SECURITIES & EXCHANGE COMMISSION EDGAR FILING

Stabilis Solutions, Inc.

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE QUARTERLY PERIOD ENDED September 30, 2020

☐ **TRANSITION REPORT UNDER SECTION 13 OR 15 (D) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE TRANSITION PERIOD FROM _______ TO

Commission File No. 000-24575

STABILIS SOLUTIONS, INC.
(Exact name of registrant as specified in its charter)

Florida	59-3410234
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

10375 Richmond Avenue, Suite 700, Houston, TX 77042
(Address of principal executive offices, including zip code)

(832) 456-6500
(Registrant's telephone number, including area code)

Stabilis Energy, Inc.
(Former name)

Title of each class	Trading symbol	Name of each exchange on which registered
Common Stock, $.001 par value per share	SLNG	The OTCQX Best Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (S. 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of November 10, 2020, there were 16,896,626 outstanding shares of our common stock, par value $.001 per share.

STABILIS SOLUTIONS, INC. AND SUBSIDIARIES
FORM 10-Q Index
For the Quarterly Period Ended September 30, 2020

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This document includes statements that constitute forward-looking statements within the meaning of the federal securities laws. These statements are subject to risks and uncertainties. These statements may relate to, but are not limited to, information or assumptions about us, our capital and other expenditures, dividends, financing plans, capital structure, cash flow, our recent business combination, pending legal and regulatory proceedings and claims, including environmental matters, future economic performance, operating income, cost savings, and management's plans, strategies, goals and objectives for future operations and growth. These forward-looking statements generally are accompanied by words such as "intend," "anticipate," "believe," "estimate," "expect," "should," "seek," "project," "plan" or similar expressions. Any statement that is not a historical fact is a forward-looking statement. It should be understood that these forward-looking statements are necessarily estimates reflecting the best judgment of senior management, not guarantees of future performance. They are subject to a number of assumptions, risks and uncertainties that could cause actual results to differ materially from those expressed or implied in the forward-looking statements. When considering forward-looking statements, you should keep in mind the risk factors and other cautionary statements described in Part II. "Item 1A. Risk Factors" in this document.

Forward-looking statements represent intentions, plans, expectations, assumptions and beliefs about future events and are subject to risks, uncertainties and other factors. Many of those factors are outside of our control and could cause actual results to differ materially from the results expressed or implied by those forward-looking statements. In addition to the risk factors and other cautionary statements described in Part II. "Item 1A. Risk Factors" in this document, the factors include:

- our ability to execute our business strategy;
- our limited operating history;
- our ability to satisfy our liquidity needs, including our ability to generate sufficient liquidity or cash flow from operations and our ability to obtain additional financing to affect our strategy;
- loss of one or more of our customers;
- credit and performance risk of our customers and contractual counterparties;
- cyclical or other changes in the demand for and price of LNG and natural gas;
- operational, regulatory, environmental, political, legal and economic risks pertaining to the construction and operation of our facilities;
- the effects of current and future worldwide economic conditions and demand for oil and natural gas and power system equipment and services;
- hurricanes or other natural or man-made disasters;
- public health crises, such as the ongoing COVID-19 outbreak, which could further deteriorate economic conditions;
- dependence on contractors for successful completions of our energy related infrastructure;
- reliance on third party engineers;
- competition from third parties in our business;
- failure of LNG to be a competitive source of energy in the markets in which we operate, and seek to operate;
- increased labor costs, and the unavailability of skilled workers or our failure to attract and retain qualified personnel;
- major health and safety incidents relating to our business;
- failure to obtain and maintain approvals and permits from governmental and regulatory agencies including with respect to our planned operational expansion in Mexico;
- changes to health and safety, environmental and similar laws and governmental regulations that are adverse to our operations;
- volatility of the market price of our common stock;
- our ability to successfully integrate acquisitions; and
- future benefits to be derived from our investments in technologies, joint ventures and acquired companies.

Should one or more of these risks or uncertainties materialize, or should any of our assumptions prove incorrect, actual results may vary in material respects from those projected in the forward-looking statements contained herein. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws. All forward-looking statements included in this document are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. This cautionary statement should also be considered in connection with any subsequent written or oral forward-looking statements that we or persons acting on our behalf may issue.

In this Quarterly Report on Form 10-Q, we may rely on and refer to information from market research reports, analyst reports and other publicly available information. Although we believe that this information is reliable, we cannot guarantee the accuracy and completeness of this information, and we have not independently verified it.

PART I – FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS.

Stabilis Solutions, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(Unaudited)
(in thousands, except share and per share data)

	September 30, 2020	December 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	$ 3,410	$ 3,979
Accounts receivable, net	1,993	5,945
Inventories, net	161	209
Prepaid expenses and other current assets	3,712	3,583
Total current assets	9,276	13,716
Property, plant and equipment, net	53,852	60,363
Right-of-use assets	881	965
Goodwill	4,453	4,453
Investments in foreign joint ventures	10,316	10,521
Other noncurrent assets	306	308
Total assets	$ 79,084	$ 90,326
Liabilities and Equity		
Current liabilities:		
Current portion of long-term notes payable	$ 447	$ —
Current portion of long-term notes payable - related parties	2,737	1,000
Current portion of finance lease obligation - related parties	1,312	3,440
Current portion of operating lease obligations	383	364
Short-term notes payable	744	558
Accrued liabilities	4,116	5,018
Accounts payable	3,273	4,728
Total current liabilities	13,012	15,108
Long-term notes payable, net of current portion	633	—
Long-term notes payable, net of current portion - related parties	3,340	6,077
Finance lease obligations, net of current portion - related parties	—	648
Long-term portion of operating lease obligations	565	650
Deferred compensation	72	—
Deferred income taxes	32	—
Total liabilities	17,654	22,483
Commitments and contingencies (Note 14)		
Stockholders' Equity:		
Preferred Stock; $0.001 par value, 1,000,000 shares authorized, no shares issued and outstanding at September 30, 2020 and December 31, 2019, respectively	—	—
Common stock; $0.001 par value, 37,500,000 shares authorized, 16,896,626 and 16,800,612 shares issued and outstanding at September 30, 2020 and December 31, 2019, respectively (Note 14)	17	17
Additional paid-in capital	91,092	90,748
Accumulated other comprehensive loss	(402)	(291)
Accumulated deficit	(29,277)	(22,631)
Total stockholders' equity	61,430	67,843
Total liabilities and equity	$ 79,084	$ 90,326

The accompanying notes are an integral part of the condensed consolidated financial statements.

Stabilis Solutions, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations
(Unaudited)
(in thousands, except share and per share data)

	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Revenue				
LNG product	$ 6,594	$ 7,919	$ 18,609	$ 26,872
Rental, service and other	1,073	1,224	5,613	6,341
Power delivery	1,352	1,371	3,638	1,371
Total revenues	9,019	10,514	27,860	34,584
Operating expenses:				
Costs of LNG product	5,044	5,441	13,692	19,051
Costs of rental, service and other	808	1,095	3,381	3,538
Costs of power delivery	996	1,144	3,131	1,144
Selling, general and administrative expenses	2,338	3,781	7,892	8,139
Depreciation expense	2,266	2,307	6,802	6,892
Total operating expenses	11,452	13,768	34,898	38,764
Loss from operations before equity income	(2,433)	(3,254)	(7,038)	(4,180)
Net equity income from foreign joint ventures' operations:				
Income from equity investments in foreign joint ventures	642	187	1,529	187
Foreign joint ventures' operations related expenses	(69)	(52)	(182)	(52)
Net equity income from foreign joint ventures' operations	573	135	1,347	135
Loss from operations	(1,860)	(3,119)	(5,691)	(4,045)
Other income (expense):				
Interest expense, net	(2)	(33)	(28)	(37)
Interest expense, net - related parties	(199)	(306)	(681)	(910)
Other income (expense)	(31)	124	(6)	61
Gain from disposal of fixed assets	—	17	11	17
Total other income (expense)	(232)	(198)	(704)	(869)
Loss before income tax expense	(2,092)	(3,317)	(6,395)	(4,914)
Income tax expense	41	38	251	38
Net loss	(2,133)	(3,355)	(6,646)	(4,952)
Net income attributable to noncontrolling interests	—	—	—	207
Net loss attributable to Stabilis Solutions, Inc.	$ (2,133)	$ (3,355)	$ (6,646)	$ (5,159)
Common Stock Data:				
Net loss per common share:				
Basic and diluted	$ (0.13)	$ (0.22)	$ (0.39)	$ (0.37)
Weighted average number of common shares outstanding:				
Basic and diluted	16,896,626	15,070,733	16,867,939	13,816,341

The accompanying notes are an integral part of the condensed consolidated financial statements.

Stabilis Solutions, Inc. and Subsidiaries
Condensed Consolidated Statements of Comprehensive Loss
(Unaudited)
(in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net loss	$ (2,133)	$ (3,355)	$ (6,646)	$ (4,952)
Foreign currency translation adjustment	424	(530)	(111)	(530)
Total comprehensive loss	(1,709)	(3,885)	(6,757)	(5,482)
Total comprehensive income attributable to noncontrolling interest	—	—	—	207
Total comprehensive loss attributable to Stabilis Solutions, Inc.	$ (1,709)	$ (3,885)	$ (6,757)	$ (5,689)

The accompanying notes are an integral part of the condensed consolidated financial statements.

Stabilis Solutions, Inc. and Subsidiaries
Condensed Consolidated Statements of Stockholders' Equity
(Unaudited)
(in thousands, except share data)

	Common Stock						
	Shares	Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Non-controlling Interest	Total
Balance at December 31, 2019	16,800,612	$ 17	$ 90,748	$ (291)	$ (22,631)	$ —	$ 67,843
Common stock issued	34,706	—	—	—	—	—	—
Stock-based compensation	—	—	19	—	—	—	19
Net loss	—	—	—	—	(1,050)	—	(1,050)
Other comprehensive loss	—	—	—	(619)	—	—	(619)
Balance at March 31, 2020	16,835,318	17	90,767	(910)	(23,681)	—	66,193
Common stock issued	61,308	—	—	—	—	—	—
Stock-based compensation	—	—	139	—	—	—	139
Net loss	—	—	—	—	(3,463)	—	(3,463)
Other comprehensive income	—	—	—	84	—	—	84
Balance at June 30, 2020	16,896,626	17	90,906	(826)	(27,144)	—	$ 62,953
Common stock issued	—	—	—	—	—	—	—
Stock-based compensation	—	—	186	—	—	—	186
Net loss	—	—	—	—	(2,133)	—	(2,133)
Other comprehensive income	—	—	—	424	—	—	424
Balance at September 30, 2020	16,896,626	$ 17	$ 91,092	$ (402)	$ (29,277)	$ —	$ 61,430

	Common Stock						
	Shares	Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Non-controlling Interest	Total
Balance at December 31, 2018	13,178,750	$ 13	$ 68,244	$ —	$ (16,916)	$ 1,323	$ 52,664
Net loss	—	—	—	—	(738)	179	(559)
Balance at March 31, 2019	13,178,750	13	68,244	—	(17,654)	1,502	52,105
Net loss	—	—	—	—	(1,066)	28	(1,038)
Balance at June 30, 2019	13,178,750	13	68,244	—	(18,720)	1,530	51,067
Recapitalization due to reverse merger	1,466,092	1	12,618	—	—	(1,530)	11,089
Shares issued in extinguishment of debt	1,470,807	2	6,887	—	—	—	6,889
Shares issued in acquisition of Diversenergy	684,963	1	2,999	—	—	—	3,000
Net loss	—	—	—	—	(3,355)	—	(3,355)
Other comprehensive loss	—	—	—	(530)	—	—	(530)
Balance at September 30, 2019	16,800,612	$ 17	$ 90,748	$ (530)	$ (22,075)	$ —	$ 68,160

The accompanying notes are an integral part of the condensed consolidated financial statements.

