at the expiry date, whichever is the earlier, (or as otherwise agreed by the Board) if Mr. Marshall ceases to be an eligible employee and termination is due to a prescribed event (such as retirement, retrenchment, bankruptcy or death) and the performance rights have vested.
- Mr. Marshall is subject to post employment restrictions. Mr Marshall will not, without the fully informed and written consent of the Company, directly or indirectly engage in a business or activity that is in competition with the Company, in Australia, for a pre-determined restraint period. The restraint period varies depending on the activity undertaken by Mr Marshall, but the maximum period of restraint is 12 months from the Termination Date.
- Upon termination Mr. Marshall is entitled to receive all accrued entitlements up to the date of termination.

### *David Gardner, Company Secretary:*

Mr. Gardner is employed under an employment contract with the Company, which commenced on 1 July 2010. Between 6 October 2008 and 30 June 2010, Mr. Gardner was employed by the Company's wholly-owned subsidiary, Gas Link Global Limited ("GLG") under the same terms. Under the terms of the contract:

- Mr. Gardner may terminate the contract by giving no less than one month notice of termination to the Company.
- The Company may terminate the contract immediately if Mr. Gardner commits a breach under the contract and for any other reason by giving no less than six months' notice of termination.
- Upon termination Mr. Gardner is entitled to receive all accrued entitlements up to the date of termination.

The treatment of outstanding STI and LTI schemes in instances of termination is disclosed under sections 3.3 and 3.4, respectively.

On appointment to the Board, all NED's enter into a service agreement with the Company in the form of a letter of appointment. The appointment letters specify a term of three years. Pursuant to the terms of the NED service agreements, Board members are not eligible to receive termination payments.

## Directors' Report

continued

### 11. Changes in KMP Held Equity

The following table outlines the changes in the amount of equity held by executives over the financial year:

Name	Instrument	Number held at 1 July 2014		Granted During the year	Forfeited During the year	Net Other Change During the year	Vested	Number held at 30 June 2015
		Date Granted	Number					
Maurice Brand	Shares	n/a	6,170,000	–	–	(1,670,000)	n/a	4,500,000
	Rights/Options	n/a	–	1,839,933	–	–	–	1,839,933
Mike Mott	Shares	n/a	–	–	–	–	n/a	–
	Rights/Options	n/a	–	–	–	–	–	–
Paul Bridgwood	Shares	n/a	8,099,040	–	–	(3,602,000)	n/a	4,497,040
	Rights/Options	n/a	–	1,649,718	–	–	–	1,649,718
Norman Marshall	Shares	n/a	500,000	–	–	(450,000)	n/a	50,000
	Rights/Options	n/a	–	1,704,774	–	–	–	1,704,774
David Gardner	Shares	n/a	47,000	–	–	(17,000)	n/a	30,000
	Rights/Options	n/a	–	439,392	–	–	–	439,392

The following table outlines the changes in the amount of equity held by NED's over the financial year:

Name	Instrument	Number held at 1 July 2014		Granted During the year	Forfeited During the year	Net Other Change During the year	Vested	Number held at 30 June 2015
		Date Granted	Number					
Richard Beresford	Shares	n/a	439,692	–	–	(25,000)	n/a	414,692
	Rights/Options	n/a	–	32,819	–	–	–	32,819
Leeanne Bond	Shares	n/a	–	–	–	–	n/a	–
	Rights/Options	n/a	–	20,102	–	–	–	20,102
Grace Yao	Shares	n/a	–	–	–	–	n/a	–
	Rights/Options	n/a	–	16,409	–	–	–	16,409
Paul Cavicchi	Shares	n/a	–	–	–	60,000	n/a	60,000
	Rights/Options	n/a	–	7,771	–	–	–	7,771
Michael Steuert	Shares	n/a	–	–	–	–	n/a	–
	Rights/Options	n/a	–	–	–	–	–	–



## 11. Changes in KMP Held Equity (continued)

The following table outlines the value of LTI incentives granted during FY15:

Name	Position	Tranche	Total Value at Grant Date	Value expensed in current year	Max Value to be expensed in future years	Min Value to be expensed in future years
Maurice Brand	MD/CEO	MATSR	4,211,485	1,622,029	2,589,455	2,589,455
		Milestone	2,214,053	840,774	1,373,279	1,373,279
Mike Mott	CFO	MATSR	–	–	–	–
		Milestone	–	–	–	–
Paul Bridgwood	CTO	MATSR	2,999,604	1,190,576	1,809,028	1,809,028
		Milestone	1,550,735	610,052	940,683	940,683
Norman Marshall	Group Executive – Strategic Development	MATSR	3,082,408	1,212,217	1,870,191	1,870,191
		Milestone	1,602,487	623,577	978,910	978,910
David Gardner	Company Secretary	MATSR	795,636	313,663	481,973	481,973
		Milestone	413,028	161,184	251,844	251,844

Initial grants provided under the current LTIP will not be tested until 30 June 2017. As such, no previous grants of LTI vested during the FY15 period.

The following table outlines the value of NEDRP Rights granted during FY15:

Name	Position	Tranche	Total Value at Grant Date	Value expensed in current year	Max Value to be expensed in future years	Min Value to be expensed in future years
Richard Beresford	Chairman	Service	118,477	76,714	41,763	41,763
Leeanne Bond	Non-Executive Director	Service	72,568	46,988	25,580	25,580
Grace Yao	Non-Executive Director	Service	59,237	38,356	20,881	20,881
Paul Cavicchi	Non-Executive Director	Service	28,054	18,165	9,889	9,889
Michael Steuert	Non-Executive Director	Service	–	–	–	–

## 12. External Remuneration Consultant Advice

During the year KMP remuneration recommendations and data were received from external remuneration consultant(s). The consultants and the amount payable for the information and work that led to their recommendations are listed below:

Godfrey Remuneration Group Pty Limited	\$36,500 + GST
Longnecker & Associates (USA)	US\$43,000

The consultant(s) also provided other advice during the year and the kinds of advice and remuneration payable for such advice is summarised below:

Godfrey Remuneration Group Pty Limited	Review of long term incentive plan, procedures, rules etc. in light of regulatory changes and assistance with drafting the Remuneration Report and advice regarding stakeholder engagement on remuneration matters.	\$8,000 + GST
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# Directors' Report

continued

## 11. External Remuneration Consultant Advice (continued)

So as to ensure that KMP remuneration recommendations were free from undue influence from the KMP to whom they relate the Company established policies and procedures governing engagements with external remuneration consultants. The key aspects include:

- a. KMP remuneration recommendations may only be received from consultants who have been approved by the Board. Before such approval is given and before each engagement the Board ensures that the consultant is independent of KMP;
- b. KMP remuneration recommendations are only received by NED's, mainly the Chair of the RC; and
- c. The policy seeks to ensure that the Board controls any engagement by management of Board approved remuneration consultants to provide advice other than KMP remuneration recommendations and any interactions between management and external remuneration consultants when undertaking work leading to KMP remuneration recommendations.

The Board is satisfied that the KMP remuneration recommendations received were free from undue influence from KMP to whom the recommendations related. The Board has been closely involved in all dealings with the external remuneration consultants and each KMP remuneration recommendation received during the year was accompanied by a legal declaration from the consultant to the effect that their advice was provided free from undue influence from the KMP to whom the recommendations related.

### End of Remuneration Report

## 7. INDEMNIFICATION AND INSURANCE OF DIRECTORS AND COMPANY SECRETARY

An Officer's Protection Deed has been entered into with each of the directors (as named in Section 1 of this report) in office and the Company Secretary at the date of this report. Under the deed, the Company has agreed to indemnify the directors and the Company Secretary against any claims or for any expenses or costs that may arise as a result of work performed in their respective capacities. There is no monetary limit to the extent of the indemnity.

During the financial year, the Company incurred a premium of \$115,329 (excl. GST) (2014: \$25,815) in respect of a policy insuring the directors and officers against any liabilities and expenses and costs that may arise as a result of work performed in their respective capacities. This amount is not part of the directors' remuneration disclosed in Section 8 of the Remuneration Report above. As at 30 June 2015, the insurance cover was limited to \$100 million.

## 8. RISK MANAGEMENT

The Company takes a proactive approach to risk management and seeks to manage risks such as project risk, contractual risk, compliance risk, and finance risk. The Board has a number of mechanisms in place to ensure management's objectives and activities are aligned with those determined by the Board including:

- Board approval of the Company's strategic plan and objectives;
- Board approval of the Company's annual financial forecasts and operating budgets;
- Board approval of all material contracts and agreements;
- Board approval of all project developments, where a project is to proceed beyond initial identification and review, and will be the subject of binding contractual commitments and material expenditure obligations;
- Regular review by the Board of the Company's adherence to and performance against the above items; and
- Regular review by the A&RC of the Company's risk management process, with improvements introduced where appropriate.

## 9. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Company during the financial year ended 30 June 2015.

## 10. SIGNIFICANT EVENTS AFTER BALANCE DATE

### Magnolia LNG

On 23 July 2015, LNGL announced that its 100% owned project company, Magnolia LNG had signed a legally binding agreement with Meridian LNG for firm capacity rights for up to 2 mtpa at Magnolia LNG, located on the Calcasieu shipping channel in the Lake Charles District, State of Louisiana, USA. Under the LTA, Magnolia LNG will provide liquefaction services to Meridian LNG over the term of the contract in return for monthly capacity payments. Meridian LNG is responsible for procurement and delivery of feed gas to the liquefaction plant and for arranging all LNG shipping required to transport the LNG from the liquefaction plant to its customers.

Meridian LNG intends to deliver the LNG to Port Meridian, its Höegh LNG operated floating re gasification terminal in the UK with the gas delivered to EGC under the 20-year GSA executed and announced by Meridian LNG on 23 April 2015.

Key terms of the LTA include:

- Initial term of 20 years, with option to extend by a further 5 years;
- Firm annual capacity of 1.7 mtpa with a further 0.3 mtpa to be offered at Magnolia LNG's discretion; and
- Conditions precedent, including that Magnolia LNG achieves financial close no later than 30 June 2016.

On 20 July 2015, LNGL announced that the FERC issued the DEIS for the Magnolia LNG project. The DEIS is a critical milestone for the Magnolia LNG project, incorporating comments from FERC and other cooperating federal agencies. In completing the work necessary to issue the DEIS, the FERC analysed publicly available data and data provided by both Magnolia LNG and KMLP associated with the construction and operation of the Magnolia LNG project and natural gas pipeline infrastructure required to deliver natural gas to the operating liquefaction terminal.

The FERC staff concluded that construction and operation of the proposed projects would result in limited adverse environmental impacts, but these impacts would be reduced to less-than-significant levels with the implementation of Magnolia LNG's and KMLP's proposed mitigations and the additional measures recommended in the DEIS. FERC set 8 September 2015 as the deadline for receipt of public comments on the DEIS. Based on the SER, previously issued by FERC on 30 April 2015, the FEIS is expected to be issued by FERC on 16 November 2015.

### Bear Head LNG

On 20 July 2015, LNGL announced that the DOE granted Bear Head LNG authorization to export up to 440 bcf per year of U.S. natural gas to Canada, and up to 8 mtpa of LNG from Canada to FTA countries.

On 17 August 2015, LNGL announced that the NEB had granted Bear Head LNG authorisation to export LNG from Bear Head LNG's project site on the Strait of Canso in Nova Scotia.

The NEB licencing decision approves Bear Head LNG's application for authority to export up to 8 mtpa of LNG from Canada starting in 2019 with expanded authority to increase production to 12 mtpa in 2024. The export licence extends for a period of 25 years from the date of first LNG export. Bear Head was also granted a licence to import 1.2 bcf per day of natural gas from the U.S., an amount adequate to produce the authorised annual LNG exports. As with all other LNG projects, the NEB's export licence decisions are subject to approval by Canada's Governor in Council.

Bear Head LNG has also applied to the DOE for authority to import for subsequent export up to 250 bcf per year of Canadian natural gas by pipeline that is "in transit" through the U.S., back into Canada for delivery to Bear Head LNG's proposed liquefied natural gas export facility. This authorization would allow a portion of the Bear Head LNG's natural gas requirements to come from sources in Western and Central Canada, enhancing commercial supply options.

### Global Alliances

On 30 July 2015, LNGL announced that it had entered into a supplier alliance agreement (SAA) with Chart through Chart's wholly owned subsidiary, Chart Energy & Chemicals, Inc. On 24 August 2015, LNGL announced that it had agreed two other key SAA's with Siemens and EthosEnergy, respectively. The Chart SAA provides for the design and manufacture of brazed aluminium heat exchangers and LNG liquefaction cold boxes used in the OSMR® LNG liquefaction design. Siemens is to provide OSMR® main process compressor equipment and EthosEnergy Group to provide operations and maintenance services.

The global alliance agreements call for Chart, Siemens, and EthosEnergy to each work collaboratively with LNGL on both current and future Company projects.

The use of global alliance agreements with key suppliers is central to LNGL's strategy to produce standardised, repeatable designs and processes across all its projects and operations.

# Directors' Report

continued

## 10. SIGNIFICANT EVENTS AFTER BALANCE DATE (continued)

### Appointment of General Counsel and Joint Company Secretary

On 18 August 2015 LNGL announced the appointment of Ms Kinga Doris as General Counsel and Joint Company Secretary. Ms Doris is responsible for all statutory, securities, regulatory and other legal activities of the LNGL group as well as management of outside legal counsel across all operations and global project activities. In this capacity, Ms Doris will be part of LNGL's senior leadership team reporting to Mr Maurice Brand, LNGL's Managing Director/Chief Executive Officer.

### Exercise of options

On 13 August 2015, 60,000 shares were issued on the exercise of options. At the date of this report there are 2,509,000 options outstanding.

## 11. ROUNDING

The financial report is presented in Australian dollars and amounts contained in the financial report have been rounded to the nearest \$1,000 (unless otherwise stated) under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the class order applies.

## 12. AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

The directors have received a declaration of independence from the auditors which is included on page 88.

### Indemnification of Auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young (EY), as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify EY during or since the financial year.

### Non-audit Services

The following non-audit services were provided by the Company's auditor, EY Australia. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit services provided means that auditor independence was not compromised.

EY Australia received or are due to receive the following amounts for the provision of non - audit services:

	Consolidated
	2015 \$'000
<b>Amounts received or due and receivable by EY (Australia) for:</b>	
Other services in relation to the entity and any other entities in the Consolidated Group:	
- tax and other services	117
<b>Amounts received or due and receivable by related practices of EY (Australia) for:</b>	
- tax services provided by overseas firms	345
	<b>462</b>

Tax and other services provided by EY Australia and related practices of EY Australia focused on the acquisition of Bear Head LNG, tax planning considerations for Magnolia LNG and corporate tax compliance. Given the nature of the work, the Company considered EY the most appropriate advisor to work on these matters.

Signed in accordance with a resolution of the directors.



Richard Jonathan Beresford  
**Chairman**  
Perth, Western Australia  
29 September 2015



FM (Maurice) Brand  
**Managing Director/Chief Executive Officer**  
Perth, Western Australia  
29 September 2015

# Corporate Governance Statement

The Board of directors of the Company (**Board**) is responsible for establishing and maintaining the corporate governance framework of the Group and is guided by the ASX Corporate Governance Council (**CGC**) Principles and Recommendations (3rd Edition ASX Corporate Governance Council March 2014 (**3<sup>rd</sup> Edition Principles**)). The Principles and Recommendations set out corporate governance practices for entities listed on the ASX that in the CGC's view are likely to achieve good governance outcomes and meet the reasonable expectations of most investors in most situations.

The Board welcomes the changes in the 3rd Edition Principles that reflects global developments in corporate governance. This Corporate Governance Statement was current as at 30 June 2015 and has been approved by the Board.

This Corporate Governance Statement is an opportunity to demonstrate that the Board and management are alive to the importance of having proper and effective corporate governance arrangements and to communicate the robustness of our approach to corporate governance.

