LNG Limited
2017 Annual Report

Value is at the center of everything we do.

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

Corporate Directory
Liquefied Natural Gas Limited
ABN 19 101 676 779

Directors
Paul J Cavicchi, *Non-Executive Chairman*
Greg 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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Bankers
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ASX Code
LNG

OTC ADR Code
LNGLY

Our Company

I firmly believe that culture and values are key drivers of Company success and indicators for future performance.

— Greg M. Vesey

Our Vision

LNGL wants to be the world's premier provider of mid-scale LNG liquefaction solutions

Our Mission

To deliver safe, reliable, energy efficient, flexible mid-scale LNG liquefaction solutions at the industry's lowest full cycle cost to our customers and partners, while minimizing ecological impacts.

Our Strategy

To participate in global LNG projects by:

- **Owning, developing, and operating greenfield LNG sites**
- **Contributing OSMR® technology solutions to secure equity ownership in new and existing third-party LNG projects**
- **Licensing the OSMR® process technology to third-parties**

LNGL Projects

> **We have seen significant progress in obtaining all outstanding permits necessary for both the Magnolia LNG and Bear Head LNG projects.**

Left:
Bear Head LNG Project

Below:
Magnolia LNG Project

Chairman's Letter

To my fellow shareholders,

During the past year, the LNGL Board has continuously endeavored to achieve success in our development efforts and to achieve increased value in our shareholder price. To this end, we have seen significant progress in obtaining all outstanding permits necessary for both the Magnolia LNG and Bear Head LNG projects. We have extended and amended our $1.5 billion equity commitment and updated our construction contract for the Magnolia LNG project. In addition, we renewed several necessary ancillary agreements.

LNGL have performed well in these disciplines for which we have direct control. However, we continue to face difficulty driven by market dynamics in concluding long term credit worthy supply offtake agreements for our projects. These agreements are necessary to provide the long-term revenue for our facilities so that we may finish financing the capitalization and construction of our projects. Our shareholders readily perceive this fact as the first question they ask is always, "When will we sign offtake agreements?"

The answer is couched in both simple and more complicated terms. One simple aspect is that there is much oversupply in the world market today. As with basic economics, oversupply depresses prices and customers purchase for shorter terms. They resist committing to long term contracts at higher prices that would initiate new capacity construction. These factors impact us negatively.

The favorable aspect is that LNG demand is growing rapidly. LNG represents a clean and less expensive alternative to oil and coal consumption in most all parts of the world. Recent expert analysis projects the LNG market to reach equilibrium in approximately 2022. Given the financing and construction cycle of five years, prudent buyers will benefit from entering the market soon to purchase new offtake. By procuring offtake now on a long-term basis they are assured of meeting their own demand before the supply fundamentals reverse and become dramatically less favorable price wise to them. So, the next wave of buying should be sooner than later. The Managing Director and Chief Executive Officer Report will provide the more complicated details to this dilemma as well as the many competitive advantages that our projects possess in the marketplace.

Under the market conditions above, the LNGL Board and Company continue to believe that Magnolia LNG is best positioned in the LNG market to achieve a positive final investment decision (FID) and move to construction and operation. The LNGL Board remains confident in our team to deliver this outcome and thereby realize increased shareholder value.

Board Developments

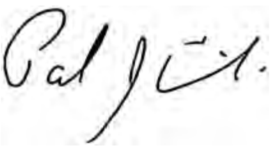
The LNGL Board recognizes its duty to work with management in effectively managing the Company's liquidity. We have continually directed the Company to minimize cash expenditures to the core needs of our staff and projects. To show solidarity with this effort, effective July 1, 2017, Non-Executive Directors (NED) agreed to a nominal decrease of 10 percent in cash fee remuneration.

Reduction of the cash component of NED pay has the effect of also reducing by ten percent the notional value of rights issued to the NEDs under the NED Rights Plan. This reduction is on top of the nominal 20 percent cash fee reduction taken by the NEDs in the previous year, meaning Directors fees have reduced by about 28 percent over the past two years.

Corporate and Listing Domicile
Recently, the Board requested management to explore the possibility of redomiciling the Company to the U.S. along with a listing on either the New York Stock Exchange or NASDAQ. Our shareholders know that the focus of our development efforts is in North America and that the capital markets are strong there. Therefore, the LNGL Board believes that such a transaction may be of benefit to the Company and its shareholders. The Board has not specified a timetable for a decision on a potential transaction. Further details will be announced once analysis is completed and decisions are made. We acknowledge and value the historic support of our Australian shareholders and their importance in determining the structure and timing of any proposed transaction, including whether the Company will remain listed on the ASX and for how long. Any proposal will be subject to approval of the Company's shareholders.

Conclusion
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, 2017.



Paul J Cavicchi
Chairman
September 14, 2017

Paul J Cavicchi
Chairman

"The LNGL Board and Company continue to believe that Magnolia LNG is best positioned in the LNG market to achieve a positive financial investment decision (FID) and move to construction and operation."

Managing Director and Chief Executive Officer's Report

To my fellow shareholders,

This past year was marked as a period of significant transition, both inside Liquefied Natural Gas Limited (LNGL or Company) and within the global LNG industry It was also dominated by disruptive events that no one could have conceived or fully predicted. Against this backdrop, I write to you with a sense of purpose and optimism regarding LNGL's prospects for success.

Global political developments including Brexit, the U.S. presidential election, and constitutional referendums and political outcomes in European countries surprised many. Strengthening business fundamentals appear to support accelerating global economic growth but remain tempered by other geopolitical challenges and hostilities. Despite pro-business policies arising from some of the year's political outcomes and positive rhetoric regarding the LNG industry by the U.S administration, simple inaction or overhang of protectionism may still impede progress.

As anticipated, previously sanctioned new LNG supply ramped up at projects from the U.S. to Australia during the year. New countries opened their doors to LNG as a preferred source of energy. Markets explored the virtues of LNG for non-traditional applications such as marine bunkering and long-haul transportation fuels that supplement traditional uses for LNG. At the same time, project delays and plant outages kept supply growth partially subdued.

In 2016, global LNG demand grew by approximately six percent, to about 260 million tonnes per annum (mtpa) from 245 mtpa in 2015. By 2022, global demand is anticipated to approach 400 mtpa, a remarkable increase in demand.

On the supply side, Australia's 2016 LNG exports grew to approximately 58 mtpa. U.S. Gulf Coast projects were second in terms of supply growth with exports of 3.5 mtpa. Traditional LNG exporters – such as Nigeria, Yemen, Trinidad, Malaysia, and Algeria – exported reduced volume due to security issues, lower gas production, and growing domestic demand. New supply growth, principally from Australia, the U.S. Gulf Coast, and Southeast Asia, will continue to increase into 2018 and 2019 as previously sanctioned projects come on-line.

Most LNG marketing transactions in the year centered on the re-marketing of volumes by legacy capacity holders, marketing of excess capacity and/or cargoes, and traded volumes, all largely priced at or near marginal cost economics. In the end, LNG prices remained below the cost of new supply as new demand growth worked towards rebalancing the current oversupplied market. Spot LNG prices in Asia and Northwest Europe did rise in winter months due to extended cold weather, peaking at around $6.00, but prices have settled near $5.50 in Asia and at about this level in Northwest Europe as of June 30, 2017. Brent price, an important budgetary business driver for many LNG buyers, remains bearish fluctuating from a high of around US$56/bbl to as low as US$46/bbl, before closing at around US$48/bbl at June 30, 2017.

In this current oversupplied global LNG business cycle, commodity prices, economic drivers, and psychological factors buoy a wait-and-see strategy by most global LNG buyers. The events of the past year are a stark reminder of how quickly expectations and conditions can change and the importance of focusing on the things we control.

It is not lost on me that the dominant question on everyone's mind is timing –

when can we expect offtake sales and when do we expect to take FID on our projects? On these points, I cannot provide absolute certainty. I am confident that management's priority is in signing offtake agreements with investment-grade counter-parties in sufficient volume to realize a positive FID, financial close, and a move to construction and operation of LNGL's projects as soon as feasible.

Our development focus is in North America which is blessed with a prolific natural gas resource unlocked by the advent of expanding shale resource development. Through technological advances in the upstream industry, the cost to find and produce this bountiful resource is low relative to the cost of other global resource options. The dependability of long-term and low-cost natural gas feedstock is coveted by LNG buyers. Natural gas supplies from North American sources therefore mitigate and satisfy buyer concerns.

Since LNG 18 in Perth, the Company has consistently stated its expectations that global supply and demand would begin to rebalance by around 2022 when demand is expected to approach 400 mtpa. Most published third-party assessments of global LNG markets coalesce around this timeframe. This requires new supply sources at that time to sustain the balance against growing demand thereafter. To serve this forecasted demand and given the lead time required to achieve first gas at a new liquefaction facility, construction on new projects must begin in the 2018 to 2019 timeframe, with offtake contracting and FIDs occurring ahead of construction start dates.

Globally, there is almost 900 mtpa of proposed new liquefaction capacity. North America accounts for approximately 660 mtpa of this amount. Most of these proposals, particularly higher-cost green-field developments, face significant challenges due to economics, regulatory issues, time to market, and other factors. With numerous projects competing for offtake contracts, only the most regulatory mature and cost-effective proposals are likely to succeed. Most will never be built.

Importantly, during 2016 only 5.9 mtpa of incremental LNG capacity reached FID – 70 percent below 15 year averages. 2017 will likely be even quieter for new supply FIDs. Per industry commentators, only 10 percent of the 900 mtpa of proposed new capacity has the potential to reach FID prior to the end of 2019. As a further subset, only a small percentage of these projects are currently fully permitted from a U.S. Federal Energy Regulatory Commission (FERC) and U.S. Department of Energy (DOE) (or equivalents) perspective and have the corporate backing required to progress to sanction and into construction. Given these circumstances, the number of projects capable of delivering LNG into 2022 are very limited.

Greg M. Vesey
Managing Director and
Chief Executive Officer

"Our competitive advantages of regulatory certainty, site selection attributes, operational reliability, production efficiency, environmental impact, and full life-cycle cost and economics differentiate Magnolia LNG as the best positioned North American liquefaction development project capable of delivering first gas in 2022."

This current constricted trough of new entrant investment decisions creates LNGL's opportunity to lead the next wave of LNG supply sources. It is incumbent upon us to prove to buyers that Magnolia LNG is the project of choice.

As we all know, offtake capacity agreements require two parties, a willing buyer and a willing seller. Terms of these arrangements must balance both the buyer's need for competitively priced gas into their end markets and the seller's need to achieve financial close and provide a return of and on capital deployed. In today's market, there are more willing sellers than buyers, which is a contributing factor as to why there have been no long-term LNG offtake contracts of size signed since early 2014. The current LNG oversupply allows buyers time to probe sellers on their willingness to diversify from traditional pricing structures, to adjust contract tenors, and to agree other buyer friendly terms. These efforts have slowed long-term contracting activity.

Few developers are as well positioned as Magnolia LNG to unequivocally state that they are 'shovel ready' and to provide offtake pricing without reservation or conditions precedent.

The situation has been further challenged by the sheer number of sellers seeking to engage in offtake negotiations with buyers. The reality is that nothing can prevent hopeful developers from proposing offtake terms to buyers despite the immaturity of the associated projects and unsubstantiated pricing constructs. These speculative proposals cloud the commercial landscape for buyers looking to contract for new LNG volumes with viable projects on bona-fide terms and conditions.

In this highly competitive market, buyers face the challenge of assessing both the economic opportunity of a proposal as well as the probability that a developer's proposal achieves a positive FID and becomes operational. For a willing buyer, long-term liquefaction offtake agreements represent financial commitments in the billions of dollars, which is a significant commitment for any company to make. When considering these issues and the magnitude of the financial commitment offtake contracts introduce, buyer's diligence is understandable and patience on the part of sellers is a virtue.

During the year, LNGL undertook a very detailed assessment of the competition in comparing their strengths and weaknesses to Magnolia LNG, which culminated in an investor presentation made on March 31, 2017. It elaborates on a competitive basis why Magnolia LNG remains the best economic choice for LNG supply. Most of the content in that presentation has been subsequently validated through disclosures made by many of the competitors contained in our study. However, these competitors continue to speak about ranges of EPC costs that are yet to be determined, using words such as "target", "expectation", or "approximation". Not only do most of these disclosures lack executed contracts in support of their claims, they also fail to encapsulate the all-in costs to construct. Depending on the project, significant incremental capital may be needed for flood protection, waterway dredging, pipeline construction, installed generation capacity, and similar other costs required to ultimately produce LNG. These costs require a return on the capital employed that must be financed. This means these costs must either be passed through to the LNG buyers and included in offtake pricing, or result in lower returns to the developer that threaten the viability of achieving project financial close. Based on our analysis, I remain steadfast in my belief that LNGL's technology, projects, and people represent the most certain, economic, and real business partner for prospective LNG buyers.

Upon acquiring rights to the Magnolia LNG site in 2012, the LNGL team meticulously positioned the Company to seize on the current market opportunity. Few developers are as well positioned as Magnolia LNG to unequivocally state that they are 'shovel ready' and to provide offtake pricing without reservation or conditions precedent. Our competitive advantages of regulatory certainty, site selection attributes, operational reliability, production efficiency, environmental impact, and full life-cycle cost and economics differentiate Magnolia LNG as the best positioned North American liquefaction development project capable of delivering first gas in 2022.

Since joining LNGL in April 2016, my focus has been on refining our strategy to ensure we are best positioned to exploit our competitive advantages, with emphasis on marketing project capacity to LNG buyers and structuring financeable contracts. We believe many of our competitive advantages are sustainable in support of our three-path execution strategy for participating in global LNG projects.

This brings me full circle back to my confidence in LNGL's prospects for success. Most of the relevant data indicate a rebalancing of global LNG supply and demand around 2022. Although the population of potential new LNG capacity is very large, the number of projects truly capable of delivering first gas in 2022 is quite small. Natural gas is undeniably a substantial source of supply in the global energy mix and prospects for further market expansion are positive. In this context, specific competitive advantages for LNGL are easily enumerated, including:

- LNGL has up to 20 mtpa of development project capacity fully permitted;
- Magnolia LNG is shovel ready with EPC, equity financing, and regulatory processes contracted or approved;
- LNGL's construction timeline currently fits

Fiscal 2017

Our immediate focus is 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, and we remain on track to extend this cash position through the end of 2018, consistent with our cash management plan.

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

» Mr. Paul J Cavicchi became Chairman of LNGL's Board of Directors with the previous Chairman, Mr. Richard J Beresford, remaining on the Board as a Non-Executive Director

» The LNGL Board authorized the Company's management team to explore the possibility of redomiciling the Company to the United States of America along with a listing on either the New York Stock Exchange or NASDAQ

» FERC issued its Order on Rehearing fully reaffirming its April 15, 2016 authorization of the proposed Magnolia LNG export facility

» Magnolia LNG received its Notice to Proceed (NTP) from the FERC to commence Initial Site Preparation activities for the Magnolia LNG project

» DOE granted the Magnolia LNG project authorization to export liquefied natural gas from the U.S. to countries with which the U.S. has not entered into a free trade agreement (Non-FTA), supplementing the existing approval to export to free trade agreement (FTA) countries

» Magnolia LNG extended the validity period of its binding engineering, procurement, and construction (EPC) contract with KSJV (a KBR – SKE&C joint venture led by KBR) through December 31, 2017

» Magnolia LNG entered into a Ground Lease for the Magnolia LNG project with the Lake Charles Harbor and Terminal District

» Magnolia LNG and Stonepeak signed an Amended and Restated Equity Commitment Agreement (ECA) that provides Magnolia LNG with certainty of equity funding at a lower cost of capital than the previous agreement

» Magnolia LNG and Meridian LNG Holdings Corp further extended certain conditions precedent for the Meridian LNG offtake agreement from 31 December 2016 to 30 November 2017. All other provisions of the governing agreements not specifically amended by this extension remain in full force and effect

» The Nova Scotia Environment (NSE) approved Bear Head LNG's Greenhouse Gas and Air Emission Management Plan

» Transport Canada's TERMPOL Review Committee completed their review of the Bear Head LNG TERMPOL report

» Bear Paw Pipeline Corporation Inc. (Bear Paw), an indirect wholly owned subsidiary of LNGL, received Nova Scotia Utility and Review Board approval to construct a 62.5 km natural gas pipeline from Goldboro, Nova Scotia to the proposed Bear Head LNG liquefied natural gas export facility in Point Tupper, Richmond County, Nova Scotia

» Bear Paw received its environmental assessment (EA) approval from the NSE

» LNGL announced its exit from the Fisherman's Landing LNG project

[1]Includes announcements post June 30, 2017

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.

with a 2022 first gas delivery;
- OSMR® is a low-cost, scalable next generation LNG liquefaction technology that provides a full-cycle economic advantage shared by LNGL and offtake buyers, with no additional technology risk relative to other proposed projects;
- The proliferation of natural gas productior in the U.S. provides a dependable basis for long-term, low-cost feedstock gas supply for LNG production;
- Bear Head LNG has demonstrated its ability to be the most economic, long-term gas monetization plan for the Western Canadian Sedimentary Basin in British Columbia and Alberta; and
- LNGL's commercial offerings aim to provide an acceptable balance between cost of gas required by buyers and return on capital required by shareholders.

In short, within the liquefaction development company landscape, LNGL is indeed one o the best positioned to achieve a positive FID and move to construction and operation. I am confident in our team to deliver this outcome.

