



**LIQUEFIED NATURAL GAS LIMITED**

**ABN 19 101 676 779**

**APPENDIX 4E  
UNAUDITED PRELIMINARY FINANCIAL REPORT  
FOR THE YEAR ENDED  
30 JUNE 2019**

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

**Results for announcement to the market**

Current reporting period: 12 months ended 30 June 2019  
 Previous corresponding reporting period: 12 months ended 30 June 2018

This preliminary financial report is presented in Australian dollars, unless otherwise indicated.

<b>Consolidated</b>	<b>30 June 2019</b>	<b>30 June 2018</b>	<b>Change</b>	<b>Movement</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>%</b>	
Revenues from ordinary activities	671	326	106	Favourable
Loss from ordinary activities after tax attributable to members	(33,529)	(22,777)	(47)	Unfavourable
Net loss for the period attributable to members	(32,582)	(22,475)	(49)	Unfavourable

**Operating Results**

Revenue relates to interest income and has increased due to the higher average cash and short-term investments held by the Company than in the corresponding financial year.

The Company's policy is to expense all development expenditure until such time as the Board is satisfied that all material issues in relation to a project have been adequately identified and addressed, to the extent possible, and it is probable that the project will achieve final investment decision and proceed to construction, within a reasonable period. Currently, LNGL is expensing 100 percent of its development expenditures. Development expenditures expensed in fiscal 2019 totalled \$16.9 million compared with \$11.4 million expensed during fiscal 2018.

LNGL Group's net loss after income tax for the year ended June 30, 2019 totalled \$33.5 million, which compared with a loss of \$22.8 million in the year ended June 30, 2018. The 2019 fiscal loss included the aforementioned project development costs of \$16.9 million, \$3.3 million of share-based payment expenses, and \$15.0 million in administration, corporate, and compliance costs in the period.

The increasing loss from ordinary activities and the net loss for the period reflect milestone and non-recurring payments related to the Magnolia LNG project that occurred in the fiscal year; along with increased share-based payment and administrative expenses.

As at 30 June 2019, the LNGL Group had an aggregate \$21.8 million of liquidity consisting of \$19.8 million (cash and cash equivalents) plus \$2.0 million of other financial assets.

**Financial Position**

During the financial year, net assets of the Company and its controlled entities (the LNGL Group) decreased by \$29.3 million, from \$60.4 million as at July 1, 2018 to \$31.1 million as at June 30, 2019.

**Dividend and Other Returns to Shareholders**

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

**Net Tangible Assets**

	<b>30 June 2019</b>	<b>30 June 2018</b>
	<b>\$</b>	<b>\$</b>
Net tangible assets per security	0.05	0.11

## Audit

This preliminary financial report is based on accounts which are in the process of being audited.

## Company Overview and Review of Operations

Liquefied Natural Gas Limited's (LNGL, the **Company** or the **Group**) corporate offices are based in Houston, Texas, with offices in Sydney, Australia; Lake Charles, Louisiana; and Halifax, Nova Scotia.

The Board of Directors has announced its decision to re-domicile the Company to the United States of America. LNGL will proceed to list on the NASDAQ Stock Exchange (NASDAQ) following regulatory and judicial approvals and an affirmative shareholder vote.

The Company is developing LNG export terminal projects in the United States and in Canada having combined aggregate design production capacity of 20 mtpa or greater. We hold 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, LLC, owner of LNGL's patented optimized single mixed refrigerant (OSMR®) liquefaction process technology.

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

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

LNGL conducts business in an ethical, fair, and honest manner. We are committed to participating in the highly competitive global LNG industry with the highest degree of integrity, absent use of any corrupt practices to obtain a business advantage. We aim to secure and safeguard an appropriate "License to Operate" in all our operations and do so through active engagement with our host communities and key stakeholders. We embrace as core values the virtues of a safe and diverse workplace; a performance culture that awards integrity, innovation, and respect for others; and a business approach that partners with all stakeholders to deliver our strategy while minimizing impacts to the ecology.

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

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

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

Path 1: Develop projects using our OSMR® Technology Solutions;

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

Path 3: License the OSMR® technology to third-parties.

We aim to remain at the forefront of LNG development and processing technology to ensure our 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.

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

Our preference for modular fabrication translates into inherently safer construction and reduced on-site labor while providing a high degree of quality and schedule control.