During the 2014/15 financial year the Company's practices were compliant with the existing 3<sup>rd</sup> Edition Principles, except where noted in the following table:

## ASX Corporate Governance – Best Practice Recommendation

Best Practice Recommendation	Comply Yes/No	Page Reference
<b>Principle 1 – Lay solid foundations for management and oversight</b>		<b>Page 35</b>
1.1 A listed entity should disclose:		
a) the respective roles and responsibilities of its board and management; and	Yes	
b) those matters expressly reserved to the board and those delegated to management.	Yes	
1.2 A listed entity should:		
a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and	Yes	
b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	Yes	
1.3 A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	Yes	
1.4 The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	Yes	
1.5 A listed entity should:		
a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measureable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;	No (issued September 2015)	
b) disclose that policy or a summary of it; and	No (issued September 2015)	
c) disclose as at the end of each reporting period the measureable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either:	No	
I. the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or	Yes	
II. if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.	n/a	
1.6 A listed entity should:		
a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and	Yes	
b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	Yes	

# Corporate Governance Statement

continued

## ASX Corporate Governance – Best Practice Recommendation

Best Practice Recommendation	Comply Yes/No	Page Reference
<b>Principle 2 – Structure the board to add value</b>		<b>Page 36</b>
2.1 The board of a listed entity should:		
a) have a nomination committee which:		
I. has at least three members, a majority of whom are independent directors; and	Yes	
II. is chaired by an independent director; and disclose:	Yes	
III. the charter of the committee;	Yes	
IV. the members of the committee; and	Yes	
V. as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or	Yes	
b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.	n/a	
2.2 A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	Yes	
2.3 A listed entity should disclose:		
a) the names of the directors considered by the board to be independent directors;	Yes	
b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and	Yes	
c) the length of service of each director.	Yes	
2.4 A majority of the board of a listed entity should be independent directors.	Yes	
2.5 The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	Yes	
2.6 A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	Yes	
<b>Principle 3 – Act ethically and responsibly</b>		<b>Page 39</b>
3.1 A listed entity should:		
a) have a code of conduct for its directors, senior executives and employees; and	Yes	
b) disclose that code or a summary of it.	Yes	
<b>Principle 4 – Safeguard integrity in corporate reporting</b>		<b>Page 39</b>
4.1 The board of a listed entity should:		
a) have an audit committee which:		
I. has at least three members, all of whom are NED's and a majority of whom are independent directors; and	Yes	
II. is chaired by an independent director, who is not the chair of the board,	Yes	

**ASX Corporate Governance – Best Practice Recommendation**

<b>Best Practice Recommendation</b>	<b>Comply Yes/No</b>	<b>Page Reference</b>
and disclose:		
III. the charter of the committee;	Yes	
IV. the relevant qualifications and experience of the members of the committee; and	Yes	
V. in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or	Yes	
b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.	n/a	
4.2 The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	Yes	
4.3 A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	Yes	
<b>Principle 5 – Make timely and balanced disclosure</b>		<b>Page 40</b>
5.1 A listed entity should:		
a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and	Yes	
b) disclose that policy or a summary of it.	Yes	
<b>Principle 6 – Respect the rights of security holders</b>		<b>Page 41</b>
6.1 A listed entity should provide information about itself and its governance to investors via its website.	Yes	
6.2 A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	Yes	
6.3 A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	Yes	
6.4 A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	Yes	
<b>Principle 7 – Recognise and manage risk</b>		<b>Page 41</b>
7.1 A board of a listed entity should:		
a) have a committee or committees to oversee risk, each of which:		
I. has at least three members, a majority of whom are independent directors; and		
II. is chaired by an independent director,		
and disclose:		
III. the charter of the committee;	Yes	
IV. the members of the committee; and	Yes	

# Corporate Governance Statement

continued

## ASX Corporate Governance – Best Practice Recommendation

Best Practice Recommendation	Comply Yes/No	Page Reference
V. as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meeting; or	Yes	
b) if it does not have a risk committee or committees that satisfy a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.	n/a	
7.2 The board or a committee of the board should;		
a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and	Yes	
b) disclose, in relation to each reporting period, whether such a review has taken place.	Yes	
7.3 A listed entity should disclose:		
a) if it has an internal audit function, how the function is structured and what role it performs; or	Yes	
b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	Yes	
7.4 A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	Yes	

## Principle 8 – Remunerate fairly and responsibly

Page 43

8.1 The board of a listed entity should:		
a) have a remuneration committee which:		
I. has at least three members, a majority of whom are independent directors; and	Yes	
II. is chaired by an independent director;	Yes	
and disclose:		
III. the charter of the committee;	Yes	
IV. the members of the committee; and	Yes	
V. as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or	Yes	
b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.	n/a	
8.2 A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive and the remuneration of executive directors and other senior executives.	Yes	
8.3 A listed entity which has an equity-based remuneration scheme should:		
a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and	Yes	
b) disclose that policy or a summary of it.	Yes	

Where the Company has not been compliant with the 3<sup>rd</sup> Edition Principles, the “if not, why not” explanation approach has been adopted.



### Principle 1 – Lay Solid Foundations for Management and Oversight

The Board is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable. Responsibility for managing the business of the Company on a day-to-day basis has been delegated to the Managing Director/Chief Executive Officer and the management team. The directors' responsibilities include:

- Setting the strategic direction and objectives of the Company and establishing defined goals to ensure these strategic objectives are met;
- Monitoring the performance of management against the established goals and overall strategic objectives of the Company;
- Ensuring that there are adequate internal controls and ethical standards of behaviour adopted and complied with within the Company;
- Ensuring that the business risks of the Company are identified and understood, and that appropriate monitoring and reporting procedures and controls are in place to manage these risks, while acknowledging that all risks may not be totally eliminated; and
- Ensuring the risk management function includes mechanisms to review and monitor corporate performance across a broad range of risk and compliance issues affecting assets, business operations, capital expenditure, capital management, acquisitions, divestitures, finance, occupational health and safety, management, environmental issues, native title and heritage issues, and corporate governance.

The RC monitors the performance of Senior Executives, which takes into account the performance of the executives over the year, and ensures that there are adequate procedures in place for recruitment, induction, training, remuneration (both short-term and long-term) and succession planning.

Directors clearly understand their corporate expectations at the time of their appointment and formal letters set out key terms and conditions.

Prior to consideration for appointment as a director of the Company, directors, management and their delegates perform appropriate checks. The Company has used international executive search and Board consulting firms to support its board renewal process. Preferred candidates are shortlisted and recommendations passed to the NC. The NC then provides a recommendation to the Board.

Prior to a meeting of members, all shareholders receive material information relevant to a decision on whether or not to elect or re-elect a new or retiring director.

The Company has written agreements with all directors and senior executives setting out the terms of their appointments and a review of such agreements occurs annually.

The Company Secretary is accountable directly to the Board, via the chair, on all matters of Board function. The Company Secretary and chair are in frequent communication to progress governance matters and execution of Board accountabilities.

The Company did not establish a specific policy concerning diversity during the year.

Recently, in keeping with its rapid corporate development the Company has issued a number of new corporate policies to guide its growth. Policies relevant to the conduct of our people include the Business Principles to guide our core values and behaviours, the Human Resources Policy, the Health, Safety, Security and Environment Policy, the Anti-Bribery and Anti-Corruption Policy, the Remuneration Policy, the Information Management and Security Policy, the License to Operate Policy establishing our sustainability protocol and the Duty to Report Policy for managing policy breaches.

The Company is currently drafting a specific diversity policy.

These policies are made public through the Company's website at: <http://www.lnglimited.com.au/irm/content/corporate-governance.aspx?RID=225>.

As at 30 June 2015, the Company employed 41 people (excluding directors) in Australia and in the United States. The Company applies diversity considerations and practices in the recruitment and development of its staff and directors.

The gender diversity of the Company's employees and Board at 30 June 2015 follows.

Role	Number of Women	Total Number of Persons
Whole Organisation	13	41
Senior Executive Positions <sup>3</sup>	0	5
Board of Directors <sup>4</sup>	2	6

3. "Senior Executive", for the purposes of the above table, is defined as those individuals who are responsible for planning, directing and controlling the activities of the Company.

4. Includes Executive and Non-Executive directors.

# Corporate Governance Statement

## continued

The Company has forty one full-time employees, two part-time employees and six directors at the date of this report. The Company is an equal opportunity employer. The internal approach to diversity is that the Company does not discriminate at any level or for any reason and always selects the most appropriate person for the job. Post 30 June 2015, the Company appointed Ms Kinga Doris to a Senior Executive Position, being Legal Counsel and Joint Company Secretary.

The Company is not a “relevant employer” under the Workplace Gender Equality Act.

The Board conducted a performance review facilitated by the Australian Institute of Company Directors (AICD) using its Governance Analysis Tool™. This involved an online survey completed by each director considering Board performance against 155 ‘good governance’ statements followed by a Board discussion facilitated by AICD. The Board has developed an action plan to support continuous improvement in board processes and Company performance.

The composition of Board committees and individual directors are reviewed and evaluated at least annually. The results of the Board performance review indicated the need to better share director workload particularly in light of the Company’s expected exposure to two listing jurisdictions with different governance and disclosure expectations.

With this objective the following changes to Board committees will take effect from 1 October 2015:

The A&RC will be chaired by independent director Mike Steuert. Mike is a ‘financial expert’ as defined by the US Securities & Exchange Commission.

The RC will be chaired by independent director Paul Cavicchi.

A new Safety, Sustainability, People and Culture Committee will be chaired by independent Director Leeanne Bond.

The Board has established a process for periodically evaluating the performance of its senior executives. Evaluation of senior executives occurs twice a year based on agreed individual performance objectives against which the executive’s short-term incentive remuneration is determined. This includes compliance with the Company’s corporate governance principles and policies. More information is contained in the Remuneration Report.

### Principle 2 – Structure the Board to Add Value

The annual report includes the directors’ Biographies outlining each individual’s skills, experience, and expertise relevant to the role (see pages 1-3).

#### Independence

Directors are considered independent when they are independent of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement.

In the context of director independence, “materiality” is considered from both the Company and individual director’s perspectives. The determination of materiality requires consideration of both quantitative and qualitative elements. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors which point to the actual ability of the director in question to influence the direction of the Company. An item is presumed to be quantitatively material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 5% of the appropriate base amount. The basis for the relevant amount depends on the nature of the item being considered. For example, if a director’s interest in a supplier is being considered, there would be two amounts to be assessed, the first being the Company’s total purchases from all suppliers and the second being the total sales to all customers by the relevant supplier.

In accordance with the definition of independence above, and the prescribed materiality thresholds, the following directors of the Company, with their disclosed term in office, are considered independent directors of the Company:

Name	Independent position	Term in office
Richard Jonathan Beresford <sup>5</sup>	Chairman	11 years and 7 months
Leeanne Bond	Non-Executive Director	5 years and 11 months
Paul Cavicchi	Non-Executive Director	11 months
D Michael Steuert	Non-Executive Director	7 months
Madam Yao Guihua	Non-Executive Director	2 years and 2 months

5. Clearer Sky Pty Ltd, a company in which Richard Beresford is a director, received fees for administrative services during the year totaling \$31,957. This arrangement was terminated on 31st October 2014. This association does not compromise his independence.

The Chairman of the Board, Mr Richard Beresford, is an independent director of the Company and Mr Maurice Brand is the Managing Director/Chief Executive Officer at the date of this report. Mr Brand is not considered independent.

Madam Yao Guihua is now considered independent. While she currently holds the position of General Manager of HQC Australia Branch Ltd within HQC. HQC's shareholding in the Company fell below 5% during the year. Qualitative factors also confirm her independence.

The Board has established a NC which is required to meet at least annually, to ensure that the Board continues to operate within the established guidelines including, where necessary, selecting candidates for the position of director. The NC comprises a major of independent directors consisting of Mr Richard Beresford (Chairman), Mr Paul Cavicchi, Ms Leeanne Bond and Mr Maurice Brand.

The number of meetings held by the NC and the attendance is outlined at section 2 of the Directors Report and a summary of the key accountabilities of the NC may be found on the Company's website within its Corporate Governance Policy at <http://www.lnglimited.com.au/irm/content/corporate-governance.aspx?RID=225>

### Board Skills Matrix

An appropriate mix of director skills and diversity is required to oversee the Company's strategic direction, opportunities and challenges at all stages of its development. When considering the appointment of new directors, the Board seeks to recruit individuals with complementary skills, professional qualifications and experience. In support of this, the Board applies a Skills Assessment to guide its succession planning and director recruitment agenda.

When determining the appropriate mix of skills and diversity amongst directors, the Board considers LNG's strategic objectives and long term shareholder wealth drivers. The following strategy statements summarise the current direction of the business and influence the skills and experience required at Board level to oversee its implementation:

- To create wealth for shareholders by combining innovation, enterprise and technology to deliver competitive LNG projects in key markets throughout the world;
- To be a leader in the mid-scale LNG sector by safely developing mid-scale, low cost, efficient and reliable LNG liquefaction terminals to serve the international energy market's demand for natural gas; and
- To remain at the forefront of LNG processing technology to ensure that the company's LNG plants are world competitive in operating efficiencies and capital and operating costs.

These strategy statements imply a particular requirement for skills in the areas of energy markets, process technology, project management and business development oversight at the Board level.

### Board Renewal

The Board has regularly reviewed its need for renewal and succession planning in light of the Company's direction, strategy and future challenges. As LNG continues to transition from the start-up phase where skills in project development are paramount to a growth period involving the development and construction of global LNG assets, the changing composition of the company board has reflected this transition.

- The Board is currently comprised of a majority of NED's (with the exception of the Managing Director/Chief Executive Officer), most of whom are classified as independent. To enable this transition, two of the founding Executive Directors Mr. Paul Bridgwood and Mr. Norman Marshall stepped down from the board in 2013 but continue their involvement with the company in executive roles.
- In 2011 LNG attracted significant investment from HQC who recognized the potential of the Company's OSMR® technology. The Board initially appointed two directors nominated by HQC, Madam Wang Xinge and Mr. Zhang Gaowu. These two have since been replaced on the Board by Madam Yao Guihua who has continued this relationship with HQC and assists LNG in understanding the needs of potential Chinese customers and suppliers.
- With LNG's main focus now on North American asset development, the Board has in the last year appointed two US-based NED's to the board. Mr. Paul Cavicchi was appointed effective 1 October 2014 and Mr. D Michael Steuert was appointed effective 9 February 2015. These two appointments further strengthen the Board's skills and experience in energy infrastructure and finance and bring direct knowledge of the energy business in North America.

Through appropriate Board renewal over recent years in the light of the Company's strategic direction, the Board has maintained and developed skills and experience of directors in finance, contracts & negotiation, mergers and acquisitions, technology and innovation, engineering and construction, audit and accounting, risk management, business strategy, marketing, business development and project management.

## Corporate Governance Statement

continued

### *Current Board Skills and Experience*

The current skills and experience mix of the six current directors is summarised in the following table (full director biographies are shown on pages 1–3).

<b>Skills and Experience</b>	<b>Description</b>	<b>Directors</b>
Technology & Innovation	Professional qualifications/experience in the research, development and implementation of energy transportation and/or processing technologies.	4
International Experience	Directors that have worked on energy projects in regions and countries where LNG is currently looking to invest, develop and operate.	6
Project Engineering, Construction & Execution	Practical experience with engineering design and project execution in an executive or senior manager capacity.	3
Project Management	Individuals that carry relevant experience in project manager or executive director roles across large scale energy projects.	6
Finance	Those directors that carry professional qualifications in finance disciplines, exhibit a high level of financial acumen, and/or carry direct experience in capital market transactions.	5
Audit & Accounting	Professional qualifications in accounting and risk management, or those directors with experience in audit chair, CFO, auditor or other senior financial manager positions.	2
Risk Management	Prior exposure to risk management duties in a managerial or executive capacity and/or professional risk management qualifications.	5
Legal & Regulatory	Professional qualifications in legal practice, regulatory approvals and/or prior experience in corporate legal matters or regulator /industry relations in an executive or senior manager capacity.	5
Contracts & Negotiation	Practical and relevant experience in global energy sector contracts, bids and commercial negotiations.	4
Marketing & Business Development	Previous experience in a senior manager or executive director capacity supervising or directing corporate marketing or business planning and development initiatives, including key client relationship management responsibilities.	5
Business Strategy	Directors that have extensive experience in executive strategy positions, including previous managing director, chief executive and/or strategic senior manager roles.	5
Mergers & Acquisitions	Directors that have participated in major corporate transactions, including the acquisition or sale of major energy projects, corporate takeovers and/or the acquisition of interests in energy producing assets.	4
Corporate Governance	Directors that are current or former board members of other publicly listed companies, with emphasis on individuals that currently or formerly chair an audit or remuneration sub-committee. Private company, not-for-profit and government sector boards are also considered.	3
Environmental & Sustainability	Professional training or prior experience managing public company environmental and social responsibility risks.	3
Health & Safety	Directors that have had management responsibility for the health and safety of personnel on construction and/or operating plant sites	4
Government & Community Relations	Prior involvement in government/regulatory body engagement, or experience working on political action committees, or previous membership on any relevant state or federal government task force.	5

At the time of this Report, given the Company's growing presence in North America, the Board is considering the recruitment of an additional North America-based director with skills and experience in the legal and regulatory fields. Beyond that the Board considers that those fields where three or fewer directors bring relevant skills and experience are currently adequately covered through support to the Board from individuals or groups on a contractual basis. As the Company's projects move into the construction stage and then into production, the Board will review additional skills and experience to oversee those activities.

