ANNUAL REPORT 2016

Artist's rendition of the 8 – 12 mtpa (design capacity) Bear Head LNG project at Point Tupper, Richmond County, Nova Scotia, Canada

LNGL's mission is to create substantial shareholder value through successful execution of our '**Energy Link**' strategy, distinguishing LNGL as a pure liquefied natural gas ("LNG") infrastructure investment opportunity.

Contents

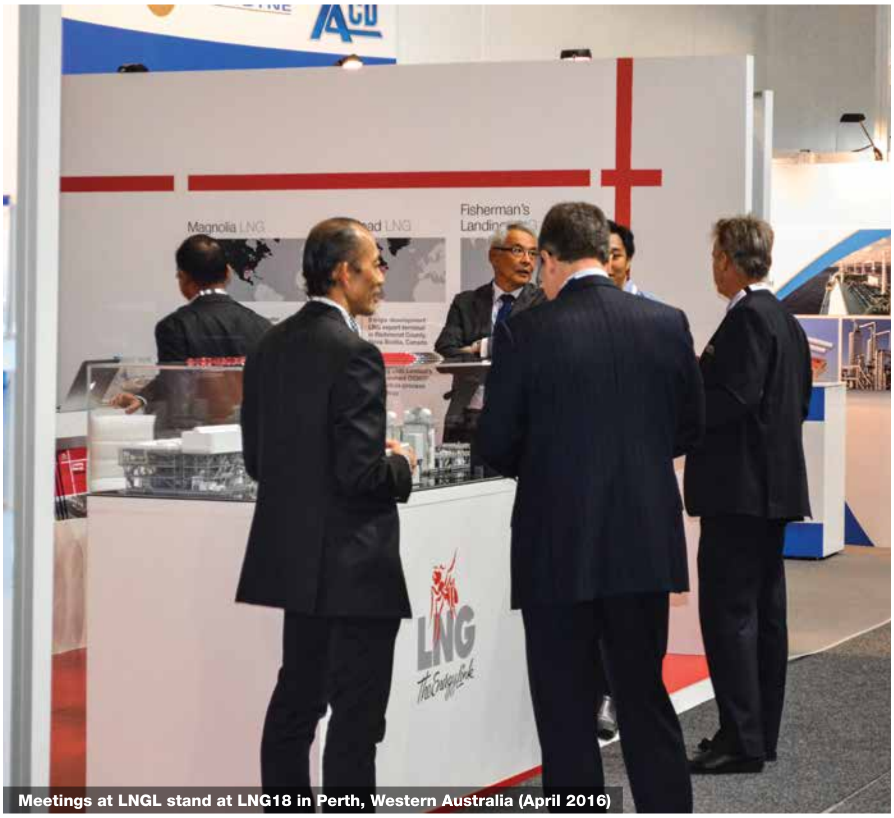
Front Cover: Artist's rendition of the 8.0 mtpa or greater (design capacity) Magnolia LNG project in the Port of Lake Charles, Louisiana, USA

2016 Highlights

Total Assets
$84.6 million

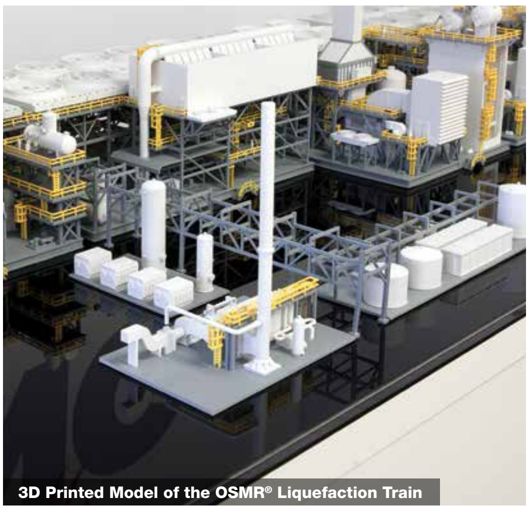
Global alliance arrangements with Chart Industries, Siemens Energy, and EthosEnergy

Net Cash
$71.5 million



Meetings at LNGL stand at LNG18 in Perth, Western Australia (April 2016)

LNG18 Street signage in Perth



3D Printed Model of the OSMR® Liquefaction Train

LNGL's Stand at LNG18

MLNG is **construction ready**, having received all of its required regulatory approvals and permits

Shares on Issue
504 million

BHLNG has received all of the required 10 initial Canadian **federal, provincial, and local regulatory approvals**

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.

OUR MISSION

Our mission is to create substantial shareholder value through successful execution of our 'Energy Link' strategy, distinguishing LNGL 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.

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.

Chairman's Report

I am pleased to introduce the Liquefied Natural Gas Limited (**LNGL** or **Company**) Annual Report for the year ending 30 June 2016.

This was a critical year during which the Company achieved transformational milestones but remained short of its goal of realising a financial investment decision (**FID**) on its key North American projects. The Company's achievements over the past year position LNGL for future success.

Richard Beresford

During the year, LNGL secured all necessary regulatory approvals for construction of its two North American LNG liquefaction projects, Magnolia LNG (**MLNG**) in Lake Charles, Louisiana, and Bear Head LNG (**BHLNG**) at Point Tupper in Richmond County, Nova Scotia, Canada, and the execution of a lump sum, turnkey (**LSTK**) engineering, procurement, and construction (**EPC**) contract with **KBR**-led **KSJV**, a joint venture between KBR and SK E&C USA. The binding EPC contract established MLNG as one of the world's lowest cost LNG projects. Application of the patented optimised single mixed refrigerant (**OSMR®**) liquefaction process technology supports realisation of our strategic goals. Also, during the year, the Gladstone Ports Corporation (**GPC**) extended the term of the Site Agreement for Lease with Gladstone LNG Pty Ltd (a wholly-owned subsidiary of LNGL) associated with the Fisherman's Landing LNG (**FLLNG**) project until 31 March 2017. These developments are progressing recognition of the Company as a leader in low cost, efficient, and reliable LNG liquefaction terminals to serve the international energy market's demand for natural gas.

The Company's fiscal 2016 achievements were realised in the face of weakness in global energy markets reflecting the confluence of crude oil oversupply, heightened geopolitical risks, macroeconomic challenges, and slower regulatory approval processes. During the year ending 30 June 2016, Brent prices fluctuated from a high of US$65/bbl to as low as US$28/bbl, before rebounding to around US$48/bbl at 30 June 2016. This volatile global oil environment resulted in price depression across the broad energy value chain, including prices for LNG and natural gas. Amid this economic uncertainty, LNG liquefaction construction, primarily in the US Gulf Coast and in Australia, began reaching completion of the current wave of new LNG export capacity, initiating an increase in LNG supply imbalance forecasted by the industry to extend through the early part of the next decade, placing further downward pressure on short-term LNG prices.

In response to increasing economic uncertainty, international oil companies, national oil companies, and supply aggregators all sharply reduced capital deployed for investment in new projects and in long-term contractual commitments, such as LNG offtake. As a result, despite the success in realising key regulatory and engineering milestones during the fiscal year, LNGL has been unable to contract sufficient levels of investment-grade offtake to take FID on any of its liquefaction projects.

Industry analysis of the global LNG supply and demand balance indicate that existing plus under construction supply is expected to be sufficient to meet demand through 2021/2022. Thereafter, a supply gap grows substantially into 2030. In order to deliver first LNG at the time demand is expected to begin to exceed supply, new projects must begin construction in the next 12 to 24 months. This timeframe takes account of construction timelines required for new liquefaction facilities to deliver first product to the market.

LNGL is well positioned to deliver new liquefaction capacity into the front part of the forecasted supply gap window. MLNG's 8 million tonnes per annum (**mtpa**) or greater of liquefaction capacity is 'shovel ready' with a facility construction timeline of approximately 50 months. MLNG has a binding, full wrap, LSTK EPC contract executed with KSJV, has its US Federal Energy Regulatory Commission (**FERC**) Order and approval for sales to free trade agreement (**FTA**) countries, has industry leading contractors (e.g., KBR, SK E&C, Siemens, Chart, Clough/CH·IV, and EthosEnergy) ready to provide support, and is well positioned for financing as a result of the equity commitment agreement with Stonepeak Partners LP (**Stonepeak**). BHLNG's 8 – 12 mtpa of liquefaction capacity has received all of the initial approvals required for construction and is also approved for sales to FTA and Non-FTA countries. BHLNG is uniquely positioned to monetise stranded shale and conventional resources in Central and Western Canada, offshore Nova Scotia resources, and production from the Marcellus and Utica shale resources in the Northeast US. FLLNG provides a third permitted and engineered option for buyers.

LNGL's 'Energy Link' strategy has long emphasised the strategic importance of low cost, flexible, efficient, reliable, and environmentally friendly LNG export terminal projects achieved through application of the patented OSMR® liquefaction technology, mid-scale modular design, and execution philosophy. Milestone achievements in fiscal 2016, particularly relating to the EPC cost per tonne, construction timelines, and low feed gas consumption for process and fuel, all guaranteed by KSJV, represent third-party validation of LNGL's business model and concept by an industry-leading contractor (KBR). It is notable that many industry participants have begun to espouse the virtues of mid-scale liquefaction designs using modular construction strategies as a means for lowering costs and improving project economics. LNGL views this evolution as further validation of its long-stated strategy and business model. Through patent protection and the Company's optimised execution methodology, LNGL views its strategy and approach to delivering liquefaction capacity as a material competitive advantage relative to others. Achievement of milestones in 2016 accompanied by the industry's increasing emphasis on low cost, modular liquefaction designs is validating LNGL's long-held mid-scale LNG export terminal 'Energy Link' strategy.

The Company's priority is executing offtake agreements with investment-grade counterparties in sufficient volume to realise a positive FID, financial close, and a move to construction and operation of its projects. The Board will continue to work with management on this priority with a sharp focus on managing existing liquidity in line with our cash management plan, while supporting all reasonable means necessary to contract as soon as possible sufficient levels of investment-grade offtake to take FID on our first liquefaction project.

MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER APPOINTMENT

In support of these efforts, effective 4 April 2016, the Board appointed Mr Gregory (Greg) M Vesey as Managing Director and Chief Executive Officer of the Company, replacing Mr Maurice Brand, the Company's founding Managing Director who stepped down from the Board on 29 July 2016. Mr Vesey brings a wealth of experience through 35 years with Chevron Corporation where his responsibilities most recently included Chevron's Global Gas marketing and trading activity including extensive LNG development work. Previous appointments covered the introduction of new technology, international operations, and included commercial and execution responsibilities as well as liaising with stakeholders.

Mr Brand is an icon of the LNG industry. He recognized the cost challenges facing the industry and the virtues of the mid-scale, modular design configuration well ahead of any of his contemporaries. He focused on lowering capital cost, improving reliability, realizing greater fuel efficiency, and the importance of minimizing environmental impacts in developing LNGL's strategic advantages, attributes that continue to benefit the Company today. On behalf of the Board, we are grateful to Mr Brand for his vision and contribution as founder and Managing Director in developing the Company to its current position and we wish him all the best in his future ventures.

BOARD DEVELOPMENTS

During the year the Board further strengthened its North American capability and experience with the appointment on 7 December 2015 of Mr Philip (Phil) D Moeller as a non-executive director (**NED**) of LNGL. Former Commissioner Moeller left the FERC in October 2015, as the second longest serving member in the history of FERC. While serving on the Commission he focused on policies that encourage the construction of additional electric transmission and interstate natural gas infrastructure, and policies promoting well functioning wholesale markets. He has been a national leader in promoting improved coordination between the electric and natural gas industries as the United States moves further towards clean natural gas in meeting electricity production demand.

Effective 1 July 2016, the Board introduced share ownership guidelines for Directors and key executives with the objective of further aligning our interests with those of our shareholders. In addition, Directors have taken a nominal decrease of 20% before exchange rates in the cash component of our fees to help with managing the Company's existing liquidity.

> "The Company's fiscal 2016 achievements were realised during a period of weakness in the global energy markets

Chairman's Report

Continued

CHAIRMANSHIP OF THE BOARD

After six years as Chairman of the Board of LNG Limited, I shall be stepping down and turning the Chairmanship over to Mr Paul Cavicchi effective at the close of the Annual General Meeting (**AGM**) on 17 November 2016. I will remain on the Company's Board as a NED.

As the Company has progressed its strategy with an emphasis on North American opportunities, it became increasingly important for the Board to evolve as well. Over time, the Board added three NEDs having skills developed through principally North American business experiences. Transition of the Board Chairmanship further affirms a step in our evolution.

Mr Cavicchi lives in Houston, Texas and joined the LNGL Board in October 2014. He has over 30 years' experience in the international energy industry across a range of natural gas and power projects, including development and construction of LNG infrastructure. His most recent position was 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 and construction efforts for GSENA in the United States, Canada, and Mexico.

The Board appointed Paul Cavicchi as Chairman of the Board subject to his re-election as a director at the AGM. We are delighted to welcome Mr Cavicchi as our new Chairman and we believe that, with his extensive experience in international energy industry and commitment to governance best practice, he is an excellent choice as LNGL's next Chairman.

Photo of the existing Bear Head LNG project site showing the substantial site improvements that are already in place

CONCLUSION

LNGL has made important progress in this year, advancing project development in the face of a sharp fall in global energy prices and demand. Our colleagues across the world, including everyone in our Company assets and key alliances, deserve credit. In often difficult circumstances, they have shown dedication, determination, and resiliency in meeting our objectives.

The next year poses continuing challenges, but we are committed to taking the steps necessary to deliver value for shareholders. Engagement with buyers throughout the world indicate that execution of binding offtake agreements needed to affirm FID on the Company's projects is only a matter of time and the Company has positioned itself to deliver when the time comes.

On behalf of the Board, we thank you, the Shareholders, for your continued support and we look forward to continuing our progress in the next fiscal year.

Richard Beresford

Richard Beresford
CHAIRMAN
30 SEPTEMBER 2016

Managing Director and Chief Executive Officer's Report

I am delighted to have joined LNGL at this important time for the business, and I was pleased to see the progress made during fiscal 2016 in delivering some of LNGL's major milestones.

My experience has taught me the importance of the skills, capability, and drive of the team in realising goals and opportunities.

Greg Vesey

Since joining LNGL, I have become even more convinced that the team assembled and working to deliver for the shareholders is of the highest quality and well skilled to achieve successful outcomes. We recognise the focus required to deliver the final pieces needed to progress to a positive FID, financial close, construction, and operation of our projects.

The immediate future operating environment in our industry is challenging and unpredictable, but our priority remains to deliver sufficient investment-grade offtake agreements to take FID. We shall execute these efforts in a safe, efficient, and fiscally responsible manner.

I firmly believe that culture and values are key drivers of Company success and indicators for future performance. For a small development company, LNGL's core operating model already embraces these key business drivers. We will continue to invest time in further strengthening the values of the organisation around which we take decisions, engage with partners, and operate as a company.

In the short time I have been with the Company, I have met with many of our shareholders, our strategic partners, other stakeholders, and met my colleagues around the world. I have been impressed with the commitment and enthusiasm of our staff, our partners, and our investors for LNGL to succeed. When combined with our strong project base, a commitment to deliver, and an outstanding technology, I believe we have a strong basis for taking the Company forward and I am excited to be leading this endeavour.

FISCAL 2016

Fiscal 2016 was dominated by: (i) volatile oil markets having a downward trending bias that negatively impacted price and demand for crude oil, LNG, and natural gas, constricting capital flow into the energy sector; (ii) geopolitical uncertainty impacting key energy producing countries in the Middle East and elsewhere that heightened risk of energy market disruption; (iii) continued fragile economic recoveries worldwide and in countries having historical high LNG consumption that drives uncertainty in decision making by buyers and sellers of LNG; and (iv) increasing activist success in slowing or cancelling energy infrastructure projects that further exacerbates realisation of efficient markets. Against this backdrop, during fiscal 2016, LNGL materially advanced its North American opportunities, further establishing a foundation for growth and success.

Fundamentally, LNGL believes in long-term global demand growth for natural gas and sees the market becoming short supply beginning in 2021/2022. We believe that North America will continue to grow its significance as an LNG exporter to world markets reflecting the material low-cost natural gas reserves available, dominated by shale resources. We expect greater geographic supply options for buyers including suppliers from Canada competing against US, Australian, African, Middle Eastern, and other supply sources. Likewise, we see current market dominance by a few buyers dissipating over time as world consumption of natural gas broadens. The U.S will continue to be viewed as a favourable regulatory environment but we hold an expectation that timelines associated with FERC and other regulatory approval processes will likely elongate from current precedent. We see climate change legislation influencing future buyer behaviours contributing to increasing natural gas demand. Finally, we believe that the future of LNG liquefaction is mid-scale facilities that will be lower cost, scalable, modular designs that place a premium on reliability, efficiency, and reduced environmental impacts.

We believe our Company is uniquely positioned to provide relief at the front part of the 2021/2022 demand window reflecting the advanced approval stage of our two North American projects – MLNG and BHLNG – which combined can deliver up to 16 mtpa of liquefaction capacity into the market in this timeframe and up to 20 mtpa or greater by 2024, under existing permits. Given the construction period timelines for new liquefaction facilities, we see a finite amount of liquefaction capacity available to compete with MLNG in this timeframe due to timelines remaining for other North American projects to achieve regulatory approvals. Further, because of a lack of profitable indigenous markets and economic, environmental, fiscal, and activist opposition to west coast Canadian LNG projects, we believe BHLNG is extremely well positioned to monetise stranded Western Canadian shale

"I have been impressed with the commitment and enthusiasm of staff and our partners for LNGL to succeed

Managing Director and Chief Executive Officer's Report

Continued

The current Magnolia LNG project site

resources, as well as production from conventional sources in Western and Central Canada, resources offshore Nova Scotia, and from Marcellus and Utica shale production.

The following key highlights[1] realised during the year reflect the advanced status of our North American liquefaction projects as well as other Company milestone progress.

- ✓ US FERC Order authorising construction of the MLNG project
- ✓ MLNG agreement with KSJV on a binding LSTK EPC contract for US$4.345 billion for the full 8 mtpa or greater facility, with price validity through December 2016
- ✓ Global alliance arrangements announced with Chart Industries (**Chart**), Siemens Energy Inc. (**Siemens**), and EthosEnergy Group (**EthosEnergy**) that provide key materials, components, and services to the construction and operation of MLNG and, potentially, other future LNGL opportunities
- ✓ Clough-CH·IV selected as owner's engineer for the MLNG project
- ✓ MLNG extending its binding agreement with Meridian LNG through December 2016
- ✓ BHLNG receiving its export license from the National Energy Board (**NEB**) for export of 8 mtpa beginning in 2019, with expanded authority to 12 mtpa in 2024
- ✓ DOE authorising BHLNG to export LNG derived from US produced natural gas to Non-FTA countries
- ✓ BHLNG acquiring additional land surrounding its existing owned site to ensure sufficient land access for the full 12 mtpa planned project
- ✓ BHLNG receiving approval for its Greenhouse Gas (**GHG**) and Air Emission Management Plan from Nova Scotia Environment (**NSE**)
- ✓ Bear Paw Pipeline project (**Bear Paw**) receiving "Approval to Construct" from the Nova Scotia Utility and Review Board (UARB) and progressing plans for the lateral pipeline required to connect BHLNG to the mainline gas header at Goldboro, Nova Scotia
- ✓ Extension of the FLLNG lease through March 2017

As previously stated, our immediate focus is on signing sufficient investment-grade offtake agreements to take FID, and move to financial close, construction, and operation of MLNG and then BHLNG. We remain vigilant in managing our cash position in a fiscally responsible manner and we remain on track to extend this cash position into 2019, consistent with our cash management plan.

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.

1 Includes announcements to the ASX post 30 June 2016

adjacent to the Calcasieu Ship Channel, an established shipping channel in the Lake Charles District, State of Louisiana, USA

THE COMPANY

LNGL is an Australian public company based in Perth, Western Australia. Founded in 2002, the Company listed on the Australian Stock Exchange (Code: **LNG**) in 2004, and on the US over-the-counter market in 2014 (OTC ADR: **LNGLY**).

The Company is developing LNG export terminal projects in the United States, Canada, and Australia having combined aggregate design production capacity of nearly 20 mtpa, with further expansion options of up to 4 mtpa or more. Our portfolio consists of 100% ownership of the following companies:

- Magnolia LNG LLC (Magnolia LNG), an 8 mtpa or greater development LNG export terminal in Lake Charles, Louisiana, USA;
- Bear Head LNG Corporation Inc. (Bear Head LNG), an 8-12 mtpa development LNG export terminal at Point Tupper in Richmond County, Nova Scotia, Canada;
- Bear Paw Pipeline Corporation Inc. (Bear Paw Pipeline), that is proposing to construct and operate a 62.5 km gas pipeline lateral to connect gas supply to BHLNG;
- Gladstone LNG Pty Ltd (Fisherman's Landing LNG), a 3.5 mtpa development LNG export terminal at the Port of Gladstone, Queensland, Australia; and
- LNG Technology Pty Ltd, owner of LNGL's patented optimised single mixed refrigerant (**OSMR® Technology**) liquefaction process technology.

Our mission is to create substantial shareholder value through successful execution of our 'Energy Link' strategy.

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

Our approach to site selection and project development reflects the importance placed on existing infrastructure, land access, gas supply, regulatory regime, and other similar differentiating key business drivers. We will leverage modular fabrication of our LNG trains to the fullest degree possible, facilitating project scalability, minimising land use, maximising standardised specifications, and increasing procurement competition.

We look to contract on a fixed-price, turnkey basis using LNG industry experienced EPC contractors. The modular construction approach and consistent use of EPC contractors allows repeatability with respect to the OSMR® liquefaction trains, further improving economics.

Our preference for modular fabrication translates into inherently safer construction sites and reduced on-site labour while providing a high degree of quality and schedule control. This approach aligns with our Company's core values for health, safety, security, and the environment (HSSE) as outlined in our Business Principles.

LNGL conducts business in an ethical, fair, and honest manner. We are committed to participating in the highly competitive global LNG industry with the highest degree of integrity, absent use of any corrupt practices to obtain a business advantage. We aim to secure and safeguard an appropriate "License to Operate" in all our operations and do so through active engagement with our host communities and key stakeholders.

"Our immediate focus is on signing sufficient investment-grade offtake agreements to take FID on our projects

Managing Director and Chief Executive Officer's Report

Magnolia LNG Project, Louisiana, USA

Artist's rendition of the 8.0 mtpa or greater (design capacity) Magnolia LNG project in the Port of Lake Charles, Louisiana, USA

PROJECT OVERVIEW

The MLNG project comprises the proposed development of an 8 mtpa or greater LNG export project on a 115-acre site, adjacent to an established LNG shipping channel (along the Calcasieu River shipping channel) in the Lake Charles District of Louisiana. The project plan includes development of four LNG production trains of 2 mtpa or greater each. Each train will employ the Company's wholly owned and patented OSMR® Technology. KSJV is undertaking EPC contracting efforts, with KBR leading the joint venture team. The project will be constructed under a fixed price, turnkey EPC contract.

Feed gas supply will come from the highly liquid US Gulf Coast gas market via multiple gas suppliers. Gas supply will be delivered to the site thru the Kinder Morgan Louisiana Pipeline (**KMLP**). MLNG has an executed precedent agreement for 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.

The site lease will be with the Lake Charles Harbour and Terminal District, encompassing a 30-year lease agreement, with four 10-year options for MLNG to extend the term of the lease for up to 70 total years.

