



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

**ANNUAL REPORT  
FOR THE YEAR ENDED  
JUNE 30, 2018**

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

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**CORPORATE DIRECTORY**  
**LIQUEFIED NATURAL GAS LIMITED**  
**ABN 19 101 676 779**

**DIRECTORS**

Paul J Cavicchi, Non-Executive Chairman  
Gregory M Vesey, Managing Director / Chief Executive Officer  
Leeanne K Bond, Non-Executive Director  
Philip D Moeller, Non-Executive Director  
Richard J Beresford, Non-Executive Director  
D Michael Steuert, Non-Executive Director

**COMPANY SECRETARY**

Kinga Doris, General Counsel and Joint Company Secretary  
Andrew Gould, Joint Company Secretary

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**ASX CODE**

LNG

**OTC ADR CODE**

LNGLY

## CHAIRMAN'S LETTER

To my fellow shareholders,

We are pleased to report to our shareholders that liquefied natural gas (LNG) demand is in a period of rapid expansion. Strong global economies coupled with demand for cleaner fuels is driving this growth.

For LNG suppliers, the 2017/18 winter market ended on a high basis, with Asian LNG prices close to \$US10 per million BTU. These higher prices were achieved even with the global LNG market absorbing approximately 30 million tonnes per year of additional supply. These outcomes were in stark contrast to 2016/17 forward market forecasts thereby indicating acceleration in LNG demand and potentially future supply constraints.

These positive market indicators continued throughout 2018 with seasonally robust spot LNG prices, a strengthening European natural gas market, and an overall stronger energy market globally. These factors all contribute to a business environment supportive of new LNG investment reflecting the following emergent themes:

- Gas displaces coal;
- Increasing global electrification;
- Non-traditional markets view gas as a preferred fuel;
- Gas and LNG play an important role in lowering the carbon intensity of economic growth;
- Gas provides reliable power that supports renewables; and
- As gas demand grows; LNG demand grows faster.

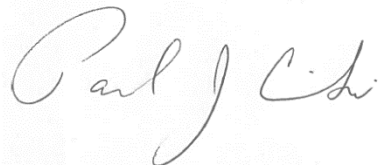
With increasing demand and unsustainably low numbers of recent financial investment decisions (FIDs) for new liquefaction facilities globally, a tighter LNG market will unfold. As such, we believe Liquefied Natural Gas Limited is extremely well positioned to bring new LNG supply to the market in a timely manner.

Our Magnolia LNG project is the most mature of all the competing U.S. Gulf Coast greenfield LNG projects. Likewise, our Bear Head LNG project is fully permitted and is looking to partner with producers to export gas to global markets. In addition, our OSMR® liquefaction technology provides environmental attributes coveted by the evolving global gas markets. Coupled with the industry knowledge and project execution experience of our team, we are excited by the current opportunities.

We are now working extremely hard to progress our projects to a positive financial investment decision. The combination of the "shovel-ready" Magnolia LNG project with increasingly supportive market conditions fuels our confidence to achieve success. We anticipate to contract facility off-take from world class credit worthy companies and to begin construction of the project.

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

I am pleased to introduce the Annual Report for the year ending June 30, 2018.



Paul J Cavicchi

Chairman

Houston, Texas U.S.

September 21, 2018

## MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER'S REPORT

Meeting increasing global energy demand while reducing ecological impacts is challenging. Even assuming significant future gains in efficiency, the world's demand for energy is expected to grow by 30% between now and 2040, driven by an increasing global population, economic growth, and increased urban populations. Rising demand is expected to be concentrated in China, India, Africa, the Middle East, and South-East Asia. Today's energy mix is responsible for two-thirds of global greenhouse gas emissions, and has a significant impact on air quality, particularly in densely populated urban areas.

The global drive is to cut greenhouse gas emissions and improve air quality, while meeting energy needs. To do this, a transformation of the global energy system is occurring across power generation, industry, transport, and climate control systems. Natural gas is a key component in providing more and cleaner energy around the world. Gas emits between 45% and 55% lower greenhouse gas emissions than coal when used to generate electricity. Compared to coal plants, modern natural gas-fired power plants also emit less than one tenth of the pollutants. Natural gas – both pipeline and LNG – supports the integration of variable renewable power generation because it can quickly compensate for dips in solar or wind power supply and rapidly respond to sudden increases in demand. The rapid growth of LNG is helping increase energy supply, security, diversity, and flexibility.

Demand for LNG was strong in 2017 with a clear “pull” from countries instead of a push of volumes seeking a home. This was like 2016, but during 2017 the demand pull was from legacy gas and LNG importers in Asia and Southern Europe; whereas 2016 was characterized by a pull from new areas of demand. Asian demand grew by more than 17 million tonnes, beating industry predictions for the year. That is nearly as much as the total volume that Indonesia, the world's fifth largest exporter, produced in 2017. There was also significant demand from Southern Europe, which imported an additional 10 million tonnes, double the forecasts. There was a decline in the number of LNG deliveries to North West Europe, a sign that LNG volumes were “pulled” into other countries with higher netbacks for suppliers. Japan remains the world's largest LNG importer, followed by China, which eclipsed South Korea for the first time.

In China, government initiatives to increase gas use are taking effect. New Chinese energy policies targeting urban air pollution, coal power retirements and reliability for renewables are expected to create additional natural gas and LNG demand upside. LNG imports have filled over 50% of gas demand growth in China over the last two years, and this is expected to continue until the pipeline from Russia and domestic supply comes online in the early 2020s. The Chinese government targets gas having a 15% share of the energy mix by 2030, up from 6% in 2017. Much of this growth is likely to come from LNG imports.

In South Korea, policy shifts away from coal and nuclear power have caused a surge in LNG demand. In India, LNG import capacity is expected to increase rapidly through to 2021, removing potential logistical constraints on demand growth. Seasonal price spikes, particularly in the northern hemisphere winter, continue to expose buyers to significant price risk. Recent spot prices in Asia further reflect a tightening of the supply / demand imbalance as spot prices have remained in double digits since the first of the year.

With emergent demand upside and potential delays for new projects under construction, the market is tightening earlier than many forecasters anticipated. Following the wave of investment from 2011 to 2015, FIDs on LNG projects have nearly stopped. As LNG projects generally take more than four years to start production, new supply will not be ready until well into the next decade.

By taking FID at Magnolia LNG, LNGL will represent an early entrant into this rising demand profile.

### **FISCAL 2018**

We continue to focus on signing sufficient investment-grade offtake agreements to take FID, and move to financial close, construction, and operation of Magnolia LNG and then Bear Head LNG. We remain vigilant in managing our cash position in a fiscally responsible manner consistent with our cash management plan.

We are pleased to have completed a share sale to a subsidiary of IDG Energy Investment, which is an affiliate of IDG Capital, a leading Chinese-based investment firm. The transaction provided LNGL with a significant increase in liquidity that supports our continuing marketing efforts.

We remain confident in our strategy and approach.

## 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 because of many factors.

### THE COMPANY

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

The Company is developing LNG export terminal projects in the United States and in Canada having combined aggregate design production capacity of 20 mtpa. Our portfolio consists of 100 percent ownership of the following companies:

- Magnolia LNG LLC (**Magnolia LNG**), an 8 mtpa or greater LNG export terminal development in Lake Charles, Louisiana, U.S.;
- Bear Head LNG Corporation Inc. (**Bear Head LNG**), an 8-12 mtpa LNG export terminal development 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 Bear Head LNG; and
- LNG Technology Pty Ltd, owner of LNGL's patented optimized single mixed refrigerant (**OSMR**<sup>®</sup>) liquefaction process technology.

### VISION, MISSION, VALUES, STRATEGY

Our Vision is to be the world's premier provider of mid-scale LNG liquefaction solutions.

Our mission is to create value by delivering safe, reliable, energy-efficient, and flexible mid-scale natural gas liquefaction solutions to our customers at the industry's lowest full cycle cost, while minimizing our ecological impact.

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. We embrace as core values the virtues of a safe and diverse workplace; a performance culture that awards integrity, innovation, and respect for others; and a business approach that partners with all stakeholders to deliver our strategy while minimizing impacts to the ecology.

This focused approach distinguishes LNGL as a pure LNG infrastructure investment opportunity.

Our business model applies LNGL's wholly owned and developed OSMR<sup>®</sup> LNG process technology, which centers on delivering four key principles: the industry's lowest full cycle cost; optimized plant energy efficiency; shortened development and construction schedules; and an overall smaller ecological impact footprint, including reduced carbon emissions, with no additional technology risk relative to other proposed projects.

We apply a three-path execution strategy to realize our Vision:

**Path 1:** Develop projects using our OSMR<sup>®</sup> Technology Solutions;

**Path 2:** Use OSMR<sup>®</sup> Technology Solutions to gain entry into new and existing third-party projects; and

**Path 3:** License the OSMR<sup>®</sup> technology to third-parties.

LNGL'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 LNG development and processing technology to ensure LNGL's LNG terminal development projects are world competitive in terms of capital and operating costs,

operating efficiencies, and ecological impact. We seek to ensure our neighboring communities benefit from our operations on an enduring basis while we minimize and mitigate any potential impact of our presence.

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 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 and reduced on-site labor while providing a high degree of quality and schedule control.

We are continually evaluating additional growth opportunities that would benefit from our strategy.

## **MAGNOLIA LNG PROJECT, LAKE CHARLES, LOUISIANA, U.S.**

### ***Project Overview***

The Magnolia LNG project comprises the proposed development of an 8 mtpa or greater LNG export project on a 115-acre site, adjacent to an established industrial canal (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 LNGL's wholly owned and patented OSMR® technology. KSJV, a joint venture between KBR and SK E&C, is undertaking EPC contracting efforts with KBR leading the joint venture team. The project will be constructed under a fixed price, turnkey EPC contract.

Magnolia LNG 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 capacity of the project. Feed gas supply will originate from the highly liquid U.S. Gulf Coast gas market via multiple gas suppliers and delivered to the site through interconnections to the extensive U.S. natural gas pipeline system.

The site lease is with the Lake Charles Harbor and Terminal District, encompassing a 30-year lease agreement, with options for Magnolia LNG to extend the lease term.

### ***Project Permits and Approvals***

Magnolia LNG is shovel ready, having received all required regulatory approvals and permits necessary to initiate job site activities and to export LNG to both FTA and Non-FTA countries.

### ***Engineering Procurement and Construction Contract***

Magnolia LNG and KSJV have agreed a binding lump sum turnkey (**LSTK**) EPC contract for construction of the LNG export facility. Key contract specifics follow.

- US\$4.354 billion LSTK price, validity to December 31, 2018
- Scope:
  - Four liquefaction trains having capacity of 2.0 mtpa per train or greater
  - Two 160,000m<sup>3</sup> full containment LNG storage tanks
  - Ship, barge & truck loading, supporting infrastructure, and all required post-FID approvals and licenses
  - Expectation for EPC guaranteed production of 7.6 mtpa
  - EPC guaranteed 92 percent feed gas energy efficiency, LNG plant/utilities fuel gas consumption of eight percent or less
- LSTK plant design utilizing LNGL's patented OSMR® technology
- Full wrap LSTK EPC contract, jointly and severally guaranteed by the KSJV and its individual joint venture partners
- EPC contract scope includes:
  - Siemens and Chart costs (compressors, cold boxes, turbines)

- Mobilization and de-mobilization costs
- Capital spares and contractor provided insurances
- Profit, risk/liability funds, escalation, and contingency amounts
- Final design capacity shall be based on closing design at FID

Owner's and other costs are estimated at 13.5 percent to 15.5 percent of EPC cost, which include Owner's engineer; regulatory, permitting and environmental costs; commissioning gas; O&M mobilization and other minor contracts; and internal costs capitalized from financial close. Key contractors and sub-contractors associated with Magnolia LNG 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 capitalized interest, financing fees, and lender's contingency amounts, which amounts will be determined at financial close.

### **Equity Commitment**

Equity financing for Magnolia LNG shall be provided pursuant to the terms and conditions in the Amended and Restated Equity Commitment Agreement (**ECA**) with Stonepeak Infrastructure Partners (**Stonepeak**). The ECA governs the relationship, cooperation, rights, and obligations between Stonepeak and LNGL through Financial Close of Magnolia LNG. Operations will be conducted pursuant to the terms and conditions of the associated Magnolia LLC Agreement (**LLC Agreement**), which addresses the governance, construction, operation, allocation of profits, distribution of post-debt service cash flows, and other related matters.

The ECA represents the definitive documentation under which investment funds managed by Stonepeak will acquire Mandatorily Redeemable Preferred Interests (**Preferred Interest**) in the Magnolia LNG project. Proceeds will be used as equity to fund a portion of the costs of constructing and placing into service the Magnolia LNG project. Stonepeak's investment is scheduled to close following a positive FID on Magnolia by LNGL, with definitive debt financing agreements thereafter in front of Financial Close.

Key terms of the ECA include:

- Approximately US\$1.5 billion of equity contribution;
- Tenor of 12 years from Magnolia financial close;
- Fixed coupon, with pay-in-kind provisions during construction;
- Redeemable in full (principal and any accrued but unpaid dividends) after 12 years;
- Call provisions, at Magnolia LNG's option, beginning three years following the post-construction commercial operations date (**COD**) at progressively lower premiums to par; and
- Normal liquidation preference, pre-emptive rights, and other preferred interest protection features.

The Preferred Interest has no conversion features into either Magnolia or LNGL equity instruments.

LNGL owns 100 percent of the common interest in Magnolia LNG pre- and post-financial close. LNGL's share of annual cash distributions from Magnolia LNG will be after payment of debt service and the fixed-return obligations under the Preferred Interest. LNGL's equity share of Magnolia LNG's distributable cash flow is primarily dependent on total capital cost of the project (inclusive of EPC, Owner's, and debt financing costs), as well as the average pricing of the offtake agreements executed for Magnolia LNG's capacity.

Detailed information on the Magnolia LNG project is available on LNGL's website: [www.lnlimited.com.au](http://www.lnlimited.com.au) under "Assets".

## **BEAR HEAD LNG PROJECT, POINT TUPPER, NOVA SCOTIA, CANADA**

### **Bear Head LNG Project Overview**

Bear Head LNG is a proposed 8 - 12 mtpa LNG export terminal on a 327-acre site in Point Tupper, Richmond County, Nova Scotia, located on the naturally deep, ice free waters of the Strait of Canso. Prior owners completed engineering work and developed the Bear Head LNG site in the early 2000s, and these improvements have been maintained and are part of the assets Bear Head LNG is leveraging in its project plans and design. Bear Head LNG has received all 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.

KBR has developed Phase I front end engineering and design (**FEED**) for the export terminal. Feed gas supply is expected to come from a combination of Canadian and U.S. producers.

The Bear Head LNG export terminal location is about half the shipping distance to major European markets compared to U.S. Gulf Coast ports. It is also closer than its North American competitors, including those in British Columbia, to several other major LNG markets including burgeoning natural gas markets in the Middle East, Western Asia (including India), and South America.

### ***Bear Paw Pipeline Project Overview***

Bear Paw is proposing to construct and operate a 62.5 km (38.8 mile) natural gas pipeline to supply natural gas to the Bear Head LNG export terminal. The Bear Paw project will connect gas supply sources near Goldboro, Nova Scotia, to the liquefaction export facility. All required permits and approvals for construction have been granted.

A pipeline assessment corridor has been identified for routing purposes that focuses on public safety and minimization of impacts to the environment, landowners, and stakeholders. The project will include a required compressor station to deliver specific and constant natural gas pressure to Bear Head LNG.

### ***Bear Head LNG Project Permits and Approvals***

Bear Head LNG requires Canadian federal, provincial, and local regulatory approvals to construct the proposed export project. All 10 required initial permits are approved and in place as listed below.

- EA Approval from the Nova Scotia Environment (**NSE**)
- Permit to Construct from the Nova Scotia Utility and Review Board (**UARB**)
- Navigable Waters Protection Act Authorizations (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)
- Part V of the Environment Act, approval to construct gas plant export facility (NSE)
- Development Permit (Municipality of Richmond County)
- Beaches Act Clearance (Government of Nova Scotia)

Canada's National Energy Board NEB has approved Bear Head LNG'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 meters of natural gas per annum from the U.S., which would be sufficient to export up to 12 mtpa of LNG from Canada in 2024. Both licenses are for a period of 25 years.

Bear Head LNG has also received NSE approval of its Greenhouse Gas and Air Emission Management Plan as well as Governor in Council approval for the license to import natural gas from the U.S. and the license to export LNG from the Bear Head LNG project site.

Bear Paw has received EA approval from the NSE and its "Permit to Construct" the natural gas pipeline and related facilities pursuant to the Pipeline Act from the UARB.

The U.S. Department of Energy (**DOE**) has granted Bear Head LNG authority to export LNG derived from U.S. produced natural gas to both FTA and Non-FTA countries. The DOE has also granted Bear Head LNG authority to export U.S. natural gas to Canada, allowing export of up to 440 bcf per year of U.S. natural gas to Canada. Finally, in tandem with the non-FTA export permit, DOE determined that Bear Head LNG does not require DOE's authorization for Canadian natural gas to pass through U.S. pipelines (in transit) on its way to the export facility in Nova Scotia.

## **Gas Supply**

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

Feed gas supply to Bear Head LNG requires construction of incremental long-haul pipeline capacity to connect to onshore production sources in Western and Central Canada. New pipeline capacity is also required to connect to other North American gas sources to enable full capacity production at Bear Head LNG. The construction of this pipeline capacity is dependent upon Bear Head LNG's ability to partner with pipeline companies and producers having sufficient sources of liquidity to underpin pipeline capacity development and construction.

Bear Head LNG has worked with pipeline companies in route study analyses to explore the viability of transporting natural gas from TransCanada's Alberta system (NGTL) to the Bear Head LNG site. Based on outcomes from this work in combination with indicative Bear Head LNG tolling rates, LNGL 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 Bear Head LNG '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. Discussions with major Western Canadian resource holders has confirmed interest in exploring the Bear Head LNG option.

Northeast U.S. pipeline projects intended to move Marcellus / Utica shale gas production east have been cancelled or deferred. These decisions may have detrimental effects on gas supplies available for export from the U.S. to Canada through the Maritimes & Northeast Pipeline system. LNGL continues to explore other gas paths to move Marcellus / Utica supplies to the Bear Head LNG site.

Bear Head LNG 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 Bear Head LNG and Bear Paw projects is available on LNGL's website: [www.lnglimited.com.au](http://www.lnglimited.com.au) under "Assets".

## **FISHERMAN'S LANDING LNG**

On April 17, 2018, LNGL announced execution of a Share Sale Agreement with LNG Queensland Pty Ltd (**Queensland**) for the sale of all the shares of LNGL's wholly-owned subsidiary, Gladstone LNG Pty Ltd to Queensland. In return, LNGL received a total of US\$1,000,000 and the right to an additional \$4 million payment contingent upon future development by Queensland of an LNG project at the Fisherman's Landing Gladstone site. LNGL exited development of the Fisherman's Landing LNG project effective with closure of the transaction.

## **OSMR® PATENTS and LNG TECHNOLOGY PTY LTD**

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

OSMR® combines multiple elements in an advantageous configuration that LNGL believes achieves industry-leading levels of capital and operating cost, energy efficiency, system reliability, and associated lower air emissions. There is no untested equipment, theoretical technical advances, or "black box" applications contained in the OSMR® technology design or implementation strategy.

OSMR® was originally designed and patented for application in Australia for liquefying lean feed gas streams produced from coal seam gas resources in Eastern Australia. As a result, the OSMR® technology is very adaptable for use in all types of natural gas producing areas, including areas having very lean feed gas streams or low liquid content pipeline quality gas at the plant inlet, such as in the U.S. Gulf Coast.

OSMR® is fundamentally a single mixed refrigerant (**SMR**) liquefaction process currently in use in approximately 70% of global LNG liquefaction operations today. The traditional and industry proven SMR process is optimized in four primary areas:

1. Independent 2-in-1 liquefaction train systems;

2. Use of ammonia to pre-chill the mixed refrigerant;
3. Use of a combined cycle gas turbine energy recovery system; and
4. A boil-off gas (BOG) handling system that repurposes the BOG into LNG.

OSMR® technology’s design maximizes the utilization of well-proven supplier and industry standards to avoid custom-designs. Modular construction in established and experienced fabrication yards improves project quality, provides a high degree of schedule control, and represents an inherently safer construction methodology. Fabrication yard construction in the global region leverages the most competitive fabrication costs at the time the project executes, isolating the project from localized or regional cost bubbles. Utilizing modular fabrication reduces the extent of site temporary facilities and temporary laydown requirements, substantially reducing the overall construction costs and required access to land.

Each train consists of five modules. Each module is largely self-contained, substantially reducing the number of interconnects between modules upon arrival at the site. The five modules align in the following configuration:

Module 1 – Pretreatment and heavy hydrocarbon removal;

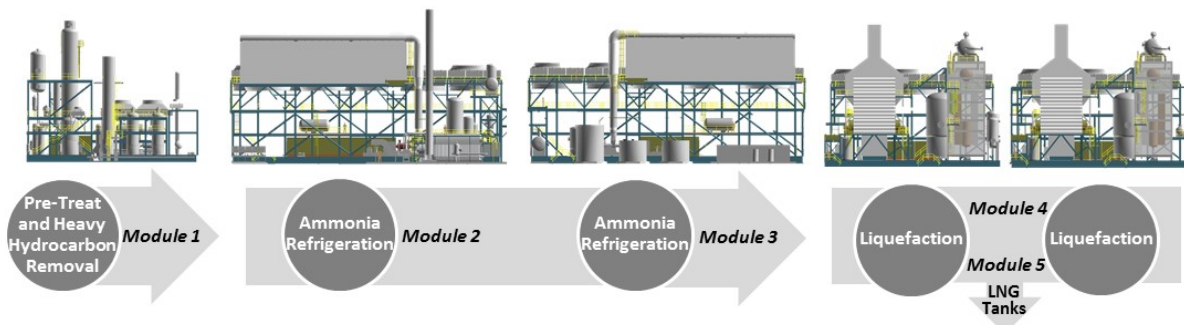
Module 2 – Ammonia refrigeration;

Module 3 – Ammonia refrigeration;

Module 4 – Liquefaction; and

Module 5 – Liquefaction.

