

31 January 2019

ASX ANNOUNCEMENT (ASX:LCK)

Quarterly report for the 3 months to 31 December 2018

Highlights

- ✓ **China Communications Construction Company Ltd Heads of Agreement and ongoing engagement**
- ✓ **First Syngas**
- ✓ **Research and Development Facility Adjustment confirmed**
- ✓ **Capital raising commenced**

Leigh Creek Energy Limited (“LCK”, or “the Company”) is pleased to provide its shareholders and the market with an update on the development of the Leigh Creek Energy Project (LCEP) in South Australia for the three months to 31 December 2018.

China Communications and Construction Company Limited

China Communications Construction Company Ltd (CCCC) provided LCK with a draft Heads of Agreement (HoA), providing joint opportunities for investing and developing infrastructure projects in South Australia, preliminary to their visit to South Australia and Leigh Creek early in 2019. We are pleased to be able to report that senior members of CCCC attended at site in January and have provided a very favourable report back to CCCC management. Further meetings to progress the HOA are scheduled later in February after the Chinese New Year Celebrations.



The HoA is to create opportunities for CCCC and LCK to develop projects beyond gas and fertiliser production, including infrastructure, planning and design, and co-investment considerations.

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First Syngas

The Leigh Creek Energy Project (LCEP) Pre-Commercial Demonstration stage (PCD) initiated on 10 October 2018. This was a major milestone event for the Company.

The PCD is providing information for the development of the commercial project and is demonstrating that LCK can operate the ISG gasifier safely and in an environmentally responsible manner. On 17 December 2018 LCK reported that “The first environmental results confirm the PCD is operating as expected, in line with scientific modelling. This evidence supports the Regulator and LCK’s claim the process can be done in a safe, regulated and controlled manner and that the Leigh Creek site is ideally suited to the ISG process.”



LCEP Syngas Facility

Since the initiation, the Company commenced progressively developing the gasifier through a careful balance of air injection flow rate and pressure. After initiation there is a gradual process for the gasifier to develop through to full syngas production. The Company announced on 7 January 2019 that the PCD was producing commercial quality syngas at low flow rates and was gradually increasing flow rates.

Further to this announcement, the Company reported on 21 January 2019 that flow rates are consistently in excess of 1,000 standard cubic metres per hour (Sm^3) which equates to 8,760,000 Sm^3 per year – a twenty-fold increase since the 8 January 2019 announcement of first Syngas quality. Syngas composition is consistently recorded up to 20% methane and between 5% and 10% hydrogen – values which clearly align with our previous announcements.

The South Australian Regulator released a technical paper on the development of the Leigh Creek PCD gasifier, which can be found at:

[http://www.energymining.sa.gov.au/data/assets/pdf_file/0003/335928/LCKE_Review - Part 3 - Clifford W Mallett.pdf](http://www.energymining.sa.gov.au/data/assets/pdf_file/0003/335928/LCKE_Review_-_Part_3_-_Clifford_W_Mallett.pdf)

Research and Development Facility Adjustment

The Company received its 2017/18 ATO rebate and as per the terms of the Facility repaid drawings relating to the 2017/18 R&D rebate. The Facility limit decreased to \$3.6m to match anticipated 2018/19 R&D cash tax rebates. The term for the Facility is unchanged and will continue to be available until December 2019.

Capital Raising

On 17 December 2018, the Company announced it had received firm commitments for approximately 10.68m shares at 12 cents per share to raise a total of approximately \$1.28m from a small number of existing shareholders. The Company also announced a 1:15 non-renounceable rights issue for shareholders on the same terms (12 cents per share) to raise up to a maximum of \$3.86m. The closing date for this issue is 13 February 2019.

Expressions of Interest – Gas Sales

On 30 January 2019 the Company called for expressions of interest for up to 50PJ of gas surplus to our needs in order to test the markets appetite for gas. We will update the market as progress is made through this process.

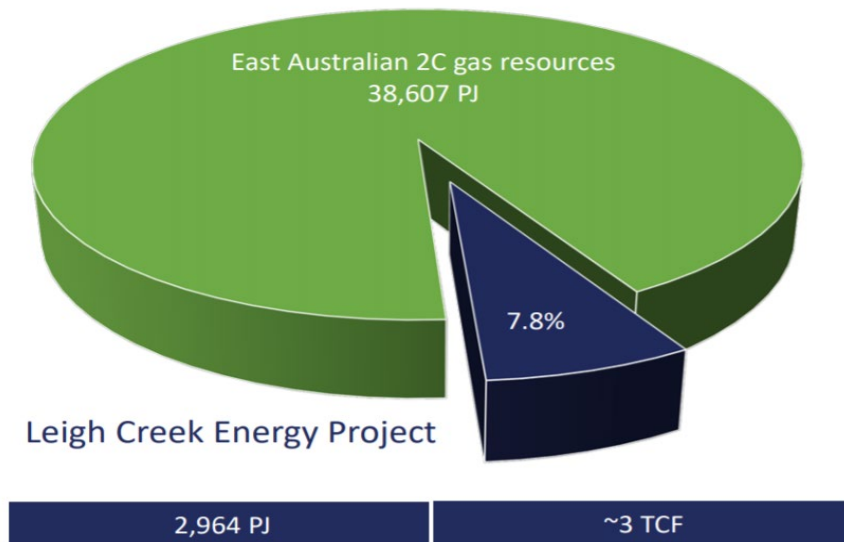
Managing Director’s Commentary

Commenting on the Company’s quarterly performance, LCK Managing Director Phil Staveley said:

“The final quarter of 2019 was one in which LCK achieved a series of important milestones. The Company successfully commenced operations of the PCD at Leigh Creek, and has now moved the gasifier through to the final stage. This brings LCK closer to its near-term catalyst of upgrading its 2,964PJ 2C resource to reserve status, and unlocking further shareholder value. Initial results from environmental monitoring have demonstrated the suitability of the PCD to the Leigh Creek environment and importantly, validated the technical aspects and safety of the ISG process. We look forward to building on these achievements in 2019.”

