



Liquefied Natural Gas Ltd
10 Ord Street West Perth WA 6005
GPO Box 920 West Perth WA 6872
Australia
Tel: +61 (8) 9366 3700
Fax: +61 (8) 9366 3799
Email: lng@lnglimited.com.au
Website: www.lnglimited.com.au
ABN: 19 101 676 779

26 January 2017

Via email

Ms Sandra Wutete
Senior Advisor, Listings Compliance (Perth)
ASX Compliance Pty Limited
Level 40, Central Park
152-158 St George's Terrace
Perth, WA 6000

Dear Ms Wutete

Liquefied Natural Gas Limited (the “Company” or the “Entity”): ASX aware query

We refer to your letter dated 23 January 2017 (“**Letter**”) in relation to the recent change in the price of the Company’s securities from a closing price of \$0.70 on Tuesday, 10 January 2017 to an intra-day high of \$0.86 on Friday, 13 January 2017, the substantial increase in the volume traded over this period and the Company’s announcement entitled “MLNG and VGS Sign HOA For Sales to KGLNGT Terminal in India” lodged with the ASX Market Announcements Platform and released at 8:27 am (AEDT) on Monday, 23 January 2017 (the “**Announcement**”).

Before we respond to each of the questions raised in your Letter, we consider that it is important to set out some background information to put our responses into context.

For a considerable period of time the Company has notified the market that its priority and focus is on marketing its remaining Magnolia LNG (“**MLNG**”) capacity in order to secure binding offtake arrangements in sufficient volume to support a positive final investment decision, financial close, and a move to construction and operation of its MLNG project. For example, in the Company's 2015 Annual Report, the Managing Director noted that “*marketing of the remaining 6 mtpa of Magnolia LNG capacity continues with a number of investment-grade, as well as some non-investment grade counterparties. Certain negotiations (with investment-grade counterparties) are advanced and progressing through the internal investment decision authorisation process attendant to each counterparty*”.

The fact that offtake agreement negotiations are continuing with a number of LNG buyers has been repeated on many occasions throughout 2016, including in the Company's ASX releases dated 29 February 2016, 26 April 2016 and 23 December 2016, as well as in the Company's 2016 Annual Report.

Given these announcements, the Company holds the view that the market is fully aware that negotiations are ongoing with various counterparties in relation to MLNG offtake arrangements.

We respond to the questions detailed in the Letter as follows:

1. *Please advise when the Entity first became aware of the HOA. Please include details of the relevant time and circumstances of the Entity becoming aware of the HOA.*

On 11 November 2016 MLNG entered into a confidentiality and non-disclosure agreement with Vessel Gasification Solutions, Inc. (“VGS”) and Krishna Godavari LNG Terminal (“KGLNGT”).

Following a period of confidential negotiations between MLNG, VGS and KGLNGT, the parties executed the non-binding HOA the subject of the Announcement at 12pm Houston, Texas time on Monday, 16 January 2017, being 5:00 am (AEDT) on Tuesday, 17 January 2017.

We note that as at 13 January 2017, being the date on which ASX issued the Company with a price query letter, and as at the time of the Company's response to the price query letter, the parties were continuing to negotiate the non-binding HOA but had not yet reached agreement on multiple terms of the HOA (which, in any event, the Company did not expect would have a material effect on the price or value of its securities – see below). The HOA negotiations were completed in the Company's offices and were immediately followed by the execution of the HOA.

2. *Does the Entity consider the HOA to be information that a reasonable person would expect to have a material effect on the price or value of its securities?*

No.

3. *If the answer to question 2 is “no”, please advise the basis for that view.*

As mentioned in the Announcement, the HOA is non-binding and subject to significant conditions precedent. As a result, the HOA is not sufficiently definite as to volumes or certainty of supply so as to support a positive final investment decision in relation to the MLNG project. While it is a step in the right direction, the fact that the HOA is non-binding (and not sufficient to support a positive final investment decision) means that the Company does not consider the HOA to be information that a reasonable person would expect to have a material effect on the price or value of its securities.