Stabilis Solutions, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(Unaudited)
(in thousands)

	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Cash flows from operating activities:		
Net loss	$ (6,646)	$ (4,952)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	6,802	6,892
Deferred income tax expense	41	—
Stock-based compensation expense	344	—
Bad debt expense	144	147
Gain on disposal of fixed assets	(11)	(17)
Gain on extinguishment of debt	—	(116)
Income from equity investment in joint venture	(1,529)	(187)
Distributions from equity investment in joint venture	2,054	—
Deferred compensation costs	72	—
Change in operating assets and liabilities, net of acquisitions:		
Accounts receivable	3,629	1,823
Due to (from) related parties	—	113
Inventories	48	67
Prepaid expenses and other current assets	(396)	(1,184)
Accounts payable and accrued liabilities	(2,085)	1,117
Other	—	18
Net cash provided by operating activities	2,467	3,721
Cash flows from investing activities:		
Acquisition of fixed assets	(327)	(2,103)
Proceeds on sales of fixed assets	12	125
Acquisition of American Electric, net of cash received	—	(1,876)
Acquisition of Diversenergy, net of cash received	—	611
Net cash used in investing activities	(315)	(3,243)
Cash flows from financing activities:		
Proceeds on long-term borrowings	1,080	—
Proceeds on long-term borrowings from related parties	—	5,000
Payments on long-term borrowings from related parties	(3,776)	(2,582)
Proceeds from short-term notes payable	776	767
Payments on short-term notes payable	(644)	(394)
Net cash provided by (used in) financing activities	(2,564)	2,791
Effect of exchange rate changes on cash	(157)	—
Net increase (decrease) in cash and cash equivalents	(569)	3,269
Cash and cash equivalents, beginning of period	3,979	1,247
Cash and cash equivalents, end of period	$ 3,410	$ 4,516
Supplemental disclosure of cash flow information:		
Interest paid	$ 834	$ 1,108
Income taxes paid	210	—
Non-cash investing and financing activities:		
Extinguishment of long-term debt through issuance of common stock	$ —	$ 7,000

The accompanying notes are an integral part of the condensed consolidated financial statements

1. Overview and Basis of Presentation

Overview

Stabilis Solutions, Inc. and its subsidiaries (the “Company”, “Stabilis”, “our”, “us” or “we”) produce, market, and sell liquefied natural gas (“LNG”). The Company also resells liquefied natural gas from third parties and provides services, transportation, and equipment to customers. The Company changed its name from Stabilis Energy, Inc. to Stabilis Solutions, Inc. on October 9, 2020.

The Company is a supplier of LNG to the industrial, midstream, and oilfield sectors in North America and provides turnkey fuel solutions to help industrial users of propane, diesel and other crude-based fuel products convert to LNG, which may result in reduced fuel costs and improved environmental footprint. Stabilis opened its 100,000 gallons per day (“gpd”) LNG production facility in George West, Texas in January 2015 to service industrial and oilfield customers in Texas and the greater Gulf Coast region. The Company owns a second liquefaction plant capable of producing 25,000 gpd that is currently not in operation. Stabilis is vertically integrated from LNG production through distribution including cryogenic equipment rental and field services.

The Company also provides power delivery equipment and services through its subsidiary in Brazil, M&I Electric Brazil Sistemas e Servicios em Energia LTDA (“M&I Brazil”) and its 40% interest in a joint venture in China, BOMAY Electric Industries Co., Ltd. (“BOMAY”).

Basis of Presentation

The accompanying interim unaudited condensed consolidated financial statements include our accounts and those of our subsidiaries and, have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). Accordingly, certain information and disclosures normally included in the notes to condensed consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. We believe that the presentation and disclosures herein are adequate to make the information not misleading. The unaudited condensed consolidated financial statements reflect all adjustments (consisting of normal recurring adjustments) for a fair presentation of the interim periods. The results of operations for the interim period are not necessarily indicative of the results of operations to be expected for the full year. The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements as of and for the year ended December 31, 2019 included in the Company's Annual Report on Form 10-K, as filed on March 16, 2020.

All intercompany accounts and transactions have been eliminated in consolidation. In the Notes to Condensed Consolidated Financial Statements (Unaudited), all dollar amounts in tabulations are in thousands, unless otherwise indicated.

The accompanying unaudited condensed consolidated financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company is required to make certain disclosures if it concludes that there is substantial doubt about the entity’s ability to continue as a going concern within one year from the date of the issuance of these financial statements. The Company has incurred recurring operating losses and has negative working capital. The Company is subject to substantial business risks and uncertainties inherent in the current LNG industry. Additionally, the impact of the COVID-19 pandemic has created additional uncertainties regarding the future demand for LNG from our customers. There is no assurance that the Company will be able to generate sufficient revenues in the future to sustain itself or to support future growth.

These factors were reviewed by management to determine if there was substantial doubt as to the Company’s ability to continue as a going concern. Management concluded that its plan to address the Company’s liquidity issues would allow it to continue as a going concern. A number of cost control measures have been implemented, including headcount reductions, temporary salary reductions, travel reductions, elimination of certain consultants, and other measures to adjust to anticipated activity levels and maintain adequate liquidity. Furthermore, the Company has recently seen a resumption of activity with existing customers as well as new revenue opportunities, particularly in Mexico. Accordingly, management believes the business will generate sufficient cash flows from its operations to fund the business for the next 12 months.

Use of Estimates

The preparation of the condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates include the carrying amount of contingencies, valuation allowances for receivables, inventories, and deferred income tax assets, valuations assigned to assets and liabilities in business combinations, and impairments of long-lived assets. Actual results could differ from those estimates, and these differences could be material to the condensed consolidated financial statements.

2. Recent Accounting Pronouncements

Recently Adopted Accounting Standards

In January 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2017-04, "Intangibles – Goodwill and Other: Simplifying the Test for Goodwill Impairment" ("ASU No. 2017-04"). The new guidance simplifies the subsequent measurement of goodwill by removing the second step of the two-step impairment test. The amendment requires an entity to perform its annual or interim goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. The amendments of ASU No. 2017-04 were adopted by the Company effective January 1, 2020. The adoption of this standard had no impact on our condensed consolidated financial position or results of operations, as the adoption is applied on a prospective basis.

Recently Issued Accounting Standards

In December 2019, the FASB issued ASU No. 2019-12, "Simplifying the Accounting for Income Taxes" (ASU No. 2019-12), which simplifies the accounting for income taxes by removing certain exceptions to the general principles of Topic 740, Income Taxes and also improves consistent application by clarifying and amending existing guidance. ASU No. 2019-12 is effective for fiscal years beginning after December 15, 2020, with early adoption permitted. We are currently evaluating the impact of this guidance on our condensed consolidated financial statements.

In March 2020, the FASB issued ASU No. 2020-04, "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting" ("ASU No. 2020-04"), which provides guidance to alleviate the burden in accounting for reference rate reform by allowing certain expedients and exceptions in applying generally accepted accounting principles to contract modifications, hedging relationships, and other transactions impacted by reference rate reform. The provisions of ASU No. 2020-04 apply only to those transactions that reference LIBOR or another reference rate expected to be discontinued due to reference rate reform. Adoption of the provisions of ASU No. 2020-04 are optional and are effective from March 12, 2020 through December 31, 2022. We are currently evaluating the impact of ASU No. 2020-04 on our condensed consolidated financial statements.

3. Acquisitions

American Electric Technologies, Inc ("American Electric"). On July 26, 2019, we completed the Share Exchange with American Electric and its subsidiaries and began operating under the name Stabilis Energy, Inc., since changed to Stabilis Solutions, Inc. Because the former owners of Stabilis Energy, LLC owned 88.4% of the voting stock of the combined company immediately following the effective date and certain other factors, including that directors designated by LNG Investment, parent of Stabilis Energy, LLC, constituted a majority of the board of directors, Stabilis Energy, LLC is treated as the acquiror of American Electric in the Share Exchange for accounting purposes. As a result, the Share Exchange is treated by American Electric as a reverse acquisition under the purchase method of accounting in accordance with US GAAP.

The aggregate consideration paid in connection with the Share Exchange was allocated to American Electric's tangible and intangible assets and liabilities based on their fair values at the time of the completion of the Share Exchange. The assets and liabilities and results of operations of American Electric are consolidated into the results of operations of Stabilis as of the completion of the Share Exchange.

Consistent with the purchase method of accounting, the total purchase price is allocated to the acquired tangible and intangible assets and assumed liabilities of American Electric based on their estimated fair values as of the Share Exchange closing date. The excess of the purchase price over the fair value of the acquired assets and liabilities assumed is reflected as goodwill and is attributable to strategic advantages gained from the acquisition of a public entity with access to LNG markets in Brazil and China. All of the goodwill is assigned to the Power Delivery segment and is not expected to be deductible for income tax purposes.

Diversenergy, LLC ("Diversenergy"). On August 20, 2019, we completed our acquisition of Diversenergy and its subsidiaries. We purchased all of the issued and outstanding membership interests of Diversenergy for total consideration of 684,963 shares of Company common stock valued at $3.0 million as of the closing date and $2.0 million in cash, subject to adjustments for Diversenergy's net working capital as of the closing date. Diversenergy specializes in LNG distribution, providing LNG to customers which use it as a fuel in mobile high horsepower applications and to customers which do not have natural gas pipeline access. The completion of the acquisition will expand the Company's presence in the distributed LNG and compressed natural gas ("CNG") markets in Mexico.

Consistent with the purchase method of accounting, the total purchase price is allocated to the acquired tangible and intangible assets and assumed liabilities of Diversenergy based on their estimated fair values as of the closing date. The excess of the purchase price over the fair value of the acquired assets and liabilities assumed is reflected as goodwill and is attributable to the strategic opportunities to grow the Company's LNG and CNG business in Mexico. All of the goodwill is assigned to the LNG segment and is not expected to be deductible for income tax purposes.

The assets and liabilities and results of operations of Diversenergy are consolidated into the results of operations of Stabilis as of the acquisition date.