PRMS (upgrade of 2C resource to a 2P reserve)

LCK has a certified PRMS 2C Syngas Resource of 2963.9 PJ (refer ASX announcement January 8, 2016). The successful production of syngas will allow LCK to commence work on the upgrade of a portion of its 2C resource to a 2P reserve.



(EnergyQuest Quarterly Report, December 2017)

Finance

As at 31 December 2018, the Company's total cash balance was \$4.3m with total debt drawn of \$3.6m under the CBA R&D working capital debt facility. A summary of the actual cash flows for the quarter are attached in the Appendix 5B. Forecast cash receipts from financing activities for the March quarter include completion of 1:15 non-renounceable rights issue to existing shareholders.

Tenements

As of 31 December 2018, LCK had a 100% interest in the licences listed below, all in South Australia, through LCK's wholly owned subsidiary Leigh Creek Operations Pty Ltd:

- Petroleum Exploration Licence 650;
- Gas Storage Exploration Licence 662.

Leigh Creek Operations Pty Ltd also has the following licence applications in progress:

- Petroleum Exploration Licence Application 582;
- Petroleum Exploration Licence Application 643;
- Petroleum Exploration Licence Application 644;
- Petroleum Exploration Licence Application 647; and
- Petroleum Exploration Licence Application 649.

Since 31 December 2018, LCK has entered into an agreement regarding Petroleum Exploration Licence Application 644. This agreement grants an option for a third party to acquire 80% of PELA 644 and to enter into an unincorporated joint venture to develop PELA 644. The term of this option is 6 months.

Leigh Creek Energy – helping South Australia Grow

For further information, contact:

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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 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.

Resource Compliance Statement

The information in this announcement that relates to the 2C Contingent Syngas Resource was detailed in an announcement lodged with ASX on 8 January 2016 and is available to view at www.lcke.com.au. The Company confirms that it is not aware of any new information or data that materially affects the information included in that announcement and that all material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed. All estimates are based on the deterministic method for estimation of petroleum resources.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

LEIGH CREEK ENERGY LIMITED

ABN

31 107 531 822

Quarter ended ("current quarter")

December 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation	(3,032)	(10,929)
(b) development		
(c) production		
(d) staff costs	(589)	(1,199)
(e) administration and corporate costs	(630)	(1,611)
1.3 Dividends received (see note 3)		
1.4 Interest received	44	92
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Research and development refunds	5,010	5,010
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	803	(8,637)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(20)	(184)
(b) tenements (see item 10)		
(c) investments		
(d) other non-current assets		

Mining exploration entity and oil and gas exploration entity quarterly report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment		
	(b) tenements (see item 10)		
	(c) investments		
	(d) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	Net cash from / (used in) investing activities	(20)	(184)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	1,276	4,292
3.2	Proceeds from issue of convertible notes		
3.3	Proceeds from exercise of share options		
3.4	Transaction costs related to issues of shares, convertible notes or options	(73)	(191)
3.5	Proceeds from borrowings	(6,110)	(230)
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings	53	(109)
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	(4,854)	3,762

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	8,336	9,324
4.2	Net cash from / (used in) operating activities (item 1.9 above)	803	(8,637)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(20)	(184)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(4,854)	3,762
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	4,265	4,265

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	1,808	913
5.2 Call deposits	1,775	6,741
5.3 Bank overdrafts		
5.4 Other (Term deposits)	682	682
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	4,265	8,336

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter
\$A'000**

340

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter
\$A'000**

31

Piper Alderman lawyers were paid for legal services rendered to the Group. Non-Executive Director Greg English is a partner at Piper Alderman lawyers.

Investment Company Services Pty Ltd were paid for investor relations advisory services rendered to the Group. Mr Boyd Peters, Managing Director of this company, is a related party of Mr Justyn Peters, Executive Chairman.

Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	3,600	3,600
8.2 Credit standby arrangements		
8.3 Other (please specify)		
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

R&D working capital facility with Commonwealth Bank of Australia. Facility limit decreased to \$3.6m from mid-October 2018. The term of the facility remains unchanged and is available until December 2019.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	2,923
9.2 Development	
9.3 Production	
9.4 Staff costs	1,176
9.5 Administration and corporate costs	480
9.6 Other (Interest Expense)	45
9.7 Total estimated cash outflows	4,624

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced				
10.2 Interests in mining tenements and petroleum tenements acquired or increased				

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Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:



Company secretary

Date: 31 January 2019

Print name:

Jordan Mehrtens

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.