

19 August 2019: ASX ANNOUNCEMENT (ASX: LCK)



Boardroom.Media Interview

Leigh Creek Energy Limited (ASX: LCK) ("LCK" or "Company") is pleased to provide information regarding an interview featuring Justyn Peters, Executive Chairman of Leigh Creek Energy Limited (LCK) with Boardroom.Media.

Topics covered included:

1. LCK's recently-announced Heads of Agreement ("HoA") with China New Energy Ltd;
2. Next steps to progressing the HoA;
3. The Company's Hydrogen ambitions and the Chinese market;
4. LCK continue pursuing Australian-based operations as normal; and
5. Gas offtake agreements and commercial pathway updates.

The full interview can be found at:

<https://bit.ly/2N6xD3p>

Background

LCK recently announced (see ASX announcement 13 August 2019) that the Company has signed a HoA to commence ISG operations in China with a focus on Hydrogen and fertiliser production.

About Boardroom.Media

Boardroom.Media is a leading digital multimedia production company specialising in quality audio and video production and webcasting services for listed companies, asset managers and professional services firms.

Transcript

Boardroom Media interview with Justyn Peters – released to ASX Monday, August 19, 2019

INTERVIEWER: Good afternoon and welcome to Boardroom Media. Today we're joined by Justyn Peters, Executive Chairman of Leigh Creek Energy Ltd. Thanks for joining us today Justyn. Welcome back.

JP: Thanks Bill. Good to talk to you again.

INTERVIEWER: Justyn, What does this Heads of Agreement contract with China New Energy mean for Leigh Creek Energy?

JP: It's a pretty exciting agreement that we've been working through with China New Energy for the last six months, and we've been working on an entry into China. We had to decide what was the best way to enter into China and through our partner, it became very obvious that this was the best way for us to do it. But it meant more importantly that not only do we have an entry into China, but we can start to generate revenue fairly soon and reasonably quickly through two levels. One of those is by providing consultancies to other coal companies within China and also providing services to them and examining their coal tenements and their coal seams to see whether its suitable for gasification.

INTERVIEWER: And Justyn, who is China New Energy, and what do that do?

JP: China New Energy is a privately-owned company. The directors of that company are also directors of another listed company in China and what we'd traditionally call their related parties. But China New Energy has been our largest shareholder for some two years. They initially invested \$20 million into the company for us to get the PCD under operation and to get it completed. And they've been with us, as I said for the two-year period. They own a very large steel mill in China. Two million tonne of steel each year and they have interest in coal tenements up there. And we're pretty fortunate to say that we have two of the directors down here in Adelaide next week to further talks on the HoA and how we can bring it to fruition really quickly.

INTERVIEWER: And Justyn, from a shareholders' perspective, how will Leigh Creek benefit financially from the Heads of Agreement?

JP: The benefits are unlimited. But in the short term we're looking at forming a Joint Venture company with China New Energy. The exact structure of that Joint Venture company has to be worked through over the next few weeks with the idea of commencing a UCG project in China on one of their tenements. But also to work closely with some of the other companies in China that own coal. We've already been approached by them to actually evaluate their coal and in some instances we've actually already done the evaluation and stated the work with them.

INTERVIEWER: Is this a binding agreement? And how does your Heads of Agreement differ from your previous agreements for collaboration?

JP: It is a binding agreement. There's often a lot of scepticism or memorandums of understandings with Chinese companies because in the past it's been reasonably easy to sign one. But this one took some time because we were really serious about getting it right. And the fundamental difference between this Heads of Agreement and other Heads of Agreement that have been signed with the Chinese state-owned enterprises is that the previous ones we'd signed were to bring Chinese companies and Chinese capital into Australia to develop the project at Leigh Creek. This one is the exact reverse of that. This was a Heads of Agreement that was to take us up into China and for us to enter into China with them. You can't do it without a strong partner and you can't do it without a strong partner in those areas. Particularly in Shandong and Shanxi province, where a lot of their coal is. So the primary difference was the fact that we were to go up there with them, as apposed to bringing the companies down here. The other difference was that this has a serious focus on hydrogen. And the reason it has a serious focus on hydrogen is that the Chinese are taking hydrogen as a clean fuel and are really putting a lot of money, research and investment into it. The hydrogen market in Australia is quite small, where as the hydrogen market in China is going to be huge. If you have a look at some of the numbers at the moment, currently the market for hydrogen in China is worth \$44 billion, by 2025 that market is going to be worth \$150 billion US. So we were very fortunate in that during the PCD trial we did at Leigh Creek we were able to produce hydrogen at levels at between 33 and 45 per cent at different times. And that's what sparked the interest from our Chinese partners was they could see a natural synergy between us producing hydrogen and the growing hydrogen market in China, and could see that there was great potential for this. And in fact, only recently we've just been contacted by the National Reform Development Commission to participate with them in emerging new energy companies in China for a report they are doing for the government and that's a direct result of the PCD's success, but also working with CNE on this particular project.