Proforma Results from Acquisitions (unaudited)

The following unaudited consolidated pro forma information is presented as if the above acquisitions had occurred on January 1, 2019 (in thousands):

	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2019
Revenue	$ 11,302	$ 38,543
Net loss	(4,402)	(5,846)

This unaudited pro forma amounts above have been compiled from current and historical financial statements and is not necessarily indicative of the results that actually would have been achieved had the transaction occurred as of January 1, 2019 or of future operating results.

4. Revenue Recognition

Disaggregated Revenues

The table below presents revenue disaggregated by source, for the three and nine months ended September 30, 2020 and 2019 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
LNG Product	$ 6,594	$ 7,919	$ 18,609	$ 26,872
Rental	737	759	4,012	4,340
Service	187	7	593	689
Power Delivery	1,352	1,371	3,638	1,371
Other	149	458	1,008	1,312
	$ 9,019	$ 10,514	$ 27,860	$ 34,584

See Note 5—Business Segments, below, for additional disaggregation of revenue.

Contract Liabilities

The Company recognizes contract liabilities upon receipt of payments for which the performance obligations have not been fulfilled at the reporting date, resulting in deferred revenue. Contract liabilities are included in accrued liabilities in the accompanying unaudited condensed consolidated balance sheets. The following table presents the changes in the Company's contract liabilities for the periods ended September 30, 2020 and December 31, 2019 (in thousands):

	September 30, 2020	December 31, 2019
Balance at beginning of period	$ 185	$ 93
Cash received, excluding amounts recognized as revenue	694	185
Amounts recognized as revenue	(477)	(93)
Balance at end of period	$ 402	$ 185

The Company has no other material contract assets or liabilities and contract costs.

5. Business Segments

The Company's revenues are derived from two operating segments: LNG and Power Delivery. The LNG segment supplies LNG to multiple end markets in North America and provides turnkey fuel solutions to help users of propane, diesel and other crude-based fuel products convert to LNG. The Power Delivery segment provides power delivery equipment and services through our subsidiary in Brazil and in China through our 40% interest in BOMAY.

	Three Months Ended September 30, 2020 (in thousands)			Nine Months Ended September 30, 2020 (in thousands)		
	LNG	Power Delivery	Total	LNG	Power Delivery	Total
Revenues	$ 7,667	$ 1,352	$ 9,019	$ 24,222	$ 3,638	$ 27,860
Depreciation	2,237	29	2,266	6,706	96	6,802
Loss from operations before equity income	(2,179)	(254)	(2,433)	(5,909)	(1,129)	(7,038)
Net equity income from foreign joint ventures' operations	—	573	573	—	1,347	1,347
Income (loss) from operations	(2,179)	319	(1,860)	(5,909)	218	(5,691)
Net income (loss)	(2,458)	325	(2,133)	(6,678)	32	(6,646)

	September 30, 2020 (in thousands)		
	LNG	Power Delivery	Total
Total assets	$ 65,582	$ 13,502	$ 79,084

	Three Months Ended September 30, 2019 (in thousands)			Nine Months Ended September 30, 2019 (in thousands)		
	LNG	Power Delivery	Total	LNG	Power Delivery	Total
Revenues	$ 9,143	$ 1,371	$ 10,514	$ 33,213	$ 1,371	$ 34,584
Depreciation	2,277	30	2,307	6,862	30	6,892
Loss from operations before equity income	(2,988)	(266)	(3,254)	(3,914)	(266)	(4,180)
Net equity income from foreign joint ventures' operations	—	135	135	—	135	135
Income (loss) from operations	(2,988)	(131)	(3,119)	(3,914)	(131)	(4,045)
Net loss	(3,209)	(146)	(3,355)	(4,806)	(146)	(4,952)

	December 31, 2019 (in thousands)		
	LNG	Power Delivery	Total
Total assets	$ 75,883	$ 14,443	$ 90,326

Our operating segments offer different products and services and are managed separately as business units. Cash, cash equivalents and investments are not managed centrally, so the gains and losses on foreign currency remeasurement, and interest and dividend income, are included in the segments' results.

6. Prepaid Expenses and Other Current Assets

The Company's prepaid expenses and other current assets consisted of the following (in thousands):

	September 30, 2020	December 31, 2019
Prepaid LNG	$ 55	$ 189
Prepaid insurance	967	698
Prepaid supplier expenses	295	229
Other receivables	2,046	1,655
Deposits	192	347
Other	157	465
Total prepaid expenses and other current assets	$ 3,712	$ 3,583

7. Property, Plant and Equipment

The Company's property, plant and equipment consisted of the following (in thousands):

	September 30, 2020	December 31, 2019
Liquefaction plants and systems	$ 40,830	$ 40,617
Real property and buildings	1,603	1,794
Vehicles and tanker trailers and equipment	46,904	46,597
Computer and office equipment	506	453
Construction in progress	174	409
Leasehold improvements	30	31
	90,047	89,901
Less: accumulated depreciation	(36,195)	(29,538)
	$ 53,852	$ 60,363

Depreciation expense for the nine months ended September 30, 2020 and 2019 totaled $ 6.8 million and $6.9 million, respectively, of which all is included in the unaudited condensed consolidated statements of operations as its own and separate line item.

8. Goodwill

The following presents changes in goodwill during 2019 (in thousands):

	Goodwill
December 31, 2018	$ —
Acquisition of American Electric	139
Acquisition of Diversenergy	4,314
December 31, 2019	4,453

Business acquisitions during the third quarter of 2019 account for the balance of goodwill as of September 30, 2020. The Company performs an impairment test for goodwill annually or more frequently if indicators of potential impairment exist. We completed our annual goodwill impairment test as of September 30, 2020 and no impairments were identified.

See Note 3—Acquisitions for discussion of the acquisitions.

9. Investments in Foreign Joint Ventures

BOMAY. The Company holds a 40% interest in BOMAY Electric Industries Company, Ltd. ("BOMAY"), which builds electrical systems for sale in China. The majority partner in this foreign joint venture is Baoji Oilfield Machinery Co., Ltd. (a subsidiary of China National Petroleum Corporation), which owns 51%. The remaining 9% is owned by AA Energies, Inc.

The Company made no sales to its joint venture in the nine months ended September 30, 2020 and 2019.

Below is summary financial information for BOMAY at September 30, 2020 and December 31, 2019, and operational results for the three and nine months ended September 30, 2020 and for the period from July 27, 2019 to September 30, 2019 in U.S. dollars (in thousands, unaudited):

	September 30, 2020	December 31, 2019
Assets:		
Total current assets	$ 60,324	$ 81,247
Total non-current assets	5,675	5,775
Total assets	$ 65,999	$ 87,022
Liabilities and equity:		
Total liabilities	$ 37,597	$ 58,176
Total joint ventures' equity	28,402	28,846
Total liabilities and equity	$ 65,999	$ 87,022

	Three Months Ended September 30,	Nine Months Ended September 30,
	2020	2020
Revenue	$ 17,641	$ 44,844
Gross Profit	3,224	7,456
Earnings	1,663	3,662

	July - September 30,
	2019
Revenue	$ 8,466
Gross Profit	1,668
Earnings	467

The following is a summary of activity in our investment in BOMAY for the nine months ended September 30, 2020 and for the period from July 27, 2019 to December 31, 2019 in U.S. dollars (in thousands, unaudited):

	September 30, 2020	July 27, 2019 to December 31, 2019
Investments in BOMAY (1) (2)		
Balance at the beginning of the period	$ 9,333	$ 9,333
Undistributed earnings:		
Balance at the beginning of the period	1,257	—
Equity in earnings	1,529	1,257
Dividend distributions	(2,054)	—
Balance at end of period	732	1,257
Foreign currency translation:		
Balance at the beginning of the period	(69)	—
Change during the period	320	(69)
Balance at end of period	251	(69)
Total investment in BOMAY at end of period	$ 10,316	$ 10,521

(1) Accumulated statutory reserves in equity method investments of $2.66 million at September 30, 2020 and December 31, 2019 is included in our investment in BOMAY. In accordance with the People's Republic of China, ("PRC"), regulations on enterprises with foreign ownership, an enterprise established in the PRC with foreign ownership is required to provide for certain statutory reserves, namely (i) General Reserve Fund, (ii) Enterprise Expansion Fund and (iii) Staff Welfare and Bonus Fund, which are appropriated from net profit as reported in the enterprise's PRC statutory accounts. A non-wholly-owned foreign invested enterprise is permitted to provide for the above allocation at the discretion of its board of directors. The aforementioned reserves can only be used for specific purposes and are not distributable as cash dividends.

(2) The Company's initial investment in BOMAY differed from the Company's 40% share of BOMAY's equity as a result of applying fair value accounting pursuant to ASC 805. The basis difference of approximately $1.2 million will be accreted over the remaining eight year life of the joint venture. The Company accreted $97 thousand during the nine months ended September 30, 2020 which is included in income from equity investments in foreign joint ventures in the accompanying condensed consolidated statement of operations. As of September 30, 2020, accumulated accretion totaled $151 thousand.

The Company accounts for its investment in BOMAY using the equity method of accounting. Under the equity method, the Company's share of the joint venture operations earnings or losses is recognized in the condensed consolidated statements of operations as equity income (loss) from foreign joint venture operations. Joint venture income increases the carrying value of the joint venture and joint venture losses reduce the carrying value. Dividends received from the joint venture reduce the carrying value. In accordance with our long-lived asset policy, when events or circumstances indicate the carrying amount of an asset may not be recoverable, management tests long-lived assets for impairment. If the estimated future cash flows are projected to be less than the carrying amount, an impairment write-down (representing the carrying amount of the long-lived asset which exceeds the present value of estimated expected future cash flows) would be recorded as a period expense. In making this evaluation, a variety of quantitative and qualitative factors are considered including national and local economic, political and market conditions, industry trends and prospects, liquidity and capital resources and other pertinent factors. Based on this evaluation for this reporting period, the Company does not believe an impairment adjustment is necessary at September 30, 2020.

10. Accrued Liabilities

The Company's accrued liabilities consisted of the following (in thousands):

	September 30, 2020	December 31, 2019
Compensation and benefits	$ 1,709	$ 2,641
Professional fees	364	131
LNG fuel and transportation	1,051	1,582
Accrued interest	9	134
Contract liabilities	402	185
Other taxes payable	383	163
Other operating expenses	198	182
Total accrued liabilities	$ 4,116	$ 5,018

11. Debt

The Company's carrying value of debt consisted of the following (in thousands):

	September 30, 2020	December 31, 2019
Unsecured promissory note	$ 1,080	$ —
Secured term note payable - related party	1,077	2,077
Secured promissory note - related party	5,000	5,000
Insurance and other notes payable	744	558
Less: amounts due within one year	(3,928)	(1,558)
Total long-term debt	$ 3,973	$ 6,077

On May 8, 2020, the Company received loan proceeds of $ 1.1 million (the "Loan") pursuant to the Paycheck Protection Program (the "PPP") under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act").