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

LIQUEFIED NATURAL GAS LIMITED  
 UNAUDITED STATEMENT OF COMPREHENSIVE INCOME  
 FOR THE YEAR ENDED 30 JUNE 2019

	CONSOLIDATED	
	2019	2018
	In thousands (\$)	
Revenue	\$ 671	\$ 326
Other income	1,006	1,858
Total revenue and other income	1,677	2,184
Administrative expense	(14,950)	(12,285)
Project development expenses	(16,941)	(11,435)
Share-based payment expenses	(3,323)	(1,227)
Total expenses	(35,214)	(24,947)
Loss before income tax expense	(33,537)	(22,763)
Income tax expense	(--)	(20)
Loss after income tax expense	(33,537)	(22,783)
<b>Net loss for the period</b>	<b>\$ (33,537)</b>	<b>\$ (22,783)</b>
<b>Other comprehensive income (loss) for the period:</b>		
Foreign currency translation, net of tax	\$ 947	\$ 302
<b>Total comprehensive income (loss) for the period</b>	<b>\$ (32,590)</b>	<b>\$ (22,481)</b>
<b>Loss for period is attributable to:</b>		
Non-controlling interest	\$ (8)	\$ (6)
Equity holders of the parent	(33,529)	(22,777)
<b>Total Net income (Loss)</b>	<b>\$ (33,537)</b>	<b>\$ (22,783)</b>
<b>Total comprehensive income (loss) for the period:</b>		
Non-controlling interest	\$ (8)	\$ (6)
Equity holders of the parent	(32,582)	(22,475)
<b>Total comprehensive income (loss)</b>	<b>\$ (32,590)</b>	<b>\$ (22,481)</b>
<b>Loss per share attributable to ordinary equity holders:</b>		
Basic loss per share	\$ (0.059)	\$ (0.044)
Fully diluted loss per share	(0.059)	(0.044)

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

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LIQUEFIED NATURAL GAS LIMITED  
 UNAUDITED STATEMENT OF FINANCIAL POSITION  
 AS AT 30 JUNE 2019

	CONSOLIDATED	
	2019	2018
	In thousands (\$)	
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 19,756	\$ 22,476
Trade and other receivables	187	60
Other financial assets	2,048	28,222
Prepayments	946	545
<b>Total current assets</b>	<b>22,937</b>	<b>51,303</b>
<b>Non-current assets</b>		
Property, Plant and equipment	11,824	11,920
<b>Total non-current assets</b>	<b>11,824</b>	<b>11,920</b>
<b>Total assets</b>	<b>\$ 34,761</b>	<b>\$ 63,223</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	\$ 3,264	\$ 2,396
Interest-bearing liabilities	---	---
Employee benefits and provisions	338	405
<b>Total current liabilities</b>	<b>3,602</b>	<b>2,801</b>
<b>Non-current liabilities</b>		
Employee benefits and provisions	27	14
<b>Total non-current liabilities</b>	<b>27</b>	<b>14</b>
<b>Total liabilities</b>	<b>3,629</b>	<b>2,815</b>
<b>Net assets</b>	<b>\$ 31,132</b>	<b>\$ 60,408</b>
<b>Equity</b>		
<i>Equity attributable to equity holders of the Parent:</i>		
Contributed equity	\$ 420,096	\$ 420,106
Reserves	49,489	45,219
Accumulated losses	(438,317)	(404,789)
<b>Parent interests</b>	<b>31,268</b>	<b>60,536</b>
<b>Non-controlling interest</b>	<b>(136)</b>	<b>(128)</b>
<b>Total equity</b>	<b>\$ 31,132</b>	<b>\$ 60,408</b>