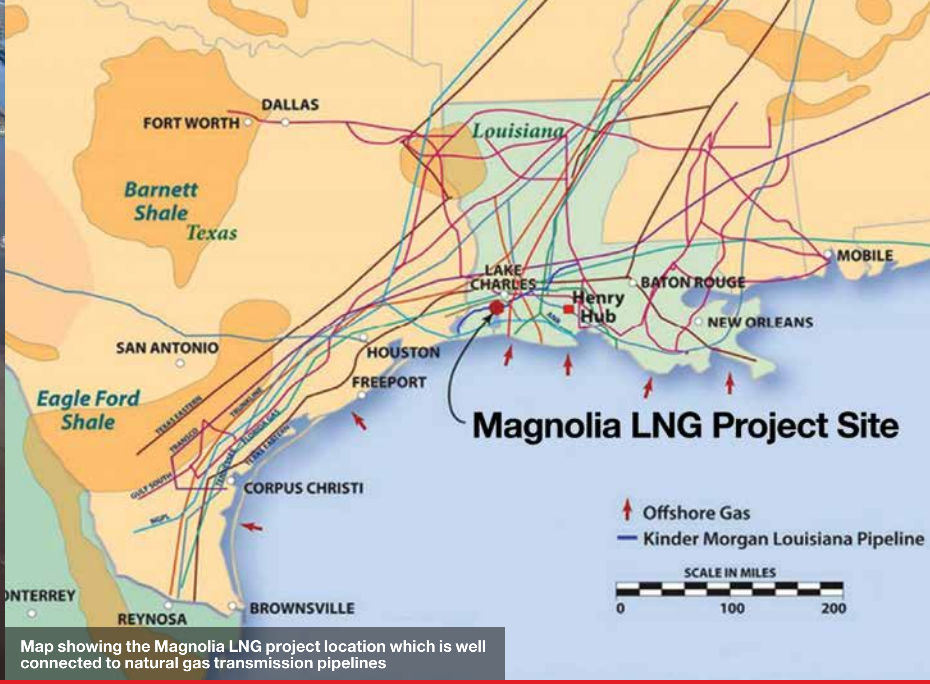
PROJECT PERMITS AND APPROVALS

MLNG is construction ready, having received all of its required regulatory approvals and permits necessary to initiate jobsite activities. These include relevant federal approvals, including the FERC Order received on 15 April 2016, and state and local approvals and permits.

ENGINEERING PROCUREMENT AND CONSTRUCTION (EPC) CONTRACT

In November 2015, MLNG and KSJV signed the binding LSTK EPC contract for construction of a 4 train, 8 mtpa or greater LNG export facility. Key contract specifics follow.

- US$4.354 billion LSTK price, validity to 31 December 2016
- Full wrap LSTK EPC contract
- EPC contract scope includes:
  - Siemens and Chart costs (compressors, cold boxes, turbines)
  - Mobilization and de-mobilization costs
  - Capital spares & contractor provided insurances
  - Profit, risk/liability funds, escalation and contingency amounts
- LSTK plant design utilises LNGL's patented OSMR® Technology
- EPC guaranteed production of 7.6 mtpa
- EPC guaranteed 92% feed gas production efficiency, LNG plant/utilities fuel gas consumption of 8% or less
- Scope:
  - Four LNG production trains each with design capacity of 2 mtpa or greater
  - Two 160,000m³ full containment LNG storage tanks
  - Ship, barge & truck loading, supporting infrastructure, and all required post-FID approvals and licenses
- Final design capacity shall be based on closing design at FID



Map showing the Magnolia LNG project location which is well connected to natural gas transmission pipelines

Owner's and other costs are estimated at 13.5% to 15.5% of EPC cost, which include Owner's engineer, regulatory, permitting and environmental costs, commissioning gas and cost, O&M mobilisation and other minor contracts, and internal costs capitalised from financial close. Key contractors and sub-contractors associated with MLNG construction and operation include KBR, SK E&C, Chart, Siemens, Clough/CH IV, and EthosEnergy. Total cost of the plant construction will include incremental costs associated with capitalised interest and financing fees, which amounts will be determined at financial close.

LNG OFFTAKE AGREEMENTS

MLNG signed a binding agreement with Meridian LNG Holdings Corp for firm capacity rights for up to 2 mtpa on 22 July 2015. The agreement terms were subsequently extended through December 2016.

Marketing of MLNG capacity continues with a number of investment-grade, as well as some non-investment grade counterparties. Substantially all of the offtake negotiations are for initial 20-year terms under LNG tolling agreements (**LTA**) or sales and purchase agreements (**SPA**).

EQUITY COMMITMENT

In 2013, the Company executed an Equity Commitment Agreement (**ECA**) with New York USA headquartered 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 after Financial Close, including the construction and funding of the MLNG 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 MLNG 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

In parallel with FERC approval of MLNG as documented by the FERC Order received on 15 April 2016, KMLP also received FERC approval for construction required to upgrade deliverability on the pipe commensurate with the MLNG KMLP Precedent Agreement (PA) and Gas Pipeline Interconnect Agreement (PIA).

Detailed information on the MLNG project is available on the Company's website: **www.lnglimited.com.au** under "Assets" or at **www.magnolialng.com**


Greg Vesey and LNGL staff meeting with local Lake Charles community leadership

"MLNG is construction ready, having received all of its required regulatory approvals and permits necessary to initiate jobsite activities

Managing Director and Chief Executive Officer's Report

Bear Head LNG Project, Nova Scotia, Canada

Artist's rendition of the 8 – 12 mtpa (design capacity) Bear Head LNG project at Point Tupper, Richmond County, Nova Scotia, Canada

PROJECT OVERVIEW

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

BHLNG is an 8 - 12 mtpa LNG export terminal in Nova Scotia. The site is located on the naturally deep waters of the Strait of Canso in Point Tupper, Richmond County, Nova Scotia. The prior owners spent more than $100 million to design, complete engineering work, and develop the BHLNG site in the early 2000s. These improvements have been maintained and are part of the assets BHLNG is leveraging in its project plans and design.

BHLNG has received all of the required 10 initial Canadian federal, provincial, and local regulatory approvals to construct a liquefied natural gas export facility, as well as commercial approvals important to gas supply and export destinations.

In March 2016, BHLNG reached agreement to purchase an additional 72 acres of land, directly adjacent to its existing 255-acre site for the LNG export facility, from Nova Scotia Business Inc. (NSBI). The acquisition of the additional land (for C$450,000) enables BHLNG to increase the capacity of the LNG facility from a nominal 8 mtpa up to 12 mtpa in 2024, as per BHLNG's approval from the NEB.

KBR has developed Phase I front end engineering and design (**FEED**) for the export terminal. BHLNG is looking to gain design and development efficiencies by using KBR to perform FEED as a means of leveraging MLNG design work. This approach is consistent with LNGL's 'Energy Link' strategy.

Feed gas supply is expected to come from a combination of Canadian and US producers.

The BHLNG export terminal location is about half the shipping distance to major European markets compared to US Gulf ports, and is closer than its North American competitors, including those in British Columbia, to several other major LNG markets including burgeoning natural gas markets in India and Argentina.

BEAR PAW PIPELINE

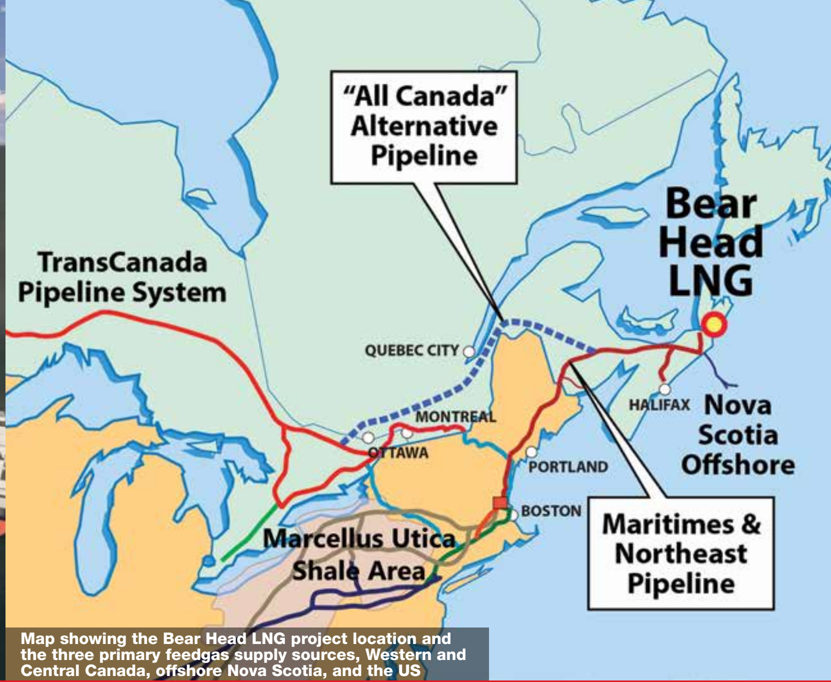
Bear Paw is proposing to construct and operate a 62.5 km (38.8 mile) natural gas pipeline to supply natural gas to the BHLNG export terminal. The Bear Paw project will connect gas supply sources near Goldboro, Nova Scotia, to the liquefaction export facility.

A pipeline assessment corridor has been identified for routing purposes that focuses on public safety and minimisation of impacts to the environment, landowners, and stakeholders. This assessment corridor is approximately 100 metres wide for most of the length, and wider in areas where additional environment and engineering information is needed. The width required for the construction period will be reduced to approximately 35 metres in most areas. The pipeline corridor parallels an existing pipeline right-of-way wherever possible. The project will include a required compressor station to deliver specific and constant natural gas pressure to BHLNG.

PROJECT PERMITS AND APPROVALS

BHLNG 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 (**EA**) Approval from the NSE
- Permit to Construct from the Nova Scotia 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)
- Authorization 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)



Map showing the Bear Head LNG project location and the three primary feedgas supply sources, Western and Central Canada, offshore Nova Scotia, and the US

On 17 August 2015, Canada's NEB approved BHLNG's application for authority to export up to 8 mtpa of LNG from Canada starting in 2019, with expanded authority allowing import of up to 14.2 billion cubic metres of natural gas per annum from the US, which would be sufficient to export up to 12 mtpa of LNG from Canada in 2024. Both licences are for a period of 25 years. On 16 June 2016, LNGL announced that BHLNG had received Governor in Council approval for the licence to import natural gas from the United States and the licence to export LNG from the BHLNG project site.

On 30 March 2016, Bear Paw registered its EA with NSE. In July 2016, BHLNG received NSE approval for its Greenhouse Gas and Air Emission Management Plan. Also in July 2016, the UARB provided its "Permit to Construct" the Bear Paw natural gas pipeline and related facilities pursuant to the Pipeline Act.

The DOE has granted BHLNG authority to export LNG derived from US produced natural gas to countries with which the US has FTA and to all countries with which trade is not prohibited by US law or policy (Non-FTA). The DOE has also granted BHLNG authority to export US natural gas to Canada, allowing export of up to 440 bcf per year of US natural gas to Canada. Finally, in tandem with the non-FTA export permit, DOE determined that BHLNG does not require DOE's authorization for Canadian natural gas to pass through US pipelines (in transit) on its way to the export facility in Nova Scotia.

Procurement of further required regulatory approvals for Bear Paw continues.

GAS SUPPLY

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

During fiscal 2016, BHLNG worked with TransCanada Pipelines in a route study analysis to further explore the viability of transporting natural gas from TransCanada's Alberta system (NGTL) to the BHLNG site. Study deliverables included routing, system design, capital and operation cost estimates, indicative rate ranges, schedule estimates, and risk analyses. Based on outcomes from this work in combination with indicative BHLNG tolling rates, the Company is confident that a west-to-east 'all Canada solution' represents a cost competitive marketing alternative for Alberta and British Columbia natural gas producers. The BHLNG 'all Canada solution' gives producers access to LNG markets at a globally competitive free-on-board (FOB) cost, providing an economically beneficial alternative to West Coast Canada LNG or selling production at AECO index prices. Initial discussions with major Western Canadian resource holders has confirmed interest in further exploring the BHLNG option.

Conversely, during 2016, Northeast US pipeline projects intended to move Marcellus / Utica shale gas production east were cancelled or deferred. These decisions may have detrimental effects on gas supplies available for export from the US to Canada through the Maritimes & Northeast Pipeline system. The Company continues to explore other gas paths to move Marcellus / Utica supplies to the BHLNG site.

BHLNG continues to monitor offshore Nova Scotia upstream development, which has slowed somewhat as investors in offshore Nova Scotia upstream opportunities deal with capital constraints arising from lower global commodity prices.

Detailed information on the BHLNG project is available on the Company's website: **www.lnglimited.com.au** under "Assets" or at **www.bearheadlng.com**

> **"BHLNG has received authority from the Canadian NEB to export LNG and from the US DOE to export LNG to both FTA and Non-FTA countries**

Managing Director and Chief Executive Officer's Report

Fisherman's Landing LNG Project, Queensland, Australia

PROJECT OVERVIEW

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.

In March 2016, Gladstone LNG Pty Ltd, owner of the FLLNG project, extended the FLLNG Site Agreement for Lease with the GPC to 31 March 2017, with an option to further extend on the same terms (with an inflation index) through to 31 March 2018. This extension is subject to the provision of appropriate evidence demonstrating to GPC that the FLLNG project remains a positive investment intention, which includes management's assessment of the likelihood of a gas supply contract for the project. The Company expects exercise of this option only if management believes a feed gas supply contract is probable of realisation.

The Queensland Government's Department of Natural Resources and Mines has extended the dates for completion of the FLLNG project construction under both the Petroleum Facility Licence No. 18 (**PFL 18**) and the Petroleum Pipeline Licence No. 161 (**PPL 161**) to 31 December 2017, respectively.

LNGL has signed a non-binding memorandum of intent (**MOI**) for a gas sales agreement (**GSA**) with Tri-Star Petroleum Company (**Tri-Star**). Tri-Star and LNGL will work together to negotiate a legally binding GSA heads of agreement for 90 PJ/year of gas (260 TJ/d) from Tri-Star's gas reserves for a term of 20 years. Under the MOI, it is proposed that Tri-Star and LNGL will work together with the selected LNG buyer and will negotiate a tolling agreement for the processing of the Tri-Star gas through FLLNG to produce 1.5 mtpa of LNG.

Management is continuing to evaluate other gas supply opportunities to enable a FID decision on FLLNG.

For further information about the FLLNG project please refer to the Company's website: www.lnglimited.com.au under "Assets".

Artist's rendition of the proposed 3.5 mtpa design capacity FLLNG project

Map showing the location of the FLLNG project at the Port of Gladstone, Queensland, Australia

OSMR® Patents and LNG Technology PTY LTD

Model of 2 mtpa Nominal Design Capacity OSMR® Liquefaction Train

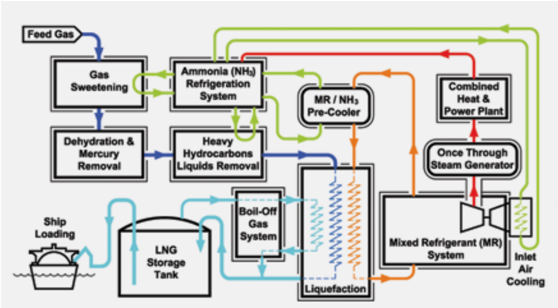
LNG Technology Pty Ltd designed and patented the optimized single mixed refrigerant (OSMR®) LNG liquefaction process. OSMR® Technology is a low cost, highly efficient, environmentally friendly, robust and low risk technology that has the potential to benefit many future LNG projects.

The OSMR® Technology combines several well-proven, existing technologies into one integrated system. Integration of these primary components comprise the core liquefaction process resulting in a plant with a market-leading capital cost, and a considerably more efficient design arrangement that generates lower emissions, improved reliability, and improved project economics.

The following primary components comprise the core liquefaction process:

- The single mixed refrigerant (**SMR**) liquefaction process is at the heart of the OSMR® Technology, which optimizes the SMR process with ammonia pre-cooling
- Use of ammonia as a pre-cooling refrigerant, having superior refrigeration properties to propane, allows for smaller condensers, exchangers, and general plant size
- Gas turbine waste heat steam generation (combined cycle) providing motive power to the ammonia refrigeration system
- A closed loop ammonia refrigeration circuit, driven by steam recovered from waste heat mentioned above, pre-cools the mixed refrigerant and directly cools inlet air to the gas turbines
- Highly efficient and reliable gas turbines drive the mixed refrigerant compressors

These technologies, applied and proven in other industries, integrate within the OSMR® Technology to generate performance improvements, resulting in a reliable LNG plant that is relatively simple to design, construct, operate, and maintain.



Schematic of OSMR® liquefaction process technology

The Company continues with 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". Advancement of global patent protection allows the Company to develop international opportunities as well as progressing its three owned projects, MLNG, BHLNG and FLLNG.

For further information about OSMR® liquefaction process technology, including a paper on "OSMR® Liquefaction Process for LNG Projects" please refer to the Company's website: **www.lnglimited.com.au** under "Assets".

Corporate

Managing Director and Chief Executive Officer's Report Continued

Artist's rendition of the 8.0 mtpa or gre

FUNDING SOURCES

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.

LIQUIDITY MANAGEMENT PLAN

Like others in the energy industry, current weakness in energy markets and other factors have affected LNGL's progress in signing binding offtake to enable the projects to move at planned pace to FID, financial close, and construction. In January 2016, LNGL disclosed its liquidity management plan (**LMP**) and ongoing work program in response to the slowing industry conditions. The goal of the LMP was to sustain operations to the beginning of 2019 on cash reserves existing at 31 December 2015. The work program included:

- Commercial focus on signing binding offtake agreements;
- Placing on hold our EPC and related contracts, while settling outstanding obligations to third-party contractors;
- Finishing residual engineering, regulatory, and permitting work on our projects;
- Maintaining the projects in 'ready mode' to enable fast track ramp-up once sufficient levels of binding offtake agreements are signed; and
- Prudently managing our cost base.

As part of the LMP, management announced a redundancy and restructuring initiative in July 2016 aimed at further reducing prospective cash outflow. Subsequently, Mr Brand stepped down from his Board role on 29 July 2016. As a result of these events, the Company paid approximately $3.3 million to settle obligations owed the impacted personnel, of which approximately $703,000 was paid prior to 30 June 2016.

In aggregate, the impacted personnel continue to hold approximately 2.6 million Performance Rights, of which 333,200 Performance Rights relate to grants made to employees in August 2016.

Management believes the LMP remains on course to deliver the goal of liquidity into 2019 but acknowledges there remain risks to realising the goal.

FINANCIAL RESULTS

During the financial year, net assets of the Company and its controlled entities (**the LNGL Group**) decreased by $100.7 million, from $181.6 million as at 1 July 2015 to $80.9 million as at 30 June 2016, primarily reflecting development spend activities associated with MLNG and BHLNG during the period.

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. Currently, LNGL is expensing 100% of its development expenditures.

LNGL Group's net loss after income tax for the year ended 30 June 2016 totalled $115.1 million. This included project costs of: $89.3 million on the development of the Company's LNG projects, $14.3 million on share-based payment expenses, and $19.4 million in administration, corporate, and compliance costs in the period.

The increasing loss from ordinary activities and the net loss for the period reflect the advancement of the MLNG project during the period, including FEED and early EPC work by KSJV, work on offtake negotiations, and finalisation of regulatory and permitting work. In addition, development of the BHLNG project and Bear Paw work occurred in the current year.

As at 30 June 2016, the LNGL Group had $67.2 million (cash and cash equivalents) plus $4.3 million other financial assets invested in interest bearing term investments.

ater (design capacity) Magnolia LNG project in the Port of Lake Charles, Louisiana, USA

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 available liquidity to maintain its operations, 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, prices paid for liquefaction capacity, 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.

OUTLOOK

LNGL is well positioned to participate in the North American LNG growth story by continuing to build the foundations of the MLNG and BHLNG projects. As pointed out throughout this discussion, signing additional legally binding investment-grade offtake agreements that enable FID decisions on Company projects is our focus.

Finalising re-negotiated terms of the Stonepeak ECA is also a key deliverable.

We shall execute these efforts in a safe, efficient, and fiscally responsible manner that aligns with our LMP.

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 MLNG, BHLNG, and FLLNG projects for our shareholders.

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

Greg M Vesey

Gregory M. Vesey
MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER
30 SEPTEMBER 2016

> "LNGL is well positioned to deliver new liquefaction capacity

Directors' Report

Your directors submit their report for the fiscal year ended 30 June 2016.

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.

On 5 September 2016, the Company announced that its current non-executive Chairman, Mr Richard J Beresford, plans to step down from the Chairmanship but remain as a NED on the Company's Board. Subject to his re-election as a director at the AGM on 17 November 2016, Mr Paul J Cavicchi shall replace Mr Beresford as Chairman of the Board from that date.

MR RICHARD JONATHAN BERESFORD

Non-Executive Chairman

RESIDENCE

Perth, Western Australia.

EDUCATION AND CERTIFICATION

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

EXPERIENCE

Mr Beresford has over 30 years' experience in the international energy natural gas and renewable energy industries. He spent 12 years with British Gas plc, including three years in London managing a portfolio of Asia-based downstream gas and power generation investments, and four years in Jakarta as Country Manager, Indonesia. He joined Woodside Petroleum Limited in 1996 where he became General Manager, Business Development, moving to Managing Director of Metasource, Woodside's green energy subsidiary through 2001. Other experience includes the role of Head of Gas Strategy and Development for CLP Power Hong Kong Limited from January 2005 to March 2007 leading negotiations for LNG supply to its power plants.

INDEPENDENT

Yes.

Board and Committee memberships	Chair	Member
Board of Directors	From Nov 2010	From Feb 2004
Compensation	Nov '10 – Oct '15	From Jun 2004
Corporate Governance and Nominating	Nov '10 – Dec '15	From Sep 2007
Safety, Sustainability, People, and Culture	-	Oct '15 – Jan '16
Audit	-	May '04 – Oct '15

OTHER DIRECTORSHIPS AND AFFILIATIONS

Eden Energy Limited (since 2007)

Green Rock Energy Limited (September 2008 to April 2015)

SKILLS CONTRIBUTED TO THE LNGL BOARD:

- Technology and innovation
- Risk management
- International experience
- Legal and regulatory
- Business strategy
- Contracts and negotiation
- Project management
- Mergers and acquisitions
- Finance
- Government and community relations
- Environmental and sustainability matters
- Marketing and business development
- Corporate governance
- Health and safety

MR GREGORY MATTHEW VESEY

Managing Director and Chief Executive Officer

RESIDENCE

Houston, Texas, USA.

EDUCATION AND CERTIFICATION

BBA, Northwestern State University of Louisiana.

Board and Committee memberships	Chair	Member
Board of Directors	-	From Apr 2016

BOARD COMMITTEE MEMBERSHIP

None, attends Board Committee meetings as an invitee.

EXPERIENCE

Mr Vesey held senior executive roles in the international energy sector through a career spanning 35 years with Chevron and Texaco. Most recently he was President of Chevron Natural Gas & Vice President, Gas Supply and Trading from 2011 to 2015. In this role he was responsible for Chevron's Global LNG, natural gas, and natural gas liquids marketing and trading activity, and was based in Houston. Previously as President of Chevron Global Power Company, he led a business unit which held a portfolio of commercial power plants and projects in the US, Asia, Middle East, and Europe. Prior to that he led Chevron Technology Ventures for five years where he was responsible for creating a portfolio of new opportunities in technology commercialization, emerging energy, and Chevron's venture capital investing.

INDEPENDENT

No.

OTHER DIRECTORSHIPS AND AFFILIATIONS

Natural Gas Supply Association of America – Chairman 2013 - 2015

Junior Achievement of Southeast Texas (since 2004) – Chairman 2011 - 2013

Alley Theatre in Houston (since 2010)

SKILLS CONTRIBUTED TO THE LNGL BOARD:

- Technology and innovation
- Risk management
- International experience
- Legal and regulatory
- Business strategy
- Contracts and negotiation
- Project management
- Mergers and acquisitions
- Audit and accounting
- Government and community relations
- Project engineering, construction, and execution
- Marketing and business development
- Corporate governance
- Health and safety

Directors' Report

Your directors submit their report for the fiscal year ended 30 June 2016.

MS LEEANNE KAY BOND

Non-Executive Director

RESIDENCE

Brisbane, Australia.

EDUCATION AND CERTIFICATION

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

Board and Committee memberships	Chair	Member
Board of Directors	-	From Oct 2009
Compensation	-	From Nov 2010
Corporate Governance and Nominating	-	Nov '10 – Jan '16
Safety, Sustainability, People, and Culture	From Oct 2015	-
Audit	Nov '10 – Oct '15	From Oct 2015

EXPERIENCE

Ms Bond is a professional company director with board roles in the energy, minerals, and engineering services sectors. She has qualifications in engineering and management, and nearly 30 years' experience across a broad range of industrial sectors including energy, minerals, infrastructure, and water resources. From 1996 to 2006, Ms Bond held a number of management roles with Worley Parsons in Queensland, Australia, including General Manager Hydrocarbons and Development Manager.