In 2017, the Company solidified its position as a premier provider of LNG liquefaction solutions. However, we remain short of our goal of realizing FID on our projects, and our share price underperformed. Therefore, in addition to concentrating on marketing Magnolia LNG capacity, the Company made three key decisions in the last quarter of the fiscal year being:
- Initiation of exploratory efforts into redomiciling the Company to the U.S. accompanied by a listing of the Company's shares on either the New York Stock Exchange or NASDAQ;
- Execution of an Amended and Restated Equity Commitment Agreement with Stonepeak Infrastructure Partners (Stonepeak), a New York headquartered infrastructure fund, relating to equity financing of the Magnolia LNG projects; and
- Exiting the Fisherman's Landing LNG project.

We recognize the focus required to deliver the final pieces needed to progress to a positive FID, financial close, construction, and operation of our projects. The immediate future operating environment in our industry is challenging and unpredictable, but our priority remains to deliver sufficient investment-grade offtake agreements to take FID. We shall execute these efforts in a safe, efficient, and fiscally responsible manner, and I firmly believe we will succeed.

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

LNGL is an Australian public company based in Perth, Western Australia. Founded in 2002, the Company listed on the Australian Stock Exchange (Code: LNG) in 2004, and on the 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 nearly 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® Technology) liquefaction process technology.

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

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

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

1

Develop projects using our OSMR® Technology Solutions

2

Use OSMR® Technology Solutions to gain entry into new and existing third-party projects

3

License the OSMR® technology to third-parties

Our business model applies the Company's wholly owned and developed OSMR® 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.

The Company's 'Energy Link' strategy is to safely develop mid-scale LNG export terminals to link proven gas reserves with existing LNG buyers. We aim to remain at the forefront of approach to LNG development and processing technology to ensure the Company's LNG terminal development projects are world competitive in terms of capital and operating costs, operating efficiencies, and 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.

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.

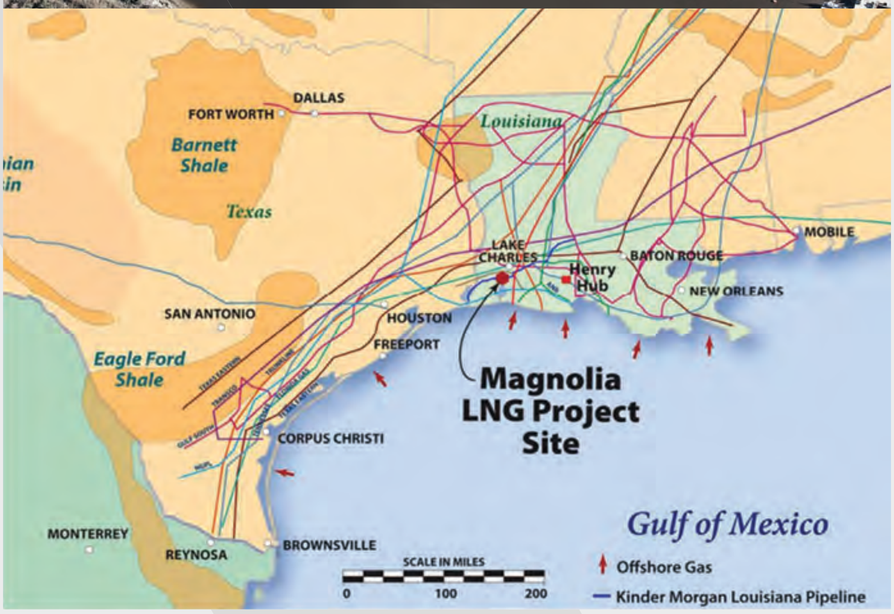
We are continually evaluating additional growth opportunities that would benefit from our 'Energy Link' strategy.

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

Our Projects

Magnolia LNG Report

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 LNG 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 the Company's wholly owned and patented OSMR® Technology. KSJV is undertaking EPC contracting efforts, with KBR leading the joint venture team. The project will be constructed under a fixed price, turnkey EPC contract.

Feed gas supply will originate from the highly liquid U.S. Gulf Coast gas market via multiple gas suppliers. Gas supply will be delivered to the site through interconnections to the extensive U.S. Gulf Coast natural gas pipeline system. 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 8 mtpa of the project.

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

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

- US$4.354 billion LSTK price, validity to 31 December 2017
- Full wrap LSTK EPC contract
- 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
- LSTK plant design utilizes LNGL's patented OSMR® Technology
- EPC guaranteed 92 percent feed gas energy efficiency, LNG plant/utilities fuel gas consumption of eight percent or less
- Scope:
  - Four LNG production trains each with design capacity of 2 mtpa or greater
  - Two 160,000m^3 full containment LNG storage tanks
  - Ship, barge & truck loading, supporting infrastructure, and all required post-FID approvals and licenses
- Final design capacity shall be based on closing design at FID
- Expectation for EPC guaranteed production of 7.6 mtpa

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 contigency amounts, which amounts will be determined at financial close.

LNG Offtake Agreements

Magnolia LNG signed a binding agreement with Meridian LNG Holdings Corp for firm capacity rights for up to 2 mtpa on 22 July 2015. The agreement terms were subsequently extended through November 2017.

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

Equity Commitment

In June 2017, certain wholly owned subsidiaries of LNGL and Stonepeak signed an amended and restated ECA and have updated the associated Magnolia LLC Agreement (LLC Agreement). The amended ECA and LLC Agreements replace the existing Stonepeak agreements signed in October 2013 in their entirety.

The ECA governs the relationship, cooperation, rights, and obligations between Stonepeak and LNGL through Financial Close of Magnolia LNG. The LLC Agreement sets out the respective rights and obligations of Stonepeak and LNGL relating to Magnolia LNG from Financial Close, including 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 located in Lake Charles, Louisiana, U.S. 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
- 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 8 mtpa of capacity.

Detailed information on the Magnolia LNG project is available on the Company's website: www.lnglimited.com.au under "Assets".

Our Projects

Bear Head LNG Report

Bear Head LNG is a proposed 8–12 mtpa LNG export terminal in Nova Scotia. The site is located on the naturally deep waters of the Strait of Canso in Point Tupper, Richmond County, Nova Scotia. 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.

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

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.

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

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

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

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. This assessment corridor is approximately 100 meters wide for most of the length, and wider in areas where additional environment and engineering information is needed. The width required for the construction period will be reduced to approximately 35 meters in most areas. The pipeline corridor parallels an existing pipeline right-of-way wherever possible. The project will include a required compressor station to deliver specific and constant natural gas pressure to 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 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 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 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: U.S., offshore Nova Scotia, and Western and Central Canada.

During fiscal 2017, Bear Head LNG worked with TransCanada Pipelines in a route study analysis to further explore the viability of transporting natural gas from TransCanada's Alberta system (NGTL) to the Bear Head LNG site. Study deliverables included routing, system design, capital and operation cost estimates, indicative rate ranges, schedule estimates, and risk analyses. Based on outcomes from this work in combination with indicative Bear Head LNG tolling rates, the Company is confident that a west-to-east 'all Canada solution' represents a cost competitive marketing alternative for Alberta and British Columbia natural gas producers. The 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. The Company 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 project is available on the Company's website: www.lnglimited.com.au under "Assets".

Fisherman's Landing LNG Project
Queensland, Australia

In May 2017, the Company announced its decision to exit the Fisherman's Landing LNG project. After many years without success in securing long-term economic gas supply that would be needed to proceed with project construction, a strategic decision was made to exit the project. The Company is completing efforts to relinquish the site to the Gladstone Ports Corporation and notify other relevant regulators. These actions are not believed to have a material impact on the Company's current cash management plan.

CORPORATE

Exploration of U.S. Redomicile and Listing

The Board requested management to explore the possibility of redomiciling the Company to the U.S. along with a listing on either the New York Stock Exchange or NASDAQ. The Board now believes that such a transaction may be of benefit to the Company and its shareholders as the Company progresses toward the development of its projects in North America. Management is in the process of completing its diligence relative to this request.

This decision was influenced by our steps to exit Fisherman's Landing LNG during the year but other considerations have greater Board and management focus. These considerations include:

» Alignment with the Company's North American project focus;
» Valuation and potential for new investor interest;
» Closer association with other LNG development companies on U.S. exchanges; and
» Attracting and retaining outstanding talent.

At this stage, the Board has not specified a timetable for a decision on the potential transaction. Further details will be announced once any decisions are made, and once the structure and timing of any proposed transaction have been determined, including whether the Company will remain listed on the ASX. Any proposal will be subject to approval of the Company's shareholders.

Funding sources and Liquidity Management Plan

Liquidity risk arises from the financial liabilities of the Group and the Group's subsequent ability to meet their obligations as and when they fall due. At June 30, 2017, except for payables, the Group had no debt (2016: nil), and its activities are primarily funded from cash reserves from ordinary share issues, interest revenue, and research and development concession rebates. Most cash reserves are held in term deposit with the ANZ Banking Group and Westpac Banking Corporation, with funds transferred as necessary to the Group's working accounts to meet short-term expenditure commitments. Starting in the 3rd quarter of fiscal 2016, the Company initiated an integrated plan to address the impact of slowing LNG industry conditions, which have negatively affected the Company's efforts to sell offtake capacity in its projects. The liquidity management plan (LMP) includes:

» Commercial focus on signing binding offtake agreements for Magnolia LNG;
» Placing on hold our EPC and related contract expenditures;
» Finishing residual engineering, regulatory, and permitting work on our projects;
» Maintaining the projects in "ready mode" to enable fast track ramp-up once sufficient levels of binding offtake agreements are signed; and
» Prudently managing our cost base.

Through applying our LMP, the Company estimates that the existing cash position can sustain the company through the end of 2018. Should offtake capacity be sold in sufficient quantities to progress one or more of its projects to financial close, the Company anticipates reimbursement of a portion of its development costs through project financing proceeds. The Company estimates that this reimbursement would provide sufficient incremental liquidity to maintain operations to first LNG. In the event that offtake sales continue to lag, new sources of liquidity available to the Company 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 that external events limit the Company's access to new sources of liquidity, the Company maintains the ability to further reduce its cash outflow as most of the Company's costs are discretionary.

Financial results

During the financial year, net assets of the Company and its controlled entities (the LNGL Group) decreased by A$26.5 million, from A$81 million as at July 1, 2016 to A$54.4 million as at June 30, 2017, primarily reflecting the slowing of the Company's development activities as it works to procure offtake sales.

The Company's policy is to expense all development expenditure until such time as

OSMR® Patents and LNG Technology PTY LTD

LNG Technology Pty Ltd designed and patented the optimized single mixed refrigerant (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.

The OSMR® Technology combines several well-proven, existing industrial technologies into one integrated system. Integration of these primary components comprise the core liquefaction process which creates a design configuration resulting in an efficient conversion of natural gas into LNG, with no additional technology risk relative to other proposed projects.

The following primary components comprise the core liquefaction process:

» The single mixed refrigerant (SMR) liquefaction process is at the heart of the OSMR® Technology, which optimizes the SMR process with ammonia pre-cooling

» Use of ammonia as a pre-cooling refrigerant, having superior refrigeration properties to propane, allows for smaller condensers, exchangers, and general plant size

» Gas turbine waste heat steam generation (combined cycle) providing motive power to the ammonia refrigeration system reducing the amount of power purchased from the grid or the amount of feed gas used to fuel gas-fired plant turbines

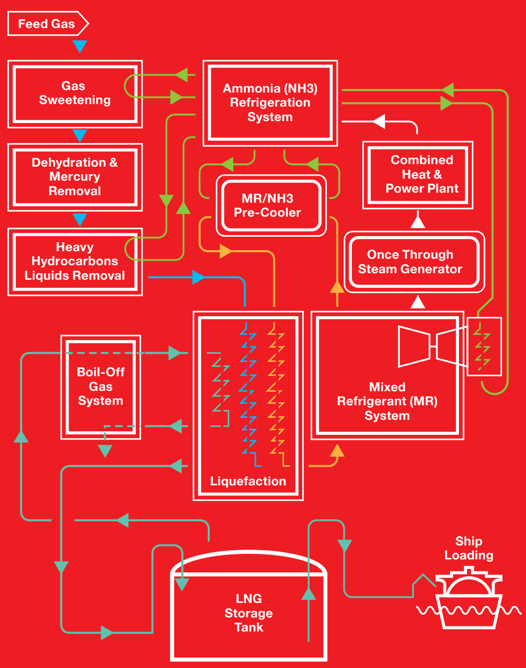
» A closed loop ammonia refrigeration circuit, driven by steam recovered from waste heat mentioned above, pre-cools the mixed refrigerant and directly cools inlet air to the gas turbines thus increasing their output and efficiency

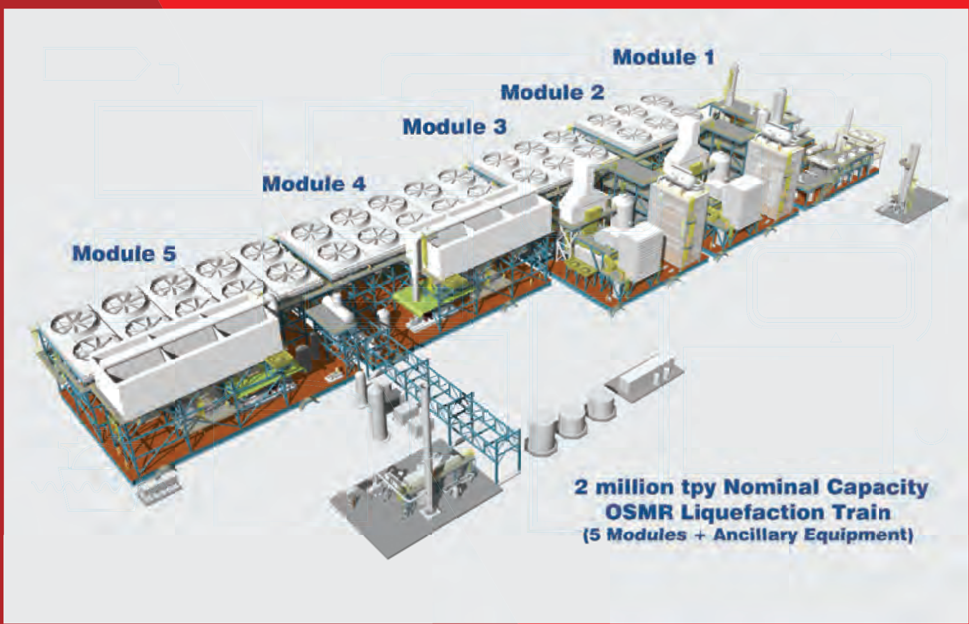
» Highly efficient gas turbines drive the mixed refrigerant compressors

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

The Company continues with its international patent applications, which cover two engineering design features (being the basis of the Company's OSMR® process), entitled "A Method and System for Production of Liquid Natural Gas" and "Improvements to the OSMR® Process" (applications only filed in Australia and U.S.). The Company is also progressing a patent application over another wholly developed and owned process, entitled "Boil-off Gas Treatment Process and System". Advancement of global patent protection allows the Company to develop opportunities worldwide.

OSMR® TECHNOLOGY PROCESS





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.

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 2017 totaled A$12.4 million compared with A$89.3 million expensed during fiscal 2016.

LNGL Group's net loss after income tax for the year ended June 30, 2017 totaled A$29.3 million, which compared with a loss of A$115.2 million in the year ended June 30, 2016. The 2017 fiscal loss included the aforementioned project development costs of A$12.4 million, A$2.5 million of share-based payment expenses, and A$13.6 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.

As at 30 June 2017, the LNGL Group had A$40.3 million (cash and cash equivalents) plus A$4.2 million of other financial assets.

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 Company projects. If further significant delays in achieving this outcome occur, the Company will need to supplement its current liquidity position with new sources of capital.

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 that 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.

Greg M Vesey

Greg M. Vesey
Managing Director
and Chief Executive Officer
September 14, 2017

Directors' Report

Your directors submit their report for the fiscal year ended June 30, 2017.

DIRECTORS

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

Effective November 17, 2016, Mr. Paul J Cavicchi became chairman of the LNGL Board, replacing Mr. Richard J Beresford. Mr. Beresford remained on the Board as a Non-Executive Director from that date.

MR. PAUL J CAVICCHI

Non-Executive Director

RESIDENCE

Houston, Texas, USA

EDUCATION AND CERTIFICATION

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

Board Committee membership	Chair	Member
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. His most recent position was Executive Vice President of GDF SUEZ Energy North America, Inc., a subsidiary of GDF SUEZ Energy International, where he supervised and directed all business development efforts for GSENA in the United States, Canada and Mexico. Previously, he held the roles of President & CEO of SUEZ Renewable Energy NA, LLC, and before that President and CEO of SUEZ Energy Generation North America, Inc.

INDEPENDENT

Yes

OTHER DIRECTORSHIPS AND AFFILIATIONS

No other directorships

Registered Professional Engineer, State of New Hampshire, USA

SKILLS CONTRIBUTED TO THE LNGL BOARD INCLUDE:

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

Directors' Report

Your directors submit their report for the fiscal year ended June 30, 2017.