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

**LIQUEFIED NATURAL GAS LIMITED**  
**UNAUDITED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2019**

	Ordinary shares	Share options reserve	Performance rights reserve	Redeemable preference share reserve	Equity reserve	Foreign currency translation reserve	Accumulated losses	Owners of the parent	Non-controlling interest	Total
	In thousands (\$)									
<b>At 1 July 2018</b>	\$ 420,106	\$ 6,078	\$ 33,321	\$ 4,032	\$ 578	\$ 1,210	\$ (404,789)	\$ 60,536	\$ (128)	\$ 60,408
Loss for the period	---	---	---	---	---	---	(33,529)	(33,529)	(8)	(33,537)
Other comprehensive income	---	---	---	---	---	947	---	947	---	947
<b>Total comprehensive income for the period</b>	---	---	---	---	---	947	(33,529)	(32,582)	(8)	(32,590)
<b>Transactions with owners in their capacity as owners:</b>										
Issue costs on conversion of rights	(10)	---	---	---	---	---	---	(10)	---	(10)
Ordinary share sale, net of costs	---	---	---	---	---	---	---	---	---	---
Exercise of options	---	---	---	---	---	---	---	---	---	---
Share based payment	---	---	3,323	---	---	---	---	3,323	---	3,323
<b>At 30 June 2019</b>	\$ 420,096	\$ 6,078	\$ 36,644	\$ 4,032	\$ 578	\$ 2,157	\$ (438,317)	\$ 31,268	\$ (136)	\$ 31,132
<b>At 1 July 2017</b>	\$ 392,875	\$ 6,078	\$ 32,094	\$ 4,032	\$ 578	\$ 908	\$ (382,012)	\$ 54,553	\$ (122)	\$ 54,431
Loss for the period	---	---	---	---	---	---	(22,777)	(22,777)	(6)	(22,783)
Other comprehensive income	---	---	---	---	---	302	---	302	---	302
<b>Total comprehensive income for the period</b>	---	---	---	---	---	302	(22,777)	(22,475)	(6)	(22,481)
<b>Transactions with owners in their capacity as owners:</b>										
Issue costs on conversion of rights	---	---	---	---	---	---	---	---	---	---
Ordinary share sale, net of costs	27,231	---	---	---	---	---	---	27,231	---	27,231
Exercise of options	---	---	---	---	---	---	---	---	---	---
Share based payment	---	---	1,227	---	---	---	---	1,227	---	1,227
<b>At 30 June 2018</b>	\$ 420,106	\$ 6,078	\$ 33,321	\$ 4,032	\$ 578	\$ 1,2	\$ (404,789)	\$ 60,536	\$ (128)	\$ 60,408

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

**LIQUEFIED NATURAL GAS LIMITED**  
**UNAUDITED CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2019**

	<b>CONSOLIDATED</b>	
	<b>2019</b>	<b>2018</b>
	<b>In thousands (\$)</b>	
<b>Cash flows from operating activities</b>		
Receipts from taxation authorities	\$ 111	\$272
Interest received	671	358
Research and development tax concession rebate	135	144
Payments to suppliers and employees	<b>(30,753)</b>	<b>(22,941)</b>
<b>Net cash flows used in operating activities</b>	<b>(29,854)</b>	<b>(22,167)</b>
<b>Cash flows from investing activities</b>		
(Investment in) / proceeds from security deposits classified as other financial assets	<b>25,944</b>	<b>(25,000)</b>
Proceeds on sale of Gladstone LNG Pty Ltd	---	1,293
Purchase of property, plant and equipment	---	---
<b>Net cash (used in) / provided from investing activities</b>	<b>25,944</b>	<b>(23,707)</b>
<b>Cash flows from financing activities</b>		
Proceeds from the issue of ordinary shares	---	28,222
Transaction costs on issue of ordinary shares	<b>(10)</b>	<b>(991)</b>
Interest paid	---	---
<b>Net cash flows from financing activities</b>	<b>(10)</b>	<b>27,231</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(3,902)</b>	<b>(18,643)</b>
Net foreign exchange differences	<b>1,478</b>	825
Cash and cash equivalents at beginning of year	<b>22,476</b>	40,294
<b>Cash and cash equivalents at end of year</b>	<b>\$ 19,756</b>	<b>\$ 22,476</b>

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

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## LIQUEFIED NATURAL GAS LIMITED

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of preparation

##### (a) Compliance with IFRS

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

##### (b) Basis of consolidation

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

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

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

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

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

Subsidiary acquisitions pre-1 July 2009 are accounted for using the purchase method of accounting. Subsidiary acquisitions post-1 July 2009 are accounted for using the acquisition method of accounting.

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

##### (c) Operating segments

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

Information about other business activities and operating segments that do not meet minimum quantitative criteria are combined and disclosed in a separate "all other segments" category.

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

##### (d) Foreign currency translation

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

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the

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date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance date.

All exchange differences in the consolidated financial statements are recorded in the Statement of Comprehensive Income.