The combination delivers an independent 2-in-1 parallel liquefaction design - two cold box sets, two SMR coolant loops, and associated independent drivers, which enhance system reliability and operational flexibility. OSMR® technology’s system process follows, with the key optimized SMR components bolded for emphasis.



- |                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                            |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>• Amine system</li> <li>• Dehydration units</li> <li>• Mercury guard beds</li> <li>• Turbo-expander removes unwanted hydrocarbons &amp; BTX</li> <li>• Flexible turndown matches 2-in-1 liquefaction design</li> </ul> | <ul style="list-style-type: none"> <li>• &gt; 20% more efficient than propane systems</li> <li>• Closed-loop ammonia system</li> <li>• Driven by <b>combined-cycle steam power</b></li> <li>• Limited on-site ammonia storage</li> <li>• <b>Ammonia</b> attributes: <ul style="list-style-type: none"> <li>– Superior thermodynamic qualities</li> <li>– Zero GWP and zero ODP</li> <li>– Non-flammable and non-explosive</li> <li>– Toxicity managed with proven systems (EPA/OSHA)</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>• SMR process (&gt; 70% of global capacity)</li> <li>• <b>Independent 2-in-1 system</b></li> <li>• High availability with superior flexibility and turndown</li> <li>• Inlet air cooled gas-fired turbines</li> <li>• Single stage compressor</li> <li>• Standard-sized Chart coldboxes</li> <li>• <b>BOG re-capture</b></li> </ul> |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

LNGL continues with its international patent applications, which cover two engineering design features (being the basis of LNGL’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 U.S.). LNGL 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 LNGL to develop opportunities worldwide.

For further information about OSMR® liquefaction process technology, including a paper on “OSMR® Liquefaction Process for LNG Projects” please refer to LNGL’s website: [www.lnglimited.com.au](http://www.lnglimited.com.au) under “Assets”.

## **CORPORATE**

### ***Funding sources and Liquidity Management Plan***

At June 30, 2018, LNGL had A\$22.5 million in cash and cash equivalents on deposit and \$28.2 million in short-term investments. These funds are considered sufficient to meet LNGL's obligations as they come due through mid-year 2020, assuming the current average monthly cash outlay. The increase in cash and cash equivalents in the period primarily reflects the May 2018 equity raise of A\$28.2 million, before transaction costs, through issuance of 56,444,500 ordinary shares at A\$0.50 per ordinary share to a related entity of IDG Capital, Mulliner Investment Limited.

LNGL is continuing to execute under the liquidity management plan (**LMP**) originally implemented in December 2015. Through applying our LMP, LNGL estimates that the existing cash position can sustain the company through mid-year calendar 2020 at current average monthly cash outflow.

Should offtake capacity be sold in sufficient quantities to progress one or more of its projects to financial close, LNGL anticipates reimbursement of a portion of its development costs through project financing proceeds. LNGL estimates that this reimbursement would provide sufficient incremental liquidity to maintain operations to first LNG. In the event offtake sales need more time to secure, new sources of liquidity available to LNGL include sales of new LNGL ordinary shares, sales of equity in its projects, outright sales of a project, and monetization of the OSMR® liquefaction technology. In the event external events limit LNGL's access to new sources of liquidity, LNGL maintains the ability to further reduce its cash outflow as most expenditures are discretionary.

### ***Financial results***

During the financial year, net assets of LNGL and its controlled entities increased by A\$6.0 million, from A\$54.4 million as at July 1, 2017 to A\$60.4 million as at June 30, 2018, primarily reflecting operating results for the period in combination with the A\$28.2 million of proceeds from the sale of 56,444,000 ordinary shares.

LNGL'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 percent of its development expenditures. Development expenditures expensed in fiscal 2018 totaled A\$11.4 million compared with A\$12.4 million expensed during fiscal 2017.

LNGL's net loss after income tax for the year ended June 30, 2018 totaled A\$22.8, which compared with a loss of A\$29.3 million in the year ended June 30, 2017. The 2018 fiscal loss included the aforementioned project development costs of A\$11.4 million, A\$1.2 million of share-based payment expenses, and A\$12.3 million in administration, corporate, and compliance costs in the period.

The decreasing loss from ordinary activities and the net loss for the period reflect the impact of the LMP.

## **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

As emphasized throughout this discussion, we are focused on signing additional legally binding investment-grade offtake agreements that enable FID on our projects.

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

Finally, I wish to acknowledge our loyal shareholders who have supported LNGL throughout the year. It is a privilege to serve as chief executive of a great company with world-class potential, talented employees, and a commitment to delivering value to our shareholders.

A handwritten signature in black ink, reading "Greg M Vesey". The signature is written in a cursive style with a large initial "G" and "V".

Gregory M. Vesey

Managing Director and Chief Executive Officer

September 21, 2018

## DIRECTORS' REPORT

Your directors submit their report for the fiscal year ended June 30, 2018.

### DIRECTORS

The names and details of LNGL'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.

#### **Mr. Paul J Cavicchi, Non-Executive Chairman**

**Residence:** Houston, Texas, U.S.

**Education and certification:** BSCE, Tufts University; MSCE, University of Massachusetts; MBA, Colgate Darden School of Business Administration at the University of Virginia.

<b>Board Committee membership:</b>	<b>Chair</b>	<b>Member</b>
Board of Directors	From Nov 2017	From Oct 2014
Compensation	From Oct 2015	Oct '14 – Oct '15
Corporate Governance and Nominating	---	From Jan 2016
Safety, Sustainability, People, and Culture	---	Oct '15 – Mar '17

**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. Most recently Mr. Cavicchi's served as Executive Vice President of GDF SUEZ Energy North America, Inc. (GSENA) from 2009 to 2014. Prior to that Mr. Cavicchi had been President and CEO of SUEZ Renewable Energy NA, LLC from 2007 to 2008, and before that President and CEO of SUEZ Energy Generation North America, Inc., from 2005 to 2006. Mr. Cavicchi served as Division President of Tractebel Project Development Inc. from 1995 to 2004, and Vice President, Venture Development of American Tractebel Corporation from 1991 to 1995.

**Independent:** Yes

#### **Other directorships and affiliations:**

No other directorships

Registered Professional Engineer, State of New Hampshire, U.S.

#### **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

#### **Mr. Gregory Matthew Vesey, Managing Director and Chief Executive Officer**

**Residence:** Houston, Texas, U.S.

**Education and certification:** BBA, Northwestern State University of Louisiana

<b>Board and Committee memberships:</b>	<b>Chair</b>	<b>Member</b>
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. Prior to that he led Chevron Technology Ventures from 2001 to 2006 where he was responsible for creating a portfolio of new opportunities in technology commercialization, emerging energy and Chevron's venture capital investing. Mr. Vesey served on the board of Natural Gas Supply Association of America from 2011 to 2015 and served as chairman from 2013 to 2015.

**Independent:** No

**Other directorships and affiliations:**

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

**Mr. Richard Jonathan Beresford, Non-Executive Director**

**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. Mr. Beresford also serves as a director of Eden Energy Limited (ASX: EDE) from 2007. Mr. Beresford held the position of Executive Chairman of Green Rock Energy Limited (ASX: BKT), a Perth based energy explorer and developer from 2012 to 2015. Prior to his appointment as Executive Chairman he was the Managing Director and a non-executive director from 2008 to 2012. Prior to that Mr. Beresford was Head of Gas Strategy and Development of CLP Power Hong Kong Limited from 2005 to 2007. Prior to that Mr. Beresford spent five years with Woodside Petroleum Limited and 12 years with British Gas Plc.

**Independent:** Yes

**Board and Committee memberships:**

	Chair	Member
Board of Directors	Nov '10 – Nov '17	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:**

Bombora Wave Power Pty Ltd (from October 2017)

Eden Innovations Ltd. (May 2007 to May 2018)

Clearer Sky Pty Ltd (since 2001)

**Skills contributed to the LNGL Board:**

- Technology and innovation
- Risk management
- International experience
- Legal and regulatory
- Business strategy
- Contracts and negotiation

- Project management
- Government and community relations
- Corporate governance
- Mergers and acquisitions
- Environmental and sustainability matters
- Health and safety
- Finance
- Marketing and business development

**Ms. Leanne 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 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:**

QADO Services Pty Ltd (from May 2018)

Synertec Corporation Limited (from August 2017)

Clean Energy Finance Corporation (since 2017)

Queensland Building and Construction Commission (since 2016)

Snowy Hydro Limited (since 2015)

JKTech Pty Ltd (since 2013)

Breakthrough Energy Pty Ltd (since 2006)

Other ASX listed companies in the last 3 years – Coffey International Limited

**Skills contributed to the LNG Board include:**

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



### **Philip D. Moeller, Non-Executive Director**

**Residence:** Washington D.C., U.S.

**Education and certification:** BA in Political Science, Stanford University

<b>Board Committee membership:</b>	<b>Chair</b>	<b>Member</b>
Board of Directors	---	From Dec 2015
Corporate Governance and Nominating	From Jan 2016	---
Audit	---	From Jan 2016
Safety, Sustainability, People, and Culture	---	From March 2017

**Experience:** Mr. Moeller currently serves as the Executive Vice President, Business Operations Group and Regulatory Affairs with the Edison Electric Institute. Prior to that Mr. Moeller served as Commissioner of the Federal Energy Regulatory Commission (FERC) from 2006 to 2015. Prior to serving on the Federal Energy Regulatory Commission he headed the Washington office of Alliant Energy from 2002 to 2006, worked as the Director of Federal Relations of Calpine Corporation from 2001 to 2002, and served on the Washington, D.C. staff of Senator Slade Gorton from 1997 to 2001. Prior to that he was the staff coordinator of the Washington State Senate Energy, Utilities and Telecommunications Committee from 1987 to 1997.

**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
- Cybersecurity

### **Mr. D Michael Steuert, Non-Executive Director**

**Residence:** Roanoke, Texas, U.S.

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

<b>Board Committee membership:</b>	<b>Chair</b>	<b>Member</b>
Board of Directors	---	From Feb 2015
Audit	From Oct 2015	Feb '15 – Oct '15
Safety, Sustainability, People, and Culture	---	From Jan 2016
Compensation	---	From Apr 2018

**Experience:** Mr. Steuert has nearly 40 years of international finance management experience. Mr. Steuert also serves on the board of directors of Weyerhaeuser Corporation since 2004; and Great Lakes Dredge and Dock Company since January 2017. Mr. Steuert served on the board of Prologis, Inc. from 2003 to 2015 and Kurion Inc. from 2012 to 2016. Mr. Steuert's most recent executive position was as Chief Financial Officer and Senior Vice President and Principal Accounting Officer of Fluor Corporation from 2001 until his retirement in 2012. Previously Mr. Steuert has been CFO of Litton Industries from 1999 to 2001; Chief Financial Officer and Senior Vice President of GenCorp Inc. from 1990 to 1999; and prior to that, held developmental controllership and treasury positions in U.S. and Europe with TRW Inc.

**Independent:** Yes

**Other directorships and affiliations:**

Weyerhaeuser Corporation (since 2004)

Great Lakes Dredge and Dock Company (since 2016)

Kurion Inc. (2012 to 2016)

**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

**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 Corporate Governance and Nominating Committee.

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.

**DIRECTORS MEETINGS**

During the year, ten Board of 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
<b>Total meetings</b>	10	6	4	2	2
<b>Director attended:</b>					
Paul J. Cavicchi	10	6	---	2	---
Gregory M. Vesey	10	---	---	---	---
Richard J. Beresford	10	6	---	2	---
Leeanne K. Bond	10	6	4	---	2
Philip D. Moeller	10	---	4	2	2
D. Michael Steuert	10	---	4	---	2

All Directors were eligible to attend all meetings held during the year.

**SHARES, OPTIONS, AND PERFORMANCE RIGHTS**

**Shares**

At June 30, 2018, there were 570,146,456 (2017: 512,979,962) common shares on issue.

**Incentive Rights**

At June 30, 2018, there were 11,532,273 (2017: 12,131,299) un-issued ordinary shares under Rights granted pursuant to LNGL’s Incentive Rights Plans. The outstanding Rights include Performance Rights, Retention Rights, and NED Rights. The following chart provides a rollforward of total Rights granted, forfeited / lapsed, vested, and remaining outstanding for the three years in the reporting period ending June 30, 2018.

Grant Date	Type	Status	Grant	Forfeit / Lapse	Vest	Outstanding
Nov 2014	NED	Settled	77,101	---	77,101	---
Nov 2015	NED	Settled	73,111	---	73,111	---
Nov 2016	NED	Settled	732,304	---	732,304	---
Nov 2017	NED	Open	776,060	---	---	776,060
Jan 2014 <sup>1,2</sup>	Performance	Settled	10,497,590	3,299,195	7,198,395	---
Jul 2014 <sup>1</sup>	Performance	Settled	2,591,963	2,591,963	---	---
Jul 2015 <sup>1</sup>	Performance	Settled	3,420,194	3,420,194	---	---
Jul 2016 <sup>1</sup>	Performance	Open	4,129,580	746,400	---	3,383,180
Jul 2016 <sup>1</sup>	Retention	Open	2,530,920	366,637	---	2,164,283
Jul 2017 <sup>1</sup>	Performance	Open	4,083,000	654,000	---	3,429,000
Jul 2017 <sup>1,3</sup>	Retention	Open	2,722,000	402,500	839,750	1,479,750
Feb 2018	Performance	Open	180,000	---	---	180,000
Feb 2018	Retention	Open	120,000	---	---	120,000
<b>Net Rights outstanding at June 30, 2018</b>						<b>11,532,273</b>

<sup>1</sup> Includes Rights issued to Managing Director and Chief Executive Officer granted pursuant to shareholder vote at applicable AGM.

<sup>2</sup> Vested rights were distributed to eighteen eligible, predominantly Australian personnel of which only five remain employed by LNG, none of whom are KMP.

<sup>3</sup> Vested rights include 430,000 allocated to current KMP members.

## Options

At June 30, 2018, there were no un-issued ordinary shares under options.

During fiscal year 2017, 1,759,000 (2016: 810,000) options were exercised, at an average exercise price of \$0.38 (2016: \$0.25).

## OPERATING AND FINANCIAL REVIEW

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

## DIVIDEND

LNG'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.

## SUSTAINABILITY DEVELOPMENT

Greenhouse gas (GHG) emissions, carbon emissions, carbon efficiency, and energy efficiency are all drawing increased attention associated with growing concerns about global climate change and associated environmental damage. LNG works to avoid, mitigate, and minimize environmental impacts where we do business, seeking to create mutually supporting economic and environmentally sustainable solutions. We recognize that climate change and limits on carbon emissions pose potential long-term risks to achieving LNG's Vision.

Natural gas is the hydrocarbon fuel with the lowest carbon emission intensity, emitting lower quantities of carbon per unit quantity of heat than any other hydrocarbon including coal, oil, oil-based products (i.e. gasoline, bunker fuel), and propane. Displacing coal with natural gas reduces power plant GHG emissions by approximately fifty percent, as well as reducing or eliminating the emissions of oxides of nitrogen (NOx), sulphur, particulates, and mercury. Natural gas is broadly viewed as a "bridge fuel" while the world moves in the direction of increasing renewables, providing a means to substantially reduce carbon emissions on an immediate basis. Natural gas also serves a complementary role with renewable energy, providing reliable and fast acting back-up power during periods when renewable power output becomes limited due to weather conditions or day-night cycles.

The production of LNG from natural gas is highly efficient, with nominally 90-92% of the energy value of the feed gas delivered into the LNG. LNGL's patented OSMR® technology offers a range of economic, ecological, and social benefits, with the objective being reduced capital and operating costs, a smaller environmental footprint, and simple start-up and operation. OSMR® technology is energy efficient, combining the use of ammonia as a pre-cooling refrigerant, high efficiency gas turbines, use of combined cycle to further improve gas turbine cycle efficiency, and low-pressure boil-off gas re-liquefaction into a process delivering the lowest fuel use and CO2 emissions available. Ammonia is classified as a natural refrigerant (naturally occurring in the biochemical process), with a global warming potential (GWP) of zero and an ozone depletion potential (ODP) of zero, in addition to being inherently more energy efficient than other commonly used LNG pre-cooling refrigerants. Both Greenpeace and the United Nations Environment Programme (UNEP) support the use of natural refrigerants including ammonia. Overall, OSMR® technology results in a minimum two percent improvement in the liquefaction plant energy efficiency. For an 8 mtpa facility such as Magnolia LNG, this translates into a reduction in CO2 emissions of 500,000 metric tonnes annually compared to the best conventional technologies.

To address sustainable development broadly including the topic of carbon emissions, LNGL reviewed programs used globally, including Global Reporting Initiative (GRI), formerly the Carbon Disclosure Project (CDP), Climate Disclosure Standards Board (CDSB), and Task Force on Climate-related Financial Disclosures (TCFD). LNGL is currently in the development stage, with no operating assets and consequently most of these global programs do not align closely with our activities. Based on our review, we have selected the United Nations Division for Sustainable Development Goals (DSGS) program as the framework for our current sustainability activities.

The United Nations (UN) identifies Sustainable Development as, "Development that meets the needs of the present without compromising the ability of future generations to meet their own needs." To this end, in September 2015, the UN adopted a set of 17 specific Sustainable Development Goals (SDG's) with a target of achieving them by the year 2030.

In a similar manner, we seek to understand where our organization has material exposure to economic, environmental, and social sustainability risks, and how we can manage or intend to manage these risks. The ability to manage our business in a sustainable manner can result in a substantial impact on our long-term viability, as well as the long-term impact LNGL has on society and the environment.

Of the 17 SDGs, LNGL has identified six where we believe our performance can directly and positively impact on them within the communities where we are working to develop our projects:

Goal 7: Affordable and Clean Energy;

Goal 8: Decent Work and Economic Growth;

Goal 9: Industry, Innovation and Infrastructure;

Goal 11: Sustainable Cities and Communities;

Goal 12: Responsible Consumption and Production; and

Goal 13: Climate Action.

Following is an overview of how we are working within our projects to support these five key topics.

### **Affordable and Clean Energy**

Access to affordable energy underpins economic growth and is essential to the aspiration of ending global poverty. According to the UN, energy is central to nearly every major challenge and opportunity the world faces today. Jobs, security, climate change, food production, and improved family incomes all require access to affordable energy as an essential element to achieve success. Energy is fundamental to transforming lives and economies. Yet today, one in five people on our planet lack access to modern electricity, and nominally three billion people rely on wood, coal, charcoal, or animal waste for cooking and heating. While we seek to improve this imbalance, we must also recognize that inefficient production of energy has been identified as a major potential contributor to climate change. So as a society we are faced with a need to significantly improve access to energy as a means to fight poverty, but we must do this in a way which minimizes carbon intensity at the same time.

We consider our OSMR® natural gas liquefaction technology to be a part of the solution. The patented OSMR® technology enables LNG to be produced using less energy than conventional technologies, generating lower greenhouse gas emissions per unit volume of product. The OSMR® technology also results in lower priced

facilities and optimized operations costs, enabling cleaner burning natural gas to compete more economically with coal and oil. Since natural gas generates substantially less CO<sub>2</sub>, particulate emissions, and other pollutants than coal and oil do for the same quantity of energy delivered, better economics increase the opportunity to use natural gas in place of these traditional energy sources, improving our environment. Additionally, while natural gas is a fossil fuel, the highly flexible nature of natural gas fueled power plants make gas a superior choice to complement renewable energy to maintain stability in modern power grids during periods of low sunlight or wind availability.

## **Decent Work and Economic Growth**

According to the UN, sustainable economic growth will require societies to create the conditions that allow people to have quality jobs that stimulate the economy while not harming the environment. Job opportunities and decent working conditions are required for the entire spectrum of the working age population. LNGL has commissioned economic studies associated with our Magnolia LNG project, which can be extrapolated to its sister project Bear Head LNG as well.

Magnolia LNG is committed to fostering the growth of a skilled local workforce to build a sustainable, mutually beneficial relationship with the region and state. Magnolia will generate approximately 190 high paying direct permanent jobs in the City of Lake Charles and the regional southwest Louisiana area. These permanent direct jobs are expected to generate an additional 1,200 indirect jobs in the region. In the nearer term, the construction of the Magnolia facilities will require 1,500 craft labor, supervisory and support personnel at the site, as well as hundreds of jobs in the supplier shops and fabrication yards where Magnolia LNG equipment, materials, and modules will be produced.

The modular construction strategy adopted as part of the OSMR<sup>®</sup> technology serves to minimize the “boom-bust” cycle that too often accompanies major facility development, as the influx of temporary craft labor to support construction is reduced with quantities of work directed to established module fabrication yards.

The economic impact of Magnolia LNG on southwest Louisiana is substantial. About US\$700 million will be invested in Calcasieu Parish (**Parish**), which in turn is projected to generate nearly US\$1.3 billion in new sales in the Parish, US\$380 million in new household earnings and millions in associated sales tax collections for the Parish government. Globally, the total direct spend just to deliver Magnolia LNG into operations will approximate US\$6 billion including engineering, procurement, fabrication, construction, Owner’s costs and the cost of financing construction.

To support preparation for this growth, LNGL has partnered with McNeese State University and SOWELA Technical Community College in Lake Charles, and with Cape Breton University in Nova Scotia to align engineering and technical education programs with the future needs of our regional projects.

## **Industry, Innovation and Infrastructure**

According to the UN, investments in infrastructure – transport, irrigation, energy and information, and communication technology – are crucial to achieving sustainable development and empowering communities. It has long been recognized that growth in productivity and incomes, and improvements in health and education outcomes require investment in infrastructure.

LNGL’s projects are fundamentally energy infrastructure projects. They enable clean burning natural gas to be transported from regions of plenty to regions of scarcity. Global natural gas demand and consumption is predicted to grow substantially during the next 20 – 30 years as more and more regions of the world begin to access this fuel for power generation, industry, fertilizer production, home heating, and transportation. The energy infrastructure delivered by LNGL will help to ensure the availability of natural gas remains adequate to meet demand, and that cost of the natural gas remains competitive with traditional fuels such as coal and oil.

The OSMR<sup>®</sup> technology is at the heart of this development, enabling LNGL’s plants to be built faster and at lower cost, further supporting the expansion of natural gas use globally. In 2017, IChemE, the UK-based Institution of Chemical Engineers, recognized us and our patented LNG liquefaction process with two “Highly Commended” awards in the Energy and Oil & Gas categories, recognizing the importance our OSMR<sup>®</sup> technology can play in the global energy industry of tomorrow.