INDEPENDENT

Yes.

OTHER DIRECTORSHIPS AND AFFILIATIONS

Snowy Hydro Limited (since 2015)

Power Generation Corporation trading as Territory Generation (since 2014)

JKTech Pty Ltd (since 2013)

Breakthrough Energy Pty Ltd (since 2006)

Coffey International Limited (2012 to 2016)

SKILLS CONTRIBUTED TO THE LNGL BOARD INCLUDE:

- Technology and innovation
- Risk management
- International experience
- Auditing and accounting
- Business strategy
- Contracts and negotiation
- Project management
- Health and safety
- Finance
- Government and Community Relations
- Environmental and sustainability matters
- Marketing and business development
- Corporate governance
- Project engineering, construction, and execution

MR PAUL J CAVICCHI

Non-Executive Director

RESIDENCE

Houston, Texas, USA.

EDUCATION AND CERTIFICATION

MSCE, University of Massachusetts; MBA, Colgate Darden School of Business Administration at the University of Virginia.

Board and Committee memberships	Chair	Member
Board of Directors	-	From Oct 2014
Compensation	From Oct 2015	Oct ’14 – Oct ‘15
Corporate Governance and Nominating	-	From Jan 2016
Safety, Sustainability, People, and Culture	-	From Oct 2015

EXPERIENCE

Mr Cavicchi has over 30 years’ experience in the international energy industry across a range of gas and power projects, including development and construction of LNG infrastructure. His most recent position was Executive Vice President of GDF SUEZ Energy North America, Inc., 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. Previously, he held the roles of President & CEO of SUEZ Renewable Energy NA, LLC, and before that President and CEO of SUEZ Energy Generation North America, Inc.

INDEPENDENT

Yes.

OTHER DIRECTORSHIPS AND AFFILIATIONS

No other directorships

Registered Professional Engineer, State of New Hampshire, USA

SKILLS CONTRIBUTED TO THE LNGL BOARD INCLUDE:

- Project management
- Risk management
- International experience
- Legal and regulatory
- Business strategy
- Contracts and negotiation
- Health and safety
- Mergers and acquisitions
- Finance
- Government and Community Relations
- Environmental and sustainability matters
- Marketing and business development
- Project engineering, construction, and execution

Directors' Report

Your directors submit their report for the fiscal year ended 30 June 2016.

MR D MICHAEL STEUERT

Non-Executive Director

RESIDENCE

Roanoke, Texas, USA.

EDUCATION AND CERTIFICATION

BBA and MBA, Carnegie Mellon University; post-graduate training at both Harvard University and Pennsylvania's Wharton School of Business.

Board and Committee memberships	Chair	Member
Board of Directors	-	From Feb 2015
Audit	From Oct 2015	Feb '15 – Oct '15
Safety, Sustainability, People, and Culture	-	From Jan 2016

EXPERIENCE

Mr Steuert has nearly 40 years of international finance management experience. His most recent position was as Chief Financial Officer and Senior Vice President and Controller of Fluor Corporation. Mr Steuert was previously 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.

INDEPENDENT

Yes.

OTHER DIRECTORSHIPS AND AFFILIATIONS

Weyerhaeuser Corporation (since 2004)

Kurion Inc. (since 2012)

Prologis Inc. (2001 to 2015)

SKILLS CONTRIBUTED TO THE LNGL BOARD INCLUDE:

- Project management
- Risk management
- International experience
- Mergers and acquisitions
- Audit and accounting
- Corporate governance
- Finance
- Project engineering, construction, and execution

PHILLIP D. MOELLER

Non-Executive Director

RESIDENCE

Washington D.C., USA.

EDUCATION AND CERTIFICATION

BA in Political Science, Stanford University.

Board and Committee memberships	Chair	Member
Board of Directors	-	From Dec 2015
Corporate Governance and Nominating	From Jan 2016	-
Audit	-	From Jan 2016
Safety, Sustainability, People, and Culture	-	From Jan 2016

EXPERIENCE

Mr Moeller is currently Senior Vice President and Chief Customer Solutions Officer for Edison Electric Institute. He served as a Commissioner of the Federal Energy Regulatory Commission (FERC) from July 2006 to October 2015. While serving on the Commission he focused on policies that encourage the construction of additional electric transmission and interstate natural gas infrastructure, and policies promoting well-functioning wholesale markets. From 1997 through 2000, Mr Moeller served as an energy policy advisor to US Senator Slade Gorton (R-Washington). Prior to joining Senator Gorton's staff, he served for nearly ten years as the Staff Coordinator for the Washington State Senate Committee on Energy, Utilities and Telecommunications. Before becoming a Commissioner, Mr Moeller headed the Washington, D.C., office of Alliant Energy Corporation, an electric and natural gas utility company based in Madison, Wisconsin. Prior to Alliant Energy, Mr Moeller worked in the Washington office of Calpine Corporation.

INDEPENDENT

Yes.

OTHER DIRECTORSHIPS AND AFFILIATIONS

none

SKILLS CONTRIBUTED TO THE LNGL BOARD INCLUDE:

- Corporate governance
- Risk management
- Contracts and negotiation
- Legal and regulatory
- Business strategy
- Corporate governance
- Health and safety
- Environmental and sustainability

Directors' Report

Your directors submit their report for the fiscal year ended 30 June 2016.

MR FLETCHER MAURICE BRAND, PREVIOUS EXECUTIVE DIRECTOR

Mr Brand was the founder and former Managing Director and Chief Executive Officer of LNGL. He voluntarily stepped down from his role with the Board on 29 July 2016.

MADAM YAO GUIHUA, PREVIOUS NON-EXECUTIVE DIRECTOR

Madam Yao served as a NED from August 2013 to 19 November 2015, at which time she voluntarily resigned from the Board immediately following the Fiscal 2015 Annual General Meeting.

COMPANY SECRETARY

Ms Kinga Doris and Mr Andrew Gould currently share duties as Company Secretary.

Ms Kinga Doris' role with LNGL is General Counsel and Joint Company Secretary. She performs Secretary duties for the Board and Board's Compensation Committee, and Governance and Nominating Committee, respectively.

Mr Gould's role with LNGL is Group Development Manager and Joint Company Secretary. Mr Gould performs Secretary duties for the Board's Audit Committee and Safety, Sustainability, People, and Culture Committee.

Mr David Gardner served as Joint Company Secretary until relinquishing his role as Joint Company Secretary on 2 September 2016 following his departure from the Company.

DIRECTORS MEETINGS

During the year, fourteen directors' meetings were held. The number of meetings attended by each committee member director and the number of meetings held during the financial year follows. The chart does not capture attendance by directors at committee meetings where said director is not a member of that committee.

	Board of Directors	Compensation Committee	Audit Committee	Corporate Governance and Nominating Committee	Safety, Sustainability, People, and Culture Committee
Total meeting	14	3	4	1	3
Director attended					
Richard J. Beresford	14	3	2	1	1
Gregory M. Vesey	3	-	-	-	-
F. Maurice Brand	14	-	-	-	-
Leeanne K. Bond	14	3	4	-	3
Paul J. Cavicchi	14	3	-	1	3
D. Michael Steuert	14	-	4	-	2
Philip D. Moeller	8	-	2	1	-
Madam Grace Yao	6	-	-	-	-

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

i. Mr Gregory M. Vesey was appointed to the Board on 4 April 2016;

ii. Mr Philip D. Moeller was appointed to the Board on 7 December 2015;

iii. Madam G. Yao resigned from the Board on 19 November 2015; and

iv. Mr F. Maurice Brand resigned from the Board on 29 July 2016.

SHARES, RIGHTS AND OPTIONS

SHARES

At 30 June 2016, there were 503,977,606 (2015: 503,093,201) common shares on issue.

RIGHTS

At 30 June 2016, there were a total of 16,582,858 (2015: 13,166,654) un-issued ordinary shares under Rights grants associated with both the Incentive Rights Plan and the NED Rights Plan, respectively.

On 6 July 2016, the Company reported that 6,245,402 Performance Rights vested (2015: nil). A total of 6,224,720 common shares were issued as a result of the vesting. The Company also reported on that date that 3,705,323 performance rights lapsed unvested.

As a result of the redundancy and restructuring measures taken, a total of 640,730 Performance Rights were forfeited by staff who have left the Company. On 7 September 2016, the Company disclosed the granting of 5,060,500 incentive rights to eligible employees.

Following these events, there were 11,051,905 un-issued ordinary shares under incentive rights granted pursuant to the Company's Incentive Rights Plan. As at 23 September 2016, there were approximately 14.5 million incentive rights remaining available for granting under the plan.

OPTIONS

At 30 June 2016, there were 1,759,000 (2015: 2,569,000) un-issued ordinary shares under options.

During fiscal year 2016, 810,000 (2015: 1,741,000) options were exercised, at an average exercise price of $0.25 (2015: $0.33). An additional 759,000 options were exercised post 30 June 2016 at a weighted average price of $0.28.

Refer to D4 of the financial statements for further details of options outstanding.

OPERATING AND FINANCIAL REVIEW

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

DIVIDEND

The Company's Board of 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.

Directors' Report

Your directors submit their report for the fiscal year ended 30 June 2016.

ENVIRONMENTAL REGULATION AND PERFORMANCE

MAGNOLIA LNG PROJECT

Pursuant to Section 3(a) of the Natural Gas Act and Part 153 of FERC's regulations, the MLNG 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 on 30 April 2014. During the ensuing months, MLNG 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 Schedule of Environmental Review (SER) for the MLNG and Lake Charles Expansion (i.e. KMLP) projects. The FERC subsequently issued a Draft Environmental Impact Statement (DEIS) on 17 July 2015, the Final Environmental Impact Statement (FEIS) on 13 November 2015, and MLNG's FERC Order on 15 April 2016.

In parallel with the FERC timeline, the MLNG project applied for and received approvals and permits associated with other federal, Louisiana state and local environmental, safety and related requirements, including the Louisiana Department of Environmental Quality air permit received in April 2016 and the Louisiana Department of Natural Resources coastal use permit received in September 2016. The US Army Corps of Engineers Section 404 and Section 10 permits (permit to dredge a water of the US and place dredged material, and construction of marine facilities) are substantially complete and expected to be received within 2016 also.

In a related matter, FERC also authorized Kinder Morgan Louisiana Pipeline LLC KMLP pipeline project to install compression and other related facilities on the KMLP Pipeline, facilitating the transportation of full feed gas volumes to the MLNG project.

As at the date of this report, MLNG has all required environmental, safety, and related permits and approvals required to commence construction of liquefaction and export facilities at its site in Lake Charles, Louisiana, USA.

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

BEAR HEAD LNG PROJECT

Bear Head LNG Corporation has received all ten initial federal, provincial, and local regulatory approvals needed to construct an LNG export facility at Point Tupper, Richmond County, Nova Scotia Canada. These include approval by the NSE of its updated provincial 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.

In July 2016, BHLNG received NSE approval for its Greenhouse Gas and Air Emission Management Plan.

BEAR PAW PIPELINE PROJECT

Bear Paw has registered its EA with the NSE. Other potential key regulatory requirements to obtain prior to construction include the Fisheries Act dealing with installation of pipeline through watercourses, Navigation Protection Act dealing with impact on navigation at marine crossings, and the UARB license to operate. Bear Paw is progressing work to obtain these permits and approvals.

There have been no known breaches of environmental regulations to which BHLNG or Bear Paw are subject.

FISHERMAN'S LANDING LNG PROJECT

The Queensland Department of Environment and Resource Management has granted an EA to 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 FLLNG is subject.

Performing environmental due diligence at the MLNG project site: Soil testing undertaken during 2015

Directors' Report

Your directors submit their report for the fiscal year ended 30 June 2016.

REMUNERATION REPORT (AUDITED)

OVERVIEW

This audited Remuneration Report outlines the remuneration arrangements in place and outcomes achieved for LNGL's key management personnel (**KMP**). LNGL's KMP are those people who have a meaningful capacity to shape and influence the Company's strategic direction and performance through their actions, either collectively (in the case of the Board) or as individuals acting under delegated authorities (in the case of employee KMP).

KMP have the capacity to affect LNGL's performance and the returns delivered to shareholders; thus, it is critical to design and implement remuneration policies for KMP that support the business strategy and align the interests of executive KMP with those of shareholders. As an ASX listed public company, the Board must strike a balance regarding the appropriateness of the remuneration arrangements in place and its requirement to hire and retain the leadership talent required to successfully transition the Company from its current 'developer' stage to an operator of multiple LNG export facilities around the world. Challenges in remuneration arise in striking this balance including:

- The need to continue to attract high-calibre experienced executives to ensure successful development, construction, and operation of our LNG development projects;
- Recognition of the differences in remuneration expectations and best practice between Australia and North America, for example in equity-based components of remuneration;
- The need to ensure there is alignment of executive reward and shareholder value outcomes with a focus on achievement of major milestones in project delivery; and
- The need to provide an attractive value proposition in the context of current industry challenges, while continuing to focus on shareholder value creation and alignment of executive and shareholder interests.

Such considerations provide the context in which the Board made its executive remuneration decisions in fiscal 2016, and are used as guiding principles when setting the remuneration framework for fiscal 2017. The Company's executive incentive arrangements are designed to ensure ongoing alignment with LNGL's strategic direction and core values, which will underscore long-term value creation and shareholder returns.

Fiscal 2016 remuneration framework

The following summarises the key terms of the executive remuneration arrangements for fiscal 2016.

- A fixed remuneration component, consisting of base salary and related benefits, that aligns with industry peers, validated through external compensation studies performed for the Compensation Committee by external consultants engaged by the Board.
- A short-term incentive cash award (**STI**) component, computed as percentages of base pay with individual payout amounts linked to achievement of specific annual corporate and/or individual milestones and personal performance.
- A long-term incentive award (**LTI**) component consisting of Incentive Rights, the vesting of which links to milestone achievement or relative market adjusted total shareholder return (**MATSR**) measured over 3-year performance periods.
  - The fiscal 2016 (and 2015) LTI awards were fifty-percent (50%) milestone-based and fifty-percent (50%) MATSR-based. The milestone components represent a binary outcome, with vesting occurring if the milestone(s) is met during the applicable measurement period.
  - The MATSR component assesses the total shareholder return performance of LNGL shares relative to that of the ASX All Ordinaries Accumulation Index (**XAOAI**) over the applicable measurement period, with vesting determined on a sliding scale as defined in the Incentive Rights invitation letters specific to each grant tranche.
- In accordance with both the STI and LTI plan documents, the Board retains discretion to increase or decrease the level of award or vesting (irrespective of Vesting Conditions being achieved or not), including by reference to the performance of the Company or any Participating Employer generally or in relation to specific matters including issues relating to workplace safety, health, and environment.
- The Board may also vest any Incentive Rights early in circumstances where it considers it appropriate and reasonable to do so.

In preparing this report, the Board has endeavoured to provide sufficient detail and transparency so that investors can form their own views about the appropriateness of the remuneration arrangements in place. While remuneration arrangements for KMP are complex and involve a variety of components and performance measures, the report contains summaries intended to give investors an understanding of how these components link together to form total remuneration for each KMP.

The Board welcomes dialogue with investors around LNGL's remuneration framework.

Board's response to the 2015 AGM vote on the prior year's Remuneration Report

At the AGM on 19 November 2015, the Remuneration Report contained in LNGL's 2015 Annual Report did not receive an affirmative vote from at least 75% of voting shareholders, resulting in a 'strike' pursuant to the rules of the Corporations Amendment Act 2011. The Board recognised the seriousness of this vote and, in response to the first strike event, undertook a number of actions to address shareholder concerns.

In addition to insight provided by its compensation consultant, the Board considered feedback received both during and after the 2015 AGM from shareholders regarding Company matters in general and specific to votes cast on the 2015 Remuneration Report.

The 2016 Remuneration Report incorporates the results of these actions including, among other things, engagement by the Board of Hay Group, as its consultant on compensation matters, changes made to both the STI and LTI compensation programs for Company employees (including KMP), changes made to the NED remuneration program, introduction of share ownership guidelines for NEDs, KMP, and other designated executive officers, and enhanced remuneration disclosures.

The Company received and welcomes feedback from shareholders and governance advisers in respect of remuneration practices and disclosures.

Directors' Report

Your directors submit their report for the fiscal year ended 30 June 2016.

Responses to shareholder and governance adviser feedback

The Board has considered and responds to the shareholder feedback as follows.

Feedback	Response
Significant increases in MD & CEO base salary	MD & CEO base pay was increased in 2014 and 2015 to recognise the greater responsibility given the greater number of LNG projects and the increasing focus of the Company in North America. Only 50% of the potential increase in 2015 was implemented, with the remainder linked to achieving Financial Close on our first LNG project. This was not achieved. In the succession of the MD & CEO during 2016 the Board was able to attract Mr Greg Vesey a highly experienced industry professional at the same starting base pay as the previous MD & CEO Mr Maurice Brand.
More disclosure required on STI performance targets	Enhanced disclosure on STI performance targets is provided in this Remuneration Report.
Some or all STI payment should be deferred into equity instruments, preserving cash	ASX Listing Rules impose a cap of 5% of issued capital on the issue of equity-based instruments to management. In considering STI payments, the Board attempts to strike a balance between preserving some headroom under this cap for future equity-based instrument grants to management and the preservation of cash. The Board will again review this balance in 2017 including consideration of STI deferral.
Relevance and operation of MATSR performance hurdle in LTI (e.g., if index TSR is negative)	The Board believes that a tranche of the LTI being linked with share price performance helps align management and shareholder interests. Given that LNGL straddles the resource and utility sectors there is no statistically robust ASX-listed comparator group. The Board considers that the best compromise is to use MATSR, with the index being the ASX All Ordinaries Accumulation Index. Regarding a negative index TSR, the Board will apply discretion to ensure alignment between LTI and shareholder outcomes.
Concern over increase in NED fees when share price has fallen	NED remuneration is set with reference to a range of external indicators including remuneration paid by comparator companies in Australia and USA, noting the difficulty of finding valid comparators in either market. In response to this concern and in light of the Company's cash management plan, NED cash component fees have been reduced by a nominal 20% before exchange rates for 2017 while moving to a higher weighting of equity in total remuneration. The Board has also introduced share ownership guidelines for NEDs. The Board believes these changes help align the interests of NEDs and shareholders.
Audit and other Board Committees should be entirely independent	The Board Committee structure and membership effective 1st October 2015 meets the requirement that Committees are independent.
Relatively high level of non-audit fees to auditor	Over the past two years, the Company has utilised E&Y services for legal entity structuring relative to its operations in North America and for consultancy on tax related matters on the MLNG project. E&Y was used for these services due to its familiarity with the Company's structure, operations, and strategy as management believed they were best placed to provide efficient, timely, and cost-effective counsel. Management expects its non-audit fees paid to E&Y to decrease over time.

Adjustments to fiscal 2017 remuneration framework

In reviewing KMP remuneration arrangements for fiscal 2017 the Compensation Committee implemented a number of changes in consultation with its outside consultant, Hay Group. Specific changes to the fiscal 2017 plan follow.

- Granting fiscal 2017 LTI awards as a combination of MATSR Performance Rights (60% of the target LTI award) and service-based Retention Rights (40% of the target LTI award)
- Adjusting the vesting terms of MATSR Performance Rights so that 25% of the award vests if LNGL's total shareholder return equals XAOAI's total shareholder return over the applicable measurement period, with 100% vesting in the event that LNGL's total shareholder return is 200% or greater of XAOAI's total shareholder return over the applicable measurement period
- Implementing a 50% cap on the percentage of MATSR Performance Rights award that may vest if LNGL's total shareholder return is negative during the applicable measurement period but still outperforms the XAOAI's total shareholder return over the applicable measurement period
- Implementing stock ownership guidelines (**SOG**) and holding requirements that obligate KMP to own a specified number of shares of LNGL common stock and to hold a specified percentage of equity awards that vest until the ownership guidelines are achieved
- Reducing the grant-date dollar value of LTI award grants made to KMP in fiscal 2017 relative to the grants made in fiscal 2016 to reduce dilution associated with KMP equity grants in light of LNGL's lower share price relative to the prior fiscal year

Rationale for the above changes made to the fiscal 2017 remuneration framework follows.

- The Board adjusted KMP LTI grants to enhance the retention value of its LTI awards as many outstanding equity awards granted in prior fiscal years may not vest due partly to macroeconomic factors outside of the control of the KMP.
- By enhancing the MATSR Performance Right vesting terms the Board's intent is to provide difficult but achievable performance incentives that award the KMP for matching or exceeding XAOAI's total shareholder return during a period of adverse market conditions in the natural gas industry by capitalizing on LNGL's strategic advantages within the market.
- The addition of service-based Retention Rights in combination with the adoption of stock ownership guidelines to ensure that the KMP will acquire ownership interests in LNGL over time and continue to own a meaningful ownership stake in LNGL while they remain with the Company, which directly aligns KMP's economic interests with those of our shareholders.
- The service-based Retention Awards also promote retention of our KMP, which is important to the Company as it executes the business strategy through the current adverse market conditions and as those conditions improve and the competition for talent within our industry increases.

COMPENSATION COMMITTEE ROLE AND RESPONSIBILITIES

The role of the Compensation Committee is to ensure that remuneration policies implemented are designed to enhance corporate and individual performance to the benefit of LNGL's shareholders. That is, the development, maintenance, and application of the Remuneration Policy and Clawback Policy and its implementation for the purposes of making recommendations to the Board to align KMP and shareholder interests regarding KMP remuneration matters. The Compensation Committee is also responsible for 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). Under its charter, the Compensation Committee is composed of at least two members with the majority being independent directors.

The role and responsibilities of the Compensation Committee are summarised in the Corporate Governance Policy, which is available on the Company website. The Compensation Committee's charter is also available on the website at www.lnglimited.com.au.

KMP DURING THE REPORTING PERIODS

Name	Title	Fiscal 2016	Fiscal 2015
	Non-Executive Director Key Management Personnel		
Richard J. Beresford	Chairman	✓	✓
Leeanne K. Bond	NED	✓	✓
Paul J. Cavicchi	NED	✓	From 1 Oct 2014
D. Michael Steuert	NED	✓	From 9 Feb 2015
Philip D. Moeller	NED	From 7 Dec 2015	N/A
Madam Grace Yao	NED	To 19 Nov 2015	✓
	Executive Key Management Personnel		
Gregory M. Vesey	Managing Director & Chief Executive Officer	From 4 Apr 2016	N/A
F. Maurice Brand[1]	Executive Director	✓	✓
Michael R. Mott	Chief Financial Officer	✓	From Oct 1 2014
John Baguley	Chief Technical Officer	From 1 Jul 2015	N/A
Anthony Gelotti	Chief Development Officer	From 1 Dec 2015	N/A
Kinga Doris	General Counsel & Joint Company Secretary	From 1 Sep 2015	N/A
David Gardner	Joint Company Secretary	N/A	To 30 Jun 2015
Paul Bridgwood	Chief Technical Officer	N/A	To 30 Jun 2015
Norman Marshall	Group Executive – Strategy Development	N/A	To 30 Jun 2015

[1] Mr Brand was the founder and former Managing Director and Chief Executive Officer of LNGL. He voluntarily stepped down from his role with the Board on 29 July 2016.

✓ Individual was a KMP during the entire applicable 12-month fiscal period.

REMUNERATION POLICIES AND PRACTICES IMPACTING KMP REMUNERATION

Remuneration and Clawback Policies

KMP remuneration is reviewed annually in the context of individual and business performance, and relevant comparative information.

LNGL's Remuneration Policy aims to fairly and responsibly award employees consistent with market conditions ensuring that the Company:

- Provides competitive rewards that attract, retain, and motivate employees of the highest calibre;
- Sets demanding levels of performance which are clearly linked to each individual's remuneration;
- Structures remuneration at a level that reflects each individual's duties and accountabilities;
- Benchmarks remuneration against appropriate comparator groups;
- Aligns incentive rewards with the creation of value for shareholders; and
- Complies with applicable legal requirements and appropriate standards of governance.