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

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

Exchange variations resulting from the translation are recognised in the foreign currency translation reserve in equity in the Statement of Financial Position and Statement of Changes in Equity, respectively.

### **(e) Cash and cash equivalents**

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

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

### **(f) Trade and other receivables**

Trade receivables are recognized initially at the amount of consideration that is unconditional, unless they contain significant financing components, then they are recognized at fair value.

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. Financial difficulties of the debtor, default payments, or debts more than 120 days overdue are typically considered objective evidence of impairment.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance. The expected loss rates are based upon historical credit losses and adjusted to reflect current and forward-looking information affecting the ability for settlement of the debts. Given that historically there having been no credit losses and there are no forward-looking factors that would affect the ability of current debtors to settle receivables no loss allowance has been booked.

### **(g) Other financial assets**

Investments and financial assets in the scope of AASB 139 - *Financial Instruments: Recognition and Measurement*, are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. The classification depends on the purpose for which the investments were acquired. Designation is re-evaluated at each financial year-end, but there are restrictions on reclassifying to other categories. When financial assets are recognised initially, they are measured at fair value, plus (in the case of assets not at fair value through profit or loss) directly attributable transaction costs.

#### **(i) Financial assets at fair value through profit or loss**

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

The Group does not currently hold any financial assets held for trading.

#### **(ii) Held-to-maturity investments**

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

The Group previously had a held-to-maturity investment for \$25,000,000 at 30 June 2018. This investment matured in the fiscal year. At 30 June 2019 the Group does not currently hold any held-to-maturity investments.

### (iii) Loans and receivables

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

The Group does not currently hold any loans and receivables subject to AASB 132.

### (iv) Available-for-sale investments

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

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

The Group does not currently hold any available-for-sale investments.

### (h) Business combinations

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

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

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating

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or accounting policies, and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

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

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

### **(i) Goodwill and intangibles**

#### *Goodwill*

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

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

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

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

Impairment losses recognised for goodwill are not subsequently reversed.

#### *Research and development costs*

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefits from the related project.

The carrying value of an intangible asset arising from development expenditure is tested for impairment annually when the asset is not yet available for use or more frequently when an indication of impairment arises during the reporting period.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is de-recognised.

The Group does not currently hold any goodwill or intangible assets.

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### (j) Plant and equipment

#### *Cost and valuation*

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

#### *Depreciation*

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

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

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

#### *De-recognition and disposal*

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

### (k) Leases

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

#### *Finance leases (Group as a lessee)*

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

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

The Group does not currently have any finance leases.

#### *Operating leases (Group as a lessee)*

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

AASB 16 Leases Standard became effective for fiscal years beginning on or after January 1, 2019. This new standard will require balance sheet presentation and periodic income statement reporting of operating leases. Operating leases have historically been off-balance sheet, with lease payments recorded on a straight-line basis. Under the new standard, leases classified as operating leases will require lessees to record a "right-of-use asset" and a corresponding liability on its balance sheet. LNGL will adopt this standard in fiscal year 2020 and the Group's operating leases will be brought onto the balance sheet as right of use assets and lease liabilities the estimated impact will be increase in assets and liabilities of approximately \$18m.

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### **(l) Impairment of non-financial assets other than goodwill**

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

The Group does not currently hold any non-financial assets.

### **(m) Trade and other payables**

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

### **(n) Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period-of-time to get ready for its intended use or sale) are capitalized as part of the cost of that asset. All other borrowing costs are expensed in the period they occur.

The Group does not currently have any debt nor holds any qualifying assets.

### **(o) Provisions and employee benefits**

The Group employs personnel in different countries and is subject to differing local employment laws and benefit offerings. To the extent applicable in local jurisdictions, the following accounting policies apply.

#### *Provisions*

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

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

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

#### *Wages, salaries, annual leave and sick leave*

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

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### *Long service leave*

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

### *Benefit plans*

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

In 2015, the Group established a defined contribution plan (401(k) Plan) for eligible U.S. employees. The 401(k) Plan allows eligible employees to contribute up to 100% of their compensation up to the IRS maximum. The Group matched employee contributions up to 3.5 percent through 31 December 2017 and up to 6 percent from 1 January 2018 of said contribution. Employees immediately vest in the contributions made by the Group.

