

# **AVENIR LNG LIMITED**

## **UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the Three and Six Months ended June 30, 2019

**AVENIR LNG LIMITED**  
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**AVENIR LNG LIMITED**  
**CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT**  
**(UNAUDITED)**

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2019	2018	2019	2018
	(in thousands)			
<b>Operating Revenue</b>	\$ 245	\$ —	\$ 511	\$ —
Operating Expenses	(199)	—	(451)	—
<b>Gross Profit</b>	<u>46</u>	<u>—</u>	<u>60</u>	<u>—</u>
Administrative and general expenses	(1,756)	(3)	(4,014)	(8)
Other operating expense	(29)	—	(32)	—
<b>Operating Loss</b>	<u>(1,739)</u>	<u>(3)</u>	<u>(3,986)</u>	<u>(8)</u>
<b>Non-Operating Expenses:</b>				
Finance expense	(21)	—	(44)	—
Finance income	262	—	554	—
Other non-operating expense	(1)	—	—	—
Foreign currency exchange gain	113	—	3	—
<b>Loss before Income Tax</b>	<u>(1,386)</u>	<u>(3)</u>	<u>(3,473)</u>	<u>(8)</u>
Income tax expense	18	—	30	—
<b>Net Loss</b>	<u>\$ (1,404)</u>	<u>\$ (3)</u>	<u>\$ (3,503)</u>	<u>\$ (8)</u>
<b>Loss per share</b>				
Basic	(0.01)	(0.30)	(0.03)	(0.80)
Diluted	(0.01)	(0.30)	(0.03)	(0.80)

Notes 1 to 10 are integral part of these consolidated financial statements.

**AVENIR LNG LIMITED**  
**CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME**  
**(UNAUDITED)**

	For the Three Months Ended		For the Six Months Ended	
	June 30,		June 30,	
	2019	2018	2019	2018
	(in thousands)			
<b>Net loss</b>	\$ <u>(1,404)</u>	\$ <u>(3)</u>	\$ <u>(3,503)</u>	\$ <u>(8)</u>
<b>Other comprehensive loss:</b>				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Exchange differences arising on translation of foreign operations	<u>239</u>	<u>—</u>	<u>(67)</u>	<u>—</u>
Other comprehensive loss	<u>239</u>	<u>—</u>	<u>(67)</u>	<u>—</u>
<b>Total comprehensive loss</b>	<u>\$ (1,165)</u>	<u>\$ (3)</u>	<u>\$ (3,570)</u>	<u>\$ (8)</u>

Notes 1 to 10 are an integral part of these consolidated financial statements.

**AVENIR LNG LIMITED**  
**CONDENSED CONSOLIDATED INTERIM BALANCE SHEET**  
**(UNAUDITED)**

	Notes	June 30, 2019	December 31, 2018
(in thousands)			
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and cash equivalents		\$ 54,879	\$ 73,570
Receivables		2,922	1,297
Inventory		99	—
Prepaid expenses		459	1,951
<b>Total Current Assets</b>		<b>58,359</b>	<b>76,818</b>
Property, plant and equipment	5	16,585	7,097
Newbuilding deposits	5	26,664	15,527
Other assets		136	—
Goodwill		58	58
<b>Total Non-current Assets</b>		<b>43,443</b>	<b>22,682</b>
<b>Total Assets</b>		<b>\$ 101,802</b>	<b>\$ 99,500</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current Liabilities:</b>			
Current portion of lease obligation	6	\$ 119	\$ —
Accounts payable		260	291
Related party payable balances		4,210	1,163
Income tax payable		35	5
Accrued expenses		2,379	417
<b>Total Current Liabilities</b>		<b>7,003</b>	<b>1,876</b>
<b>Lease obligation</b>	6	<b>720</b>	<b>—</b>
<b>Shareholders' Equity</b>			
Common shares	4	110,000	110,000
Contributed capital		(1,580)	(1,605)
Retained deficit		(14,015)	(10,512)
Other components of equity		(326)	(259)
<b>Total Shareholders' Equity</b>		<b>94,079</b>	<b>97,624</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>\$ 101,802</b>	<b>\$ 99,500</b>

Notes 1 to 10 are an integral part of these consolidated financial statements.