LNGL maintains a clawback policy that is applicable to incentive compensation received by KMP in the event of gross misconduct or in connection with an accounting restatement due to material non-compliance with any financial reporting requirements or material erroneous data. LNGL's Clawback Policy is intended to satisfy the requirements of Principle 8 of ASX Corporate Governance Council's Principles and Recommendations on Australia, as well as Section 10D of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Section 304 of the Sarbanes-Oxley Act of 2002 in the US.

Directors' Report

Your directors submit their report for the fiscal year ended 30 June 2016.

A copy of these policies may be found on LNGL's website at www.lnglimited.com.au.

Company and industry context

As more fully described in the Managing Director and Chief Executive Officer's Report, the Company's near term focus continues on its North American development opportunities. During the fiscal 2016 (and 2015) period, the Company achieved key milestones in the advancement of its MLNG and BHLNG projects and extended its lease on the FLLNG project site but, to date, has been unable to secure sufficient investment-grade offtake to take an FID decision on any of its development projects. Macroeconomic factors, including slowing global economic growth, forecasted over-supply of LNG in the market, crude oil oversupply and volatile pricing, heightened geopolitical risks, and successful activism that slowed regulatory approval processes all affected the LNG industry generally and, as a result, LNGL's progress to FID on its projects.

Against this backdrop, during fiscal 2016 LNGL's KMP further evolved from predominantly Australian-based to predominantly US-based personnel, including (i) appointment of a third US-based NED, (ii) appointment of a US-based Managing Director and Chief Executive Officer, and (iii) the naming of three new US-based executive KMP. This planned evolution creates challenges to remuneration policy and design resulting from a number of factors. The more pronounced of these factors include differences in remuneration practices and governance in Australia relative to the US, and differences in expectations held by Australian and US shareholders, stakeholders, and KMP relative to KMP remuneration structure and instruments. An overarching challenge was to design a remuneration framework that is appropriate to hire, retain, and motivate executive KMP whilst maintaining alignment with shareholders during Company 'development stage' activities.

The Compensation Committee intentionally deviated from the more commonplace remuneration practices applied at most public companies where the business is already in 'operating stage' having operating assets, cash flow, and profit and loss, and where KMP are accountable for the strategic growth of the operating business. Unlike these companies, LNGL is in a pre-revenue stage and strongly focused on achievement of key development milestones that will hopefully lead to a fully operational and revenue producing company, and in turn a remuneration framework that will support that stage of LNGL's business life cycle.

Remuneration design considerations

Last year's remuneration report highlighted an implementation approach reflecting the following:

- Executive incentive opportunities will be increasingly weighted towards equity-based, long-term incentive grants to better align with US remuneration practices;
- To the extent possible, packages will be transitioned over time to avoid significant year-on-year increases to executive remuneration packages in order to moderately but steadily adjust remuneration to achieve balance between market and internal pay practices; and
- As, and if, LNGL continues successful development of its projects in North America, the business is expected to grow in terms of value, scale, and complexity, which is expected to influence further increases in executive remuneration over time in order to maintain market competitiveness.

This implementation approach was approved by the Board and continues to influence Compensation Committee actions relative to fiscal 2017 and future remuneration matters.

Approach to remuneration framework design

In order to assure the relevance and appropriateness of the remuneration framework, the Compensation Committee considered changes to the Company's remuneration policy and disclosures in fiscal 2016 (and 2015). The implemented changes were in line with market best practice, and should be seen as a natural evolution of the remuneration program, which is designed to effectively support the progress of near and long-term business strategy. That said, and taking into consideration the overall market dynamics and ever-changing LNG industry landscape and regulatory requirements, the Compensation Committee continued the evolution of LNGL's remuneration practices in fiscal 2017 with the assistance of external consultant, Hay Group.

Where possible, the Company has sought to provide guidance in this report regarding changes to its remuneration practice that will take effect with commencement of the fiscal 2017 reporting period and the forecasted effects of such changes on KMP remuneration. Summary elements of the fiscal 2016 program and how they compare with the fiscal 2017 remuneration program follows.

Pay Element	Fiscal 2016 Program	Fiscal 2017 program
STI	CEO: individually determined at 55% corporate and 45% individual metrics	CEO: 80% corporate metrics, 20% individual metrics
	Other KMP: individually determined at varying percentage levels	Other KMP: 60% corporate metrics, 40% individual metrics
LTI	50% Performance Rights with milestone vesting targets	40% Retention Rights with service-based metrics
	50% Performance Rights with vesting tied to LNGL's total shareholder return relative to XAOAI's total shareholder return	60% Performance Rights with vesting tied to LNGL's total shareholder return relative to XAOAI's total shareholder return
	Gate Condition required positive LNGL TSR for any MATSR vesting	No Gate Condition but vesting levels capped if negative LNGL TSR

The fiscal 2016 program did not contemplate SOGs. The fiscal 2017 program introduces the following guidelines for KMP.

Role	Minimum Ownership	Holding Requirement
CEO	5x Base Pay	Each executive officer must retain 75% of all net shares (post tax) that vest under the LTI plan until the minimum share ownership requirements are achieved. Guidelines are expected to be met by 30 June 2023.
CFO, CTO, CDO and General Counsel	2.5x Base Pay	
Other executive officers designated by the Compensation Committee	2.5x Base Pay	If the executive officer is promoted to a position that has a higher ownership requirement, the higher standard shall apply as of the date of promotion. Timing of attaining the guidelines are dependent on the individual situation.
NEDs	3x annual Board cash retainer	Guidelines are expected to be met within five years, or 30 June 2021.

Other revisions included in the 2017 remuneration plan follow.

- Changes were made to Incentive Rights vesting conditions specific to termination of employment for reasons without cause, for events of retirement, disability, and death. Changes were also made to the change-of-control vesting provisions as part of the fiscal 2017 Incentive Rights Plan. Each changed provision in the fiscal 2017 Incentive Rights Plan document further restricts the number of Incentive Rights vesting to employees upon occurrence of any of the listed events relative to previous Incentive Right Plan documentation.
- The fiscal 2017 Incentive Rights Plan further clarified the eligibility of plan participants relative to previous plan versions.

The Board approved all fiscal 2017 corporate goals to which the STI parameters apply, approved the Managing Director and Chief Executive officer's 2017 scorecard, reviewed other executive KMP scorecards, and approved all fiscal 2017 LTI Incentive Rights grants.

Executive KMP remuneration structure and instruments

LNGL's remuneration structure for executive KMP has several components. Executive remuneration arrangements are designed to strike an appropriate balance between fixed and variable components. 'At risk' incentive awards, both annual performance-based cash payments and long-term equity-based grants, are designed to promote alignment between employees and LNGL's shareholders.

The mix of fixed and variable remuneration is designed to ensure alignment between executive performance, LNGL's business strategy, and long-term shareholder wealth creation. The remuneration mix varies between employee KMP depending on an individual's role and responsibilities. The following table provides a summary of the Company's remuneration structure (applying to executive KMP) and the integration of each component.

Directors' Report

Your directors submit their report for the fiscal year ended 30 June 2016.

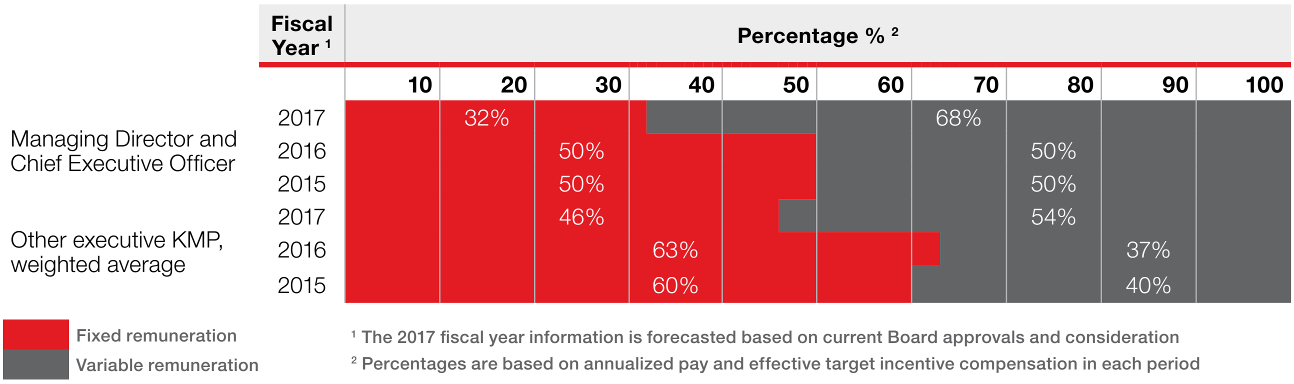
Remuneration component		How determined?	When paid?	
Fixed remuneration		Fixed remuneration is based on the scope of the individual's role and his/her level of knowledge, skill, and relevant experience. Fixed remuneration levels are reviewed annually. The Compensation Committee uses external consultants to gain insight into regional market remuneration data in support of its annual review of KMP fixed remuneration.	Rateably throughout each fiscal year.	The Compensation Committee uses external consultants to gain insight into market remuneration data in support of its annual review of company-wide and KMP specific remuneration design, levels of compensation, and instruments used
Variable Remuneration	STI award	STI payments are paid at the Board's discretion and are determined based upon delivery of a combination of corporate and individual goals. Target and stretch percentages and relative weightings used in determining individual STI percentages derived from achievement of corporate and individual goals are role level specific. Corporate goals (applicable to all employees STI annual plans) and all executive KMP goals (corporate and individual) are Board approved, typically at the beginning of each annual measurement period.	Paid annually on a calendar year basis, typically in January for the prior calendar year's performance.	
	LTI award Performance Rights milestone-based LTI award Performance Rights MATSR-based LTI award Retention Rights LTI award other Incentive Rights instruments	LTI Award grants are equity-based and measured over a period of sufficient length to promote sustained performance to align with shareholder interests. Performance Rights are either milestone-based or MATSR-based. Milestone-based Performance Rights have binary outcomes, meaning the applicable rights either vest or not in the measurement period dependent on realisation of the specific milestone. MATSR-based Performance Rights assess the total shareholder return performance of LNGL shares relative to that of the XAOAI over the applicable measurement period, vesting on a sliding scale dependent on the relative returns. Retention Rights are service time-based incentive rights, vesting over a stated period of continuous employment. These are used primarily for employee retention purposes. The Company's Incentive Rights Plan provides flexibility for grant of other types of equity-based instruments but none are outstanding at this time.	Performance Rights are granted annually on a fiscal year basis, with a minimum 3-year measurement period and are cliff vesting. Retention Rights vest over continuous employment of 3 years, and are also cliff vesting with grants made on a fiscal basis as well.	
	Perquisites	Specific by individual KMP and are approved by the Board.	According to the specific arrangement	

The Board of Directors retain discretion to increase or decrease the level of award or vesting (irrespective of Vesting Conditions being achieved or not) under both the STI and LTI plan documents

PARAMETERS AND WEIGHTING OF FIXED AND VARIABLE EXECUTIVE KMP REMUNERATION

The following set of charts and graphs provide insight into the parameters and comparable weightings of fixed and variable remuneration targets for executive KMP. Such information provides insight into the Compensation Committee's approach to aligning KMP remuneration with shareholder interests.

Applying target incentive remuneration percentages in each fiscal period and using individual actual base salary levels (applying a 0.75/1 FX exchange value to US-denominated salaries in all periods), target relative percentage weighting of fixed to variable remuneration for LNGL's executive KMP in each period follows.



[1] The 2017 fiscal year information is forecasted based on current Board approvals and consideration
[2] Percentages are based on annualized pay and effective target incentive compensation in each period

Target and stretch percentages for executive KMP under applicable STI and LTI plans in the designated fiscal periods follow.

	Fiscal Year of Award [1]	STI Plan Target	STI Plan Stretch	LTI Plan Target	LTI Plan Stretch
Managing Director and Chief Executive Officer	2017	60%	120%	150%	300%
	2016	25%	50%	75%	150%
	2015	25%	50%	75%	150%
Other executive KMP, in aggregate average [2]	2017	25%	50%	75 - 100%	N/A
	2016	0 - 25%	0 - 50%	0 - 80%	N/A
	2015	20 - 25%	40 - 50%	0 - 75%	N/A

[1] The 2017 fiscal year information is forecasted based on current Board approvals and consideration
[2] In certain periods, KMP were ineligible for incentive awards under plan rules due to individual employment start dates

In all reporting periods, LTI grants under the shareholder approved Incentive Rights Plan made to all employees (including executive KMP) consisted of differing instrument types. The following chart reflects the theoretical incentive grants at target level made in each year allocated to each instrument type.

Fiscal Year [1]	Incentive Rights Plan Instrument Types Granted at Target Levels: Milestone-Based Rights	MATSR-Based Rights	Retention Rights
2017	0%	60%	40%
2016	50%	50%	0%
2015	50%	50%	0%

[1] The 2017 fiscal year information reflects to 2017 grant year Incentive Rights invitation letter

LTI Vesting Conditions applicable to all Performance Rights granted in the periods (including those granted to executive KMP) follows.

Fiscal Year [1]	Milestone-based Performance Rights: Measurement Period	Milestone(s)
2017	Not applicable	Not applicable
2016	1 Jul 2015 – 30 Jun 2018	- Financial close of BHLNG (or a project of at least the same potential value to the Company) achieved during the Measurement Period; and - Determination by the Board, in its reasonable opinion, that financial close of MLNG (or a project of at least the same potential value to the Company) has been achieved within the Measurement Period
2015	1 Jul 2014 – 30 Jun 2017	Financial close of MLNG (or another project of equivalent value to the Company) during the measurement period

[1] The 2017 fiscal year information reflects the 2017 grant year Incentive Rights invitation letter

Directors' Report

Your directors submit their report for the fiscal year ended 30 June 2016.

Prospective vesting of the fiscal 2016 and 2015 milestone-based Performance Rights is challenged. LNGL must procure sufficient investment-grade offtake and financially close the listed projects within the above timelines to enable a vesting decision by the Board under both the fiscal 2016 (and 2015) milestone Performance Rights grants. The challenge to realising these milestones is a reflection of the current over supply of LNG in the global market-place, among other factors.

MATSR-based Performance Rights will partially or fully vest if the Company's total shareholder return (**TSR**) is equal to or greater than 100% of the MATSR of the XAOAI during the Measurement Period, computed by dividing LNGL's TSR by XAOAI's TSR.

MATSR-based Performance Rights		
LNGL TSR relative to XAOAI TSR	**Fiscal Year 2016**	**Fiscal Year 2015**
Measurement Period	1 Jul 2015 – 30 Jun 2018	1 Jul 2014 – 30 Jun 2017
Less than or equal to 100%	0%	0%
Threshold vesting – above 100% but below 150%	Pro rata 0% up to 50%	Pro rata 0% up to 50%
Target vesting – 150%	50%	50%
Target vesting – from 150% to but below 200%	Pro rata 50% to 100%	Pro rata 50% to 100%
Stretch – 200% of more	100%	100%

The fiscal 2016 (and 2015) MATSR-based Performance Rights grants included a Gate Condition requiring LNGL's TSR over the measurement period to be greater than nil. The prices at date of grant for the fiscal 2016 (and 2015) MATSR-based Performance Rights were $3.9940/share and $1.8282/share, respectively, which establish floor prices for assessing TSR for each grant tranche. If at the respective measurement dates, LNGL's share price is less than the prices at the respective grant dates, no rights shall vest regardless of the LNGL TSR performance relative to the XAOAI TSR during the applicable measurement period.

The fiscal 2017 MATSR-based Performance Rights will partially or fully vest as outlined in the chart below. This grant was made at a price of $0.8703. In lieu of the Gate Condition applicable in fiscal 2016 (and 2015), under this grant, if TSR during the Measurement Period is negative (below 0%), the Performance Right payout will be the lower of the linear interpolation calculation amount or capped at 50% of the maximum award amount.

Subject to Rule 14.2 of the Incentive Rights Plan, the Board may in its absolute discretion increase or decrease the level of vesting irrespective of performance in relation to a Vesting Condition.

MATSR-based Performance Rights	
LNGL TSR relative to XAOAI TSR [1]	**Fiscal Year 2017** [2]
Measurement Period	1 Jul 2016 – 30 June 2019
Less than 100%	0%
Threshold vesting – 100% (LNGL's and XAOAI's TSR percentages are equal)	25%
>100% < 200% (LNGL's TSR percentage is > than XAOAI but less than double)	Linear Interpolation
Target vesting – 200% or greater (LNGL's TSR percentage is more than double)	100%

[1] If TSR is less than 0%, the Performance Right payout will be the lower of the linear interpolation calculation amount or 50% of the maximum award amount
[2] The 2017 fiscal year information reflects to 2017 grant year Incentive Rights invitation letter

In order to ensure sufficient allocable shares are reserved from the share pool under the applicable shareholder approved Incentive Rights Plan if vesting at stretch is realised, actual grants in each year by instrument type were as follows. The increased percentage in MATSR-based incentive rights granted in fiscal 2016 (and 2015) over the theoretical target level of 50% milestone-based and 50% MATSR-based reflect the granting of the MATSR rights at a stretch level in order to reserve available pool shares should vesting at stretch occur.

Incentive Rights Plan Instrument Types Actually Granted			
Fiscal Year [1]	**Milestone-Based Rights**	**MATSR-Based Rights**	**Retention Rights**
2017	0%	60%	40%
2016	33%	67%	0%
2015	33%	67%	0%

[1] The 2017 fiscal year information reflects the 2017 grant year Incentive Rights invitation letter

HISTORICAL GRANTS AND VESTING OUTCOMES

During fiscal 2015, LNG made two grants of Performance Rights, each with a milestone-based component and a MATSR-based component. One of the grants was made in relation to the LTI that was intended to be granted during the fiscal 2014 period as part of fiscal 2014 remuneration following approval of the Incentive Rights Plan by shareholders at the 2013 AGM. The Board determined that the measurement period should start on 1 January 2014 so as not to unfairly disadvantage employees. The second grant applied to fiscal 2015 remuneration.

The Measurement Date grant applicable to the fiscal 2014 period ended on 30 June 2016. Under terms of this grant, the milestone-based Performance Rights did not vest as the target milestone (MLNG financial close) was not met, but the MATSR-based Performance Rights (having a grant day price of $0.3048) did vest at stretch, conferring entitlement of a total 6,245,402 Performance Rights into 6,224,720 LNGL common shares to the eligible employees. Of this amount, executive KMP identified in the fiscal 2014 period (all Australian-based employees) were conferred entitlement a total of 3,430,946 Performance Rights or 3,425,420 LNGL common shares.

DETAILS OF THE EXECUTIVE KMP STI PLAN

Aspect	Description
Measurement period	Calendar year (1 January to 31 December)
Award opportunities	Award opportunities are based on percentages of individual Base Pay, annually approved by the Board in response to Compensation Committee recommendations
Key performance indicators (KPIs), weighting and performance goals	Typically, at the beginning of each Measurement Period, the Board approves the content of all executive KMP scorecards, determining such content is consistent with LNGL's then current strategy and business objectives, and which assigned individuals carry direct control or influence over; thus, linking individual scorecards to shareholder interests KPIs relate to attainment of specific scorecard goals, providing a mix of corporate performance targets, and individual goals including business plan, health and safety, organisational, and people and culture targets Percentage weightings are assigned to each goal for each individual participant, emphasising the relative importance of each KPI area commensurate with the individuals' role and accountabilities KPIs include a mix of project-related development tasks, including commercial negotiations, opportunity identification, approvals and permitting goals, contracting, and project funding milestones
Award assessment and payment	The Board determines the level of the annual STI payment made to the Managing Director and Chief Executive Officer, and approves the level of STI payments made to the other executive KMPs Annual STI payments are typically determined at the end of the Measurement Period Payments are provided in the form of cash, unless otherwise determined by the Board
Board discretion	The Board retains discretion to increase or decrease the level of award under the STI plan documents
Cessation of employment during a Measurement Period	In general, employees must remain employed by the Company to the date STI payments are made in order to receive such payment Employees dismissed for cause receive no STI payment in the period of termination Cessation of employment due to resignation forfeits an individual's right to an STI payment in the period of resignation

DETAILS OF THE EXECUTIVE KMP LTI PLAN

Aspect	Description
Form of rights	The Incentive Rights Plan Rules specify that Incentive Rights will be either: - Performance Rights, which vest subject to the satisfaction of conditions related to performance - Retention Rights, which vest subject to continuous employment - Other instrument types Upon vesting, an Incentive Right confers an entitlement to the value of an LNGL ordinary share Without the approval of the Board, Incentive Rights may not be sold, transferred, mortgaged, charged or otherwise dealt with or encumbered
LTI value	The Board retains discretion to determine the value of LTI to be offered each year pursuant to overall available Rights for issuance as approved by shareholders
Measurement period	Determined by the Board and provided / specified in the applicable Invitation Letter
Performance Rights vesting conditions	The Board has discretion to set vesting conditions for each offer 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 Performance Rights that do not vest lapse
Retention Rights vesting conditions	The Board has discretion to set vesting conditions for each offer Retention rights will vest in full if the employee remains actively employed on the last date of the measurement period The Board retains discretion to modify LTI vesting outcomes
Retesting	The practice of re-testing is not permitted; LTI grants that do not satisfy the vesting conditions at the end of the measurement period lapse
Exercise of vested Incentive Rights	Vested shares received under the Incentive Rights Plan may be exercised, subject to full compliance with LNGL's Securities Trading Policy
KMP retention periods	The Board has discretion by notice in a Rights Invitation to require a Participant to hold any Shares issued under the Plan for a specified period beyond the vesting date
Cessation of employment	If the employment of a participant ceases due to termination for Cause or Resignation all Unvested Incentive Rights lapse If the employment of a Participant ceases due to termination Without Cause the Unvested Incentive Rights are subject to the following: a. All Unvested Retention Rights, if any, granted to the Participant shall vest pro-rata; b. All Unvested milestone based Performance Rights will be determined based on whether the milestones were met prior to termination; and c. All Unvested Performance Rights based on TSR or MATSR shall lapse
Change-of-control	All Unvested Incentive Rights granted under the Plan shall, subject to certain conditions, immediately vest upon a change of control. The Board may in its absolute discretion remove any dealing restrictions regarding the sell or transfer of Incentive Rights

Directors' Report

Your directors submit their report for the fiscal year ended 30 June 2016.

COMPANY PERFORMANCE

The following table summarises LNGL's leading financial performance and shareholder value metrics over the most recent five financial years.

							Change in shareholder value over 1 year		Change in shareholder value over 3 years	
Date	Revenue	Development Expenditures	After-tax loss	Share price at June 30	Share price change	Dividends	Amount	%	Amount	%
$ in thousands, except share prices, dividends and percentages										
30 Jun '16	569	89,289	(115,112)	0.72	(3.09)	-	(3.09)	(81)%	$0.60	500%
30 Jun '15	668	71,885	(86,307)	3.81	1.67	-	1.67	78%	3.49	1072%
30 Jun '14	275	20,099	(24,665)	2.14	2.02	-	2.02	1683%	1.79	511%
30 Jun '13	190	5,873	(13,407)	0.12	(0.21)	-	(0.21)	(63)%	(0.19)	(61)%
30 Jun '12	831	8,178	(16,667)	0.33	(0.03)	-	(0.03)	(7)%	N/A	N/A

For discussion of these results, please refer to the Managing Director and Chief Executive Report and the audited financial statements contained elsewhere in this annual report.

LINKS BETWEEN PERFORMANCE AND REWARD

Annually, the Board approves goals, milestones, and targets for the Managing Director and Chief Executive Officer, and reviews the goals, milestones, and targets of the other executive KMP. The Board assesses these based on the then current status of the enterprise and strategic business plans of the Company. The majority of these goals, milestones, and targets in fiscal 2016 (and 2015), respectively, focused on 'development stage' activities reflecting the Company's current business stage. The other executive KMP scorecards align with the Managing Director and Chief Executive Officer's goals, milestones, and targets, adjusted to reflect each individual KMP's direct control or influence over each of the specific goals, milestones, and targets. This process aims to link each executive KMP scorecard to shareholder interests.