### **(p) Share-based payment transactions**

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

The Group has an Incentive Rights Plan for eligible employees, which provide for granting of various forms of share-based incentives to eligible employees including full-time employees, part-time employees, and senior executives. The Group also has a NED Rights Plan providing service time-based rights to Non-Executive Directors.

The cost of these equity-settled transactions with employees, directors and senior executives (for awards granted after 7 November 2002 that were unvested at 1 January 2005) is measured by reference to the fair value of the equity instruments at the date at which they are granted if the fair value of the services provided cannot be estimated reliably. The fair value is determined using a binomial or Black-Scholes model.

In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the Group (**market conditions**) and/or non-vesting conditions, if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (**vesting period**), ending on the date on which the relevant employees, directors, or senior executives become fully entitled to the award (**vesting date**).

The cumulative expense recognised for equity-settled transactions at each subsequent reporting date until vesting date reflects (i) the grant date fair value of the award (ii) the expired portion of the vesting period, and (iii) the Group's current best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The charge to the profit or loss for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding credit to equity.

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

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated. Any award subject to a market condition is considered to vest irrespective of whether or not that market condition is fulfilled, provided that all other conditions are satisfied.

If the terms of an equity-settled award are modified, as a minimum, an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the

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share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if there were a modification of the original award, as described in the previous paragraph.

The Group does not currently have any such equity-settled awards.

The dilutive effect, if any, from equity-settled transactions or equity-settled awards is reflected as additional share dilution in the computation of diluted earnings (loss) per share.

### **(q) Contributed equity**

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

### **(r) Revenue and other income recognition**

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

#### *Rendering of services*

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

#### *Interest revenue*

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

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

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

### **(s) Income and other taxes**

#### *Income taxes*

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

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

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

- When the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or



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- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

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

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

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

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

The Group does not currently have any recorded deferred tax assets or deferred tax liabilities.

### *Other taxes*

Revenue, expenses and assets are recognised net of the amount of goods and service tax (**GST**) or equivalent, except:

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

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

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

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

### **(t) Earnings per share (EPS)**

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, adjusted for any bonus element.

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

- Costs of servicing equity (other than dividends) and preference share dividends;
- The after-tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- Other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

Basic and diluted loss per share are the same in both periods.

### OPERATING SEGMENTS

#### Identification of reportable segments

The Group has identified its operating segments based on information that is reviewed and used by the executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

Reportable segments are based on aggregated operating segments determined by the similarity of the types of business activities and/or the services provided and the regulatory environment, as these are the sources of the Group's major risks and have the most effect on rates of return.

#### Reportable operating segments

The Group has identified the following reportable operating segments:

##### *LNG Infrastructure*

The LNG Infrastructure business involves the identification and progression of opportunities for the development of LNG projects to facilitate the production and sale of LNG. This includes:

- Project development activities from pre-feasibility, detailed feasibility and advancement of each project to final investment decision at which time the Group expects to obtain reimbursement of all, or part of, the development costs incurred by the Group to that date and then fund the project via a suitable mix of project debt and equity;
- Construction activities; and
- Production and sale of LNG via offtake arrangements with external parties.

The LNG Infrastructure business has been determined as both an operating segment and a reportable segment.

##### *Technology and Licensing*

The technology development and licensing business is involved in the development of LNG technology, through research and development activities, and the advancement of each developed technology to the patent application stage or ability to 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 development and licensing has been determined as both an operating segment and a reportable segment.

##### *Segment accounting policies*

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

##### *Corporate charges*

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

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### *Income tax expense*

Income tax expense/deferred tax benefit is calculated based on the segment operating net profit/(loss) using a notional charge of 27.5% (2018: 27.5%). No effect is given for taxable or deductible temporary differences.

It is the Group's policy that if items of revenue and expense are not allocated to operating segments then any associated assets and liabilities are also not allocated to segments. This is to avoid asymmetrical allocations within segments which management believe would be inconsistent.

Interest revenue realized foreign exchange gains and losses, corporate expenses and finance costs (and associated assets and liabilities) are not allocated to operating segments, as they are not considered part of the core operations of any segment.

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The following table shows the revenue and profit or loss information for reportable segments for the fiscal years ended 30 June 2019 and 30 June 2018, respectively.