MR. GREGORY MATTHEW VESEY

Managing Director and Chief Executive Officer

RESIDENCE

Houston, Texas, USA

EDUCATION AND CERTIFICATION

BBA, Northwestern State University of Louisiana

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

BOARD COMMITTEE MEMBERSHIP

None, attends Board Committee meetings as an invitee

EXPERIENCE

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

INDEPENDENT

No

OTHER DIRECTORSHIPS AND AFFILIATIONS

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

MR. RICHARD JONATHAN BERESFORD

Non-Executive Chairman

RESIDENCE

Perth, Western Australia

EDUCATION AND CERTIFICATION

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

EXPERIENCE

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

INDEPENDENT

Yes

Board and Committee memberships	Chair	Member
Board of Directors	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

Eden Innovations Ltd. (since 2007)

Clearer Sky Pty Ltd (since 2001)

Green Rock Energy Limited (September 2008 to April 2015)

SKILLS CONTRIBUTED TO THE LNGL BOARD:

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

Directors' Report

Your directors submit their report for the fiscal year ended June 30, 2017.

MS. LEEANNE KAY BOND

Non-Executive Director

RESIDENCE

Brisbane, Australia

EDUCATION AND CERTIFICATION

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

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

EXPERIENCE

Ms. Bond is a professional company director with board roles in the energy, minerals, and engineering services sectors. She has qualifications in engineering and management, and 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

Clean Energy Finance Corporation (since 2017)

Queensland Building and Construction Commission (since 2016)

Engineers Australia (since 2016)

Snowy Hydro Limited (since 2015)

Territory Generation (since 2014)

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 LNGL 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., USA

EDUCATION AND CERTIFICATION

BA in Political Science, Stanford University

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

EXPERIENCE

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

INDEPENDENT

Yes

OTHER DIRECTORSHIPS AND AFFILIATIONS

none

SKILLS CONTRIBUTED TO THE LNGL BOARD INCLUDE:

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

Directors' Report

Your directors submit their report for the fiscal year ended June 30, 2017.

MR. D MICHAEL STEUERT

Non-Executive Director

RESIDENCE

Roanoke, Texas, USA

EDUCATION AND CERTIFICATION

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

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

EXPERIENCE

Mr. Steuert has nearly 40 years of international finance management experience. His most recent position was as Chief Financial Officer and Senior Vice President and Controller of Fluor Corporation. Mr. Steuert was previously CFO of Litton Industries, CFO of GenCorp Inc., and, prior to that, held developmental controllership and treasury positions in US and Europe with TRW Inc.

INDEPENDENT

Yes

OTHER DIRECTORSHIPS AND AFFILIATIONS

Weyerhaeuser Corporation (since 2004)

Great Lakes Dredge and Dock Company (since 2017)

Kurion Inc. (2012 to 2016)

SKILLS CONTRIBUTED TO THE LNGL BOARD INCLUDE:

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

COMPANY SECRETARY

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

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

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

Directors' Report

Your directors submit their report for the fiscal year ended June 30, 2017.

DIRECTORS MEETINGS

During the year, eleven 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
Total meetings	11	3	3	2	1
Director attended					
Paul J. Cavicchi	11	3	-	2	1
Gregory M. Vesey	11	-	-	-	-
Richard J. Beresford	10	3	-	2	-
Leeanne K. Bond	11	3	3	-	1
Philip D. Moeller	11	-	3	2	-
D. Michael Steuert	11	-	3	-	1
F. Maurice Brand	1	-	-	-	-

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

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

SHARES, OPTIONS, AND PERFORMANCE RIGHTS

SHARES

At June 30, 2017, there were 512,979,962 (2016: 503,977,606) common shares on issue.

PERFORMANCE RIGHTS

At June 30, 2017, there were 12,131,299 (2016: 16,582,858) un-issued ordinary shares under Performance Rights pursuant to issuances under the Company's Incentive Rights Plan.

No Rights issued in July 2014 vested at June 30, 2017. On July 6, 2016, the Company reported that 6,245,402 Performance Rights vested relating to a January 2014 Rights issue. A total of 6,224,720 ordinary shares were issued because of that vesting.

NED Rights totaling 73,111 vested in November 2016 with 66,499 ordinary shares issued upon vesting.

In January 2017, 952,992 Performance Rights vested with 952,137 ordinary shares issued upon vesting.

On July 11, 2017, the Company disclosed the issuing of 5,205,000 Incentive Rights to eligible employees. Through September 14, 2017, 1,428,687 Incentive Rights were forfeited by employees that left the Company.

Following these events, there were 13,633,476 un-issued ordinary shares under Incentive Rights issued pursuant to the Company's Incentive Rights Plan. There are approximately 12.2 million Incentive Rights remaining available for issuing under the plan.

OPTIONS

At June 30, 2017, 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

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

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 30 April 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, the Company announced that Magnolia LNG had received its 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 US Army Corps of Engineers Section 404 and Section 10 permits (permit to dredge a water of the US and place dredged material, and construction of marine facilities) are 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, USA.

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

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

FISHERMAN'S LANDING LNG PROJECT

The Company exited the Fisherman's Landing LNG project during the year. Management is currently working with regulators to complete the regulatory exit process.

Directors' Report

Your directors submit their report for the fiscal year ended June 30, 2017.

REMUNERATION REPORT (AUDITED)

INTRODUCTION FROM THE COMPENSATION COMMITTEE

As shareholders ourselves, and stewards of the remuneration program, the Compensation Committee's primary focus is developing a remuneration strategy that accomplishes the goal we all have to increase shareholder value in long-term and sustainable ways. To that end, each year we review our remuneration program to align the program with current market intelligence, our remuneration philosophy, and our business strategy. After careful review of our remuneration program, we want to highlight some of the key considerations underlying LNGL's remuneration trends.

As more fully described in the Chairman's Letter and the Managing Director and Chief Executive's Report, current global LNG market dynamics have slowed the Company's progress in procuring offtake contracts in sufficient volume to move to financial close and construction of its projects. LNGL has clearly de-risked its projects substantially over the past few years, achieving many major milestones. However, with the need for offtake sales still outstanding, LNGL made the difficult decision to exit the Fisherman's Landing LNG project in 2017 with the intent to focus on its North American projects.

Today, the Company is conducting business at reduced staffing levels that are predominantly based in North America with about 80 percent of full time employees being U.S.-based including all executive KMP. Now more than ever, the guiding principles utilized by the Compensation Committee in designing LNGL's remuneration philosophy is key to achieving our shared goal to increase shareholder value. These principles are:

- The need to attract, hire, and retain high-caliber experienced executives and personnel to ensure successful transition from development stage to construction and operation of our LNG development projects;
- The need to balance remuneration expectations and best practice between Australia and North America; and
- The need to align executive reward and shareholder investment outcomes.

As we reviewed the impact current market conditions are having on the LNG industry, it was clear there was increasing risk of loss of key personnel resulting in part to the lack of equity ownership by Company staff in LNGL. Committee members believe that staff ownership of equity in our Company represents the best shareholder alignment and retention mechanisms available to the Compensation Committee.

We engaged with our independent compensation consultants (Korn Ferry Hay Group) and conducted an extensive assessment and evaluation of all aspects of our remuneration program. We met as a committee multiple times with our consultant to review current market remuneration data, to assess remuneration programs employed within and outside the LNG industry, and evaluated multiple proposals for changes to our remuneration program. We assessed shareholder feedback and took account of your observations about our remuneration program, particularly as it relates to the plan's effectiveness and alignment with LNGL's strategy and business goals. Shareholder input was invaluable to the Compensation Committee and the Board in this undertaking. Our process targeted learning more about what types of meaningful changes would address the diverse stakeholder concerns, balancing market remuneration intelligence, shareholders' desires, and the risk of losing key personnel that are required to deliver the increased share value we all desire.

The following report details the key changes implemented by the Committee that reflect the continuing evolution of the Company's remuneration philosophy within the challenging global LNG industry. The primary changes implemented include:

- A further 10 percent reduction in cash fees paid and notional value of share rights allocated to the NEDs under the NED Rights Plan;
- Further refinement of our performance-based remuneration strategy that links short-term incentive cash award (**STI**) payments to milestones deemed achievable by the Board within a twelve-month assessment cycle, while applying value-based vesting criteria in our long-term incentive award (**LTI**) plan that aims to align employee vesting realization with shareholders' long-term goal of increased share value;
- Continuation of a program of issuance of Retention Rights that vest over a specified timeframe, in keeping with North American remuneration practices and as an effort to increase shareholdings by our staff that we believe will reduce the risk of loss of key personnel over time while aligning staff and shareholder goals; and
- Increased STI percentages to executive KMP consistent with market data provided by the Committee's compensation consultant.

OVERVIEW

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

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

- The need to attract high-caliber experienced executives and personnel to ensure successful development, construction, and operation of our LNG development projects;
- Differences in remuneration expectations and best practice between Australia and North America;
- Provision of an attractive value proposition as a tool for retention in the context of current industry challenges; and
- Alignment of executive reward and shareholder value outcomes.

Such considerations provide the context in which the Board makes its executive remuneration decisions. These guiding principles were integral in setting the current and prospective remuneration framework. Executive incentive arrangements are designed to ensure ongoing alignment with LNGL's strategic direction and core values, which drive long-term value creation and shareholder returns.

COMPENSATION COMMITTEE ROLE AND RESPONSIBILITIES

The role of the Compensation Committee is to ensure that remuneration policies implemented are designed to enhance corporate and individual performance to the benefit of LNGL's shareholders. That is the development, maintenance, and application of the Remuneration Policy and Clawback Policy and its implementation for the purposes of making recommendations to the Board to align KMP and shareholder interests regarding KMP remuneration matters. The Compensation Committee is also responsible for advising the Board on procedures that must be undertaken in relation to the governance of remuneration (such as the calculation of grants of incentives, review of performance conditions, and receipt of independent advice). Under its charter, the Compensation Committee is composed of at least two members with the majority being independent directors.

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

REMUNERATION FRAMEWORK DESIGN AND CONSIDERATIONS

Remuneration design is intended to enhance corporate and individual performance to the benefit of LNGL's shareholders. An ongoing challenge is to design a remuneration framework that is appropriate to hire, motivate, and retain executive KMP whilst maintaining alignment with shareholders throughout all life-cycle stages of a company's activities. In doing so, the Compensation Committee takes account of many factors having influence on design decisions including: shareholder observations on remuneration design in general and with regards to LNGL's design specifically; local market conditions in the countries, industry, and region in which LNGL operates; the current life-cycle status of the Company; the current state of the global LNG industry; and observations from independent consultancy.

Specific to pre-revenue stage businesses, design aspects must concentrate on balancing the need to attract and retain an experienced and capable management team having the skills required to move the Company's projects to FID and into operation, against traditional remuneration designs employed by 'operating stage' companies familiar to most investors.

The Compensation Committee intentionally deviates from commonplace remuneration practices applied at most public companies in 'operating stage' where KMP are accountable for the strategic growth of the business and management of operating assets, cash flow, and profit and loss. Unlike these companies, LNGL is a pre-revenue stage entity, strongly focused on achievement of strategic milestones that will lead to a fully operational and revenue producing company. The Compensation Committee balances these strategic milestones with long-term incentive metrics tied to the performance of LNGL's share price relative to the ASX All Ordinaries Accumulation Index to align KMP's incentive compensation targets with the performance of LNGL's share price. Comparing LNGL's share performance to an index recognizes there are currently no pre-revenue "peer" companies that are comparable to LNGL for purposes of relative share price performance comparisons. The remuneration framework will evolve in support of later stages in LNGL's business life cycle once project construction and operation commence.

Remuneration framework

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

- A fixed remuneration component, consisting of base salary and related benefits, that aligns with industry peers, validated through external compensation studies performed for the Compensation Committee by external consultants engaged by the Board.
- A STI component, computed as percentages of base pay with individual payout amounts linked to achievement of specific annual corporate and individual milestones and personal performance.
- A LTI component consisting of Incentive Rights, the vesting of which 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 ASX All Ordinaries Accumulation Index (**XAOAI**) over the applicable measurement period, with vesting determined on a sliding scale as defined in the Incentive Rights invitation letters specific to each issue tranche.
- A LTI component consisting of Retention Rights that time vest over a period designated at issuance date.

In accordance with both the STI and LTI plan documents, the Board retains discretion to increase or decrease the level of award or vesting (irrespective of Vesting Conditions being achieved or not), including by reference to the performance of the Company or any Participating Employer generally or in relation to specific matters including issues relating to workplace safety, health, and environment.

The Board may also vest any Incentive Rights early in circumstances where it considers it appropriate and reasonable to do so.

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

Approach to remuneration framework design

To assure the relevance and appropriateness of the remuneration framework, the Compensation Committee considers changes to the Company's remuneration policy and disclosures each year. The aim is to implement framework changes in line with current market best practice, reflecting a natural evolution of the remuneration program design to effectively support the progress of near and long-term business strategy. That said and taking into consideration the overall market dynamics and ever-changing LNG industry landscape and regulatory requirements, the Compensation Committee continued evolution of LNGL's remuneration practices in the current year with the assistance of the independent compensation consultant, Korn Ferry Hay Group.

Annually, the Board approves all fiscal year corporate goals to which the STI parameters apply, approves the Managing Director and Chief Executive officer's scorecard, reviews other executive KMP scorecards, and approves all LTI Incentive Rights issuances.

The Company has sought to provide guidance in this report regarding changes to its remuneration practice that will take effect with commencement of the fiscal 2018 reporting period and the forecasted effects of such changes on KMP remuneration. Summary elements of the fiscal 2018 remuneration program and how they compare with the fiscal 2017 program follow.

Pay Element	Fiscal 2017 Program	Fiscal 2018 Program [1]
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 – 25 percent General Counsel – 25 percent CFO – 25 percent CDO – 25 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 "cliff vest" over three-years No Gate Condition 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 but vesting levels capped if negative LNGL TSR

[1] The fiscal 2018 program reflects anticipated compensation arrangements as contemplated at July 1, 2017

In addition, the Company maintains KMP share ownership (**SOG**) guidelines. Applicable SOGs follow.

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

Executive KMP remuneration structure and instruments

Executive remuneration arrangements are designed to strike an appropriate balance between fixed and variable components. 'At risk' incentive awards, consisting of annual performance-based cash payments and long-term equity-based issues, are designed to promote alignment between employees and LNGL's shareholders.

The mix of fixed and variable remuneration is designed to ensure alignment between executive performance, LNGL's business strategy, and long-term shareholder wealth creation. The remuneration mix varies between employee KMP depending on an individual's role and responsibilities.

Directors’ Report

Your directors submit their report for the fiscal year ended June 30, 2017.

The following table provides a summary of the Company’s remuneration structure (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.	Ratably throughout each fiscal year.	The Compensation Committee uses external consultants to gain insight into market remuneration data in support of its annual review of company-wide and KMP specific remuneration design, levels of compensation, and instruments used.
Variable Remuneration	STI award	STI payments are paid at the Board’s discretion and are determined based upon delivery of a combination of corporate and individual goals. Target and stretch percentages and relative weightings used in determining individual STI percentages derived from achievement of corporate and individual goals are role level specific. Corporate goals (applicable to all employees STI annual plans) and all executive KMP goals (corporate and individual) are Board approved, typically at the beginning of each annual measurement period.	Paid annually on a calendar year basis, typically in January for the prior calendar year’s performance.	
	LTI award Performance Rights milestone-based LTI award Performance Rights MATSR-based LTI award Retention Rights LTI award other Incentive Rights instruments	LTI Award issues are equity-based and measured over a period of sufficient length to promote sustained performance to align with shareholder interests. Performance Rights are either milestone-based or MATSR-based. Milestone-based Performance Rights have binary outcomes, meaning the applicable rights either vest or not in the measurement period dependent on realization of the specific milestone. MATSR-based Performance Rights assess the total shareholder return performance of LNGL shares relative to that of the XAOAI over the applicable measurement period, vesting on a sliding scale dependent on the relative returns. Retention Rights are service time-based incentive rights, vesting over a stated period of continuous employment. These are used primarily for employee retention purposes. The Company’s Incentive Rights Plan provides flexibility for issue of other types of equity-based instruments but none are outstanding at this time.	Performance Rights are issued annually on a fiscal year basis, with a minimum 3-year measurement period and are cliff vesting. Retention Rights vest over continuous employment during the specified service period with issues made on a fiscal basis.	
	Perquisites	Specific by individual KMP and are approved by the Board.	Per the specific arrangement	

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

Responses to shareholder and governance adviser feedback

The Board welcomes dialogue with investors around LNGL's remuneration framework. Responses to feedback from the 2016 Annual Report, Annual General Meeting, and shareholder discussions follows.

