

31 October 2019

ASX ANNOUNCEMENT (ASX:LCK)

Quarterly Report

3 months to 30 September 2019

Highlights

- ✓ **LCK to use disruptive fertiliser production costs and technology**
- ✓ **Recognition of LCK 2P reserves**
- ✓ **Heads of Agreement to commence ISG operations in China**
- ✓ **PCD Compliance confirmed**
- ✓ **Community sentiment positive towards the project**

Leigh Creek Energy Limited (“LCK” or “the Company”) is pleased to provide an update on the development of the Leigh Creek Energy Project (LCEP) in South Australia for the three months to 30 September 2019.

[LCK low cost, disruptive technology in fertiliser production](#)

LCK announced on 16 September 2019 that its thyssenkrupp Concept Study on ISG to fertiliser determined that the technology and process to use In-Situ Gasification (ISG) at the LCEP to produce urea fertiliser is disruptive, due to LCK’s very low operating and associated cost structures. As a result of this announcement we have been approached by several large international companies in the nitrogen based fertiliser market to discuss the possibility of working together on the LCEP.

LCK continues to move forward on the basis that it can provide both pipeline quality natural gas and/or fertiliser product to the market.

[Australian and Chinese Government recognise significance of LCK 2P Reserve which validates LCEP](#)

LCK announced on 29 August 2019 that LCK’s 2P reserve has been recognised by the Australian Competition and Consumer Commission (ACCC) and the National Reform and Development Commission (NRDC), through its China Economic and Trade Herald, a central agency of China’s national government, providing additional validation of the LCEP’s technology and commercial merit.

LCK welcomed the opportunity to provide a submission to the ACCC inquiry of, and demand for, gas supply and gas transportation services, and measures to improve the transparency of gas supply arrangements in Australia. The submission focussed on the potential use of LCK’s 1,153PJ 2P reserve which is the largest uncontracted Gas Reserve in Eastern Australia (see ASX announcement on 27 March 2019).

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Through the China Economic and Trade Herald, China has recognised ISG as a National Strategic Emerging Industry for China and has asked LCK to assist it with various aspects of developing the Hydrogen economy in China, which is well advanced.

Heads of Agreement to commence ISG operations in China

On 13 August 2019 LCK announced it had signed a binding Heads of Agreement (HoA) with LCK's major investor, China New Energy Limited (CNE).

CNE is planning to become a major player in the Hydrogen Economy in China. The HoA maps out the process to develop a Joint Venture Agreement (JVA) to produce hydrogen and fertiliser in the northern China province of Shanxi.



CNE fertiliser plant

While the JVA is likely to bring early revenue to LCK in the form of consultancy fees, profit share and/or a royalty payment, this initiative does not distract from LCK's major project or focus, which is the LCEP. Therefore, LCK's negotiations with CNE should be considered complimentary to LCK's major operations at Leigh Creek.

The HoA announcement also outlined LCK's invitation to join the Shanghai International Energy Exchange Co., Ltd (INE). INE is an international exchange operating the listing, clearing and delivery of energy derivatives.

Progress on securing a cornerstone partner for Leigh Creek.

We are pleased to be able to report that we are making significant progress on securing a strategic and cornerstone partner for our LCEP. We have held several meetings and have meetings in the coming weeks with potential partners to secure capital for the project, engineering of the plant and their operational expertise. Selecting the right partner with all these capabilities is significant and we are progressing very well on these discussions.

State Government Regulator conclusions

On 2 August 2019 LCK announced that it has substantially concluded its Pre-Commercial Demonstration stage (PCD) data review with the South Australian Government Regulator.

This confirmed that:

1. The PCD was operated in accordance with the approved Environmental Impact Report (EIR) and Statement of Environmental Objectives (SEO) without any environmental or safety incidents;
2. PCD Shutdown process to continue to be monitored as required by the EIR and SEO and for LCK to provide a full Closure Report once monitoring was complete; and
3. The Regulator and LCK had agreed a process for the commercial phases of the LCEP.



LCEP PCD

Community Survey

LCK has been engaged with the Leigh Creek, Copley and surrounding communities in the Far North region of South Australia since it began preliminary operations for the LCEP in 2014. Following the completion of its successful PCD, LCK commissioned an independent survey through an Adelaide-based market research group Square Holes.

The survey captured and documented the views and opinions of local community members associated with the LCEP at Leigh Creek, Copley and the surrounding region, including Lyndhurst, Beltana, Nepabunna and Iga Warta.

The information captured will better form a solid statistical base of community sentiment and offer opportunities to review and bolster LCK's community engagement action plan, further building strong and long-term relationships with the local region.

Survey Objectives

The specific objectives of the survey were to:

1. Gauge project awareness and understanding;

2. Understand sentiment toward the project;
3. Gain an understanding of perceptions of the project; and
4. Evaluate performance of Leigh Creek Energy's engagement activities.