	LNG Infrastructure		Technology & Licensing		Unallocated		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
R&D concession	\$ ---	\$ ---	\$ ---	\$ ---	\$ 153	\$ 144	\$ 153	\$ 144
Net foreign exchange gain	---	---	---	---	852	421	852	421
Interest revenue	---	---	---	---	671	326	671	326
Gain on sale of Gladstone LNG	---	---	---	---	---	1,293	---	1,293
Inter-segment sales	---	---	---	---	---	---	---	---
<b>Total revenue and other income</b>	---	---	---	---	<b>1,676</b>	<b>2,184</b>	<b>1,676</b>	<b>2,184</b>
Inter-segment elimination	---	---	---	---	---	---	---	---
<b>Total revenue and other income</b>	---	---	---	---	<b>1,676</b>	<b>2,184</b>	<b>1,676</b>	<b>2,184</b>
<i>Project development costs</i>								
- Employee comp & benefits	(2,725)	(4,244)	(255)	(894)	---	---	(2,980)	(5,138)
- Defined contribution plans	(72)	(92)	(42)	(91)	(2)	---	(116)	(183)
- Consulting fees	(8,444)	(1,094)	(14)	---	---	---	(8,458)	(1,094)
- Site options and lease expense	(4,291)	(3,519)	---	---	---	---	(4,291)	(3,519)
- Other expenses	(1,074)	(1,303)	(22)	(198)	---	---	(1,096)	(1,501)
Total project development costs	(16,606)	(10,252)	(333)	(1,183)	(2)	(--)	(16,941)	(11,435)
Finance costs	---	---	---	---	---	---	---	---
Corporate charges	---	---	---	---	(13,990)	(11,328)	(13,990)	(11,328)
Share-based payments	---	---	---	---	(3,323)	(1,227)	(3,323)	(1,227)
Depreciation	---	---	---	---	(123)	(147)	(123)	(147)
Operating lease payments	---	---	---	---	(836)	(810)	(836)	(810)
Gain/(loss) on sale of PP&E	---	---	---	---	---	---	---	---
Net foreign exchange loss	---	---	---	---	---	---	---	---
Income tax expense	---	---	---	---	---	(20)	---	(20)
	<b>\$(16,606)</b>	<b>\$(10,252)</b>	<b>\$ (333)</b>	<b>\$(1,183)</b>	<b>\$(16,598)</b>	<b>\$(11,348)</b>	<b>\$(33,537)</b>	<b>\$(22,783)</b>

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The location of the Group's segment assets are as follows:

	LNG Infrastructure		Technology and Licensing		Total	
	2019	2018	2019	2018	2019	2018
	In thousands (\$)					
<b>Segment assets</b>						
Australia	\$ ---	\$ 7	\$ 1	\$ 1	\$ 1	\$ 8
Canada	11,510	11,495	---	---	11,510	11,495
USA	405	663	---	---	405	663
Indonesia	---	---	---	---	---	---
<b>Total segment assets</b>	<b>\$ 11,915</b>	<b>\$ 12,165</b>	<b>\$ 1</b>	<b>1</b>	<b>\$ 11,916</b>	<b>\$ 12,166</b>
Intersegment					---	---
Unallocated assets <sup>1</sup>					22,845	51,057
<b>Total assets</b>					<b>34,761</b>	<b>63,223</b>
<b>Unallocated liabilities</b>					<b>\$ 1,570</b>	<b>\$ 359</b>

<sup>1</sup> Unallocated assets primarily consisted of cash and cash equivalents of \$19,756,000 (2018: \$22,476,000) and other financial assets of \$2,048,000 (2018: \$28,222,000).

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### EARNINGS PER SHARE

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

	CONSOLIDATED	
	2019	2018
	In thousands (\$)	
<b>Loss used in calculating earnings per share</b>		
<i>For basic earnings per share:</i>		
Net loss attributable to ordinary equity holders of the Parent	\$ (33,529)	\$ (22,777)
<i>For diluted earnings per share:</i>		
Net loss attributable to ordinary equity holders of the Parent	\$ (33,529)	\$ (22,777)
<b>Weighted average number of shares</b>		
<i>For basic earnings per share:</i>		
Weighted average number of ordinary shares for basic earnings per share	571,409,040	517,550,922
<i>For diluted earnings per share:</i>		
Weighted average number of ordinary shares adjusted for effect of dilution	571,409,040	517,550,922

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