The Loan, which is in the form of a promissory note, dated May 8, 2020, between the Company and Cadence Bank, N.A. as the lender (the "Note"), matures on May 8, 2022 and bears interest at a fixed rate of 1.00% per annum, payable monthly commencing on December 2, 2020. There is no prepayment penalty. Under the terms of the PPP, all or a portion of the principal may be forgiven if the Loan proceeds are used for qualifying expenses as described in the CARES Act, such as payroll costs, benefits, rent, and utilities. While no assurance is provided that the Company will obtain forgiveness of the Loan in whole or in part, management believes we currently meet the requirements and the Company intends to apply for forgiveness. With respect to any portion of the Loan that is not forgiven, the Loan will be subject to customary provisions for a loan of this type, including customary events of default relating to, among other things, payment defaults and breaches of the provisions of the Note.

During the nine months ended September 30, 2020 and 2019, the Company recorded interest expense as follows (in thousands):

	September 30, 2020	September 30, 2019
Unsecured promissory note	$ 4	$ —
Secured term note payable - related party	57	339
Secured promissory note - related party	224	56
Insurance and other notes payable	24	34
Total interest expense	$ 309	$ 429

Certain of the agreements governing our outstanding debt have certain covenants with which we must comply. As of September 30, 2020, we were in compliance with all of these covenants.

12. Leases

The following table summarizes the supplemental balance sheet information related to lease assets and lease liabilities as of September 30, 2020 and December 31, 2019 (in thousands):

	Classification	September 30, 2020	December 31, 2019
Assets			
Operating lease assets	Right-of-use assets	$ 881	$ 965
Finance lease assets	Property and equipment, net of accumulated depreciation	8,425	9,302
Total lease assets		$ 9,306	$ 10,267
Liabilities			
Current			
Operating	Current portion of operating lease obligations	$ 383	$ 364
Finance	Current portion of finance lease obligation - related parties	1,312	3,440
Noncurrent			
Operating	Long-term portion of operating lease obligation	565	650
Finance	Finance lease obligations, net of current portion - related parties	—	648
Total lease liabilities		$ 2,260	$ 5,102

The following table summarizes the components of lease expense for the three and nine months ended September 30, 2020 and 2019 (in thousands, unaudited):

		Three Months Ended September 30,		Nine Months Ended September 30,	
Lease Cost	Classification	2020	2019	2020	2019
Operating lease cost	Cost of sales	$ 42	$ 29	$ 122	$ 116
Operating lease cost	Selling, general and administrative expenses	4	75	185	182
Finance lease cost					
Amortization of leased assets	Depreciation	294	274	879	858
Interest on lease liabilities	Interest expense	104	170	400	510
Net lease cost		$ 444	$ 548	$ 1,586	$ 1,666

The following schedule presents the future minimum lease payments for our operating and finance obligations at September 30, 2020 (in thousands):

	Operating Leases	Finance Leases	Total
Remainder 2020	$ 139	$ 727	$ 866
2021	429	646	1,075
2022	172	—	172
2023	145	—	145
2024	149	—	149
Thereafter	25	—	25
Total lease payments	1,059	1,373	2,432
Less: Interest	(111)	(61)	(172)
Present value of lease liabilities	$ 948	$ 1,312	$ 2,260

Lease term and discount rates for our operating and finance lease obligations are as follows:

Lease Term and Discount Rate	September 30, 2020
Weighted-average remaining lease term (years)	
Operating leases	3.1
Finance leases	0.3
Weighted-average discount rate	
Operating leases	7.3%
Finance leases	8.9%

The following table summarizes the supplemental cash flow information related to leases for the nine months ended September 30, 2020 and 2019:

Other information	September 30, 2020	September 30, 2019
	(In thousands)	
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	$ 287	$ 298
Financing cash flows from finance leases	2,640	2,582
Interest paid	400	510
Noncash activities from right-of-use assets obtained in exchange for lease obligations:		
Operating leases	$ 1,163	$ 1,173

13. Related Party Transactions

Other Purchases and Sales

During the nine months ended September 30, 2020 and 2019, the Company paid Applied Cryo Technologies, Inc. ("ACT"), a company owned 51% by Crenshaw Family Holdings International, Inc., $109 thousand and $413 thousand, respectively, for equipment, repairs and services. During the three months ended September 30, 2020 and 2019, the Company paid ACT $36 thousand and $255 thousand, respectively, for equipment repairs and services. The Company also sold $4 thousand of LNG to ACT during the three and nine months ended September 30, 2019. The Company had no sales to ACT during the three and nine months ended September 30, 2020. As of December 31, 2019, the Company had $4 thousand due from ACT included in accounts receivable on the condensed consolidated balance sheets. There was no receivable due from ACT as of September 30, 2020. As of September 30, 2020 and December 31, 2019, the Company had $13 thousand and $24 thousand, respectively, due to ACT included in accounts payable on the condensed consolidated balance sheets.

The Company purchases supplies and services from a subsidiary of The Modern Group. Casey Crenshaw is the beneficial owner of 25% of the Modern Group and is deemed to jointly control The Modern Group with family members. During the nine months ended September 30, 2020 and 2019, the Company made purchases of supplies and services from a subsidiary of The Modern Group totaling $213 thousand and $44 thousand, respectively. During the three months ended September 30, 2020 and 2019, the Company made purchases of supplies and services from a subsidiary of The Modern Group totaling $18 thousand and $13 thousand, respectively. There was no receivable due from The Modern Group as of September 30, 2020 and December 31, 2019. As of September 30, 2020 and December 31, 2019 the Company had $7 thousand and $22 thousand, respectively, due to The Modern Group included in accounts payable on the condensed consolidated balance sheets.

Chart Energy & Chemicals, Inc. ("Chart E&C") beneficially owns 8.7% of our outstanding common stock. During the nine months ended September 30, 2020 and 2019, purchases from Chart E&C totaled $22 thousand and $64 thousand, respectively. During the three months ended September 30, 2020 and 2019, purchases from Chart E&C totaled $2 thousand and $64 thousand, respectively. As of December 31, 2019, the Company had $ 8 thousand due to Chart E&C included in accounts payable on the condensed consolidated balance sheets. There was no payable due to Chart E&C as of September 30, 2020

14. Commitments and Contingencies

Environmental Matters

The Company is subject to federal, state and local environmental laws and regulations. The Company does not anticipate any expenditures to comply with such laws and regulations that would have a material impact on the Company's condensed consolidated financial position, results of operations or liquidity. The Company believes that its operations comply, in all material respects, with applicable federal, state and local environmental laws and regulations.

Litigation, Claims and Contingencies

The Company carries liability insurance to cover its liability to third parties arising out of the operation of its vehicles and equipment and the limits are sufficient to cover any likely final judgment and to pay the cost of defending the cases. The Company may become party to various legal actions that arise in the ordinary course of its business that are not covered by liability insurance. The Company is also subject to audit by tax and other authorities for varying periods in various federal, state and local jurisdictions, and disputes may arise during the course of these audits. It is impossible to determine the ultimate liabilities that the Company may incur resulting from any of these lawsuits, claims, proceedings, audits, commitments, contingencies and related matters or the timing of these liabilities, if any. If these matters were to ultimately be resolved unfavorably, it is possible that such an outcome could have a material adverse effect upon the Company's condensed consolidated financial position, results of operations, or liquidity. The Company, does not, however, anticipate such an outcome and it believes the ultimate resolution of these matters will not have a material adverse effect on the Company's condensed consolidated financial position, results of operations, or liquidity. Additionally, the Company currently expenses all legal costs as they are incurred.

In October 2018, American Electric received notification of a potential liability of $ 4.3 million associated with an asset purchase agreement to sell substantially all of its U.S. business assets and operations to Myers Power Products, Inc. ("Myers"). The contractual terms of the agreement included a provision for true-up of the net working capital, estimated as of the date of closing, to actual working capital as calculated by Myers and agreed to by American Electric. Any difference in the actual (conclusive) net working capital in relation to the estimated working capital at closing results in an adjustment to the purchase price. American Electric received notification from Myers of their actual working capital calculation. In the notification, Myers communicated a decrease of approximately $4.3 million in net working capital, in comparison to the estimated working capital used at contract closing. The contractual terms of the transaction provided that in the event Myers and American Electric could not agree to a conclusive net working capital adjustment, then all items remaining in dispute shall be submitted by either one of the parties within thirty (30) calendar days after the expiration of the resolution period to a national or regional independent accounting firm mutually acceptable to Myers and American Electric (the "Neutral Arbitrator"). The Neutral Arbitrator shall act as an arbitrator to determine the conclusive net working capital. The conclusive net working capital, once determined, may result in a purchase price adjustment due to Myers or to the Company. As of September 30, 2020, there have not been any updates to the potential liability. The Company is working with legal counsel to resolve the matter. The Company believes the ultimate resolution of this matter will not have a material adverse impact of the Company's condensed consolidated financial position, results of operations, or liquidity.

In January of 2020, the Company received notification that its subsidiary, M&I Electric Industries, Inc. ("M&I") has been named as a defendant in a class action lawsuit "Pelton Ray Barrett, et al. v. Arkema, Inc., et al." as the result of a fire on August 31, 2017, on a site owned or operated by Arkema, Inc. allegedly resulting in chemical exposure. Other defendants in the suit, including M&I are alleged to have been responsible for the installation, repair, design, and/or maintenance of the electrical, refrigeration and environmental systems required to mitigate damages from the release of chemicals. The Company, through its insurance providers, has engaged outside legal counsel to defend against these claims. The Company believes the ultimate resolution of this matter will not have a material adverse impact on the Company's condensed consolidated financial position, results of operations, or liquidity.

15. Stockholders' Equity

Issuances of Common Stock

The Company is authorized to issue up to 37,500,000 shares of Common Stock, $ 0.001 par value per share.

In February 2020, the Company issued 34,706 shares of common stock to former directors as payment for services rendered as members of the American Electric Board of Directors (see Note 16—Stock-Based Compensation for further discussion).

In April 2020, the Company issued 61,308 shares of common stock to independent directors as payment for services rendered as members of the Company's Board of Directors (see Note 16—Stock-Based Compensation for further discussion).

Issuances of Warrants

As of September 30, 2020, the Company had outstanding Warrants to purchase 62,500 shares of our common stock as follows:

Date of Issuance	No. of Warrants	Exercise Price	Expiration Date
Nov. 13, 2017	62,500	$18.08	Nov. 13, 2022

16. Stock-Based Compensation

Restricted Stock Awards

Independent directors receive 50% of their retainer fee as Restricted Stock Awards ("RSAs"). The RSAs are issued immediately upon grant and are subject to a one year vesting period and other restrictions.

During the nine months ended September 30, 2020, the Company granted 61,308 RSAs to independent directors under the Company's 2019 Long Term Incentive Plan (the "2019 Plan"). The fair value of the RSAs on the date of grant was $150 thousand based on the previous day closing price of our common stock as reported on the OTCQX Best Market on the grant date. The Company recognized $38 thousand and $95 thousand in stock-based compensation costs for the three and nine months ended September 30, 2020, respectively, which is included in general and administrative expenses in the condensed consolidated statements of operations.

As of September 30, 2020, the Company had $55 thousand of unrecognized compensation costs related to our Board of Directors grants, which is expected to be recognized over a weighted average period of less than one year.