#### *Disclosure and Engagement*

The Board is charged with the responsibility of protecting the interests of LNG's shareholders. Through the lens of this ongoing assessment of its skills, the Board will continue to identify desired skills and experience attributes when reviewing the future director candidate pool. The Company welcomes engagement with shareholders around the composition of the Board to ensure that it has the skills and experience to oversee the successful execution of LNG's strategy.

The Company has a formal program for inducting new directors. When a new director starts, they are provided with a Director's Information Kit which provides guides, policies and papers on:

- Duty of care, skill and diligence;
- Duty of loyalty and conflicts of interest;
- Dealing in the Company's securities;
- Market disclosure policy;
- Corporate governance policy;
- Anti-bribery and anti-corruption policy;
- A quick guide to the constitution;
- The Company's Constitution; and
- A copy of the 3<sup>rd</sup> Edition Principles.

Together with the Director's Information Kit, directors are formally supported by the Managing Director/Chief Executive Officer, Company Secretary and Chair on all Board meeting related matters. During the year, director development included in-house training on Corporate Governance from the Australian Institute of Company directors, and Process Safety from IChemE, which was conducted in Perth, Australia and in Houston, U.S. These sessions were attended by all Directors.

There are procedures in place, agreed by the Board, to enable directors, in furtherance of their duties, to seek independent professional advice at the Company's expense, and directors are encouraged to attend relevant courses to maintain or expand their individual skills in areas supporting the Company's strategy.

### **Principle 3 – A Listed Entity Should Act Ethically and Responsibly**

The Board of the Company actively promotes ethical and responsible decision-making. The standard of ethical behaviour required by directors is set out in the Director Code of Conduct (Code), which forms part of the Company's governance policies. The Board updates the Code of Conduct as necessary, which ensures that it reflects an appropriate standard of behaviour and professionalism.

The Code requires that all directors must uphold the highest levels of integrity, conducting their business in accordance with the policy.

Please see <http://www.lnglimited.com.au/irm/content/corporate-governance.aspx?RID=225> for the Director Code of Conduct Policy.

### **Principle 4 – Safeguard Integrity in Corporate Reporting**

#### **Audit & Risk Committee**

The Board has established an A&RC which operates under a terms of reference (A&RC Charter) approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information, as well as non-financial considerations. The Board has delegated the responsibility for the establishment and maintenance of a framework of internal control (including the maintenance of a risk register) for the management of the Company to the A&RC.

The A&RC provides the Board with assurance regarding the reliability of financial information for inclusion in financial reports.

# Corporate Governance Statement

## continued

The members of the A&RC during the year were:

Name	Position
Leeanne Bond	Chairman
Richard Beresford	Member
D Michael Steuert	Member (appointed 9 February 2015)

All the members are NED's and other NED's are invited and attend the meetings. Management attended as appropriate. The Board is satisfied that the A&RC is of sufficient size, independence, and technical expertise to discharge its mandate effectively and in line with CGC Principles.

Within the Directors' Report the qualifications of the members can be found together with details on the number of meetings of the A&RC held during the year and the attendees at those meetings. A summary of the Company's A&RC charter can also be found on the Company's website within its Corporate Governance Policy at <http://www.lnglimited.com.au/irm/content/corporate-governance.aspx?RID=225>

The external auditor was appointed by the Board. The A&RC, as part of its charter, is required to conduct a review, at least annually, in relation to the external auditor. The A&RC, amongst other things, reviews the independence of the auditor and the auditor's performance, in relation to the adequacy of the scope and quality of the annual statutory audit, half-year review, and the fees charged. The Company's auditors have an ongoing policy of audit engagement partner rotation every five years.

Section 295A of the Corporations Act requires the CEO and CFO function to declare that, in their opinion, the financial records of the entity, for a financial year have been properly maintained in accordance with the Act and that the financial statements and the notes for the financial year comply with the accounting standards, and give a true and fair view of the financial position and performance of the entity. This declaration was made during the year.

The Company's external auditors, Ernst & Young, attend the Company's annual general meeting and are available to answer questions relevant to the audit from shareholders.

### Principle 5 – Make Timely and Balanced Disclosure

The Company's Corporate Governance Policies include a Market Disclosure Policy, which details the Company's commitment to ensuring compliance with market disclosure obligations.

The Company commits to:

- Ensuring that shareholders and the market are provided with timely and balanced information about its activities;
- Complying with the general and continuous disclosure principles contained in governing exchange rules; and;
- Ensuring that all market participants have equal opportunities to receive externally available information issued by the Company.

Company ASX releases are reviewed by executive directors, NED's and where applicable senior management prior to release in order to ensure:

- All releases are factually accurate, balanced and objective;
- There is no material omission of information;
- Announcements are released in a timely manner; and
- Announcements comply with practices and procedures of the ASX Company Announcements Platform.

The Company Secretary ensures that at every Board meeting, continuous disclosure is on the agenda and that all directors have an opportunity to put forward any information that may need disclosure. On a weekly basis, the Company Secretary contacts all directors to ensure that they do not have any information or matters that need disclosure.

Please see <http://www.lnglimited.com.au/irm/content/corporate-governance.aspx?RID=225> for the Company's Market Disclosure Policy.

## Principle 6 – Respect the Rights of Security Holders

The Company places significant importance on effective communication with shareholders and is committed to keeping them informed of all major developments that affect the Company. This information is communicated via:

- The Company's Annual Report and half yearly financial report;
- Quarterly cash flow reporting;
- Other Company announcements that comply with continuous disclosure obligations in accordance with ASX Listing Rules;
- Market briefings to assist shareholders and stakeholders to understand key issues;
- Postings on the Company's websites;
- The Chairman's address at the annual general meeting;
- Shareholder meetings; and
- Investor relations presentation/roadshows.

The Company's website has a dedicated Investors and Media Centre section that is updated regularly for the purpose of displaying all important Company information including media releases and presentations.

Shareholders are encouraged to subscribe to the Company's electronic email alert that allows them to be updated with Company announcements at the same time the announcements are released to the ASX. Shareholders can access email alerts via a dedicated link on the "Investor Welcome" page of the website.

Shareholders can contact the Company directly via an email link and are also able to lodge an "Information Request" electronically via the Company's website. Shareholders can receive communications from the Company's share registry, Link Market Services. Their contact details can be found within the "Investor FAQs" within the "Investors & Media" section of the Company website.

In addition to the Company website, dedicated websites exist for the Magnolia LNG project and Bear Head LNG project.

The Company facilitates and encourages participation at meetings of shareholders and all shareholders are encouraged to attend in person. The Company holds its meetings in capital cities in Australia and provides adequate opportunity for shareholders to post questions in advance of a meeting or ask questions at the end of each meeting.

## Principle 7 – Recognise and Manage Risk

### Risk assessment and mitigation processes

The Company's business strategy to become a leader in the development of mid-scale LNG liquefaction terminals and at the forefront of LNG processing technology designed to ensure its LNG plants are safe and globally competitive. The technology, scale and modular nature of LNG's plant design seeks to enable development of low cost, efficient and reliable LNG liquefaction terminals to serve the international energy market's demand for natural gas.

The Company's Business Principles guide our decisions, actions and behaviours. Effective management and oversight of the Company's risks are critical to the successful implementation of our strategy in addition to protecting the interests of its shareholders and other key stakeholders, which include our employees, business partners and the communities in which the Company operates.

### Risk assessment and mitigation processes

Risk management oversight is a key responsibility for the Board and a leading priority for senior managers, starting with the Managing Director/Chief Executive Officer. The Board oversees the risk appetite and profile of the Company, ensuring thorough assessment of business development opportunities within the context of its risk management framework.

The Company has a risk management process based on *Standards Australia AS/NZS ISO 31000:2009 Risk management – Principles and guidelines*. The Company's aim is to achieve best practice in identifying and assessing key business risks arising from operations and/or from the external business environment generally, and actively manage these key risks through mitigation plans. The risk management process enables the Company to make informed decisions on risk acceptance (or otherwise). The Board, through the A&RC, undertook a comprehensive review and updated the risk management process during the year. A management prepared risk register is tabled each quarter to the Board of Directors and updated on an ongoing basis.

With the prevailing objective of reducing business threats and sustaining competitive leadership, risk consequences are continually and consistently reviewed across the following categories: health and safety; environment; social; financial; technical; commercial; regulatory; legal and compliance.

# Corporate Governance Statement

## continued

The Board, through the A&RC, undertook a comprehensive review and updated the risk management process during the year. Management tables a risk register report every quarter to the Board that summarises key risk movements in the quarter. Management updates the detail risk register on an ongoing basis.

The Managing Director/Chief Executive Office and the Chief Financial Officer, based on experiential data, inquiry, observation, and other actions, consider that the Company's business reporting is founded on a sound system of risk management and internal controls, and that the system is operating effectively in all material respects.

The Company does not currently have an internal audit function, but through the Company's risk management process, management is satisfied that it is able to evaluate and continually improve the effectiveness of its risk management and internal control processes. The need for an internal audit function is kept under review by the A&RC.

The number of meetings held by the A&RC and the attendees is outlined at section 2 of the Directors Report and a summary of the key accountabilities of the Company's A&RC may be found on the Company's website within its Corporate Governance Policy at <http://www.lnglimited.com.au/irm/content/corporate-governance.aspx?RID=225>

### Sustainability

The A&RC also oversees our sustainability risks and opportunities and report these matters to the Board. The A&RC receive regular performance reports from management, confirms compliance, reviews the adequacy of sustainability management systems, and ensures appropriate improvement targets and benchmarks. It monitors potential liabilities, changes in legislation, community expectations, research findings, and technological changes. In addition to feedback and monitoring by the A&RC, the Board receives monthly reports on key risk areas such as health and safety, project development, and potential environmental challenges.

LNGL recognise the need to take account of changing community attitudes and environmental challenges, and therefore the Company assesses the environmental and social risks associated with all of its projects. Projects are developed with precautionary engineering and management measures in place to mitigate key environmental and social risks. On this basis, the Board has endorsed LNGL's Business Principles and associated Policies detailing the expectations and obligations applicable to LNGL's Board, senior management, and workforce.

### Safety

An important aspect of LNGL's risk management framework includes the protection of our people and the people in surrounding communities in the area of workplace health and safety. Our shared duty is to assure the health, security and safety of people, the integrity and safe operation of our assets, and the protection of the environment. We accomplish this by setting clear expectations including target setting, training of our workforce, and empowering our workforce to stop work whenever they believe there is a danger to people, the environment, or the safe operation of our assets. Effective management of health, safety, security and environment risk is vital to successful delivery of LNGL's strategy, our long-term sustainability, and maintenance of our License to Operate in the communities where we conduct business.

### Environment

We work to avoid, mitigate, and minimise environmental impacts where we do business and we try to create mutually supporting economic and environmentally sustainable solutions. Our OSMR<sup>®</sup> technology offers a range of economic, environmental and social benefits, with the objective being reduced capital and operating costs, smaller footprint, and simple start-up and operation. OSMR<sup>®</sup> is energy efficient and will operate at a lower greenhouse gas intensity compared with traditional LNG technologies.

### Social

Community engagement is embedded in our projects. We listen to community concerns, respond to their needs, and take actions required to help to mitigate the impact of our planned operations. The manner in which LNGL conducts business in local communities is critical to the overall success of the business and the long-term interests of our shareholders. As the Company continues to develop international LNG projects, we aim to manage the social impacts of our business activities to positive outcomes in affected local communities. We commit to strengthening the communities in which we live and work in enduring ways.

In satisfying future international energy demands, the Board and senior management will work to leave a positive social legacy wherever we operate. Our objective is for our LNG projects to create economic value for local communities by employing workers; procuring goods and services from local suppliers; investing in local infrastructure and regional development.



### Regulatory Approval

Detailed and documented approvals exist in respect of the environmental and social regulations associated with our LNG projects. These approvals have been issued by regulatory bodies following extensive consultation with communities and other stakeholders. Progress on regulatory approvals and submissions made in support of these processes are available via the LNGL's, Magnolia LNG and Bear Head LNG project websites, or direct from the relevant U.S. and Canadian regulators' websites.

The Company has yet to reach financial close on any of our LNG projects, and therefore the majority of LNGL's identified sustainability risks will only become material when project construction commences. Health and safety risks increase during the construction and operating phases, with a larger workforce in place and a commensurate increase in exposure to operational hazards. We are working with our contractors to ensure that appropriate training for employees and contractors across the workforce meets international standards. As the workforce grows, we are committed to maintaining equality of opportunity, encouraging diversity, and creating a rewarding work environment for all of LNGL's employees.

Continued change and uncertainty in public policy can be very challenging when making large, long-term investments for the future. Policy responses to climate change are of special interest to energy providers such as LNGL, although this risk is widely recognised as a global challenge. The Company is positioned to contribute to climate change solutions and we support measures to progressively reduce greenhouse gas emissions in line with established climate targets.

With regard to the Intended Nationally Determined Contributions in USA and Canada, which were announced in advance of the United Nations Climate Change Conference in Paris in December 2015, LNGL is positioned to capitalise upon increasing opportunities for natural gas consumption. As LNGL expands its international footprint, the Company is proactively managing its relationships with governments and regulators in Australia, Canada, and the USA. We will continue to monitor international and national policy debates and developments in climate change science to understand possible impacts on our business. In the medium term, we expect that LNGL will benefit from the focus on reducing the emissions intensity of global energy production and supply.

### Policies relevant to sustainability

Recently issued corporate policies relevant to sustainability include the Business Principles to guide our core values and behaviours, the Health, Safety, Security and Environment Policy, the License to Operate Policy and the Duty to Report Policy for managing policy breaches.

These policies are made public through the Company's website.

### New Safety Sustainability People and Culture Committee

Due to the increasing complexity of the business as we progress the development of our projects and prepare for the construction and operation phases, the Board has established a new committee to focus on Safety, Sustainability, People and Culture. Details of the committee membership are included in the discussion under Principle 1.

## Principle 8 – Remunerate fairly and responsibly

### Remuneration Committee

The Board has established a RC comprising an independent Chairman, Mr R Beresford, Ms L Bond and Mr P Cavicchi, who are all independent NEDs to supervise employment management guidelines and policies and assist in developing and recommending remuneration arrangements. The Company's Managing Director/Chief Executive Officer, Mr M Brand, also attends the meeting by invitation in order to update the RC when required. Mr Brand is not involved in developing remuneration policies, setting remuneration packages nor does he commission research and recommendations provided to the RC by independent remuneration consultants. The RC is aware of the need to remain strictly independent.

A summary of the key accountabilities of the Company's RC may be found on the Company's website within its Corporate Governance Policy at <http://www.lnglimited.com.au/irm/content/corporate-governance.aspx?RID=225>

Please refer to the Remuneration Report on page 18 for additional remuneration disclosures.