## **Sustainable Cities and Communities**

We are proud to have had the opportunity to contribute to the communities in which we operate.

In Lake Charles, where Magnolia LNG will be built, we have established a Community Action Committee consisting of volunteer residents of the Southwest Louisiana region to help guide Magnolia LNG's areas of giving. Focus areas include civic and human needs in the community while promoting healthy lifestyles, cultural arts that promote access to underserved students and communities, disaster relief efforts, and environmental, preservation, and wetland initiatives. The efforts particularly seek to support groups that reflect the diversity and inclusiveness of the local community.

Magnolia LNG is very proud to have been selected by the Mayor of Lake Charles for receipt of the 2017 Patron of the Year award for support of the local community. In addition, Magnolia LNG staff support and attend activities in the region including Calcasieu Parish's Southwest Louisiana Task force for Growth and Opportunity (Go Group) who focus on strategic planning associated with regional growth, The Propeller Club who promote the well-being of the maritime community, and the Calcasieu River Waterway Harbor Safety Committee.

In Houston, LNGL team members have provided support as volunteers to the Houston Food Bank, a non-profit organization that collects and distributes food to hunger relief charities. Following the devastating floods from Hurricane Harvey that impacted thousands in the Houston area, our employees and their families were out in the community helping to clean out homes damaged by the storms.

In Nova Scotia, home to our Bear Head LNG and Bear Paw Pipeline projects, LNGL staff are active in the community including the region of our project site on Point Tupper, Richmond County, Nova Scotia as well as in Halifax where our project office is located. This year, Bear Head LNG was proud to be a foundation sponsor for Grand-Pre' 2017, a reconciliation and celebration of over 400 years of friendship and alliance between the indigenous Mi'kmaq people and the Acadians, at the Grand-Pre' UNESCO World Heritage Site. Bear Head LNG is a member of the Cape Breton Partnership, the Straights Area Chamber of Commerce, the Maritime Energy Association, and sponsors local arts, activities, and charities including the Port Hawkesbury ROC Centre, which assists people with disabilities work towards their hopes and dreams, St. Martha's Hospital Foundation, and the Granville Green street concert series.

## **Responsible Consumption and Production**

Achieving sustainable consumption and production patterns requires a strong national framework that is integrated into national and regional plans, coupled with sustainable business practices and effective management of hazardous chemicals and wastes, according to the UN mandate. On the US Gulf Coast and in Eastern Canada, the mature regulatory permitting, monitoring, and reporting framework provides the foundation for achieving this goal. The design and siting of both the Magnolia LNG and Bear Head LNG projects are configured and structured to fully comply with all regulatory requirements, to report emissions accurately, and to enable minimization of waste products from the facilities, as well as to isolate both staff and regional communities from the impacts of any emissions that do exist.

LNGL's OSMR® technology inherently supports the objectives of this UN Development Goal through its high degree of energy efficiency and industry leading emissions profile. This enables our projects to produce LNG while minimizing the quantity of natural gas consumed in the process while delivering the maximum quantity of the energy in the natural gas feedstock to the market. The compact modular design concept adopted as part of the OSMR® technology approach minimizes the physical area required for the facility as well as the size of the workforce needed at the site. This reduces the extent of temporary facilities necessary to support construction as well as minimizing the boom-bust impact of temporary construction labor on the regional community. For Magnolia LNG, dredge spoils generated by the excavation of the marine berth are being used to reinstate wetland areas lost in a recent hurricane. An innovative start-up and cool-down gas recovery system will significantly reduce start-up flaring as well as enhancing the overall economic efficiency of the LNGL facilities.

## **Climate Action**

The UN highlights that climate change is now affecting every country on every continent, disrupting national economies and affecting lives, costing people, communities, and countries dearly. The impact of greenhouse gas emissions from human activities is still debated but widely identified as a driver of climate change. Climate change is a global challenge that is not impacted by national borders. Emissions anywhere affect people everywhere. Movement towards a lower-carbon economy requires international cooperation and coordination to be effective.

LNGL's development projects support the transition to a less carbon intensive economy. Although still a fossil fuel, natural gas is the least intensive, generating nominally half the carbon dioxide emissions per unit quantity

of energy delivered than coal, and a third less than oil. Natural gas also emits less sulphur, NOx, particulates, and other pollutants than those traditional energy sources. Additionally, as identified in the U.S. National Bureau of Economic Research working paper 22454 (Bridging the Gap: Do Fast Reacting Fossil Technologies Facilitate Renewable Energy Diffusion; <http://www.nber.org/papers/w22454> ), natural gas fired electrical generation facilities are vital to enable deep penetration of renewable energy into a power grid without jeopardizing grid stability and reliability. It is clear that natural gas (and by necessity LNG) represents the bridging fuel of choice required globally to enable progress to a fossil-fuel free global economy.

LNGL's patented OSMR® technology enables LNG to be produced with lower carbon intensity than traditional processes. All LNG facilities are efficient, delivering over 90% of the feed gas energy to the market. OSMR® generates a further improvement in this process. Ammonia, a natural refrigerant with a zero greenhouse gas potential and zero ozone depletion potential, provides precooling refrigeration 20% more efficient than the traditional propane refrigerant. Combined cycle gas turbines and low-pressure boil-off gas re-liquefaction further reduce energy consumed in the natural gas liquefaction process. OSMR® technology's net result on greenhouse gas emissions is substantial, representing a reduction in CO<sub>2</sub> emissions of 500,000 metric tons/year from the Magnolia LNG plant capacity when compared to widely used older technologies.

Although LNG export facilities do consume energy and consequently generate CO<sub>2</sub> as part of the liquefaction process, when LNG is used to replace coal burning as is being done in China, Korea, and other places in support of the Paris Agreement at COP21, the reduction in global CO<sub>2</sub> emissions is substantial. The LNG produced in a facility such as Magnolia LNG will displace 25 million tonnes of coal per year, which will reduce global CO<sub>2</sub> emissions by 32 million tonnes annually compared to the emissions from the coal fired power plant. The equivalent values for a 12 mtpa facility such as Bear Head LNG are displacement of nearly 40 million tonnes of coal, reducing annual CO<sub>2</sub> emissions by 48 million tonnes.

LNGL's Magnolia LNG and Bear Head LNG projects together represent a reduction in global CO<sub>2</sub> emissions of 80 million tonnes every year. This is the equivalent of removing 17 million cars from the road.

LNGL's OSMR® technology also enables a smaller footprint for our LNG facilities. Magnolia LNG will develop liquefaction capacity using only 115 acres (47 hectares) of land. The land itself is a dredge spoils disposal site currently comprised of scrub brush and a few small scattered trees in an industrial park, minimizing impact on regional wildlife. In addition, spoils from the excavation of the LNG ship berthing pocket on the existing industrial canal will result in the restoration of up to 100 acres of wetlands washed out by Hurricane Rita in 2005.

In summary, we are proud to be a strong supporter of global sustainability goals as an integrated element of our project development activities consistent with our stated Vision, Mission, Values, Strategy statements.

## **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 Magnolia LNG project submitted a Formal Application for the authorization to site, construct, and operate liquefaction and export facilities at its proposed site near Lake Charles, Louisiana, United States on April 30, 2014. During the ensuing months, Magnolia LNG prepared responses to FERC's data requests covering various clarifications of the engineering, environmental, and safety aspects of the project. On April 30, 2015, FERC issued a Schedule of Environmental Review (**SER**) for the Magnolia LNG and Lake Charles Expansion (i.e. KMLP) projects. The FERC subsequently issued a Draft Environmental Impact Statement (**DEIS**) on July 17, 2015, the Final Environmental Impact Statement (**FEIS**) on November 13, 2015, and MLNG's FERC Order on April 15, 2016. On November 24, 2016, the FERC issued its Order on Rehearing fully reaffirming its April 15, 2016 FERC Order. On May 5, 2017, LNGL announced that Magnolia LNG had received its notice to proceed (NTP) from FERC.

In parallel with the FERC timeline, the Magnolia LNG 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 U.S. Army Corps of Engineers Section 404 and Section 10 permits (permit to dredge a water of the U.S. and place dredged material, and construction of marine facilities) are also in hand.

As at the date of this report, Magnolia LNG 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, U.S.

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

### **Bear Head LNG project**

Bear Head LNG Corporation has received all ten (10) 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. During the year, Bear Head LNG received NSE approval for its Greenhouse Gas and Air Emission Management Plan.

Transport Canada's TERMPOL Review Committee has completed its review of Bear Head LNG Corporation Inc.'s Bear Head LNG TERMPOL report. The TERMPOL review process is a technical review of marine terminal systems and transshipment sites. It is a voluntary review of the proposed shipping route and marine terminal, but mandated under the separate environmental assessment process, and identifies navigational and marine transportation-related recommendations to support a safe shipping environment.

BHLNG received NSE approval for its Greenhouse Gas and Air Emission Management Plan.

There have been no known breaches of environmental regulations to which Bear Head LNG is subject.

### **Bear Paw Pipeline project**

Bear Paw has received its environmental assessment (EA) approval from the NSE and approval from Transport Canada for the pipeline installation across Milford Haven leaving the Strait of Canso crossing as the final navigable waters approval underway. Bear Paw also has obtained Letters of Authorizations from Department of Fisheries and Oceans for Fresh Water and Marine watercourse crossings. Other key regulatory requirements to obtain prior to construction include the Environment Act – Watercourse Alteration Authorizations dealing with installation of a pipeline through watercourses, and the UARB license to operate. Bear Paw is progressing work to obtain these final permits and approvals.

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



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## Overview

The Remuneration Report has been prepared in accordance with applicable legislation and corporate governance guidelines in Australia and audited by Ernst & Young. Australian legislation requires disclosures in respect of "key management personnel" (KMP) being those persons having authority and responsibility for planning, directing and controlling LNGL's activities. The key management personnel are, in addition to the Directors, a subset of the Corporate Leadership Team who are not directors and who each report to the Managing Director and Chief Executive Officer. This report is in three parts being the:

- Remuneration Framework
- Executive KMP Remuneration Implementation and Execution

- NED Remuneration Framework, Implementation and Execution
- Statutory Reporting.

Under Australian legislation, the Remuneration Report is subject to an annual advisory vote at each Annual General Meeting.

## **Introduction from the Compensation Committee**

On behalf of the Board, we are pleased to present LNG Limited's Remuneration Report for the fiscal year ended June 30, 2018. This report demonstrates our ongoing commitment to shareholders to present a simple and transparent summary of executive remuneration outcomes and how they link to LNGL's performance.

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. Specifically, this entails development, maintenance, and implementation of the Remuneration Policy and Clawback Policy for the purposes of making recommendations to the Board to align KMP and shareholder interests regarding 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 summarized in the Corporate Governance Policy, which is available on LNGL's website. The Compensation Committee's charter is also available on the website at [www.lnglimited.com.au](http://www.lnglimited.com.au).

Our remuneration philosophy focuses on delivering strong alignment between LNGL's business strategy and execution, long-term market performance, and shareholder experience, and our executives' variable remuneration outcomes. We also seek to ensure continued attraction and retention of talent in a competitive employment environment that is primarily U.S. based.

To this end, each year we review our remuneration program and the employment markets in which we operate in the context of current market intelligence, competitor analysis, the status of our business, our business strategy, and our remuneration philosophy. A key component of this annual review is assessing shareholder observations of our remuneration approach and proxy advisor guidance. We value these inputs greatly and weight our remuneration program design decisions accordingly.

We engage with our independent compensation consultant (Korn Ferry) and conduct extensive assessments and evaluations of all aspects of our remuneration program. The Compensation Committee meets with our consultant multiple times each year to review various aspects of our remuneration programs and to evaluate alignment of those programs with our stated goals.

We take account of all these various inputs and observations regarding our remuneration philosophy in determining annual changes to the remuneration policy, if any. Such consideration provides the context of recommendations to the Board regarding executive remuneration decisions and are used as guiding principles when setting prospective remuneration frameworks by the Compensation Committee. The remuneration framework will evolve in support of later stages in LNGL's business life cycle once project construction and operation commence.

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

At the annual general meeting (**AGM**) on November 16, 2017, the Remuneration Report contained in LNGL's 2017 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. In response to the first strike event, the Board undertook a review of measures to address shareholder concerns. The 2018 Remuneration Report reflects actions taken by the Board that focused on its implementation of the existing remuneration policy in the allocation of fixed and variable compensation to the Executive KMP. At the Compensation Committee's recommendation, the Board made no fundamental changes to the existing remuneration framework during the reporting period.

## **Responses to shareholder and governance adviser feedback**

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

from the 2017 Annual Report, Annual General Meeting, and shareholder discussions follows.

Feedback	Response
CEO pay relative to peer group and low total shareholder return (TSR) performance relative to peer group	The Board paid no short-term incentive ( <b>STI</b> ) to the Managing Director and Chief Executive Officer in fiscal 2018. Further, the Board materially reduced STI payments made to All Other Executive KMP as well as the remainder of the workforce to reflect LNGL's inability to deliver the STI corporate metrics. Finally, the Board did not increase any U.S.-based employee fixed remuneration in the period, although certain Australian-based employees did receive consumer price index (CPI) base remuneration increases reflective of existing contractual arrangements.
The relative TSR measure has index concentration concerns and the vesting mechanics introduce risk	The Board believes that a tranche of the long-term incentive ( <b>LTI</b> ) being linked with share price performance helps align KMP and shareholder interests. Given that LNGL is a pre-revenue development company versus an operational company and that there are no direct industry peer comparisons on the ASX, 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 Total Return Index ( <b>XAOAI</b> ).
The use of Retention Rights as a material component of LTI	Use of service-based retention awards to promote employee retention is important to LNGL as it executes its business strategy through the current industry market conditions. Service-based awards, such as retention rights, are common in the U.S., where our predominant workforce is located. A shortened vesting period was employed in 2017 and 2018. It has been employed to accelerate share ownership by a broad employee base as the Board considers increasing alignment with shareholders' interests important. The Managing Director and Chief Officer's vesting period remained unchanged from a three-year period.
STI payout approach and measurement	The Board employed a formula-based approach in determining STI allocation by employee in fiscal 2018. The Board paid no STI to the Managing Director and Chief Executive Officer in fiscal 2018 largely due to TSR performance. The Board materially reduced STI payments made to All Other Executive KMP as well as the remainder of the workforce primarily for failure to deliver executed offtake agreements (a key corporate deliverable).
Excessive remuneration to Non-Executive Directors ( <b>NED</b> ), which includes the issue of rights	The NEDs reduced their cash remuneration for fiscal 2017 and fiscal 2018 by about 28 percent in the aggregate, which reductions also reduced the annual rights grants received by the NEDs. The Board decided that no further changes were to be made to prospective NED compensation levels.

## Remuneration framework

LNGL's Remuneration framework aims to fairly and responsibly award employees consistent with market conditions and LNGL's operational performance. An ongoing challenge for the Compensation Committee is the design of a remuneration framework that is appropriate to hire, motivate, and retain employees consistent with employment practices in the countries in which they are employed whilst maintaining alignment with shareholders throughout all life-cycle stages of a company's activities.

At June 30, 2018, LNGL employed a total of 24 full time employees (FTEs) (excluding Directors), with six personnel

residing in Australia (25 percent of FTEs) and eighteen residing in the U.S. (75 percent of FTEs), including all five Executive KMP (100 percent of Executive KMP).

### **Remuneration and Clawback Policies**

LNGL's Remuneration Policy reflects the remuneration framework approved by the Board upon recommendation by the Compensation Committee.

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

LNGL's Clawback Policy applies to incentive remuneration 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, and Section 304 of the Sarbanes-Oxley Act of 2002 in the U.S.

A copy of these policies may be found on LNGL's website at [www.lnglimited.com.au](http://www.lnglimited.com.au).

### **Remuneration design**

The following summarizes the key components of LNGL's remuneration arrangements.

1. Fixed remuneration component - consists of base salary and related benefits, designed to align with external market study data. As directed by the Compensation Committee, our independent compensation consultant engaged by the Board validated external remuneration levels in a study last performed in 2016.
  - Remuneration peer group consisted of nine independent upstream E&P companies primarily operating in the U.S., Australia, Canada and Africa, and one passive investment company with midstream ethanol investments.
  - A separate salary survey applies to Australian employees, none of which are KMP.
  - Available benchmark surveys are employed.
2. STI remuneration component - calculated as percentages of base pay with individual payout amounts linked to achievement of specific annual corporate and individual milestones and personal performance.
3. LTI remuneration component - **Incentive Rights** consisting of **Performance Rights** and **Retention Rights**
  - Performance Rights:
    - Vesting links to relative market adjusted total shareholder return (**MATSR**) measured over 3-year performance periods
    - The MATSR component assesses the total shareholder return performance of LNGL shares relative to that of the XAOAI over the applicable measurement period, with vesting determined on a sliding scale as defined in the Incentive Rights invitation letters specific to each issue tranche.
  - Retention Rights:
    - A LTI component that vests over a service period designated at issuance date.

Under the remuneration framework, the Board retains absolute discretion on all remuneration decisions including:

- Determining fixed remuneration levels and annual changes thereto for all employees;
- Approving all fiscal year corporate goals to which the STI parameters apply;
- Determining the budget and individual allocation of annual STI awards by individual employee;
- Approving the Managing Director and Chief Executive Officer's STI scorecard and reviewing the Executive KMP scorecards for thoroughness and consistency;
- Determining the budget and individual allocation of annual LTI awards by individual employee; and

- The unilateral ability to increase or decrease the level of STI or LTI award or vesting thereof, irrespective of **Vesting Conditions** being achieved or not under the applicable terms stated in the plan or invitation letter.

### **Remuneration considerations**

Remuneration design is intended to enhance corporate and individual performance to the benefit of LNGL's shareholders. With regards to LNGL's remuneration framework, local market conditions in the countries, industry, and region in which LNGL operates; the current life-cycle status of LNGL; the current state of the global LNG industry; and observations from independent consultancy, stakeholders, and shareholders all represent important criteria considered by the Compensation Committee in the remuneration framework design.

The Compensation Committee typically applies the STI program to compensate the KMP relative to achievement of current year strategic milestone and personal goals, while tying realization of LTI award grants to performance metrics, which compare LNGL's share price performance relative to the XAOAI. Although it has limitations, the relative performance metric design applied in the LTI program enables measurement of LNGL share price performance against a recognizable broad market performance index for determining realization of variable KMP long-term incentive remuneration. Comparing LNGL's share performance to XAOAI reflects the lack of industry peer companies on the ASX that could provide improved comparability. A portion of annual LTI grants (currently 40 percent) are time-vesting Retention Rights.

### **LNGL and industry context**

A thorough discussion of LNGL and industry context are contained in the Chairman's Letter and Managing Director and Chief Executive Officer Report, respectively.

### **KMP during the reporting periods**

<b>Name</b>	<b>Title</b>	<b>Fiscal 2018</b>	<b>Fiscal 2017</b>
<b>Non-Executive Director Key Management Personnel</b>			
Paul J. Cavicchi	Chairman	X	X
Richard J. Beresford	NED	X	X
Leeanne K. Bond	NED	X	X
Philip D. Moeller	NED	X	X
D. Michael Steuert	NED	X	X
<b>Executive Key Management Personnel</b>			
Gregory M. Vesev	Managing Director & Chief Executive Officer	X	X
John Baguley <sup>1</sup>	Chief Operating Officer	X	X
Kinga Doris	General Counsel & Joint Company Secretary	X	X
Michael R. Mott	Chief Financial Officer	X	X
Joe B'Oris <sup>2</sup>	Chief Development Officer	From Nov 27 2017	n/a
Anthony Gelotti <sup>3</sup>	Chief Development Officer	To Jul 17 2017	X

<sup>1</sup> Mr. Baguley was promoted to Chief Operating Officer in June 2017. He was formerly Chief Technical Officer for LNGL.

<sup>2</sup> Mr. B'Oris joined LNGL in November 2017 and became an Executive KMP at that time.

<sup>3</sup> Mr. Gelotti left LNGL in July 2017 and ceased his role as an Executive KMP effective July 1, 2017.

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

### **Approach to KMP remuneration framework design**

To assure the relevance and appropriateness of the remuneration framework, the Compensation Committee considers changes to the LNGL's remuneration policy and disclosures each year. The aim is to implement framework changes in line with current market practice, reflecting a natural evolution of the remuneration

program design to effectively support the progress of near and long-term business strategy.

The 2018 remuneration framework was implemented as stated in the prior year annual report and no changes were made to the framework for the prospective annual fiscal period. The following summarizes elements of the fiscal 2019 KMP remuneration program and the fiscal 2018 program deployed.

<b>Pay Element</b>	<b>Fiscal 2018 Program</b>	<b>Fiscal 2019 Program <sup>1</sup></b>
STI	CEO: 80 percent corporate metrics, 20 percent individual metrics Other KMP: 60 percent corporate metrics, 40 percent individual metrics	CEO: 80 percent corporate metrics, 20 percent individual metrics Other KMP: 60 percent corporate metrics, 40 percent individual metrics
STI target percentages	CEO – 60 percent COO – 35 percent General Counsel – 30 percent CFO – 30 percent CDO – 30 percent	CEO – 60 percent COO – 35 percent General Counsel – 30 percent CFO – 30 percent CDO – 30 percent
LTI	60% Performance Rights with vesting tied to LNGL’s total shareholder return relative to XAOAI’s total shareholder return 40% Retention Rights with “ratable vest” over two-years for all employees other than the MD/CEO whose vesting period is a three-year “cliff vest” No Gate Condition for Performance Rights but vesting levels capped if negative LNGL TSR	60% Performance Rights with vesting tied to LNGL’s total shareholder return relative to XAOAI’s total shareholder return 40% Retention Rights with “ratable vest” over two-years for all employees other than the MD/CEO whose vesting period is a three-year “cliff vest” No Gate Condition for Performance Rights but vesting levels capped if negative LNGL TSR

<sup>1</sup> The fiscal 2019 program reflects anticipated compensation arrangements as contemplated prospectively from July 1, 2018

LNGL maintains KMP share ownership guidelines (**SOGs**). Applicable SOGs follow.

<b>Role</b>	<b>Minimum Ownership Guideline</b>	<b>Holding Requirement</b>
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 June 30, 2023.
COO, General Counsel, CFO and CDO	2.5x Base Pay	
Other executive officers designated by the Compensation Committee	2.5x Base Pay	
NEDs	3x annual Board cash retainer	Guidelines are expected to be met by June 30, 2021.