Key Findings

The key findings were resoundingly positive:

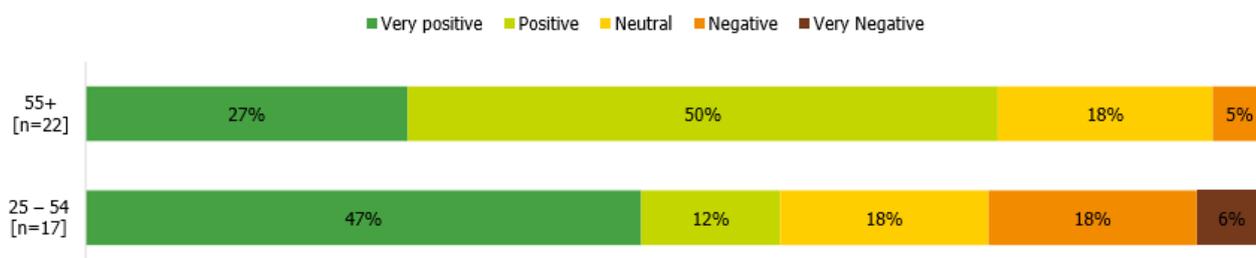
1. The LCEP is well known in the area;
2. General sentiment toward the project is positive;
3. Expected by-products of the project include jobs and improved local economy; and
4. Community meetings to share updates and information would be appreciated.

LCK will continue to invest in its regular community engagement strategy so that the feedback from the Survey is continually being improved.

Square Holes' executive summary of the survey is:

"...They have hope that the project will bring renewed prosperity to the area and are optimistic that new jobs, services and amenities will be available to them as a by-product of the Leigh Creek Energy project."

Sentiment toward project (after information provided)



The graph above shows 77% of respondents aged 55+ and 59% of 25-54-year-old respondents either having a positive or very positive sentiment towards the LCEP.

Finance

As of 30 September 2019, the Company's total cash balance was AUD\$3.8 million.

LCK announced on 1 August 2019 it has completed a non-brokered placement of 14.32 million shares to raise approximately AUD\$3.2m (before costs) to sophisticated and professional investors.

In order to reduce requirements for future capital raises, LCK is looking at complimentary upstream oil and gas assets for entry as a non-operated Joint Venture partner. LCK is currently looking at several opportunities in Onshore Australia that, if successful, will generate cash flow in next 2-3 years.

A summary of the actual cash flows for the quarter and forecast cash receipts from financing activities for the September 2019 quarter are attached in the Appendix 5B.

Tenements

As of 30 September 2019, LCK holds 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; and
- 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.

Typical with any resource development program, the Government requires the relinquishment of acreage outside of the intended development area. As part of its licence commitments LCK is currently reviewing areas of no interest inside PEL 650 to relinquish later in 2019. LCK has exceeded its work and expenditure program requirement and any relinquishment required by the Regulator will not be material and impact on the LCEP. There are large areas within PEL 650 that do not have resources of interest and the relinquishment of this part property will not reduce or impact on LCK's intended operations or confirmed 2P reserves.

Managing Director's Commentary

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

"The significance of the Company's recent announcement related to urea production cannot be overstated, and flowing from the successful PCD and 2P certification, the LCEP continues to receive international recognition."

"The Board is very happy with the steady progress that is being made with the LCEP, particularly with the high level of international third-party recognition of the project technology and commercial potential. We were particularly pleased to have third party expert validation of our extremely low cost base."

"The analysis of the commercial opportunity for the supply of pipeline quality gas continues alongside the fertiliser business case. Both product options can be operated concurrently."

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About Leigh Creek Energy

Leigh Creek Energy Limited is an emerging energy company focused on developing its Leigh Creek Energy Project (LCEP), located in South Australia. The LCEP will produce pipeline quality gas and/or nitrogen fertiliser products from the remnant coal resources at Leigh Creek, utilising In Situ Gasification 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

We are not aware of any new information or data that materially affects the information included in the relevant market announcement dated 27 March 2019 and that all the material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed.

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")

September 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation	(803)	(803)
(b) development		
(c) production		
(d) staff costs	(699)	(699)
(e) administration and corporate costs	(861)	(861)
1.3 Dividends received (see note 3)		
1.4 Interest received	9	9
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Research and development refunds		
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(2,354)	(2,354)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	8	8
(b) tenements (see item 10)		
(c) investments		
(d) other non-current assets		

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Mining exploration entity and oil and gas exploration entity quarterly report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 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	8	8

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	3,223	3223
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	(222)	(222)
3.5	Proceeds from borrowings	104	104
3.6	Repayment of borrowings	(21)	(21)
3.7	Transaction costs related to loans and borrowings	(58)	(58)
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	3,026	3,026

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,057	3,057
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,354)	(2,354)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	8	8
4.4	Net cash from / (used in) financing activities (item 3.10 above)	3,026	3,026
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	3,737	3,737

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	288	324
5.2 Call deposits	2,182	1,981
5.3 Bank overdrafts		
5.4 Other (Term deposits)	1,267	752
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,737	3,057

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**

329

Item 6.1 includes Directors fees

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**

36

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	4,000	3,870
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. 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	1,038
9.2 Development	
9.3 Production	
9.4 Staff costs	450
9.5 Administration and corporate costs	747
9.6 Other (Interest Expense)	
9.7 Total estimated cash outflows	2,235

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 October 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.