The HOA provides that:

- a. any agreement with respect to supply of quantities of LNG will become binding and enforceable only on execution by the parties of a definitive sale and purchase agreement; and
- b. MLNG is not obliged to cease marketing any of its LNG capacity to third parties following execution of the HOA.

Given the non-binding nature of the HOA, the fact that there is no certainty as to quantities of LNG to be supplied to VGS and the fact that MLNG's current marketing activities are not affected by the execution of the HOA, the Company was (and remains) of the view that execution of the HOA would not have a material effect on the price or value of its securities. As such, the Company was not under an obligation to disclose the HOA under Listing Rule 3.1.

Following execution of the HOA, VGS requested that the parties issue a press release so as to support VGS's tender activity in India. The Company's Board of Directors did not consider that an ASX release was necessary, but on Friday, 20 January 2017 the Board approved the release of a short announcement on the

condition that the proposed announcement would clearly state that the HOA is non-binding and would make clear that the HOA remained subject to conditions precedent including satisfaction by VGS of the Company's credit requirements and financial close for the LNG import terminal planned for the East Coast of India. The Announcement was released before the market opened on Monday, 23 January 2017.

4. *If the answer to question 2 is “yes” and the Entity first became aware of the HOA prior to the release of the Response to ASX, did the Entity make any announcement prior to the release of the Response to ASX which disclosed the HOA? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe the Entity was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps the Entity took to ensure that the information was released promptly and without delay.*

Not applicable.

5. *Please confirm that the Entity is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.*

We confirm that the Company is in compliance with the Listing Rules and in particular Listing Rule 3.1.

By way of further comment on possible explanations for movements in the price of the Company's securities from a close of \$0.68 on 30 December 2016 to \$0.96 on 24 January 2017, the Company notes the general improvement in market sentiment for LNG industry related stocks, particularly following the publication of US President Donald Trump's new "America First" energy plan, as noted in an article titled “*Energy prices to feel Trump jolt*” published by *The Australian* on 23 January 2017.

An extract from the article is copied below:

LNG Limited chief executive Greg Vesey, who is trying to build the Magnolia LNG project in Louisiana, said he was encouraged by statements from Mr Trump and his Energy Secretary nominee, former Texas Governor Rick Perry.

“From what Donald Trump has said on trade, he favours exports to bring the balance back into alignment, so you would think he would be supportive on that front,” Mr Vesey told The Australian from Houston yesterday.

“And Rick Perry has come out with some pretty favourable statements on LNG exports.”

Mr Perry reportedly told a Senate hearing the day before the inauguration that his understanding from Mr Trump was that he was a supporter of American energy, including developing and promoting LNG exports.

Magnolia is the only US LNG project not yet in construction that has received Department of Energy approval to export LNG to countries the US does not have a free-trade agreement with. But it still needs to secure offtake agreements to go ahead, something Mr Vesey says he is becoming more optimistic about achieving.

Shares of ASX-listed LNG Ltd are up 58 per cent since the US election on a mix of improved sentiment, achieving the DOE approval and higher Asian LNG spot prices.

The Company also notes that there have been positive movements in securities of other listed companies directly or indirectly associated with the LNG business since the start of 2017.

Yours sincerely

A handwritten signature in black ink, appearing to read "Kinga Doris". The script is cursive and fluid.

Kinga Doris
Joint Company Secretary

A handwritten signature in black ink, appearing to read "Andrew Gould". The script is cursive and fluid.