Restricted Stock Units

During the nine months ended September 30, 2020, the Company granted 781,000 Restricted Stock Units ("RSUs") to employees under the 2019 Plan. The fair value of the RSUs on the date of grant was $1.4 million based on the previous day closing price of our common stock as reported on the OTCQX Best Market on the grant date. The Company recognized $148 thousand and $249 thousand in stock-based compensation costs for the three and nine months ended September 30, 2020, respectively, which is included in general and administrative expenses in the condensed consolidated statements of operations. The Company recognized 2,500 forfeitures as a reduction of expense previously recorded as general and administrative expenses in the condensed consolidated statements of operations during the nine months ended September 30, 2020.

As of September 30, 2020, the Company had $1.1 million of unrecognized compensation costs related to our RSUs, which is expected to be recognized over a weighted average period of less than three years.

17. Income Taxes

The Company records income taxes for interim periods based on an estimated annual effective tax rate. The estimated annual effective tax rate is recomputed on a quarterly basis and may fluctuate due to changes in forecasted annual operating income, positive or negative changes to the valuation allowance for net deferred tax assets, the timing of distributions on foreign investments from which foreign taxes are withheld, and changes to actual or forecasted permanent book to tax differences.

The Company's effective tax rate for the nine months ended September 30, 2020 and 2019 was 0.6% and 0.8%, respectively. The 2020 rate reflects state and foreign income taxes and the Company's deferred federal income tax benefit generated from an expected net operating loss, offset by a change in the valuation allowance on net deferred tax assets.

18. Subsequent Events

At the Annual Meeting of Stockholders of the Company held on September 17, 2020, the stockholders of the Company authorized an amendment to the Articles of Incorporation to change the name of the Company to Stabilis Solutions, Inc. On

October 9, 2020, Amended and Restated Articles of Incorporation were filed by the Secretary of State of Florida and our common stock began trading under the name Stabilis Solutions, Inc. on October 19, 2020. The change of name did not result in changes to the Company's ticker symbol, or the CUSIP number for the Company's outstanding shares of common stock. Accordingly, our common stock will continue to be traded on the OTCQX Best Market under the ticker symbol "SLNG".

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion should be read in conjunction with the condensed consolidated financial statements and notes thereto included elsewhere in this Form 10-Q and the consolidated financial statements included in the 2019 Annual Report on Form 10-K filed on March 16, 2020. Historical results and percentage relationships set forth in the condensed consolidated statements of operations and cash flows, including trends that might appear, are not necessarily indicative of future operations or cash flows.

Overview

Stabilis is a vertically integrated provider of small-scale LNG production, distribution and fueling services to multiple end markets in North America. Our diverse customer base utilizes LNG as a fuel source in a variety of applications in the industrial, energy, mining, utilities and pipelines, commercial, and high horsepower transportation markets. Our customers use LNG as an alternative to traditional fuel sources, such as diesel, fuel oil, and propane, and as a means to lower fuel costs and reduce their environmental footprint. Our customers also use LNG as a "virtual pipeline" solution when natural gas pipelines are not available or are curtailed.

Stabilis seeks to provide our customers with safe, reliable and cost effective LNG fueling solutions and power delivery equipment and services. We provide multiple products and services to our customers, including:

LNG Production and Sales—Stabilis builds and operates cryogenic natural gas processing facilities, called "liquefiers", which convert natural gas into LNG through a multiple stage cooling process. We currently own and operate a liquefier that can produce up to 100,000 LNG gallons (379 cubic meters) per day. We also purchase LNG from third-party production sources which allows us to support customers in markets where we do not own liquefiers.

Transportation and Logistics Services—Stabilis offers our customers a "virtual natural gas pipeline" by providing them with turnkey LNG transportation and logistics services in North America. We deliver LNG to our customers' work sites from both our own production facility and our network of approximately 25 third-party production sources located throughout North America. We own a fleet of LNG fueled trucks and cryogenic trailers to transport and deliver LNG. We also outsource similar equipment and transportation services from qualified third-party providers as required to support our customer base.

Cryogenic Equipment Rental—Stabilis owns and operates a rental fleet of approximately 150 mobile LNG storage and vaporization assets, including: transportation trailers, electric and gas-fired vaporizers, ambient vaporizers, storage tanks, and mobile vehicle fuelers. We also own several stationary storage and regasification assets. We believe this is one of the largest fleets of small-scale LNG equipment in North America. Our fleet consists primarily of trailer-mounted mobile assets, making delivery to and between customer locations more efficient. We deploy these assets on job sites to provide our customers with the equipment required to transport, store, and consume LNG in their fueling operations.

Engineering and Field Support Services—Stabilis has experience in the safe, cost effective, and reliable use of LNG in multiple customer applications. We have also developed many processes and procedures that we believe improve our customers' use of LNG in their operations. Our engineers help our customers design and integrate LNG into their fueling operations and our field service technicians help our customers mobilize, commission and reliably operate on the job site.

Stabilis generates revenue by selling and delivering LNG to our customers. We also generate revenue by renting cryogenic equipment and providing engineering and field support services. We sell our products and services separately or as a bundle depending on the customer's needs. LNG pricing depends on market pricing for natural gas and competing fuel sources (such as diesel, fuel oil, and propane among others), as well as the customer's purchased volume, contract duration and credit profile.

Stabilis' customers use natural gas in their operations for multiple reasons, including lower and more stable fuel costs, reduced environmental emissions, and improved operating performance. We serve customers in a variety of end markets, including industrial, energy, mining, commercial, utilities and pipelines, and high horsepower transportation. We believe that LNG consumption will continue to increase in these end markets in the future.

Power Delivery Solutions—As a result of the business combination with American Electric, Stabilis provides power delivery equipment and services for the oil and gas, marine vessel, power generation and broad industrial market segments in Brazil, and builds electrical systems for sale in China through our 40% interest in BOMAY.

Background

On July 26, 2019, the Share Exchange transaction with American Electric and its subsidiaries was completed. The Share Exchange and its related proposals, which included a company name change and a reverse stock split, were approved by American Electric stockholders at a Special Meeting of Stockholders on July 17, 2019. On July 29, 2019, the Company began operating under the name Stabilis Energy, Inc. and our common stock began trading under the ticker symbol "SLNG". Because the former owners of Stabilis Energy, LLC owned approximately 88.4% of the voting stock of the combined company at the completion of the Share Exchange and certain other factors including that directors designated by LNG Investment constitute a majority of the board of directors, Stabilis Energy, LLC was treated as the acquiror of American Electric in the Share Exchange for accounting purposes. As a result, the Share Exchange was treated by American Electric as a reverse acquisition under the purchase method of accounting in accordance with United States generally accepted accounting principles ("US GAAP"). In addition, the Company's shares outstanding now reflect a one-for-eight reverse split. Unless otherwise noted, any share or per share amounts give retroactive effect to the reverse stock split.

The financial information represents the historical results of Stabilis for periods prior to the Share Exchange. The operations of American Electric are included in our financial statements from the completion of the Share Exchange on July 26, 2019.

On August 5, 2019, we entered into an exchange agreement (the "Exchange Agreement") with Chart Energy & Chemicals, Inc. ("Chart E&C"), Stabilis Energy, LLC, and Stabilis Eagle Ford, LLC ("Stabilis LNG EF") for the satisfaction of indebtedness of Stabilis LNG EF to Chart E&C in the principal amount of $7 million (the "Exchanged Indebtedness") in exchange for unregistered shares of our common stock (such transactions, the "Chart Transaction"). We issued to Chart E&C 1,470,807 shares of Company common stock, based on the per share price of Company common stock of 90% of the average of the dollar volume-weighted average prices per share of the common stock as calculated by Bloomberg for each of the five consecutive trading days ending on and including the third trading day immediately preceding the closing date, which took place on August 30, 2019. At closing, Stabilis LNG EF also paid to Chart E&C an amount in cash equal to the accrued and unpaid interest on the Exchanged Indebtedness due through the closing, plus a cash amount to be paid in lieu of the issuance of fractional shares of our Common Stock.

On September 11, 2019, we entered into Amendment No. 1 to the Exchange Agreement, which eliminated the right of Chart E&C to elect an additional exchange of all or any portion of the balance of the unpaid principal amount of the Note. The Exchange Agreement previously provided for Chart E&C to elect an additional exchange, on a second closing date, of all or any portion of the balance of the unpaid principal amount of the Note, for additional shares of our common stock based on the foregoing pricing calculation related to the closing date.

On August 20, 2019, we completed our acquisition of Diversenergy, LLC ("Diversenergy") and its subsidiaries, creating what we believe will be one of the leading LNG marketing and distribution companies in Mexico. Diversenergy specializes in LNG distribution, providing LNG to customers who use it as a fuel in mobile high horsepower applications and to customers who do not have natural gas pipeline access. We purchased all of the issued and outstanding membership interests of Diversenergy for total consideration of 684,963 shares of Company common stock and $2.0 million in cash. The completion of the acquisition expanded the Company's presence in the distributed LNG and compressed natural gas ("CNG") markets in Mexico.

On August 20, 2019, we established Energía Superior Gas Natural LLC ("Energía Superior") as a joint venture with CryoMex Investment Group LLC ("CryoMex"), to pursue investments in distributed natural gas production and distribution assets in Mexico (the "Joint Venture"). CryoMex is led by Grupo CLISA, a Monterrey, Mexico-based developer and operator of businesses in multiple end markets including energy.

The Joint Venture plans to invest in LNG and compressed natural gas production, transportation, storage, and regasification assets that serve multiple end markets throughout Mexico, including the industrial, mining, pipeline, utility, marine, and over-the-road transportation markets.

The market in which we operate has been impacted by the recent downturn in the energy market as well as the outbreak of COVID-19 and its progression into a pandemic in March 2020. Various containment measures, including large-scale travel bans, border closures, quarantines, shelter-in-place orders and business and government shutdowns, have resulted in the slowing of economic growth and a reduced demand for oil and natural gas and the disruption of global manufacturing supply chains. As the COVID-19 pandemic continues to develop, governments, corporations and other authorities may continue to implement restrictions or policies that adversely impact consumer spending, the economy, commodity prices, demand for our products, and our business, operations and share price. The ultimate extent and long-term effects of the pandemic are difficult to determine, but a prolonged period of market fluctuations and weak general economic conditions may have a material adverse effect on the Company's financial results.

The Company has implemented a number of cost control measures, including headcount reductions, temporary salary reductions, travel reductions, elimination of certain consultants, and other measures to adjust to anticipated activity levels and maintain adequate liquidity. However, there can be no assurance that these steps will be sufficient to mitigate the impact of the COVID-19 pandemic. The Company will continue to monitor the developments relating to COVID-19, and will follow health and safety guidelines as they evolve. Management may implement further similar cost control measures, as necessary, but there can be no assurances that such measures will be effective.