# Statement of Comprehensive Income

for the year ended 30 June 2015

	Note	Consolidated	
		2015 \$'000	2014 \$'000
Revenue	6	668	275
Other income	7	7,931	308
Administration expenses		(8,171)	(4,035)
Finance costs		(1)	(6)
Project development expenses		(71,885)	(20,099)
Share based payment expenses	24	(14,758)	–
Other expenses	8(e)	(41)	(1,108)
<b>LOSS BEFORE INCOME TAX</b>		<b>(86,257)</b>	<b>(24,665)</b>
Income tax expense	9	(50)	–
<b>LOSS AFTER INCOME TAX</b>		<b>(86,307)</b>	<b>(24,665)</b>
<b>NET LOSS FOR THE PERIOD</b>		<b>(86,307)</b>	<b>(24,665)</b>
<b>OTHER COMPREHENSIVE INCOME:</b>			
<i>Items that may be reclassified to profit and loss</i>			
Foreign currency translation	21(b)	559	663
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>		<b>559</b>	<b>663</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>(85,748)</b>	<b>(24,002)</b>
Loss for the period is attributable to:			
Non-controlling interest		(1)	(5)
Equity holders of the Parent	21(a)	(86,306)	(24,660)
		<b>(86,307)</b>	<b>(24,665)</b>
Total comprehensive income for the period is attributable to:			
Non-controlling interest		(1)	(5)
Equity holders of the Parent		(85,747)	(23,997)
		<b>(85,748)</b>	<b>(24,002)</b>
<b>LOSS PER SHARE ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY:</b>			
		<b>Cents</b>	<b>Cents</b>
– Basic loss per share	11	<b>(18.58)</b>	<b>(7.39)</b>
– Diluted loss per share	11	<b>(18.58)</b>	<b>(7.39)</b>

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

# Statement of Financial Position

as at 30 June 2015

	Note	Consolidated	
		2015 \$'000	2014 \$'000
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	12	46,971	47,771
Trade and other receivables	13	2,485	343
Other financial assets	14	134,830	3,168
Prepayments		325	156
<b>TOTAL CURRENT ASSETS</b>		<b>184,611</b>	<b>51,438</b>
<b>NON-CURRENT ASSETS</b>			
Property, Plant and equipment	15	12,120	292
<b>TOTAL NON-CURRENT ASSETS</b>		<b>12,120</b>	<b>292</b>
<b>TOTAL ASSETS</b>		<b>196,731</b>	<b>51,730</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	16	13,859	3,409
Interest-bearing liabilities	17	3	3
Income tax payable		50	–
Provisions	18	971	507
<b>TOTAL CURRENT LIABILITIES</b>		<b>14,883</b>	<b>3,919</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing liabilities	17	9	12
Provisions	19	230	197
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>239</b>	<b>209</b>
<b>TOTAL LIABILITIES</b>		<b>15,122</b>	<b>4,128</b>
<b>NET ASSETS</b>		<b>181,609</b>	<b>47,602</b>
<b>EQUITY</b>			
<i>Equity attributable to equity holders of the Parent:</i>			
Contributed equity	20	392,021	187,024
Reserves	21(b)	27,298	11,981
Accumulated losses	21(a)	(237,593)	(151,287)
<b>PARENT INTERESTS</b>		<b>181,726</b>	<b>47,718</b>
<b>NON-CONTROLLING INTEREST</b>	22	<b>(117)</b>	<b>(116)</b>
<b>TOTAL EQUITY</b>		<b>181,609</b>	<b>47,602</b>

The above statement of financial position should be read in conjunction with the accompanying notes.

# Statement of Changes in Equity

for the year ended 30 June 2015

	Ordinary shares \$'000	Share options reserve \$'000	Share Performance rights reserve \$'000	Redeemable preference share reserve \$'000	Equity reserve \$'000	Foreign currency translation reserve \$'000	Accumulated losses \$'000	Owners of the parent \$'000	Non- controlling interest \$'000	Total \$'000
<b>At 1 July 2014</b>	187,024	6,078	485	4,032	578	808	(151,287)	47,718	(116)	47,602
Loss for the period	-	-	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	559	(86,306)	(86,306)	(1)	(86,307)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	-	-	-	-	-	559	-	559	-	559
<b>TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS:</b>										
Shares issued on placement	204,415	-	-	-	-	-	(86,306)	(85,747)	(1)	(85,748)
Exercise of options	582	-	-	-	-	-	-	204,415	-	204,415
Share based payment	-	-	14,758	-	-	-	-	582	-	582
<b>AT 30 JUNE 2015</b>	<b>392,021</b>	<b>6,078</b>	<b>15,243</b>	<b>4,032</b>	<b>578</b>	<b>1,367</b>	<b>(237,593)</b>	<b>181,726</b>	<b>(117)</b>	<b>181,609</b>
<b>AT 1 JULY 2013</b>	117,509	5,555	485	4,032	578	145	(126,627)	1,677	(111)	1,566
Loss for the period	-	-	-	-	-	-	(24,660)	(24,660)	(5)	(24,665)
Other comprehensive income	-	-	-	-	-	663	-	663	-	663
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	-	-	-	-	-	663	(24,660)	(23,997)	(5)	(24,002)
<b>TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS:</b>										
Shares issued on placement	69,153	-	-	-	-	-	-	69,153	-	69,153
Exercise of options	362	-	-	-	-	-	-	362	-	362
Share based payment	-	523	-	-	-	-	-	523	-	523
<b>AT 30 JUNE 2014</b>	<b>187,024</b>	<b>6,078</b>	<b>485</b>	<b>4,032</b>	<b>578</b>	<b>808</b>	<b>(151,287)</b>	<b>47,718</b>	<b>(116)</b>	<b>47,602</b>

The above statement of changes in equity should be read in conjunction with the accompanying notes.

# Cash Flow Statement

for the year ended 30 June 2015

	Note	Consolidated	
		2015 \$'000	2014 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from the Australian Taxation Office		326	81
Interest received		618	225
Research and development tax concession rebate		–	308
Payments to suppliers and employees		(70,920)	(22,379)
<b>NET CASH FLOWS USED IN OPERATING ACTIVITIES</b>	23a	<b>(69,976)</b>	<b>(21,765)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
(Investment in)/proceeds from security deposits classified as other financial assets	14	(1,028)	(2,223)
Investment in other financial assets	14	(130,634)	
Purchase of property, plant and equipment	15	(11,624)	(248)
Proceeds from sale of Australian listed shares		–	443
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(143,286)</b>	<b>(2,028)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of ordinary shares	20	212,670	73,932
Transaction costs on issue of ordinary shares	20	(8,255)	(4,043)
Proceeds from the exercise of options	20	582	361
Repayment of finance lease principal		(3)	(2)
Interest paid		(1)	(6)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>204,993</b>	<b>70,242</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(8,269)</b>	<b>46,449</b>
Net foreign exchange differences		7,469	(261)
Cash and cash equivalents at beginning of year		47,771	1,583
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	12	<b>46,971</b>	<b>47,771</b>

The above cash flow statement should be read in conjunction with the accompanying notes.

# Notes to the Financial Statements

for the year ended 30 June 2015

## 1. Corporate Information

The financial report of Liquefied Natural Gas Limited (**LNGL** or **Company**) for the year ended 30 June 2015 was authorised for issue in accordance with a resolution of the directors on 29 September 2015.

The Company is incorporated in Australia and is a for profit company limited by shares, with its shares publicly traded on the Australian Securities Exchange (**ASX**). The Company (**Parent**) is the parent company to a number of subsidiaries (collectively the **Group**).

The nature of the operations and principal activities of the Group are described in the Directors' Report.

## 2. Summary of Significant Accounting Policies

### Basis of Preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis, other than available for sale financial assets, which are measured at fair value.

The financial report is presented in Australian dollars rounded to the nearest \$1,000 (unless otherwise stated), under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the class order applies.

### (a) Compliance with IFRS

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (**IFRS**) as issued by the International Accounting Standards Board.

### (b) New Accounting Standards and Interpretations

Since 1 July 2014, the Group has adopted the following Standards and Interpretations, mandatory for all annual reporting periods beginning on or after 1 July 2014. Adoption of these Standards and Interpretations did not have any effect on the financial position or performance of the Group.

Reference	Title	Application date for Group*
AASB 2012-3	Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities	1 July 2014
AASB 2013-3	Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets	1 July 2014
AASB 1031	Materiality	1 July 2014
AASB 2013-9	Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments	1 July 2014
AASB 2014-1 Part A	AASB 2014-1 Part A: This standard sets out amendments to Australian Accounting Standards arising from the issuance by the International Accounting Standards Board (IASB) of International Financial Reporting Standards (IFRSs) Annual Improvements to IFRSs 2010 – 2012 Cycle and Annual Improvements to IFRSs 2011 – 2013 Cycle.	1 July 2014

## 2. Summary of Significant Accounting Policies (continued)

### Standards and Interpretations issued not yet effective

Reference	Title	Summary	Impact on Group financial report	Application date for Group*
AASB 9	Financial Instruments, and the relevant amending standards	AASB 9 issued in December 2009 introduced new requirements for the classification and measurement of financial assets. AASB 9 was subsequently amended in December 2010 to include requirements for the classification and measurement of financial liabilities and for de-recognition, and in December 2013 to include the new requirements for general hedge accounting. Another revised version of AASB 9 was issued in December 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.	The Group has not yet determined the extent of the impact, if any.	1 January 2018
AASB 15	Revenue from Contracts with Customers	The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:  (a) Step 1: Identify the contract(s) with a customer (b) Step 2: Identify the performance obligations in the contract (c) Step 3: Determine the transaction price (d) Step 4: Allocate the transaction price to the performance obligations in the contract (e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation	The Group has not yet determined the extent of the impact, if any.	1 July 2017
AASB 2015-1	Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012 – 2014 Cycle	AASB 119 Employee Benefits:  Discount rate: regional market issue - clarifies that the high quality corporate bonds used to estimate the discount rate for post-employment benefit obligations should be denominated in the same currency as the liability. Further it clarifies that the depth of the market for high quality corporate bonds should be assessed at the currency level.	The amendment is not expected to have a significant impact on the Group's financial report	1 July 2016
AASB 2015-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	The Standard makes amendments to AASB 101 <i>Presentation of Financial Statements</i> arising from the IASB's Disclosure Initiative project. The amendments are designed to further encourage companies to apply professional judgment in determining what information to disclose in the financial statements.	The amendment is not expected to have a significant impact on the Group's financial report	1 July 2016

\* Application date is for annual reporting periods beginning on or after the date shown in the above tables.

# Notes to the Financial Statements

## continued

### 2. Summary of Significant Accounting Policies (continued)

#### (c) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group as at 30 June each year.

Subsidiaries are all those entities over which the Group has the power to control. When assessing whether the Group controls another entity the following factors are considered: the existence of power; the exposure or rights to variable returns and the ability to use the Group's power to affect the amount of the subsidiary's returns.

The financial statements of subsidiaries are prepared for the same reporting period as the Parent company, using consistent accounting policies.

All inter-company balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full upon consolidation.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Subsidiary acquisitions pre-1 July 2009 are accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition.

Subsidiary acquisitions post-1 July 2009 are accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values.

Non-controlling interests not held by the Group are allocated their share of net profit or loss after tax in the income statement and are presented within equity in the consolidated balance sheet, separately from Parent shareholder's equity.

#### (d) Operating Segments – Refer Note 5

An operating segment is a component of an entity that engages in business activities from which it may earn revenue and incur expenses (including revenue and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. This includes start-up operations, which are yet to earn revenue. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the Board of Directors.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team.

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for "all other segments".

#### (e) Foreign Currency Translation

Both the functional and presentation currency of the Company and its Australian subsidiaries is Australian dollars (\$). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The United States and Canadian subsidiaries' functional currency is United States Dollars, which is translated to Australian dollar presentation currency. The Indonesian subsidiary's functional currency is Indonesian Rupiah, which is translated to Australian dollar presentation currency.

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance date. All exchange differences in the consolidated financial report are taken to profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The profit or loss of overseas subsidiaries is translated into Australian dollars at the average exchange rate for the reporting period or at the exchange rate ruling at the date of each transaction. Assets and liabilities are translated at exchange rates prevailing at balance date.

Exchange variations resulting from the translation are recognised in the foreign currency translation reserve in equity.

#### (f) Cash and Cash Equivalents – Refer Note 12

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less, that are readily convertible to known amounts of cash, and which are subject to an insignificant risk of changes in value.

For the purposes of the cash flow statement, cash and cash equivalents include cash and cash equivalents as defined above, net of outstanding bank overdrafts.

#### (g) Trade and Other Receivables – Refer Note 13

Trade receivables, which generally have 30-90 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.



## 2. Summary of Significant Accounting Policies (continued)

Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will be unable to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 120 days overdue are considered objective evidence of impairment. The amount of impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

### (h) Business Combinations

Prior to 1 July 2009, business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition cost. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Post-1 July 2009 business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 either in profit or loss or in other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured.

### (i) Goodwill and Intangibles

#### Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. The Group performs its impairment testing using the fair value less costs to sell method for the cash-generating units to which the goodwill has been allocated.

When the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit (group of cash-generating units) and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

The Group currently has no goodwill recorded on its balance sheet.

#### Research and Development Costs

Research costs are expensed as incurred.

### (j) Property, Plant and Equipment – Refer Note 15

#### Cost and Valuation

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in profit or loss as incurred.

# Notes to the Financial Statements

## continued

### 2. Summary of Significant Accounting Policies (continued)

#### *Depreciation*

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Computer hardware	3 to 5 years
Computer software	3 to 10 years
Furniture & fittings	10 years
Office equipment	5 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year-end.

#### *De-recognition and Disposal*

An item of plant and equipment is de-recognised upon disposal or when no further future economic benefits are expected from its use or disposal.

#### *(k) Leases – Refer Note 27*

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

#### *Finance Leases (Group as a Lessee)*

Leases which effectively transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit and loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

#### *Operating Leases (Group as a Lessee)*

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

#### *(l) Impairment of Non-financial Assets Other than Goodwill*

Intangible assets that have an indefinite useful life and are not subject to amortisation are tested annually for impairment or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

The Group currently has no intangible assets recorded on its balance sheet.

#### *(m) Trade and Other Payables – Refer Note 16*

Trade and other payables are carried at amortised cost and due to their short-term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

#### *(n) Borrowing Costs*

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the period they occur. The Group does not currently hold any qualifying assets.

#### *(o) Provisions and Employee Benefits – Refer Note 18 & 19*

The Group employs personnel in different countries and is subject to differing local employment laws and benefit offerings.

#### *Provisions*

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

## 2. Summary of Significant Accounting Policies (continued)

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance date using a discounted cash flow methodology. The risk specific to the provision is factored into the cash flows and as such a risk-free government bond rate relative to the expected life of the provision is used as a discount rate. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

### *Wages, Salaries, Annual Leave and Sick Leave*

Liabilities for wages and salaries, including non-monetary benefits and annual leave due to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts due to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

### *Long Service Leave*

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

### *Benefit Plans*

The Company does not operate a defined benefit pension plan, but offers a voluntary savings plan in the United States and contributes to the superannuation funds established in Australia.

In 2015, the Group established a defined contribution plan (401(k) Plan) for eligible U.S. employees. The 401(k) Plan allows eligible employees to contribute up to 100% of their compensation up to the IRS maximum. The Group matches employee contributions up to 3.5 percent of said contribution

### *(p) Share-Based Payment Transactions – Refer Note 24*

The Group provides benefits to employees (including directors and Senior Executives) in the form of share-based payments, whereby services are rendered in exchange for rights over shares ("equity-settled transactions").

The Company has a Share Option Plan, and Performance Rights Plans, which provides share options or performance rights to "eligible employees" including full-time employees, part-time employees, directors and Senior Executives.

### *Equity-Settled Transactions*

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. That cost is recognised in employee benefits expense, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions, at each reporting date until the vesting date, reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The statement of profit or loss expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Equity-settled awards granted by the Company to employees of its subsidiaries are recognised in the Company's separate financial statements as an additional investment in the subsidiary with a corresponding credit to equity. As a result, the expense recognised by the Company in relation to equity-settled awards only represents the expense associated with grants to employees of the Company. The expense recognised by the Group is the total expense associated with all such awards.

When the terms of an equity-settled award are modified, the minimum expense recognised is the expense had the terms not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

# Notes to the Financial Statements

continued

## 2. Summary of Significant Accounting Policies (continued)

### (q) Contributed Equity – Refer Note 20

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### (r) Revenue and other Income Recognition – Refer Note 6

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

#### Rendering of Services

Where the contract outcome can be reliably measured, revenue is recognised when control of the right to be compensated for the services and the stage of completion can be reliably measured. Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract. Where the contract outcome cannot be reliably measured, revenue is recognised only to the extent of the expenses recognised that are recoverable.

#### Interest Revenue

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Interest accruing on time deposits and other interest-bearing cash accounts is recognised as earned.

#### Research & Development (R&D) Rebate Income

R&D rebate income is recognised when the return is prepared and the amount can be reliably measured.

### (s) Income and other Taxes – Refer Note 9

#### Income Taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance date.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- When the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses, can be utilised, except:

- When the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- When the deductible temporary difference is associated with investments in subsidiaries, associates, or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

## 2. Summary of Significant Accounting Policies (continued)

### Other Taxes

Revenue, expenses and assets are recognised net of the amount of Goods and Service Tax (**GST**), except:

- When the GST incurred on a purchase of goods and services is not recoverable from the Australian Tax Office (**ATO**) in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the balance sheet.

Cash flows are included in the cash flow statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the ATO is classified as part of operating cash flow.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the ATO.