Feedback	Response
The relative TSR measure has index concentration concerns and the vesting mechanics introduce risk.	The Board believes that a tranche of the LTI being linked with share price performance helps align management and shareholder interests. Given that LNGL straddles the resource and utility sectors on the ASX, and the fact that LNGL is a pre-revenue development company versus an operational company, there is no statistically robust ASX-listed comparator group. The Board considers that the best compromise is to use MATSR, with the index being the ASX All Ordinaries Accumulation Index.
There is potential payout of MATSR despite negative absolute TSR.	Regarding a negative absolute TSR, the Board will apply its discretion to ensure alignment between LTI and shareholder outcomes. Given that LNGL's stock is thinly traded and factors beyond performance can have a significant impact on LNGL's share price (such as a major shareholder selling some of its holdings) the Board believes the best approach to determine vesting in the context of positive MATSR performance combined with a negative absolute TSR is to evaluate circumstances at the end of the performance period in determining whether to exercise its negative discretion to reduce the value of the awards.
There is elimination of achievement of strategic milestones as a basis for LTI awards; conversely, only non-financial milestones impact STI awards.	At this stage of Company maturity, outcomes relative to the strategic milestones directly correlate in changes to financial metrics. If the milestones are met, the financial metrics improve; if the milestones go unmet then financial metrics likely weaken. The Board believes that at this lifecycle stage, combining milestone metrics with financial metrics in defining the Vesting Conditions for an LTI tranche has the potential for an unintended leveraging effect on payout if the strategic milestones are met; conversely, payout may be punitive if the strategic milestones remain unmet. Likewise, the Board believes it inappropriate to have combined milestone and financial targets for the STI program now for similar reasons. Consistent with these concerns, the Board chose to apply only market-based financial metrics in the determination of MATSR LTI awards and milestone metrics in the determination of STI awards. The Board believes this approach best aligns the remuneration framework with shareholder interests.
Adjustments to the focus and quantum of remuneration have continued to be made to align to the US market, despite a 2015 vote against the remuneration report.	About 80 percent of the Company's workforce is U.S-sourced, including 100 percent of the executive KMP. During 2017, the Company exited its Australia project and is currently assessing a change in domicile to the U.S. These factors have significantly influenced the Compensation Committee's decisions regarding remuneration framework design.
The introduction of Retention Rights as a material component of LTI.	Please refer to the following section for the Compensation Committee's rationale regarding this issue.
Executive pay relative to performance, particularly in 2016 STI payout	Please refer to the following section for the Compensation Committee's rationale regarding this issue
Excessive remuneration to Non-Executive Directors (**NED**), which includes the issue of rights.	Please refer to the following section for the Compensation Committee's rationale regarding this issue.
Relatively high level of non-audit fees to auditor	E&Y is used for non-audit services due to its familiarity with the Company's structure, operations, and strategy. Management believes E&Y is best placed to provide efficient, timely, and cost-effective counsel, which is a particularly important decision aspect given the Company's focus on liquidity management. Management intends to broaden the use of other supporting consultants in the future as the business strengthens financially. The Board supports this decision.

Prospective adjustments to the remuneration framework

In reviewing KMP remuneration arrangements, the Compensation Committee implemented the following changes in consultation with its outside consultant, Korn Ferry Hay Group:

- Use of Retention Rights as a component of LTI and adjusting the vesting period for the 2018 Retention Rights from a "cliff vest" three-year vesting period to vesting ratably (50/50) over a two-year period for issues made to executive KMP other than LNGL's Managing Director and Chief Executive Officer;
- Increased executive STI target percentages to executive KMP other than LNGL's Managing Director and Chief Executive Officer; and
- Reduced the cash component of NED pay by an incremental 10 percent, which is in addition to the nominal 20 percent cash reduction taken by these Directors in the previous year, the effect of which also reduces the notional value of rights issued to the NEDs under the NED Rights Plan. The cash component reductions over the past two years reduced Director cash fees by about 28 percent.

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

Use of service-based Retention Rights and associated vesting period

Use of service-based retention awards to promote retention of KMP is important to the Company as it executes its business strategy through the current adverse industry market conditions. The Compensation Committee views use of Retention Rights for a portion of the LTI remuneration framework as aligned with shareholder interests. Fundamentally, Company KMP and other personnel deliver the milestones that, if successful, translate into improved shareholder value. A loss of skilled and experienced KMP and other employees impact the likelihood for milestone success and thus realization of an improving share price that benefits shareholders.

The Compensation Committee notes that remuneration practices in Australia discourage the use of service-based stock awards as these can lead to misalignment with shareholder interests. While common practice in Australia is for executives to purchase stock on the open market or defer bonus payments to acquire stock, these approaches are not prevailing market practices to facilitate retention in the U.S. In LNGL's case, the staff of LNGL is about 80% U.S. sourced. In evaluating this issue, the Compensation Committee, with input from its independent compensation consultant, considered that most U.S. public companies issue time-vested equity awards to facilitate executive retention. Included in this list of evaluated U.S. public companies were Cheniere Energy and more recently Tellurian, which are two of LNGL's competitors on the U.S. Gulf Coast. The Compensation Committee also observed that stock ownership among LNGL's executive KMP was low for many executives who have performed services for LNGL for several years due to low vesting in prior LTI issues.

In evaluating fiscal 2018 retention award issues the Compensation Committee desired to increase executive KMP stock holdings on an accelerated timeframe to provide executives with exposure to share holdings as the Company executes on its strategic objectives during a challenging market environment, aligning those executives' economic interests with LGNL's shareholders. Given the continuing weak market conditions in the LNG industry, which hamper efforts to sign offtake contracts, the Compensation Committee desired to maximize the retention impact of its 2018 time-vested awards for executive KMP.

The Compensation Committee further determined that LNGL's Managing Director and Chief Executive Officer, who joined the Company in 2016, does not have low stock holdings relative to his tenure and that the existing LTI design adequately balances performance and retention for the Managing Director and Chief Executive Officer. For these reasons, the 2018 vesting period for most personnel is over two-years with shares vesting ratably (50% in June 2018 and 50% in June 2019) while vesting for the Managing Director and Chief Executive Officer's 2018 Retention Rights vesting period is a "cliff vest" over three-years (June 2020).

Executive STI targets

The Board received comments regarding the STI metrics prior to fiscal 2016 including LNGL's share price (and executive KMP benefitted from increasing share prices under the plan) while the 2016 STI did not include stock price in a year in which LNGL's share price decreased. In designing the STI plan for fiscal 2017 and 2018, the Compensation Committee continued to exclude LNGL's share price as a metric notwithstanding the potential for a share price increase as market conditions improve. As the Compensation Committee evaluated STI design and the evolution of the design it determined that one-year share price targets could potentially incentivize executive KMP to increase share price through short-term actions that may not necessarily align with long-term value creation. In contrast the LTI plan metrics have evolved to focus on share-price metrics (MATSR).

In view of U.S. market compensation trends and through consultation with its independent compensation adviser, the Compensation Committee increased executive KMP target STI awards for 2018 (as contemplated at July 1, 2017) as follows:

Managing Director and Chief Executive Officer – no change, remaining at a target of 60 percent of base

Chief Operating Officer – 40 percent increase, to a target of 35 percent of base

General Counsel and Joint Company Secretary – 20 percent increase, to a target of 30 percent of base

Chief Financial Officer – 20 percent increase, to a target of 30 percent of base

Chief Development Officer – 20 percent increase, to a target of 30 percent of base

The Board assesses KMP performance for STI payment purposes based on the achievement of the agreed milestones for the year and individual contributions. The Board retains discretion on the value of STI awards paid to Company personnel including the KMP.

In making these adjustments, the Compensation Committee considered that LNGL's target bonus targets as a percentage of base salary for executive KMP are generally below market and LTI issues are currently below market given LNGL's low share price. The adjustments to the target STI awards is intended to increase the weighting of executive KMP compensation toward variable (at-risk) compensation, in line with U.S. pay practices.

NED compensation levels

In support of the Company's liquidity management plan, NED cash fees were reduced a further 10 percent from the previous year. This reduction is on top of the nominal 20 percent reduction taken by the NEDs in the previous year. A reduction in cash compensation also reduces the quantum of rights issued under the NED Rights Plan as such allocation is determined as a percentage of base cash retainer.

COMPANY AND INDUSTRY CONTEXT

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

REMUNERATION POLICIES AND PRACTICES IMPACTING KMP REMUNERATION

Remuneration and Clawback Policies

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

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

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

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

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

KMP DURING THE REPORTING PERIODS

Name	Title	Fiscal 2017	Fiscal 2016
	Non-Executive Director Key Management Personnel		
Paul J. Cavicchi	Chairman	×	×
Richard J. Beresford	NED	×	×
Leeanne K. Bond	NED	×	×
Philip D. Moeller	NED	×	From Dec 7 2015
D. Michael Steuert	NED		×
	Executive Key Management Personnel		
Gregory M. Vesey	Managing Director & Chief Executive Officer	×	From Apr 4 2016
John Baguley[1]	Chief Operating Officer	×	×
Kinga Doris	General Counsel & Joint Company Secretary	×	From Sep 1 2015
Michael R. Mott	Chief Financial Officer	×	×
Anthony Gelotti[2]	Chief Development Officer	×	From Dec 1 2015
F. Maurice Brand[3]	Executive Director	To Jul 29 2016	×

[1] Mr. Baguley was promoted to Chief Operating Officer in June 2017. He was formerly Chief Technical Officer for LNGL

[2] Mr. Gelotti left the Company in July 2017 and ceased his role as an executive KMP effective July 1, 2017.

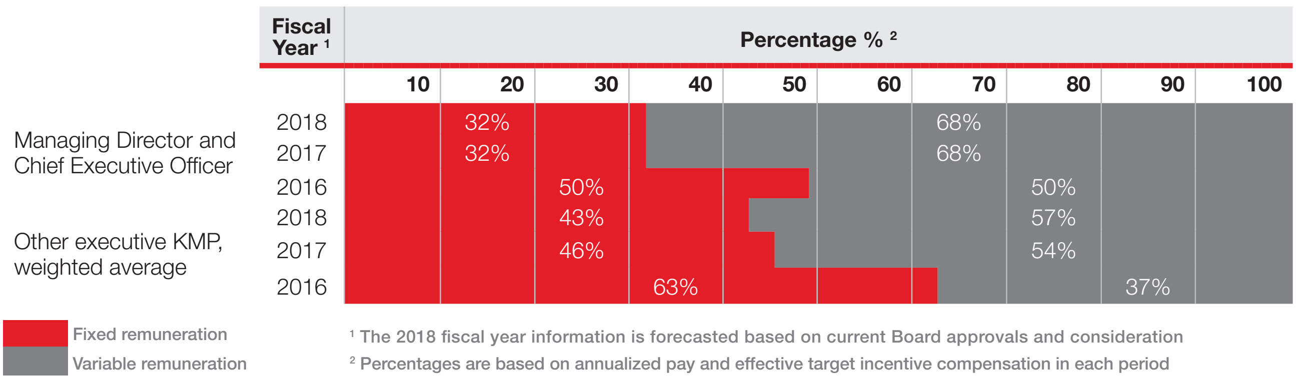
[3] Mr. Brand was the founder and former Managing Director and Chief Executive Officer of LNGL. He voluntarily stepped down from his role with the Board on 29 July 2016.

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

PARAMETERS AND WEIGHTING OF FIXED AND VARIABLE EXECUTIVE KMP REMUNERATION

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

Applying target incentive remuneration percentages in each fiscal period, target relative percentage weighting of fixed to variable remuneration for LNGL's executive KMP in each period follows.



[1] The 2018 fiscal year information is forecasted based on current Board approvals and consideration

[2] Percentages are based on annualized pay and effective target incentive compensation in each period

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

	Fiscal Year of Award [1]	STI Plan		LTI Plan	
		Target	Stretch	Target	Stretch
Managing Director and Chief Executive Officer	2018	60%	120%	150%	N/A
	2017	60%	120%	150%	N/A
	2016	25%	50%	75%	150%
Other executive KMP, in aggregate average [2]	2018	30 - 35%	50%	100%	N/A
	2017	25%	50%	75 - 100%	N/A
	2016	20 - 25%	40 - 50%	0 - 75%	N/A

[1] The 2018 fiscal year information is forecasted based on current Board approvals and consideration

[2] In certain periods, KMP were ineligible for incentive awards under plan rules due to individual employment start dates

In all reporting periods, LTI 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 [1]	Milestone-Based Rights	MATSR-Based Rights	Retention Rights
2018	0%	60%	40%
2017	0%	60%	40%
2016	50%	50%	0%

[1] The 2018 fiscal year information reflects the 2018 issue year Incentive Rights invitation letter

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.

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

MATSR-based LTI issuances

MATSR-based Performance Rights will partially or fully vest if the Company's total shareholder return (**TSR**) is equal to or greater than 100% of the MATSR of the XAOAI during the Measurement Period, computed by dividing LNGL's TSR by XAOAI's TSR. The fiscal 2018 and fiscal 2017 MATSR-based issuances utilized the same vesting criteria as follows.

Fiscal 2018 and 2017 MATSR-based Performance Rights		
LNGL TSR relative to XAOAI TSR [1]	Fiscal Year 2018 [2]	Fiscal Year 2017
Measurement Period	Jul '17 – Jun '20	Jul '16 – Jun '19
Less than 100%	0%	0%
Threshold vesting – 100% (LNGL's and XAOAI's TSR percentages are equal)	25%	25%
>100% < 200% (LNGL's TSR percentage is > than XAOAI but less than double)	Linear Interpolation	Linear Interpolation
Target vesting – 200% or greater (LNGL's TSR percentage is more than double)	100%	100%

[1] If TSR is less than 0%, the Performance Right payout will be the lower of the linear interpolation calculation amount or 50% of the maximum award amount

[2] The 2018 fiscal year information reflects to 2018 issue year Incentive Rights invitation letter

The fiscal 2018 and 2017 MATSR-based Performance Rights will partially or fully vest as outlined in the chart below. These issuances were made at prices of $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.

The fiscal 2016 MATSR-based issuance applies the following vesting criteria.

Fiscal 2016 MATSR-based Performance Rights	
LNGL TSR relative to XAOAI TSR	**Fiscal Year 2016**
Measurement Period	Jul '15 – Jun '18
Less than or equal to 100%	0%
Threshold vesting – above 100% but below 150%	Pro rata 0% up to 50%
Target vesting – 150%	50%
Target vesting – from 150% to but below 200%	Pro rata 50% to 100%
Stretch – 200% of more	100%

The fiscal 2016 MATSR-based Performance Rights issues included a Gate Condition requiring LNGL's TSR over the measurement period to be greater than nil. The price at date of issuance for the fiscal 2016 MATSR-based Performance Rights was $3.99/share, which established a floor price for assessing TSR for this issue tranche. If at the measurement date, LNGL's share price is less than the $3.99/share price, no rights shall vest regardless of the LNGL TSR performance relative to the XAOAI TSR during the applicable measurement period.

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

Retention Rights LTI issuances

The Compensation Committee implemented the use of Retention Rights as a component of the LTI program in the last two tranche issuances (2018 and 2017).

		Retention Rights
Fiscal Year [1]	**Measurement Period**	**Vesting terms**
2018	Not applicable	Two-year vesting period realized ratably applicable to most employees, meaning that 50% of the Retention Rights vest at June 30, 2018 and the remaining 50% of the Retention Rights vest at June 30, 2019. 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 the Company at the end June 2019.
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 the Company at the end June 2019
2016	Not applicable	Not applicable

[1] The 2018 fiscal year information reflects the 2018 issue year Incentive Rights invitation letter

Milestone-based LTI issuances

Milestone-based targets in recent LTI tranche issuances follows.

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

[1] The 2018 fiscal year information reflects the 2017 issue year Incentive Rights invitation letter

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

	Incentive Rights Plan Instrument Types Actually Issued		
Fiscal Year [1]	Milestone-Based Rights	MATSR-Based Rights	Retention Rights
2018	0%	60%	40%
2017	0%	60%	40%
2016	33%	67%	0%

[1] The 2018 fiscal year information reflects the 2018 issue year Incentive Rights invitation letter

HISTORICAL ISSUANCES AND VESTING OUTCOMES

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

The measurement date associated with the Performance Rights for the fiscal 2015 remuneration program ended on June 30, 2017. All rights (2,532,823 Performance Rights) lapsed un-vested on this date.

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

DETAILS OF THE EXECUTIVE KMP STI PLAN

Aspect	Description
Measurement period	Calendar year (1 January to 31 December)
Award opportunities	Award opportunities are based on percentages of individual Base Pay, annually approved by the Board in response to Compensation Committee recommendations
Key performance indicators (KPIs), weighting and performance goals	Typically, at 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 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 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 KPIs typically include a mix of project-related development tasks, including commercial negotiations, opportunity identification, approvals and permitting goals, contracting, and project funding milestones
Award assessment and payment	The Board determines the level of the annual STI payment made to the Managing Director and Chief Executive Officer, and approves the level of STI payments made to the other executive KMPs 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 the Company 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

DETAILS OF THE EXECUTIVE KMP LTI PLAN

Aspect	Description
Form of rights	The Incentive Rights Plan Rules specify that Incentive Rights will be either: - Performance Rights, which vest subject to the satisfaction of conditions related to performance - Retention Rights, which vest subject to continuous employment - Other instrument types Upon vesting, an Incentive Right confers an entitlement to the value of an LNGL ordinary share Without the approval of the Board, Incentive Rights may not be sold, transferred, mortgaged, charged or otherwise dealt with or encumbered
LTI value	The Board retains discretion to determine the value of LTI to be offered each year pursuant to overall available Rights for issuance as approved by shareholders
Measurement period	Determined by the Board and provided / specified in the applicable Invitation Letter
Performance Rights vesting conditions	The Board has discretion to set vesting conditions for each offer The Board retains discretion to modify LTI vesting outcomes when it is determined that awards vesting is inconsistent with shareholder outcomes and Company performance over the Measurement Period Performance Rights that do not vest lapse
Retention Rights vesting conditions	The Board has discretion to set vesting conditions for each offer Retention rights will vest in full if the employee remains actively employed on the last date of the measurement period The Board retains discretion to modify LTI vesting outcomes
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	If the employment of a participant ceases due to termination for Cause or Resignation all Unvested Incentive Rights lapse If the employment of a Participant ceases due to termination Without Cause the Unvested Incentive Rights are subject to the following: a. All Unvested Retention Rights, if any, issued to the Participant shall vest pro-rata; b. All Unvested milestone-based Performance Rights will be determined based on whether the milestones were met prior to termination; and c. All Unvested Performance Rights based on TSR or MATSR shall lapse
Change-of-control	All Unvested Incentive Rights issued under the Plan shall, subject to certain conditions, immediately vest upon a change of control. The Board may in its absolute discretion remove any dealing restrictions regarding the sell or transfer of Incentive Rights

COMPANY PERFORMANCE

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

							Change in shareholder value over I year		Change in shareholder value over 3 years	
Date	Revenue	Development Expenditures	After-tax loss	Share price at June 30	Share price change	Dividends	Amount	%	Amount	%
$ in thousands, except share prices, dividends and percentages										
30 Jun '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%
30 Jun '13	190	5,873	(13,407)	0.12	(0.21)	-	(0.21)	(63)%	(0.19)	(61)%

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

LINKS BETWEEN PERFORMANCE AND REWARD

Annually, the Board approves goals, milestones, and targets for the Managing Director and Chief Executive Officer, and reviews the goals, milestones, and targets of the other executive KMP. The Board assesses these based on the then current status of the enterprise and strategic business plans of the Company. Most of these goals, milestones, and targets in fiscal 2017 (and 2016), respectively, focused on 'development stage' activities reflecting the Company's current business stage. The other executive KMP scorecards align with the Managing Director and Chief Executive Officer's goals, milestones, and targets, adjusted to reflect each individual KMP's direct control or influence over each of the specific goals, milestones, and targets. This process aims to link each executive KMP scorecard to shareholder interests.