**AVENIR LNG LIMITED**  
**CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY**  
**(UNAUDITED)**

	<u>Common Shares</u>	<u>Contributed Capital</u>	<u>Retained Deficit</u>	<u>Foreign Currency Reserve</u>	<u>Total</u>
			(in thousands)		
<b>Balance, November 30, 2017</b>	\$ 10	\$ —	\$ (70)	\$ —	\$ (60)
<b>Comprehensive loss:</b>					
Net loss	<u>—</u>	<u>—</u>	<u>(8)</u>	<u>—</u>	<u>(8)</u>
<b>Total comprehensive loss</b>	<u>—</u>	<u>—</u>	<u>(8)</u>	<u>—</u>	<u>(8)</u>
<b>Transactions with shareholders:</b>					
Issuance of shares	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Total transactions with shareholders</b>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Balance, June 30, 2018</b>	<u>\$ 10</u>	<u>\$ —</u>	<u>\$ (78)</u>	<u>\$ —</u>	<u>\$ (68)</u>
<b>Balance, December 31, 2018</b>	\$ 110,000	\$ (1,605)	\$ (10,512)	\$ (259)	\$ 97,624
<b>Comprehensive loss:</b>					
Net loss	<u>—</u>	<u>—</u>	<u>(3,503)</u>	<u>—</u>	<u>(3,503)</u>
<b>Other comprehensive loss:</b>					
Translation adjustments, net	<u>—</u>	<u>—</u>	<u>—</u>	<u>(67)</u>	<u>(67)</u>
<b>Total other comprehensive loss</b>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(67)</u>	<u>(67)</u>
<b>Total comprehensive loss</b>	<u>—</u>	<u>—</u>	<u>(3,503)</u>	<u>(67)</u>	<u>(3,570)</u>
<b>Transactions with shareholders:</b>					
Share options	<u>—</u>	<u>25</u>	<u>—</u>	<u>—</u>	<u>25</u>
<b>Total transactions with shareholders</b>	<u>—</u>	<u>25</u>	<u>—</u>	<u>—</u>	<u>25</u>
<b>Balance, June 30, 2019</b>	<u>\$ 110,000</u>	<u>\$ (1,580)</u>	<u>\$ (14,015)</u>	<u>\$ (326)</u>	<u>\$ 94,079</u>

Notes 1 to 10 are an integral part of these consolidated financial statements.

**AVENIR LNG LIMITED**  
**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS**  
**(UNAUDITED)**

	Notes	<u>For the Six Months Ended June 30,</u>	
		<u>2019</u>	<u>2018</u>
(in thousands)			
<b>Cash used in continuing operations</b>	<b>3</b>	<b>\$ (1,142)</b>	<b>\$ —</b>
Interest received		605	—
<b>Net cash used in operating activities</b>		<u><b>(537)</b></u>	<u>—</u>
<b>Cash flows used in investing activities:</b>			
Capital expenditures	5	(6,944)	—
Newbuilding deposits		(11,176)	—
Other investing activities		24	—
<b>Net cash used in investing activities</b>		<u><b>(18,096)</b></u>	<u>—</u>
<b>Cash flows used in financing activities:</b>			
Repayment of lease obligation		(27)	—
<b>Net cash used in financing activities</b>		<u><b>(27)</b></u>	<u>—</u>
<b>Net decrease in cash and cash equivalents</b>		<b>(18,660)</b>	<b>—</b>
Effect of exchange rate changes on cash		(31)	—
Cash and cash equivalents at beginning of period		<u>73,570</u>	<u>—</u>
<b>Cash and cash equivalents at end of period</b>		<u><b>\$ 54,879</b></u>	<u><b>\$ —</b></u>

Notes 1 to 10 are an integral part of these consolidated financial statements.

**AVENIR LNG LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**(UNAUDITED)**

**1. Background**

Avenir LNG Limited (the “Company” or “Avenir”) is incorporated in Bermuda. The registered address of the Company is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and the registration number is EC 52417. The Company and its subsidiaries (collectively, the “Group”) financial statements have been prepared in accordance with the accounting policies outlined in Note 2. These accounting policies are in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union.