The following is the agreed scorecard and weightings for the Managing Director and Chief Executive Officer for calendar year 2017, which scorecard shall be used to assess performance relative to fiscal 2017 STI payments.

Performance Measure	2017 Scorecard [1]
Business (80%)	- Signing offtake agreement(s) with investment-grade counterparties - Obtain all remaining permitting for MLNG and BHLNG - Select a BHLNG gas path and progress agreement to the Board's satisfaction for approximately 5 mtpa - Achieve financial cost reduction
Organisational (5%)	Establish and implement the Corporate Leadership Team, develop charter and begin functioning as the main operating committee of the Company
Health and safety (10%)	Operate the Company safely with no recordable injuries or lost-time incident
People and culture (5%)	Implement a simplified organization structure with relevant personnel changes

[1] The 2017 fiscal year information is forecasted based on current Board approvals and consideration

The Managing Director and Chief Executive Officer's calendar year 2016 scorecard and weightings follows; which scorecard was used to assess performance relative to fiscal 2016 STI payments.

Performance Measure	2016 Scorecard
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 LNGL and its contractor relationships, and the introduction and institutionalisation of the HSSE management framework to establish LNGL'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

The Board assessed 2016 KMP performance as meeting or exceeding the majority of the agreed goals, milestones, and targets, with the significant exception being the signing of offtake agreements with investment-grade counterparties in sufficient quantities to take a FID decision on any of the Company's projects. Realisation of required permits to site, construct, and operate both MLNG and BHLNG, receiving NEB and DOE approval for export to Non-FTA countries from BHLNG, and the execution of a LSTK EPC contract with KSJV were viewed as significant positive accomplishments in the period.

Failure to deliver the commercial offtake agreements weighed down LNGL's share price, which underperformed in the period. The share price transitioned from a high of $4.08/share in July 2015 to a low of A$0.47/share, before closing at $0.72/share at 30 June 2016. Share performance was also negatively influenced by macro factors impacting the energy industry in general and the LNG industry specifically. These factors were taken into account by the Board in their deliberations of incentive compensation paid to executive KMP in the period.

The Managing Director and Chief Executive Officer's fiscal 2015 scorecard follows; which scorecard was used to assess performance relative to fiscal 2015 STI payments.

Performance Measure	2015 Scorecard
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.

The Board assessed 2015 KMP performance as meeting or exceeding the majority of the agreed goals, milestones, and targets. The acquisition of Bear Head LNG Corporation Inc., advancement of permitting at both MLNG and BHLNG, and advancement of engineering development at MLNG were consider positive accomplishments in the period. These accomplishments were reflected in share performance in the period.

As a result of these performance assessments, the Board approved incentive STI payment and LTI grant percentages relative to individual executive KMP base pay in the applicable reporting periods as follows.

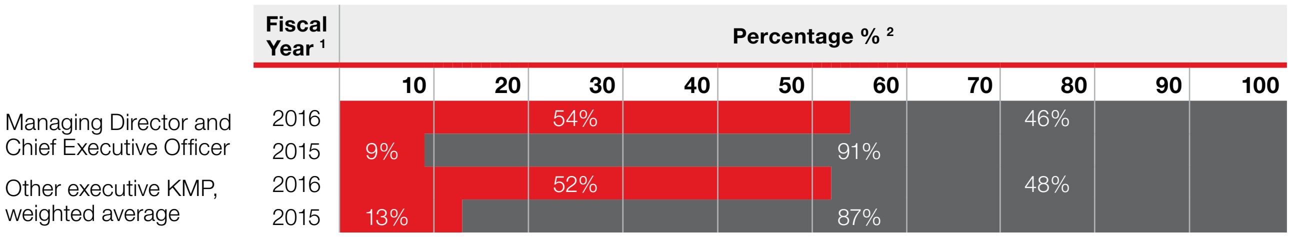
Actual 'At Risk' Incentive Remuneration Percentages Relative to Executive KMP Base Pay

	STI Payments [1]			LTI Grants [2]		
Fiscal year	**2017**	**2016**	**2015**	**2017**	**2016**	**2015**
Payment or grant date	**Jan 2018**	**Jan 2016**	**Dec 2014**	**Jul 2017**	**Jul 2016**	**Jul 2015**
Managing Director and Chief Executive Officer	-	20%	39%	117%	66%	963%
Other executive KMP, weighted average	-	19%	21%	72%	75%	639%

[1] STI payments are discretionary. The measurement date for STI is a calendar year and the Compensation Committee shall make a recommendation to the Board regarding fiscal 2017 payments at the end of calendar year 2016. In certain periods, STI paid to KMP were pro-rated under plan rules due to individual employment start dates

[2] The LTI percentages are computed as the total fair value of rights granted in the year (priced as at invitation letter date) divided by KMP Base pay. In certain periods, KMP were ineligible for LTI awards under plan rules due to individual employment start dates.

The actual relative percentage weighting of fixed to variable remuneration for LNGL's executive KMP follows, applying a 0.75/1 FX exchange value to US-denominated payments in all periods.



Fixed remuneration

Variable remuneration

[1] 2017 is not reflected as actual STI and salary is unknown

[2] Percentages are based on actual pay, actual STI and, in the case of LTI, amounts computed as the total fair value of rights granted in the year (as at invitation letter date) in each applicable period

Directors' Report

Your directors submit their report for the fiscal year ended 30 June 2016.

The following table discloses the value of LTI incentives granted to executive KMP in fiscal 2017, 2016, and 2015, respectively, accompanied by estimates of related current and future period accounting expense.

Tranche	Estimated value at grant date[3]	Fiscal 2016 accounting expense	Max value to be expensed in future years
Managing Director and Chief Executive officer [1]			
Fiscal 2017 MATSR	$ 595,200	$ -	$ 595,200
Fiscal 2017 Retention	396,800	-	396,800
Fiscal 2016 MATSR	264,397	88,132	176,264
Fiscal 2016 Milestone	276,039	92,013	184,026
Fiscal 2015 MATSR	4,211,485	2,292,134	292,653
Fiscal 2015 Milestone	2,214,053	(529,282)	182,908
Total	$7,957,974	$1,942,997	$1,827,851
Other Executive KMP in aggregate [2]			
Fiscal 2017 MATSR	$ 892,800	$ -	$ 892,800
Fiscal 2017 Retention	595,200	-	595,200
Fiscal 2016 MATSR	937,229	312,410	312,410
Fiscal 2016 Milestone	611,633	203,878	203,878
Fiscal 2015 MATSR	6,877,648	3,838,699	313,714
Fiscal 2015 Milestone	3,566,251	(1,060,904)	196,072
Total	$13,480,761	$3,294,083	$2,514,074

[1] Effective 4 April 2016, Mr Vesey replaced Mr Brand as MD & CEO. At this date, Mr Brand became an Executive Director, remaining as an executive KMP. Mr Brand's fiscal 2016 LTI was granted while in the MD & CEO role and the above information reflects this grant in the MD & CEO category. Mr Brand retained his rights upon leaving the Company on 29 July 2016. Mr Vesey did not receive a grant in fiscal 2016. The 2017 MD & CEO value applies to Mr Vesey and is an estimate pending approval by the shareholders at the November 2016 AGM.

[2] Other Executive KMP reflect LTI grants associated with each designated KMP as at the date of each respective grant. LTI amounts granted to Other Executive KMP in the fiscal 2015 period reflect grants made to Messrs Bridgwood, Marshall and Gardner (Mr Mott received zero grants in fiscal 2015). Messrs Bridgwood, Marshall and Gardner retained these rights upon leaving the Company. Fiscal 2016 amounts reflect grants made to Mr Mott and Mr Baguley (Ms Doris and Mr Gelotti received zero grants in fiscal 2016). Fiscal 2017 amounts reflect grants to Mr Mott, Mr Baguley, Ms Doris and Mr Gelotti.

[3] Amounts are based on shares granted and generally on prices as at the invitation letter date for each applicable tranche.

SUMMARY OF CONTRACTUAL PROVISIONS FOR EXECUTIVE KMP

The following table outlines contractual provisions for current executive KMP.

Current KMP Contractual Provisions				
Name	**Role**	**Base Salary [1]**	**Contract Duration**	**Notice Period**
Gregory M Vesey	MD & CEO	$846,667	4 Apr 2017 [2]	12 months [3]
F Maurice Brand [4]	Executive Director	$833,000	3 May 2017	12 months
Michael R Mott	CFO	$548,920	30 Sep 2017	12 months
John Baguley [5]	CTO	$548,920	1 Dec 2018	90 days
Kinga Doris	General Counsel	$424,200	31 Aug 2018	90 days
Anthony Gelotti	CDO	$533,333	30 Nov 2018	90 days

[1] US-based personnel salaries adjusted to Australian dollars at exchange rate of 0.75 / 1

[2] Primary term

[3] Following primary term

[4] Mr Brand stepped down from his role on 29 July 2016

[5] Upon financial close of MLNG, Mr Baguley's base salary increases to US$500,000

EXECUTIVE KMP REMUNERATION

The following table provides a detailed breakdown of the components of actual remuneration received for each of the executive KMP in the reporting periods calculated in accordance with applicable accounting standards.

Executive KMP Actual Remuneration in the Reporting Periods [7]

						Fixed remuneration		STI		LTI				
Name	Position	Fiscal Year	Salary	Super-annuation contribution	Other benefits	Amount	% of TRP	Amount	% of TRP	Amount [8]	% of TRP	Total remuneration package (TRP)	Termination benefits	Change in accrued leave
Gregory M Vesey	MD/CEO [1]	2016	$ 208,953	$ -	$ 10,265	$ 219,218	100%	$ -	0%	$ -	0%	$ 219,218	$ -	$ -
F. Maurice Brand	Executive Director [1]	2016	817,309	35,000	57,839	910,148	30%	162,185	5%	1,942,998	65%	3,015,331	-	49,899
	MD/CEO [1]	2015	594,842	35,000	43,840	673,682	20%	261,250	8%	2,462,804	72%	3,397,736	-	39,745
Michael R Mott	CFO [2]	2016	546,196	-	48,238	594,434	57%	163,045	16%	273,801	27%	1,031,280	-	-
		2015	362,528	-	30,043	392,571	93%	29,872	7%	-	0%	422,443	-	-
John Baguley	CTO [3]	2016	546,196	-	63,710	609,906	51%	95,109	8%	482,094	41%	1,187,109	-	-
Paul Bridgwood	CTO [3]	2015	452,508	18,783	3,840	475,131	20%	90,000	4%	1,800,628	76%	2,365,759	-	4,840
Kinga Doris	General Counsel [4]	2016	353,715	-	25,031	378,746	92%	35,000	8%	-	0%	413,746	-	-
Anthony Gelotti	CDO [5]	2016	313,162	-	22,892	336,054	100%	-	0%	-	0%	336,054	-	-
Norman Marshall	GE – Strategic Dev [2]	2015	452,508	18,783	20,971	492,262	20%	179,000	7%	1,835,794	73%	2,507,056	-	4,840
David Gardner	Company Secretary [6]	2015	208,732	18,783	3,840	231,355	31%	42,000	6%	474,848	63%	748,203	-	12,772

[1] Effective 4 April 2016, Mr Vesey replaced Mr Brand as MD & CEO. At this date, Mr Brand became an Executive Director, remaining as an executive KMP. Mr Brand's fiscal 2016 compensation was earned partly as MD & CEO and partly as an executive KMP. All amounts earned are reflected on the single line Executive Director. Mr Brand stepped down from his role on 29 July 2016.

[2] Mr Mott was appointed CFO effective 1 October 2014, replacing Mr Marshall who transitioned to the role of Group Executive, Strategic Development from that date. Mr Marshall remained an executive KMP through 30 June 2015.

[3] Mr Baguley was promoted to Chief Technical Officer (CTO) effective 1 December 2015, replacing Paul Bridgwood. Mr Baguley is considered an executive KMP from 1 July 2015, while Mr Bridgwood is considered an executive KMP through 30 June 2015.

[4] Ms Doris was appointed General Counsel and Joint Company Secretary effective 1 September 2015, becoming an executive KMP from that date.

[5] Mr Gelotti was appointed Chief Development Officer effective 1 December 2015, becoming an executive KMP from that date.

[6] Mr Gardner was considered an executive KMP through 30 June 2015.

[7] All US-denominated balances are translated at 0.75/1

[8] LTI amounts contained in this chart reflect actual accounting expense in each fiscal year relating to each specific executive KMP

Directors' Report

Your directors submit their report for the fiscal year ended 30 June 2016.

NED KMP REMUNERATION DESIGN

NED remuneration is generally provided by way of fees and statutory superannuation, if applicable, within an aggregate shareholder approved NED fee cap. Any proposed increase to the NED fee cap must be approved by LNGL's shareholders. NEDs are eligible to receive additional fees for participating or chairing Board committees in recognition of the additional responsibility and workload in providing specialist advice to the Board.

As part of total remuneration, NEDs are eligible to receive awards under the rules of the LNGL NED Rights Plan, which is approved by shareholders from time-to-time. Rights granted under the NED Rights Plan are service time-based rights that do not carry any performance conditions so as to protect the independence of the NEDs.

In evaluating fiscal 2017 NED compensation structures, the Board, in consultation with its outside consultant (Hay Group), implemented several changes, including (i) paying a greater portion of NED fees in the form of equity, (ii) implementing stock ownership guidelines to promote share ownership by NEDs and alignment with shareholders, and (iii) a reduction in NED fees from the level of fees paid in fiscal 2016. The NED stock ownership guidelines require each of our NEDs to achieve stock ownership equal to 3x annual Board cash retainer, with five years to achieve the requisite ownership level guidance.

In fiscal 2017 (and 2016), Australian-based NEDs are compensated in Australian dollars and US-based NEDs are compensated in US dollars. In fiscal 2015, all NED compensation was in Australian dollars. NED fee structure in the periods follows.

	NED Fee Structure [1]		
Component	**Fiscal Year 2017**	**Fiscal Year 2016**	**Fiscal Year 2015**
Base fee – Board chair	$216,000	$270,000	$200,000
Base fee – NED	$96,000	$120,000	$100,000
Committee fee – chair	$20,000	$25,000	$15,000
Committee fee – member	$10,000	$12,500	$7,500
Board Chair NED Rights value as % of fees [2]	57.5%	40%	30%
NED's Rights value as % of fees [3]	80%	48%	30%

[1] The fiscal 2017-year information is forecasted based on current Board approvals and consideration.

[2] The fiscal 2017 Chairman's target NED Rights value is equal to 57.5% of the Base fee, or a target of A$124,000. The fiscal 2016 Chairman's NED Rights value targeted $108,000 or 40% of total fees. Fiscal 2015 target amount was $60,000 or 30% of total fees.

[3] The fiscal 2017 NED Rights value (non-Chairman) are equal to 80% of the Base fee amount or a target of A$76,800. The fiscal 2016 NED's rights value was based on 48% of total fees received, so each NED's target differed based on Board Committee membership. Fiscal 2015 target amounts were targeted at 30% of total fees.

Based on the above NED fee structure and assuming the current existing Board Committee roles remain in place, expected NED remuneration for fiscal 2017 is as outlined in the following table. As previously disclosed, pending his re-election as a director at the November 2016 AGM, Mr Cavicchi will take over the role of Chairman from Mr Beresford.

Upon that transition, Mr Cavicchi shall receive the Chairman's Base Fee remuneration and Mr Beresford shall receive the NED Base Fee amount.

	Beresford	Cavicchi	Bond	Steuert	Moeller
Board	A$216,000	US$96,000	A$96,000	US$96,000	US$96,000
Audit Committee	-	-	10,000	20,000	10,000
SSPC Committee	-	10,000	20,000	-	-
Governance & Nominating Committee	-	10,000	-	10,000	20,000
Compensation Committee	-	20,000	10,000	-	-
Target annual share-based award[1]	124,000	57,600	76,800	57,600	57,600
Fiscal 2017 target NED remuneration	A$340,000	US$193,600	A$212,800	US$183,600	US$183,600

[1] The target annual share-based award is denominated in A$ for all NEDs. The US-based NED amounts in the table have been translated at 0.75/1 to reflect the US dollar equivalent target pay for this category of target remuneration.

Directors' interests in shares, options, and performance rights of LNGL as at 30 June 2016 follows.

Director	Number of ordinary shares	Number of unlisted NED performance rights	Number of unlisted options
Richard J. Beresford	446,837	27,401	-
Gregory M. Vesey	200,000	-	-
F. Maurice Brand [1]	4,800,000	973,790	-
Leeanne K. Bond	29,428	15,774	-
Paul J. Cavicchi	7,097	15,148	-
D. Michael Steuert	-	15,148	-
Philip D. Moeller	-	-	-

[1] Mr Brand stepped down from his Board role on 29 July 2016

NED RIGHTS PLAN DETAILS

Aspect	Description
Purpose	The NED Rights Plan 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 employee LTI incentive scheme
Form	The NED Rights Plan currently offers service (share) rights Rights granted under the plan are service time-based rights
Rights transfer	NED Rights may not be sold, transferred, mortgaged, charged or otherwise dealt with or encumbered without prior Board approval
Grant value	The Board retains discretion to determine the value of LTI to be offered each year pursuant to overall available Rights for issuance as approved by shareholders
Vesting condition	Vesting Period determined by the Board and provided / specified in the applicable Invitation Letter Upon vesting, a right confers an entitlement to the value of an LNGL ordinary share, which the Board may determine to pay in shares and/or cash
Exercise of vested NED Rights	Vested NED Rights may be exercised subsequent to receipt of an Exercise Notice and compliance with LNGL's Securities Trading Policy
Early termination of NED term	The NED Rights Plan contains provisions concerning the treatment of vested and unvested NED Rights in the event that a Plan Participant ceases to be a NED during the Measurement Period If a Participant ceases Board service by reason of Retirement or the occurrence of another Prescribed Event (as defined under the plan, being death, disablement, etc.), the NED Rights held by the Participant will be pro-rated for time served Treatment of the balance of NED Rights will be subject to Board discretion at the end of the Measurement Period Early termination of NED's term, all rights will lapse
Change of control of the Company	In the event of a change of control unvested NED Rights may vest in the same proportion as the Share Price has increased since the beginning of the Measurement Period Remaining NED 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 NED Rights, dealing restrictions specified in the Invitation would be lifted

The following table discloses the value of NED Rights granted in fiscal 2016 (and 2015), respectively.

Tranche	Value at grant date	Current year accounting expense	Max value to be expensed in future years
	Non-executive Directors		
Fiscal 2016 Rights	$107,473	$77,525	$29,948
Fiscal 2015 Rights	278,335	98,113	-
Total	$385,808	$175,638	$29,948

NED Rights Plan Rights granted and vested in the periods follows.

	NED Rights Plan Rights Granted and Vested		
	Fiscal Year 2017 [1]	**Fiscal Year 2016 [3]**	**Fiscal Year 2015 [3]**
Rights granted	≤ 862,800	73,111	74,405
Rights vested [2]	73,111	74,405	-

[1] The fiscal 2017 information is forecasted based on current Board approvals and consideration, using a proxy share price of $0.50 per share to enable disclosure of the maximum number of Rights that may be granted in fiscal 2017. The actual number of Rights to be granted to the NEDs will be dependent on a shareholder affirmative vote at the November AGM and share price at that time.

[2] The fiscal 2017 Rights vested amount is forecasted based on expectation that each Board member holding these rights will continue in their role through 30 June 2017.

[3] During fiscal 2016 (and 2015), the number of NED Rights granted differed from the NED entitlement under the NED Rights Plan computation mechanism. In aggregate over the two years, the NED Rights granted was less than the entitlement by approximately 110,000 Rights.

Directors' Report

Your directors submit their report for the fiscal year ended 30 June 2016.

NED REMUNERATION

NED's are remunerated within the current aggregate NED board fee cap of $1.5 million, approved by shareholders at the November 2015 AGM. The following chart discloses actual NED remuneration received in fiscal 2016 (and 2015).

NED Remuneration Schedule

Name	Position	Fiscal year	Board fees	Committee fees	Super - annuation	Other benefits	Equity grant [5]	Termination benefits	Total remuneration package
Richard J. Beresford	Chairman	2016	$ 270,000	$ -	$ -	$ -	$ 70,437	$ -	$ 340,437
		2015	179,471	-	-	-	76,714	-	256,185
Leeanne K. Bond	NED	2016	120,000	42,710	-	-	42,307	-	205,017
		2015	103,878	-	-	-	46,988	-	150,866
Paul J. Cavicchi [1]	NED	2016	165,367	50,242	-	-	25,951	-	241,560
		2015	77,184	-	-	-	18,165	-	95,349
D Michael Steuert [2]	NED	2016	165,421	43,078	-	-	16,063	-	224,562
		2015	41,806	-	-	-	-	-	41,806
Philip D. Moeller [3]	NED	2016	92,547	21,265	-	-	-	-	113,812
		2015	N/A	-	-	-	-	-	-
Madam Grace Yao [4]	NED	2016	75,000	-	-	-	20,881	-	95,881
		2015	81,572	-	-	-	38,356	-	119,928

[1] Mr Cavicchi was appointed to the Board in October 2014.
[2] Mr Steuert was appointed to the Board in February 2015.
[3] Mr Moeller was appointed to the Board in December 2015.
[4] Madam Yao resigned from the Board on 19 November 2015.
[5] Equity grant amounts contained in this chart reflect actual accounting expense in each fiscal year relating to each specific NED. 'Face Value' of equity grant amounts are disclosed on page 43.

Total cash fees paid NED's in fiscal 2016 (and 2015) were $970,630 and $483,911, respectively. Total NED remuneration in fiscal 2016 (and 2015) totalled $1,123,527 and $664,134, respectively.

CHANGES IN KMP HELD EQUITY

Changes in Executive KMP Equity Held

		Held at 1 July 2015		Granted during fiscal year		Forfeited in year	Other change		
Name	**Position**	**Instrument**	**Number**	**Grant price [7]**	**Number**	**Number**	**Number**	**Vested**	**Number held at 30 June 2016**
Gregory M Vesey	MD/CEO [1]	Shares	-	-	-	-	200,000	-	200,000
		Rights/Options	-	-	-	-	-	-	-
F. Maurice Brand	Executive Director [1]	Shares	4,500,000				300,000		4,800,000
		Rights/Options	1,839,933	3.9940	563,345	-	(476,496)	952,992	973,790
Michael R Mott	CFO [2]	Shares	-	-	-	-	-	-	-
		Rights/Options	-	3.9940	289,742	-	-	-	289,742
John Baguley	CTO [3]	Shares	-	-	-	-	270,000	-	270,000
		Rights/Options	-	3.9940	159,984	-	-	-	159,984
Kinga Doris	General Counsel [4]	Shares	-	-	-	-	-	-	-
		Rights/Options	-	-	-	-	-	-	-
Anthony Gelotti	CDO [5]	Shares	-	-	-	-	-	-	-
		Rights/Options	-	-	-	-	-	-	-

		Held at 1 July 2014		Granted during fiscal year		Forfeited in year	Other change		
Name	**Position**	**Instrument**	**Number**	**Grant price [7]**	**Number**	**Number**	**Number**	**Vested**	**Number held at 30 June 2015**
F. Maurice Brand	MD/CEO [1]	Shares	6,170,000	-	-	-	(1,670,000)	-	4,500,000
		Rights/Options	-	Various	1,839,933	-	-	-	1,839,933
Michael R Mott	CFO [2]	Shares	-	-	-	-	-	-	-
		Rights/Options	-	-	-	-	-	-	-
Paul Bridgwood	CTO [3]	Shares	8,099,040	-	-	-	(3,602,000)	-	4,497,040
		Rights/Options	-	Various	1,649,718	-	-	-	1,649,718
Norman Marshall	GE – Strategic Dev [2]	Shares	500,000	-	-	-	(450,000)	-	50,000
		Rights/Options	-	Various	1,704,774	-	-	-	1,704,000
David Gardner	Company Secretary [6]	Shares	47,000	-	-	-	(17,000)	-	30,000
		Rights/Options	-	Various	439,392	-	-	-	439,392

[1] Effective 4 April 2016, Mr Vesey replaced Mr Brand as MD & CEO. At this date, Mr Brand became an Executive Director, remaining as an executive KMP.