The following is the agreed scorecard and weightings for the Managing Director and Chief Executive Officer for calendar year 2018, which scorecard shall be used to assess performance relative to fiscal 2018 STI payments.

Performance Measure	2018 Scorecard [1]

Business (80%)	- Signing of 4 MTPA in binding offtake agreements with an investment grade counterparty for MLNG (50%)
	  - Stretch – Signing 8 MTPA
	- Consistent with the level of offtake marketing success, develop a firm commitment for the next capital infusion to support LNGL through 2021 (30%)
	  - Stretch – Bring in new funding of at least $100 million

Governance (5%)	- Develop a comprehensive Takeover Defense Plan - Ensure the company operates in compliance with all laws and regulations - Support the efforts of the Board Governance and Audit Committees
Health and safety (10%)	- Operate the company safely with no recordable injuries or lost-time incidents - Support the efforts of the Board Safety, Sustainability People & Culture Committee
People and culture (5%)	- Implement changes to Commercial Team and improve overall function - Assess implementing actions for the closure of the Perth office by year-end - Develop and implement a successful retention plan for staff - Support the efforts of the Board Compensation Committee

[1] The 2018 fiscal year information is forecasted based on current Board approvals and consideration

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

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

The Board assessed 2017 KMP performance as meeting most of the agreed goals, milestones, and targets, with the significant exception being the signing of offtake agreements. Due to the importance of offtake sales, the Board once again emphasized this milestone in the fiscal 2018 goals. Clearly, KMP's focus is on selling offtake capacity to enable progress to financial close and construction of its projects. The current LNG business environment is having a negative impact on realization of this key deliverable.

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

Performance Measure	2016 Scorecard
Business (55%)	Approval, permitting, contracting and opportunity targets in relation to Magnolia LNG, Bear Head LNG and LNG International
Organizational (25%)	Progress corporate restructuring of the LNGL Group and succession planning, identification and appointment of Magnolia LNG President, establishment and Board approval for LNG Technology Business Plan, and the execution of a strategic alliance with a global EPC contractor
Health and safety (10%)	Establish top down emphasis of HSSE within LNG and its contractor relationships, and the introduction and 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 the Company'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.

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

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

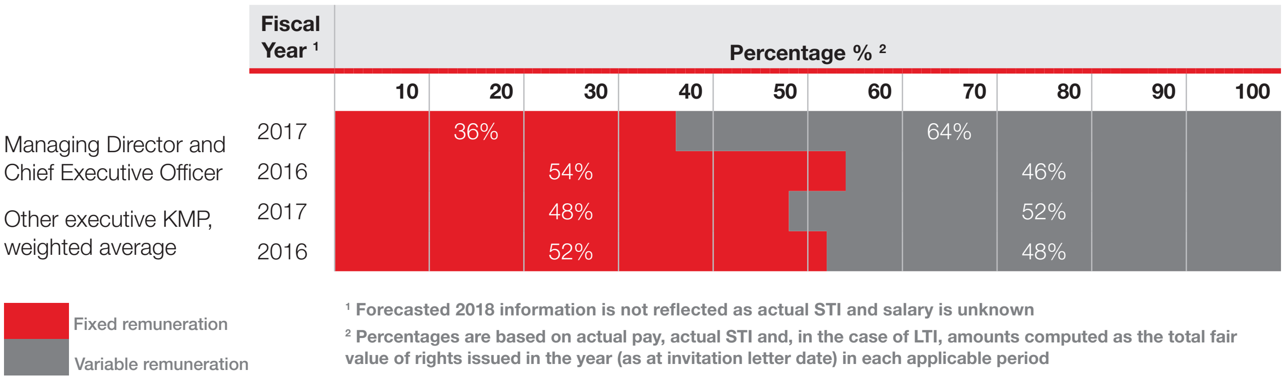
	STI Payments [1]			LTI Issues [2]		
Fiscal year	**2018**	**2017**	**2016**	**2018**	**2017**	**2016**
Payment or issue date	**Jan 2019**	**Jan 2017**	**Dec 2015**	**Jul 2017**	**Jul 2016**	**Jul 2015**
Managing Director and Chief Executive Officer [3]	-	25%	39%	149%	117%	66%
Other executive KMP, weighted average	-	19%	21%	90%	72%	75%

[1] STI payments are discretionary. The measurement date for STI is a calendar year and the Compensation Committee shall make a recommendation to the Board regarding fiscal 2018 payments at the end of calendar year 2017. In certain periods, STI paid to KMP were pro-rated under plan rules due to individual employment start dates

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

[3] The 2018 LTI issue to the MD & CEO is estimated based on the proposed rights issuance allocation. Issuance is expected in December 2017 following the November AGM.

Because of these actual STI and LTI awards and salaries paid in the respective periods, the actual relative percentage weighting of fixed to variable remuneration for LNGL's executive KMP follows.



[1] Forecasted 2018 information is not reflected as actual STI and salary is unknown

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

Your directors submit their report for the fiscal year ended June 30, 2017.

The following table discloses the value of LTI incentives issued to executive KMP in fiscal 2018, 2017, and 2016, respectively, accompanied by estimates of related current and future period accounting expense.

Tranche	Estimated value at issue date [3]	Fiscal 2017 accounting expense	Max value to be expensed in future years
Managing Director and Chief Executive officer [1]			
Fiscal 2018 MATSR	$ 158,400	$ -	$ 434,002
Fiscal 2018 Retention	406,400	-	289,335
Estimated fiscal 2018 issuance	564,800	-	723,337
Fiscal 2017 MATSR	152,640	47,817	104,823
Fiscal 2017 Retention	380,800	119,291	261,509
Fiscal 2016 MATSR	-	-	-
Fiscal 2016 Retention	-	-	-
Fiscal 2015 MATSR	-	-	-
Fiscal 2015 Milestone	-	-	-
Total as at June 30, 2017	$533,440	$167,108	$366,332
Other Executive KMP in aggregate [2]			
Fiscal 2018 MATSR	$ 277,200	$ -	$ 512,306
Fiscal 2018 Retention	711,200	-	171,981
Estimated fiscal 2018 issuance	988,400	-	684,287
Fiscal 2017 MATSR	233,280	73,078	160,202
Fiscal 2017 Retention	595,200	186,455	408,745
Fiscal 2016 MATSR	937,229	312,410	312,410
Fiscal 2016 Milestone	611,627	203,876	203,874
Fiscal 2015 MATSR	485,718	183,650	-
Fiscal 2015 Milestone	303,574	(188,793)	-
Total as at June 30, 2017	$3,166,628	$770,676	$1,085,231

[1] Effective 4 April 2016, Mr. Vesey replaced Mr. Brand as MD & CEO. Mr. Vesey did not receive a Rights issue in fiscal 2016. The 2018 MD & CEO value applies to Mr. Vesey and is an estimate pending issuance following the November 2017 AGM and is valued at the expected issuance price for this purpose.

[2] Other Executive KMP reflect LTI issues associated with each designated KMP as at the date of each respective issue. Fiscal 2015 amounts reflect Rights issued to Mr Baguley. Fiscal 2016 amounts reflect issues made to Mr. Mott and Mr. Baguley (Ms. Doris and Mr. Gelotti received zero issues in fiscal 2016). Fiscal 2017 amounts reflect issues to Mr. Mott, Mr. Baguley, Ms. Doris and Mr. Gelotti, respectively. Mr Gelotti left the company in July 2017 and was no longer a KMP at July 1, 2017. The Fiscal 2017 expense reflects the adjustments associated with Mr Gelotti's departure. The fiscal 2018 amounts reflect Rights issued Mr Baguley, Mr Mott, and Ms Doris and are valued at the Rights issuance price for this purpose.

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

SUMMARY OF CONTRACTUAL PROVISIONS FOR EXECUTIVE KMP

The following table outlines contractual provisions for current executive KMP.

Current KMP Contractual Provisions

Name	Role	Base Salary in Denomination of Contract	Base Salary in Australian Dollars [1]	Contract Duration [5]	Contractual Severance Period	Notice Period
Gregory M Vesey	MD & CEO	$635,000	$846,667	Evergreen	12 months	12 months [3]
John Baguley [4]	COO	$430,000	$573,333	1 Dec 2018	90 days	90 days
Kinga Doris	General Counsel	$335,012	$446,683	31 Aug 2018	90 days	90 days
Michael R Mott	CFO	$411,690	$548,920	Evergreen	12 months	90 days

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

[2] Primary term

[3] Following primary term

[4] 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.

[5] Pursuant to contract terms, the contract renews automatically annually unless the Company provides notice of termination. Such term has been defined herein as 'Evergreen'

EXECUTIVE KMP REMUNERATION

The following table provides a detailed breakdown of the components of actual remuneration received for each of the executive KMP in the reporting periods calculated in accordance with applicable accounting standards. All US-denominated balances are translated at 0.75/1.

Executive KMP Actual Remuneration in the Reporting Periods						Fixed remuneration		STI		LTI		Total remuneration		
Name	Position	Fiscal Year	Salary	Super-annuation contribution	Other benefits	Amount	% of TRP	Amount	% of TRP	Amount [5]	% of TRP	Total remuneration package (TRP)	Termination benefits	Change in accrued leave
Gregory M Vesey	MD/CEO [1]	2017	$846,667	$ -	$42,576	$889,243	69%	$226,667	18%	$ 167,108	13%	$1,283,018	$ -	$ -
		2016	208,953	-	10,265	219,218	100%	-	0%	-	0%	219,218	-	-
F. Maurice Brand	Exec Director [1]	2017	70,417	4,904	-	75,321	32%	-	-	160,509	68%	235,830	1,259,214	-
		2016	817,309	35,000	57,839	910,148	30%	162,185	5%	1,942,998	65%	3,015,331	-	49,899
John Baguley	COO [2]	2017	549,937	-	33,423	583,360	61%	123,467	13%	243,402	26%	950,229	-	-
		2016	546,196	-	63,710	609,906	51%	95,109	8%	482,094	41%	1,187,109	-	-
Kinga Doris	General Counsel [3]	2017	435,441	-	31,639	467,080	74%	95,467	15%	64,883	10%	627,430	-	-
		2016	353,715	-	25,031	378,746	92%	35,000	8%	-	0%	413,746	-	-
Michael R Mott	CFO	2017	548,920	-	34,910	583,830	53%	115,333	11%	397,507	36%	1,096,670	-	-
		2016	546,196	-	48,238	594,434	57%	163,045	16%	273,801	27%	1,031,280	-	-
Anthony Gelotti [6]	CDO [4]	2017	533,333	-	35,278	568,611	78%	93,333	13%	64,833	9%	726,777	-	-
		2016	313,162	-	22,892	336,054	100%	-	0%	-	0%	336,054	-	-

[1] Effective 4 April 2016, Mr. Vesey replaced Mr. Brand as MD & CEO. At this date, Mr. Brand became an Executive Director, remaining as an executive KMP until his resignation in July 2016. Mr. Brand's fiscal 2016 compensation was earned partly as MD & CEO and partly as an executive KMP. All amounts earned are reflected on the single line Executive Director. Mr. Brand stepped down from his role on 29 July 2016. Payments made to Mr. Brand in fiscal 2017 reflect his settlement agreement upon his resignation. These payments are not reflected in this chart.

[2] Mr. Baguley was promoted to Chief Operating Officer in June 2017. Mr. Baguley had previously performed the duties of the Chief Technical Officer

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

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

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

[6] Mr. Gelotti left the Company in July 2017 and ceased his role as an executive KMP effective July 1, 2017

NED KMP REMUNERATION DESIGN

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

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

In evaluating fiscal 2018 NED compensation structures, the Board, in consultation with its outside consultant (Korn Ferry Hay Group), reduced their cash and equity retainers by 10 percent. This reduction in combination with the 20 percent reduction in cash component taken in fiscal 2017 results in an overall 28% reduction in cash fees over the two-year period. Australian-based NEDs are cash compensated in Australian dollars and US-based NEDs are cash compensated in US dollars. All rights issuances are denominated based on Australian dollars.

	NED Fee Structure [1]		
Component	**Fiscal Year 2018 [2]**	**Fiscal Year 2017**	**Fiscal Year 2016**
Base fee – Board chair	$194,000	$216,000	$270,000
Base fee – NED	$86,400	$96,000	$120,000
Committee fee – chair	$18,000	$20,000	$25,000
Committee fee – member	$9,000	$10,000	$12,500
Board Chair NED Rights value as % of fees [2]	57.5%	57.5%	40%
NEDs Rights value as % of fees [3]	80%	80%	48%

[1] 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 2018 and 2017 and total fees in 2016) on which the applicable NED Right percentage is multiplied was in Australian dollars.

[2] The fiscal 2018-year information is forecasted based on current Board approvals and consideration.

[3] The fiscal 2018 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.

[4] The fiscal 2018 NED Rights value (non-Chairman) are equal to 80% of the Base fee amount or a target of A$69,120. The fiscal 2016 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.

Based on the above NED fee structure and assuming the current existing Board Committee roles remain in place, expected NED remuneration for fiscal 2018 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
Governance & Nominating Committee	-	9,000	-	18,000	-
Compensation Committee	-	9,000	9,000	-	-
Target annual share-based award	83,663	69,120	69,120	51,840	51,840
Fiscal 2017 target NED remuneration	US$277,663	A$173,520	A$191,520	US$174,240	US$165,240
Estimated NED remuneration in A$ [1]	A$370,217	A$173,520	A$191,520	A$232,320	A$220,320

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

Directors' interests in shares, options, and performance rights of LNGL as at June 30, 2017 follows.

Director	Number of ordinary shares	Number of unlisted NED performance rights	Number of unlisted options
Paul J. Cavicchi	320,592	216,000	-
Gregory M. Vesey	700,000	1,600,000	-
Richard J. Beresford	472,225	129,076	-
Leeanne K. Bond	43,549	129,076	-
Philip D. Moeller	66,000	129,076	-
D. Michael Steuert	139,575	129,076	-

NED RIGHTS PLAN DETAILS

Aspect	Description
Purpose	The NED Rights Plan is intended to give effect to that component of the Non-Executive Director Remuneration Policy that includes salary sacrifice of Board fees into equity in the Company This is a separate plan from the employee LTI incentive scheme
Form	The NED Rights Plan currently offers service (share) rights Rights issued under the plan are service time-based rights
Rights transfer	NED Rights may not be sold, transferred, mortgaged, charged or otherwise dealt with or encumbered without prior Board approval
Issue value	The Board retains discretion to determine the value of LTI to be offered each year pursuant to overall available Rights for issuance as approved by shareholders
Vesting condition	Vesting Period determined by the Board and provided / specified in the applicable Invitation Letter Upon vesting, a right confers an entitlement to the value of an LNGL ordinary share, which the Board may determine to pay in shares and/or cash
Exercise of vested NED Rights	Vested NED Rights may be exercised after receipt of an Exercise Notice and compliance with LNGL's Securities Trading Policy
Early termination of NED term	The NED Rights Plan contains provisions concerning the treatment of vested and unvested NED Rights if a Plan Participant ceases to be a NED during the Measurement Period If a Participant ceases 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 Treatment of the balance of NED Rights will be subject to Board discretion at the end of the Measurement Period Early termination of NEDs term, all rights will lapse
Change of control of the Company	In the event of a change of control unvested NED Rights may vest in the same proportion as the Share Price has increased since the beginning of the Measurement Period Remaining NED Rights would either lapse or some or all may vest at the Board's discretion In relation to shares that have resulted from the vesting of NED Rights, dealing restrictions specified in the Invitation would be lifted

The following table discloses the value of NED Rights issued in fiscal 2017 (and 2016), respectively.

Tranche	Value at issue date	Current year accounting expense	Max value to be expensed in future years
Non-executive Directors			
Fiscal 2017 Rights	$435,721	$268,595	$167,126
Fiscal 2016 Rights	107,471	29,948	-
Total	$543,192	$298,543	$167,126

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

	NED Rights Plan Rights Issued and Vested		
	Fiscal Year 2018 [1]	Fiscal Year 2017	Fiscal Year 2016
Rights issued	≤ 776,000	732,304	73,111
Rights vested [2]	725,000	66,499	74,405

[1] The fiscal 2018 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

[2] The fiscal 2018 Rights vested amount is forecasted based on expectation that each Board member holding these rights will continue in their role through 30 June 2018.