INTERVIEWER: Well done Justyn. When can we expect ISG operations to begin in China?

JP: We're hoping to have the Joint Venture document and agreement sorted out in the next couple of months. We've already done an assessment on one location to start ISG in China. We're hoping to actually get operations on the ground early-to-mid next year.

INTERVIEWER: And can you explain CNE's focus on hydrogen?

JP: CNE has an association with two companies in China now that's just invested quite heavily. One of them has just put \$1.5 billion into a project for hydrogen-to-vehicles, into fuel cells. And we're going to be working closely with them in the path they're setting up for hydrogen. They see it as a clean fuel. They see it as an alternative to actually importing oil for some of their vehicles. Most importantly they see it as a method of actually replacing diesel and oil for their public transport systems and also for their heavy industry. So their's a real opportunity for us to work with them in the hydrogen market.

INTERVIEWER: Finally Justyn, what does this mean for Leigh Creek's Australian-based ISG operations, and looking forward over the next six-to-12 months, what can we look forward to?

JP: It's a good question. Often people think that when you start a new project up that you're going to neglect of not put the real attention into the one that's the main project or your flagship project such as ours at Leigh Creek. That's not the case. It's business as usual there. We've already put our paperwork in and already gone through a consultation period for the next step at Leigh Creek with the South Australian Government. That public consultation period has finished and we'll be moving forward on our next phase there. We've already commenced the Environmental Impact Report process that we'll have to go through for commercial approvals and we've sat down with the South Australian Government recently and only recently announced that we've agreed on a pathway forward for commercial approvals. So we're working through that as well. We're still working on a gas sales agreement with some of our companies here in Australia. But to be frank, they're going slowly for a couple of reasons. But one of those reasons is that for anyone who wants to purchase as large amount of gas off us over the next five-to-10 years, their current concern is the Australian Government's position on gas reserves and setting a gas price as a baseline price. And until they know the exact nature of what's being proposed from a reserve point-of-view and the exact nature of how that pricing structure would work, no one is going to sit down right now and sign a 10-year contract for gas until that's clarified. But we're working with them, we've been working with their lawyers on it and (we're) still moving forward. We just need clarity from the Federal Government on that particular point. We're also working with - we call them 'the four Cs' - one of the state-owned enterprises, and Shanghai Electric as well on the project and their role in it within South Australia. But once again, it's always a slow-moving process. And particularly with the moment with some of the things that are going on in China and Hong Kong, the South China South, makes it a bit of a challenge when Chinese companies, particularly state-owned Chinese companies, are looking at investing in Australia. So, only last week I was in China. I met with our partners up there. We were literally working through the investment proposal with them into us so we wouldn't have to raise capital in the future. That was a fairly lengthy document we were working through with their lawyers. That's been done and that's now going through their processes internally, and both internally within the company and with the government. But once again, as I said, it's a slow process because of external things at the moment. So, your initial question was - what's going on in Australia and what's going on with our current project? It's business as usual. We're not being diverted, we're not being distracted. This is really an important project for us. And it's important that we continue with this so that the Chinese have confidence as well that those processes work back in China.

INTERVIEWER: What an interesting time for Leigh Creek Energy. Thank you very much for sharing that information with us today Justyn, and we look forward hearing from you in the next month or so.

JP: Great, thanks for the Bill. And I look forward to updating you in the near future on a whole range of things we're working on.

INTERVIEWER: Today we've been speaking with Justyn Peters, Executive Chairman of Leigh Creek Energy Ltd.

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