[2] Mr Mott was appointed CFO effective 1 October 2014, replacing Mr Marshall who transitioned to the role of Group Executive, Strategic Development and remained an executive KMP through 30 June 2015.

[3] Mr Baguley was promoted to Chief Technical Officer (CTO) effective 1 December 2015, replacing Paul Bridgwood. Mr Baguley is an executive KMP from 1 July 2015, while Mr Bridgwood is considered an executive KMP through 30 June 2015. Mr Baguley holds 67,500 LNGLY ADRs, which translate on a 1:4 basis into LNGL common stock. The equivalent shares held by Mr Baguley approximate 270,000 common shares.

[4] Ms Doris was appointed General Counsel and Joint Company Secretary effective 1 September 2015, becoming an executive KMP from that date.

[5] Mr Gelotti was appointed Chief Development Officer effective 1 December 2015, becoming an executive KMP from that date.

[6] Mr Gardner was considered an executive KMP through 30 June 2015.

[7] Grant prices disclosed in the above chart reflect the value assigned to each right pursuant to the applicable tranche's 30-day volume weighted average price (VWAP) at the start of the measurement date. Grant prices used for accounting purposes reflect application of Australian Accounting Standards Board Standard 2 (AASB 2), and may differ from the grant prices in this chart.

Directors' Report

Your directors submit their report for the fiscal year ended 30 June 2016.

Changes in Director KMP Equity Held

		Held at 1 July 2015		Granted during Fiscal Year		Forfeited in Year	Other change		
Name	Position	Instrument	Number	Grant price [5]	Number	Number	Number	Vested	Number held at 30 June 2016
Richard J Beresford	Chairman	Shares	414,692				32,145		446,837
		Rights/Options	32,819	1.4700	27,041	-	-	32,819	27,041
Leeanne K Bond	NED	Shares	-	-			29,428	-	29,428
		Rights/Options	20,102	1.4700	15,774	-	-	20,102	15,774
Paul J Cavicchi	NED [1]	Shares	-	-			7,097	-	7,097
		Rights/Options	7,771	1.4700	15,148	-	-	7,771	15,148
D Michael Steuert	NED [2]	Shares	-	-	-	-	-	-	-
		Rights/Options	-	1.4700	15,148	-	-	-	15,148
Philip D Moeller	NED [3]	Shares	-	-	-	-	-	-	-
		Rights/Options	-	-	-	-	-	-	-
Madam Grace Yao	NED [4]	Shares	-	-	-	-	-	-	-
		Rights/Options	16,409	-	-	-	-	16,409	-

		Held at 1 July 2014		Granted during Fiscal Year		Forfeited in Year	Other change		
Name	Position	Instrument	Number	Grant price [5]	Number	Number	Number	Vested	Number held at 30 June 2015
Richard J Beresford	Chairman	Shares	439,692	-	-	-	(25,000)	-	414,692
		Rights/Options	-	3.610	32,819	-	-	-	32,819
Leeanne K Bond	NED	Shares	-	-	-	-	-	-	-
		Rights/Options	-	3.610	20,102	-	-	-	20,102
Paul J Cavicchi	NED [1]	Shares [6]	-	-	-	-	-	-	-
		Rights/Options	-	3.610	7,771	-	-	-	7,771
D Michael Steuert	NED [2]	Shares	-	-	-	-	-	-	-
		Rights/Options	-	-	-	-	-	-	-
Madam Grace Yao	NED [4]	Shares	-	-	-	-	-	-	-
		Rights/Options	-	3.610	16,409	-	-	-	16,409

[1] Mr Cavicchi was appointed to the Board in October 2014

[2] Mr Steuert was appointed to the Board in February 2015

[3] Mr Moeller was appointed to the Board in December 2015

[4] Madam Yao resigned from the Board on 19 November 2015

[5] Grant prices disclosed in the above chart reflect the value assigned to each right pursuant to the date each applicable tranche was approved by shareholders at the Company's Annual General Meeting. These grant prices reflect application of Australian Accounting Standards Board Standard 2 (AASB 2)

[6] The fiscal 2015 Remuneration Report disclosed ownership of 60,000 shares by Mr Cavicchi, which in fact is ownership in derivative instruments rather than Company common shares or sponsored ADRs. This amount was disclosed in error and has been corrected to zero in this report.

USE OF INDEPENDENT CONSULTANCY IN SUPPORT OF COMPENSATION COMMITTEE

Independent remuneration advice is considered in setting the level of KMP remuneration.

In fiscal 2016, Hay Group was retained by the Board to assist the Compensation Committee regarding executive compensation. Hay Group received compensation for their analysis and advisory work that led to their recommendations. Hay Group's engagement letter totalled US$135,000, of which US$75,000 was paid during fiscal 2016.

Hay Group's scope of work included the following deliverables.

- Development of a public-company peer group that was used to benchmark compensation of named KMP. The peer group listing follows.
  - Callon Petroleum CO/DE, Synergy Resources Corp, Erin Energy Corp, Rex American Resources Corp, Vaalco Energy Inc, Panhandle Oil & Gas, Inc, Rock Energy Inc, Ring Energy Inc, Evolution Petroleum Corp, Carbon Natural Gas Co.
- Benchmarking named KMP compensation using peer group data and supplementing peer group data with survey data.
- Providing recommendations on annual incentive design to include the long-term incentive plan, short-term incentive plan, and mix of pay factors.
- Development of an Australian public-company peer group that was used to benchmark compensation paid to non-executive directors (the Compensation Committee reviewed director compensation data from both the US and Australian peer groups as well as survey data). This included analysis of both the amounts of pay and forms of pay (annual retainers, committee fees, stock versus cash compensation) in the market place. The Australian peer group listing follows.
  - Beach Energy Ltd, Carnarvon Petroleum Ltd, FAR Ltd, Karoon Gas Australia Ltd, Senex Energy Ltd, Strike Energy Ltd
- Review and comment on the Clawback Policy, SOGs, and change of control provisions.
- Benchmarking compensation paid to our employees other than our named KMP using US and Australian survey data.

In fiscal 2015, the Board engaged Godfrey Remuneration Group (Godfrey) and Longnecker & Associates (Longnecker) to advise on remuneration issues. Godfrey used the following comparator group of companies in the Australian energy, utilities, and infrastructure businesses to perform benchmarking services.

- 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.

Godfrey also provided a 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

The Board used Longnecker to advise on US remuneration issues. Longnecker used the following comparator group of companies in the gas processing and pipeline industry for benchmarking purposes.

- 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.

Godfrey and Longnecker each received compensation for their analysis and advisory work that led to their recommendations. The compensation amounts were as follows.

Godfrey Remuneration Group Pty Limited benchmarking and advisory services - A$44,500 +GST

Longnecker & Associates – US$43,000

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:

- 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.
- KMP remuneration recommendations are only received by independent NED's, via the Chair of the Compensation Committee.

The Board is satisfied that the KMP remuneration recommendations received in fiscal 2016 (and 2015) were free from undue influence from KMP. The Board has been closely involved in all dealings with the external remuneration consultants and each KMP remuneration recommendation received during the period was accompanied by a legal declaration from the consultant to the effect that their advice was provided free from undue influence from the KMP.

END OF REMUNERATION REPORT

Directors' Report

Your directors submit their report for the fiscal year ended 30 June 2016.

INDEMNIFICATION AND INSURANCE

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 $156,628 (excl. GST) (2015: $115,329) in respect of the primary coverage 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 2016, the insurance cover was limited to $100 million on the primary coverage plus $20 million Side A excess cover at a premium of $27,527.

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 Board of the Company's risk management process, with improvements introduced where appropriate.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During fiscal 2016, Mr Gregory M Vesey was appointed Managing Director and Chief Executive Officer effective 4 April 2016, replacing Mr F Maurice Brand. Mr Brand stepped down from the Board on 29 July 2016. There were no other significant changes in the state of affairs of the Company during the financial year ended 30 June 2016.

Mr David Gardner relinquished his role as Joint Company Secretary on 2 September 2016, and was replaced by Mr Andrew Gould from 3 September 2016.

On 5 September 2016, the Board of Directors announced that its current non-executive Chairman, Mr Richard J Beresford, plans to step down from the Chairmanship but remain as a NED on the Company's Board. Subject to re-election as a director at the AGM on 17 November 2016, Mr Paul J Cavicchi shall replace Mr Beresford as Chairman of the Board from that date.

SIGNIFICANT EVENTS AFTER BALANCE DATE

CORPORATION

In July 2016, management announced a redundancy and restructuring initiative resulting in a more streamlined organisation having a lower, more sustainable fixed cost base. The Company paid approximately $3.3 million to settle obligations owed the impacted personnel pursuant to their individual employment agreements, and/or statutory requirements, and/or discretionary payments commonplace in local jurisdictional practice. Of this amount, approximately $0.70 million was paid prior to 30 June 2016, and approximately $0.27 million related to ex-gratia payments. In aggregate, the impacted personnel continue to hold approximately 2.6 million Performance Rights, of which 333,200 Performance Rights relate to the fiscal 2017 incentive rights grant.

In July and August 2016, NED Mr Philip Moeller purchased a total of 11,500 LNGLY ADRs in open market transactions.

BEAR HEAD LNG

On 12 July 2016, BHLNG received NSE approval of its Greenhouse Gas and Air Emission Management Plan.

BEAR PAW PIPELINE

On 3 August 2016, Bear Paw received UARB approval to construct a 62.5 km natural gas pipeline from Goldboro to the BHLNG facility.

EXERCISE OF OPTIONS

On 4 July 2016, 100,000 shares were issued on exercise of options at $0.28 per share. On 4 August 2016, 259,000 shares were issued on exercise of options at an average $0.27 per share. On 5 August 2016, 400,000 shares were issued on exercise of options at $0.28 per share.

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 Corporation's (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Company is an entity to which the Instrument applies.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

The directors have received a declaration of independence from the auditors which is included in this Annual Report following the audited financial statements and appended notes thereto.

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 2016 $'000
Amounts paid or payable to EY (Australia) during fiscal 2016 for:	
- tax and other services	30
Amounts paid or payable to EY (Australia) related practices during fiscal 2016 for:	
- tax services and other services provided by overseas firms	833
	863

Tax and other services provided by EY Australia and related practices of EY Australia focused on compliance tax matters and tax planning considerations. 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 Beresford

Richard Jonathan Beresford
CHAIRMAN
PERTH, WESTERN AUSTRALIA
30 SEPTEMBER 2016

Greg M Vesey

Gregory M Vesey
MANAGING DIRECTOR/CHIEF EXECUTIVE OFFICER
30 SEPTEMBER 2016

Corporate Governance Statement

The 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 (**3rd 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 2016 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 fiscal 2016 (and 2015) financial year the Company's practices were compliant with the existing 3rd Edition Principles, except where noted in the following table:

ASX Corporate Governance – Best Practice Recommendation

Best Practice Recommendation		Comply Yes / No	Page Reference
Principle 1 – Lay solid foundations for management and oversight			**Page 53**
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 measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;	Yes	
	b. Disclose that policy or a summary of it; and	Yes	
	c. Disclose as at the end of each reporting period the measurable 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 purposed); 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	
Principle 2 – Structure the board to add value			**Page 54**
2.1	The Board of a listed entity should have a nomination committee which:		
	a. Has at least three members, a majority of whom are independent directors; and	Yes	
	b. Is chaired by an independent director.	Yes	
	And should disclose:		
	a. The charter of the committee;	Yes	
	b. The members of the committee; and	Yes	
	c. 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.	Yes	
	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	

ASX Corporate Governance – Best Practice Recommendation			
Best Practice Recommendation		**Comply Yes / No**	**Page Reference**
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	
Principle 3 – Act ethically and responsibly			**Page 57**
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	
Principle 4 – Safeguard integrity in corporate reporting			**Page 57**
4.1	The Board of a listed entity should have an audit committee which:		
	a. Has at least three members, all of whom are NED's and a majority of whom are independent directors; and	Yes	
	b. Is chaired by an independent director, who is not the chair of the Board.	Yes	
	And should disclose:		
	a. The charter of the committee;	Yes	
	b. The relevant qualifications and experience of the members of the committee; and	Yes	
	c. 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.	Yes	
	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	
Principle 5 – Make timely and balanced disclosure			**Page 57**
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	
Principle 6 – Respect the rights of security holders			**Page 58**
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 processed 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	

Corporate Governance Statement

Continued

ASX Corporate Governance – Best Practice Recommendation			
Best Practice Recommendation		**Comply Yes / No**	**Page Reference**
Principle 7 – Recognise and manage risk			**Page 58**
7.1	A Board of a listed entity should have a committee or committees to oversee risk, each of which:		
	a. Has at least three members, a majority of whom are independent directors; and	Yes	
	b. Is chaired by an independent director.	Yes	
	And should disclose:		
	a. The charter of the committee;	Yes	
	b. The members of the committee; and	Yes	
	c. 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.	Yes	
	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:		
	If it has an internal audit function, how the function is structured and what role it performs; or	Yes	
	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 59**
8.1	The Board of a listed entity should have a compensation committee which:		
	a. has at least three members, a majority of whom are independent directors; and	Yes	
	b. is chaired by an independent director.	Yes	
	And should disclose:		
	a. The charter of the committee;	Yes	
	b. The members of the committee; and	Yes	
	c. 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.	Yes	
	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 3rd 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 and 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 Compensation Committee 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 setout 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 Corporate Governance and Nominating Committee. The Corporate Governance and Nominating Committee 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 has issued corporate policies to guide its business execution. Policies relevant to the conduct of our people include: the Business Principles to guide our core values and behaviours, the Diversity Policy, 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, and the Social Media Policy all establishing our sustainability protocol. The Duty to Report Policy manages approach to policy breaches.

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

At 30 June 2016, the Company employed a total of 39 people (excluding Directors) in Australia and in the United States. The Company applies, among other considerations, diversity considerations and practices in the recruitment and development of its staff and Directors.

The gender diversity of the Company's employees (excluding consultants) and Board at 30 June 2016 follows.

Role	Number of Women	Total Number of Persons
Whole organisation	15	39
Senior Executive positions [1]	2	7
Board of Directors [2]	1	7

[1] "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 as part of the Corporate Leadership Team

[2] Includes Executive and Non-Executive directors

Corporate Governance Statement

Continued

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 2016, the Company disclosed a reduction in staffing through a redundancy and restructuring initiative and other staff have left voluntarily. As at the date of this report, staffing numbers are as reflected in the following chart.

Role	Number of Women	Total Number of Persons
Whole organisation	11	25
Senior Executive positions [1]	2	7
Board of Directors [2]	1	6

[1] "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 as part of the Corporate Leadership Team

[2] Includes Executive and Non-Executive directors

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

The Board conducted a performance review using criteria outlined by the Australian Institute of Company Directors (AICD) and Sarbanes Oxley. This involved an online survey completed by all Directors considering Board performance against 'good governance' statements. The Board reviewed the outputs of the survey in a subsequent roundtable discussion. The Board then developed action plans 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 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 and long-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 Directors' Report contained in this annual report includes the Directors' biographies as well as a summary skills matrix chart.

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 on Board
Richard J Beresford	Chairman	From Feb 2004
Leeanne K Bond	Non-executive Director	From Oct 2009
Paul J Cavicchi	Non-executive Director	From Oct 2014
D Michael Steuert	Non-executive Director	From Feb 2015
Philip D Moeller	Non-executive Director	From Dec 2015

The Chairman of the Board, Mr Richard J Beresford, is an independent director of the Company, and Mr Gregory M Vesey is the Managing Director and Chief Executive Officer at the date of this report. Mr Vesey is not considered independent. All 5 NEDs are considered independent directors. Mr F Maurice Brand was a non-independent Executive Director until stepping down from his position with the Board on 29 July 2016.

The Board has established a Corporate Governance and Nominating Committee that 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 Corporate Governance and Nominating Committee is comprised of independent directors consisting of Mr Philip D Moeller (Chairman), Mr Paul J Cavicchi, and Mr Richard J Beresford.

The number of meetings held by the Corporate Governance and Nominating Committee and the attendance is outlined in the Directors Report and a summary of the key accountabilities of the Corporate Governance and Nominating Committee 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 LNGL'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 through delivery of 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
- 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 challenges. As LNGL continues to transition from 'development stage', where skills in project development are paramount, to a growth period involving the construction and operation of global LNG assets, the changing composition of the company Board will reflect this transition.

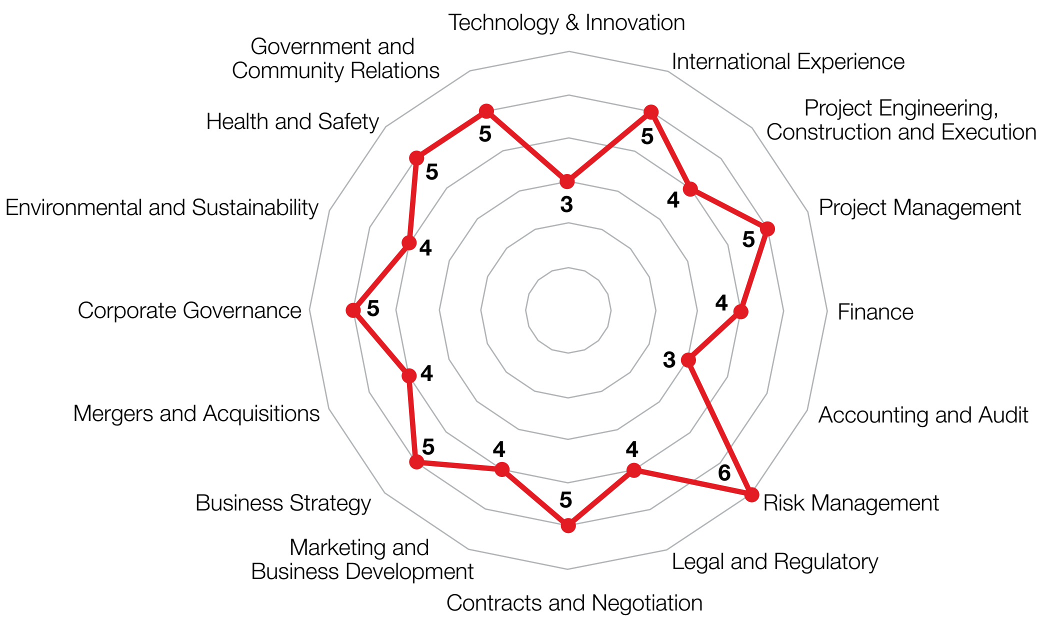
- The Board is currently comprised of a majority of NED's all of whom are classified as independent.
- With LNGL's main focus on North American asset development, the Board has in the last two years appointed three US-based NED's to the board. Mr Paul Cavicchi was appointed effective 1 October 2014, Mr D Michael Steuert was appointed effective 9 February 2015, and Mr Philip D Moeller was appointed effective 7 December 2015. These three appointments further strengthen the Board's skills and experience in energy infrastructure, finance, and regulatory matters, bringing direct knowledge of the energy business in North America.

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

Current Board Skills and Experience

BOARD SKILLS MATRIX

The skills and experience mix of the six current directors is summarised in the following table. The Board considers that those fields where fewer than three directors bring relevant skills and experience would necessitate external support to the Board from individuals or groups on a contractual basis. As the Company's projects move beyond development stage into the construction stage and then into production, the Board will review additional skills and experience to oversee those activities.



Corporate Governance Statement

Continued

Skills and Experience	Description
Technology and innovation	Professional qualifications / experience in the research, development, and implementation of energy transportation and/or processing technologies.
International experience	Directors that have worked on energy projects in regions and countries where LNG is currently looking to invest, develop, and operate.
Engineering, construction, and execution	Practical experience with engineering design and project execution in an executive or senior manager capacity.
Project management	Individuals that carry relevant experience in project manager or executive director roles across large scale energy projects.
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.
Audit and accounting	Professional qualifications in accounting and risk management, or those directors with experience in audit chair, CFO, auditor or other senior financial manager positions.
Risk management	Prior exposure to risk management duties in a managerial or executive capacity and/or professional risk management qualifications.
Legal and 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.
Contracts and negotiation	Practical and relevant experience in global energy sector contracts, bids, and commercial negotiations.
Marketing and 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.
Business strategy	Directors that have extensive experience in executive strategy positions, including previous managing director, chief executive, and/or strategic senior manager roles.
Mergers and 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.
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.
Environmental and sustainability	Professional training or prior experience managing public company environmental and social responsibility risks.
Health and safety	Directors that have had management responsibility for the health and safety of personnel on construction and/or operating plant sites.
Government and 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.

Disclosure and engagement

The Board is charged with the responsibility of protecting the interests of LNGL'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 LNGL'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 3rd Edition Principles.

Together with the Director's Information Kit, directors are formally supported by the Managing Director and Chief Executive Officer, the Company Secretary, and Chairman on all Board meeting related matters. During the year, director development included in-house training on Corporate Governance from the National Association of Corporate Governance, which was conducted in Houston, Texas. In 2015, the Board and management received training on process safety from IChemE in Australia.

There are procedures in place, agreed by the Board, to enable directors 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 actively promotes ethical and responsible decision-making. The standard of ethical behaviour required of 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 as necessary, which ensures that it reflects an appropriate standard of behaviour and professionalism.

The Code requires all directors to 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 Committee

The Board has established an Audit Committee that operates under a 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 Audit Committee.

The Audit Committee provides the Board with assurance regarding the reliability of financial information for inclusion in financial reports.

The members of the Audit Committee follow.

Name	Position
D Michael Steuert	Chairman
Leeanne K Bond	Member
Philip D Moeller	Member

All the members are NEDs. Other Board members attend meetings periodically. Management attend meetings as appropriate, with the CFO attending as a standing invitee. The Board is satisfied that the Audit Committee 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 Audit Committee held during the year and the attendees at those meetings. The Company's Audit Committee charter can 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 Audit Committee, as part of its charter, is required to conduct a review, at least annually, in relation to the external auditor. The Audit Committee, 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 balances 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, NEDs 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.

Corporate Governance Statement

Continued

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 pertinent 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. The Company's announcements are also communicated via its twitter account.

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.

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 is to become a leader in the development of mid-scale LNG liquefaction export 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 LNGL'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 and 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 undertakes periodic comprehensive reviews and updates of the risk management process. A management prepared risk register is tabled periodically 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, among others: health and safety; environment; social; financial; technical; commercial; regulatory; legal and compliance.

The Managing Director and 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 Audit Committee.

The number of meetings held by the Audit Committee and the attendees is outlined in the Directors Report and a summary of the key accountabilities of the Company's Audit Committee 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**.

Safety, sustainability, people and culture

The Safety, Sustainability, People, and Culture Committee (SSPC) oversees Company sustainability risks and opportunities, and reports these matters to the Board. The SSPC receives 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. This information also feeds the risk management process overseen by the Board. In addition to feedback and monitoring by the SSPC, 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. The Company has in-house subject matter experts in process safety design, occupational safety design, and Occupational Safety and Health Administration (OSHA) regulation dealing with workplace safety and health in the US. This expertise is specific to the design, construction, and operation of LNG liquefaction facilities. Effective management of HSSE 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 patented OSMR® 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® Technology is energy efficient, (e.g., combined cycle power generated from gas turbine waste heat used to drive the refrigeration compressors, use of the most efficient industrial coolant - ammonia rather than propane throughout the LNG production process, application of a closed-loop ammonia refrigeration circuit, pre-cooling refrigerant and gas turbine inlet air that increases production efficiency, etc.) and will operate at a lower GHG intensity compared with traditional LNG technologies (e.g., EPC guaranteed 92% feed gas production efficiency, LNG plant/utilities fuel gas consumption of 8% or less).

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. Examples of these activities include regular participation in local meetings of the Calcasieu Parish Local Emergency Planning Committee and Environmental Affairs Committee by MLNG personnel in Lake Charles and establishment by BHLNG of Community Liaison and Fisherman Liaison committees in Port Tupper. 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 LNGL's website, or direct from the relevant Australian, US, and Canadian regulators' websites.

The Company has yet to reach FID on any of its 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. The Company is positioned to contribute to climate change solutions and we support measures to progressively reduce GHG emissions in line with established climate targets.