Andrew Gould
Joint Company Secretary



23 January 2017

Mr Andrew Gould
Company Secretary
Liquefied Natural Gas Limited

By email

Dear Mr Gould

Liquefied Natural Gas Limited (the "Entity"): ASX aware query

ASX Limited ("ASX") refers to the following:

1. The recent change in the price of the Company's securities from a closing price of \$0.70 on Tuesday, 10 January 2017 to an intra-day high of \$0.86 on Friday, 13 January 2017 and a substantial increase in the volume traded over this period.
2. The price query letter from ASX dated 13 January 2017 in which ASX queried the recent increased price and volume movement in the Entity's securities.
3. The Entity's response to the price query letter dated 16 January 2017 ("Response to ASX") in which the Entity stated that it was not aware of any information concerning it that had not been announced to the market which, if known, could explain the recent trading in its securities.
4. The Entity's announcement entitled "MLNG and VGS Sign HOA For Sales to KGLNGT Terminal in India" lodged with ASX Market Announcements Platform and released at 8:27 am (AEDT) today, 23 January 2017 (the "Announcement"), advising that the Entity's 100% owned subsidiary, Magnolia LNG, LLC has signed a non-binding Heads of Agreement with Vessel Gasification Solutions, Inc. in relation to the Magnolia LNG Project ("HOA"). The HOA provides for a 20-year Free-on Board Sale and Purchase Agreement of up to 4 million metric tonnes per annum.
5. Listing Rule 3.1, which requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities.
6. The definition of "aware" in Chapter 19 of the Listing Rules. This definition states that:

"an entity becomes aware of information if, and as soon as, an officer of the entity (or, in the case of a trust, an officer of the responsible entity) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as an officer of that entity."



Additionally, you should refer to section 4.4 in Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B “When does an entity become aware of information”*.

7. Listing Rule 3.1A, which sets out exceptions from the requirement to make immediate disclosure, provided that each of the following are satisfied.

“3.1A Listing rule 3.1 does not apply to particular information while each of the following requirements is satisfied in relation to the information:

3.1A.1 One or more of the following applies:

- It would be a breach of a law to disclose the information;*
- The information concerns an incomplete proposal or negotiation;*
- The information comprises matters of supposition or is insufficiently definite to warrant disclosure;*
- The information is generated for the internal management purposes of the entity; or*
- The information is a trade secret; and*

3.1A.2 The information is confidential and ASX has not formed the view that the information has ceased to be confidential; and

3.1A.3 A reasonable person would not expect the information to be disclosed.”

5. ASX’s policy position on the concept of “confidentiality” which is detailed in section 5.8 of Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B “Listing Rule 3.1A.2 – the requirement for information to be confidential”*. In particular, the Guidance Note states that:

“Whether information has the quality of being confidential is a question of fact, not one of the intention or desire of the listed entity. Accordingly, even though an entity may consider information to be confidential and its disclosure to be a breach of confidence, if it is in fact disclosed by those who know it, then it ceases to be confidential information for the purposes of this rule.”

Having regard to the above, we ask that you answer the following questions in a format suitable for release to the market in accordance with Listing Rule 18.7A:

1. Please advise when the Entity first became aware of the HOA. Please include details of the relevant time and circumstances of the Entity becoming aware of the HOA.
2. Does the Entity consider the HOA to be information that a reasonable person would expect to have a material effect on the price or value of its securities?
3. If the answer to question 2 is “no”, please advise the basis for that view.



4. If the answer to question 2 is “yes” and the Entity first became aware of the HOA prior to the release of the Response to ASX, did the Entity make any announcement prior to the release of the Response to ASX which disclosed the HOA? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe the Entity was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps the Entity took to ensure that the information was released promptly and without delay.
5. Please confirm that the Entity is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.

When and where to send your response

This request is made under, and in accordance with, Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by not later than **2:30 p.m. WST on Friday, 27 January 2017**. If we do not have your response by then, ASX will have no choice but to consider suspending trading in the Entity’s securities under Listing Rule 17.3.

You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, the Entity’s obligation is to disclose the information “immediately”. This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail at Sandra.Wutete@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rule 3.1

Listing Rule 3.1 requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity’s securities. Exceptions to this requirement are set out in Listing Rule 3.1A.

The obligation of the Entity to disclose information under Listing Rules 3.1 and 3.1A is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

In responding to this letter, you should have regard to the Entity’s obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*.



Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in the Entity's securities under Listing Rule 17.1.

If you wish a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We may require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely

[Sent electronically without signature]

Sandra Wutete
Senior Adviser, Listings Compliance (Perth)