At the Annual Meeting of Stockholders of the Company held on September 17, 2020, the stockholders of the Company authorized an amendment to the Articles of Incorporation to change the name of the Company to Stabilis Solutions, Inc. On October 9, 2020, Amended and Restated Articles of Incorporation were filed by the Secretary of State of Florida and our common stock began trading under the name Stabilis Solutions, Inc. on October 19, 2020. The change of name did not result in changes to the Company's ticker symbol, or the CUSIP number for the Company's outstanding shares of common stock. Accordingly, our common stock will continue to be traded on the OTCQX Best Market under the ticker symbol "SLNG".

Results of Operations

Three Months Ended September 30, 2020 Compared to Three Months Ended September 30, 2019

The following table reflects line items from the accompanying Consolidated Statements of Operations for the three months ended September 30, 2020 (the “Current Quarter”) as compared to the three months ended September 30, 2019 (the “Prior Year Quarter”):

Stabilis Solutions, Inc.
Consolidated Statements of Operations

	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Change	% Change
	(unaudited)			
	(In thousands, excluding percentages)			
Revenue:				
LNG product	$ 6,594	$ 7,919	$ (1,325)	(16.7)%
Rental, service and other	1,073	1,224	(151)	(12.3)
Power delivery	1,352	1,371	(19)	(1.4)
Total revenues	9,019	10,514	(1,495)	(14.2)
Operating expenses:				
Costs of LNG product	5,044	5,441	(397)	(7.3)
Costs of rental, service and other	808	1,095	(287)	(26.2)
Costs of power delivery	996	1,144	(148)	(12.9)
Selling, general and administrative	2,338	3,781	(1,443)	(38.2)
Depreciation	2,266	2,307	(41)	(1.8)
Total operating expenses	11,452	13,768	(2,316)	(16.8)
Loss from operations before equity income	(2,433)	(3,254)	821	(25.2)
Net equity income from foreign joint ventures' operations:				
Income from investments in foreign joint ventures	642	187	455	243.3
Foreign joint venture's operations related expenses	(69)	(52)	(17)	32.7
Net equity income from foreign joint ventures' operations	573	135	438	324.4
Loss from operations	(1,860)	(3,119)	1,259	(40.4)
Other income (expense):				
Interest expense, net	(2)	(33)	31	(93.9)
Interest expense, net - related parties	(199)	(306)	107	(35.0)
Other income (expense)	(31)	124	(155)	(125.0)
Gain from disposal of assets	—	17	(17)	(100.0)
Total other income (expense)	(232)	(198)	(34)	17.2
Loss before income tax expense	(2,092)	(3,317)	1,225	(36.9)
Income tax expense	41	38	3	7.9
Net loss	$ (2,133)	$ (3,355)	$ 1,222	(36.4)%

Segment Results

The Company's revenues are derived from two operating segments: LNG and Power Delivery. The Company evaluates the performance of its segments based primarily on segment operating income.

LNG Segment

Our LNG segment supplies LNG to multiple end markets in North America and provides turnkey fuel solutions to help users of propane, diesel and other crude-based fuel products convert to LNG.

	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Change	% Change
	(unaudited)			
	(In thousands, excluding percentages)			
Revenue:				
LNG product	$ 6,594	$ 7,919	$ (1,325)	(16.7) %
Rental, service and other	1,073	1,224	(151)	(12.3)
Total revenues	7,667	9,143	(1,476)	(16.1)
Operating expenses:				
Costs of LNG product	5,044	5,441	(397)	(7.3)
Costs of rental, service and other	808	1,095	(287)	(26.2)
Selling, general and administrative	1,757	3,318	(1,561)	(47.0)
Depreciation	2,237	2,277	(40)	(1.8)
Total operating expenses	9,846	12,131	(2,285)	(18.8)
Loss from operations before equity income	$ (2,179)	$ (2,988)	$ 809	(27.1) %

Power Delivery Segment

Our Power Delivery segment provides power delivery equipment and services to the global energy industry through our subsidiary in Brazil and our joint venture in China.

	Three Months Ended September 30, 2020	2019	Change	% Change
	(unaudited)			
	(In thousands, excluding percentages)			
Revenue:				
Power delivery	$ 1,352	$ 1,371	$ (19)	(1.4) %
Total revenues	1,352	1,371	(19)	(1.4)
Operating expenses:				
Costs of power delivery	996	1,144	(148)	(12.9)
Selling, general and administrative	581	463	118	25.5
Depreciation	29	30	(1)	(3.3)
Total operating expenses	1,606	1,637	(31)	(1.9)
Loss from operations before equity income	(254)	(266)	12	(4.5)
Net equity income from foreign joint ventures' operations:				
Income from equity investments in foreign joint ventures	642	187	455	243.3
Foreign joint venture's operations related expenses	(69)	(52)	(17)	32.7
Net equity income from foreign joint ventures' operations	573	135	438	324.4
Income (loss) from operations	$ 319	$ (131)	$ 450	(343.5) %

Revenue

LNG Product Revenue. During the Current Quarter LNG Product Revenue decreased $1.3 million or 17% versus the Prior Year Quarter primarily due to reduced activity with sand mine, oilfield, and other customers as a result of the COVID-19 pandemic and the related impact on overall economic activity, particularly oil and gas exploration and production activity.

Rental, Service, and Other Revenue. Rental, Service and Other Revenue decreased by $0.2 million or 12% in the Current Quarter relative to the Prior Year Quarter primarily due to reduced equipment rentals with oilfield customers.

Power Delivery. Power Delivery Revenue was consistent with Prior Year Quarter due to the mid-quarter completion of the Share Exchange in the Prior Year Quarter. Had the Power Delivery Revenue been included in our results of operations for the full three months ended September 30, 2019, revenue would have decreased by 18% in the Current Quarter, before considering the effect of exchange rates.

Operating Expenses

Costs of LNG Product. Cost of product in the Current Quarter decreased $0.4 million or 7% due to reduced activity levels. As a percentage of LNG Product Revenue, costs of LNG product increased 11% due to decreased utilization of the George West Plant and an increased proportion of LNG gallons provided by third party liquefiers.

Costs of Rental, Service, and Other. Costs decreased $0.3 million or 26% in the Current Quarter due to higher service revenue and repair costs in the Prior Year Quarter.

Costs of Power Delivery. Costs decreased $0.1 million or 13% in the Current Quarter.

Selling, general and administrative. Selling, general and administrative expense decreased $1.4 million during the Current Quarter as compared to the Prior Year Quarter. These decreased costs were primarily related to reduced costs related to travel, business development, compensation expenses, and deal related costs incurred in the prior year related to the Share Exchange with American Electric.

Depreciation. Depreciation expense was consistent with Prior Year Quarter.

Net Equity Income From Foreign Joint Ventures' Operations

Income from Investments in Foreign Joint Ventures. Income from investments in foreign joint ventures increased $0.5 million during the Current Quarter. In the Prior Year Quarter Income from investments in foreign joint ventures is included in our results of operations following the completion of the Share Exchange on July 26, 2019. However, the Current Quarter includes results for the full period. Had the equity income from investments in foreign joint ventures been included in our results of operations for the full three months ended September 30, 2019, revenue would have increased by 113% in the Current Quarter, before considering the effect of exchange rates.

Operating expenses related to foreign joint ventures. Operating expenses related to foreign joint ventures increased $17 thousand or 33% during the Current Quarter. Prior Year Quarter operating expenses related to foreign joint ventures are included in our results of operations following the completion of the Share Exchange on July 26, 2019. However, the Current Quarter includes results for the full period.

Other Income (Expense)

Interest expense, net. Interest expense decreased $31 thousand due to lower debt balances in the Current Quarter.

Interest expense, net - related parties. Related party interest expense decreased $0.1 million during the Current Quarter as compared to the Prior Year Quarter primarily due to the cancellation of Chart Industries indebtedness in exchange for Stabilis common stock in the Prior Year Quarter.

Other Income (Expense). Other expense was $31 thousand during the Current Quarter compared to other income of $124 thousand in the Prior Year Quarter primarily due to the cancellation of Chart Industries indebtedness in exchange for Stabilis common stock, which resulted in a gain in the Prior Year Quarter.

Income tax expense. Income tax expense was consistent with the Prior Year Quarter.

Nine Months Ended September 30, 2020 Compared to Nine Months Ended September 30, 2019

The following table reflects line items from the accompanying Consolidated Statements of Operations for the nine months ended September 30, 2020 (the "Current Year") as compared to the nine months ended September 30, 2019 (the "Prior Year"):

Stabilis Solutions, Inc.
Condensed Consolidated Statements of Operations

	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019	Change	% Change
	(unaudited)			
	(In thousands, excluding percentages)			
Revenue:				
LNG product	$ 18,609	$ 26,872	$ (8,263)	(30.7)%
Rental, service and other	5,613	6,341	(728)	(11.5)
Power delivery	3,638	1,371	2,267	165.4
Total revenues	27,860	34,584	(6,724)	(19.4)
Operating expenses:				
Costs of LNG product	13,692	19,051	(5,359)	(28.1)
Costs of rental, service and other	3,381	3,538	(157)	(4.4)
Costs of power delivery	3,131	1,144	1,987	173.7
Selling, general and administrative	7,892	8,139	(247)	(3.0)
Depreciation	6,802	6,892	(90)	(1.3)
Total operating expenses	34,898	38,764	(3,866)	(10.0)
Loss from operations before equity income	(7,038)	(4,180)	(2,858)	68.4
Net equity income from foreign joint ventures' operations:				
Income from investments in foreign joint ventures	1,529	187	1,342	717.6
Foreign joint venture's operations related expenses	(182)	(52)	(130)	250.0
Net equity income from foreign joint ventures' operations	1,347	135	1,212	897.8
Loss from operations	(5,691)	(4,045)	(1,646)	40.7
Other income (expense):				
Interest expense, net	(28)	(37)	9	(24.3)
Interest expense, net - related parties	(681)	(910)	229	(25.2)
Other income (expense)	(6)	61	(67)	(109.8)
Gain from disposal of assets	11	17	(6)	(35.3)
Total other income (expense)	(704)	(869)	165	(19.0)
Loss before income tax expense	(6,395)	(4,914)	(1,481)	30.1
Income tax expense	251	38	213	560.5
Net loss	(6,646)	(4,952)	(1,694)	34.2
Net income attributable to noncontrolling interests	—	207	(207)	(100.0)
Net loss attributable to Stabilis Solutions, Inc.	$ (6,646)	$ (5,159)	$ (1,487)	28.8 %

Segment Results

The Company's revenues are derived from two operating segments: LNG and Power Delivery. The Company evaluates the performance of its segments based primarily on segment operating income.

LNG Segment

Our LNG segment supplies LNG to multiple end markets in North America and provides turnkey fuel solutions to help users of propane, diesel and other crude-based fuel products convert to LNG.

	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019	Change	% Change
	(unaudited)			
	(In thousands, excluding percentages)			
Revenue:				
LNG product	$ 18,609	$ 26,872	$ (8,263)	(30.7)%
Rental, service and other	5,613	6,341	(728)	(11.5)
Total revenues	24,222	33,213	(8,991)	(27.1)
Operating expenses:				
Costs of LNG product	13,692	19,051	(5,359)	(28.1)
Costs of rental, service and other	3,381	3,538	(157)	(4.4)
Selling, general and administrative	6,352	7,676	(1,324)	(17.2)
Depreciation	6,706	6,862	(156)	(2.3)
Total operating expenses	30,131	37,127	(6,996)	(18.8)
Loss from operations before equity income	$ (5,909)	$ (3,914)	$ (1,995)	(51.0)%

Power Delivery Segment

Our Power Delivery segment provides power delivery equipment and services to the global energy industry through our subsidiary in Brazil and our joint venture in China.