The object of the Group is to acquire and operate LNG carriers and other assets related to the small-scale LNG segment. The Company was incorporated on March 20, 2017 by Stolt-Nielsen LNG Holdings Ltd. (“SN LNG”), an indirect subsidiary of Stolt-Nielsen Limited (“SNL”). Avenir purchased the shares of Stolt-Nielsen Gas B.V. (“SNG BV”) from SN LNG for \$20,000 on July 31, 2018. SNG BV had entered into two 7,500 cbm LNG newbuilding contracts from Keppel Singmarine in 2017. SNG BV also has a 66.6% owned subsidiary, HiGas Srl (“HiGas”), which is in the process of building a terminal and distribution facility in the port of Oristano, Sardinia. The acquisition of SNG BV has been accounted for as a business acquisition involving entities under common control. As such the transfer was at book value, resulting in a \$1.9 million adjustment to Contributed capital.

On October 1, 2018, SN LNG, Golar LNG Ltd (“Golar”) and Höegh LNG Holdings Ltd. (“Höegh”) announced a combined investment commitment of \$182 million to pursue opportunities to deliver LNG to areas of stranded demand, as well as the development of LNG bunkering capabilities. The initial contribution was \$49.5 million from SN LNG and \$24.7 million from Golar and from Höegh. SN LNG’s contribution consisted of cash of \$17.0 million and \$32.5 million related to the forgiveness of amounts due to SN LNG by Avenir.

On November 13, 2018, an additional 11.0 million shares were issued for \$11.0 million to a group of institutional and professional investors. Avenir’s shares were listed on the Norwegian over-the-counter market on November 14, 2018.

The Group believes that it will be able to satisfy working capital, capital expenditures and debt requirements for at least the next 12 months from September 30, 2019.

**2. Summary of Significant Accounting Policies**

***Basis of Preparation***

The accounting policies applied are consistent with those described in Note 2 of the Consolidated Financial Statements for the year ended December 31, 2018, with the exception of income taxes which for the purpose of interim financial statements are calculated based on the expected effective tax rate for the full year.

***IFRS Issued but not Effective as of June 30, 2019***

The Group does not expect there to be a material impact on its Consolidated Financial Statements from any other new standard that is not yet effective, apart from additional disclosures in the financial statements.



**AVENIR LNG LIMITED**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**(UNAUDITED)**

**3. Reconciliation of Net Loss to Cash used in Continuing Operations**

	For the Six Months Ended June 30,	
	2019	2018
	(in thousands)	
<b>Net loss</b>	\$ (3,503)	\$ (8)
Adjustments to reconcile net loss to net cash used in operations:		
Depreciation expense	61	—
Finance income, net	(510)	—
Share option expense	25	—
Foreign exchange gain	(3)	—
Income tax expense	30	—
<b>Changes in assets and liabilities, net of effect of acquisitions and divestitures:</b>		
Increase in receivables	(1,678)	—
Increase in inventory	(99)	—
Increase in prepaid expenses	(306)	—
Increase in related party payables	3,050	—
Increase in accounts payable and accrued expenses	1,888	8
Other, net	(97)	—
<b>Cash used by operations</b>	\$ (1,142)	\$ —

**4. Shareholder's Equity**

The Group's authorised and issued share capital consists of 500.0 million as of June 30, 2019 and December 31, 2018. There were 110.0 million shares outstanding at June 30, 2019.

**5. Property, Plant and Equipment and Intangible Assets**

During the three months ended June 30, 2019, the Group spent \$2.3 million on property, plant and equipment. Cash spent during the quarter primarily reflected (a) \$4.0 million on HiGas terminals and (b) \$0.5 million newbuilding site team costs. This was partially offset by \$2.2 million from the receipt of European Union grant proceeds.

During the six months ended June 30, 2019, the Group spent \$6.9 million on property, plant and equipment. Cash spent during the quarter primarily reflected (a) \$8.2 million on HiGas terminals, (b) \$0.6 million newbuilding site team costs and (c) \$0.3 million on office improvements. This was partially offset by \$2.2 million from the receipt of European Union grant proceeds.

On January 25, 2019, SNG BV made the first progress payment of \$11.2 million for two 20,000 cbm LNG carriers. The ships are expected to be delivered in 2021.

**6. Long-Term Debt**

Long-term debt consisted of lease obligations at June 30, 2019. The Group has entered into an office lease for five years, commencing January 21, 2019. This lease increased property, plant and equipment and long-term debt by \$0.8 million.