### (t) Earnings Per Share (“EPS”) – Refer Note 11

Basic EPS is calculated as net profit or loss attributable to members of the Parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares.

Diluted EPS is calculated as net profit or loss attributable to members of the Parent, adjusted for:

- Costs of servicing equity (other than dividends) and preference share dividends;
- The after-tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses;
- Other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; and
- Divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

### (u) Investments and Other Financial Assets – Refer Note 14

Investments and financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. The classification depends on the purpose for which the investments were acquired. Designation is re-evaluated at each financial year end, but there are restrictions on reclassifying to other categories. When financial assets are recognised initially, they are

measured at fair value, plus (in the case of assets not at fair value through profit or loss) directly attributable transaction costs.

#### (i) Financial Assets at Fair Value through Profit or Loss

Financial assets classified as held for trading are included in the category “financial assets at fair value through profit or loss”. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains and losses on investments held for trading are recognised in profit or loss and the related assets are classified as current assets in the balance sheet.

#### (ii) Held-to-Maturity Investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are de-recognised or impaired, as well as through the amortisation process.

#### (iii) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are de-recognised or impaired. These are included in current assets, except for those with maturities greater than 12 months after balance date, which are classified as non-current.

#### (iv) Available-for-Sale Investments

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is de-recognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

# Notes to the Financial Statements

continued

## 2. Summary of Significant Accounting Policies (continued)

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include: using recent arm's length market transactions, reference to the current market value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible and keeping judgemental inputs to a minimum.

## 3. Financial Risk Management Objectives and Policies

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

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

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

### 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.

At balance date, the Group had the following financial assets exposed to Australian variable interest rate risk that is not designated as cash flow hedges:

	Consolidated	
	2015 \$'000	2014 \$'000
<b>Financial assets</b>		
Cash and cash equivalents (Note 12)	46,971	47,771
Other financial assets (term deposits) (Note 14)	134,830	3,169
<b>Net exposure</b>	<b>181,801</b>	<b>50,940</b>

At 30 June 2015, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post-tax loss and equity would have been affected as follows:

Judgements of reasonably possible movements:	Post tax profit Higher/(Lower)		Equity Higher/(Lower)	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
<b>Consolidated</b>				
+0.5% (50 basis points) (2014: +0.5%)	909	255	909	255
-0.5% (50 basis points) (2014: -0.5%)	(909)	(255)	(909)	(255)

### 3. Financial Risk Management Objectives and Policies (continued)

Significant assumptions used in the interest rate sensitivity analysis include:

- The 0.5% sensitivity is based on reasonably possible movements over a financial year, after observation of a range of actual historical rate movements during the past 5 year period; and
- The net exposure at balance sheet date is representative of what the Group was and is expecting to be exposed to in the next twelve months.

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

As and when the Group's foreign currency expenditure commitments increase, and the timing of such payments have an acceptable degree of certainty, the Group will actively monitor its exposure to foreign currency exchange rate movements, including availability of natural hedges (e.g. matching foreign currency receipts and expenditure), and consider the implementation of foreign currency hedging instruments to mitigate potentially unfavourable foreign exchange rate movements.

At 30 June 2015, the Group had the following exposure to US\$ foreign currency that is not designated as cash flow hedges:

	Consolidated	
	2015 \$'000	2014 \$'000
<b>Financial assets</b>		
US\$ cash and cash equivalents	110,729	12,522
<b>Financial liabilities</b>		
US\$ trade and other payables	(9,454)	(2,569)
<b>Net exposure</b>	<b>101,275</b>	<b>9,953</b>

At 30 June 2015, had the Australian dollar moved, as illustrated in the table below, with all other variables held constant, post-tax loss and equity would have been affected as follows:

Judgements of reasonably possible movements:	Post tax profit Higher/(Lower)		Equity Higher/(Lower)	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
<b>Consolidated</b>				
AUD/USD +10% (2014: +10%)	(12,027)	(976)	(12,027)	(976)
AUD/USD –10% (2014: –10%)	<b>14,700</b>	1,193	<b>14,700</b>	1,193

Significant assumptions used in the foreign exchange sensitivity analysis include:

- The 10% sensitivity is based on reasonably possible movements over a financial year, after observation of actual historical rate movement during the past 5 year period;
- The translation of net assets in subsidiaries with a functional currency other than A\$ has not been included in the sensitivity analysis as part of the equity movement; and
- The net exposure at balance date is representative of what the Group was and is expecting to be exposed to in the next twelve months from balance date.

## Notes to the Financial Statements

continued

### 3. Financial Risk Management Objectives and Policies (continued)

At 30 June 2015, the Group had the following exposure to Canadian dollar (CDN) foreign currency that is not designated as cash flow hedges:

	Consolidated	
	2015 \$'000	2014 \$'000
<b>Financial assets</b>		
CDN\$ cash and cash equivalents	6,496	–
<b>Financial liabilities</b>		
CDN\$ trade and other payables	(141)	–
<b>Net exposure</b>	<b>6,355</b>	<b>–</b>

At 30 June 2015, had the Australian dollar moved, as illustrated in the table below, with all other variables held constant, post-tax loss and equity would have been affected as follows:

Judgements of reasonably possible movements:	Post tax profit Higher/(Lower)		Equity Higher/(Lower)	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
<b>Consolidated</b>				
AUD/USD +10% (2014: +10%)	(611)	–	(611)	–
AUD/USD –10% (2014: –10%)	747	–	747	–

Significant assumptions used in the foreign exchange sensitivity analysis include:

- The 10% sensitivity is based on reasonably possible movements over a financial year, after observation of actual historical rate movement during the past 5 year period;
- The translation of net assets in subsidiaries with a functional currency other than A\$ has not been included in the sensitivity analysis as part of the equity movement; and
- The net exposure at balance date is representative of what the Group was and is expecting to be exposed to in the next twelve months from balance date.

#### 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 \$2,485,000 (2014: \$343,000).

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

#### Liquidity Risk

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

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

At 30 June 2015, except for payables, the Group had no debt (2014: 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 term deposit with the ANZ Banking Group and Westpac Banking Corporation, with funds transferred as necessary to the Group's working accounts to meet short-term expenditure commitments.



### 3. Financial Risk Management Objectives and Policies (continued)

The remaining contractual maturities of the Group's financial liabilities are:

	Consolidated	
	2015 \$'000	2014 \$'000
<b>As at 30 June 2015</b>		
6 months or less	13,861	3,410
6-12 months	2	1
1-5 years	8	13
Over 5 years	–	–
	<b>13,871</b>	<b>3,424</b>

Maturity analysis of financial assets and liabilities based on management's expectation:

As at 30 June 2015 Consolidated	≤6 months \$'000	6-12 months \$'000	1-5 years \$'000	>5 years \$'000	Total \$'000
<b>Financial assets</b>					
Cash and cash equivalents	46,971	–	–	–	46,971
Receivables	2,485	–	–	–	2,485
Other financial assets	134,830	–	–	–	134,830
	<b>184,286</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>184,286</b>
<b>Financial liabilities</b>					
Trade and other payables	13,859	–	–	–	13,859
Interest bearing liabilities	2	2	8	–	12
	<b>13,861</b>	<b>2</b>	<b>8</b>	<b>–</b>	<b>13,871</b>
<b>Net maturity</b>	<b>170,425</b>	<b>(2)</b>	<b>(8)</b>	<b>–</b>	<b>170,415</b>

### 3. Financial Risk Management Objectives and Policies (continued)

As at 30 June 2014 Consolidated	≤6 months \$'000	6-12 months \$'000	1-5 years \$'000	>5 years \$'000	Total \$'000
<b>Financial assets</b>					
Cash and cash equivalents	47,771	–	–	–	47,771
Receivables	343	–	–	–	343
Other financial assets	3,168	–	–	–	3,168
	<b>51,282</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>51,282</b>
<b>Financial liabilities</b>					
Trade and other payables	3,409	–	–	–	3,409
Interest bearing liabilities	1	1	13	–	15
	<b>3,410</b>	<b>1</b>	<b>13</b>	<b>–</b>	<b>3,424</b>
<b>Net maturity</b>	<b>47,872</b>	<b>(1)</b>	<b>(13)</b>	<b>–</b>	<b>47,858</b>

The risk implied from the values shown in the table above, reflects a balanced view of cash inflows and outflows.

#### Fair Value

The methods for estimating fair value are outlined in the relevant notes to the financial statements.

# Notes to the Financial Statements

## continued

### 4. Significant Accounting Judgements, Estimates and Assumptions

In applying the Group's accounting policies, management is required to make judgements, estimates, and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates based on experience and various other factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

The following are the critical accounting policies for which significant judgements, estimates, and assumptions are made in the preparation of the Group's financial statements. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

#### (i) Significant Accounting Judgements

##### *Operating Lease Commitments – Group as Lessee*

The Group has entered into leases for office premises and determined that the lessor retains all the significant risks and rewards of ownership of the office premises and thus has classified the leases as operating leases.

##### *Recovery of Deferred Tax Assets*

Deferred tax assets arising from deductible temporary differences and tax losses are not recognised as management does not consider it probable that future taxable profits will be available to utilise those temporary differences and tax losses.

Management judgement is required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised in the balance sheet. Deferred tax assets, including those arising from un-recouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Assumptions about the generation of future taxable profits depend on management's estimate of future cash flows. These depend on estimates of future revenues, operating costs, capital expenditure, dividend and other project development costs. Judgements are also required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of tax losses and temporary differences not yet recognised in the balance sheet.

### 4. Significant Accounting Judgements, Estimates and Assumptions (continued)

#### *Project Development Expenses*

Management judgement is required to assess whether development expenses should be capitalised. In determining whether to capitalise development expenses, management assesses whether all material issues in relation to a project have been adequately identified and addressed, to the extent possible, and it is probable that the project will achieve final investment decision, and proceeding to development, within a reasonable period.

As the above factors have not been satisfied, all development expenditure has been expensed during the financial year.

#### (ii) Significant Accounting Estimates and Assumptions

##### *Share-Based Payment Transactions*

The Group measures the cost of equity-settled transactions with directors and employees by reference to the fair value of equity instruments at the date at which they are granted. The fair value is determined using a binomial or Black Scholes model with the assumptions detailed in the share-based payment note to the financial statements.

### 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.

## 5. Operating Segments (continued)

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 business has been determined as both an operating segment and a reportable segment. The operating segments aggregated to form the LNG Infrastructure reportable operating segment include:

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

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

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

### *Technology and Licensing*

The technology and licensing business is involved in the development of LNG technology, through research and development activities, and the advancement of each developed technology to the patent application stage or ability to commercialise the LNG technology. The business model aims to derive licensing fees or royalties from the utilisation of, or the sub-licensing of the LNG technology. The technology and licensing has been determined as both an operating segment and a reportable segment.

### *Segment Accounting Policies*

The accounting policies used by the Group in reporting segments are the same as those contained in the summary of accounting policies for the consolidated Group disclosed above.

### *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% (2014: 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.

## Notes to the Financial Statements

continued

### 5. Operating Segments (continued)

The following table shows the revenue and profit or loss information for reportable segments for the fiscal years ended 30 June 2015 and 30 June 2014, respectively.

Year ended 30 June 2015 Revenue	LNG infrastructure \$'000	Technology and licensing \$'000	Total \$'000
Other revenue	–	–	–
Inter-segment sales	–	–	–
<b>Total segment revenue</b>	–	–	–
Inter-segment elimination			–
Unallocated revenue			668
<b>Total revenue per the statement of comprehensive income</b>			<b>8,599</b>
Unallocated other income			7,931
Segment profit/(loss)	(71,298)	(587)	<b>(71,885)</b>
<b>Reconciliation of segment net profit/(loss) after tax to net profit/(loss) before tax</b>			
Income tax expense at 30% (2014: 30%)			(50)
Unallocated revenue and other income			8,599
Finance costs			(1)
Corporate charges			(22,970)
<b>Net profit/(loss) before tax per the statement of comprehensive income</b>			<b>(86,307)</b>
Segment assets for the year ended 30 June 2015 are as follows:			
<b>Segment assets</b>			
Segment operating assets	14,284	19	<b>14,303</b>
Intersegment eliminations			–
Unallocated assets <sup>1</sup>			182,068
<b>Total assets per the statement of financial position</b>			<b>196,371</b>
<b>Unallocated liabilities</b>			<b>3,829</b>

1. Unallocated assets primarily consisted of cash and equivalents of \$46,971,000 and other financial assets of \$134,830,000.

## 5. Operating Segments (continued)

Year ended 30 June 2014 Revenue	LNG infrastructure \$'000	Technology and licensing \$'000	Total \$'000
Other revenue	–	–	–
Inter-segment sales	–	–	–
<b>Total segment revenue</b>	–	–	–
Inter-segment elimination			–
Unallocated revenue			275
<b>Total revenue per the statement of comprehensive income</b>			<b>583</b>
Unallocated other income			308
Segment profit/(loss)	(20,017)	(122)	<b>(20,139)</b>
<b>Reconciliation of segment net profit/(loss) after tax to net profit/(loss) before tax</b>			
Income tax expense at 30% (2013: 30%)			–
Unallocated revenue and other income			583
Finance costs			(6)
Corporate charges			(5,103)
<b>Net profit/(loss) before tax per the statement of comprehensive income</b>			<b>(24,665)</b>
Segment assets for the year ended 30 June 2015 are as follows:			
<b>Segment assets</b>			
Segment operating assets	240	–	<b>240</b>
Intersegment eliminations			–
Unallocated assets <sup>1</sup>			51,490
<b>Total assets per the statement of financial position</b>			<b>51,730</b>
<b>Unallocated liabilities</b>			<b>4,128</b>

1. Unallocated assets primarily consisted of cash and cash equivalents of \$47,771,000 and other financial assets of \$3,168,000.

## Notes to the Financial Statements

continued

### 5. Operating Segments (continued)

The analysis of the location of segment assets is as follows:

	Consolidated	
	2015 \$'000	2014 \$'000
Australia	516	25
United States	624	202
Canada	13,157	–
Indonesia	6	13
<b>Total</b>	<b>14,303</b>	<b>240</b>

### 6. Revenue

	Consolidated	
	2015 \$'000	2014 \$'000
Interest revenue	668	275
<b>Total revenue</b>	<b>668</b>	<b>275</b>

### 7. Other Income

	Consolidated	
	2015 \$'000	2014 \$'000
Research and development concession rebate	462	308
Net foreign exchange gain	7,469	–
<b>Total other income</b>	<b>7,931</b>	<b>308</b>

In the prior year, the Company generated a net foreign exchange loss. This is disclosed at Note 8(e).

## 8. Expenses

	Consolidated	
	2015 \$'000	2014 \$'000
<b>(a) Depreciation</b>		
Plant and equipment	107	50
Plant and equipment under lease	3	2
Total depreciation of non-current assets	<b>110</b>	52
<b>(b) Finance costs</b>		
Finance charges payable under finance leases	1	1
Interest charges payable under insurance premium funding	–	5
Total finance costs	<b>1</b>	6
<b>(c) Lease payments included in administration expenses</b>		
Minimum lease payments - operating leases	612	459
Total operating lease rental	<b>612</b>	459
<b>(d) Employee benefit expense</b>		
Wages and salaries	13,814	4,227
Annual leave provision	372	37
Long service leave provision	125	111
Superannuation	330	199
Other non-monetary benefits	38	126
Share-based payments expense-key management personnel and employees	14,758	–
Total employee benefits expense	<b>29,437</b>	4,700
<b>(e) Loss before income tax includes the following:</b>		
Loss on sale of available-for-sale financial assets	–	39
Loss on sale of PPE	41	–
Net foreign exchange loss	–	1,041
Research and development costs	725	704

In the current year, the Company generated a net foreign exchange gain. This is disclosed at Note 7.

