

Wednesday, 16 January 2019:

ASX ANNOUNCEMENT (ASX: LCK)



African Carbon Energy Pty Ltd and LCK sign a Heads of Agreement

- The Heads of Agreement envisages the execution of a leasing agreement (“Lease Agreement”) for the PCD Plant with an option to buy pursuant to the terms of a to be negotiated Sale and Purchase Agreement (“Lease and Sale Agreements”)
- Upon LCK completion of the PCD and the execution of the Lease and Sale Agreements the plant is to be relocated to South Africa
- A Service Agreement is also to be completed for LCK to provide ISG/UCG services to Africary
- The execution of the Lease and Sale Agreements and the Service Agreement will allow LCK to recover the majority of the PCD plant costs
- When the final agreements are executed, it will provide an early revenue stream through a leasing and consultancy agreement

Leigh Creek Energy Limited (ASX: LCK) (“LCK” or “the Company”) is pleased to announce that it has signed a Heads of Agreement (HoA) with South African based African Carbon Energy Pty Ltd (Africary).

The Heads of Agreement provides the framework for the negotiation of legally binding agreements for one or several of the Lease Agreement, Sale and Purchase Agreement and the Service Agreement (together the “Execution Agreements”). The finalisation and signing of the Execution Agreements will enable LCK’s Pre-Commercial Demonstration (PCD) plant and equipment at Leigh Creek to be in the first instance leased by Africary and the granting of an option for Africary to purchase the PCD for use at its Theunissen underground coal gasification project in South Africa, and for LCK to provide advisory services to Africary. When the Execution Agreements are signed, this will mean that LCK will be able to recover the majority of its engineering and plant costs of the PCD and to also have an early path to revenue.

Managing Director’s comments

LCK Managing Director, Phil Staveley commented: “This HoA again shows the level of international interest in the Leigh Creek Energy Project. Furthermore, the level of due diligence undertaken indicates the level of confidence in LCK’s technical expertise and operational competency and capacity.”

LCK and Africary engagement

LCK’s General Manager Technical, Mr Justin Haines recently spoke to the South African UCG Association at its annual workshop where there was significant support and interest in LCK’s project. Africary director, Johan Brand, recently visited Adelaide and Leigh Creek to assess LCK’s capability and to assess the performance, adaptability and commercial re-use potential of the PCD equipment. As a result of the visit to the PCD a HOA was negotiated.

This validates LCK’s strategy in developing the PCD as a best practice project on the international arena. Furthermore, the technical and operational knowledge at LCK is also internationally recognised and we are now being approached by several parties to provide similar services. Africary is the first to move to a HOA.

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The provision of ISG services by LCK not only provides LCK with a future revenue stream but also gives us first mover advantage on any overseas projects or joint ventures.

Africary's objective in using LCK's PCD equipment and accessing LCK expertise is to save it significant time and money for a demonstration of the Theunissen UCG Project's potential for power generation and thereby minimising future project risk.

Africary company background

Africary is a multifaceted resource and technology company owning several energy related interests in South Africa. It was established in 2007 as a Black Economic Empowerment (BEE) South African mining and minerals solutions company to fulfil the need for a diversified commodities and technology supplier in Southern Africa. Africary has expertise in mining, exploration, gasification and specifically Underground Coal Gasification (UCG, referred to as ISG in South Australia).

Africary is headed by Mr Johan Brand an internationally recognized UCG expert and gas-to-power business developer. His significant career achievements include: the UCG Business Manager for Sasol, Director of the global UCG Association in London, founding member of the South African UCG Association. In 2012 Africary diversified and bought a massive one billion tonne coal resource from BHP Billiton SA that is ideally suited for UCG. Africary's business philosophy expanded to invest and develop its own UCG to Power and UCG to Liquid Fuels and Chemicals projects.

www.Africary.com

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About Leigh Creek Energy

Leigh Creek Energy Limited (LCK) is an emerging energy company focused on developing its Leigh Creek Energy Project (LCEP), located in South Australia. The LCEP will produce high value ammonium nitrate products (fertiliser and industrial explosives) from the remnant coal resources at Leigh Creek, utilising In Situ Gasification (ISG) technologies, and will provide long term stability and economic development opportunities to the communities of the Upper Spencer Gulf, northern Flinders Ranges and South Australia.

The Company is committed to developing the LCEP using a best practice approach to mitigate the technical, environmental and financial project risks.