	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019	Change	% Change
	(unaudited)			
	(In thousands, excluding percentages)			
Revenue:				
Power delivery	$ 3,638	$ 1,371	$ 2,267	165.4 %
Total Revenues	3,638	1,371	2,267	165.4
Operating Expenses:				
Costs of power delivery	3,131	1,144	1,987	173.7
Selling, general and administrative	1,540	463	1,077	232.6
Depreciation	96	30	66	220.0
Total operating expenses	4,767	1,637	3,130	191.2
Loss from operations before equity income	(1,129)	(266)	(863)	324.4
Net equity income from foreign joint ventures' operations:				
Income from equity investments in foreign joint ventures	1,529	187	1,342	717.6
Foreign joint venture's operations related expenses	(182)	(52)	(130)	250.0
Net equity income from foreign joint ventures' operations	1,347	135	1,212	897.8
Income (loss) from operations	$ 218	$ (131)	$ 349	(266.4) %

Revenue

LNG Product Revenue. During the Current Year LNG Product revenues decreased $8.3 million or 31% versus the Prior Year primarily due to reduced activity with oilfield and other customers during the second and third quarters of 2020 as a result of the COVID-19 pandemic and the related impact on overall economic activity, particularly oil and gas exploration and production activity. $1.2 million of the decrease was attributable to lower natural gas prices.

Rental, Service, and Other Revenue. Rental, service and other revenues decreased by $0.7 million or 12% in the Current Year compared to Prior Year primarily due to decreased equipment rentals with oil and gas customers and a project cancellation fee recognized in the Prior Year.

Power Delivery. Power Delivery Revenue increased by $2.3 million or 165% in the Current Year. Prior Year revenues are included in our results of operations following the completion of the Share Exchange on July 26, 2019, compared to Current Year, which includes results for the full period. Had the Power Delivery Revenue been included in our results of operations for the full nine months ended September 30, 2019, revenue would have decreased by 15% in the Current Year, before considering the effect of exchange rates.

Operating Expenses

Cost of LNG Product. Cost of LNG Product in the Current Year decreased $5.4 million or 28%. As a percentage of LNG Product Revenue, the costs increased by 4% due to decreased plant utilization in the Current Year.

Cost of Rental, Service, and Other Revenue. This cost decreased $0.2 million or 4% in the Current Year due to the decrease in Rental, Service, and Other Revenue.

Costs of Power Delivery. Costs increased $2.0 million or 174% in the Current Year. Prior Year costs are included in our results of operations following the completion of the Share Exchange on July 26, 2019, compared to Current Year, which includes results for the full period.

Selling, general and administrative. Selling, general and administrative expense in the Current Year was consistent with the Prior Year. This is primarily due to the consolidation of selling, general and administrative expenses from the American Electric and Diversenergy acquisitions and additional costs related to the Company's transition to a public company. These increased costs were offset by reductions in transaction costs, travel, business development and salary expense in the Current Year.

Depreciation. Depreciation expense was consistent with Prior Year.

Net Equity Income From Foreign Joint Ventures' Operations

Income from Investments in Foreign Joint Ventures. Income from investments in foreign joint ventures increased $1.3 million in the Current Year. Prior Year equity income is included in our results of operations following the completion of the Share Exchange on July 26, 2019, compared to Current Year, which includes results for the full period. Had the equity income from investments in foreign joint ventures been included in our results of operations for the full nine months ended September 30, 2019, revenue would have increased by 47% in the Current Year, before considering the effect of exchange rates.

Operating expenses related to foreign joint ventures. Operating expenses related to BOMAY increased $0.1 million in the Current Year.

Other Income (Expense)

Interest expense, net. Interest expense in the Current Year was consistent with the Prior Year.

Interest expense, net - related parties. Related party interest expense decreased $0.2 million during the Current Year as compared to the Prior Year primarily due to the cancellation of Chart Industries indebtedness in exchange for Stabilis common stock in the Prior Year.

Other income (expense). Other expense was $6 thousand in the Current Year compared to income of $61 thousand in the Prior Year due to the cancellation of Chart Industries indebtedness in exchange for Stabilis common stock, which resulted in a gain in the Prior Year.

Gain on the disposal of fixed assets. The gain from disposal of rolling stock was $11 thousand in the Current Year compared to $17 thousand in the Prior Year.

Income tax expense. The Company incurred foreign tax expense of $0.3 million during the Current Year primarily related to foreign taxes paid in connection with the cash dividend received from our BOMAY joint venture. The Company incurred state income tax expense of $38 thousand during the Prior Year.

Liquidity and Capital Resources

Overview

As of September 30, 2020, we had $3.4 million in cash and cash equivalents on hand and $9.2 million in outstanding debt and finance lease obligations (of which $5.2 million is due in the next twelve months).

We have historically funded the business primarily through cash flows from operations, short-term notes payable, debt from finance companies and related parties, and capital contributions. We have used a portion of our cash flows to invest in fixed assets to support growth. We have also used cash to pay interest and principal amounts outstanding under our borrowings.

The Company is subject to substantial business risks and uncertainties inherent in the LNG industry. In the second quarter of 2020, the Company experienced a significant reduction in revenues, particularly from its customers in the upstream oil and gas sector, due to the business shutdowns and general economic slowdown resulting from the COVID-19 pandemic. The ultimate length and severity of this slowdown is not yet known. Additionally, the impact of the COVID-19 pandemic has created additional uncertainties regarding the future demand for LNG from our customers. There is no assurance that the Company will be able to generate sufficient cash flows in the future to sustain itself or to support future growth. While the Company has implemented a number of cost control measures, including headcount reductions, temporary salary reductions, travel reductions, elimination of certain consultants, and other measures to adjust to anticipated activity levels and maintain adequate liquidity, there can be no assurance that these steps will be sufficient mitigate the impact of the COVID-19 pandemic. Management may implement further cost control measures, as necessary, but there can be no assurances that such measures will be effective.

The Company has recently seen an increase in activity and additional revenue sales opportunities, including in Mexico. Accordingly, management believes the business will generate sufficient cash flows from its operations to fund the business for the next 12 months.

Cash Flows

Cash flows provided by (used in) our operating, investing and financing activities are summarized below (in thousands):

	Nine Months Ended September 30,	
	2020	2019
	(unaudited) (In thousands)	
Net cash provided by (used in):		
Operating activities	$ 2,467	$ 3,721
Investing activities	(315)	(3,243)
Financing activities	(2,564)	2,791
Effect of exchange rate changes on cash	(157)	—
Net increase (decrease) in cash and cash equivalents	(569)	3,269
Cash and cash equivalents, beginning of period	3,979	1,247
Cash and cash equivalents, end of period	$ 3,410	$ 4,516

Operating Activities

Net cash provided by operating activities totaled $2.5 million for the nine months ended September 30, 2020 compared to $3.7 million for the same period 2019. The decrease in net cash provided by operating activities of $1.2 million as compared to the Prior Year was primarily attributable to a higher net loss and less cash provided from net working capital changes, partially offset by $1.8 million net cash dividend received from our BOMAY joint venture.

Investing Activities

Net cash used in investing activities totaled $0.3 million and $3.2 million for the nine months ended September 30, 2020 and 2019, respectively. The reduction in net cash used was driven by the acquisitions of American Electric and Diversenergy during the third quarter 2019 and $1.8 million less of equipment purchases during the nine months ended September 30, 2020.

Financing Activities

Net cash used in financing activities totaled $2.6 million for the nine months ended September 30, 2020 compared to $2.8 million provided by financing activities for the same period 2019. The change compared to Prior Year was primarily attributable to:

- $1.4 million of additional payments on short-term notes payable and long-term borrowings from related parties in the Current Year.
- Net proceeds of $1.1 million received as a loan pursuant to the Paycheck Protection Program under the Coronavirus Aid, Relief, and Economic Security Act in 2020, and
- net proceeds on long-term borrowings from related parties of $5.0 million in the Prior Year.

Sources of Liquidity and Capital Resources

Our principal sources of liquidity have consisted of cash on hand, cash provided by our operations, and distributions from our BOMAY joint venture. In addition, the Company obtained equipment financing from MG Finance, a related party, and received the Payroll Protection Loan of $1.1 million. The Company is evaluating additional financing alternatives, however, there is no guarantee that additional financing will be available or available at terms that would be beneficial to shareholders.

Future Cash Requirements

Uses of Liquidity and Capital Resources

We require cash to fund our operating expenses and working capital requirements, including costs associated with fuel sales, capital expenditures, debt repayments and repurchases, equipment purchases, maintenance of LNG production facilities, mergers and acquisitions (if any), pursuing market expansion, supporting sales and marketing activities, support of legislative and regulatory initiatives, and other general corporate purposes. While we believe we have sufficient liquidity and capital resources to fund our operations and repay our debt, we may elect to pursue additional financing activities such as refinancing existing debt, or debt or equity offerings to provide flexibility with our cash management.

Debt Level and Debt Compliance

We had total indebtedness of $7.9 million in principal as of September 30, 2020 with the expected maturities as follows (in thousands).

	September 30, 2020
Remainder 2020	$ 357
2021	4,320
2022	3,224
2023	—
2024	—
Thereafter	—
Total long-term debt, including current maturities	$ 7,901

We expect our total interest payment obligations relating to our indebtedness to be approximately $0.9 million for the year ending December 31, 2020. Certain of the agreements governing our outstanding debt have certain covenants with which we must comply. As of September 30, 2020, we were in compliance with all of these covenants.

Off-Balance Sheet Arrangements

As of September 30, 2020, we had no transactions that met the definition of off-balance sheet arrangements that may have a current or future material effect on our consolidated financial position or operating results.

NEW ACCOUNTING STANDARDS

See Note 2—Recent Accounting Pronouncements to the Notes to Condensed Consolidated Financial Statements included elsewhere in this report for information on new accounting standards.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The discussion and analysis of our financial condition and results of operations are based on our condensed consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities known to exist at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. We evaluate our estimates on an ongoing basis, based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. There can be no assurance that actual results will not differ from those estimates.

Critical Accounting Policies

Revenue Recognition

The Company recognizes revenue associated with the sale of LNG at the point in time when the customer obtains control of the asset. In evaluating when a customer has control of the asset, the Company primarily considers whether the transfer of legal title and physical delivery has occurred, whether the customer has significant risks and rewards of ownership, and whether the customer accepted delivery and a right of payment exists. Revenues from the providing of services, transportation and equipment to customers is recognized as the service is performed.

Revenue is measured as consideration specified in a contract with a customer and excludes any sales incentives and amounts collected on behalf of third parties. The Company recognizes revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Amounts are billed upon completion of service or transfer of a product and are generally due within 30 days.