Directors' Report

Your directors submit their report for the fiscal year ended June 30, 2017.

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 actual NED remuneration received in fiscal 2017 (and 2016).

NED Remuneration Schedule

Name	Position	Fiscal year	Board fees	Committee fees	Super - annuation	Other benefits	Equity issue [4]	Termination benefits	Total remuneration package
Paul J. Cavicchi [1]	Chairman	2017	$ 231,378	$ 22,074	$ -	$ 1,832	$ 85,429	$ -	$ 340,713
		2016	165,367	50,242	-	-	25,951	-	241,560
Richard J. Beresford	NED	2017	148,867	12,389	-	1,000	58,419	-	220,675
		2016	270,000	-	-	-	70,437	-	340,437
Leeanne K. Bond	NED	2017	96,000	40,000	-	1,000	53,804	-	190,804
		2016	120,000	42,710	-	-	42,307	-	205,017
Philip D. Moeller [2]	NED	2017	128,000	40,000	-	1,832	47,343	-	217,175
		2016	92,547	21,265	-	-	-	-	113,812
D Michael Steuert	NED	2017	128,000	40,000	-	1,832	53,547	-	223,379
		2016	165,421	43,078	-	-	16,063	-	224,562
Madam Grace Yao	NED	2016	75,000	-	-	-	20,881	-	95,881

[1] Mr. Cavicchi was appointed Chairman in November 2016.
[2] Mr. Moeller was appointed to the Board in December 2015.
[3] Madam Yao resigned from the Board on 19 November 2015.
[4] Equity issue amounts contained in this chart reflect actual accounting expense in each fiscal year relating to each specific NED. 'Face Value' of equity issue amounts are disclosed on the previous page.

Total cash fees paid NEDs in fiscal 2017 (and 2016) were A$894,204 and A$970,630, respectively. Total NED remuneration in fiscal 2017 (and 2016) totaled A$1,192,746 and A$1,123,527, respectively. The US-based NED amounts have been translated at 0.75/1 to reflect the Australian dollar equivalent in deriving these amounts.

CHANGES IN KMP HELD EQUITY

Changes in Executive KMP Equity Held

Name	Position	Held at July 1, 2016		Issued during fiscal year		Forfeited in year	Other change		
		Instrument	Number	Issue price [5]	Number [6]	Number	Number	Vested	Number held at June 30, 2017
Gregory M Vesey	MD/CEO [1]	Shares	200,000	-	-		500,000		700,000
		Rights/Options	-	0.87	1,600,000	-	-	-	1,600,000
Maurice Brand	Executive Director [7]	Shares	4,800,000	-	-	-	(4,800,000)	-	-
		Rights/Options	973,790	-	-	-	(973,790)	-	-
John Baguley	CTO [2]	Shares	270,000	-	-	-	-	-	270,000
		Rights/Options	406,125	0.87	600,000	(246,141)	-	-	759,984
Kinga Doris	General Counsel [3]	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	CTO [4]	Shares	-	-	-	-	-	-	-
		Rights/Options	-	0.87	600,000	-	-	-	600,000

Name	Position	Held at July 1, 2015		Issued during fiscal year		Forfeited in year	Other change		
		Instrument	Issue price [5]	Issue price [5]	Number	Number	Number	Vested	Number held at June 30, 2016
Gregory M Vesey	MD/CEO [1]	Shares	-	-	-	-	200,000	-	200,000
		Rights/Options	-	-	-	-	-	-	-
Maurice Brand	Executive Director [7]	Shares	4,500,000	-	-	-	300,000	-	4,800,000
		Rights/Options	1,839,933	3.99	563,345	-	(476,496)	952,992	973,790
John Baguley	CTO [2]	Shares	-	-	-	-	270,000	-	270,000
		Rights/Options	246,141	3.99	159,984	-	-	-	406,125
Kinga Doris	General Counsel [3]	Shares	-	-	-	-	-	-	-
		Rights/Options	-	-	-	-	-	-	-
Michael R Mott	CFO	Shares	-	-	-	-	-	-	-
		Rights/Options	-	3.99	289,742	-	-	-	289,742
Anthony Gelotti	CTO [4]	Shares	-	-	-	-	-	-	-
		Rights/Options	-	-	-	-	-	-	-

[1] Effective April 4, 2016, Mr. Vesey became MD & CEO.

[2] Mr. Baguley was promoted to Chief Operating Officer effective June 2017. Mr. Baguley had previously performed the duties of the Chief Technical Officer. Mr. Baguley holds 67,500 LNGLY ADRs, which translate on a 1:4 basis into LNGL common stock. The equivalent shares held by Mr. Baguley approximate 270,000 common shares.

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

[4] Mr. Gelotti was appointed Chief Development Officer effective December 1, 2015, becoming an executive KMP from that date. Mr. Gelotti left the Company in July 2017, ceasing as a KMP effective July 1, 2017.

[5] 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.

[6] The fiscal 2017 Rights issuance was 60 percent MATSR-based performance rights and 40 percent retention rights having a three-year "cliff vest".

[7] Effective July 29, 2016, Mr Brand left the Company. 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.

Your directors submit their report for the fiscal year ended June 30, 2017.

Name	Position	Held at July 1, 2016 Instrument	Held at July 1, 2016 Number	Issued during Fiscal Year Issue price [4]	Issued during Fiscal Year Number	Forfeited in Year Number	Other change Number	Vested	Number held at June 30, 2017
Paul J Cavicchi	Chairman	Shares	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 [1]	Shares	29,428	-	-	-		14,121	43,549
		Rights/Options	15,774	0.595	129,076	-	-	(15,774)	129,076
Philip D Moeller	NED [2]	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

Name	Position	Held at July 1, 2015 Instrument	Held at July 1, 2015 Number	Issued during Fiscal Year Issue price [4]	Issued during Fiscal Year Number	Forfeited in Year Number	Other change Number	Vested	Number held at June 30, 2016
Paul J Cavicchi	Chairman [1]	Shares [6]	-	-	-	-	-	7,097	7,097
		Rights/Options	7,771	1.47	15,148	-	-	(7,771)	15,148
Richard J Beresford	NED	Shares	414,692	-	-	-	-	32,145	446,837
		Rights/Options	32,819	1.47	27,041	-	-	(32,819)	27,041
Leeanne K Bond	NED	Shares	-	-	-	-	10,000	19,428	29,428
		Rights/Options	20,102	1.47	15,774	-	-	(20,102)	15,774
Philip D Moeller	NED [2]	Shares	-	-	-	-	-	-	-
		Rights/Options	-	-	-	-	-	-	-
D Michael Steuert	NED	Shares	-	-	-	-	-	-	-
		Rights/Options	-	-	15,148	-	-	-	15,148
Madam Grace Yao	NED [3]	Shares	-	-	-	-	-	-	-
		Rights/Options	16,409	1.47	-	-	-	(16,409)	-

[1] Mr. Cavicchi was appointed Chairman in November 2016.

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

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

[4] 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 the Company'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 fiscal 2017, Korn Ferry Hay Group was retained by the Board to assist the Compensation Committee regarding executive compensation. Korn Ferry Hay Group received compensation for their analysis and advisory work that led to their recommendations. Korn Ferry Hay Group's 2016 engagement letter totaled US$135,000, of which US$60,000 was paid during fiscal 2017. In January 2017, Korn Ferry Hay Group'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.

Hay Group'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.

In fiscal 2015, the Board engaged Godfrey Remuneration Group (Godfrey) relating to Australian-based remuneration issues and Longnecker & Associates (Longnecker) to advise on U.S.-based remuneration issues. Godfrey and Longnecker each received compensation for their analysis and advisory work that led to their recommendations. The compensation amounts were as follows.

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

Longnecker & Associates – US$43,000

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

- KMP remuneration recommendations may only be received from consultants who have been approved by the Board. Before such approval is given and before each engagement the Board ensures that the consultant is independent of KMP.
- KMP remuneration recommendations are only received by independent NEDs, via the Chair of the Compensation Committee.

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

END OF REMUNERATION REPORT

Directors' Report

Your directors submit their report for the fiscal year ended June 30, 2017.

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, the Company 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, the Company incurred a premium of $189,857 (excl. GST) (2016: $156,628) 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, 2017, the insurance cover was limited to $100 million on the primary coverage plus $20 million Side A excess cover.

RISK MANAGEMENT

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

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Effective November 17, 2016, Mr. Paul J Cavicchi replaced Mr. Richard J Beresford as Chairman of the Board. Mr. Beresford remains a NED on the Company's Board.

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

During fiscal 2016, Mr. Gregory M Vesey was appointed Managing Director and Chief Executive Officer effective April 4, 2016, replacing Mr. F Maurice Brand. Mr. Brand stepped down from the Board on July 29, 2016.

There were no other significant changes in the state of affairs of the Company during the financial year ended 30 June 2017.

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

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

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

INDEMNIFICATION OF AUDITORS

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

NON-AUDIT SERVICES

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

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

	CONSOLIDATED 2017 $'000	
Amounts paid or payable to EY (Australia) for:		
- tax services and other services	$	82
Amounts paid or payable to EY (Australia) related practices for:		
- tax services and other services provided by overseas firms		223
	$	**305**

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

Signed in accordance with a resolution of the directors.

Paul J Cavicchi
CHAIRMAN
HOUSTON, TEXAS USA
SEPTEMBER 14, 2017

Gregory M Vesey
MANAGING DIRECTOR/CHIEF EXECUTIVE OFFICER
SEPTEMBER 14, 2017

Corporate Governance Statement

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

The Board welcomes the changes in the 3rd Edition Principles that reflects global developments in corporate governance. This Corporate Governance Statement was current as at June 30, 2017 and has been approved by the Board.

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

During the fiscal 2017 (and 2016) financial year the Company's practices were compliant with the existing 3rd Edition Principles, except where noted in the following table:

Best Practice Recommendation	ASX Corporate Governance – Best Practice Recommendation	Comply Yes / No	Page Reference
Principle 1 – Lay solid foundations for management and oversight			**Page 55**
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 purposed); or	Yes	
	ii. if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.	N/A	
1.6	A listed entity should:		
	a. Have and disclose a process for periodically evaluating the performance of the Board, its committees and individual directors; and	Yes	
	b. Disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	Yes	
Principle 2 – Structure the board to add value			**Page 56**
2.1	The Board of a listed entity should have a nomination committee which:		
	a. Has at least three members, a majority of whom are independent directors; and	Yes	
	b. Is chaired by an independent director.	Yes	
	And should disclose:		
	a. The charter of the committee;	Yes	
	b. The members of the committee; and	Yes	
	c. As at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings.	Yes	
	If it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence, and diversity to enable it to discharge its duties and responsibilities effectively.	N/A	
2.2	A listed entity should have and disclose a Board skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership.	Yes	

ASX Corporate Governance – Best Practice Recommendation Best Practice Recommendation		Comply Yes / No	Page Reference
2.3	A listed entity should disclose:		
	a. The names of the Directors considered by the Board to be independent directors;	Yes	
	b. If a director has an interest, position, association or relationship of the type described in Box 2.3 but the Board 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	Yes	
	c. The length of service of each Director.	Yes	
2.4	A majority of the Board of a listed entity should be independent directors.	Yes	
2.5	The chair of the Board of a listed entity should be an independent Director and should not be the same person as the CEO of the entity.	Yes	
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	Yes	
Principle 3 – Act ethically and responsibly			**Page 59**
3.1	A listed entity should:		
	a. Have a code of conduct for its directors, senior executives and employees; and	Yes	
	b. Disclose that code or a summary of it.	Yes	
Principle 4 – Safeguard integrity in corporate reporting			**Page 59**
4.1	The Board of a listed entity should have an audit committee which:		
	a. Has at least three members, all of whom are NED's and a majority of whom are independent directors; and	Yes	
	b. Is chaired by an independent director, who is not the chair of the Board.	Yes	
	And should disclose:		
	a. The charter of the committee;	Yes	
	b. The relevant qualifications and experience of the members of the committee; and	Yes	
	c. In relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings.	Yes	
	If it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.	N/A	
4.2	The Board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	Yes	
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	Yes	
Principle 5 – Make timely and balanced disclosure			**Page 59**
5.1	A listed entity should:		
	a. Have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and	Yes	
	b. Disclose that policy or a summary of it.	Yes	
Principle 6 – Respect the rights of security holders			**Page 60**
6.1	A listed entity should provide information about itself and its governance to investors via its website.	Yes	
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	Yes	
6.3	A listed entity should disclose the policies and processed it has in place to facilitate and encourage participation at meetings of security holders.	Yes	
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	Yes	

ASX Corporate Governance – Best Practice Recommendation Best Practice Recommendation		Comply Yes / No	Page Reference
Principle 7 – Recognize and manage risk			**Page 60**
7.1	A Board of a listed entity should have a committee or committees to oversee risk, each of which:		
	a. Has at least three members, a majority of whom are independent directors; and	Yes	
	b. Is chaired by an independent director.	Yes	
	And should disclose:		
	a. The charter of the committee;	Yes	
	b. The members of the committee; and	Yes	
	c. As at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meeting.	Yes	
	If it does not have a risk committee or committees that satisfy a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.	N/A	
7.2	The Board or a committee of the Board should:		
	a. Review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and	Yes	
	b. Disclose, in relation to each reporting period, whether such a review has taken place.	Yes	
7.3	A listed entity should disclose:		
	a. If it has an internal audit function, how the function is structured and what role it performs; or	Yes	
	b. If it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	Yes	
7.4	A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	Yes	
Principle 8 – Remunerate fairly and responsibly			**Page 61**
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 the Company has not been compliant with the 3rd Edition Principles, the "if not, why not" explanation approach has been adopted.

PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

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

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

The Compensation Committee monitors the performance of senior executives, which considers the performance of the executives over the year, and ensures that there are adequate procedures in place for recruitment, induction, training, remuneration (both short-term and long-term), and succession planning.

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

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

Prior to a meeting of members, all shareholders receive material information relevant to a decision on whether to elect or re-elect a new or retiring director.

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

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

The Company has issued corporate policies to guide its business execution. Policies relevant to the conduct of our people include: the Business Principles to guide our core values and 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 the Company's website at: **http://www.lnglimited.com.au/irm/content/corporate-governance.aspx?RID=225**.

At June 30, 2017, the Company employed a total of 27 people (excluding Directors) in Australia and in the United States. The Company applies, among other considerations, diversity considerations and practices in the recruitment and development of its staff and Directors.

The gender diversity of the Company's employees (excluding consultants) and Board at June 30, 2017 follows.

Role	Number of Women	Total Number of Persons
Whole organization	13	32
Senior executive positions [1]	2	7
Board of Directors [2]	1	6

[1] "Senior Executive", for the purposes of the above table, is defined as those individuals who are responsible for planning, directing and controlling the activities of the Company as part of the Corporate Leadership Team

[2] Includes Executive and Non-Executive directors

Corporate Governance Statement

Continued

The Company is an equal opportunity employer. The internal approach to diversity is that the Company does not discriminate at any level or for any reason and always selects the most appropriate person for the job.

The Company 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 Sarbanes Oxley. 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 Company performance.

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

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

PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE

The Directors' Report contained in this annual report includes the Directors' biographies as well as a summary skills matrix chart.

Independence

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

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

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

Name	Independent position	Term on Board
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 continues to operate within the established guidelines including, where necessary, selecting candidates for the position of director. The Corporate Governance and Nominating Committee is comprised of independent directors consisting of Mr. Philip D Moeller (Chairman), Mr. Paul J Cavicchi, and Mr. Richard J Beresford.

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

Board skills matrix

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

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

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

These strategy statements imply a 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 the Company's direction, strategy, and challenges. As LNGL continues to transition from 'development stage', where skills in project development are paramount, to a growth period involving the construction and operation of global LNG assets, the changing composition of the company Board will reflect this transition.

- The Board is currently comprised of a majority of NED's all of whom are classified as independent.
- With LNGL's focus on North American asset development, the Board make-up is predominantly North American-based that strengthen the Board's skills and experience in energy infrastructure, finance, and regulatory matters having direct knowledge of the energy business in North America.

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 the Company's projects move beyond development stage into the construction stage and then into production, the Board will review additional skills and experience to oversee those activities.

Corporate Governance Statement
Continued

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

Disclosure and engagement

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

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

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

Together with the Director's Information Kit, directors are formally supported by the Managing Director and Chief Executive Officer, the Company Secretary, and Chairman on all Board meeting related matters. During 2017, the Board expects to receive training on U.S. SEC governance issues and recent trends in mergers and acquisitions hosted by a U.S.-based law firm. During 2016, director development included in-house training on Corporate Governance from the National Association of Corporate Governance, which was conducted in Houston, Texas.

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

PRINCIPLE 3 – A LISTED ENTITY SHOULD ACT ETHICALLY AND RESPONSIBLY

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

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

The members of the Audit Committee follow.

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

All the members are NEDs. Other Board members attend meetings periodically. Management attend meetings as appropriate, with the CFO attending as a standing invitee. The Board is satisfied that the Audit Committee is of sufficient size, independence, and technical expertise to discharge its mandate effectively and in line with CGC Principles.