## Executive KMP remuneration structure and instruments

The following table provides a summary of LNGL’s remuneration framework (applying to Executive KMP) and the integration of each component.

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.	Monthly 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.
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 MATSR-based	LTI Award issues are equity-based and measured over a period of sufficient length to promote sustained performance to align with shareholder interests.  Performance Rights (as currently deployed) are all MATSR-based.  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.	Performance Rights are issued annually on a fiscal year basis, with a minimum 3-year measurement period and are cliff vesting.	
LTI award Retention Rights	Retention Rights are service service-based incentive rights, vesting over a stated period of continuous employment. These are used primarily for employee retention purposes.	Retention Rights vest over continuous employment during the specified service period with issues made on a fiscal basis.	
LTI award other Incentive Rights instruments	LNGL’s Incentive Rights Plan provides flexibility for issue of other types of equity-based instruments, but none are outstanding at this time.		
Perquisites	Specific by individual KMP and are approved by the Board.	Per the specific arrangement	

The Board of Directors retain absolute 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

## Executive KMP Remuneration Implementation and Execution

The role of the Compensation Committee is to implement remuneration policies that are designed to enhance corporate and individual performance to the benefit of LINGL's shareholders and executed consistent with the remuneration framework. Alignment of remuneration results and shareholders' outcomes are key to successful remuneration framework execution.

The following provides details, assessments, and analyses of the implementation and execution of LINGL's remuneration framework for Executive KMP.

### Summary of contractual provisions

The following table outlines contractual provisions for current Executive KMP.

Current KMP Contractual Provisions						
Name	Role	Base Salary in Denomination of Contract	Base Salary in Australian Dollars <sup>1</sup>	Contract Duration <sup>3</sup>	Contractual Severance Period	Termination Notice Period <sup>3</sup>
Gregory M Vesey	MD & CEO	\$ 635,000	\$ 846,667	Evergreen	12 months	12 months
John Baguley <sup>2</sup>	COO	430,000	573,333	Evergreen	90 days	90 days
Kinga Doris	GC	335,012	446,683	Evergreen	90 days	90 days
Michael R Mott	CFO	411,690	548,920	Evergreen	12 months	90 days
Joe B'Oris	COO	340,000	453,333	Evergreen	90 days	90 days

<sup>1</sup> All U.S.-denominated balances are translated at 0.75/1.

<sup>2</sup> Upon financial close of MLNG, Mr. Baguley's base salary increases to US\$500,000. Mr. Baguley previously held the role of Chief Technical Officer and was promoted to Chief Operating Officer in June 2017.

<sup>3</sup> Pursuant to contract terms, the contract renews automatically annually unless LINGL provides notice of termination. Such term has been defined herein as 'Evergreen'.

Each U.S.-based Executive KMP has certain contractual entitlements addressing Change-of-Control events, which are consistent with the shareholder approval at the 2017 AGM of the Change-of-Control guidelines. The following chart provides details of KMP Change-of-Control entitlements.

Name	Role	Base Pay	STI	LTI	Other Benefits
Gregory M Vesey	MD & CEO	24 months	Target	Full Vest of then outstanding Rights	12 months COBRA coverage
All Other Executive KMP	Various	12 months	Target	Full Vest of then outstanding Rights	12 months COBRA coverage

The shareholder approved Change-of-Control guidelines applicable to the Executive KMP are also applicable to all U.S.-based employees, as adjusted, to reflect each individual's role level with LINGL. Associated entitlement for all other U.S.-based employees is contingent on post Change-of-Control employment status (double-trigger) and could include a combination of a percentage of base pay and target STI, accelerated LTI vesting, and other employee benefits typical of Change-of-Control arrangements. The Australian-based Group Development Manager and Joint Company Secretary shall receive a one-time Service Bonus payment equal to nine-months of the Employee's then current base pay per month upon any Change-of-Control event regardless of post Change-of-Control employment status (single-trigger).

### 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 All Other Executive KMP, which 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 2018, which scorecard shall be used to assess performance relative to fiscal 2019 STI payments.

Performance Measure	Calendar 2018 Scorecard (Performance Goals for Fiscal 2019)
Corporate (80%)	<ul style="list-style-type: none"> <li>• Sign 8 mtpa in binding MOUs with investment grade counterparties at Magnolia (80%)               <ul style="list-style-type: none"> <li>– Stretch – Sign 8 mtpa to sales and purchase agreement (SPA) or liquefaction tolling agreement (LTA)</li> </ul> </li> <li>• Complete firm liquidity options available for immediate execution based on the level of success of Marketing activities (10%)               <ul style="list-style-type: none"> <li>– Stretch – Raising liquidity (minimum of \$5 million) without dilution in overall company value</li> </ul> </li> <li>• Sign term sheets with credible partners for development of a Bear Head pipeline solution (10%)               <ul style="list-style-type: none"> <li>– Stretch - Sign a full Project Development Agreement for Bear Head pipeline solution</li> </ul> </li> </ul>
Business (5%)	<ul style="list-style-type: none"> <li>• Cash and expense management</li> <li>• Cash forecast and scenarios</li> <li>• Company exposure and industry reputation</li> <li>• Develop offtake capacity and gas supply volume management plan</li> <li>• Develop a plan for “Pathways to Success” and begin implementation of priority processes</li> </ul>
Compliance (5%)	<ul style="list-style-type: none"> <li>• Ensure completion of action items for Board improvement plan</li> <li>• Manage relationships with all shareholders toward a successful vote</li> <li>• Ensure proper Board training is conducted</li> <li>• Implement Takeover Defense Plan and conduct drill</li> <li>• Support the efforts of the Board Corporate Governance and Nominating and the Audit Committees, respectively</li> </ul>
Health and safety (5%)	<ul style="list-style-type: none"> <li>• Continue to develop a culture of strong safety awareness and practice</li> <li>• Operate the company safely with no recordable injuries or lost-time incidents</li> <li>• Develop a first draft of a construction safety program</li> <li>• Develop sustainability plan for LNGL</li> <li>• Implement a Crisis Management Plan</li> <li>• Support the efforts of the Board Safety, Sustainability, People &amp; Culture Committee</li> </ul>
People and culture (5%)	<ul style="list-style-type: none"> <li>• Addition of valued team members for marketing and finance</li> <li>• Revise STI plan and implement changes to evaluation process</li> <li>• Support the efforts of the Board Compensation Committee</li> <li>• Continued development and retention of employees</li> </ul>

The Managing Director and Chief Executive Officer's calendar year 2017 scorecard and weightings follows; which scorecard was used to assess performance relative to fiscal 2018 STI payments.

<b>Performance Measure</b>	<b>Calendar 2017 Scorecard (Performance Goals for Fiscal 2018)</b>
Business (80%)	<ul style="list-style-type: none"> <li>• Signing of 4 MTPA in binding offtake agreements with an investment grade counterparty for MLNG (50%) <ul style="list-style-type: none"> <li>– Stretch - Signing 8 MTPA</li> </ul> </li> <li>• Consistent with the level of offtake marketing success, develop a firm commitment for the next capital infusion to support LNGL through 2021 (30%) <ul style="list-style-type: none"> <li>– Stretch – Bring in new funding of at least \$100 million</li> </ul> </li> </ul>
Compliance (5%)	<ul style="list-style-type: none"> <li>• Develop a comprehensive Takeover Defense Plan</li> <li>• Ensure the company operates in compliance with all laws and regulations</li> <li>• Support the efforts of the Board Corporate Governance and Nominating and the Audit Committees, respectively</li> </ul>
Health and safety (10%)	<ul style="list-style-type: none"> <li>• Operate the company safely with no recordable injuries or lost-time incidents</li> <li>• Support the efforts of the Board Safety, Sustainability People &amp; Culture Committee</li> </ul>
People and culture (5%)	<ul style="list-style-type: none"> <li>• Implement changes to Commercial Team and improve overall function</li> <li>• Assess implementing actions for the closure of the Perth office by year-end</li> <li>• Develop and implement a successful retention plan for staff</li> <li>• Support the efforts of the Board Compensation Committee</li> </ul>

The Board assessed calendar 2017 KMP performance as largely failing to meet key goals, milestones, and targets, with the significant exception being the completion of the Amended and Restated Equity Commitment Agreement with Stonepeak.

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 2017 STI payments.

<b>Performance Measure</b>	<b>Calendar 2016 Scorecard (Performance Goals for Fiscal 2017)</b>
Business (55%)	<ul style="list-style-type: none"> <li>• Signing offtake agreement(s) with investment-grade counterparties</li> <li>• Obtain all remaining permitting for MLNG and BHLNG</li> <li>• Select a BHLNG gas path and progress agreement to the Board's satisfaction for approximately 5 mtpa</li> <li>• Achieve financial cost reduction</li> </ul>
Compliance (25%)	Establish and implement the Corporate Leadership Team, develop charter and begin functioning as LNGL's main operating committee
Health and safety (10%)	Operate LNGL safely with no recordable injuries or lost-time incident
People and culture (10%)	Implement a simplified organization structure with relevant personnel changes

The Board assessed calendar year 2016 KMP performance as meeting most of the agreed goals, milestones, and targets, with the significant exception being the signing of offtake agreements. STI payments in fiscal 2017 were also adjusted downward from target reflecting this performance.

The Managing Director and Chief Executive Officer's calendar year 2015 scorecard and weightings follows; which scorecard was used to assess performance relative to fiscal 2016 STI payments.

<b>Performance Measure</b>	<b>Calendar 2015 Scorecard (Performance Goals for Fiscal 2016)</b>
Business (55%)	Approval, permitting, contracting and opportunity targets in relation to Magnolia LNG, Bear Head LNG and LNG International
Organizational (25%)	Progress corporate restructuring of LNGL 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 health, safety, security, and environment ( <b>HSSE</b> ) within LNG and its contractor relationships, and the introduction and institutionalization of the HSSE management framework to establish LNG's approach and expectations regarding health, safety, security and environment
People and culture (10%)	Setting and monitoring of KPIs for Executive KMP based upon individual performance and contributions, continuous improvement of communication between senior management and the board, implementation and continuous improvement of internal systems and risk reporting mechanisms, demonstration of support and adherence to executive behavioral objectives, and continued compliance with ASX Listing Rules and ASIC regulatory obligations

The Board assessed 2016 KMP performance as meeting or exceeding most 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 on any of LNGL's projects. Realization 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.

### ***Details of the Executive KMP STI plan***

<b>Aspect</b>	<b>Description</b>
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	<p>Typically, at or near 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</p> <p>KPIs relate to attainment of specific scorecard goals, providing a mix of corporate performance targets, and individual goals including business plan, health and safety, organizational, and people and culture targets</p> <p>Percentage weightings are assigned to each goal for each individual participant, emphasizing the relative importance of each KPI area commensurate with the individuals' role and accountabilities</p> <p>KPIs typically include a mix of project-related development tasks, including commercial negotiations, opportunity identification, approvals and permitting goals, contracting, and project funding milestones</p>
Award assessment	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

and payment	All Other Executive KMPs and employees 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 LNGL to the date STI payments are made 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
Change-of-Control	Employees have certain contractual entitlements addressing Change-of-Control events, which are consistent with the shareholder approval of the Change-of-Control guidelines approved at the November 2017 AGM, or applicable law

### ***Details of the Executive KMP LTI plan***

<b>Aspect</b>	<b>Description</b>
Form of rights	The Incentive Rights Plan Rules specify that Incentive Rights will be: <ul style="list-style-type: none"> <li>▪ Performance Rights, which vest subject to the satisfaction of conditions related to performance</li> <li>▪ Retention Rights, which vest subject to continuous employment</li> <li>▪ Other instrument types</li> </ul> <p>Upon vesting, an Incentive Right confers an entitlement to the value of an LNGL ordinary share</p> <p>Without the approval of the Board, Incentive Rights may not be sold, transferred, mortgaged, charged or otherwise dealt with or encumbered</p>
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 is inconsistent with shareholder outcomes and LNGL 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
Board discretion	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. This discretion applies equally to both Performance Rights and Retention Rights grants.
Re-testing	The practice of re-testing is not permitted; LTI issues 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	<p>If the employment of a participant ceases due to termination for Cause or Resignation all Unvested Incentive Rights lapse</p> <p>If the employment of a Participant ceases due to termination Without Cause the Unvested Incentive Rights are subject to the following:</p> <p>(a) All Unvested Retention Rights, if any, issued to the Participant shall vest pro-rata;</p> <p>(b) All Unvested milestone-based Performance Rights will be determined based on whether the milestones were met prior to termination; and</p> <p>(c) All Unvested Performance Rights based on TSR or MATSR shall lapse</p>
Change-of-control	Employees have certain contractual entitlements addressing Change of Control events, which are consistent with the shareholder approval of the Change of Control guidelines approved at the November 2017 AGM, or applicable law

### Variable remuneration targets

Under the current design, no remuneration awards (cash-based or share-based) are linked to an LNGL milestone of achieving a financial investment decision on any of its projects. The Board believes that such award designs have the potential for an unintended leveraging effect on payout in the period the strategic milestone is met.

Target and stretch percentages for Executive KMP under applicable STI and LTI plans and individual contractual arrangements follow (with percentages reflecting percentage of base salary). Historically, actual STI payout and LTI grants have been substantially less than the target and stretch levels.

	Fiscal Year of Award <sup>1</sup>	STI Plan		LTI Plan	
		Target	Stretch	Target	Stretch
Managing Director and Chief Executive Officer	2019	60%	120%	150%	300%
	2018	60%	120%	150%	300%
	2017	60%	120%	150%	300%
	2016	25%	50%	75%	150%
All Other Executive KMP, in aggregate average	2019	30 - 35%	60-70%	100%	n/a
	2018	30 - 35%	50%	100%	n/a
	2017	25%	50%	75 - 100%	n/a
	2016	20 - 25%	40 - 50%	0 - 75%	n/a

<sup>1</sup> The 2019 fiscal year information is forecasted based on current Board approvals and consideration. In certain periods, KMP were ineligible for incentive awards under plan rules due to individual employment start dates.

In all reporting periods, LTI issues 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 issues at target level made in each year allocated to each instrument type.

#### Incentive Rights Plan Instrument Types Issued at Target Levels

Fiscal Year <sup>1</sup>	Milestone-Based Rights	MATSR-Based Rights	Retention Rights
2019	0%	60%	40%
2018	0%	60%	40%
2017	0%	60%	40%
2016	50%	50%	0%

<sup>1</sup> The 2019 fiscal year information reflects the 2018 issue year Incentive Rights invitation letter.

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

### **MATSR-based LTI Grants**

MATSR-based Performance Rights will partially or fully vest if LNGL’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 issuances in fiscal years 2017 – 2019 (issued in Jul 2016, 2017 and 2018, respectively) utilized the same vesting criteria as follows.

<b>LNGL TSR relative to XAOAI TSR <sup>1</sup></b>	<b>Metric</b>
Measurement Period	3 Years from grant Date
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%

<sup>1</sup> 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.

The fiscal 2019, 2018 and 2017 MATSR-based Performance Rights will partially or fully vest as outlined in the above chart. These issuances were priced at \$0.52/share, \$0.59/share and \$0.87/share, respectively. Under these LTI tranches, 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.

### **Retention Rights LTI Grants**

The Compensation Committee implemented the use of Retention Rights as a component of the LTI program in the last three tranche issuances (fiscal 2017 through 2019).

#### **Retention Rights**

<b>Fiscal Year <sup>1</sup></b>	<b>Measurement Period</b>	<b>Vesting terms</b>
2018 and 2019	Not applicable	Two-year vesting period realized ratably applicable to most employees. The MD/CEO Retention Rights issuance has a vesting period of three-years with a “cliff vest” meaning the Retention Rights vest only if the individual remains in service with LNGL at the end of the measurement period.
2017	Not applicable	Three-year “cliff vest” for all employees, generally meaning that the Retention Rights vest only if the employee remains in service with LNGL at the end of the measurement period.
2016	Not applicable	Not applicable

<sup>1</sup> The 2019 fiscal year information reflects the 2018 issue year Incentive Rights invitation letter.

### **Status of the Executive KMP Grants Pursuant to the Incentive Rights Program**

Individuals comprising the Executive KMP have changed over time. Incentive rights held by individuals previously included as Executive KMP that left LNGL were dealt with at the termination date of each individual. Treatment of the then outstanding LTI grants have been previously disclosed to the ASX.

The following disclosures provide status information on the individuals currently acting as Executive KMP.

The current MD/CEO has received LTI grants annually beginning in fiscal 2016. These rights (both Performance Rights and Retention Rights) have vesting periods of three-years from grant date reflecting annual measurement periods on June 30 beginning in 2019. Consequently, the MD/CEO has vested zero LTI rights as at June 30, 2018.

The current COO, CFO, and General Counsel have each received LTI rights grants in the three-year fiscal period ended June 30, 2018, with a portion of these rights grants also having measurement periods in this three-year period.

The current CDO received an initial LTI grant (both Performance Rights and Retention Rights) in January 2018, which have measurement dates after June 30, 2018. Therefore, the current CDO has vested zero LTI rights as at

June 30, 2018.

**Vesting Results by individual LTI Grant**

The fiscal 2015 and fiscal 2016 MATSR-based and Milestone-based Performance Rights (granted in July 2014 and July 2015, respectively, and vesting at June 30, 2017 and 2018, respectively) both lapsed unvested in their entirety. A portion of the Retention Rights granted to All Other Executive KMP in 2017 vested at June 30, 2018 resulting in the conversion of a total of 430,000 Retention Rights held by All Other Executive KMP into LNGL Ordinary Shares.

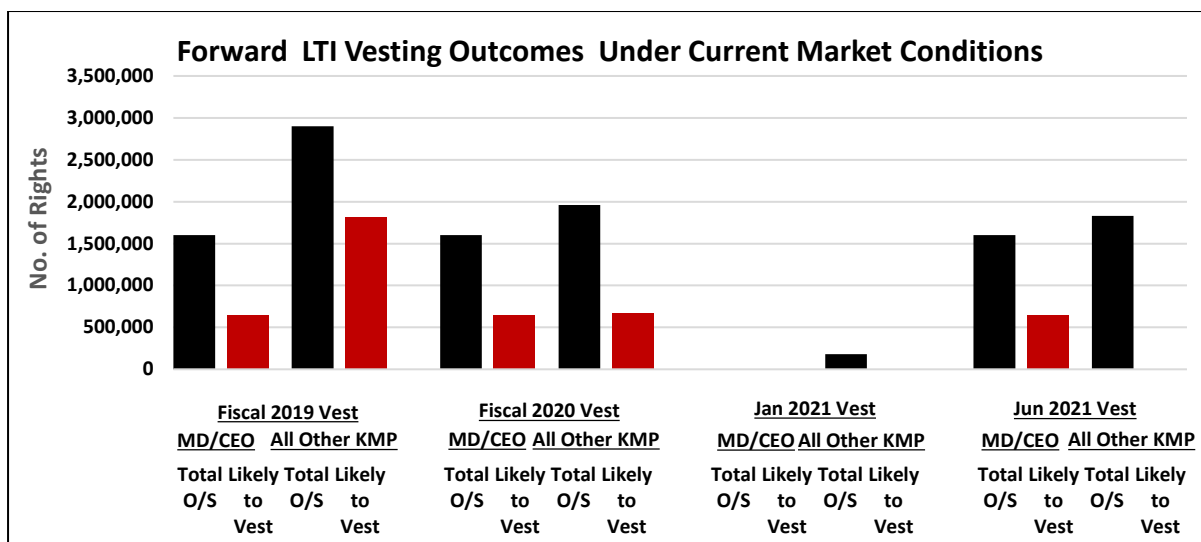
The following table summarizes the realized and lapsed rights for LTI grants (aggregate Performance Rights, Milestone Rights, and Retention Rights) held by current Executive KMP having measurement periods that ended in the fiscal periods 2017 and 2018 (referred to as **Reporting Period** in the following chart), respectively.

Executive KMP Member	Grant Year	Measurement Year	Rights Granted and Measured in Reporting Period	Vested
COO	2014	2017	246,141	0
	2015	2018	159,984	0
	2017	2018	150,000	150,000
	<b>Three-year total</b>		<b>556,125</b>	<b>150,000</b>
CFO	2015	2018	289,742	0
	2017	2018	140,000	140,000
	<b>Three-year total</b>		<b>429,742</b>	<b>140,000</b>
<b>General Counsel</b>	2017	2018	<b>140,000</b>	<b>140,000</b>

Outstanding LTI grants (aggregate Performance Rights and Retention Rights including those Rights granted in July 2018) have measurement periods ending in 2019, 2020, and 2021, respectively. The total LTI rights outstanding under these grants held by the Executive KMP (split between the MD/CEO and All Other KMP combined in aggregate) are represented by the black bars in the following graph split by applicable measurement date. The red bars provide a forecast of future vesting outcomes by applying the following assumptions:

1. Based on the market price of LNGL Ordinary Shares as at June 30, 2018, which indicates that 100 percent of the outstanding Performance Rights will lapse unvested reflecting the underperformance of LNGL's TSR to the XAOAI's TSR; and
2. The assumption that each current Executive KMP holding Retention Rights will remain employed with LNGL through the applicable measurement dates and therefore vest in these Retention Rights.
3. The remainder of the All Other Executive KMP retention rights (430,000) granted in 2017 vest in 2019. The MD/CEO's Retention Rights granted in 2017 vest in 2020.
4. The Retention Rights granted to the All Other Executive KMP in 2018 vest 50 percent in 2019 and 50 percent in 2020. The MD/CEO's Retention Rights granted in 2018 vest in 2021.

Should the LNGL Ordinary Share price improve in the future to levels that result in LNGL TSR outperforming the XAOAI TSR, then a portion or all of the Performance Rights may vest, subject to Board of Director discretion to approve, or not, such Performance Rights vesting.