With regard to the Intended Nationally Determined Contributions in the US 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, the US, and Canada. 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 due to our energy efficiency compared to other energy sources and LNG technologies.

Policies relevant to sustainability

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 at http://www.lnglimited.com.au/irm/content/corporate-governance.aspx?RID=225.

PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY

Compensation Committee

The Board has established a Compensation Committee comprised of an independent Chairman, Mr Paul J Cavicchi, Mr Richard J Beresford, and Ms Leeanne K Bond, 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 and Chief Executive Officer, Mr Gregory M Vesey, also attends meetings by invitation. Mr Vesey is not involved in developing remuneration policies or setting remuneration packages, nor does he commission research and recommendations provided to the Compensation Committee by independent remuneration consultants. The Compensation Committee is aware of the need to remain strictly independent.

A summary of the key accountabilities of the Company's Compensation Committee 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 contained elsewhere in this Annual Report for additional remuneration disclosures.

Financial Report

30 June 2016

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	CONSOLIDATED 2016	2015
		In thousands ($)	
Revenue	A1	569	668
Other income	A1	7,286	7,931
Total revenue and other income		7,855	8,599
Administrative expense	A1	(19,372)	(8,171)
Finance costs	A1	(1)	(1)
Project development expenses	A1	(89,289)	(71,885)
Share-based payment expenses	A1 and D4	(14,333)	(14,758)
Other expenses	A1	-	(41)
Total expenses		(122,995)	(94,856)
Loss before income tax expense		(115,140)	(86,257)
Income tax expense		28	(50)
Loss after income tax expense		(115,112)	(86,307)
Net loss for the period		**(115,112)**	**(86,307)**
Other comprehensive income (loss) for the period:			
Foreign currency translation, net of tax		(78)	559
Total comprehensive income (loss) for the period		**(115,190)**	**(85,748)**
Loss for period is attributable to:			
Non-controlling interest		(3)	(1)
Equity holders of the parent		(115,009)	(86,306)
Total comprehensive income		**(115,112)**	**(86,307)**
Total comprehensive income (loss) for the period:			
Non-controlling interest		(3)	(1)
Equity holders of the parent		(115,187)	(85,747)
Total comprehensive income		**(115,190)**	**(85,748)**
Loss per share attributable to ordinary equity holders:			
Basic loss per share	A6	(22.88)	(18.58)
Fully diluted loss per share	A6	(22.88)	(18.58)

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

Financial Report

30 June 2016

STATEMENT OF FINANCIAL POSITION

		CONSOLIDATED	
		2016	2015
	Note	**In thousands ($)**	
Assets			
Current assets			
Cash and cash equivalents	C1	67,187	46,971
Trade and other receivables	B1	746	2,485
Other financial assets	C1	4,270	134,830
Prepayments		347	325
Total current assets		**72,550**	184,611
Non-current assets			
Property, Plant and equipment	A2	12,006	12,120
Total non-current assets		**12,006**	**12,120**
Total assets		**84,556**	**196,731**
Liabilities			
Current liabilities			
Trade and other payables	B2	2,586	13,859
Interest-bearing liabilities	C2	3	3
Income tax payable		9	50
Employee benefits and provisions	B3	930	971
Total current liabilities		**3,528**	**14,883**
Non-current liabilities			
Interest-bearing liabilities	C2	6	9
Employee benefits and provisions	B3	71	230
Total non-current liabilities		**77**	**239**
Total liabilities		**3,605**	**15,122**
Net assets		**80,951**	**181,609**
Equity			
Equity attributable to equity holders of the Parent:			
Contributed equity		392,220	392,021
Reserves		41,553	27,298
Accumulated losses		(352,702)	(237,593)
Parent interests		**81,071**	**181,726**
Non-controlling interest		**(120)**	**(117)**
Total equity		**80,951**	**181,609**

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

STATEMENT OF CHANGES IN EQUITY

	Ordinary shares	Share options reserve	Performance rights reserve	Redeemable preference share reserve	Equity reserve	Foreign currency translation reserve	Accumulated losses	Owners of the parent	Non-controlling interest	Total
	In thousands ($)									
At 1 July 2015	392,021	6,078	15,243	4,032	578	1,367	(237,593)	181,726	(117)	181,609
Loss for the period	-	-	-	-	-	-	(115,109)	(115,109)	(3)	(115,112)
Other comprehensive income	-	-	-	-	-	(78)	-	(78)	-	(78)
Total comprehensive income for the period	-	-	-	-	-	(78)	(115,109)	(115,187)	(3)	(115,190)
Transactions with owners in their capacity as owners:										
Exercise of options	199	-	-	-	-	-	-	199	-	199
Share based payment	-	-	14,333	-	-	-	-	14,333	-	14,333
At 30 June 2016	**392,220**	**6,078**	**29,576**	**4,032**	**578**	**1,289**	**(352,702)**	**81,071**	**(120)**	**80,951**

	Ordinary shares	Share options reserve	Performance rights reserve	Redeemable preference share reserve	Equity reserve	Foreign currency translation reserve	Accumulated losses	Owners of the parent	Non-controlling interest	Total
	In thousands ($)									
At 1 July 2014	187,024	6,078	485	4,032	578	808	(151,287)	47,718	(116)	47,602
Loss for the period	-	-	-	-	-	-	(86,306)	(86,306)	(1)	(86,307)
Other comprehensive income	-	-	-	-	-	559	-	559	-	559
Total comprehensive income for the period	-	-	-	-	-	559	(86,306)	(85,747)	(1)	(85,748)
Transactions with owners in their capacity as owners:										
Shares issued on placement	204,415	-	-	-	-	-	-	204,415	-	204,415
Exercise of options	582	-	-	-	-	-	-	582	-	582
Share based payment	-	-	14,758	-	-	-	-	14,758	-	14,758
At 30 June 2015	**392,021**	**6,078**	**15,243**	**4,032**	**578**	**1,367**	**(237,593)**	**181,726**	**(117)**	**181,609**

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

Financial Report

30 June 2016

STATEMENT OF CASH FLOWS

		CONSOLIDATED	
		2016	2015
	Note	**In thousands ($)**	
Cash flows from operating activities			
Receipts from taxation authorities		1,196	326
Interest received		620	618
Research and development tax concession rebate		462	-
Payments to suppliers and employees		(119,408)	(70,920)
Net cash flows used in operating activities	C1	**(117,130)**	(69,976)
Cash flows from investing activities			
(Investment in) / proceeds from security deposits classified as other financial assets	C1	(74)	(1,028)
(Investment in) / proceeds from other financial assets	C1	130,634	(130,634)
Purchase of property, plant and equipment	A2	(87)	(11,624)
Net cash used in investing activities		**130,473**	(143,286)
Cash flows from financing activities			
Proceeds from issue of ordinary shares	C4	-	212,670
Transaction costs on issue of ordinary shares	C4	-	(8,255)
Proceeds from the exercise of options	C4	199	582
Repayment of finance lease principal		(3)	(3)
Interest paid		(1)	(1)
Net cash flows from financing activities		**195**	204,993
Net increase/(decrease) in cash and cash equivalents		13,538	(8,269)
Net foreign exchange differences		6,678	7,469
Cash and cash equivalents at beginning of year		46,971	47,771
Cash and cash equivalents at end of year	**C1**	**67,187**	46,971

Notes to the Financial Report

ABOUT THIS REPORT

The financial report of Liquefied Natural Gas Limited (**LNGL** or **Company**) for the year ended 30 June 2016 was authorised for issue in accordance with a resolution of the Directors on 30 September 2016.

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 Managing Director and Chief Executive Officer's Report.

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

The financial report has 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 Instrument 2016/191. The Company is an entity to which the class order applies.

The financial report comprises the financial statements of the Group and its subsidiaries as at 30 June 2016 (refer to Section D3). Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date at which the Group ceases to have control.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intercompany balances and transactions, including unrealised profits and losses arising from intra-group transactions, have been eliminated in full.

Non-controlling interests are allocated their share of the net profit after tax in the consolidated income statement, their share of other comprehensive income, net of tax, in the consolidated statement of comprehensive income, and are presented within equity in the consolidated statement of financial position, separately from parent shareholders' equity.

Going concern

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

Foreign currency

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 of the transacting entity at the exchange rates ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the rates of exchange ruling at that date. Exchange differences in the consolidated financial statements are taken to the income statement. 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.

Key estimates and judgements

Management continually evaluates judgements, estimates, and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. Assumptions made are believed to be reasonable based on the most current set of circumstances known to management and the information on these items are found in the areas of the financial report to which the judgements, estimates, and assumptions relate.

A. SEGMENT ACTIVITIES

The Group has identified its operating segments, a component of an entity that engages in business activities from which it may earn revenue and incur expenses, 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.

Financing requirements, including cash and debt balances, finance income, finance costs, and taxes are managed at a Group level.

The Group has identified the following reportable operating segments.

LNG Infrastructure Segment

Focuses on the identification and progression of opportunities for the development of LNG projects.
This includes:

- Project development activities from pre-feasibility, detailed feasibility, and advancement of each project to final investment decision at which time the Group expects to obtain project finance via a suitable mix of debt and equity;
- Construction activities; and
- Production and sale of LNG via offtake arrangements with external parties.

The LNG Infrastructure reportable operating segment includes the aggregation of the Magnolia LNG project, 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, the percentage of consolidated revenue that the operating segment will contribute, and the regulatory environment the Company's projects operate in.

Technology and Licensing Segment

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.

Notes to the Financial Report

Continued

A1. SEGMENT PERFORMANCE

Revenue

INTEREST REVENUE

Revenue is recognised as interest accrues using the effective interest method. Interest accruing on time deposits and other interest-bearing cash accounts is recognised as earned.

*Research & development (**R&D**) costs and rebate income.*

Research costs are expensed as incurred. R&D rebate income is recognised when the return is prepared and the amount can be reliably measured.

GOODS AND SERVICE TAX (GST)

Revenue, expenses, and assets are recognised net of the amount of GST, except receivables and payables and where the GST is not recoverable. GST is included in the cash flow statement on a gross basis, and commitments and contingencies are disclosed net.

WAGES, SALARIES, ANNUAL LEAVE, SICK LEAVE, AND LONG SERVICE LEAVE

Expenses and liabilities incurred for wages and salaries, 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 at the amounts due to be paid when the liabilities are settled. 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. In 2015, the Group established a defined contribution plan (**401(k) Plan**) for eligible US employees. The 401(k) Plan allows eligible employees to contribute up to 100% of their compensation up to the IRS maximum, for which the Group matches those contributions by up to 3.5 percent.

Segment allocations

CORPORATE CHARGES

Corporate charges comprise non-segmental expenses such as certain head office expenses, including share based payments.

OTHER

Interest revenue, realised foreign exchange gains and losses, corporate expenses, and finance costs are not allocated to operating segments as they are not considered core to any segment.

The following table shows the revenue and profit or loss information for reportable segments for the fiscal years ended 30 June 2016 and 2015, respectively.

	LNG Infrastructure		Technology and Licensing		Unallocated		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
Revenue	In thousands ($)							
Research and development concession	-	-	-	-	569	668	569	668
Net foreign exchange gain	-	-	-	-	6,787	7,469	6,787	7,469
Interest revenue	-	-	-	-	499	462	499	462
Inter-segment sales	-	-	-	-	-	-	-	-
Total segment revenue and other income	-	-	-	-	7,855	8,599	7,855	8,599
Inter-segment elimination	-	-	-	-	-	-	-	-
Total segment revenue and other income	-	-	-	-	7,855	8,599	7,855	8,599
Project development costs								
Employee compensation & benefits	(10,621)	(11,380)	-	-	-	-	(10,621)	(11,380)
Defined contribution plans	(187)	(217)	-	-	-	-	(187)	(217)
Consulting fees (FEED, legal, etc.)	(75,131)	(55,503)	-	-	-	-	(75,131)	(55,503)
Other expenses	(2,885)	(4,198)	(465)	(587)	-	-	(3,350)	(4,785)
Total project development costs	(88,824)	(71,298)	(465)	(587)	-	-	(89,289)	(71,885)
Finance costs – charges payable under finance leases	-	-	-	-	(1)	(1)	(1)	(1)
Corporate charges	-	-	-	-	(18,209)	(7,449)	(18,209)	(7,449)
Share-based payments	-	-	-	-	(14,333)	(14,758)	(14,333)	(14,758)
Depreciation of non-current assets	-	-	-	-	(232)	(110)	(232)	(110)
Operating lease payments	-	-	-	-	(931)	(612)	(931)	(612)
Gain/(loss) on sale of PP&E	-	-	-	-	-	(41)	-	(41)
Income tax expense at 30% (2015: 30%)	-	-	-	-	28	(50)	28	(50)
Segment and Group net profit/(loss)	**(88,824)**	**(71,298)**	**(465)**	**(587)**	**(25,823)**	**(14,422)**	**(115,112)**	**(86,307)**

Key estimates and judgements

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 proceed to development, within a reasonable period. As the above factors have not been satisfied, all development expenditure has been expensed during the financial periods.

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.

A2. SEGMENT ASSETS AND GROUP PROPERTY, PLANT AND EQUIPMENT

	LNG Infrastructure		Technology and Licensing		Total	
	2016	2015	2016	2015	2016	2015
	In thousands ($)					
Segment assets						
Segment operating assets – Australia	533	497	2	19	535	516
Segment operating assets – Canada	11,180	13,157	-	-	11,180	13,157
Segment operating assets – USA	837	624	-	-	837	624
Segment operating assets – Indonesia	2	6	-	-	2	6
Total segment assets	12,552	14,284	2	19	12,554	14,303
Intersegment eliminations					-	-
Unallocated assets1					72,002	182,068
Total assets per the statement of financial position					84,556	196,371
Unallocated liabilities					1,050	3,829

[1] Unallocated assets primarily consisted of cash and cash equivalents of $67,187,000 (2015: $46,971,000) and other financial assets of $4,270,000 (2015: $134,830,000).

Property, Plant and equipment

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, the associated 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.

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.

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 and 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.

	CONSOLIDATED				
	Freehold Land and Buildings	Plant and Equipment	Information Technology	Other	Total
	In thousands ($)				
Cost					
At 1 July 2014	-	39	425	202	666
Additions	10,964	2	128	530	11,624
Disposals	-	-	(41)	-	(41)
Exchange differences	-	(16)	(240)	292	36
At 30 June 2015	10,964	25	272	1,024	12,285
Additions	45	-	22	20	87
Disposals	-	-	-	-	-
Exchange differences	-	1	5	28	34
At 30 June 2016	**11,009**	**26**	**299**	**1,072**	**12,406**
Accumulated depreciation					
At 1 July 2014	-	15	306	53	374
Depreciation charge for the year	-	3	59	48	110
Disposals	-	-	-	-	-
Exchange differences	-	1	(278)	(42)	(319)
At 30 June 2015	-	19	87	59	165
Depreciation charge for the year	-	4	82	146	232
Disposals	-	-	-	-	-
Exchange differences	-	1	1	1	3
At 30 June 2016	**-**	**24**	**170**	**206**	**400**
At 30 June 2015	10,964	6	185	965	12,120
At 30 June 2016	11,009	2	129	866	12,006

Notes to the Financial Report

Continued

FREEHOLD LAND

In August 2014, the Company acquired a 255-acre site, having significant site work and civil development in place, in Nova Scotia Canada, as part of the acquisition of Bear Head Corporation for US$11.0 million. 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. An additional undeveloped 72-acres were acquired in March 2016 for C$450,000, for which a deposit was paid prior to 30 June 2016, with the balance paid post balance sheet date. The site comprises industrial-zoned land (252 acres) and deep-water acreage (75 acres). The consideration paid was allocated to the land acquired.

IMPAIRMENT OF NON-FINANCIAL ASSETS

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

A3. TAXES

RECOGNITION AND MEASUREMENT

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. Deferred tax assets and liabilities are measured at tax rates that are expected to apply in the period in which the liability is settled or the asset is realised. The tax rates and laws used to determine the amount are based on those that have been enacted or substantially enacted by the end of the reporting period. Income taxes relating to items recognised directly in equity are recognised in equity.

CURRENT TAX

Current tax expense is the expected tax payable on the taxable income for the year and any adjustment to tax payable in respect of previous years.

DEFERRED TAX

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax is not recognised if the taxable difference relates to investments in subsidiaries to the extent that the Group is able to control the reversal of the temporary difference and it is not probable to reverse in the foreseeable future.

OFFSETTING DEFERRED TAX

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company and the Group intends to settle its current tax assets and liabilities on a net basis.

	CONSOLIDATED	
	2016	2015
	In thousands ($)	
Income tax expense		
Current tax expense	(28)	50
Deferred tax expense	-	-
Income tax expense/(benefit)	(28)	50
Reconciliation between tax expense and tax expense calculated per the statutory income tax rate		
Accounting loss before tax	(115,140)	(86,257)
Prima facie tax @ 30% (2015: 30%)	(34,352)	(25,877)
Increase in tax expense due to:		
Share based payments	2,720	3,508
Expenditure not deductible for tax purposes	10	5
Decrease in tax expense due to:		
Non-assessable income	(150)	(139)
Unrecognised deferred taxes	31,744	22,553
Income tax expense/(benefit)	**(28)**	**50**

There is no current or deferred tax relating to items that are charged or credited to equity. The following chart provides a reconciliation of deferred tax liabilities.

	CONSOLIDATED			
	Balance Sheet		**Profit or Loss**	
	2016	**2015**	**2016**	**2015**
	In thousands ($)			
Deferred tax liabilities				
Accrued income	-	21	(21)	5
Gross deferred income tax liabilities	-	21		
Set-off of deferred tax assets	-	(21)		
Net deferred tax liabilities	**-**	**-**		
Deferred tax assets				
Tax losses recognised to offset tax liabilities				
Set-off of deferred tax liabilities			21	(5)
Deferred tax expense/(benefit)			**-**	**-**

TAX LOSSES

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.

	CONSOLIDATED	
	2016	2015
	In thousands ($)	
Unused Australian revenue tax losses for which no deferred tax asset has been recognised	34,198	34,220
Unused Australian capital tax losses for which no deferred tax asset has been recognised	14,777	14,552
Unamortised costs for which no deferred tax asset has been recognised	31,633	-
Unrecognised tax benefit in Australia at 30%	**24,182**	**14,632**
Unused foreign losses for which no deferred tax asset has been recognised	16,716	92,033
Unamortised costs for which no deferred tax asset has been recognised	162,569	-
Unrecognised tax benefit in United States at 35%	**62,750**	**32,212**
Unused foreign losses for which no deferred tax asset has been recognised	131,153	127,561
Unrecognised tax benefit in Canada at 31%	**40,657**	**39,544**

OTHER UNRECOGNISED TEMPORARY DIFFERENCES

As at 30 June 2016, the Group has temporary differences of $403,448,000 (2015: $297,999,000) for which no deferred tax asset has been recognised. There is no unrecognised temporary difference associated with the Group's investments in subsidiaries (2015: $Nil).

TAX CONSOLIDATION

Effective 11 February 2004, the Company and its 100% owned Australian resident subsidiaries 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 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, GLG 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.

Key estimates and judgements

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.

A4. COMMITMENTS AND CONTINGENCIES

CAPITAL COMMITMENTS

At year end, there were no commitments in relation to the purchase of plant and equipment (2015: $nil).

INSURANCE CLAIMS

There are no active or pending insurance claims by the Group as at the date of this report.

LEGAL CLAIMS

There are no legal claims outstanding against the Group as at the date of this report.

GUARANTEES

Refer to C1 – Cash and cash equivalents and other financial instruments.

FINANCE LEASE – THE GROUP AS LESSEE

Refer to C2 – Interest bearing liabilities.

OPERATING LEASE – THE GROUP AS LESSEE

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. The Company leases its corporate and project offices under operating leases.

Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows.

	CONSOLIDATED	
	2016	2015
	In thousands ($)	
After one year but not more than five years	505 437	447 686
Aggregate non-cancellable operating lease expenditure contracted for at reporting date	**942**	**1,133**

A5. DIVIDENDS PAID AND PROPOSED

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

Notes to the Financial Report

Continued

A6. EARNINGS / (LOSS) PER SHARE

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; and
- Other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares.
- Divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

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

	CONSOLIDATED	
	2016	2015
	In thousands ($)	
Loss used in calculating earnings per share		
For basic earnings per share:		
Net loss attributable to ordinary equity holders of the Parent	**(115,109)**	**(86,306)**
For diluted earnings per share:		
Net loss attributable to ordinary equity holders of the Parent	**(115,109)**	**(86,306)**
Weighted average number of shares		
For basic earnings per share:		
Weighted average number of ordinary shares for basic earnings per share	**503,189,294**	**464,401,183**
For diluted earnings per share:		
Weighted average number of ordinary shares adjusted for the effect of dilution	**503,189,294**	**464,401,183**

B1. TRADE AND OTHER RECEIVABLES

	CONSOLIDATED	
	2016	2015
Other receivables	**In thousands ($)**	
GST receivable	131	683
R&D rebate receivable	499	462
Other receivables	116	1,340
Total current receivables	**746**	**2,485**

RECOGNITION AND MEASUREMENT

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

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.

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 financial risk management are disclosed in C3, which information discusses liquidity and credit risk.

B2. TRADE AND OTHER PAYABLES

	CONSOLIDATED	
	2016	2015
Trade and other payables	**In thousands ($)**	
Trade creditors and accruals	2,505	13,748
Other creditors	81	111
Total current receivables	**2,586**	**13,859**

RECOGNITION AND MEASUREMENT

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

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

Refer to C3 – Financial risk management.

B3. EMPLOYEE BENEFITS AND PROVISIONS

	CONSOLIDATED	
	2016	2015
Current provisions	**In thousands ($)**	
Annual leave	488	665
Long service leave	442	306
	930	**971**
Non-current provisions		
Long service leave	**71**	**230**

RECOGNITION AND MEASUREMENT

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits, which can be reliably measured will be required to settle the obligation. 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 with the risk specific to the provision factored into the cash flows.

C1. CASH AND CASH EQUIVALENTS AND OTHER FINANCIAL ASSETS

	CONSOLIDATED	
	2016	2015
Cash and cash equivalents	**In thousands ($)**	
Cash at bank and in hand	65,906	41,171
Short-term deposits	1,281	5,800
	67,187	**46,971**
Other financial assets		
Security deposits	4,270	4,196
Investments in term deposits		130,634
	4,270	**134,830**

RECOGNITION AND MEASUREMENT

Cash and cash equivalents in the balance sheet comprise cash at bank, cash 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 set out above.

Term deposits, classified as 'other financial assets', are classified as held-to-maturity financial assets and are recognised at fair value and subsequently measured at amortised cost.

NATURE AND TERMS

Cash at bank earns interest at floating rates based on daily bank deposit rates. 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.

Investments in other financial assets are made for varying periods of between 90 and 180 days and earn interest at the respective term deposit fixed rates. Included in "security deposits" are:

- 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 FLLNG environmental authority approval;
- 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;
- A$104,846 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;
- 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
- 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 liquidity associated with cash and cash equivalents and short-term nature of the other financial assets, carrying amounts are deemed to approximate fair values. The maximum exposure to credit risk is their carrying amounts. Reconciliation of net loss after tax to the net cash flows used in operations follows.

	CONSOLIDATED	
	2016	2015
	In thousands ($)	
Net loss after income tax	(115,112)	(86,307)
Adjust for non-cash items		
Depreciation expense	232	110
Share-based payment expense	14,333	14,758
Unrealised foreign exchange loss/(gain)	(6,787)	(7,469)
Loss on sale of PPE	-	41
Adjust for other cash items:		
Interest expense	1	1
Adjust for changes in assets/liabilities:		
Decrease/(increase) in trade and other receivables	1,739	(1,940)
(Increase) in prepayments	(22)	(168)
(Decrease)/increase in trade and other payables	(11,273)	10,450
(Decrease)/increase in income tax payable	(41)	50
(Decrease)/increase in provisions	(200)	498
Net cash flows used in operating activities	**(117,130)**	**(69,976)**

C2. INTEREST BEARING LIABILITIES

	CONSOLIDATED	
	2016	2015
Current	**In thousands ($)**	
Finance lease liability	**3**	**3**
Non-current		
Finance lease liability	**6**	**9**

RECOGNITION AND MEASUREMENT

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. 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. 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.