## Notes to the Financial Statements

continued

### 9. Income Tax

	Consolidated	
	2015 \$'000	2014 \$'000
(a) Income Tax Expense		
Current tax expense	50	–
Deferred tax expense	–	–
Prior year under/(over) provision	–	–
<b>Income tax expense/(benefit)</b>	<b>50</b>	<b>–</b>

#### (b) Numerical Reconciliation Between Aggregate Tax Expense Recognised in the Income Statement and Tax Expense Calculated Per the Statutory Income Tax Rate

A reconciliation between tax expense and the product of accounting profit/(loss) before income tax multiplied by the Company's applicable income tax rate is as follows:

Total accounting loss before tax	<b>(86,257)</b>	(24,665)
<b>Prima facie tax @ 30% (2014: 30%)</b>	(25,877)	(7,400)
<i>Increase in tax expense due to:</i>		
Share Based Payments	3,508	
Expenditure not deductible for tax purposes	5	575
<i>Decrease in tax expense due to:</i>		
Non-assessable income	(139)	–
Black-hole expenditure	–	(661)
Deferred tax benefits not recognised	22,553	7,486
<b>Income tax expense/(benefit)</b>	<b>50</b>	<b>–</b>

#### (c) Recognised Deferred Tax Assets and Liabilities

Consolidated	Balance Sheet		Profit or Loss	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
<i>Deferred tax liabilities</i>				
Accrued income	21	16	5	15
Gross deferred income tax liabilities	21	16		
Set-off of deferred tax assets	(21)	(16)		
<b>Net deferred tax liabilities</b>	<b>–</b>	<b>–</b>		
<i>Deferred tax assets</i>				
Income tax losses recognised to the extent of deferred tax liabilities	21	16	5	(15)
Gross deferred tax assets	21	16		
Set-off of deferred tax liabilities	(21)	(16)		
<b>Net deferred tax assets</b>	<b>–</b>	<b>–</b>		
<b>Deferred tax expense/(benefit)</b>			<b>–</b>	<b>–</b>

There is no current or deferred tax relating to items that are charged or credited to equity.



## 9. Income Tax (continued)

### (d) Tax Losses

	Consolidated	
	2015 \$'000	2014 \$'000
Unused Australian revenue tax losses for which no deferred tax asset has been recognised	34,220	35,025
Unused Australian capital tax losses for which no deferred tax asset has been recognised	14,552	10,198
<b>Potential tax benefit in Australia at 30%</b>	14,632	13,567
Unused foreign losses for which no deferred tax asset has been recognised	92,033	19,700
<b>Potential tax benefit in United States at 35%</b>	32,212	5,910
Unused foreign losses for which no deferred tax asset has been recognised	127,561	–
<b>Potential tax benefit in Canada at 31%</b>	39,544	–

The Group has unutilised tax losses and other deductible temporary differences for which no deferred tax asset is recognised on the reporting date which are available for offset against future tax gains subject to continuing to meet relevant statutory tests. The likelihood of the satisfying the relevant statutory tests in each jurisdiction has not yet been considered.

### (e) Other Unrecognised Temporary Differences

As at 30 June 2015, the Group has temporary differences of \$297,999 (2014: \$88,426) for which no deferred tax asset has been recognised. There is no unrecognised temporary difference associated with the Group's investments in subsidiaries (2014: \$Nil).

### (f) Tax Consolidation

Refer to Note 25 for details of the tax consolidated group.

## 10. Dividend Paid and Proposed

There were no dividends paid or proposed during or as at the end of the financial year.

## 11. Earnings Per Share

The following data is used in the calculations of basic and diluted earnings per share:

### (a) Earnings used in Calculating Earnings Per Share

	Consolidated	
	2015 \$'000	2014 \$'000
<i>For basic earnings per share:</i>		
Net loss attributable to ordinary equity holders of the Parent	(86,306)	(24,660)
<i>For diluted earnings per share:</i>		
Net loss attributable to ordinary equity holders of the Parent	(86,306)	(24,660)

### (b) Weighted average number of shares

	2015 Number	2014 Number
Weighted average number of ordinary shares for basic earnings per share	464,401,183	333,882,059
Weighted average number of ordinary shares adjusted for the effect of dilution	464,401,183	333,882,059

# Notes to the Financial Statements

continued

## 11. Earnings Per Share (continued)

### (c) Information on the Classification of Securities

#### Share Options and Performance Rights

Share options and performance rights granted to directors and employees that could potentially dilute basic earnings per share in the future, are excluded from the calculation of diluted earnings per share because they are anti-dilutive for both of the periods presented. There were 2,569,000 (2014: 4,310,000) share options and 13,166,654 performance rights (2014: nil) excluded from the calculation of diluted earnings per share.

### (d) Conversion, Calls, Subscription or Issues after 30 June 2015

60,000 fully paid ordinary shares in the Company were issued pursuant to the exercise of share options between the reporting date and the date of completion of these financial statements.

## 12. Current Assets – Cash and Cash Equivalents

	Consolidated	
	2015 \$'000	2014 \$'000
Cash at bank and in hand	41,171	13,771
Short-term deposits	5,800	34,000
	<b>46,971</b>	<b>47,771</b>

Cash at bank earns interest at floating rates based on daily bank deposit rates. The carrying amount of cash and cash equivalents represents fair value.

Short-term deposits are made for varying periods of between 7 to 90 days, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

Details regarding credit risk and interest rate risk are disclosed in Note 3.

## 13. Current Assets – Trade and Other Receivables

	Consolidated	
	2015 \$'000	2014 \$'000
<b>Other receivables</b>		
– Goods & services tax receivable	683	275
– R&D rebate receivable	462	–
– Other receivables	1,340	68
<b>Total current receivables</b>	<b>2,485</b>	<b>343</b>

### Terms and Conditions

Other receivables are unsecured, non-interest-bearing and are usually settled on 30-90 day terms. These receivables do not contain impaired assets and are not past due. It is expected that these receivables will be received when due.

### Fair Value and Credit Risk

Due to the short-term nature of these receivables, the carrying amounts are assumed to approximate fair value. The maximum exposure to credit risk is the carrying amount of these receivables.

### Liquidity Risk and Credit Risk

Details regarding liquidity risk and credit risk exposure are disclosed in Note 3.

## 14. Current Assets – Other Financial Assets

	Consolidated	
	2015 \$'000	2014 \$'000
Security Deposits	4,196	3,168
Investments in term deposits	130,634	–
	<b>134,830</b>	<b>3,168</b>

### Investments in Term Deposits

- (i) Investments in term deposits are made for varying periods of between 90 and 180 days and earn interest at the respective term deposit fixed rates; and
- (ii) Included in this balance is a A\$790,000 security deposit held by the ANZ in relation to the issue of a A\$789,263 bank guarantee, by the ANZ, in favour of Queensland's Department of Environment and Resource Management (**DERM**), which is a condition of DERM's environmental authority approval for the FLLNG; and
- (iii) Included in this balance is a A\$155,000 security deposit held by the ANZ in relation to the issue of a A\$151,106 bank guarantee, by the ANZ, in favour of DERM, which is a condition of DERM's environmental authority approval for the FLLNG's proposed gas pipeline; and
- (iv) Included in this balance is a A\$100,000 security deposit held by ANZ in relation to the issue of a A\$100,000 bank guarantee, by the ANZ, in favour of Colin St Investments Pty Ltd, pertaining to leasehold improvements of the head office premises; and
- (v) Included in this balance is a US\$2,000,000 security deposit held by the ANZ in relation to the issue of a US\$2,000,000 bank guarantee, by the ANZ, in favour of KMLP, which is a condition of the Precedent Agreement between the Company's subsidiary, Magnolia LNG LLC, and KMLP; and
- (vi) Included in this balance is a C\$500,000 letter of credit (issued by the Bank of Montreal) provided by the Company's subsidiary, LNG International Pty Ltd, in favour of the Nova Scotia Utility and Review Board, as part of the acquisition of Bear Head Corporation.

Due to the short-term nature of the above financial instruments, their carrying amounts approximate their fair value. The maximum exposure to credit risk is the carrying amount of these financial instruments. Details regarding foreign exchange risk, interest rate risk, and credit risk are disclosed in Note 3.

## Notes to the Financial Statements

continued

### 15. Non-Current Assets – Property, Plant and Equipment

	Freehold Land and buildings \$'000	Plant and equipment \$'000	Information technology \$'000	Other \$'000	Total \$'000
<b>Cost</b>					
At 1 July 2013	–	38	431	103	572
Additions	–	1	(6)	99	94
Disposals	–	–	–	–	–
Exchange differences	–	–	–	–	–
<b>At 30 June 2014</b>	–	39	425	202	666
Additions	10,964	2	128	530	11,624
Disposals	–	–	(41)	–	(41)
Exchange differences	–	(16)	(240)	292	36
<b>At 30 June 2015</b>	<b>10,964</b>	<b>25</b>	<b>272</b>	<b>1,024</b>	<b>12,285</b>
<b>Depreciation</b>					
At 1 July 2013	–	14	352	83	449
Depreciation charge for the year	–	4	35	13	52
Disposals	–	–	–	–	–
Exchange differences	–	(3)	(81)	(43)	(127)
<b>At 30 June 2014</b>	–	15	306	53	374
Depreciation charge for the year	–	3	59	48	110
Disposals	–	–	–	–	–
Exchange differences	–	1	(278)	(42)	(319)
<b>At 30 June 2015</b>	–	<b>19</b>	<b>87</b>	<b>59</b>	<b>165</b>
<b>Net book value</b>					
At 30 June 2014	–	24	119	149	292
At 30 June 2015	10,964	6	185	965	12,120

During the period, the Company acquired a 255-acre site in Nova Scotia Canada, as part of the acquisition of Bear Head Corporation for US\$11.0 million, a total of US\$10.25 million paid in this period and US\$0.75 million of exclusivity payments expensed in the previous financial year. The site comprises industrial-zoned land (180 acres) and deep-water acreage (75 acres) as well as foundations in place for two 180,000 cubic meter LNG tanks. The land has been cleared, a majority of site works completed and roads have been constructed.

The acquisition was accounted for as an asset acquisition on the basis that the assets acquired do not constitute a business under AASB 3 Business Combinations. The consideration paid was allocated to the land acquired, as there were no other material assets or liabilities at acquisition.

The useful life of the plant and equipment was estimated to be between 3 to 10 years both for 2015 and 2014.

## 16. Current Liabilities – Trade and Other Payables

	Note	Consolidated	
		2015 \$'000	2014 \$'000
Trade creditors and accruals	(i)	13,748	3,338
Other creditors	(i)	111	71
		<b>13,859</b>	<b>3,409</b>

### Terms and Conditions

Trade creditors and accruals are non-interest bearing and are normally settled on 30 day terms. Other creditors are non-interest bearing and are normally settled within one year.

### Fair Value

Due to the short-term nature of these payables, their carrying value is assumed to approximate their fair value.

### Foreign Exchange and Liquidity Risk

Information on foreign exchange and liquidity risk exposures are set out in Note 3.

## 17. Interest Bearing Liabilities

Current	Maturity	Consolidated	
		2015 \$'000	2014 \$'000
Finance lease liability (Note 27)	2015	3	3
		<b>3</b>	<b>3</b>
Non-current	Maturity		
Finance lease liability (Note 27)	2016-2018	9	12
		<b>9</b>	<b>12</b>

### Effective Interest Rate Risk

The interest rate implicit in the finance lease is 9.65% (2014: 9.65%).

### Asset Pledged as Security

The carrying amount of assets pledged as security for the finance lease liability is as follows:

Non-current	Note	Consolidated	
		2015 \$'000	2014 \$'000
Plant and equipment	15	12	15
<b>Total assets pledged as security</b>		<b>12</b>	<b>15</b>

## 18. Current Liabilities – Provisions

	Consolidated	
	2015 \$'000	2014 \$'000
Annual leave	665	293
Long service leave	306	214
	<b>971</b>	<b>507</b>

For assumptions made or the estimation method used to determine the annual leave provision, refer to Note 2(o).

## Notes to the Financial Statements

continued

### 19. Non-Current Liabilities – Provisions

	Consolidated	
	2015 \$'000	2014 \$'000
Long service leave	230	197
	<b>230</b>	<b>197</b>

For assumptions made or the estimation method used to determine the long service leave provision, refer to Note 2(o).

### 20. Contributed Equity

		Consolidated	
		2015 \$'000	2014 \$'000
Fully paid ordinary shares	(a)	392,021	187,024
		<b>392,021</b>	<b>187,024</b>

(a) Movement in ordinary shares on issue:		Consolidated	
		Number	\$
<b>At 30 June 2013</b>		<b>267,699,015</b>	<b>117,509,466</b>
Share placement	(i)	40,000,000	8,000,000
Share purchase plan	(ii)	3,130,000	646,345
Share placement	(iii)	35,000,000	10,850,000
Share placement	(iv)	10,000,000	4,200,000
Share placement	(v)	31,207,254	17,163,990
Share placement	(vi)	58,792,746	32,336,010
Less: Share issue costs	(vii)	–	(4,043,203)
Exercise of options	(viii)	650,000	361,470
<b>At 30 June 2014</b>	(ix)	<b>446,479,015</b>	<b>187,024,078</b>
Share placement	(x)	14,873,186	38,670,284
Share placement	(xi)	40,000,000	174,000,000
Less: Share issue costs		–	(8,255,286)
Exercise of options	(xii)	1,741,000	581,760
<b>At 30 June 2015</b>	(xiii)	<b>503,093,201</b>	<b>392,020,836</b>

- (i) On 7 August 2013, the Company raised \$8,000,000 (before costs) through the placement of 40,000,000 shares at \$0.20/share.
- (ii) On 9 September 2013, the Company raised \$646,345 through the issue of 3,130,000 shares through a Share Purchase Plan at \$0.2065/share.
- (iii) On 19 December 2013, the Company raised \$10,850,000 (before costs) through the placement of 35,000,000 shares at \$0.31/share.
- (iv) On 20 March 2014, the Company raised \$4,200,000 (before costs) through the placement of 10,000,000 shares at \$0.42/share.
- (v) On 13 May 2014, the Company raised \$17,163,990 (before costs) through the placement of 31,207,254 shares at \$0.55/share.
- (vi) On 18 June 2014, the Company raised \$32,336,010 (before costs) through the placement of 58,792,746 shares at \$0.55/share.
- (vii) Included in share issue costs were share-based payments issued to consultants of \$522,900. Refer to Note 24.
- (viii) During the 2014 financial year, 650,000 shares were issued for cash on the exercise of share options. Refer to Note 24.
- (ix) At the reporting date 446,479,015 Company shares were listed for official quotation on the ASX.
- (x) On 6 August 2014, the Company raised \$38,670,284 (before costs) through the placement of 14,873,186 shares at \$2.60/share.
- (xi) On 29 May 2015, the Company raised \$174,000,000 (before costs) through the placement of 40,000,000 shares at \$4.35/share.
- (xii) During the 2015 financial year, 1,741,000 shares were issued for cash on the exercise of share options. Refer to Note 24.
- (xiii) At the reporting date 503,093,201 Company shares were listed for official quotation on the ASX.

## 20. Contributed Equity (continued)

### (b) Capital Management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

Management monitors capital through its cash flow requirements. Currently the Group has no net debt so does not monitor any gearing ratio.

At balance sheet date, the Group had no debt and funds raised through shares issued subsequent to year-end will be primarily applied to progression of the Group's core activities, being the advancement of prospective LNG production projects and LNG process, storage, and shipping research and development programs.

The Group is not subject to any externally imposed capital requirements.

### (c) Share Options

The Company has a share-based payment option scheme under which options to subscribe for the Company's ordinary shares have been granted to directors, employees, and consultants (refer to Note 24).

### (d) Performance Rights

The Company has a share-based performance rights scheme under which rights to subscribe for the Company's ordinary shares have been granted to directors and employees (refer to Note 24).

### (e) Terms and Conditions of Contributed Equity

#### *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 the 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 of 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.

## 21. Accumulated Losses and Reserves

(a) Movements in accumulated losses were as follows:

	Consolidated	
	2015 \$'000	2014 \$'000
Balance at 1 July	(151,287)	(126,627)
Net loss for the year	(86,306)	(24,660)
<b>Balance at 30 June</b>	<b>(237,593)</b>	<b>(151,287)</b>

## Notes to the Financial Statements

continued

### 21. Accumulated Losses and Reserves (continued)

#### (b) Reserves

Consolidated	Share options reserve \$'000	Performance rights reserve \$'000	Redeemable preference share reserve \$'000	Equity reserve \$'000	Foreign currency translation reserve \$'000	Total \$'000
<b>At 1 July 2013</b>	5,555	485	4,032	578	145	10,795
Share-based payment	523	–	–	–	–	523
Translation of foreign subsidiaries	–	–	–	–	663	663
<b>At 30 June 2014</b>	<b>6,078</b>	<b>485</b>	<b>4,032</b>	<b>578</b>	<b>808</b>	<b>11,981</b>
Share-based payment	–	14,758	–	–	–	14,758
Translation of foreign subsidiaries	–	–	–	–	559	559
<b>At 30 June 2015</b>	<b>6,078</b>	<b>15,243</b>	<b>4,032</b>	<b>578</b>	<b>1,367</b>	<b>27,298</b>

#### (c) Nature and Purpose of Reserves

##### *Share Options Reserve*

The share options reserve is used to record the value of share options issued by the Company and its subsidiaries (refer to Note 24 for further details of the Share Option Plan).