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

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

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

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

PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE

The Company's corporate governance policies include a Market Disclosure Policy, which details the Company's commitment to ensuring compliance with market disclosure obligations.

The Company commits to:

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

Company ASX releases are reviewed by Executive Directors, NEDs, and where applicable senior management prior to release to ensure:

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

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

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

Corporate Governance Statement

Continued

PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS

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

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

The Company's website has a dedicated Investors and Media section that is updated regularly displaying all pertinent Company information including media releases and presentations.

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

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

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

PRINCIPLE 7 – RECOGNIZE AND MANAGE RISK

Risk assessment and mitigation processes

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

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

Risk assessment and mitigation processes

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

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

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

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

The Company does not currently have an internal audit function, but through the Company's risk management process, management is satisfied that it 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 the Company's Audit Committee may be found on the Company'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 Company sustainability risks and opportunities, and reports these matters to the Board. The SSPC receives regular performance reports from management, confirms compliance, reviews the adequacy of sustainability management systems, and ensures appropriate improvement targets and benchmarks. It monitors potential liabilities, changes in legislation, community expectations, research findings, and technological changes. This information also feeds the risk management process overseen by the Board. In addition to feedback and monitoring by the SSPC, the Board receives monthly reports on key risk areas such as health and safety, project development, and potential environmental challenges.

LNGL recognize the need to take account of changing community attitudes and environmental challenges, and therefore the Company assesses the environmental and social risks associated with all 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. The Company has in-house subject matter experts in process safety design, occupational safety design, and Occupational Safety and Health Administration (OSHA) regulation dealing with workplace safety and health in the US. This expertise is specific to the design, construction, and operation of LNG liquefaction facilities. Effective management of HSSE risk is vital to successful delivery of LNGL's strategy, our long-term sustainability, and maintenance of our License to Operate in the communities where we conduct business.

Environment

We work to avoid, mitigate, and minimize environmental impacts where we do business and we try to create mutually supporting economic and environmentally sustainable solutions. Our patented OSMR® Technology offers a range of economic, environmental, and social benefits, with the objective being reduced capital and operating costs, smaller footprint, and simple start-up and operation. OSMR® Technology is energy efficient, (e.g., combined cycle power generated from gas turbine waste heat used to drive the refrigeration compressors, use of the most efficient industrial coolant - ammonia rather than propane throughout the LNG production process, application of a closed-loop ammonia refrigeration circuit, pre-cooling refrigerant and gas turbine inlet air that increases production efficiency, etc.) and will operate at a lower GHG intensity compared with traditional LNG technologies (e.g., EPC guaranteed 92% feed gas production efficiency, LNG plant/utilities fuel gas consumption of 8% or less).

Social

Community engagement is embedded in our projects. We listen to community concerns, respond to their needs, and take actions required to help to mitigate the impact of our planned operations. Examples of these activities include regular participation in local meetings of the Calcasieu Parish Local Emergency Planning Committee and Environmental Affairs Committee by MLNG personnel in Lake Charles and establishment by BHLNG of Community Liaison and Fisherman Liaison committees in Port Tupper. The way LNGL conducts business in local communities is critical to the overall success of the business and the long-term interests of our shareholders. As the Company continues to develop international LNG projects, we aim to manage the social impacts of our business activities to positive outcomes in affected local communities. We commit to strengthening the communities in which we live and work in enduring ways.

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

Regulatory Approval

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

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

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

As LNGL expands its international footprint, the Company is proactively managing its relationships with local, regional, and national governments and regulators. We will continue to monitor international and national policy debates and developments in climate change science to understand possible impacts on our business. In the medium term, we expect that LNGL will benefit from the focus on reducing the emissions intensity of global energy production and supply due to our energy efficiency compared to other energy sources and LNG technologies.

Policies relevant to sustainability

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

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

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

PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY

Compensation Committee

The Board has established a Compensation Committee comprised of an independent Chairman, Mr. Paul J Cavicchi, Mr. Richard J Beresford, and Ms. Leeanne K Bond, who are all independent NEDs, to supervise employment management guidelines and policies, and assist in developing and recommending remuneration arrangements. The Company's Managing Director and Chief Executive Officer, Mr. Gregory M Vesey, also attends meetings by invitation. Mr. Vesey is not involved in developing remuneration policies or setting remuneration packages, nor does he commission research and recommendations provided to the Compensation Committee by independent remuneration consultants. The Compensation Committee is aware of the need to remain strictly independent.

A summary of the key accountabilities of the Company's Compensation Committee may be found on the Company's website within its Corporate Governance Policy.

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

Please refer to the Remuneration Report contained elsewhere in this Annual Report for additional remuneration disclosures.

Financial Report Contents

30 June 2017

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		CONSOLIDATED	
		2017	2016
	Note	**In thousands ($)**	
Revenue	A1	367	569
Other income	A1	551	7,286
Total revenue and other income		918	7,855
Administrative expense	A1	(13,638)	(19,372)
Finance costs	A1	(1)	(1)
Project development expenses	A1	(12,423)	(89,289)
Share-based payment expenses	A1 and D4	(2,518)	(14,333)
Other expenses	A1	(1,539)	-
Total expenses		(30,119)	(122,995)
Loss before income tax expense		(29,201)	(115,140)
Income tax expense		(111)	28
Loss after income tax expense		(29,312)	(115,112)
Net loss for the period		**(29,312)**	**(115,112)**
Other comprehensive income (loss) for the period:			
Foreign currency translation, net of tax		(381)	(78)
Total comprehensive income (loss) for the period		**(29,693)**	**(115,190)**
Loss for period is attributable to:			
Non-controlling interest		(2)	(3)
Equity holders of the parent		(29,310)	(115,009)
Total comprehensive income		**(29,312)**	**(115,112)**
Total comprehensive income (loss) for the period:			
Non-controlling interest		(2)	(3)
Equity holders of the parent		(29,691)	(115,187)
Total comprehensive income		**(29,693)**	**(115,190)**
Loss per share attributable to ordinary equity holders:			
Basic loss per share	A6	(0.058)	(0.229)
Fully diluted loss per share	A6	(0.058)	(0.229)

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

STATEMENT OF FINANCIAL POSITION

	Note	CONSOLIDATED 2017	2016
		In thousands ($)	
Assets			
Current assets			
Cash and cash equivalents	C1	40,294	67,187
Trade and other receivables	B1	114	746
Other financial assets	C1	4,156	4,270
Prepayments		400	347
Total current assets		**44,964**	**72,550**
Non-current assets			
Property, Plant and equipment	A2	12,044	12,006
Total non-current assets		**12,044**	**12,006**
Total assets		**57,008**	**84,556**
Liabilities			
Current liabilities			
Trade and other payables	B2	2,151	2,586
Interest-bearing liabilities	C2	4	3
Income tax payable		-	9
Employee benefits and provisions	B3	379	930
Total current liabilities		**2,534**	**3,528**
Non-current liabilities			
Interest-bearing liabilities	C2	2	6
Employee benefits and provisions	B3	41	71
Total non-current liabilities		**43**	**77**
Total liabilities		**2,577**	**3,605**
Net assets		**54,431**	**80,951**
Equity			
Equity attributable to equity holders of the Parent:			
Contributed equity	C4	392,875	392,220
Reserves		43,690	41,553
Accumulated losses		(382,012)	(352,702)
Parent interests		**54,553**	**81,071**
Non-controlling interest		**(122)**	**(120)**
Total equity		**54,431**	**80,951**

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

STATEMENT OF CHANGES IN EQUITY

	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 ($)					
At 1 July 2016		392,220	6,078	29,576	4,032	578	1,289	(352,702)	81,071	(120)	80,951
Loss for the period	A6	-	-	-	-	-	-	(29,310)	(29,310)	(2)	(29,312)
Other comprehensive income		-	-	-	-	-	(381)	-	(381)	-	(381)
Total comprehensive income for the period		-	-	-	-	-	(381)	(29,310)	(29,691)	(2)	(29,693)
Transactions with owners in their capacity as owners:											
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
At 30 June 2017		**392,875**	**6,078**	**32,094**	**4,032**	**578**	**908**	**(382,012)**	**54,553**	**(122)**	**54,431**
At 1 July 2015	A6	392,021	6,078	15,243	4,032	578	1,367	(237,593)	181,726	(117)	181,609
Loss for the period		-	-	-	-	-	-	(115,109)	(115,109)	(3)	(115,112)
Other comprehensive income		-	-	-	-	-	(78)	-	(78)	-	(78)
Total comprehensive income for the period		-	-	-	-	-	(78)	(115,109)	(115,187)	(3)	(115,190)
Transactions with owners in their capacity as owners:											
Exercise of options	C4	199	-	-	-	-	-	-	199	-	199
Share based payment	D4	-	-	14,333	-	-	-	-	14,333	-	14,333
At 30 June 2016		**392,220**	**6,078**	**29,576**	**4,032**	**578**	**1,289**	**(352,702)**	**81,071**	**(120)**	**80,951**

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

STATEMENT OF CASH FLOWS

	Note	CONSOLIDATED 2017	2016
		In thousands ($)	
Cash flows from operating activities			
Receipts from taxation authorities		497	1,196
Interest received		382	620
Research and development tax concession rebate		1,050	462
Payments to suppliers and employees		(27,421)	(119,408)
Net cash flows used in operating activities	C1	**(25,492)**	(117,130)
Cash flows from investing activities			
(Investment in) / proceeds from security deposits classified as other financial assets		-	(74)
proceeds from other financial assets		-	130,634
Purchase of property, plant and equipment	A2	(409)	(87)
Net cash (used in) / provided from investing activities		**(409)**	130,473
Cash flows from financing activities			
Transaction costs on issue of ordinary shares	C4	(19)	-
Proceeds from the exercise of options	C4	674	199
Repayment of finance lease principal		(3)	(3)
Interest paid		(1)	(1)
Net cash flows from financing activities		**651**	195
Net increase/(decrease) in cash and cash equivalents		(25,250)	13,538
Net foreign exchange differences		(1,643)	6,678
Cash and cash equivalents at beginning of year		67,187	46,971
Cash and cash equivalents at end of year	**C1**	**40,294**	67,187

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

Notes to the Financial Report

ABOUT THIS REPORT

The financial report of Liquefied Natural Gas Limited (**LNGL** or **Company**) for the year ended June 30, 2017 was authorized for issue in accordance with a resolution of the Directors on September 13, 2017.

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, 2017 (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 income statement, their share of other comprehensive income, net of tax, in the consolidated statement of comprehensive income, and are presented within equity in the consolidated statement of financial position, separately from parent shareholders' equity.

Going concern

The financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activity and the 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.

Notes to the Financial Report

Continued

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 US employees. The 401(k) Plan allows eligible employees to contribute up to 100% of their compensation up to the IRS maximum, for which the Group matches those contributions by up to 3.5 percent.

Segment allocations

CORPORATE CHARGES

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

OTHER

Interest revenue, 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, 2017 and 2016, respectively.

	LNG Infrastructure		Technology & Licensing		Unallocated		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
R&D concession	-	-	-	-	551	569	551	569
Net foreign exchange gain	-	-	-	-	-	6,787	-	6,787
Interest revenue	-	-	-	-	367	499	367	499
Inter-segment sales	-	-	-	-	-	-	-	-
Total revenue and other income	-	-	-	-	918	7,855	918	7,855
Inter-segment elimination	-	-	-	-	-	-	-	-
Total revenue and other income	-	-	-	-	918	7,855	918	7,855
Project development costs								
- Employee comp & benefits	(5,987)	(10,621)	(360)	-	-	-	(6,347)	(10,621)
- Defined contribution plans	(81)	(187)	(62)	-	-	-	(143)	(187)
- Consulting fees	(2,264)	(75,131)	-	-	-	-	(2,264)	(75,131)
- Site options and lease expense	(2,328)	-	-	-	-		(2,328)	-
- Other expenses	(1,032)	(2,885)	(309)	(465)	-	-	(1,341)	(3,350)
Total project development costs	(11,692)	(88,824)	(731)	(465)	-		(12,423)	(89,289)
Finance costs	-	-	-	-	(1)	(1)	(1)	(1)
Corporate charges	-	-	-	-	(13,114)	(18,209)	(13,114)	(18,209)
Share-based payments	-	-	-	-	(2,518)	(14,333)	(2,518)	(14,333)
Depreciation	-	-	-	-	(208)	(232)	(208)	(232)
Operating lease payments	-	-	-	-	(316)	(931)	(316)	(931)
Gain/(loss) on sale of PP&E	-	-	-	-	(125)	-	(125)	-
Net foreign exchange loss	-	-	-	-	(1,414)	-	(1,414)	-
Income tax expense	-	-	-	-	(111)	28	(111)	28
	(11,692)	**(88,824)**	**(731)**	**(465)**	**(16,889)**	**(25,823)**	**(29,312)**	**(115,112)**

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	
	2017	2016	2017	2016	2017	2016
	In thousands ($)					
Segment assets						
Australia	6	533	2	2	8	535
Canada	11,560	11,180	-	-	11,560	11,180
USA	665	837	-	-	665	837
Indonesia	-	2	-	-	-	2
Total segment assets	12,231	12,552	2	2	12,233	12,554
Intersegment eliminations					-	-
Unallocated assets[1]					44,775	72,002
Total assets					57,008	84,556
Unallocated liabilities					415	1,050

[1] Unallocated assets primarily consisted of cash and cash equivalents of $40,294,000 (2016: $67,187,000) and other financial assets of $4,156,000 (2016: $4,270,000).

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 ($)				
Cost					
At July 1, 2015	10,964	25	272	1,024	12,285
Additions	45	-	22	20	87
Disposals	-	-	-	-	-
Exchange differences	-	1	5	28	34
At June 30, 2016	11,009	26	299	1,072	12,406
Additions	409	-	-	-	409
Disposals	-	(25)	(119)	(165)	(309)
Exchange differences	7	(1)	(6)	(32)	(32)
At June 30, 2017	**11,425**	**-**	**174**	**875**	**12,474**
Accumulated depreciation					
At July 1, 2015	-	19	87	59	165
Depreciation charge for the year	-	4	82	146	232
Disposals	-	-	-	-	-
Exchange differences	-	1	1	1	3
At June 30, 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)
At June 30, 2017	**-**	**-**	**149**	**281**	**430**
At June 30, 2017	11,425	-	25	594	12,044
At June 30, 2016	11,009	2	129	866	12,006

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 balance sheet.

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.

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.

	CONSOLIDATED	
	2017	2016
Current tax	**In thousands ($)**	
Income tax expense		
Current tax expense	111	(28)
Deferred tax expense	-	-
Income tax expense/(benefit)	111	(28)
Reconciliation between tax expense and tax expense calculated per the statutory income tax rate		
Accounting loss before tax	(29,201)	(115,140)
Prima facie tax @ 27.5% (2016: 30%)	(8,030)	(34,352)
Increase in tax expense due to:		
Share based payments	356	2,720
Expenditure not deductible for tax purposes	3	10
Decrease in tax expense due to:		
Non-assessable income	-	(150)
Unrecognized deferred taxes	7,782	31,744
Income tax expense/ (benefit)	**111**	**(28)**

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	
	2017	2016	2017	2016
	In thousands ($)			
Deferred tax liabilities				
Accrued income	-	-	-	(21)
Gross deferred income tax liabilities	-	-		
Set-off of deferred tax assets	-	-		
Net deferred tax liabilities	**-**	**-**		
Deferred tax assets				
Tax losses recognized to offset tax liabilities				
Set-off of deferred tax liabilities			-	(21)
Deferred tax expense/(benefit)			**-**	**-**

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	
	2017	2016
	In thousands ($)	
Unused revenue losses on which no deferred tax asset has been recognized	40,959	34,198
Unused capital losses for which no deferred tax asset has been recognized	14,777	14,777
Unamortized costs for which no deferred tax asset has been recognized	31,572	31,633
Unrecognized tax benefit in Australia at 27.5%	**24,010**	**24,182**
Unused foreign losses for which no deferred tax asset has been recognized	16,216	16,716
Unamortized costs for which no deferred tax asset has been recognized	175,906	162,569
Unrecognized tax benefit in United States at 35%	**67,243**	**62,750**
Unused foreign losses for which no deferred tax asset has been recognized	136,594	131,153
Unrecognized tax benefit in Canada at 31%	**42,344**	**40,657**

OTHER UNRECOGNIZED TEMPORARY DIFFERENCES

As at June 30, 2017, the Group has temporary differences of $417,202,656 (2016: $403,448,000) for which no deferred tax asset has been recognized. There is no unrecognized temporary difference associated with the Group's investments in subsidiaries (2016: $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 balance sheet. 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.

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 balance sheet

A4. COMMITMENTS AND CONTINGENCIES

CAPITAL COMMITMENTS

At year end, there were no commitments in relation to the purchase of plant and equipment (2016: $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	
	2017	2016
	In thousands ($)	
Within one year	742	505
After one year but not more than five years	2,296	437
More than five years	31,701	-
Aggregate non-cancellable operating lease expenditure at reporting date	**34,739**	**942**

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	
	2017	2016
	In thousands ($)	
Loss used in calculating earnings per share		
For basic earnings per share:		
Net loss attributable to ordinary equity holders of the Parent	**(29,310)**	**(115,109)**
For diluted earnings per share:		
Net loss attributable to ordinary equity holders of the Parent	**(29,310)**	**(115,109)**
Weighted average number of shares		
For basic earnings per share:		
Weighted average number of ordinary shares for basic earnings per share	**509,282,478**	**503,189,294**
For diluted earnings per share:		
Weighted average number of ordinary shares adjusted for effect of dilution	**509,282,478**	**503,189,294**

B1. TRADE AND OTHER RECEIVABLES

	CONSOLIDATED	
	2017	2016
Other receivables	**In thousands ($)**	
GST receivable	47	131
R&D rebate receivable	-	499
Other receivables	67	116
Total current receivables	**114**	**746**

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

	CONSOLIDATED	
	2017	2016
Trade and other payables	**In thousands ($)**	
Trade creditors and accruals	2,120	2,505
Other creditors	31	81
Total trade and other payables	**2,151**	**2,586**

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.