Revenues from contracts with customers are disaggregated into (1) LNG product and (2) rental, service, and other.

LNG product revenue generated includes the revenue from the product and delivery of the LNG to our customer's location. The Company acts as a principal when using third party transportation companies and therefore recognizes the gross revenue for the delivery of LNG. Product contracts are established by agreeing on a sales price or transaction price for the related item. Revenue is recognized when the customer has taken control of the product. Payment terms for product contracts are generally within thirty days from the receipt of the invoice. Product revenue is recognized upon delivery of the related item to the customer, at which point the customer controls the product and the Company has an unconditional right to payment. The Company acts as a principal when using third party transportation companies and therefore recognizes the gross revenue for the delivery of LNG.

Rental, service and other revenue generated by the Company includes equipment and people provided to the customer to support the use of LNG and power delivery equipment and services in their application. Rental contracts are established by agreeing on a rental price or transaction price for the related piece of equipment and the rental period which is generally daily or monthly. The Company maintains control of the equipment that the customer uses and can replace the rented equipment with similar equipment should the rented equipment become inoperable or the Company chooses to replace the equipment for maintenance purposes. Revenue is recognized as the rental period is completed and for periods that cross month end, revenue is recognized for the portion of the rental period that has been completed to date. Payment terms for rental contracts are generally within thirty days from the receipt of the invoice. Performance obligations for rental revenue are considered to be satisfied as the rental period is completed based upon the terms of the related contract. LNG service revenue generated by the Company consists of mobilization and demobilization of equipment and onsite technical support while customers are consuming LNG in their applications. Service revenue is billed based on contractual terms that can be based on an event (i.e. mobilization or demobilization) or an hourly rate. Revenue is recognized as the event is completed or work is done. Payment terms for service contracts are generally within thirty days from the receipt of the invoice. Performance obligations for service revenue are considered to be satisfied as the event is completed or work is done per the terms of the related contract. Power Delivery revenue is generated from time and material projects, consulting services, and the resale of electrical and instrumentation equipment. Revenue is billed based on contractual terms that can be based on an event or an hourly rate. Revenue is recognized as the event is completed or work is done. Payment terms for service contracts are generally within thirty days from the receipt of the invoice. Performance obligations for service revenue are considered to be satisfied as the event is completed or work is done per the terms of the related contract. The resale of electrical and instrumentation equipment is billed upon delivery and are generally due within thirty days from the receipt of the invoice.

All outstanding accounts receivable, net of allowance, on the consolidated balance sheet are typically due and collected within the next 30 days for our LNG business and 12 months for our power delivery business.

Impairment of Long-Lived Assets and Goodwill

LNG liquefaction facilities, and other long-lived assets held and used by the Company are reviewed periodically for potential impairment whenever events or changes in circumstances indicate that a particular asset's carrying value may not be recoverable. Recoverability generally is determined by comparing the carrying value for the asset to the expected undiscounted future cash flows of the asset. If the carrying value of the asset is not recoverable, the amount of impairment loss is measured as the excess, if any, of the carrying value of the asset over its estimated fair value. The estimated undiscounted future cash flows are based on projections of future operating results; these projections contain estimates of the value of future contracts that have not yet been obtained, future commodity pricing and our future cost structure, among others. Projections of future operating results and cash flows may vary significantly from actual results. Management reviews its estimates of cash flows on an ongoing basis using historical experience, business plans, overall market conditions, and other factors.

Goodwill represents the excess of the cost of an acquired entity over the fair value of the assets acquired less liabilities assumed. Intangible assets are assets that lack physical substance (excluding financial assets). Goodwill acquired in a business combination and intangible assets with indefinite useful lives are not amortized, and intangible assets with finite useful lives are amortized. Goodwill and intangible assets not subject to amortization are tested for impairment annually or more frequently if events or changes in circumstances indicate the assets carrying value may not be recoverable. We currently test goodwill for impairment annually in the third quarter unless we determine that a triggering event has occurred requiring an earlier test.

Income Taxes

Deferred income taxes are accounted for under the asset-and-liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recorded when it is more likely than not that the deferred tax asset will not be realized.

The Company recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Company records interest related to unrecognized tax benefits in interest expense and penalties in selling, general and administrative expenses.

Fair Value Measurements

The Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Company determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in the fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels in accordance with US GAAP:

Level 1 Inputs—Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date.

Level 2 Inputs—Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 Inputs—Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby, allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

Recently Adopted Accounting Changes and Recently Issued and Adopted Accounting Standards.

For descriptions of recently adopted and issued accounting standards, see Note 2—Recent Accounting Pronouncements to the Notes to Condensed Consolidated Financial Statements.

ITEM 4. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

As required by Rule 13a-15(b) of the Exchange Act, we have evaluated, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Our disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed by us in reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure and is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. Based upon the evaluation, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures were effective at September 30, 2020 at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during our last fiscal quarter that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

The Company becomes involved in various legal proceedings and claims in the normal course of business. In management's opinion, the ultimate resolution of these matters will not have a material effect on our financial position or results of operations.

ITEM 1A. RISK FACTORS.

Our operations and financial results are subject to various risks and uncertainties, including those described in the Part I. "Item 1A. Risk Factors" section of our Annual Report on Form 10-K for the year ended December 31, 2019 filed with the Securities and Exchange Commission ("SEC") on March 16, 2020 ("2020 Form 10-K"), our Quarterly Report on Form 10-Q for the quarter ended March 31, 2020 filed with the SEC on May 7, 2020 (the "1Q 10-Q") and our Form 10-Q for the quarter ended June 30, 2020 filed with the SEC on August 7, 2020 (together with the 1Q 10-Q, the "2020 Form 10-Qs"), which could adversely affect our business, financial condition, results of operations, cash flows, and the trading price of our common stock. During the three months ended September 30, 2020, there have been no material changes in our risk factors disclosed in our 2020 Form 10-K and 2020 Form 10-Qs.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS.

(a) Index to Exhibits

Exhibit No.	Exhibit Description
2.1	(1) Share Exchange Agreement, dated December 17, 2018, by and among American Electric Technologies, Inc., LNG Investment Company, LLC, AEGIS NG LLC, Stabilis Energy, LLC, and PEG Partners, LLC (Incorporated by reference to Registrant's Current Report on Form 8-K filed December 24, 2018)
2.2	(1) Amendment dated May 8, 2019 to the Share Exchange Agreement concerning the business combination with Stabilis (Incorporated by reference to Exhibit 2.1 to Registrant's Current Report on Form 8-K filed May 9, 2019)
3.1	Amended and Restated Articles of Incorporation of the Registrant (Incorporated by Reference to Exhibit 3.1 to Registrant's Current Report on Form 8-K filed October 15, 2020)
3.2	Amended and Restated Bylaws of the Registrant (Incorporated by Reference to Exhibit 3.2 to Registrant's Current Report on Form 8-K filed September 18, 2020)
4.1	Warrant to purchase 125,000 shares of Registrant's common stock dated May 2, 2012 (Incorporated by reference to Exhibit 4.1 to Registrant's Quarterly Report on Form 10-Q filed on August 14, 2012)
4.2	Warrant to purchase 200,000 shares of Registrant's common stock dated May 2, 2012 (Incorporated by reference to Exhibit 4.2 to Registrant's Quarterly Report on Form 10-Q filed on August 14, 2012)
4.3	Investors Rights Agreement between Registrant and JCH Crenshaw Holdings, LLC dated May 2, 2012 (Incorporated by reference to Exhibit 4.3 to Registrant's Quarterly Report on Form 10-Q filed on August 14, 2012)
4.4	Registration Rights Agreement between Registrant and JCH Crenshaw Holdings, LLC dated May 2, 2012 (Incorporated by reference to Exhibit 4.4 to Registrant's Quarterly Report on Form 10-Q filed on August 14, 2012)
4.5	Warrant to Purchase Common Stock dated November 13, 2017, issued to HD Special-Situations III, LP (Incorporated by reference to Exhibit 10.3 to Registrant's Quarterly Report on Form 10-Q filed on November 14, 2017)
4.6	Registration Rights Agreement dated November 13, 2017 between Registrant and HD Special-Situations III, LP (Incorporated by reference to Exhibit 10.4 to Registrant's Quarterly Report on Form 10-Q filed on November 14, 2017)
4.7	Voting Agreement, dated as of December 17, 2018, by and among JCH Crenshaw Holdings, LLC and certain stockholders of Registrant (Incorporated by reference to Exhibit B of Amendment No. 8 to Schedule 13D filed by JCH Crenshaw Holdings, LLC and J. Casey Crenshaw on December 28, 2018)
4.8	Registration Rights Agreement dated July 26, 2019, by and among Registrant, LNG Investment Company, LLC, and AEGIS NG LLC (Incorporated by Reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K filed August 1, 2019)
4.9	Registration Rights Agreement dated as of August 20, 2019, by and among Registrant and the Investors named therein (Incorporated by Reference to Exhibit 4.9 to Registrant's Registration Statement on Form S-1 filed September 11, 2019)
31.1	*Rule 13a-14(a) / 15d-14(a) Certification of Principal Executive Officer.
31.2	*Rule 13a-14(a) / 15d-14(a) Certification of Principal Financial Officer.
32.1	*Section 1350 Certifications of Principal Executive Officer and Principal Financial Officer.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

(1) Exhibits and schedules to the Share Exchange Agreement and Amendment have been omitted pursuant to Item 601(b)(2) of Regulation S-K. Registrant hereby undertakes to furnish supplemental copies of any of the omitted exhibits and schedules upon request by the U.S. Securities and Exchange Commission.

* Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: November 12, 2020

STABILIS SOLUTIONS, INC.

By: /s/ James C. Reddinger
James C. Reddinger
President and Chief Executive Officer
(Principal Executive Officer)

By: /s/ Andrew L. Puhala
Andrew L. Puhala
Chief Financial Officer
(Principal Financial Officer)

Exhibit 31.1

CERTIFICATIONS

I, James C. Reddinger, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Stabilis Energy, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and l5d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

    (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 12, 2020

By: /s/ James C. Reddinger
James C. Reddinger
Principal Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Andrew L. Puhala, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Stabilis Energy, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and l5d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 12, 2020

By: /s/ Andrew L. Puhala
Andrew L. Puhala
Principal Financial Officer

Exhibit 32.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, James C. Reddinger, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Stabilis Energy, Inc. on Form 10-Q for the quarter ended September 30, 2020 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in such Form 10-Q fairly presents in all material respects the financial condition and results of operations of Stabilis Energy, Inc.

Date: November 12, 2020

By: /s/ James C. Reddinger
James C. Reddinger
Principal Executive Officer

I, Andrew L. Puhala, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Stabilis Energy, Inc. on Form 10-Q for the quarter ended September 30, 2020 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in such Form l0-Q fairly presents in all material respects the financial condition and results of operations of Stabilis Energy, Inc.

Date: November 12, 2020

By: /s/ Andrew L. Puhala
Andrew L. Puhala
Principal Financial Officer