C3. FINANCIAL RISK MANAGEMENT

The Group's management of financial risk aims to ensure net cash flows are sufficient to meet financial commitments as and when they fall due, and to fund the progression of the Group's core activity being the identification and progression of opportunities for the development of LNG projects to facilitate the production and sale of LNG. To achieve its objective, the Group may consider raising liquidity through borrowings, sale of interest(s) in its projects, or the sale of additional equity.

Notes to the Financial Report

Continued

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

INTEREST RATE RISK

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's cash and term deposits held with 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. At balance sheet date, the Group had the items set out in C1 with exposure to Australian variable interest rate risk.

At 30 June 2016, 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:

	CONSOLIDATED	
	2016	2015
	In thousands ($)	
Post tax profit and equity higher / (lower)		
+ 0.5% (50 basis points) (2015: +0.5%)	357	909
- 0.5% (50 basis points) (2015: -0.5%)		
Finance lease liability	(357)	(909)

FOREIGN EXCHANGE RISK

Foreign exchange risk is the risk that the fair value or future cash flows 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.

At 30 June 2016, the Group had the following exposure to US$ and $CDN foreign currency:

	CONSOLIDATED	
	2016	2015
	In thousands ($)	
Financial assets		
US$ cash and cash equivalents	37,551	110,729
Financial liabilities		
US$ trade and other payables	(1,561)	(9,454)
Net $USD exposure	**35,990**	**101,275**
Financial assets		
CDN$ cash and cash equivalents	3,309	6,496
Financial liabilities		
CDN$ trade and other payables	(680)	(141)
Net $CDN exposure	**2,629**	**6,355**

At 30 June 2016, 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:

	CONSOLIDATED	
	2016	2015
	In thousands ($)	
Post tax profit and equity higher / (lower)		
AUD/USD +10% (2015: +10%)	(4,411)	(12,027)
AUD/USD -10% (2015: -10%)	5,391	14,700
AUD/CDN +10% (2015: +10%)	(248)	(611)
AUD/CDN -10% (2015: -10%)	303	747

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 sheet date, the Group's credit risk relates mainly to trade and other receivables of $746,000 (2015: $2,485,000).

LIQUIDITY RISK

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

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. Additional liquidity in the form of borrowings, equity, or other means 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 2016, except for payables, the Group had no debt (2015: 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.

All financial assets and liabilities (set out in B1, B2, C1 and C2) have a maturity of less than six months with the exception of finance leases which have maturities which range through 2018.

C4. ISSUED CAPITAL AND RESERVES

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. As the Group has no net debt, it does not monitor any gearing ratio.

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

	CONSOLIDATED	
	Number	**In thousands ($)**
Movement in ordinary shares on issue:		
At 30 June 2014	446,479,015	187,024
Share placement (i)	14,873,186	38,670
Share placement (ii)	40,000,000	174,000
Less: Share issue costs	-	(8,255)
Exercise of options (iii)	1,741,000	582
At 30 June 2015	503,093,201	392,021
Exercise of options (iv)	810,000	199
Vesting of rights (v)	74,405	-
At 30 June 2016	**503,977,606**	**392,220**

i. On 6 August 2014, the Company raised $38,670,284 (before costs) through the placement of 14,873,186 shares at $2.60/share.

ii. On 29 May 2015, the Company raised $174,000,000 (before costs) through the placement of 40,000,000 shares at $4.35/share.

iii. During the 2015 financial year, 1,741,000 shares were issued for cash on the exercise of share options. Refer to note D4.

iv. During the 2016 financial year, 810,000 shares were issued for cash on the exercise of share options. Refer to note D4.

v. During the 2016 financial year, 74,405 shares were issued for nil consideration on the vesting of 77,101 rights. Refer to note D4.

At 30 June 2016, 503,977,606 Company shares were listed for official quotation on the ASX.

Terms and conditions of contributed equity

VOTING RIGHTS

Each ordinary share entitles its holder to one vote, either in person or by proxy.

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.

NATURE AND PURPOSE OF RESERVES

The various reserves recorded in equity are set out in the Statement of Changes in Equity. The nature and purpose of each reserve is as follows.

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 D4 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 D4 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.

D1. EVENTS AFTER BALANCE DATE

CORPORATION

On 29 July 2016, Mr J Fletcher Brand stepped down from his role with the Board.

In July 2016, management announced a redundancy and restructuring initiative. The Company paid approximately $3,300,000 to impacted personnel pursuant to their individual employment agreements, and/or statutory requirements, and/or discretionary payments commonplace in local jurisdictional practice. Of this amount, approximately $703,000 was paid prior to 30 June 2016, and approximately $267,000 related to ex-gratia payments. In aggregate, the impacted personnel continue to hold approximately 2.6 million Performance Rights, of which 333,200 Performance Rights relate to the fiscal 2017 incentive rights grant.

Mr David Gardner relinquished his role as Joint Company Secretary on 2 September 2016, and was replaced by Mr Andrew Gould from 3 September 2016.

On 5 September 2016, the Board of Directors announced Mr R.J. Beresford, plans to step down from the Chairmanship but remain as a NED on the Company's Board. Subject to re-election as a director at the AGM on 17 November 2016, Mr Paul J Cavicchi shall replace Mr Beresford as Chairman of the Board from that date.

BEAR HEAD LNG

On 12 July 2016, BHLNG received NSE approval of its Greenhouse Gas Management plan.

BEAR PAW PIPELINE

On 3 August 2016, Bear Paw received UARB approval to construct a 62.5 km natural gas pipeline from Goldboro to the BHLNG facility.

Notes to the Financial Report

Continued

D2. RELATED PARTIES

ULTIMATE PARENT

Liquefied Natural Gas Limited is the ultimate Australian Parent company of the Group.

KEY MANAGEMENT PERSONNEL (KMP) DISCLOSURES

	CONSOLIDATED	
	2016	2015
	In thousands ($)	
Short-term benefits	4,405	3,253
Post-employment benefits	81	98
Long-term benefits	50	62
Share-based payment	2,392	6,754
	6,928	**10,167**

There were no loans made to KMP personnel during the year.

OTHER TRANSACTIONS AND BALANCES WITH KMP

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 $270,000 (excluding GST) [2015: $179,471]. At reporting date there were no amounts outstanding [2015: $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 $162,710 (excluding GST) [2015: $103,878]. At reporting date there were no amounts outstanding [2015: $nil].

The above payments are disclosed as remuneration in the table in the Remuneration Report.

Other than the above, in the 2015 financial year Clearer Sky Pty Ltd, a company in which R.J. Beresford is a director, received fees for administrative services totalling $31,957 excluding GST. This arrangement was terminated on 31st October 2014.

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 A1.

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 from acquisition in August 2014 to 29 February 2016. 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.

Messrs. Godbold and Salmon left the Company on 29 February 2016 to pursue outside opportunities. A confidential agreement was signed between each of LNGL, Mr Godbold, and Mr Salmon effective as of the date of termination of their employment with the Company.

As at 30 June 2016 and through the date of this report, the Company has not recognized within its financial statements a provision for any success fee payments associated with the Agreement or the Confidential Agreement, given the obligating events (i.e. the achievement of specific milestones) have not occurred and thus accrual for payment is inappropriate under applicable accounting standards as at the balance sheet date and through the date of this report.

D3. SUBSIDIARIES

The consolidated financial statements include the financial statements of Liquefied Natural Gas Limited and its controlled entities listed in the following table:

		Equity interest (%)	
		2016	2015
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
The following companies are controlled via LNG International Pty Ltd:			
North American LNG Pty Ltd (ii)	Australia	100	100
PT. LNG Energi Utama (i)	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
The following company is controlled via LNG Technology Pty Ltd:			
Gladstone OSMR Technology Pty Ltd	Australia	100	100
The following companies are controlled via Mayflower LNG Pty Ltd and North American LNG Pty Ltd:			
LNG Consolidated Holdings (USA)	USA	100	-
LNG Management Services LLC	USA	100	100
Pecan Inc. (iv)	USA	100	100
Pecan GP Inc.	USA	100	100
Pecan LP Inc.	USA	100	100
Magnolia LNG Investment LP	USA	100	100
Magnolia LNG Holding LLC	USA	100	100
Magnolia LNG LLC	USA	100	100
Bear Head LNG Corporation Inc.	Canada	100	100
Bear Head LNG Services LLC	USA	100	100
Bear Head (USA) Holdings LLC	USA	100	100
Bear Head LNG (USA) LLC	USA	100	100
Bear Paw Corporation Inc.	Canada	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) Pecan Inc. was previously named Eagle LNG LLC

Notes to the Financial Report

Continued

D4. SHARE BASED PAYMENTS

The Group provides benefits to employees in the form of share-based payments.

The Company has a Share Option Plan ("SOP"), and Performance Rights Plans ("PRP"), which provides share options or performance rights to "eligible employees".

RECOGNITION AND MEASUREMENT

All compensation under the SOP and PRP are accounted for as share-based payments to employees for services provided. The cost of equity-settled transactions with employees is measured by reference to the fair values of the equity instruments in accordance with AASB 2 *Share-based Payment*. The fair value of share-based payments is recognised, together with the corresponding increase in equity, over the period in which the vesting conditions are fulfilled, ending on the date on which the relevant employee becomes fully entitled to the shares. At each balance sheet date, the Group reassesses the number of awards that are expected to vest based on service conditions. The expense recognised each year takes into account the most recent estimate. The fair value of the benefit provided for time-tested variable pay rights are estimated using the Black-Scholes option pricing technique.

SHARE OPTION PLAN

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.

PERFORMANCE RIGHTS PLAN

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 5% of the total issued ordinary shares of the Company at the time of issue of any rights under this PRP.

TERMS AND CONDITIONS ATTACHING TO SOP AND PRP

The options and rights issued under the SOP and PRP share the following terms and conditions:

- Their expiry is at the discretion of the Board and the options/rights are not transferable;
- The Company will not make application to the ASX for Official Quotation of the options/rights, but the Company will make application to the ASX for quotation of the shares allotted and issued upon the exercise of an option/right within 10 business days after the date of exercise;
- There are no participating rights or entitlements inherent in the options/rights 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/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 options/rights, 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/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 options/rights, the rights of an option/right holder will be changed to the extent necessary to comply with the applicable ASX Listing Rules in force at the time of the reorganisation.

Terms differ with respect to exercise price, whereby 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 exercise price for the rights is at the Board's discretion. Recommendations regarding the exercise price are made by the Compensation Committee and passed to the Board for approval.

The expense recognised for share based payments during the period is $14,333,000 (2015: $14,758,000).

SUMMARY OF OPTIONS GRANTED UNDER THE SOP

During the financial year no unlisted options over ordinary shares in the Company were granted to employees or consultants of the Company in exchange for the services provided. The weighted average exercise price of the options exercised during the year (last granted in 2014) was $0.245.

	Number of options No	Weighted average exercise price $
At 1 July 2014	4,310,000	0.338
Exercised	(1,741,000)	0.334
At 30 June 2015	2,569,000	0.341
Exercised	(810,000)	0.245
At 30 June 2016	**1,759,000**	**0.341**

The outstanding balance of options as at 30 June 2016 is represented by:

a. 303,000 options over ordinary shares with an exercise price of $0.24 per share;

b. 53,000 options over ordinary shares with an exercise price of $0.26 per share;

c. 403,000 options over ordinary shares with an exercise price of $0.28 per share; and

d. 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 2016 is 0.31 years (2015: 1.25 years). The range of exercise prices for options outstanding at the end of the year was $0.24 to $0.465 (2015: $0.24 to $0.465). Refer to the 2014 Annual Report for the assumptions used in measuring the options issued at that time.

SUMMARY OF RIGHTS GRANTED UNDER THE PRP

The following table shows the movements in LNG rights during the year:

	Number of Rights	Weighted average exercise price
	No	$
At 1 July 2014	-	-
Granted in period	13,166,654	-
At 30 June 2015	13,166,654	-
Exercised/ vested	(77,101)	-
Granted in period	3,493,305	-
Expired or other		-
At 30 June 2016	**16,582,858**	**-**

SUMMARY OF RIGHTS GRANTED UNDER THE PRP

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 3 years (2015: between 1.5 and 2.7 years).

PERFORMANCE RIGHTS	2016	2015
Dividend yield (%)	Nil	Nil
Expected volatility (%)	89%	97%
Risk-free interest rate (%)	2.09%	2.54%
Weighted average share price at grant date ($)	3.62	3.05
Model used	Monte Carlo	Monte Carlo

D5. AUDITOR REMUNERATION

The auditor of the Company is EY Australia. Amounts received or due and receivable by Ernst & Young follows.

	CONSOLIDATED	
	2016	2015
	In thousands ($)	
Audit or review of the financial report of the Group	143	113
Other services provided to the Group	30	117
Total Australian fees	173	230
Tax or other non-audit services provided by overseas EY firm	833	345
Total fees	**1,006**	**575**

D6. PARENT INFORMATION

Information relating to Liquefied Natural Gas Limited:

	Parent Company Only	
	2016	2015
	In thousands ($)	
Current assets	10,144	73,375
Total assets	**27,610**	**82,953**
Current liabilities	7,900	7,837
Total liabilities	**7,959**	**8,214**
Issued capital	392,424	392,226
Accumulated losses	(412,216)	(342,598)
Share options reserve	35,411	21,079
Redeemable preference share reserve	4,032	4,032
Total shareholders' equity	**19,651**	**74,739**
Profit/(loss) of the parent entity	(69,618)	(184,397)
Total comprehensive income of the parent entity	**(69,618)**	**(184,397)**

GUARANTEES

The parent entity has not guaranteed the liabilities of its subsidiaries as at 30 June 2016.

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.

D7. OTHER ACCOUNTING POLICIES

Since 1 July 2015, the Group has adopted the following Standards and Interpretations, mandatory for all annual reporting periods beginning on or after 1 July 2015. Adoption of these Standards and Interpretations did not have any effect on the financial position or performance of the Group.

- AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments; and
- AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality.

A number of new standards, amendment of standards and interpretations have recently been issued but are not yet effective and have not been adopted by the Group as at the financial reporting date. The Group has reviewed these standards and interpretations, and with the exception of the items listed below for which the final impact is yet to be determined, none of the new or amended standards will significantly affect the Group's accounting policies, financial position or performance.

- AASB 9 Financial Instruments;
- AASB 2014-4 Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138);
- AASB 15 Revenue from Contracts with Customers; and
- AASB 1057 Application of Australian Accounting Standards.

Auditor's Independence Declaration

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

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

Building a better working world

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

As lead auditor for the audit of Liquefied Natural Gas Limited for the financial year ended 30 June 2016, I declare to the best of my knowledge and belief, there have been:

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

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

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

Ernst & Young

Ernst & Young

D A Hall
Partner
30 September 2016

DH:VH:LNG:014

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 2016 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 About This Report;

c. here 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 2016.

On behalf of the Board

Richard Beresford

Richard Beresford
CHAIRMAN
PERTH, WESTERN AUSTRALIA
30 SEPTEMBER 2016

Independent Audit Report

Building a better working world

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

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

Independent auditor's 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 2016, 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 'About this Report', 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.

DH:VH:LNG:013

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 2016 and of its performance for the year ended on that date;

   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 'About this Report".

Report on the remuneration report

We have audited the Remuneration Report included in pages 29 to 47 of the directors' report for the year ended 30 June 2016. 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 2016, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

D A Hall
Partner
Perth
30 September 2016

DH:VH:LNG:013

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 23 September 2016.

a. Distribution of equity securities

i. Ordinary share capital

- 510,961,326 fully paid ordinary shares are held by 10,211 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

- 1,000,000 unlisted options over ordinary shares are held by 1 option holder.
  The options do not carry a right to vote.

iii. Performance rights

- 11,051,905 unlisted performance rights over ordinary shares are held by 48 holders.
  The rights do not carry a right to vote. The number of performance rights reported on 7 September 2016 in the Appendix 3B (11,692,635) has reduced by 640,730 due to the forfeiture of Performance Rights by staff who have left the Company.

b. The number of shareholders, by size of holding, in each class of share are:

	Fully paid ordinary shares	**Options**	**Performance rights**
	Number of holders	**Number of holders**	**Number of holders**
1 – 1,000	2,452	-	-
1,001 – 5,000	3,423	-	-
5,001 – 0,000	1,683	-	5
10,001 – 100,000	2,352	-	13
100,001 and over	301	1	30
	10,211	**1**	**48**
The number of shareholders holding less than a marketable parcel of shares are:	1,768	-	-

c. Twenty largest shareholders

The names of the twenty largest holders of quoted shares are		Listed ordinary shares	
Ordinary shares		Number of shares	Percentage of ordinary shares
1	HSBC Custody Nominees (Australia) Limited	82,801,104	16.20
2	HSBC Custody Nominees (Australia) Limited- GSCO ECA	51,354,724	10.05
3	Citicorp Nominees Pty Limited	42,856,495	8.39
4	J P Morgan Nominees Australia Limited	36,447,121	7.13
5	National Nominees Limited	25,889,446	5.07
6	Merrill Lynch (Australia) Nominees Pty Limited	23,124,310	4.53
7	HSBC Custody Nominees (Australia) Limited-A/C 2	15,512,841	3.04
8	BNP Paribas Noms Pty Ltd <DRP>	11,902,009	2.33
9	Mr Andrew Bruce & Mrs Wendy Bruce <Bruce Family S/F A/C>	8,800,000	1.72
10	Mr Bassam Abou Chahla & Ms Cherie Abou Chahla <Abou Chahla Family S/F A/C>	7,838,003	1.53
11	HSBC Custody Nominees (Australia) Limited <ST A/C>	5,550,000	1.09
12	Mr Paul Bridgwood	4,462,124	0.87
13	Sasigas Nominees Pty Ltd <Fletcher M Brand Family A/C>	4,400,000	0.86
14	HSBC Custody Nominees (Australia) Limited <CW A/C>	4,160,285	0.81
15	SPO Equities Pty Limited <March Street Equity A/C>	3,529,898	0.69
16	Prospect Custodian Limited	2,505,560	0.49
17	HSBC Custody Nominees (Australia) Limited - A/C 3	2,430,936	0.48
18	ABN Amro Clearing Sydney Nominees Pty Ltd <Custodian A/C>	2,056,879	0.40
19	Eyeon No 2 Pty Ltd	1,950,000	0.38
20	HSBC Custody Nominees (Australia) Limited <Euroclear Bank SA NV A/C>	1,899,509	0.37
		339,471,244	**66.43**

Substantial shareholders as at 31 August 2016	Fully paid	
Ordinary shareholders	Number of shares	Percentage of ordinary shares
The Baupost Group (Boston)	62,340,529	12.20
Valinor Management, LLC (New York)	41,967,223	8.21
	104,307.752	**20.41**

d. 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

Gregory M Vesey, Managing Director / Chief Executive Officer

Leeanne Bond, Non-Executive Director

Philip D Moeller, Non-Executive Director

Paul Cavicchi, Non-Executive Director

Michael Steuert, Non-Executive Director

COMPANY SECRETARY

Kinga Doris, General Counsel and Joint Company Secretary

Andrew Gould, Group Development Manager and
Joint Company Secretary

REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

PERTH

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

HOUSTON

LNG Limited U.S. Office Headquarters
LNG Management Services LLC
Magnolia LNG
Bear Head LNG

1001 McKinney, Suite 600
Houston, Texas 77002
USA

Phone: +1 713 815 6900
Fax: +1 713 815 6905

LAKE CHARLES

Magnolia LNG
One Lakeshore Drive, Suite 1810
Lake Charles, Louisiana 70629
USA

Phone: +1 337 656 9200
Fax: +1 337 656 9292
Website: www.magnolialng.com

HALIFAX

Bear Head LNG
1475 Lower Water Street
Suite 351
Halifax, Nova Scotia, B3J 3Z2 Canada

Mailing address:
1001 McKinney, Suite 600
Houston, Texas 77002
USA

Phone: +1 713-986-0600
Fax: +1 713-986-0800
Website: www.bearheadlng.com

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

Telephone (within Australia): 1300 554 474
Telephone (outside Australia): +61 1300 554 474
Facsimile: +61 2 9287 0303

ASX CODE

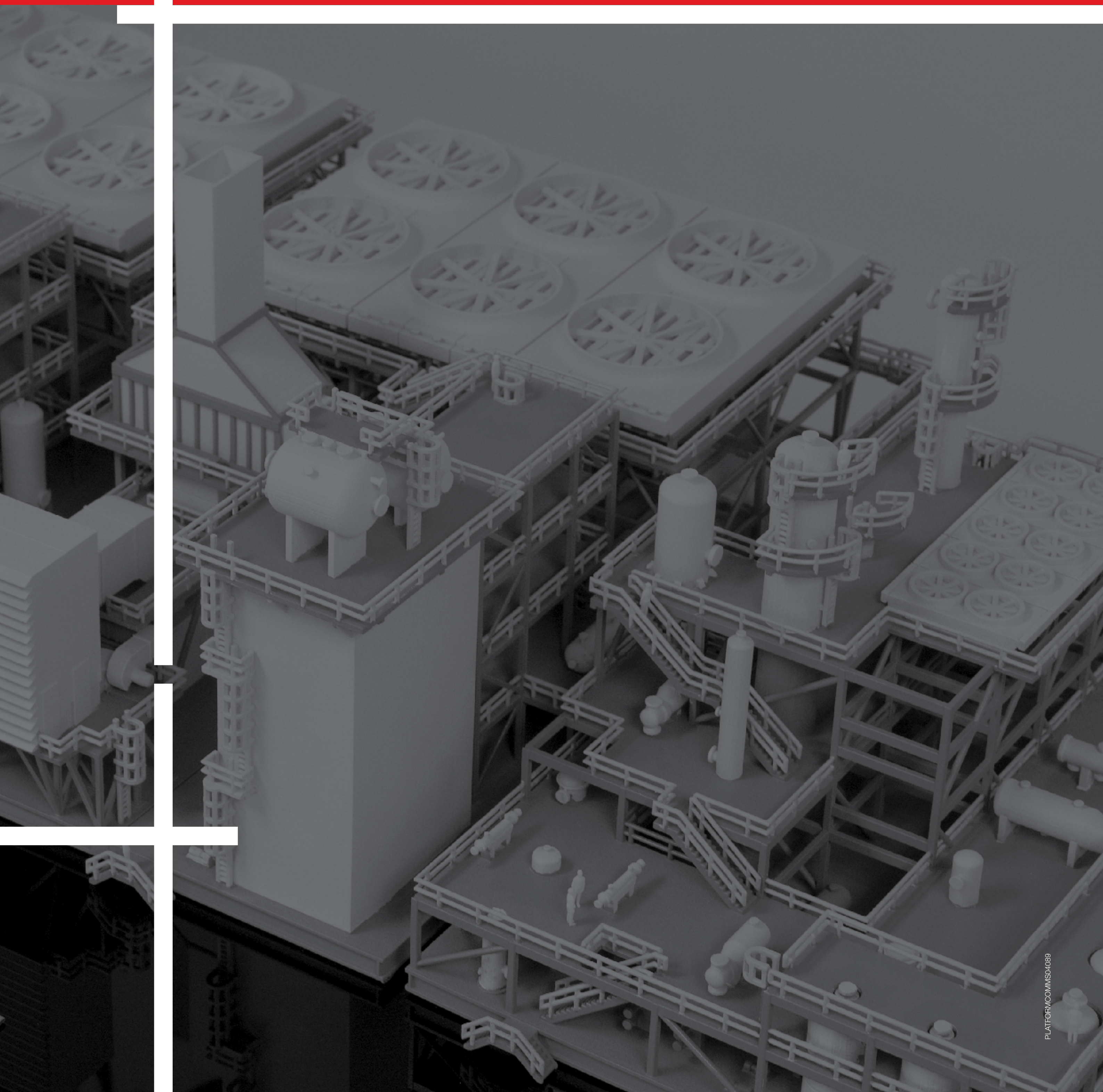
LNG

OTC ADR CODE

LNGLY

Visit lnglimited.com.au for the latest investor updates

LNGLIMITED.COM.AU



PLATFORMCOMMS04089