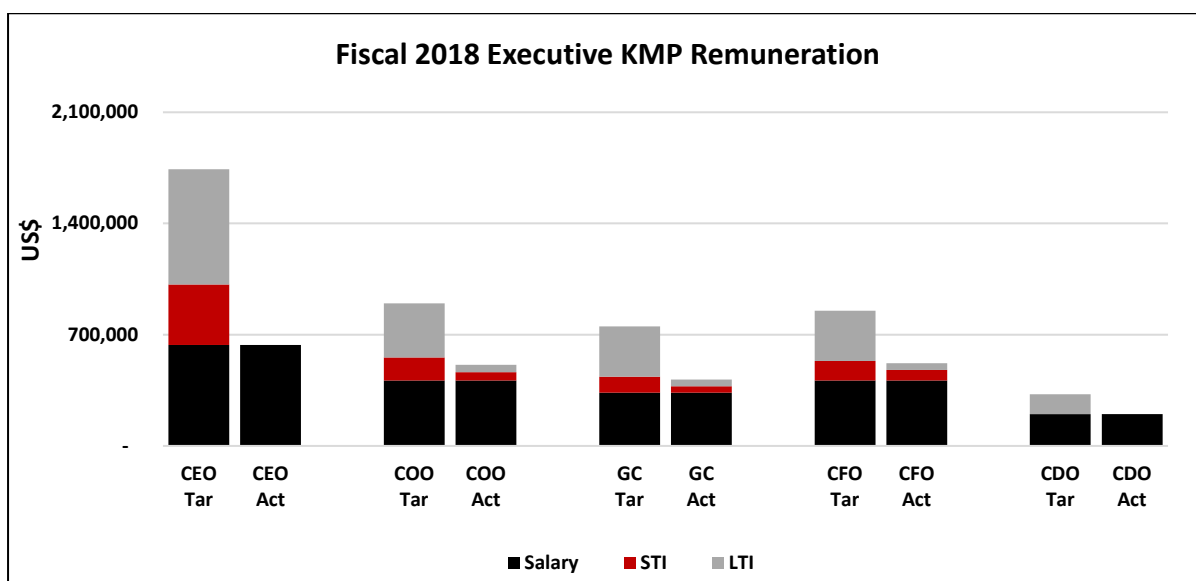
### Executive KMP Realized Remuneration Value Relative to Target

The following narrative and graphs provide insight into total remuneration value realized by Executive KMP in the Reporting Period relative to remuneration value that each Executive KMP was eligible to receive in each period (referred to as **Target Remuneration**).

Target Remuneration for our Executive KMP exceeded actual or realized value received reflecting underperformance versus expectations over the period. This means that underperformance by the Executive KMP in achieving annual goals for STI and the MATSR / Milestone target goals for LTI were not rewarded to Target Remuneration levels, reflecting alignment with shareholder outcomes which have also underperformed.

The following graphs compare target and actual direct remuneration provided to the Executive KMP for the fiscal years ending June 30, 2018 and 2017, respectively. The graphs include Executive KMP employed as of June 30, 2018 and exclude Executive KMP no longer employed by LNG L as of that date. All amounts are shown in U.S. dollars as all the Executive KMP are U.S.-based employees.

The target remuneration equals the sum of each individual's base pay, target STI, and the grant date value of LTI granted the Executive KMP in the specific fiscal year period. The actual or realized remuneration equals the sum of each individual's base pay, actual STI paid during the fiscal period, and actual LTI vested during the fiscal period, valued at the share price on the respective vesting date(s).



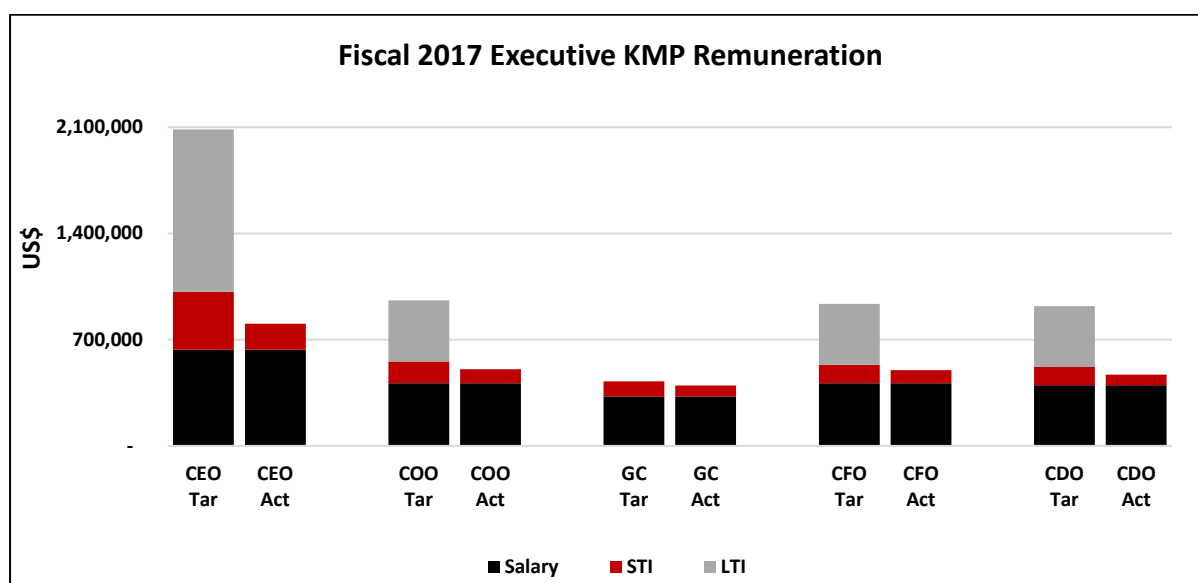
<sup>1</sup> The LTI values are based on Rights granted and vesting, respectively, within the reported fiscal year; the Target LTI amounts are based on grants made in July 2017, while the Actual LTI amounts are based on Rights that vested on June 30, 2018.

<sup>2</sup> The CDO was employed beginning December 2017 and was not eligible for STI in fiscal year 2018.

<sup>2</sup> Individuals who do not have actual LTI value amounts (MD/CEO and CDO) had no LTI grants eligible for vesting in the fiscal year 2018.



<sup>3</sup> The STI performance period is a calendar year while LTI performance periods are tied to LNGL's fiscal year; the actual STI payouts reflected in this chart were made shortly after the end of the 2017 calendar year.



<sup>1</sup> The LTI values are based on Rights granted and vesting, respectively, within the reported fiscal year; the Target LTI amounts are based on grants made in July 2016, while the Actual LTI amounts are based on Rights that vested on June 30, 2017.

<sup>2</sup> The CDO was not employed in fiscal 2017.

<sup>3</sup> Individuals who do not have actual LTI value amounts had no LTI grants eligible for vesting in the fiscal year 2017 or the Rights lapsed unvested.

<sup>4</sup> The STI performance period is a calendar year while LTI performance periods are tied to LNGL's fiscal year; the actual STI payouts reflected in this chart were made shortly after the end of the 2016 calendar year.

## NED Remuneration Framework, Implementation and Execution

### 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 membership of 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 issued under the NED Rights Plan are service time-based rights that do not carry any performance conditions to preserve the independence of the NEDs. Australian-based NEDs are cash compensated in Australian dollars and U.S.-based NEDs are cash compensated in U.S. dollars. All rights issuances are denominated based on Australian dollars.

NED Fee Structure <sup>1</sup>

Component	Fiscal Year 2019 <sup>2</sup>	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016
Base fee – Board chair	\$ 194,000	\$ 194,000	\$ 216,000	\$ 270,000
Base fee – NED	86,400	86,400	96,000	120,000
Committee fee – chair	18,000	18,000	20,000	25,000
Committee fee – member	9,000	9,000	10,000	12,500
Board Chair NED Rights value as % of fees <sup>3</sup>	57.5%	57.5%	57.5%	40%
NEDs Rights value as % of fees <sup>4</sup>	80%	80%	80%	48%

<sup>1</sup> Base fee and Committee fees are denominated in the currency based on the domicile of the individual NED. The value of the NED Rights issued are all denominated in Australian dollars assuming that the applicable reference cash amount (Base fee in 2017 to 2019 and total fees in 2016) on which the applicable NED Right percentage is multiplied was in Australian dollars.

<sup>2</sup> The fiscal 2019-year information is forecasted based on current Board approvals and consideration.

<sup>3</sup> The fiscal 2018 and 2019 Chairman's target NED Rights value is equal to 57.5% of the Base fee, or a target of A\$111,550. The fiscal 2017 Chairman's NED Rights value targeted A\$124,000 or 57.5% of Base fees. Fiscal 2016 target amount was A\$108,000 or 40% of total fees.

<sup>4</sup> The fiscal 2018 and 2019 NED Rights value (non-Chairman) are equal to 80% of the Base fee amount or a target of A\$69,120. The fiscal 2017 NEDs rights value was based on 80% of the Base fee received or A\$76,800. Fiscal 2016 target amounts were targeted at 48% of total fees, so amounts differed based on Board Committee membership.

### ***NED Rights Plan details***

<b>Aspect</b>	<b>Description</b>
Purpose	<p>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 LNGL</p> <p>This is a separate plan from the employee LTI incentive scheme</p>
Form	<p>The NED Rights Plan currently offers service (share) rights</p> <p>Rights issued under the plan are service time-based rights</p>
Rights transfer	<p>NED Rights may not be sold, transferred, mortgaged, charged or otherwise dealt with or encumbered without prior Board approval</p>
Issue value	<p>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</p>
Vesting condition	<p>Vesting Period determined by the Board and provided / specified in the applicable Invitation Letter</p> <p>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</p>
Exercise of vested NED Rights	<p>Vested NED Rights may be exercised after receipt of an Exercise Notice and compliance with LNGL's Securities Trading Policy</p>
Early termination of NED term	<p>The NED Rights Plan contains provisions concerning the treatment of vested and unvested NED Rights if a Plan Participant ceases to be a NED during the Measurement Period</p> <p>If a Participant terminates Board service because 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</p> <p>Treatment of the balance of NED Rights will be subject to Board discretion at the end of the Measurement Period</p> <p>Early termination of NEDs term, means all rights will lapse</p>
Change of control	<p>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</p> <p>Remaining NED Rights would either lapse or some or all may vest at the Board's discretion</p> <p>In relation to shares that have resulted from the vesting of NED Rights, dealing restrictions specified in the Invitation would be lifted</p>

### ***NED interest in shares, options, and performance rights***

NED's interests in shares, options, and performance rights of LNGL as at June 30, 2018 follows.

Director	Number of ordinary shares	Number of unlisted NED rights	Number of unlisted options
Paul J. Cavicchi	534,530	223,100	---
Richard J. Beresford	599,239	138,240	---
Leeanne K. Bond	170,563	138,240	---
Philip D. Moeller	193,014	138,240	---
D. Michael Steuert	266,589	138,240	---

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

#### NED Rights Plan Rights Issued and Vested

	Fiscal Year 2019 <sup>1</sup>	Fiscal Year 2018	Fiscal Year 2017
Rights issued	≤ 647,000	776,060	732,304
Rights vested <sup>2</sup>	765,000	721,994	66,499

<sup>1</sup> The fiscal 2019 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 issued in fiscal 2018. The actual number of Rights to be issued to the NEDs will be dependent on a shareholder affirmative vote at the November AGM and share prices at that time.

<sup>2</sup> The fiscal 2019 Rights vested amount is forecasted based on expectation that each Board member holding these rights will continue in their role through June 30, 2019.

#### Fiscal 2019 estimated NED remuneration value

Based on the above NED fee structure and assuming the current existing Board Committee roles remain in place, expected NED remuneration for fiscal 2019 is as outlined in the following table.

	Cavicchi	Beresford	Bond	Moeller	Steuert
Board	US\$194,000	A\$ 86,400	A\$ 86,400	US\$ 86,400	US\$ 86,400
Audit Committee	---	---	9,000	9,000	18,000
SSPC Committee	---	---	18,000	9,000	9,000
Corporate Governance & Nominating Committee	---	9,000	---	18,000	---
Compensation Committee	---	9,000	9,000	---	9,000
Target annual share-based award	83,663	69,120	69,120	51,840	51,840
Target total NED remuneration	US\$277,663	A\$ 173,520	A\$ 191,520	US\$174,240	US\$174,240
Estimated NED remuneration in A\$ <sup>1</sup>	A\$ 370,217	A\$ 173,520	A\$ 191,520	A\$ 232,320	A\$ 232,320

<sup>1</sup> The U.S.-based NEDs cash remuneration is paid in U.S. dollars. These amounts are translated at 0.75/1 to reflect the U.S. dollar equivalent target pay for this category of target remuneration.

## Statutory and Financial Reporting

### LNGL performance

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

Date	Revenue	Development Expenditures	After-tax loss	Share price at June 30	Share price change	Dividends	Change in shareholder value over 1 year		Change in shareholder value over 3 years	
							Amount	%	Amount	%
\$ in thousands, except share prices, dividends and percentages										
30 Jun '18	\$ 326	\$ 11,435	\$ (22,783)	\$ 0.58	\$ 0.02	\$ ---	\$ 0.02	3.6%	\$ (3.23)	(85)%
30 Jun '17	\$ 367	\$ 12,423	\$ (29,312)	\$ 0.56	\$ (0.16)	\$ ---	\$ (0.16)	(22)%	\$ (1.58)	(78)%
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%

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.

### **Financial accounting for NED Rights and LTI grants**

The following tables disclose the value of NED Rights and LTI incentives issued by LNGL in fiscal 2018, 2017, and 2016, respectively, as reconciled to the financial accounting share-based expense for LNGL's Incentive Rights Plans, and the Rights grants held by personnel type.

	Fiscal 2018	Fiscal 2017	Fiscal 2016
<b>Financial accounting expense reconciliation</b>	<b>A\$ in thousands</b>		
<b>Non-Executive Directors in aggregate</b>			
Fiscal 2018 NED Rights grant	\$ 223	\$ ---	\$ ---
Fiscal 2017 NED Rights grant	167	269	---
Fiscal 2016 NED Rights grant	---	30	78
Fiscal 2015 NED Rights grant	---	---	98
<b>MD and CEO</b>			
Fiscal 2018 Incentive Rights grant	126	---	---
Fiscal 2017 Incentive Rights grant	183	167	---
Fiscal 2016 Incentive Rights grant	---	---	180
Fiscal 2015 Incentive Rights grant	---	---	1,763
<b>All Other Executive KMP in aggregate</b>			
Fiscal 2018 Incentive Rights grant	620	---	---
Fiscal 2017 Incentive Rights grant	213	259	---
Fiscal 2016 Incentive Rights grant	(95)	516	516
Fiscal 2015 Incentive Rights grant	1	(5)	299
<b>All other employees in aggregate</b>			
Fiscal 2018 Incentive Rights grant	559	---	---
Fiscal 2017 Incentive Rights grant	149	257	---
Fiscal 2016 Incentive Rights grant	(922)	1,237	2,530
Fiscal 2015 Incentive Rights grant	3	(212)	8,869
Fiscal 2014 Incentive Rights grant	---	---	---
<b>Share-based payment expense</b>	<b>\$ 1,227</b>	<b>\$ 2,518</b>	<b>\$ 14,333</b>
<b>Rights grants</b>			
Non-Executive Directors in aggregate	776,060	732,304	74,111
MD and CEO	3,200,000	1,600,000	973,790
All Other Executive KMP in aggregate	3,820,000	2,849,726	695,867
All other employees in aggregate	3,736,213	6,949,269	14,785,090
<b>Total Rights grants outstanding</b>	<b>11,532,273</b>	<b>12,131,299</b>	<b>16,528,858</b>

## Executive KMP remuneration

The following table provides a detailed breakdown of the components of remuneration received for each of the Executive KMP in the reporting periods calculated in accordance with applicable accounting standards. Amounts are in A\$ with all U.S.-denominated balances are translated at 0.75/1.

**Executive KMP Remuneration in the Reporting Periods for Accounting Purposes**

Name	Position	Fiscal Year	Salary	Super-annuation contribution	Other benefits	Fixed remuneration		STI		LTI		Total remuneration		
						Amount	% of TRP	Amount	% of TRP	Amount <sup>2</sup>	% of TRP	Total remuneration package (TRP)	Termination benefits	Change in accrued leave
Gregory M Vesey	MD/CEO	2018	\$ 846,667	\$ ---	\$ 43,947	\$ 890,614	74%	\$ ---	---	\$ 308,989	26%	\$ 1,199,603	\$ ---	\$ ---
		2017	846,667	---	42,576	889,243	69%	226,667	18%	167,108	13%	1,283,018	---	---
John Baguley	COO	2018	549,937	---	40,551	590,488	65%	68,000	8%	243,698	27%	902,186	---	---
		2017	549,937	---	33,423	583,360	61%	123,467	13%	243,402	26%	950,229	---	---
Kinga Doris	General Counsel	2018	435,441	---	35,963	471,404	60%	53,333	7%	263,848	33%	788,585	---	---
		2017	435,441	---	31,639	467,080	74%	95,467	15%	64,883	10%	627,430	---	---
Michael R Mott	CFO	2018	548,920	---	39,758	588,678	67%	88,000	10%	202,423	23%	879,101	---	---
		2017	548,920	---	34,910	583,830	53%	115,333	11%	397,507	36%	1,096,670	---	---
Joe B'Oris	CDO <sup>1</sup>	2018	267,032	---	31,692	298,724	91%	---	---	28,474	8%	327,198	---	---
		2017	---	---	---	---	---	---	---	---	---	---	---	---
Anthony Gelotti	CDO <sup>1</sup>	2018	---	---	---	---	---	---	---	---	---	---	---	---
		2017	533,333	---	35,278	568,611	78%	93,333	13%	64,833	9%	726,777	---	---

<sup>1</sup> Mr. B'Oris was appointed Chief Development Officer effective November 27, 2017. He was not eligible for STI in fiscal 2018. Mr. Gelotti left LNGL in July 2017 and ceased his role as an Executive KMP effective July 1, 2017.

<sup>2</sup> LTI amounts contained in this chart reflect actual accounting expense in each fiscal year relating to each specific Executive KMP but does not represent actual share value vested by said Executive KMP in each period.

## NED remuneration

NEDs are remunerated within the current aggregate NED board fee cap of A\$1.5 million, approved by shareholders. The following chart discloses NED remuneration in the reporting periods calculated in accordance with applicable accounting standards. Amounts are in A\$ with US\$ denominated payment amounts translated at a .75/1 exchange ratio.

**NED Remuneration in the Reporting Periods for Accounting Purposes**

Name	Position	Fiscal year	Board fees	Committee fees	Super - annuation	Other benefits	Equity issue <sup>2</sup>	Termination benefits	Total remuneration package
Paul J. Cavicchi <sup>1</sup>	Chairman	2018	\$ 259,200	\$ ---	\$ ---	\$ ---	\$ 113,530	\$ ---	\$ 372,730
		2017	231,378	22,074	---	1,832	85,429	---	340,713
Richard J. Beresford	NED	2018	86,400	18,000	---	---	69,259	---	173,659
		2017	148,867	12,389	---	1,000	58,419	---	220,675
Leeanne K. Bond	NED	2018	86,400	36,000	---	---	69,259	---	191,659
		2017	96,000	40,000	---	1,000	53,804	---	190,804
Philip D. Moeller	NED	2018	115,200	36,000	---	---	69,259	---	220,459
		2017	128,000	40,000	---	1,832	47,343	---	217,175
D Michael Steuert	NED	2018	115,200	36,000	---	---	69,259	---	220,459
		2017	128,000	40,000	---	1,832	53,547	---	223,379

<sup>1</sup> Mr. Cavicchi was appointed Chairman in November 2016.

<sup>2</sup> Equity issue amounts contained in this chart reflect actual accounting expense in each fiscal year relating to each specific NED.

Total cash fees paid NEDs in fiscal 2018 (and 2017) were A\$788,400 and A\$894,204, respectively. Total NED remuneration in fiscal 2018 (and 2017) totaled A\$1,178,966 and A\$1,192,746, respectively.

Mr. Beresford's spouse is employed by the Company under a casual employment service agreement. Remuneration paid to her by LNGL during the fiscal years ending June 30, 2018 and 2017, respectively, and her beneficial ownership in LNGL ordinary shares are disclosed in the "Other transactions and balances with KMP" section of "Footnote D2. Related parties" in the accompanying audited financial statements on page 86 of this Annual Report.

## Changes in Executive KMP held equity

Changes in Executive KMP Equity Held

Name	Position	Held at July 1, 2017		Issued during fiscal year		Forfeited in year	Other change	Vested	Number held at June 30, 2018
		Instrument	Number	Issue price <sup>4</sup>	Number <sup>5</sup>	Number	Number		
Gregory M Vesey	MD/CEO <sup>1</sup>	Shares	700,000	---	---	---	150,000	---	850,000
		Rights/Options	1,600,000	0.59	1,600,000	---	---	---	3,200,000
John Baguley	COO <sup>2</sup>	Shares	270,000	---	---	---	---	150,000	420,000
		Rights/Options	759,984	0.59	750,000	(159,984)	---	(150,000)	1,200,000
Kinga Doris	General Counsel	Shares	---	---	---	---	(34,090)	140,000	105,910
		Rights/Options	600,000	0.59	700,000	---	---	(140,000)	1,160,000
Michael R Mott	CFO	Shares	---	---	---	---	(34,090)	140,000	105,910
		Rights/Options	889,742	0.59	700,000	(289,742)	---	(140,000)	1,160,000
Joe B'Oris	CFO <sup>3</sup>	Shares	---	---	---	---	---	---	---
		Rights/Options	---	0.54	300,000	---	---	---	300,000
Anthony Gelotti	CDO <sup>3</sup>	Shares	---	---	---	---	---	---	---
		Rights/Options	600,000	---	---	---	(600,000)	---	---

Name	Position	Held at July 1, 2016		Issued during fiscal year		Forfeited in year	Other change	Vested	Number held at June 30, 2017
		Instrument	Number	Issue price <sup>4</sup>	Number <sup>5</sup>	Number	Number		
Gregory M Vesey	MD/CEO <sup>1</sup>	Shares	200,000	---	---	---	500,000	---	700,000
		Rights/Options	---	0.87	1,600,000	---	---	---	1,600,000
Maurice Brand	Executive Director <sup>6</sup>	Shares	4,800,000	---	---	---	(4,800,000)	---	---
		Rights/Options	973,790	---	---	---	(973,790)	---	---
John Baguley	COO <sup>2</sup>	Shares	270,000	---	---	---	---	---	270,000
		Rights/Options	406,125	0.87	600,000	(246,141)	---	---	759,984
Kinga Doris	General Counsel	Shares	---	---	---	---	---	---	---
		Rights/Options	---	0.87	600,000	---	---	---	600,000
Michael R Mott	CFO	Shares	---	---	---	---	---	---	---
		Rights/Options	289,742	0.87	600,000	---	---	---	889,742
Anthony Gelotti	CDO <sup>3</sup>	Shares	---	---	---	---	---	---	---
		Rights/Options	---	0.87	600,000	---	---	---	600,000

<sup>1</sup> Effective April 4, 2016, Mr. Vesey became MD & CEO.

