

ASX/MEDIA RELEASE 26 SEPTEMBER 2013

STONEPEAK STRATEGIC ALLIANCE & PROJECT EQUITY MAGNOLIA LNG PROJECT

The Board of Directors of Liquefied Natural Gas Limited (*Company*) is pleased to advise that it expects to finalise and execute the Magnolia LNG Project equity finance definitive agreements, between Magnolia LNG, LLC (*MLNG*) and Stonepeak Partners, LP (*Stonepeak*), in October 2013 (*Equity Agreements*). MLNG, a wholly owned subsidiary of the Company, currently owns 100% of the Magnolia LNG Project.

The Equity Agreements provide for Stonepeak to provide 100% of the Magnolia LNG Project's estimated equity requirement of US\$660 million at Financial Close.

Based on the current Magnolia LNG Project financial model, Stonepeak would acquire an approximate 50% equity interest in MLNG, with the Company retaining an approximate 50% equity interest.

There has been no material change to the terms of the existing Term Sheet, dated 25 July 2013, as advised to shareholders on 26 July 2013, other than both parties agreeing to a 30 day extension in the expiry date of the Term Sheet, to 23 October 2013, in order to finalise legal drafting of the Equity Agreements.

This extension will have no impact on the development schedule or progress of other agreements as outlined in the August Monthly Progress Report.

The definitive Equity Agreements comprise two documents, namely:

- **Equity Commitment Agreement**, which governs the relationship, cooperation, rights and obligations between Stonepeak and the Company through to financial close; and
- Magnolia LLC Agreement, which sets out the respective rights and obligations of Stonepeak and
 the Company from financial close, including with respect to the development and funding of the
 Magnolia LNG Project, the management and governance of MLNG, the allocation and distribution
 of MLNG's future profits, and other related matters. The Magnolia LLC Agreement serves the
 same purpose as a Joint Operating/Venture Agreement would in Australia.

The Company's Managing Director, Maurice Brand, said that "the Company was pleased with the progress of both Equity Agreements but both parties simply needed up to 30 days to finalise all the legal aspects and complete appropriate reviews by the Company's Accounting, Tax and Insurance consultants. These are all long term agreements and commitments, and therefore the Company and Stonepeak need to ensure that they adequately address all material events in the future".

"With the Stonepeak definitive Equity Agreements to be executed shortly, the Company's main commercial focus will turn to the definitive Tolling Agreements with Brightshore Overseas Ltd (Gunvor Group), for firm and interruptible LNG production capacity of 2 mtpa, and Gas Natural SDG.S.A. (Gas Natural Fenosa Group) for firm and interruptible LNG production capacity of up to 2 mtpa (in aggregate covering the initial 2 LNG trains)" said Mr Brand.

In summary, the key terms under the Equity Commitment Agreement include:

- Stonepeak and the Company to form a strategic alliance dedicated to the development, construction and operation of the Magnolia LNG Project;
- Stonepeak will commit to provide 100% of the Magnolia LNG Project equity from financial close, which is currently estimated at ~US\$660 million;
- The Company will, at financial close of the Magnolia LNG Project, receive a one-off success fee calculated at 3% of the total Magnolia LNG Project capital cost (such fee is estimated at US\$66 million);
- Stonepeak will assist the Company secure long term project debt financing, which is estimated at US\$1,540 million. In this regard, Stonepeak will work with the Company in ensuring all Magnolia LNG Project material agreements and other documents are in a bankable form; and
- Stonepeak will be entitled to appoint one manager to the Board of MLNG, but the manager will have no voting rights prior to financial close and the commencement of Stonepeak's project equity financing contribution.

For further information contact:

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ABOUT STONEPEAK PARTNERS - www.stonepeakpartners.com

Stonepeak Infrastructure Partners invests in North American infrastructure assets with stable cash flows, inflation linkage, and high barriers to entry. Stonepeak manages capital on behalf of pension funds, insurance companies both in the US and internationally. The Firm's founding partners, Michael Dorrell and Trent Vichie, have combined thirty years of infrastructure investing experience. Together they have invested over US\$2 billion of equity into North American infrastructure investments and formerly led the Blackstone Group (from 2008) infrastructure division prior to forming Stonepeak in 2011.

Prior to joining Blackstone, Michael was a Senior Managing Director and Trent a Managing Director in Macquarie Bank's infrastructure team in North America from 2000 to 2008.

Stonepeak manages over US\$1.2 billion of equity and has a strategic relationship with Teachers Insurance and Annuity Association – College Retirement Equities Fund (*TIAA*) in infrastructure projects. TIAA had total assets under management of US\$520 billion as at 31 March 2013. In addition to TIAA, Stonepeak has a history of coinvesting with its limited partners.

MAGNOLIA LNG PROJECT - www.magnolialng.com

The project comprises the proposed development of an 8 mtpa LNG project on an 108 acres site, in an established LNG shipping channel in the Lake Charles District, State of Louisiana, United States of America.

The project is based on the staged development of 4 x 2 mtpa LNG production trains using the Company's wholly owned OSMR® LNG process technology and the completed LNG plant front end engineering and design of the Company's Gladstone Fisherman's Landing LNG Project, in Queensland, Australia.

The "tolling" business model being adopted for the Magnolia LNG Project is to provide liquefaction, storage and ship loading facilities to LNG buyers who pay a monthly fixed capacity fee, plus all LNG plant operating and maintenance costs. The LNG buyers are responsible for the supply and transportation of gas to the Magnolia LNG Project site. There are 11 major gas transportation "corridors" to assist and facilitate gas supply to the Magnolia LNG Project.

Shale gas resources in the US are estimated at ~665 trillion cubic feet (tcf),by the US Energy Information Administration (June 2013). The Magnolia LNG Project only requires 0.4 tcf per annum for the full 8 mtpa LNG project. By 2020, total US gas production, including shale gas, is projected to annually exceed 25 tcf.