##### *Performance Rights Reserve*

The performance rights reserve is used to record the value of performance rights issued by the Company (refer to Note 24 for further details of the Performance Rights Plan).

##### *Redeemable Preference Share Reserve*

The redeemable preference share reserve was used to record the value of the redeemable preference shares previously issued by the Company. All "B" class redeemable preference shares were fully cancelled and redeemed in 2011.

##### *Equity Reserve*

This reserve is used to record the gain or loss arising from the sale or acquisition of non-controlling interest to or from third party investors.

##### *Foreign Currency Translation Reserve*

This reserve is used to record foreign exchange differences arising from the translation of the financial statements of subsidiaries that have functional currencies other than Australian dollars.

### 22. Non-Controlling Interests

	Consolidated	
	2015 \$'000	2014 \$'000
Accumulated losses	(117)	(116)
	<b>(117)</b>	<b>(116)</b>



## 23. Cash Flow Statement Reconciliation

	Consolidated	
	2015 \$'000	2014 \$'000
<b>(a) Reconciliation of net loss after tax to the net cash flows used in operations</b>		
Net loss after income tax	(86,307)	(24,665)
<i>Adjust for non-cash items</i>		
Depreciation expense	110	52
Share-based payment expense	14,758	–
Unrealised foreign exchange loss/(gain)	(7,469)	728
Loss on sale of PPE	41	–
Loss on sale of available for sale financial assets	–	39
Fixed assets written off	–	28
<i>Adjust for other cash items:</i>		
Interest expense	1	6
<i>Adjust for changes in assets/liabilities:</i>		
(Increase)/decrease in trade and other receivables	(1,940)	(303)
(Increase)/decrease in prepayments	(168)	(89)
Increase in payables and accruals	10,450	2,292
Increase in income tax payable	50	–
Increase in provisions	498	147
<b>Net cash flows used in operating activities</b>	<b>(69,976)</b>	<b>(21,765)</b>

### (b) Reconciliation to Cash Flow Statement

	Consolidated	
	2015 \$'000	2014 \$'000
For the purposes of the Cash Flow Statement, cash and cash equivalents comprise the following at 30 June:		
Cash at bank and in hand	41,171	13,771
Short-term deposits	5,800	34,000
<b>Closing cash balance (Note 12)</b>	<b>46,971</b>	<b>47,771</b>

# Notes to the Financial Statements

continued

## 24. Share-Based Payment Plans

### (a) Recognised Share-based Payment Expenses

The expense recognised for employee and other services received during the year is as follows:

	Consolidated	
	2015 \$'000	2014 \$'000
Expenses arising from equity-settled share-based payment transactions	14,758	523
Total expense arising from share-based payment transactions (Note (i))	<b>14,758</b>	<b>523</b>

(i) The cost of options issued to consultants in 2014 has been recognised directly in share issue costs within equity.

### (b) Share Option Plan ("SOP")

A SOP has been established where the Company, at the discretion of the Board, grants options over the ordinary shares of the Company to directors and employees for nil cash consideration. The total number of options that may be issued to all parties who may participate under the SOP and which have not been exercised or cancelled shall not exceed 15% of the total issued ordinary shares of the Company at the time of issue of any options under this SOP. No further options will be issued under the SOP.

#### (i) Terms and Conditions Attaching to Options

The options issued to directors, employees and senior management under the SOP are subject to the Company's Option Plan Rules, including the following terms and conditions:

- The option expiry is at the discretion of the Board;
- The options are not transferable;
- The exercise price for the options shall not be less than:
  - If there was at least one transaction in shares on the ASX during the last five trading day period, on which the shares were available for trading on the ASX up to and including the offer date, the weighted average of the prices at which shares were traded during that period; or
  - If there were no transactions in shares during that five trading day period, the last price at which an offer was made to purchase shares on the ASX;
- The Company will not make application to the ASX for Official Quotation of the options;
- The Company will make application to the ASX for quotation of the shares allotted and issued upon the exercise of an option within 10 business days after the date of exercise of the option;
- There are no participating rights or entitlements inherent in the options and holders will not be entitled to participate in new issues of capital offered to shareholders during the currency of the options. However, the Company will send a notice to each holder of options before the relevant record date. This will give option holders the opportunity to exercise their options prior to the date for determining entitlements to participate in any such issue;
- If from time-to-time or prior to the expiry of the options, the Company makes an issue of shares to the holders of shares by way of capitalisation of profits or reserves (a bonus issue), then upon exercise of their options, an option holder will be entitled to have issued to them (in addition to shares which would otherwise be issued to them upon such exercise) the number of shares of the class which would have been issued to them under that bonus issue if on the record date for the bonus issue they had been registered as the holder of the number of shares of which they would have been registered as holder, if immediately prior to that date, they had duly exercised their options and the shares the subject of such exercise had been duly allotted and issued to them. The bonus shares will be paid up by the Company out of profits or reserves (as the case may be) in the same manner as applied in relation to the bonus issue; and
- In the event of any reorganisation of the issued capital of the Company or prior to the expiry of the options, the rights of an options holder will be changed to the extent necessary to comply with the applicable ASX Listing Rules in force at the time of the reorganisation.

## 24. Share-Based Payment Plans (continued)

### (ii) Summary of Options Granted under the SOP

#### Options granted to directors and employees

During the financial year no (2014: nil) unlisted options over ordinary shares in the Company were granted to directors and employees of the Company and its controlled entities.

#### Options Granted to Consultants

During the financial year no (2014: 4,500,000) unlisted options over ordinary shares in the Company were granted to consultants of the Company in exchange for the services provided. The weighted average exercise price of the options granted in 2014 was \$0.328.

The following table shows the movements in share options during the year:

	2015		2014	
	Number of options No.	Weighted average exercise price \$	Number of options No.	Weighted average exercise price \$
Outstanding at beginning of year	4,310,000	0.338	2,110,000	0.797
- Granted during the year	–	–	4,500,000	0.328
- Cancelled and forfeited during the year	–	–	–	–
- Exercised during the year	(1,741,000)	0.334	(650,000) <sup>1</sup>	0.556
- Expired during the year	–	–	(1,650,000) <sup>2</sup>	0.814
Outstanding at end of year	<b>2,569,000</b>	<b>0.341</b>	<b>4,310,000</b>	<b>0.338</b>
Exercisable at end of year	<b>2,569,000</b>	<b>0.341</b>	<b>4,310,000</b>	<b>0.338</b>

1. The weighted average share price at the date of exercise was \$1.374.

2. Includes 1,650,000 expired LNG options with a weighted average exercise price of \$0.814.

The outstanding balance of options granted as at 30 June 2015 is represented by:

- 673,000 options over ordinary shares with an exercise price of \$0.24 per share;
- 223,000 options over ordinary shares with an exercise price of \$0.26 per share;
- 673,000 options over ordinary shares with an exercise price of \$0.28 per share; and
- 1,000,000 options over ordinary shares with an exercise price of \$0.465 per share.

The weighted average remaining contractual life for the share options outstanding as at 30 June 2015 is 1.25 years (2014: 2.21 years). The range of exercise prices for options outstanding at the end of the year was \$0.24 to \$0.465 (2014: \$0.24 to \$0.792).

### (iii) Option-pricing Model: SOP

The fair value of each equity-settled share option tranche granted is estimated on the date of grant using a Black Scholes option-pricing model. There were no equity-settled share options granted during the year ended 30 June 2015. Equity-settled share options granted during the year ended 30 June 2014 were valued using the following average assumptions:

LNG Options	2014
Dividend yield (%)	Nil
Expected volatility (%)	90%
Risk-free interest rate (%)	3.0%
Expected life of option (years)	3.00
Options exercise price (\$)	0.24-0.465
Weighted average share price at grant date (\$)	0.328
Model used	Black Scholes

## Notes to the Financial Statements

### continued

#### 24. Share-Based Payment Plans (continued)

The expected volatility is determined by observing the historical daily closing share price volatility of the Company and various comparable ASX listed companies operating in the energy and resources sector at various intervals prior to the grant or valuation date.

##### (c) Performance Rights Plan (“PRP”)

A PRP has been established where the Company, at the discretion of the Board, grants performance rights (**rights**) over the ordinary shares of the Company to “eligible persons”. “Eligible persons” include directors, full-time employees, part-time employees, and (subject to compliance with Class Order 03/184, or obtaining other applicable relief from ASIC) consultants. The total number of rights that may be issued to all parties who may participate under the PRP and which have not been exercised or cancelled shall not exceed 10% of the total issued ordinary shares of the Company at the time of issue of any rights under this PRP.

##### (i) Terms and Conditions Attaching to Performance Rights

The rights issued to eligible persons under the PRP are subject to the Company’s Performance Rights Plan Rules, including the following terms and conditions:

- The rights expiry is at the discretion of the Board;
- The rights are not transferable;
- The exercise price for the rights is at the Board’s discretion. Recommendations regarding the exercise price are made by the RC and passed to the Board for approval;
- The Company will not make application to the ASX for Official Quotation of the rights;
- The Company will make application to the ASX for quotation of the shares allotted and issued upon the exercise of a right within 10 business days after the date of exercise of the right;
- There are no participating privileges or entitlements inherent in the rights and holders will not be entitled to participate in new issues of capital offered to shareholders during the currency of the rights. However, the Company will send a notice to each holder of rights before the relevant record date. This will give rights holders the opportunity to exercise their rights prior to the date for determining entitlements to participate in any such issue;
- If from time-to-time or prior to the expiry of the rights, the Company makes an issue of shares to the holders of shares by way of capitalisation of profits or reserves (a bonus issue), then upon exercise of their rights, a rights holder will be entitled to have issued to them (in addition to shares which would otherwise be issued to them upon such exercise) the number of shares of the class which would have been issued to them under that bonus issue if on the record date for the bonus issue they had been registered as the holder of the number of shares of which they would have been registered as holder, if immediately prior to that date, they had duly exercised their rights and the shares the subject of such exercise had been duly allotted and issued to them. The bonus shares will be paid up by the Company out of profits or reserves (as the case may be) in the same manner as applied in relation to the bonus issue; and
- In the event of any reorganisation of the issued capital of the Company or prior to the expiry of the rights, the privileges of a rights holder will be changed to the extent necessary to comply with the applicable ASX Listing Rules in force at the time of the reorganisation.

## 24. Share-Based Payment Plans (continued)

### (ii) Summary of Performance Rights Granted under the PRP

Performance rights granted to directors, executives and employees

Unlisted performance rights over ordinary shares in the Company (**LNG rights**).

During the financial year 13,166,654 unlisted performance rights over ordinary shares in the Company were granted to directors, executives and employees of the Company and its controlled entities (2014: nil).

The fair value of the rights granted is estimated on the date of grant using a Monte Carlo Simulation (**MCS**) taking into account the terms and conditions upon which the rights were granted. The MCS model is commonly adopted for share based payments with market based vesting conditions such as relative total share return targets. The performance rights have a zero exercise price and the contractual life of each right granted is between 1.5 and 2.7 years.

Performance Rights	2015
Dividend yield (%)	Nil
Expected volatility (%)	97%
Risk-free interest rate (%)	2.54%
Weighted average share price at grant date (\$)	3.05
Model used	Monte Carlo

The following table shows the movements in LNG rights during the year:

	2015		2014	
	Number of rights No.	Weighted average exercise price \$	Number of rights No.	Weighted average exercise price \$
Outstanding at beginning of year	–	–	750,000	0.844
- expired during the year	–	–	(750,000) <sup>1</sup>	0.844
- issued during the year	13,166,654	0.00	–	–
Outstanding at end of year	<b>13,166,654</b>	<b>0.00</b>	–	–
Exercisable at end of year	–	–	–	–

1. Includes 750,000 LNG rights that expired during the financial year with weighted average exercise price of \$0.844.

## Notes to the Financial Statements

continued

### 25. Parent Entity Information

Information relating to Liquefied Natural Gas Limited:

	2015 \$'000	2014 \$'000
Current assets	73,375	37,880
Total assets	82,953	47,331
Current liabilities	7,837	7,642
Total liabilities	8,214	7,938
Issued capital	392,226	187,229
Accumulated losses	(339,822)	(158,201)
Share options reserve	21,079	6,321
Redeemable preference share reserve	4,032	4,032
Total shareholders' equity	<b>77,515</b>	<b>39,381</b>
Profit/(loss) of the parent entity	<b>(181,621)</b>	<b>(35,904)</b>
Total comprehensive income of the parent entity	<b>(181,621)</b>	<b>(35,904)</b>

#### Guarantees

The parent entity has not guaranteed the liabilities of its subsidiaries as at 30 June 2015.

#### Contingent Liabilities

There are no active or pending insurance or legal claims outstanding by the parent as at the date of this report.

#### Contractual Commitments

The parent entity does not have any contractual commitments for the acquisition of property, plant or equipment.

#### Tax Consolidation

Effective 11 February 2004, for the purpose of income taxation, the Company and its 100% owned Australian resident subsidiaries have formed a tax-consolidated group. The head entity, Liquefied Natural Gas Limited and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the separate taxpayer within the group approach in determining the appropriate amount of their current taxes and deferred taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Members of the group entered into a tax sharing agreement for the allocation of income tax expense between members on 30 June 2011.

On 1 November 2007, Gas Link Global Limited (**GLG**) left the tax consolidated group as it ceased to be a wholly owned subsidiary of the Company. Upon the acquisition of non-controlling interest in GLG on 9 March 2009 by the Company, GLG has re-joined the tax consolidated group.

As a result of entering, exiting, and re-joining into the tax consolidation group, it is likely that a portion of income tax losses will not be available to be carried forward due to the impact of the 'available fraction' method of recouping tax losses. The tax benefit of these tax losses has not been recognised in the current income year.

## 26. Related Party Disclosures

The consolidated financial statements include the financial statements of Liquefied Natural Gas Limited and its controlled entities listed in the following table:

Name	Country of incorporation	Equity interest (%)	
		2015	2014
LNG International Pty Ltd	Australia	100	100
Gas Link Global Limited	Australia	100	100
LNG Technology Pty Ltd	Australia	100	100
LNG Management Services Pty Ltd	Australia	100	100
<i>The following companies are controlled via LNG International Pty Ltd:</i>			
North American LNG Pty Ltd (ii)	Australia	100	100
PT. LNG Energi Utama	Indonesia	95	95
Gladstone LNG Pty Ltd	Australia	100	100
CSG Nominees Pty Ltd	Australia	100	100
Mayflower LNG Pty Ltd (iii)	Australia	100	100
Qeshm International LNG Gas (Ltd) (i)	Iran	100	100
<i>The following company is controlled via LNG Management Services Pty Ltd:</i>			
LNG Management Services LLC	USA	100	–
<i>The following company is controlled via LNG Technology Pty Ltd:</i>			
Gladstone OSMR Technology Pty Ltd	Australia	100	100
<i>The following company is controlled via Gas Link Global Limited:</i>			
Gedd (PNG) Limited (iv)	Papua New Guinea	–	100
<i>The following company is controlled via Mayflower LNG Pty Ltd:</i>			
Bear Head LNG Corporation	Canada	100	–
Bear Head LNG Services LLC	USA	100	–
Bear Head (USA) Holdings LLC	USA	100	–
Bear Head LNG (USA) LLC	USA	100	–
<i>The following company is controlled via North American LNG Pty Ltd:</i>			
Pecan Inc (v)	USA	100	100
Pecan GP Inc	USA	100	–
Pecan LP Inc	USA	100	–
Magnolia LNG Investments LP	USA	100	–
Magnolia LNG Holding LLC	USA	100	–
Magnolia LNG LLC	USA	100	100

(i) Deregistration of these entities is in progress.

(ii) North American LNG Pty Ltd was previously named South Australian LNG Pty Ltd.

(iii) Mayflower LNG Pty Ltd was previously named Kimberley LNG Pty Ltd.

(iv) Gedd (PNG) Limited was deregistered on the 23<sup>rd</sup> April 2015.

(v) Pecan Inc was previously named Eagle LNG LLC

# Notes to the Financial Statements

continued

## 26. Related Party Disclosures (continued)

### Ultimate Parent

Liquefied Natural Gas Limited is the ultimate Australian Parent company of the Group.