<sup>2</sup> Mr. Baguley was promoted to Chief Operating Officer effective June 2017. Mr. Baguley had previously performed the duties of the Chief Technical Officer.

<sup>3</sup> Mr. B'Oris was appointed Chief Development Officer effective November 27, 2017. He was not eligible for STI in fiscal 2018. Mr. Gelotti left LNGL in July 2017 and ceased his role as an Executive KMP effective July 1, 2017.

<sup>4</sup> Issue 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. Issue prices used for accounting purposes reflect application of Australian Accounting Standards Board Standard 2 (AASB 2), and may differ from the issue prices in this chart.

<sup>5</sup> The fiscal 2017 Rights issuance was 60 percent MATSR-based performance rights and 40 percent retention rights having a three-year "cliff vest".

<sup>6</sup> Effective July 29, 2016, Mr. Brand left LNGL. The share and Rights balances held at that date are reflected as Other reductions in the 2017 table representing his elimination as an Executive KMP at that date.

## Changes in NED held equity

### Changes in Director KMP Equity Held

Name	Position	Held at July 1, 2017		Issued during Fiscal Year		Forfeited in Year	Other change	Vested	Number held at June 30, 2018
		Instrument	Number	Issue price <sup>2</sup>	Number	Number	Number		
Paul J Cavicchi	Chairman <sup>1</sup>	Shares	320,592	---	---	---	---	213,938	534,530
		Rights/Options	216,000	0.500	223,100	---	---	(216,000)	223,100
Richard J Beresford	NED	Shares	472,225	---	---	---	---	127,014	599,239
		Rights/Options	129,076	0.500	138,240	---	---	(129,076)	138,240
Leeanne K Bond	NED	Shares	43,549	---	---	---	---	127,014	170,563
		Rights/Options	129,076	0.500	138,240	---	---	(129,076)	138,240
Philip D Moeller	NED	Shares	66,000	---	---	---	---	127,014	193,014
		Rights/Options	129,076	0.500	138,240	---	---	(129,076)	138,240
D Michael Steuert	NED	Shares	139,575	---	---	---	---	127,014	266,589
		Rights/Options	129,076	0.500	138,240	---	---	(129,076)	138,240

Name	Position	Held at July 1, 2016		Issued during Fiscal Year		Forfeited in Year	Other change	Vested	Number held at June 30, 2017
		Instrument	Number	Issue price <sup>2</sup>	Number	Number	Number		
Paul J Cavicchi	Chairman <sup>1</sup>	Shares <sup>6</sup>	7,097	---	---	---	300,000	13,495	320,592
		Rights/Options	15,148	0.595	216,000	---	---	(15,148)	216,000
Richard J Beresford	NED	Shares	446,837	---	---	---	---	25,388	472,225
		Rights/Options	27,041	0.595	129,076	---	---	(27,041)	129,076
Leeanne K Bond	NED	Shares	29,428	---	---	---	---	14,121	43,549
		Rights/Options	15,774	0.595	129,076	---	---	(15,774)	129,076
Philip D Moeller	NED	Shares	---	---	---	---	66,000	---	66,000
		Rights/Options	---	0.595	129,076	---	---	---	129,076
D Michael Steuert	NED	Shares	---	---	---	---	126,080	13,495	139,575
		Rights/Options	15,148	0.595	129,076	---	---	(15,148)	129,076

<sup>1</sup> Mr. Cavicchi was appointed Chairman in November 2016.

<sup>2</sup> Issue 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 LNG's Annual General Meeting. These issue prices reflect application of Australian Accounting Standards Board Standard 2 (AASB 2).



## **Use of independent consultancy in support of Compensation Committee**

In January 2018, Korn Ferry was retained by the Board to assist the Compensation Committee regarding executive compensation. Korn Ferry's 2018 engagement letter totaled US\$20,000, of which \$10,000 was paid during fiscal 2018.

The scope of work during fiscal 2018 included the following deliverables:

- Provide recommendations on the long-term incentive plan, including making recommendations in the context of shareholder and proxy advisory feedback.
- Assisting in review of LNGL's annual report and ad-hoc assistance to the Compensation Committee.

In fiscal 2017, the Board also retained the Korn Ferry to assist the Compensation Committee. Korn Ferry received compensation for their analysis and advisory work that led to their recommendations. Korn Ferry's 2016 engagement letter totaled US\$135,000, of which US\$60,000 was paid during fiscal 2017. In January 2017, Korn Ferry's engagement letter totaled US\$40,000, of which US\$30,000 was paid during fiscal 2017, for total fees of US\$90,000 paid during fiscal 2017.

Korn Ferry's scope of work during fiscal 2017 included the following deliverables.

- Providing recommendations on the long-term incentive plan and short-term incentive plan, including making recommendations in the context of shareholder and proxy advisory feedback on existing programs.
- Providing recommendations on NED compensation structures and benchmarking NED compensation using peer group data and survey data.
- Providing executive compensation market updates and regulatory updates.
- Assisting in review of LNGL's annual report and ad-hoc assistance to the Compensation Committee.

The Board is satisfied that the KMP remuneration recommendations received in fiscal 2018 (and 2017) 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**

## **INDEMNIFICATION AND INSURANCE**

An Officer's Protection Deed has been entered 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, LNGL has agreed to indemnify the directors and the Company Secretary against any claims or for any expenses or costs that may arise because of work performed in their respective capacities. There is no monetary limit to the extent of the indemnity.

During the financial year, LNGL incurred a premium of \$280,434(excl. GST) (2017: \$189,857) in respect of the primary coverage policy insuring the directors and officers against any liabilities and expenses and costs that may arise because of work performed in their respective capacities. This amount is not part of the directors' remuneration disclosed in the Remuneration Report above. As at June 30, 2018, the insurance cover was limited to \$100 million on the primary coverage plus \$20 million Side A excess cover.

## **RISK MANAGEMENT**

LNGL 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 several mechanisms in place to ensure management's objectives and activities are aligned with those determined by the Board including:

- Board approval of the strategic plan and objectives;
- Board approval of the 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 adherence to and performance against the above items; and
- Regular review by the Board of risk management processes, with improvements introduced where appropriate.

## **SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

In November 2017, Mr. Joe B'Oris replaced Mr. Anthony (AG) Gelotti as Chief Development Officer. As at that date, Mr. B'Oris became a KMP.

There were no other significant changes in LNGL's state of affairs during the financial year ended June 30, 2018.

## **SIGNIFICANT EVENTS AFTER BALANCE DATE**

None of a material nature.

## **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 LNGL under ASIC Corporation's (Rounding in Financial/Directors' Reports) Instrument 2016/191. LNGL 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, LNGL 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

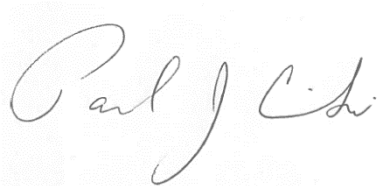
The following services were provided by LNGL's auditor, EY Australia. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit services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

EY Australia received or are due to receive the following amounts for its services:

	<b>CONSOLIDATED 2018 \$'000</b>
<b>Amounts paid or payable to EY (Australia) for:</b>	
- audit of LNGL's financial report	\$ 73
- half-year review	37
- other assurance services	536
- other services	25
<b>Amounts paid or payable to EY (Australia) related practices for:</b>	
- tax services and other services provided by overseas firms	165
	<b>\$ 836</b>

Other assurance services relate to PCAOB audit services performed related to a potential U.S. listing of LNGL's securities. 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, LNGL considered EY the most appropriate advisor to work on these matters.

Signed in accordance with a resolution of the directors.



Paul J Cavicchi

Chairman

Houston, Texas U.S.

September 21, 2018



Gregory M Vesey

Managing Director/Chief Executive Officer

Houston, Texas U.S.

September 21, 2018

## CORPORATE GOVERNANCE STATEMENT

The Board is responsible for establishing and maintaining LNGL’s corporate governance framework and is guided by the ASX Corporate Governance Council (CGC) Principles and Recommendations (3<sup>rd</sup> Edition ASX Corporate Governance Council March 2014 (3<sup>rd</sup> Edition Principles)).

During the fiscal 2018 (and 2017) financial year LNGL’s practices were compliant with the existing 3<sup>rd</sup> Edition Principles, except where noted in the following table. Following the table is a narrative describing LNGL’s approach to each of the 8 Principles.

### ASX Corporate Governance – Best Practice Recommendation

Best Practice Recommendation	Comply Yes / No	
<b>Principle 1 – Lay solid foundations for management and oversight</b>		
1.1	A listed entity should disclose:	
	a) The respective roles and responsibilities of its Board and management; and	Yes
	b) Those matters expressly reserved to the Board and those delegated to management.	Yes
1.2	A listed entity should:	
	a) Undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and	Yes
	b) Provide security holders with all material information in its possession relevant to a decision on whether 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 organization (including how the entity has defined “senior executive” for these purposes); or	Yes

	(ii) if the entity is a “relevant employer” under the Workplace Gender Equality Act, the entity’s most recent “Gender Equality Indicators”, as defined in and published under that Act.	n/a
1.6	A listed entity should: a) Have and disclose a process for periodically evaluating the performance of the Board, its committees and individual directors; and b) Disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	Yes Yes

## Principle 2 – Structure the board to add value

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 b) Is chaired by an independent director. And should disclose: a) The charter of the committee; b) The members of the committee; and 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.  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.	Yes Yes  Yes Yes Yes  n/a
2.2	A listed entity should have and disclose a Board skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership.	Yes
2.3	A listed entity should disclose: a) The names of the Directors considered by the Board to be independent directors; b) If a director has an interest, position, association or relationship of the type described in Box 2.3 but the Board believes 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 c) The length of service of each Director.	Yes Yes 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 should not be the same person as the	Yes

	CEO of the entity.	
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**

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**

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**

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

6.1	A listed entity should provide information about itself and its governance to investors via its website.	Yes
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	Yes
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	Yes
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	Yes

#### Principle 7 – Recognize and manage risk

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 meetings.	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:	
	a) If it has an internal audit function, how the function is structured and what role it performs; or	n/a
	b) If it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	Yes

7.4	A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	Yes
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### Principle 8 – Remunerate fairly and responsibly

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

### Principle 1 – Lay solid foundations for management and oversight

The Board is responsible for the corporate governance of LNGL.

Directors clearly understand their corporate expectations at the time of their appointment and formal letters set out key terms and conditions. Prior to consideration for appointment as a director appropriate checks are performed. LNGL uses international executive search and Board consulting firms to support its board renewal process. Preferred candidates are short-listed 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 to elect or re-elect a new or retiring director.

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

The Board guides and monitors the business and affairs of LNGL on behalf of the shareholders by whom they are elected and to whom they are accountable. Directors’ responsibilities include:

- Setting the strategic direction and objectives of LNGL and establishing defined goals to ensure these strategic objectives are met;
- Monitoring performance against the established goals and overall strategic objectives;
- Ensuring there are adequate internal controls and ethical standards of behavior adopted and complied with within LNGL;
- Ensuring that the business risks of LNGL 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 eliminated;
- 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; and
- Ensuring there are adequate procedures in place for recruitment, induction, training, remuneration (both short-term and long-term), and succession planning.

LNGL 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 behaviors, 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 LNGL’s website at:

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

At June 30, 2018, LNGL employed a total of 24 full time employees (FTEs) (excluding Non-Executive Directors), with six personnel residing in Australia (25 percent of FTEs) and eighteen residing in the U.S. (75 percent of FTEs), including all five Executive KMP (100 percent of KMP). LNGL applies, among other considerations, diversity considerations and practices in the recruitment and development of its staff and Directors.

The gender diversity of LNGL’s employees (excluding consultants) and Board at June 30, 2018 follows.

Role	Number of Women	Total Number of Persons
Whole organization	11	29
Senior Executive positions <sup>1</sup>	2	7
Board of Directors <sup>2</sup>	1	6

<sup>1</sup> “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 LNGL as part of the Corporate Leadership Team.

<sup>2</sup> Includes Executive and Non-Executive directors.

LNGL is an equal opportunity employer. The internal approach to diversity as described in the Diversity Policy is that LNGL does not discriminate at any level or for any reason including age, gender, disability, ethnicity, marital or family status, religious or cultural background or sexual orientation, and always selects the most appropriate person for the job.

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

The Board conduct an annual performance review using criteria outlined by the Australian Institute of Company Directors (AICD) and U.S. Sarbanes Oxley Act of 2017. This involves an online survey completed by all Directors

considering Board performance against ‘good governance’ statements. The Board reviews the outputs of the survey in a subsequent roundtable discussion. The Board then develops action plans to support continuous improvement in Board processes and LNGL performance. The fiscal 2018 Board survey focused on Board and management interaction. The fiscal 2019 Board Survey currently underway focuses on Board Committee performance.

The composition of Board committees and individual directors are reviewed and evaluated at least annually.

The Board has delegated to the Managing Director and Chief Executive Officer the authority to manage LNGL on a day-to-day basis. The Managing Director and Chief Executive Officer has the authority to delegate certain responsibilities to the Executive Team, which includes:

- operating LNGL under approved budgets and delegated authorities;
- executing corporate strategies and financial plans approved by the Board;
- delivering certain goals which are aligned to the overall corporate objective of enhancing shareholder value; and
- ensuring the development of a healthy culture and core values to achieve desired outcomes.

Evaluation of senior executive performance 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 LNGL’s corporate governance principles and policies. More information on the process itself and the results in the current year are 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 accordance with the definition of independence above, and the prescribed materiality thresholds, the following directors of LNGL, with their disclosed term in office, are considered independent directors of LNGL.

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

Mr. Gregory M Vesey is the Managing Director and Chief Executive Officer at the date of this report. Mr. Vesey is not considered independent.

The Board has established a Corporate Governance and Nominating Committee that is required to meet at least annually, to ensure that the Board operates within established guidelines including, where necessary, selecting candidates for the position of director. The Corporate Governance and Nominating Committee is comprised of independent directors 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. A summary of the key accountabilities of the Corporate Governance and Nominating Committee may be found on LNGL’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 LNGL’s strategic direction, opportunities, and challenges at all stages of its development and operation. 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 summarize the current direction of the business and influence the skills and experience required at the Board level to oversee its implementation.

- To create wealth for shareholders through delivery of competitive LNG liquefaction projects in key markets
- 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 LNGL’s LNG plants are world competitive in operating efficiencies and capital and operating costs

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

## Board renewal

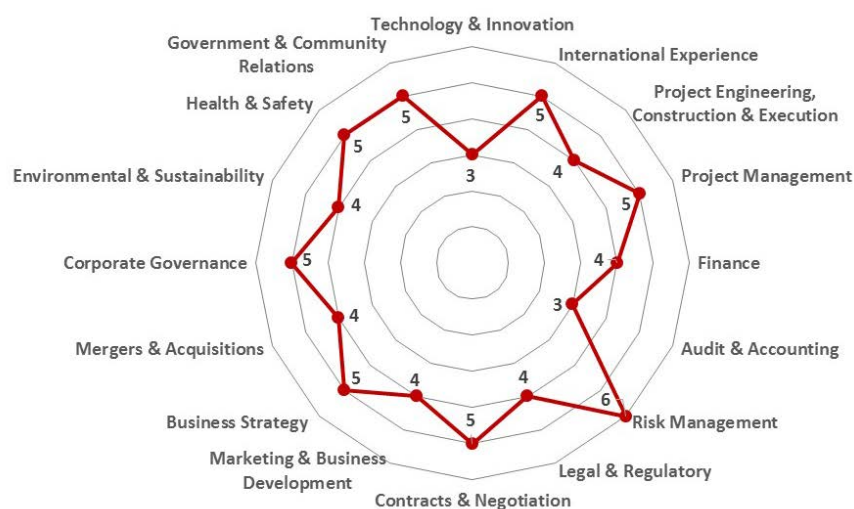
The Board has regularly reviewed its need for renewal and succession planning considering LNGL’s direction, strategy, and challenges. As LNGL continues to transition from ‘development stage’, where skills in project development are paramount, to a growth period involving the construction and operation 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 focus on North American asset development, the Board make-up is predominantly North American-based with emphasis on North American energy industry experience.

## Current Board Skills and Experience

### Board skills matrix

The skills and experience mix of the six current directors is summarized 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 LNGL’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.



<b>Skills and Experience</b>	<b>Description</b>
Technology and innovation	Professional qualifications / experience in the research, development, and implementation of energy transportation and/or processing technologies.
International experience	Directors who 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 who carry relevant experience in project manager or executive director roles across large scale energy projects.
Finance	Those directors who 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 who have extensive experience in executive strategy positions, including previous managing director, chief executive, and/or strategic senior manager roles.
Mergers and acquisitions	Directors who 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 who 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 identifies desired skills and experience attributes when

reviewing the future director candidate pool. LNGL 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.

LNGL 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 LNGL's securities;
- Market Disclosure Policy;
- Corporate Governance Policy;
- Anti-Bribery and Anti-Corruption Policy;
- A quick guide to LNGL's Company 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 2018, the Board received training on U.S. governance issues and recent trends in mergers and acquisitions hosted by a U.S.-based law firm. Similar training was held in fiscal 2017.

There are procedures in place, agreed by the Board, to enable directors to seek independent professional advice at LNGL's expense, and directors are encouraged to attend relevant courses to maintain or expand their individual skills in areas supporting LNGL'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 behavior required of directors is set out in the Director Code of Conduct (**Code**), which forms part of LNGL's governance policies. The Board updates the Code as necessary, which ensures that it reflects an appropriate standard of behavior 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 LNGL 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 Audit Committee 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. LNGL's Audit Committee charter can be found on LNGL'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. LNGL'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.

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

### **Principle 5 – Make timely and balanced disclosure**

LNGL's corporate governance policies include a Market Disclosure Policy, which details LNGL's commitment to ensuring compliance with market disclosure obligations. The Board and management employ procedures to ensure compliance with this policy.

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

### **Principle 6 – Respect the rights of security holders**

LNGL places significant importance on effective communication with shareholders and is committed to keeping them informed of all major developments that affect LNGL. The Market Disclosure Policy highlights the communication approach taken by LNGL.

Information is disseminated to shareholders and other stakeholders via methods reflecting current corporation communication practices and compliance with exchange rules. LNGL's website has dedicated Investors and Media sections that display all pertinent LNGL information and disclosures timely.

Shareholders are encouraged to subscribe to LNGL's electronic email alert that allows them to be updated with Company disclosures. Shareholders can access email alerts via a dedicated link on the "Investor Welcome" page of the website. LNGL's announcements are also communicated via its twitter account.

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

LNGL facilitates and encourages participation at meetings of shareholders and all shareholders are encouraged to attend in person. The date of the current year's AGM is published in the "Event Calendar" within the

“Investors” section of LNGL’s website, as well as in the Notice of Meeting. The Chairman encourages shareholders or their proxy at the AGM to ask questions and make comments about LNGL’s performance. The Chairman may respond directly to questions or may refer a question to another Director, the Managing Director and Chief Executive Officer or a member of the Executive Team. Shareholders at the AGM are also given the opportunity to ask questions to LNGL’s external auditors, Ernst & Young.

## **Principle 7 – Recognize and manage risk**

### **Risk assessment and mitigation processes**

LNGL’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.

LNGL’s Principles, Charters & Policies guide our decisions, actions, and behaviors. Effective management and oversight of LNGL’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 LNGL 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 LNGL, ensuring thorough assessment of business development opportunities within the context of its risk management framework.

LNGL has a risk management process based on *Standards Australia AS/NZS ISO 31000:2009 Risk management – Principles and guidelines*. LNGL’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 LNGL 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 LNGL’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.

LNGL does not currently have an internal audit function, but through LNGL’s risk management process, management is satisfied that it can 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 LNGL’s Audit Committee may be found on LNGL’s website within its Corporate Governance Policy.

<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 LNGL’s 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 recognizes the need to take account of changing community attitudes and environmental challenges, and therefore LNGL assesses the environmental and social risks associated with all 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 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. LNGL 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 minimize environmental impacts where we do business and we try to create mutually supporting economic and environmentally sustainable solutions. Our patented OSMR<sup>®</sup> technology offers a range of economic, environmental, and social benefits, with the objective being reduced capital and operating costs, smaller footprint, and simple start-up and operation.

## **Social**

Community engagement is embedded in our projects. We listen to community concerns, respond to their needs, and take actions required to help to mitigate the impact of our planned operations. The way LNGL conducts business in local communities is critical to the overall success of the business and the long-term interests of our shareholders and other stakeholders. As LNGL 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.

## **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 regulators' websites.

## **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 LNGL's website.

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

Refer also to the Sustainability Development section of the Director's Report contained elsewhere herein.

## **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, Ms. Leeanne K Bond and Mr. D. Michael Steuert, who are all independent



NEDs, to supervise employment management guidelines and policies, and assist in developing and recommending remuneration arrangements. LNG'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 LNG's Compensation Committee may be found on LNG's website within its Corporate Governance Policy:

<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.