PROJECT EXIT

During fiscal 2017, the Company announced its intent to exit the Fisherman's Landing LNG project. An accrual of approximately $187,000 was recorded at June 30, 2017 to account for the entire estimated cost to exit the project, with the corresponding expense recognized as project development expense in the accompanying financial statements. These costs primarily relate to regulatory and site cleaning and are expected to be expended in the first half of fiscal 2018.

B3. EMPLOYEE BENEFITS AND PROVISIONS

	CONSOLIDATED	
	2017	2016
Current provisions	**In thousands ($)**	
Annual leave	274	488
Long service leave	105	442
Total current employee benefits and provisions	**379**	**930**
Non-current provisions		
Long service leave	**41**	**71**

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

Cash and cash equivalents	CONSOLIDATED 2017	2016
	In thousands ($)	
Cash at bank and in hand	38,788	65,906
Short-term deposits	1,506	1,281
Total cash and cash equivalents	**40,294**	**67,187**
Other financial assets		
Security deposits	4,156	4,270

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

- A$790,000 security deposit held by the ANZ in relation to the issue of a A$789,263 bank guarantee by the ANZ, in favor of Queensland's Department of Environment and Resource Management (DERM), which is a condition of DERM's FLLNG environmental authority approval;
- A$155,000 security deposit held by the ANZ in relation to the issue of a A$151,106 bank guarantee, by the ANZ, in favor of DERM, which is a condition of DERM's environmental authority approval for the FLLNG's proposed gas pipeline;
- A$104,846 security deposit held by ANZ in relation to the issue of a A$100,000 bank guarantee, by the ANZ, in favor of Colin St Investments Pty Ltd, pertaining to leasehold improvements of the head office premises;
- US$2,000,000 security deposit held by the ANZ in relation to the issue of a US$2,000,000 bank guarantee, by the ANZ, in 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.

	CONSOLIDATED 2017	2016
	In thousands ($)	
Net loss after income tax	(29,312)	(115,112)
Adjust for non-cash items		
Depreciation expense	208	232
Share-based payment expense	2,518	14,333
Unrealized foreign exchange loss/(gain)	1,414	(6,787)
Loss on sale of PPE	125	-
Adjust for other cash items:		
Interest expense	1	1
Adjust for changes in assets/liabilities:		
Decrease/(increase) in trade and other receivables	632	1,739
(Increase) in prepayments	(53)	(22)
(Decrease)/increase in trade and other payables	(435)	(11,273)
(Decrease)/increase in income tax payable	(9)	(41)
(Decrease)/increase in provisions	(581)	(200)
Net cash flows used in operating activities	**(25,492)**	**(117,130)**

C2. INTEREST BEARING LIABILITIES

Current	CONSOLIDATED 2017	2016
	In thousands ($)	
Finance lease liability	**4**	**3**
Non-current		
Finance lease liability	**2**	**6**

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 Australian 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	
	2017	2016
	In thousands ($)	
Post tax profit (loss) and equity higher / (lower)		
+ 0.5% (50 basis points) (2016: +0.5%)	222	357
- 0.5% (50 basis points) (2016: -0.5%)	(222)	(357)

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	
	2017	2016
	In thousands ($)	
Financial assets		
US$ cash and cash equivalents	29,640	37,551
Financial liabilities		
US$ trade and other payables	(964)	(1,561)
Net $USD exposure	**28,676**	**35,990**
Financial assets		
CDN$ cash and cash equivalents	1,170	3,309
Financial liabilities		
CDN$ trade and other payables	(57)	(680)
Net $CDN exposure	**1,113**	**2,629**

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:

	CONSOLIDATED	
	2017	2016
	In thousands ($)	
Post tax profit and equity higher / (lower)		
AUD/USD +10% (2016: +10%)	(3,392)	(4,411)
AUD/USD -10% (2016: -10%)	4,146	5,391
AUD/CDN +10% (2016: +10%)	(101)	(248)
AUD/CDN -10% (2016: -10%)	124	303

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 $114,000 (2016: $746,000).

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.

Starting in the 3rd quarter of fiscal 2016, the Company initiated an integrated plan to address the impact of slowing LNG industry conditions, which have negatively affected the Company's efforts to sell offtake capacity in its projects. The liquidity management plan (LMP) included:

- Commercial focus on signing binding offtake agreements for Magnolia LNG;
- Placing on hold our EPC and related contract expenditures;
- Finishing residual engineering, regulatory, and permitting work on our projects;
- Maintaining the projects in "ready mode" to enable fast track ramp-up once sufficient levels of binding offtake agreements are signed; and
- Prudently managing our cost base.

Through applying our LMP, the Company estimates that the existing cash position can sustain the company through the end of calendar year 2018. Should offtake capacity be sold in sufficient quantities to progress one or more of its projects to financial close, the Company anticipates reimbursement of a portion of its development costs through the project financing. Management estimates that this reimbursement would provide sufficient incremental liquidity to maintain operations to first LNG. In the event that offtake sales continue to lag, new sources of liquidity available to the Company 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 that external events limit the Company's access to new sources of liquidity, the Company maintains the ability to further reduce its cash outflow as most of the Company's costs are discretionary.

At June 30, 2017, except for payables, the Group had no debt (2016: nil), and its activities are primarily funded from cash reserves from share issues, interest revenue, and research and development concession rebates. Most cash reserves are held in term deposit with the ANZ Banking Group and Westpac Banking Corporation, with funds transferred as necessary to the Group's working accounts to meet short-term expenditure commitments.

All financial assets and liabilities (set out in B1, B2, C1 and C2) have a maturity of less than six months 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 ($)
Movement in ordinary shares on issue:		
At June 30, 2015	503,093,201	392,021
Exercise of options (iv)	810,000	199
Vesting of rights (v)	74,405	-
At June 30, 2016	503,977,606	392,220
Exercise of options (iv)	1,759,000	674
Vesting of rights (v)	7,243,356	(19)
At June 30, 2017	**512,979,962**	**392,875**

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

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

iii. During the 2017 financial year, 1,759,000 shares were issued for cash on the exercise of share options. Refer to note D4.

iv. During the 2017 financial year, 7,243,356 shares were issued on the vesting of 7,271,505 Rights. Refer to note D4.

At June 30, 2017, 512,979,962 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	
	2017	2016
	In thousands ($)	
Short-term benefits	3,746	4,405
Post-employment benefits	-	81
Long-term benefits	-	50
Share-based payment	938	2,392
	4,684	**6,928**

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 $161,256 (excluding GST) [2016: $270,000]. At reporting date, there were no amounts outstanding [2016: $nil].

Directors' fees for Ms. L.K. Bond are paid to Breakthrough Energy Pty Ltd, a company in which Ms. L.K. Bond is a director. For the current financial year, the amount paid was $136,000 (excluding GST) [2016: $162,710]. At reporting date, there were no amounts outstanding [2016: $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, 2017 and through the date of this report, the Company has not recognized within its financial statements a provision for any success fee payments associated with the Agreement or the Confidential Agreement, given the obligating events (i.e. the achievement of specific milestones) have not occurred and thus accrual for payment is inappropriate under applicable accounting standards.

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 (%)	
		2017	2016
LNG International Pty Ltd	Australia	100	100
Gas Link Global Limited	Australia	100	100
LNG Technology Pty Ltd	Australia	100	100
LNG Management Services Pty Ltd	Australia	100	100
The following companies are controlled via LNG International Pty Ltd:			
North American LNG Pty Ltd (ii)	Australia	100	100
PT. LNG Energi Utama (i)	Indonesia	95	95
Gladstone LNG Pty Ltd	Australia	100	100
CSG Nominees Pty Ltd	Australia	100	100
Mayflower LNG Pty Ltd (iii)	Australia	100	100
Qeshm International LNG Gas (Ltd) (v)	Iran	0	100
The following company is controlled via LNG Technology Pty Ltd:			
Gladstone OSMR Technology Pty Ltd	Australia	100	100
The following companies are controlled via Mayflower LNG Pty Ltd and North American LNG Pty Ltd:			
LNG Consolidated Holdings (USA) (vi)	USA	100	100
LNG Management Services LLC	USA	100	100
Pecan Inc. (iv)	USA	100	100
Pecan GP Inc.	USA	100	100
Pecan LP Inc.	USA	100	100
Magnolia LNG Investment LP	USA	100	100
Magnolia LNG Holding LLC	USA	100	100
Magnolia LNG LLC	USA	100	100
Bear Head LNG Corporation Inc.	Canada	100	100
Bear Head LNG Services LLC	USA	100	100
Bear Head (USA) Holdings LLC	USA	100	100
Bear Head LNG (USA) LLC	USA	100	100
Bear Paw Corporation Inc.	Canada	100	100

(i) Deregistration of this entity is in progress
(ii) North American LNG Pty Ltd was previously named South Australian LNG Pty Ltd.
(iii) Mayflower LNG Pty Ltd was previously named Kimberley LNG Pty Ltd.
(iv) Pecan Inc. was previously named Eagle LNG LLC
(v) Qesham International LNG Gas (Ltd) was deregistered in 2017 and is no longer part of the Group
(vi) 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

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 $2,518,000 (2016: $14,333,000).

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 No.	Weighted average exercise price $
At 1 July 2015	13,166,654	-
Exercised/ vested	(77,101)	-
Issued in period	3,493,305	-
Expired or other	-	-
At 30 June 2016	16,582,858	-
Exercised/ vested	(7,271,505)	-
Issued in period	7,392,804	-
Expired or other	(4,572,858)	-
At 30 June 2017	**12,131,299**	**-**

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	2017	2016
Dividend yield (%)	Nil	Nil
Expected volatility (%)	88%	89%
Risk-free interest rate (%)	1.39 – 1.67%	2.09%
Weighted average share price at issue date ($)	0.595 – 0.62	3.62
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	
	2017	2016
	In thousands ($)	
Audit or review of the financial report of the Group	109	143
Other services provided to the Group	82	30
Total Australian fees	191	173
Tax or other non-audit services provided by overseas EY firm	223	833
Total fees	414	**1,006**

D6. PARENT INFORMATION

Information relating to Liquefied Natural Gas Limited:

	Parent Company Only	
	2017	2016
	In thousands ($)	
Current assets	4,927	10,144
Total assets	**24,205**	**27,610**
Current liabilities	7,430	7,900
Total liabilities	**7,443**	**7,959**
Issued capital	393,084	392,424
Accumulated losses	(418,283)	(412,216)
Share options reserve	37,929	35,411
Redeemable preference share reserve	4,032	4,032
Total shareholders' equity	**16,762**	**19,651**
Profit/(loss) of the parent entity	(6,066)	(69,618)
Total comprehensive income of the parent entity	**(6,066)**	**(69,618)**

GUARANTEES

The parent entity has not guaranteed the liabilities of its subsidiaries as at 30 June 2017.

CONTINGENT LIABILITIES

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

CONTRACTUAL COMMITMENTS

The parent entity does not have any contractual commitments for the acquisition of property, plant or equipment.

D7. OTHER ACCOUNTING POLICIES

Since 1 July 2016, the Group has adopted the following Standards and Interpretations, mandatory for all annual reporting periods beginning on or after 1 July 2016. Adoption of these Standards and Interpretations did not have any effect on the financial position or performance of the Group.

- AASB 2014-4 *Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation;*
- AASB 2015-1 *Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle;* and
- AASB 2015-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101.*

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 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107;*
- 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;
- AAASB 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.*

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, 2017 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 30 June 2017.

On behalf of the Board

Paul J Cavicchi
Chairman
Houston, Texas U.S.A.
September 14, 2017

Auditor's Independence Declaration

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
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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 2017, 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

D A Hall
Partner
14 September 2017

DH:NL:LNG:028

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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 consolidated statement of financial position as at 30 June 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated 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 2017 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 the 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 matter 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
The Group provides benefits to employees in the form of share-based payments. The details of Company's Incentive Rights Plans, and the methodology used to calculate the fair value of the rights granted is explained in Note D4. Share Based Payments. The matter is considered significant given that: ▸ during the year ended 30 June 2017, 7,392,804 rights were issued during the year and there is a degree of judgment and estimation involved in valuing the issued rights; ▸ there were 12,131,299 un-issued ordinary shares under Performance Rights pursuant to issuances under the Company's Incentive Rights Plan; and ▸ the expense recognised for share based payments during the period was $2,518,000.	Our procedures to address the key audit matter included the following: ▸ Obtained and assessed the Company's valuation for new performance rights granted during the financial year. ▸ Involved our actuarial specialists to assess the valuations provided by the Company by agreeing key inputs used to relevant source documentation and independently recalculating the value of the award using an industry accepted pricing model. ▸ Obtained details of all outstanding rights and checked whether the expense was recognised in the appropriate period in accordance with the award. ▸ Assessed whether the disclosure in note D4 was adequate and whether the calculations and disclosures were in accordance with the applicable Australian Accounting Standards.

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 2017 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.

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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.

Building a better working world

- 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 51 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Liquefied Natural Gas Limited for the year ended 30 June 2017, 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.

Ernst & Young

Ernst & Young

D A Hall
Partner
Perth
14 September 2017

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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 September 8, 2017.

a) Distribution of equity securities

(i) Ordinary share capital

- 512,979,962 fully paid ordinary shares are held by 9,540 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

- 13,633,476 unlisted performance rights over ordinary shares are held by 41 holders.
  The rights do not carry a right to vote. The number of performance rights reported on 12 July 2017 in the Appendix 3B (14,803,476) has reduced by 1,170,000 due to the forfeiture of Performance Rights by an Executive who has left the Company.

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

	Fully paid ordinary shares	Options	Performance rights
	Number of holders	Number of holders	Number of holders
1 – 1,000	2,262	-	-
1,001 – 5,000	3,112	-	1
5,001 – 10,000	1,595	-	-
10,001 – 100,000	2,285	-	15
100,001 and over	286	-	25
	9,540	**-**	**41**
The number of shareholders holding less than a marketable parcel of shares are:	1,725	-	-

c. Twenty largest shareholders

The names of the twenty largest holders of quoted shares are:		Listed ordinary shares	
Ordinary shares		**Number of shares**	**Percentage of ordinary shares**
1	HSBC Custody Nominees (Australia) Limited	92,708,437	18.07
2	HSBC Custody Nominees (Australia) Limited - GSCO ECA	48,635,510	9.48
3	Citicorp Nominees Pty Limited	47,342,789	9.23
4	J P Morgan Nominees Australia Limited	44,408,245	8.66
5	National Nominees Limited	24,810,387	4.84
6	Merrill Lynch (Australia) Nominees Pty Limited	24,628,082	4.80
7	HSBC Custody Nominees (Australia) Limited - A/C 2	15,741,406	3.07
8	BNP Paribas Noms Pty Ltd <DRP>	11,584,820	2.26
9	Mr. Andrew Bruce & Mrs Wendy Bruce <Bruce Family S/F A/C>	8,800,000	1.72
10	Mr. Bassam Abou Chahla & Ms. Cherie Abou Chahla <Abou Chahla Family S/F A/C>	8,123,580	1.58
11	HSBC Custody Nominees (Australia) Limited <CW A/C>	4,160,285	0.81
12	Mr. Paul Bridgwood	3,414,261	0.67
13	HSBC Custody Nominees (Australia) Limited <ST A/C>	3,042,000	0.59
14	SPO Equities Pty Limited <March Street Equity A/C>>	2,824,652	0.55
15	BNP Paribas Nominees Pty Ltd <IB AU Noms RetailClient DRP>	2,480,431	0.48
16	Garden Verde Pty Ltd	1,760,346	0.34
17	BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	1,667,674	0.33
18	Kevin Barry Building Service Pty Ltd <Superfund A/C>	1,625,000	0.32
19	National Nominees Limited	1,354,680	0.26
20	Mr Phillip John Harvey	1,200,010	0.23
		350,312,595	**68.29**

Substantial shareholders as at August 31, 2017	Fully paid	
Ordinary shareholders	**Number**	**Percentage**
The Baupost Group (Boston)	62,340,529	12.2
Valinor Management, LLC (New York)	41,967,223	8.2
	104,307,752	**20.4**

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.

Our Leadership

Board of Directors

Mr Paul J Cavicchi
Chairman

Mr Greg M Vesey
Managing Director and Chief Executive Officer

Mr Richard Jonathan Beresford
Non-Executive Director

Mr D Michael Steuert
Non-Executive Director

Ms Leeanne Kay Bond
Non-Executive Director

Mr Philip Moeller
Non-Executive Director

Executive Team

Mr Greg M Vesey
Managing Director and Chief Executive Officer

Mr Michael Reed Mott
Chief Financial Officer

Mr John Baguley
Chief Operating Officer

Ms Kinga Doris
General Counsel and Joint Company Secretary

Ms Lisa Vassallo
Vice President, Human Resources

Mr Andrew Gould
Group Development Manager and Joint Company Secretary

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