### Key Management Personal ("KMP")

Details relating to transactions with directors and other KMP, including remuneration paid, are included in Note 26.

### Transactions with other Related Parties

There were no transactions with other related parties in the current or prior financial year.

### Employees

Contributions to superannuation funds on behalf of employees are disclosed in Note 8(d).

## Key Management Personnel ("KMP")

### (a) Compensation of Key Management Personnel

	Consolidated	
	2015 \$'000	2014 \$'000
Short-term benefits	3,253	2,813
Post-employment benefits	98	125
Long-term benefits	62	84
Share-based payment	6,754	–
	<b>10,167</b>	<b>3,022</b>

### (b) Loans to Key Management Personnel

There were no loans made to KMP personnel during the year.

### (c) Other Transactions and Balances with Key Management Personnel

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 financial year, the amount paid was \$179,471 (excluding GST) [2014: \$106,564]. At reporting date there were no amounts outstanding [2014: \$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 financial year, the amount paid was \$103,878 (excluding GST) [2014: \$69,115]. At reporting date there were no amounts outstanding [2014: \$nil].

The above payments have all been disclosed as remuneration in the table in the Remuneration Report section in the Directors' Report.

Other than the above, Clearer Sky Pty Ltd, a company in which Richard Beresford is a director, received fees for administrative services during the year totalling \$31,957 excluding GST [2014: \$70,380]. This arrangement was terminated on 31st October 2014.

### (d) Wahoo Agreement

Concurrent with the acquisition of Bear Head LNG Corporation by the Company, Mayflower LNG Pty Ltd, a wholly owned subsidiary of the Company, entered into the Payments and Incentives Agreement (**Agreement**) with Wahoo Midstream LLC (**Wahoo**). Wahoo is owned by its principals and officers, Mr John Godbold and Mr Ian Salmon, who lead development of the Bear Head LNG project. The purpose of the Agreement was to provide incentive and other payments to Wahoo based on the development of the Bear Head LNG project in consideration for their contributions related to the acquisition of Bear Head LNG by the Company and to set forth other agreements relating to the development of the Bear Head LNG project. Provisions in the Agreement outline the term of the Agreement, describe success fee payments due Wahoo upon realisation of specific milestones, the process for the Company's funding of the Bear Head LNG project, rights held by Wahoo accruing if the Company were to sell all or a part of Bear Head LNG, and indemnification, representations and warranties, confidentiality, dispute resolution and other similar clauses common in commercial contracts. At June 30, 2015, the Company has not recognized within its financial statements a provision for any success fee payments, 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 as at the balance sheet date and through the date of this report.



## 27. Commitments

### (a) Operating Lease Commitments – the Group as Lessee

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

	Consolidated	
	2015 \$'000	2014 \$'000
Future minimum rentals payable under non-cancellable operating leases as at 30 June is as follows:		
- Within one year	447	319
- After one year but not more than five years	686	762
<b>Aggregate non-cancellable operating lease expenditure contracted for at reporting date</b>	<b>1,133</b>	<b>1,081</b>

### (b) Finance lease – the Group as Lessee

Future minimum lease payments under the finance lease together with the present value of the net minimum lease payments are as follows:

	2015		2014	
	Minimum lease payments \$'000	Present value of lease payments \$'000	Minimum lease payments \$'000	Present value of lease payments \$'000
<b>CONSOLIDATED</b>				
- Within one year	4	3	4	3
- After one year but not more than five years	10	9	14	12
Total minimum lease payments	14	12	18	15
- Less amounts representing finance charges	(2)	-	(4)	-
<b>Present value of minimum lease payments</b>	<b>12</b>	<b>12</b>	<b>14</b>	<b>15</b>

### (c) Capital Commitments

At year end, there were no commitments in relation to the purchase of plant and equipment (2014: \$nil).

## 28. Contingencies

### (a) Insurance Claims

There are no active or pending insurance claims by the Group as at the date of this report.

### (b) Legal Claims

There are no legal claims outstanding against the Group as at the date of this report.

### (c) Guarantees

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

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

## Notes to the Financial Statements

### continued

#### 28. Contingencies (continued)

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

The Company has provided a bank guarantee (issued by ANZ Bank) for the amount of A\$100,000 in favour of Colin Street Investments Pty Ltd, pertaining to leasehold improvements for the head office premises.

The company 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, as part of the acquisition of Bear Head Corporation.

Term deposits of \$4,197,000 (2014: \$3,168,000) are held by the Company and pledged as security for the above guarantees (Note 14).

#### 29. Events after Balance Date

##### (a) Magnolia LNG Project

On 23 July 2015, LNGL announced that its 100% owned project company, Magnolia LNG, LLC (**Magnolia LNG**), had signed a legally binding agreement with Meridian LNG Holdings Corp (**Meridian LNG**) for firm capacity rights for up to 2 million tonnes per annum (**mtpa**) at Magnolia LNG, located on the Calcasieu shipping channel in the Lake Charles District, State of Louisiana, USA. Under the liquefaction tolling agreement (**LTA**), Magnolia LNG will provide liquefaction services to Meridian LNG over the term of the contract in return for monthly capacity payments. Meridian LNG is responsible for procurement and delivery of feed gas to the liquefaction plant and for arranging all LNG shipping required to transport the LNG from the liquefaction plant to its customers.

Meridian LNG intends to deliver the LNG to Port Meridian, its Høegh LNG operated floating re gasification terminal in the UK with the gas delivered to E.ON Global Commodities (**EGC**) under the 20-year gas sales agreement (**GSA**) executed and announced by Meridian LNG on 23 April 2015.

Key terms of the LTA include:

- Initial term of 20 years, with option to extend by a further 5 years;
- Firm annual capacity of 1.7 mtpa with a further 300,000 tpa to be offered at Magnolia LNG's discretion; and
- Conditions precedent, including that Magnolia LNG achieves financial close no later than 30 June 2016.

On 20 July 2015, LNGL announced that the United States Federal Energy Regulatory Commission (**FERC**) issued the Draft Environmental Impact Statement (**DEIS**) for the Magnolia LNG Project.

The DEIS is a critical milestone for the Magnolia LNG project, incorporating comments from FERC and other cooperating federal agencies. In completing the work necessary to issue the DEIS, the FERC analysed publicly available data and data provided by both Magnolia LNG and Kinder Morgan Louisiana Pipeline LLC (**KMLP**) associated with the construction and operation of the Magnolia LNG project and natural gas pipeline infrastructure required to deliver natural gas to the operating liquefaction terminal.

The FERC staff concluded that construction and operation of the proposed projects would result in limited adverse environmental impacts, but these impacts would be reduced to less-than-significant levels with the implementation of Magnolia LNG's and KMLP's proposed mitigations and the additional measures recommended in the DEIS. FERC set 8 September 2015 as the deadline for receipt of public comments on the DEIS. Based on the Notice of Schedule for Environmental Review, previously issued by FERC on 30 April 2015, the Final Environmental Impact Statement (**FEIS**) is expected to be issued by FERC on 16 November 2015.

##### (b) Bear Head LNG project

On 20 July 2015, LNGL announced that the U.S. DOE granted Bear Head LNG authorization to export up to 440 bcf per year of U.S. natural gas to Canada, and up to eight mtpa of liquefied natural gas (**LNG**) from Canada to FTA countries.

On 17 August 2015, LNGL announced that Canada's NEB had granted Bear Head LNG Corporation and Bear Head LNG (USA), LLC (collectively, Bear Head LNG) authorization to export LNG from Bear Head LNG's project site on the Strait of Canso in Nova Scotia.

The NEB licencing decision approves Bear Head LNG's application for authority to export up to 8 mtpa of LNG from Canada starting in 2019 with expanded authority to increase production to 12 mtpa in 2024. The export licence extends for a period of 25 years from the date of first LNG export. Bear Head was also granted a licence to import 1.2 bcf per day of natural gas from the U.S., an amount adequate to produce the authorised annual LNG exports. As with all other LNG projects, the NEB's export licence decisions are subject to approval by Canada's Governor in Council.

Bear Head LNG Corp. has also applied to the DOE for authority to import for subsequent export up to 250 bcf per year of Canadian natural gas by pipeline that is "in transit" through the U.S., back into Canada for delivery to Bear Head LNG's proposed liquefied natural gas export facility. This authorization would allow a portion of the Bear Head LNG's natural gas requirements to come from sources in Western and Central Canada, enhancing commercial supply options.

## 29. Events after Balance Date (continued)

### (c) Global Alliances

On 30 July 2015, LNGL announced that it had entered into a SSA with Chart Industries, Inc. (**Chart**) through Chart's wholly owned subsidiary, Chart Energy & Chemicals, Inc. On 24 August 2015, LNGL announced that it had agreed two other key SAAs with Siemens Energy Inc. (**Siemens**) and EthosEnergy Group (**EthosEnergy**), respectively. The Chart SAA provides for the design and manufacture of brazed aluminium heat exchangers and LNG liquefaction cold boxes used in the OSMR® LNG liquefaction design. Siemens is to provide OSMR® main process compressor equipment and EthosEnergy Group to provide operations and maintenance services.

The global alliance agreements call for Chart, Siemens, and EthosEnergy to each work collaboratively with LNGL on both current and future Company projects.

The use of global alliance agreements with key suppliers is central to LNGL's strategy to produce standardized, repeatable designs and processes across all its projects and operations. Agreements expand global alliance program in support of strategy to standardize OSMR® LNG technology design and operations approach.

### (d) Appointment of General Counsel and Joint Company Secretary

On 18 August 2015 LNGL announced the appointment of Ms Kinga Doris as General Counsel and Joint Company Secretary. Ms Doris is responsible for all statutory, securities, regulatory and other legal activities of the LNGL group as well as management of outside legal counsel across all operations and global project activities. In this capacity, Ms Doris will be part of LNGL's senior leadership team reporting to Maurice Brand, LNGL's Managing Director/Chief Executive Officer.

### (e) Exercise of Options

On 13 August 2015, 60,000 shares were issued on the exercise of options. At the date of this report there are 2,509,000 options outstanding.

Other than described above, since the end of the period and up to the date of this report, no other matter or circumstance has arisen that has materially affected, or may materially affect, the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years.

## 30. Auditors Remuneration

The auditor of the Company is EY Australia.

	Consolidated	
	2015 \$'000	2014 \$'000
Amounts received or due and receivable by Ernst & Young (Australia) for:		
- Audit or review of the financial report of the entity and any other entities in the Consolidated Group	113	61
- Other services in relation to the entity and any other entities in the Consolidated Group:		
- tax and other services	117	125
	230	186
- Tax services provided by overseas EY firm	345	207
Amounts received or due and receivable by EY	<b>575</b>	393
Amounts received or due and receivable by non EY audit firms:		
- Audit or review of the financial report of other entity in the Consolidated Group	-	5
	-	5

# Auditor's Independence Declaration



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## Auditor's Independence Declaration to the Directors of Liquefied Natural Gas Limited

In relation to our audit of the financial report of Liquefied Natural Gas Limited for the financial year ended 30 June 2015, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

D A Hall  
Partner  
29 September 2015

# 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 consolidated entity are in accordance with the *Corporations Act 2001*, including:
  - i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
  - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
- b. the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2;
- c. there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable; and
- d. this declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2015.

On behalf of the Board



Richard Jonathan Beresford

**Chairman**

Perth, Western Australia

29 September 2015

# Independent Audit Report



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

### Report on the financial report

We have audited the accompanying financial report of Liquefied Natural Gas Limited, which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

### Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

### Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.



## Opinion

In our opinion:

- a. the financial report of Liquefied Natural Gas Limited is in accordance with the *Corporations Act 2001*, including:
  - i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
  - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

## Report on the remuneration report

We have audited the Remuneration Report included in pages 21 to 41 of the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

## Opinion

In our opinion, the Remuneration Report of Liquefied Natural Gas Limited for the year ended 30 June 2015, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

D A Hall  
Partner  
Perth  
29 September 2015

# ASX Additional Information

Additional information required by the ASX and not shown elsewhere in this report is as follows. The information is current as at 29 September 2015.

## a) Distribution of Equity Securities

- i. Ordinary share capital
  - 503,153,201 fully paid ordinary shares are held by 8,290 individual shareholders.
 All ordinary shares (whether fully paid or not) carry one vote per share without restriction and carry the rights to dividends.
- ii. Options
  - 2,509,000 unlisted options over ordinary shares are held by 3 individual option holders.
 The options do not carry a right to vote.
- iii. Performance rights
  - 13,166,654 unlisted performance rights over ordinary shares.
 The rights do not carry a right to vote.

## b) The Number of Shareholders, by Size of Holding, in Each Class of Share are:

	<b>Fully paid ordinary shares Number of holders</b>	<b>Options Number of holders</b>	<b>Performance rights Number of holders</b>
1 – 1,000	2,520	–	–
1,001– 5,000	2,984	–	–
5,001 – 10,000	1,170	1	3
10,001 – 100,000	1,435	–	7
100,001 and over	181	2	17
	<b>8,290</b>	<b>3</b>	<b>27</b>
The number of shareholders holding less than a marketable parcel of shares are:	1,027	–	–



## c) Twenty Largest Shareholders

## The names of the twenty largest holders of quoted shares are:

Ordinary shares		Listed ordinary shares	
		Number of shares	Percentage of ordinary shares
1	HSBC Custody Nominees (Australia) Limited-GSCO ECA	98,630,150	19.60
2	HSBC Custody Nominees (Australia) Limited	86,114,950	17.12
3	J P Morgan Nominees Australia Limited	45,383,896	9.02
4	Citicorp Nominees Pty Ltd	36,490,076	7.25
5	HSBC Custody Nominees (Australia) Limited-A/C 2	34,897,139	6.94
6	National Nominees Limited	11,272,253	2.24
7	Merrill Lynch (Australia) Nominees Pty Limited	10,507,808	2.09
8	HSBC Custody Nominees (Australia) Limited <Euroclear Bank SA NV A/C>	8,387,523	1.67
9	Mr Bassam Abou Chahla & Ms Cherie Abou Chahla <Abou Chahla Family S/F A/>	7,832,482	1.56
10	Mr Andrew Bruce & Mrs Wendy Bruce <Bruce Family S/F A/C>	7,809,694	1.55
11	China Huanqiu Contracting & Engineering Corporation	7,619,067	1.51
12	Merrill Lynch (Australia) Nominees Pty Limited <MLPRO A/C>	7,157,855	1.42
13	Mr Paul Bridgwood	4,462,124	0.89
14	Sasigas Nominees Pty Ltd <Fletcher M Brand Family A/C>	4,400,000	0.87
15	HSBC Custody Nominees (Australia) Limited<CW A/C>	4,160,285	0.83
16	Spacetime Pty Ltd <Copulos Exec S/F No 1 A/C>	2,640,000	0.52
17	SPO Equities Pty Limited <March Street Equity A/C>	2,529,898	0.50
18	Prospect Custodian Limited	2,505,560	0.50
19	BNP Paribas Noms Pty Ltd <DRP>	2,448,269	0.49
20	HSBC Custody Nominees (Australia) Limited< ST A/C>	2,186,823	0.43
		<b>387,435,852</b>	<b>77.00</b>

## d) Substantial Shareholders as at 31 August 2015

Ordinary shareholders	Fully paid	
	Number	Percentage
Baupost Group	62,340,529	12.39
Valinor Mgt	48,048,585	9.55
	<b>110,389,114</b>	<b>21.94</b>

## e) Cash used in operations

Since the date of the Company's admission for official quotation of its shares on the ASX, being 14 September 2004, the Company and the Group have employed the funds raised, at the time of official quotation, in a manner and for purposes consistent with that detailed in the Company's July 2004 Prospectus.

# Corporate Directory

## Liquefied Natural Gas Limited

ABN 19 101 676 779

### Directors

Richard Beresford, Non-Executive Chairman  
Fletcher Maurice Brand, Managing Director/  
Chief Executive Officer  
Leeanne Bond, Non-Executive Director  
Yao Guihua, Non-Executive Director  
Paul Cavicchi, Non-Executive Director  
Michael Steuert, Non-Executive Director

### Company Secretary

David Gardner

### Registered Office & Principal Place of Business

Level 1, 10 Ord Street  
West Perth, WA, 6005  
Telephone: +61 (0) 8 9366 3700  
Facsimile: +61 (0) 8 9366 3799  
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

Clifford Chance  
Level 12, 190 St Georges Terrace  
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 1300 554 474

### ASX Code

LNG

### OTC ADR Code

LNGLY





[www.lnglimited.com.au](http://www.lnglimited.com.au)