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LIQUEFIED NATURAL GAS LIMITED  
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
JUNE 30, 2018

		CONSOLIDATED	
		2018	2017
		In thousands (\$)	
	Note		
Revenue	A1	\$ 326	\$ 367
Other income	A1	1,858	551
Total revenue and other income		<u>2,184</u>	<u>918</u>
Administrative expense	A1	(12,285)	(13,638)
Finance costs	A1	---	(1)
Project development expenses	A1	(11,435)	(12,423)
Share-based payment expenses	A1 and D4	(1,227)	(2,518)
Other expenses	A1	(---)	(1,539)
Total expenses		<u>(24,947)</u>	<u>(30,119)</u>
Loss before income tax expense		<u>(22,763)</u>	<u>(29,201)</u>
Income tax expense	A1 and A3	(20)	(111)
Loss after income tax expense		<u>(22,783)</u>	<u>(29,312)</u>
<b>Net loss for the period</b>		<u>\$ (22,783)</u>	<u>\$ (29,312)</u>
<b>Other comprehensive income (loss) for the period:</b>			
Foreign currency translation, net of tax		\$ 302	\$ (381)
<b>Total comprehensive income (loss) for the period</b>		<u>\$ (22,481)</u>	<u>\$ (29,693)</u>
<b>Loss for period is attributable to:</b>			
Non-controlling interest		\$ (6)	\$ (2)
Equity holders of the parent		(22,777)	(29,310)
<b>Total comprehensive income (loss)</b>		<u>\$ (22,783)</u>	<u>\$ (29,312)</u>
<b>Total comprehensive income (loss) for the period:</b>			
Non-controlling interest		\$ (6)	\$ (2)
Equity holders of the parent		(22,475)	(29,691)
<b>Total comprehensive income (loss)</b>		<u>\$ (22,481)</u>	<u>\$ (29,693)</u>
<b>Loss per share attributable to ordinary equity holders:</b>			
Basic loss per share	A6	\$ (0.044)	\$ (0.058)
Fully diluted loss per share	A6	(0.044)	(0.058)

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

LIQUEFIED NATURAL GAS LIMITED  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2018



	Note	CONSOLIDATED	
		2018	2017
In thousands (\$)			
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	C1	\$ 22,476	\$ 40,294
Trade and other receivables	B1	60	114
Other financial assets	C1	28,222	4,156
Prepayments		545	400
<b>Total current assets</b>		<b>51,303</b>	<b>44,964</b>
<b>Non-current assets</b>			
Property, Plant and equipment	A2	11,920	12,044
<b>Total non-current assets</b>		<b>11,920</b>	<b>12,044</b>
<b>Total assets</b>		<b>\$ 63,223</b>	<b>\$ 57,008</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	B2	\$ 2,396	\$ 2,151
Interest-bearing liabilities	C2	---	4
Employee benefits and provisions	B3	405	379
<b>Total current liabilities</b>		<b>2,801</b>	<b>2,534</b>
<b>Non-current liabilities</b>			
Interest-bearing liabilities	C2	---	2
Employee benefits and provisions	B3	14	41
<b>Total non-current liabilities</b>		<b>14</b>	<b>43</b>
<b>Total liabilities</b>		<b>2,815</b>	<b>2,577</b>
<b>Net assets</b>		<b>\$ 60,408</b>	<b>\$ 54,431</b>
<b>Equity</b>			
<i>Equity attributable to equity holders of the Parent:</i>			
Contributed equity	C4	\$ 420,106	\$ 392,875
Reserves		45,219	43,690
Accumulated losses		(404,789)	(382,012)
<b>Parent interests</b>		<b>60,536</b>	<b>54,553</b>
<b>Non-controlling interest</b>		<b>(128)</b>	<b>(122)</b>
<b>Total equity</b>		<b>\$ 60,408</b>	<b>\$ 54,431</b>

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

LIQUEFIED NATURAL GAS LIMITED  
STATEMENT OF CHANGES IN EQUITY  
JUNE 30, 2018

Note	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 (\$)											
<b>At July 1, 2017</b>	\$ 392,875	\$ 6,078	\$ 32,094	\$ 4,032	\$ 578	\$ 908	\$ (382,012)	\$ 54,553	\$ (122)	\$ 54,431	
Loss for the period	A6	---	---	---	---	---	(22,777)	(22,777)	(6)	(22,783)	
Other comprehensive income (loss)		---	---	---	---	302	---	302	---	302	
<b>Total comprehensive income (loss) for the period</b>		---	---	---	---	302	(22,777)	(22,475)	(6)	(22,481)	
<b>Transactions with owners in their capacity as owners:</b>											
Issue costs on conversion of rights	C4	---	---	---	---	---	---	---	---	---	
Ordinary share sale, net of costs	C4	27,231	---	---	---	---	---	27,231	---	27,231	
Exercise of options	C4	---	---	---	---	---	---	---	---	---	
Share based payment	D4	---	1,227	---	---	---	---	1,227	---	1,227	
<b>At June 30, 2018</b>	\$ 420,106	\$ 6,078	\$ 33,321	\$ 4,032	\$ 578	\$ 1,210	\$ (404,789)	\$ 60,536	\$ (128)	\$ 60,408	
<b>At July 1, 2016</b>	A6	\$ 392,220	\$ 6,078	\$ 29,576	\$ 4,032	\$ 578	\$ 1,289	\$ (352,702)	\$ 81,071	\$ (120)	\$ 80,951
Loss for the period		---	---	---	---	---	(29,310)	(29,310)	(2)	(29,312)	
Other comprehensive income		---	---	---	---	(381)	---	(381)	---	(381)	
<b>Total comprehensive income (loss) for the period</b>		---	---	---	---	(381)	(29,310)	(29,691)	(2)	(29,693)	
<b>Transactions with owners in their capacity as owners:</b>											
Issue costs on conversion of rights	C4	(19)	---	---	---	---	---	(19)	---	(19)	
Exercise of options	C4	674	---	---	---	---	---	674	---	674	
Share based payment	D4	---	---	2,518	---	---	---	2,518	---	2,518	
<b>At June 30, 2017</b>		\$ 392,875	\$ 6,078	\$ 32,094	\$ 4,032	\$ 578	\$ 908	\$ (382,012)	\$ 54,553	\$ (122)	\$ 54,431

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

LIQUEFIED NATURAL GAS LIMITED  
STATEMENT OF CASH FLOWS  
JUNE 30, 2018



		CONSOLIDATED	
		2018	2017
		In thousands (\$)	
Note			
<b>Cash flows from operating activities</b>			
	Receipts from taxation authorities	\$ 272	\$ 497
	Interest received	358	382
	Research and development tax concession rebate	144	1,050
	Payments to suppliers and employees	(22,941)	(27,421)
	<b>Net cash flows used in operating activities</b>	<b>(22,167)</b>	<b>(25,492)</b>
C1			
<b>Cash flows from investing activities</b>			
	Investment in from security deposits classified as other financial assets	(25,000)	---
	Proceeds on sale of Gladstone LNG Pty Ltd	1,293	---
	Purchase of property, plant and equipment	---	(409)
	<b>Net cash used in investing activities</b>	<b>(23,707)</b>	<b>(409)</b>
A2			
<b>Cash flows from financing activities</b>			
	Proceeds from the issue of ordinary shares	28,222	
	Transaction costs on issue of ordinary shares	(991)	(19)
	Proceeds from the exercise of options	---	674
	Repayment of finance lease principal	---	(3)
	Interest paid	---	(1)
	<b>Net cash flows from financing activities</b>	<b>27,231</b>	<b>651</b>
	<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(18,643)</b>	<b>(25,250)</b>
	Net foreign exchange differences	825	(1,643)
	Cash and cash equivalents at beginning of year	40,294	67,187
	<b>Cash and cash equivalents at end of year</b>	<b>\$ 22,476</b>	<b>\$ 40,294</b>
C1			

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

## About this report

The financial report of Liquefied Natural Gas Limited (**LNGL** or **Company**) for the year ended June 30, 2018 was authorized for issue in accordance with a resolution of the Directors on September 21, 2018.

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 several 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, if any, 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 instrument applies.

The financial report comprises the financial statements of the Group and its subsidiaries as at June 30, 2018 (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 unrealized 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 statement of profit and loss, 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 realization 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, debt balances and finance costs, if any, finance income, 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 all reporting periods. In applying the aggregation criteria, management have made judgements surrounding the economic characteristics of the company's projects, including consideration of the macroeconomic environment impacting each individual project, the percentage of consolidated revenue that the operating segment will contribute, and the regulatory environment the Company's projects operate in.

### **Technology and Licensing Segment**

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

## **A1. Segment performance**

### **Revenue**

#### **Interest revenue**

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

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

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

#### **Goods and service tax (GST) or equivalent**

Revenue, expenses, and assets are recognized 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, with commitments and contingencies disclosed net.



**Wages, salaries, annual leave, sick leave, and long service leave**

Expenses and liabilities incurred for wages and salaries, superannuation, non-monetary benefits, and annual leave due to be settled within 12 months of the reporting date are recognized 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 recognized 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. These items are applicable only to Australian-based employees.

In 2015, the Group established a defined contribution plan (**401(k) Plan**) for eligible U.S. employees. The 401(k) Plan allows eligible employees to contribute up to 100 percent of their compensation up to the IRS maximum, for which the Group matched those contributions by up to 3.5 percent and beginning on January 1, 2018 by up to 6 percent.

**Segment allocations**

**Corporate charges**

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

**Other**

Interest revenue, realized 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 June 30, 2018 and 2017, respectively.

	LNG Infrastructure		Technology & Licensing		Unallocated		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
R&D concession	\$ ---	\$ ---	\$ ---	\$ ---	\$ 144	\$ 551	\$ 144	\$ 551
Net foreign exchange gain	---	---	---	---	421	---	421	---
Interest revenue	---	---	---	---	326	367	326	367
Gain on sale of Gladstone LNG	---	---	---	---	1,293	---	1,293	---
Inter-segment sales	---	---	---	---	---	---	---	---
<b>Total revenue and other income</b>	---	---	---	---	<b>2,184</b>	<b>918</b>	<b>2,184</b>	<b>918</b>
Inter-segment elimination	---	---	---	---	---	---	---	---
<b>Total revenue and other income</b>	---	---	---	---	<b>2,184</b>	<b>918</b>	<b>2,184</b>	<b>918</b>
<i>Project development costs</i>								
- Employee comp & benefits	(4,244)	(5,987)	(894)	(360)	---	---	(5,138)	(6,347)
- Defined contribution plans	(92)	(81)	(91)	(62)	---	---	(183)	(143)
- Consulting fees	(1,094)	(2,264)	---	---	---	---	(1,094)	(2,264)
- Site options and lease expense	(3,519)	(2,328)	---	---	---	---	(3,519)	(2,328)
- Other expenses	(1,303)	(1,032)	(198)	(309)	---	---	(1,501)	(1,341)
Total project development costs	(10,252)	(11,692)	(1,183)	(731)	(--)	---	(11,435)	(12,423)
Finance costs	---	---	---	---	---	(1)	---	(1)
Corporate charges	---	---	---	---	(11,328)	(13,114)	(11,328)	(13,114)
Share-based payments	---	---	---	---	(1,227)	(2,518)	(1,227)	(2,518)
Depreciation	---	---	---	---	(147)	(208)	(147)	(208)
Operating lease payments	---	---	---	---	(810)	(316)	(810)	(316)
Gain/(loss) on sale of PP&E	---	---	---	---	---	(125)	---	(125)
Net foreign exchange loss	---	---	---	---	---	(1,414)	---	(1,414)
Income tax expense	---	---	---	---	(20)	(111)	(20)	(111)
	<b>\$ (10,252)</b>	<b>\$ (11,692)</b>	<b>\$ (1,183)</b>	<b>\$ (731)</b>	<b>\$ (11,348)</b>	<b>\$ (16,889)</b>	<b>\$ (22,783)</b>	<b>\$ (29,312)</b>

**Key estimates and judgements –**

**Project development expenses** - Management judgement is required to assess whether development expenses should be capitalized. In determining whether to capitalize 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.

**Ground Lease commitment** – Magnolia LNG LLC, a wholly owned indirect subsidiary of the Company, executed a Ground Lease with the Lake Charles Harbor and Terminal District for the land on which Magnolia LNG shall be constructed. Due in part to the inherent economic life of land as well as the lack of transfer of the risks and rewards incidental to ownership, the Ground Lease is classified as an operating lease. Obligations under the lease have been guaranteed by the Group.

## A2. Segment assets and Group property, plant and equipment

	LNG Infrastructure		Technology and Licensing		Total	
	2018	2017	2018	2017	2018	2017
In thousands (\$)						
<b>Segment assets</b>						
Australia	\$ 7	\$ 6	\$ 1	\$ 2	\$ 8	\$ 8
Canada	11,495	11,560	---	---	11,495	11,560
U.S.	663	665	---	---	663	665
Indonesia	---	---	---	---	---	---
<b>Total segment assets</b>	<b>\$ 12,165</b>	<b>\$ 12,231</b>	<b>\$ 1</b>	<b>2</b>	<b>\$ 12,166</b>	<b>12,233</b>
Intersegment eliminations					---	---
Unallocated assets <sup>1</sup>					51,057	44,775
<b>Total assets</b>					<b>63,223</b>	<b>57,008</b>
<b>Unallocated liabilities</b>					<b>\$ 359</b>	<b>\$ 415</b>

<sup>1</sup> Unallocated assets primarily consisted of cash and cash equivalents of \$22,476,000 (2017: \$40,294,000) and other financial assets of \$28,222,000 (2017: \$4,156,000).

### 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 capitalization when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, the associated cost is recognized in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalization. All other repairs and maintenance are recognized in profit or loss as incurred.

#### De-recognition and disposal

An item of plant and equipment is de-recognized 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 amortization 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 (\$)				
<b>Cost</b>					
At July 1, 2016	\$ 11,009	\$ 26	\$ 299	\$ 1,072	\$ 12,406
Additions	409	---	---	---	409
Disposals	---	(25)	(119)	(165)	(309)
Exchange differences	7	(1)	(6)	(32)	(32)
<b>At June 30, 2017</b>	<b>\$ 11,425</b>	<b>\$ ---</b>	<b>\$ 174</b>	<b>\$ 875</b>	<b>\$ 12,474</b>
Additions	---	---	---	---	---
Disposals	---	---	---	---	---
Exchange differences	---	---	6	33	39
<b>At June 30, 2018</b>	<b>\$ 11,425</b>	<b>\$ ---</b>	<b>\$ 180</b>	<b>\$ 908</b>	<b>\$ 12,513</b>
<b>Accumulated depreciation</b>					
At July 1, 2016	\$ ---	\$ 24	\$ 170	\$ 206	\$ 400
Depreciation charge for the year	---	2	66	140	208
Disposals	---	(25)	(84)	(59)	(168)
Exchange differences	---	(1)	(3)	(6)	(10)
<b>At June 30, 2017</b>	<b>\$ ---</b>	<b>\$ ---</b>	<b>\$ 149</b>	<b>\$ 281</b>	<b>\$ 430</b>
Depreciation charge for the year	---	---	28	119	147
Disposals	---	---	---	---	---
Exchange differences	---	---	3	13	16
<b>At June 30, 2018</b>	<b>\$ ---</b>	<b>\$ ---</b>	<b>\$ 180</b>	<b>\$ 413</b>	<b>\$ 593</b>
At June 30, 2018	<b>\$ 11,425</b>	<b>\$ ---</b>	<b>\$ ---</b>	<b>\$ 495</b>	<b>\$ 11,920</b>
At June 30, 2017	11,425	---	25	594	12,044

### 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, with an initial deposit of C\$45,000 paid in June 2016, with the remaining balance of C\$405,000 paid in August 2016. The site comprises industrial-zoned land (252 acres) and deep-water acreage (75 acres). The consideration paid was allocated to the land acquired.

### Intangible assets and goodwill

The Group currently has no intangible assets or goodwill recorded on its statement of financial position.

### Impairment of non-financial assets

Non-financial assets, excluding intangible assets, are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized 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. To assess 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. Management have assessed that there were no triggers for impairment at reporting date.

### 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 realized. 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 recognized directly in equity, if any, are recognized in equity.

	<b>CONSOLIDATED</b>	
	<b>2018</b>	<b>2017</b>
	<b>In thousands (\$)</b>	
<b>Current tax</b>		
<b>Income tax expense</b>		
Current tax expense	\$ 20	\$ 111
Deferred tax expense	---	---
<b>Income tax expense</b>	<b>20</b>	<b>111</b>
<b>Reconciliation between tax expense and tax expense calculated per the statutory income tax rate</b>		
Accounting loss before tax	<b>(22,796)</b>	(29,201)
<b>Prima facie tax @ 27.5% (2017: 27.5%)</b>	<b>(6,269)</b>	(8,030)
<i>Increase in tax expense due to:</i>		
Share based payments	<b>223</b>	356
Expenditure not deductible for tax purposes	<b>114</b>	3
<i>Decrease in tax expense due to:</i>		
Unrecognized deferred taxes	<b>5,952</b>	7,782
<b>Income tax expense/(benefit)</b>	<b>\$ 20</b>	<b>\$ 111</b>

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 recognized 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 recognized for all taxable temporary differences. Deferred tax assets are generally recognized 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 utilized. Such deferred tax assets and liabilities are not recognized 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 recognized if the taxable difference relates to investments in subsidiaries to the extent that the Group can 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.

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	
	2018	2017	2018	2017
	In thousands (\$)			
<i>Deferred tax liabilities</i>				
Accrued income	\$ ---	\$ ---	\$ ---	\$ ---
Gross deferred income tax liabilities	---	---		
Set-off of deferred tax assets	---	---		
<b>Net deferred tax liabilities</b>	<b>\$ ---</b>	<b>\$ ---</b>		
<i>Deferred tax assets</i>				
Tax losses recognized to offset tax liabilities				
Set-off of deferred tax liabilities			---	---
<b>Deferred tax expense/(benefit)</b>			<b>\$ ---</b>	<b>\$ ---</b>

### Tax losses

The Group has unutilized tax losses and other deductible temporary differences for which no deferred tax asset is recognized 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	
	2018	2017
	In thousands (\$)	
Unused revenue losses on which no deferred tax asset has been recognized	\$ 45,080	\$ 40,959
Unused capital losses for which no deferred tax asset has been recognized	21,753	14,777
Unamortized costs for which no deferred tax asset has been recognized	1,553	31,572
<b>Unrecognized tax benefit in Australia at 27.5%</b>	<b>\$ 18,806</b>	<b>\$ 24,010</b>
Unused foreign losses for which no deferred tax asset has been recognized	\$ 21,840	\$ 16,216
Unamortized costs for which no deferred tax asset has been recognized	192,254	175,906
<b>Unrecognized tax benefit in United States at 21% (Losses) and 24.46% (investment in LNG)</b>	<b>\$ 51,619</b>	<b>\$ 67,243</b>
Unused foreign losses for which no deferred tax asset has been recognized	\$ 101,517	\$ 136,594
<b>Unrecognized tax benefit in Canada at 31%</b>	<b>\$ 31,470</b>	<b>\$ 42,344</b>

### Other unrecognized temporary differences

As at June 30, 2018, the Group has temporary differences of \$384,764,824 (2017: \$417,202,656) for which no deferred tax asset has been recognized. There is no unrecognized temporary difference associated with the Group's investments in subsidiaries (2017: \$nil).

### Tax consolidation

Effective February 11, 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 recognizes 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 agreed a tax sharing agreement for the allocation of income tax expense between members on June 30, 2011. Tax attributes associated with certain tax group entities may not be available to the tax group. Such balances are not considered material to the overall carryforward.

#### ***Recovery of deferred tax assets***

Deferred tax assets arising from deductible temporary differences and tax losses are not recognized as management does not consider it probable that future taxable profits will be available to utilize those temporary differences and tax losses. Management judgement is required in assessing whether deferred tax assets and certain deferred tax liabilities are recognized in the statement of financial position. Deferred tax assets, including those arising from un-recouped tax losses, capital losses, and temporary differences, are recognized 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.

The Canadian Revenue Agency has submitted a reassessment notice to Bear Head LNG Corporation outlining a net reduction of the unused foreign losses carryforward. Bear Head LNG Corporation will appeal the ruling and believes the item will be resolved in its favor through the appeals process.

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 recognized in the statement of financial position.

## **A4. Commitments and contingencies**

#### ***Capital commitments***

At year end, there were no commitments in relation to the purchase of plant and equipment (2017: \$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 leases***

Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term.

**Group as lessee** - The Company leases its corporate and project offices under operating leases.

**Ground Lease commitment** – Effective April 1, 2017, Magnolia LNG LLC, a wholly owned indirect subsidiary of the Company, executed a Ground Lease with the Lake Charles Harbor and Terminal District, for 109.54 acres for a term of 30 years, subject to four options to extend the term of the Ground Lease on the same terms and conditions for additional periods of 10 years each.

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

	CONSOLIDATED	
	2018	2017
	In thousands (\$)	
Within one year	\$ 877	\$ 742
After one year but not more than five years	4,511	2,296
More than five years	38,977	31,701
Aggregate non-cancellable operating lease expenditure at reporting date	\$ 44,365	\$ 34,739

## A5. Dividends paid and proposed

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

## 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 recognized 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	
	2018	2017
	In thousands (\$)	
<b>Loss used in calculating earnings per share</b>		
<i>For basic earnings per share:</i>		
Net loss attributable to ordinary equity holders of the Parent	\$ (22,777)	\$ (29,310)
<i>For diluted earnings per share:</i>		
Net loss attributable to ordinary equity holders of the Parent	\$ (22,777)	\$ (29,310)
<b>Weighted average number of shares</b>		
<i>For basic earnings per share:</i>		
Weighted average number of ordinary shares for basic earnings per share	517,550,922	509,282,478
<i>For diluted earnings per share:</i>		
Weighted average number of ordinary shares adjusted for effect of dilution	517,550,922	509,282,478

## B1. Trade and other receivables

	CONSOLIDATED	
	2018	2017
	In thousands (\$)	
<b>Other receivables</b>		
GST receivable	\$ 35	\$ 47
Other receivables	25	67
<b>Total current receivables</b>	\$ 60	\$ 114

**Recognition and measurement**

Trade receivables are recognized initially at fair value and subsequently measured at amortized 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 recognized 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 typically 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**

	<b>CONSOLIDATED</b>	
	<b>2018</b>	<b>2017</b>
	<b>In thousands (\$)</b>	
<b>Trade and other payables</b>		
Trade creditors and accruals	\$ 2,371	\$ 2,120
Other creditors	25	31
<b>Total trade and other payables</b>	<b>\$ 2,396</b>	<b>\$ 2,151</b>

**Recognition and measurement**

Trade and other payables are recognized initially at fair value and subsequently measured at amortized 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	
	2018	2017
<b>Current provisions</b>	<b>In thousands (\$)</b>	
Annual leave	\$ 258	\$ 274
Long service leave	147	105
<b>Total current employee benefits and provisions</b>	<b>\$ 405</b>	<b>\$ 379</b>
<b>Non-current provisions</b>		
Long service leave	\$ 14	\$ 41

#### *Recognition and measurement*

Provisions are recognized when the Group has a present obligation (legal or constructive) because 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	
	2018	2017
<b>Cash and cash equivalents</b>	<b>In thousands (\$)</b>	
Cash at bank and in hand	\$ 21,636	\$ 38,788
Short-term deposits	840	1,506
<b>Total cash and cash equivalents</b>	<b>\$ 22,476</b>	<b>\$ 40,294</b>
<b>Other financial assets</b>		
Short-term deposits	\$ 25,000	\$ ---
Security deposits	3,222	4,156
<b>Total other financial assets</b>	<b>\$ 28,222</b>	<b>\$ 4,156</b>

#### *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 recognized at fair value and subsequently measured at amortized 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 up 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 at June 30, 2018 are made for varying periods of between 90 and 180 days and earn interest at the respective term deposit fixed rates. Included in "short-term deposits" is:

- A\$25,000,000 invested in a short-term (three-month) interest bearing investment with CIBC. The investment has a term ending on September 28, 2018.