**7. Fair Value Measurements for Financial Assets and Liabilities**

The following estimated fair value amounts have been determined by the Group, using appropriate market information and valuation methodologies. Considerable judgement is required to develop these estimates of fair value, thus the estimates provided herein are not necessarily indicative of the amounts that could be realised in a current market exchange:

***Fair Value of Financial Instruments***

The following estimated fair value amounts of financial instruments have been determined by the Group, using appropriate market information and valuation methodologies. Considerable judgement is required to develop these estimates of fair value, thus the estimates provided herein are not necessarily indicative of the amounts that could be realised in a current market exchange:

**AVENIR LNG LIMITED**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**(UNAUDITED)**

	As of June 30, 2019		As of December 31, 2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(in thousands)			
<b>Financial Assets:</b>				
Cash and cash equivalents	\$ 54,879	\$ 54,879	\$ 73,570	\$ 73,570
Receivables, excluding VAT receivables	183	183	332	332
<b>Financial Liabilities:</b>				
Accounts payables, excluding withholding taxes	243	243	262	262
Lease obligations	839	839	—	—
Related party payable balances	4,210	4,210	1,163	1,163

The carrying amounts of cash and cash equivalents, receivables and accounts payable are reasonable estimates of their fair values, due to the short maturity thereof.

The Group has no financial assets which would otherwise have been past due or impaired that have been renegotiated.

***Maturity of Financial Liabilities***

As of June 30, 2019	Less than 1 year	2 to 3 years	4 to 5 years	Total
	(in thousands)			
<b>Contractual obligations:</b>				
Accounts payable	\$ 243	\$ —	\$ —	\$ 243
Lease obligation	89	412	338	839
Related party payable balances	4,210	—	—	4,210
<b>Total contractual obligations</b>	<b>\$ 4,542</b>	<b>\$ 412</b>	<b>\$ 338</b>	<b>\$ 5,292</b>

As of December 31, 2018	Less than 1 year	Total
	(in thousands)	
<b>Contractual obligations:</b>		
Accounts payable	\$ 262	\$ 262
Related party payable balances	1,163	1,163
<b>Total contractual obligations</b>	<b>\$ 1,425</b>	<b>\$ 1,425</b>

**8. Commitments and Contingencies**

The Group had an additional \$214.0 million of purchase commitments on June 30, 2019. These commitments relate to newbuildings totaling \$175.1 million and HiGas terminals totaling \$38.9 million. Of the total purchase commitments at June 30, 2019, \$57.4 million is expected to be paid over the next 12 months and financing is in the process of being arranged for the newbuildings. The remaining payments will be paid out of existing liquidity or by issuing additional equity shares.

***Newbuilding Deposits***

The Group has a contract for two 7,500 cbm LNG carriers that was announced on May 24, 2017. The ships are being built by Keppel Singmarine with expected delivery in late 2019 and early 2020. The total cost for both ships will be approximately \$80.0 million, including site team costs and capitalised interest which are recorded in Construction in progress.

In the fourth quarter of 2018, the Group entered into a contract with Sinopacific Offshore Engineering (“SOE”) for two 20,000 cbm LNG carriers. The total delivered cost of the two additional ships, including site team and capitalised interest, will be approximately \$111.8 million.

On March 29, 2019, SNG BV entered into a contract with SOE for two 7,500 LNG carriers. The ships are expected to be delivered in 2021.

**AVENIR LNG LIMITED**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**(UNAUDITED)**

**9. Related Party Transactions**

The Group continues to transact with related parties as in prior years. There were no new types of related party transactions nor new related parties identified since the year ended December 31, 2018.

**10. Subsequent Events**

SNG BV paid an initial deposit of \$7.8 million in July 2019 on the two 7,500 LNG carriers to be built by SOE, discussed in Note 8.

## AVENIR LNG LIMITED

### RESPONSIBILITY STATEMENT

We confirm, to the best of our knowledge, that the consolidated financial statements for the three and six months ended June 30, 2019 have been prepared in accordance with IFRS and gives a true and fair view of the Group's assets, liabilities, financial position and loss as a whole. In preparing these financial statements, we are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable;
- State whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

We are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group. We are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. We highlight that legislation in Bermuda governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Bermuda  
September 30, 2019

Signed for and on behalf of the Board of Directors



Nils G. Stolt-Nielsen  
Director