Included in “security deposits” are:

- 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 favor 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 favor 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.

	<b>CONSOLIDATED</b>	
	<b>2018</b>	<b>2017</b>
	<b>In thousands (\$)</b>	
Net loss after income tax	\$ (22,783)	\$ (29,312)
<i>Adjust for non-cash items</i>		
Depreciation expense	147	208
Share-based payment expense	1,227	2,518
Net foreign exchange loss/(gain)	(421)	1,414
Loss on sale of PPE	---	125
<i>Adjust for other cash items:</i>		
Interest expense	---	1
<i>Adjust for changes in assets/liabilities:</i>		
Decrease in trade and other receivables	54	632
(Increase) in prepayments	(145)	(53)
(Decrease) in trade and other payables	(245)	(435)
(Decrease) in income tax payable	---	(9)
(Decrease) in provisions	(1)	(581)
<b>Net cash flows used in operating activities</b>	<b>\$ (22,167)</b>	<b>\$ (25,492)</b>

## C2. Interest bearing liabilities

	<b>CONSOLIDATED</b>	
	<b>2018</b>	<b>2017</b>
	<b>In thousands (\$)</b>	
<b>Current</b>		
Finance lease liability	\$ ---	\$ 4
<b>Non-current</b>		
Finance lease liability	\$ ---	\$ 2

### 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 that effectively transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized 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 to achieve a constant rate of interest on the remaining balance of the liability. Capitalized 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. The Group has no capital leases in any reporting period.

### 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.

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 variable interest rate risk.

At June 30, 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	
	2018	2017
	In thousands (\$)	
<b>Post tax profit (loss) and equity higher / (lower)</b>		
+ 0.5% (50 basis points) (2017: +0.5%)	\$ 253	\$ 222
- 0.5% (50 basis points) (2017: -0.5%)	(253)	(222)

#### 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 favorable against budget assumptions the Company will accept the prevailing exchange rate on the date of payment, otherwise the Company will affect payment from its foreign currency holdings.

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

	CONSOLIDATED	
	2018	2017
	In thousands (\$)	
<b>Financial assets</b>		
US\$ cash and cash equivalents	\$ 16,838	\$ 29,640
<b>Financial liabilities</b>		
US\$ trade and other payables	(1,383)	(964)
<b>Net \$US exposure</b>	\$ 15,455	\$ 28,676
<b>Financial assets</b>		
CDN\$ cash and cash equivalents	\$ 1,376	\$ 1,170
<b>Financial liabilities</b>		
CDN\$ trade and other payables	(60)	(57)
<b>Net \$CDN exposure</b>	\$ 1,316	\$ 1,113

At June 30, 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:

	<b>CONSOLIDATED</b>	
	<b>2018</b>	<b>2017</b>
	<b>In thousands (\$)</b>	
<b>Post tax profit and equity higher / (lower)</b>		
AUD/USD +10% (2017: +10%)	\$ (1,898)	\$ (3,392)
AUD/USD -10% (2017: -10%)	<b>2,320</b>	4,146
AUD/CDN +10% (2017: +10%)	<b>(123)</b>	(101)
AUD/CDN -10% (2017: -10%)	<b>150</b>	124

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 counterparty, with a maximum exposure equal to the carrying amount of these financial assets.

It is the Group's policy that customers who wish to trade on unsecured credit terms will be subject to credit verification procedures. Receivable balances are monitored on an ongoing basis to reduce the Group's exposure to bad debts. At balance sheet date, the Group's credit risk relates mainly to trade and other receivables of \$60,000 (2017: \$114,000).

#### **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.

The Company continues to operate in accordance with its liquidity management plan (LMP) begun in the 3<sup>rd</sup> quarter of fiscal 2016. During fiscal 2018, the Company undertook two liquidity enhancing events: (i) the sale of 56,444,500 of ordinary shares for net proceeds totaling \$27,231,000 and (ii) sold Gladstone LNG Pty Ltd for proceeds totaling \$1,293,000. With these incremental funds in combination with existing cash on hand and through applying our LMP, the Company estimates that the existing cash position can sustain the company through mid-2020.

At June 30, 2018, except for payables, the Group had no debt (2017: nil). At June 30, 2018, \$25,000,000 was invested in a short-term (three-month) interest bearing investment with CIBC. The investment has a term ending on September 28, 2018.

Other cash reserves are held in term deposit with the ANZ Banking Group, 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 except for finance leases which have maturities which range through 2018.

## **C4. Issued capital and reserves**

#### **Capital management**

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
<b>Movement in ordinary shares on issue:</b>		
<b>At June 30, 2016</b>	503,977,606	\$ 392,220
Exercise of options (i)	1,759,000	674
Vesting of rights (ii)	7,243,356	(19)
<b>At June 30, 2017</b>	<b>512,979,962</b>	<b>\$ 392,875</b>
Ordinary shares issued (iii)	<b>56,444,500</b>	<b>28,222</b>
Share issue costs (iii)	---	(991)
Vesting of rights (iv)	<b>721,994</b>	---
<b>At June 30, 2018</b>	<b>570,146,456</b>	<b>\$ 420,106</b>
(i) During the 2017 financial year, 1,759,000 shares were issued for cash on the exercise of share options. Refer to note D4.		
(ii) During the 2017 financial year, 7,243,356 shares were issued on the vesting of 7,271,505 Rights. Refer to note D4.		
(iii) During the 2018 financial year, 56,444,500 ordinary shares were issued for \$28,222,000 consideration on a share placement. The issue costs of the share placement were \$991,000.		
(iv) During the 2018 financial year, 721,994 ordinary shares were issued for nil consideration on the vesting of 732,304 NED Rights. Refer to note D4.		

At June 30, 2018, 570,146,456 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**

None of a material nature.

**D2. Related parties**

**Ultimate Parent**

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

**Key management personnel (KMP) disclosures**

	CONSOLIDATED	
	2018	2017
	In thousands (\$)	
Short-term benefits	\$ 3,050	\$ 3,746
Post-employment benefits	---	---
Long-term benefits	---	---
Share-based payment	1,047	938
	<b>\$ 4,097</b>	<b>\$ 4,684</b>

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 \$104,400 (excluding GST) [2017: \$161,256]. At reporting date, there were no amounts outstanding [2017: \$nil].

Mr. Beresford's spouse is employed by the Company under a casual employment service agreement. Total remuneration for this individual included cash compensation of A\$94,258 in fiscal 2018 (2017: A\$128,461) and Rights vesting in fiscal 2018 under the LTI Plan totaling 3,000 ordinary shares having a vesting date approximate value of A\$1,740 (2017: nil). This individual beneficially owns 48,032 LNGL ordinary shares in total and holds an additional 38,000 Rights under the LTI Plan, which have measurement periods ending in 2019 through 2021.

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 \$122,400 (excluding GST) [2017: \$136,000]. At reporting date, there were no amounts outstanding [2017: \$nil].

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

**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 individuals who also worked for the Company through February 29, 2016. A confidential agreement was signed between the principles and the Company effective as of the date of termination of their employment with the Company.

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 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 among other things, success fee payments due Wahoo upon realization of specific milestones, 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.

As at June 30, 2018 and through the date of this report, the Company has not recognized within its financial statements a provision for any success fee payments associated with the Agreement, 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.

### D3. Subsidiaries

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

Name		Equity interest (%)	
		2018	2017
LNG International Pty Ltd	Australia	100	100
Gas Link Global Limited	Australia	100	100
LNG Technology Pty Ltd	Australia	100	100
LNG Management Services Pty Ltd	Australia	100	100
<i>The following companies are controlled via LNG International Pty Ltd:</i>			
North American LNG Pty Ltd (i)	Australia	100	100
PT. LNG Energi Utama (ii)	Indonesia	95	95
Gladstone LNG Pty Ltd (iii)	Australia	---	100
CSG Nominees Pty Ltd	Australia	100	100
Mayflower LNG Pty Ltd (iv)	Australia	100	100
<i>The following company is controlled via LNG Technology Pty Ltd:</i>			
Gladstone OSMR Technology Pty Ltd	Australia	100	100
<i>The following companies are controlled via Mayflower LNG Pty Ltd and North American LNG Pty Ltd:</i>			
LNG Consolidated Holdings (USA) (v)	USA	100	100
LNG Management Services LLC	USA	100	100
Pecan Inc. (vi)	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) North American LNG Pty Ltd was previously named South Australian LNG Pty Ltd.
- (ii) Deregistration of this entity is in progress
- (iii) Gladstone LNG Pty Ltd was purchased by LNG Queensland Pty Ltd on April 13, 2018 via a Share Sale Agreement for net cash proceeds of \$1.293 million and the right to an additional US\$4 million payment contingent upon future development by the purchaser of an LNG project at the Fisherman's Landing Gladstone site. The sale was conducted pursuant to LNG's departure from development of the Fisherman's Landing LNG project.
- (iv) Mayflower LNG Pty Ltd was previously named Kimberley LNG Pty Ltd.
- (v) LNG Consolidated Holdings (USA) is a general partnership between North American LNG Pty Ltd and Mayflower LNG Pty Ltd that was established on December 24, 2015
- (vi) Pecan Inc. was previously named Eagle LNG LLC

## D4. Share-based payments

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

The Company has an Incentive Rights Plans (**IRP**), which provides equity-based incentives to “eligible persons”. The Company also has a Non-Executive Director Incentive Plan (**NED Plan**) that provides share-based compensation (**NED Rights**) to the non-executive directors.

### **Recognition and measurement**

All compensation under the IRP and NED Plan are accounted for as share-based payments for services provided. The cost of equity-settled transactions is measured by reference to the fair values of the equity instruments in accordance with AASB 2 *Share-based Payment*. The fair value of the rights issued is recognized, 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 (or NED) 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 probable realization of the applicable vesting conditions. The expense recognized each year takes account of the most recent estimate. The fair value of the benefit provided is estimated using the Black-Scholes option pricing technique.

The IRP provides for issuance of a variety of instruments. Currently, issuances under the IRP consist of performance rights and retention rights (collectively **Rights**) over the ordinary shares of the Company to “eligible persons”. Rights issuances and vesting are at the discretion of the Board. “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.

### **Terms and conditions attaching to the IRP**

Rights issued under the IRP share the following key terms and conditions:

- 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 issuances under the IRP, but the Company will make application to the ASX for quotation of the shares allotted and issued upon any vesting event within 10 business days after such date;
- There are no participating rights or entitlements inherent in the issuances under the IRP and holders will not be entitled to participate in new issues of capital offered to shareholders during the currency of the options; and
- In the event of any reorganization of the issued capital of the Company or prior to the expiry of issuances under the IRP, the instruments issued the holder will be changed to the extent necessary to comply with the applicable ASX Listing Rules in force at the time of the reorganization.

Terms differ with respect to the measurement period, the vesting conditions, and other terms of each issued tranche under the IRP. Specifics accruing to each tranche are described in detail in associated invitation letters provided to the holders.

The NED Plan provides NED Rights to the non-executive directors, which generally vest over a defined time period pursuant to terms contained in each invitation letter and as approved by shareholder vote.

The total number of Rights and NED Rights that may be issued to all parties who may participate under the combined IRP and NED Plan 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 these plans.

The non-cash expense recognized for share-based payments during the period is \$1,277,000 (2017: \$2,518,000).

### **Summary of rights issued under the IRP and NED Plan**

The following table shows the combined movements in Rights and NED Rights during the applicable years:



	Number of Rights	Weighted average exercise price
	No.	\$
<b>At July 1, 2016</b>	<b>16,582,858</b>	\$ ---
Exercised/vested	(7,271,505)	---
Issued in period	7,392,804	---
Expired or other	(4,572,858)	---
<b>At June 30, 2017</b>	<b>12,131,299</b>	---
Exercised/vested	(1,572,054)	---
Issued in period	7,881,060	---
Expired or other	(6,908,032)	---
<b>At June 30, 2018</b>	<b>11,532,273</b>	\$ ---

The fair value of the rights issued is estimated on the date of issue using a Monte Carlo Simulation (MCS) considering the terms and conditions upon which the rights were issued. 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 issued is 3 years.

#### PERFORMANCE RIGHTS

	2018	2017
Dividend yield (%)	Nil	Nil
Expected volatility (%)	60%	88%
Risk-free interest rate (%)	1.39 - 1.67%	1.39 - 1.67%
Weighted average share price at issue date (\$)	0.465 - 0.635	0.595 - 0.62
Model used	MCS	MCS

#### Share Option Plan

A SOP was previously in place where the Company, at the discretion of the Board, issued options over the ordinary shares of the Company to directors and employees for nil cash consideration. The remaining outstanding options under the SOP were exercised in fiscal 2017. As of June 30, 2017, there were no remaining options outstanding under the SOP and no further options will be issued under this plan.

## D5. Auditor remuneration

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

	CONSOLIDATED	
	2018	2017
	In thousands (\$)	
Audit of the financial report of the Group	\$ 73	\$ 72
Half-year review	37	36
Other assurance services	536	---
Other services	25	82
<b>Total Australian fees</b>	<b>671</b>	191
Tax or other non-audit services provided by overseas EY firm	165	223
<b>Total fees</b>	<b>\$ 836</b>	<b>\$ 414</b>

## D6. Parent information

Information relating to Liquefied Natural Gas Limited:

	Parent Company Only	
	2018	2017
	In thousands (\$)	
Current assets	\$ 26,867	\$ 4,927
<b>Total assets</b>	<b>46,703</b>	24,205
Current liabilities	7,269	7,430
<b>Total liabilities</b>	<b>7,283</b>	7,443
Issued capital	420,315	393,084
Accumulated losses	(424,084)	(418,283)
Share options reserve	39,157	37,929
Redeemable preference share reserve	4,032	4,032
<b>Total shareholders' equity</b>	<b>39,420</b>	16,762
Profit/(loss) of the parent entity	(5,801)	(6,066)
<b>Total comprehensive income of the parent entity</b>	<b>(5,801)</b>	(6,066)

### Guarantees

The parent entity has not guaranteed the liabilities of its subsidiaries as at June 30, 2018.

### 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 July 1, 2017, the Group has adopted the following Standards and Interpretations, mandatory for all annual reporting periods beginning on or after July 1, 2017. Adoption of these Standards and Interpretations did not have any effect on the financial position or performance of the Group.

Several 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 except for 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, the Group does not expect that the adoption of AASB 9 Financial Instruments will have a material effect on the financial statements;

AASB 15 Revenue from Contracts with Customers, and relevant amending standards, the Group did not have any Revenue that would be impacted by the adoption of AASB 15;

AASB 16 Leases, it is likely that the Group's operating leases will be brought onto the balance sheet having an impact on assets and liabilities similar to the extent of the minimum lease payments outlined in note A4; and

AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions.

AASB Interpretation 23 Uncertainty over Income Tax Treatments, and relevant amending standards. The Interpretation clarifies the application of the recognition and measurement criteria in AASB 112 Income Taxes when there is uncertainty over income tax treatments. Its applicable date is January 1, 2019.

Conceptual Framework for Financial Reporting. The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

Amendments to References to the Conceptual Framework in IFRS Standards has also been issued, which sets out the amendments to affected standards in order to update references to the revised Conceptual Framework. The changes to the Conceptual Framework may affect the application of IFRS in situations where no standard applies to a particular transaction or event. In addition, relief has been provided in applying IFRS 3 and developing accounting policies for regulatory account balances using IAS 8, such that entities must continue to apply the definitions of an asset and a liability (and supporting concepts) in the 2010 Conceptual Framework, and not the definitions in the revised Conceptual Framework.

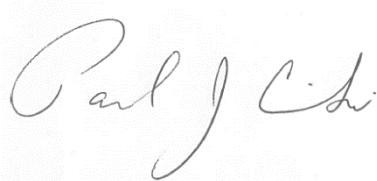
## DIRECTORS' DECLARATION

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 June 30, 2018 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) there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable; and
- (d) this declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending June 30, 2018.

On behalf of the Board

A handwritten signature in black ink that reads "Paul J Cavicchi". The signature is written in a cursive, flowing style.

Paul J Cavicchi

Chairman

Houston, Texas U.S.

September 21, 2018

## AUDITOR'S INDEPENDENCE DECLARATION



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

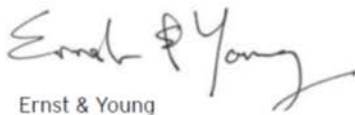
Tel: +61 8 9429 2222  
Fax: +61 8 9429 2436  
ey.com/au

### 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 2018, I declare to the best of my knowledge and belief, there have been:

- a) No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the 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



Darryn Hall  
Partner  
Perth  
21 September 2018

## INDEPENDENT AUDITOR'S REPORT



Ernst & Young  
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Perth WA 6000 Australia  
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### Independent Auditor's Report to the Members of Liquefied Natural Gas Limited

#### Report on the audit of the financial report

##### Opinion

We have audited the financial report of Liquefied Natural Gas Limited (the Company) and its subsidiaries (collectively the Group), which comprises the statement of financial position as at 30 June 2018, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a) Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2018 and of its consolidated financial performance for the year ended on that date; and
- b) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

##### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.



## Share based payments

Why significant	How our audit addressed the key audit matter
<p>The Group provides benefits to employees in the form of share-based payments. The details of the Group's Incentive Rights Plans and the methodology used to calculate the fair value of the rights, granted is explained in Note D4 <i>Share Based Payments</i>.</p> <p>The matter was considered significant given that:</p> <ul style="list-style-type: none"> <li>▶ At 30 June 2018, there were 11,532,273 un-issued ordinary shares under Performance Rights pursuant to issuances under the Company's Incentive Rights Plan; and</li> <li>▶ The non-cash expense recognised for share based payments during the period was \$1,277,000.</li> </ul>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>▶ Our Actuarial specialists assessed the Group's determination of the valuation of rights granted during the year by agreeing key inputs used to relevant source documentation and independently recalculating the value of the award using an industry accepted pricing model.</li> <li>▶ Obtained details of all outstanding rights and recalculated that the expense was recognised in accordance with the appropriate period of the award.</li> <li>▶ Assessed whether the disclosures in note D4 met the requirements of Australian Accounting Standards</li> </ul>

### Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2018 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the directors 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 control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.



### **Auditor's responsibilities for the audit of the financial report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- ▶ Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.





From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on the audit of the Remuneration Report

### Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 25 to 49 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Liquefied Natural Gas Limited for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

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.

A handwritten signature in black ink, appearing to read 'Ernst &amp; Young', written over the printed name 'Ernst &amp; Young'.

Ernst & Young

A handwritten signature in black ink, appearing to read 'Darryn Hall', written over the printed name 'Darryn Hall'.

Darryn Hall  
Partner  
Perth  
21 September 2018

## 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 August 29, 2018.

**a) Distribution of equity securities**

(i) Ordinary share capital

- 570,986,206 fully paid ordinary shares are held by 8,748 individual shareholders.

All ordinary shares (whether fully paid or not) carry one vote per share without restriction and carry the rights to dividends.

(ii) Performance rights

- 16,722,273 unlisted performance rights over ordinary shares are held by 37 holders.

**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	2,032	-	-
1,001 – 5,000	2,894	-	-
5,001 – 10,000	1,350	-	-
10,001 – 100,000	2,175	-	13
100,001 and over	297	-	24
	<b>8,748</b>	-	<b>37</b>
The number of shareholders holding less than a marketable parcel of shares are:	1,271	-	-

**LIQUEFIED NATURAL GAS LIMITED**  
**ASX ADDITIONAL INFORMATION**

**c) Twenty largest shareholders**

The names of the twenty largest holders of quoted shares are:

Ordinary shares	Listed ordinary shares	
	Number of shares	Percentage of ordinary shares
1 HSBC Custody Nominees (Australia) Limited	85,537,472	14.98
2 Mulliner Investment Limited	56,444,500	9.89
3 Citicorp Nominees Pty Limited	51,780,690	9.07
4 HSBC Custody Nominees (Australia) Limited-GSCO ECA	48,864,031	8.56
5 J P Morgan Nominees Australia Limited	40,398,870	7.08
6 National Nominees Limited	31,304,137	5.48
7 Merrill Lynch (Australia) Nominees Pty Limited	28,800,614	5.04
8 BNP Paribas Noms Pty Ltd <DRP>	12,943,992	2.27
9 A&W Bruce Super Fund Pty Ltd <Bruce S/F A/C>	10,000,000	1.75
10 Mr. Bassam Abou Chahla & Ms. Cherie Abou Chahla <Abou Chahla Family S/F A/C>	8,363,580	1.46
11 BNP Paribas Nominees Pty Ltd <IB AU Noms RetailClient DRP>	6,791,339	1.19
12 HSBC Custody Nominees (Australia) Limited - A/C 2	6,613,686	1.16
13 CS Fourth Nominees Pty Limited <HSBC Cust Nom AU Ltd 11 A/C>	4,792,499	0.84
14 Garden Verde Pty Ltd	2,960,493	0.52
15 Mr. Paul Bridgwood	2,864,261	0.50
16 Mr. Andrew Bruce & Mrs Wendy Bruce	2,634,000	0.46
17 Warbont Nominees Pty Ltd <Unpaid Entrepot A/C>	1,966,660	0.34
18 National Nominees Limited <DB A/C>	1,908,502	0.33
19 BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	1,667,674	0.29
20 Kevin Barry Building Service Pty Ltd <Superfund A/C>	1,650,000	0.29
	<b>408,287,000</b>	<b>71.50</b>

**Substantial shareholders as at August 31, 2018**

Ordinary shareholders	Fully paid	
	Number	Percentage
The Baupost Group (Boston)	62,340,529	10.9
Mulliner Investment Limited (Tortola)	56,444,500	9.9
Valinor Management, LLC (New York)	41,967,223	7.4
	<b>160,752,252</b>	<b>28.2</b>

**d) Cash used in operations**

Since the date of the Company's admission for official quotation of its shares on the ASX, being September 14, 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.