

30 April 2020

ASX ANNOUNCEMENT (ASX:LCK)



## Third Quarter 2020 Report

- ✓ **Progress continues despite Covid-19**
- ✓ **China joint venture confirmed with major shareholder**
- ✓ **LCK retains capital market support**

Leigh Creek Energy Limited (“LCK” or “the Company”) provides this operations update for the three months to 31 March 2020.

### COVID-19 Response

Board and Management have been reviewing the impact of the COVID-19 pandemic on the financial and other resources of the company. This continues to be the case and we expect to return to work as soon as it is practicable to do so. The health and safety of our employees remain our major concern.

To preserve cash and maintain a strong financial position all expenditure has been thoroughly reviewed and restricted. The single largest area of these savings is an initiative whereby employees, including the Executive Directors, have accepted a reduction to their salary by up to 50% and non-executive directors have elected to forgo their director fees, for up to 6 months from 1 April 2020. Foregone salary and fees are to be paid in equity in a timely and appropriate manner.

LCK is also actively monitoring Federal and State Government COVID-19 financial incentive measures and will seek to take up these incentives where possible.

### SEO Exploration Drilling

LCK’s Statement of Environmental Objectives (SEO) for Exploration Drilling Operations for Petroleum Exploration License 650 was approved. This program will enable LCK to proceed with activity notifications for drilling the monitoring wells, production water wells, investigation wells and as well to validate seismic data acquisition and support the final design of its underground gasifiers. This is critical for building the baseline data and support information for the final Environmental Impact Statement submission for upstream commercial operations.

**Leigh Creek Energy Limited**  
PO Box 12  
Rundle Mall  
Adelaide SA 5000

**T:** +61 (0)8 8132 9100  
**F:** +61 (0)8 8231 7574  
**W:** [www.lcke.com.au](http://www.lcke.com.au)  
**ACN:** 107 531 822

## LCK/China New Energy Joint Venture

Despite the Covid-19 induced slow down and subsequent to the end of quarter, LCK and China New Energy Group Limited (CNE) have agreed a binding Term Sheet outlining the terms and conditions of a Joint Venture Agreement (Agreement) for In-Situ Gasification (ISG) operations in China. The Agreement reflects the successful outcomes achieved by LCK for the Pre-Commercial Demonstration stage of the Leigh Creek Energy Project (LCEP) and outlines a 65/35 participating interest of the parties, their financial relationship, and provides LCK with access to revenue without further capital funding.

## Cooper and Eromanga Basins Farm-In Agreement

LCK concluded a 20% Farm-in Agreement with Bridgeport Energy (Qld) Pty Limited for Authority To Prospect (ATP) 2023 and ATP 2024, both in south-west Queensland. The permits cover 434km<sup>2</sup> and 421km<sup>2</sup> respectively and provide opportunities for multiple conventional oil and gas plays. This agreement forms part of LCK's long term risk management strategy.

## Carbon Neutral 2030 Strategy

Within the scope of its ESG framework LCK recognises the importance of managing emissions and adopts a structured approach to guide its efforts to become carbon neutral by 2030. Producing urea as a significant product stream will utilise CO<sub>2</sub> in its production.

## Finance

**Capital Raising:** LCK completed a non-brokered private placement of 17.53 million ordinary shares to raise AUD\$1.6 million (before costs) at a price of \$0.091 per ordinary share. Unlisted options of 5,494,505 (exercise price of \$0.1365 per option) and 5,494,505 (exercise price of \$0.182 per option) were also issued, with an expiry date of 16 March 2023.

As of 31 March 2020, the Company's total cash balance was AUD\$3.842 million.

A summary of quarterly cash flows and forecast cash receipts from financing activities for the March 2020 quarter is at **Appendix 5B**.

## Tenements

As of 31 March 2020, LCK holds a 100% interest in the licences listed below (all in South Australia), through LCK's wholly owned subsidiary Leigh Creek Oil and gas Pty Ltd ("LCOG"):

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

LCK also has the following licence applications (all in South Australia) in progress:

- Petroleum Exploration Licence Application 582;
- Petroleum Exploration Licence Application 643;
- Petroleum Exploration Licence Application 644;
- Petroleum Exploration Licence Application 647;
- Petroleum Exploration Licence Application 649;
- Petroleum Exploration Licence Application 675; and
- Petroleum Exploration Licence Application 676.

## Managing Director's Commentary

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

*"Major progress was achieved for LCK in Q3 in spite of unprecedented headwinds. We continue to develop the upstream commercial activities of the Leigh Creek Energy Project and of LCK more broadly to maximise shareholder return and minimise risk."*

**For further information, contact:**

Tony Lawry | Corporate and Investor Relations

T: +61 (0) 412 467 160 | E: [tony.lawry@lcke.com.au](mailto:tony.lawry@lcke.com.au)

For personal use only

## About Leigh Creek Energy

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

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

For information on the ISG process [CLICK](#)

For personal use only

## Appendix 5B

### Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

LEIGH CREEK ENERGY LIMITED

ABN

31 107 531 822

Quarter ended ("current quarter")

March 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date ( 9 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation (if expensed)		
(b) development		
(c) production		
(d) staff costs	(720)	(2,311)
(e) administration and corporate costs	(638)	(2,516)
1.3 Dividends received (see note 3)		
1.4 Interest received	5	23
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Government grants and tax incentives		6,387
1.8 Other (provide details if material)		
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,353)</b>	<b>1,583</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities		
(b) tenements		
(c) property, plant and equipment	(59)	(46)
(d) exploration & evaluation (if capitalised)	(511)	(1,712)
(e) investments		
(f) other non-current assets		

## Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date ( 9 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities		
	(b) tenements		
	(c) property, plant and equipment		
	(d) investments		
	(e) 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)		
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(570)</b>	<b>(1,758)</b>
<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	1,677	4,900
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(100)	(304)
3.5	Proceeds from borrowings	360	469
3.6	Repayment of borrowings	(31)	(3,966)
3.7	Transaction costs related to loans and borrowings	(21)	(139)
3.8	Dividends paid		
3.9	Other (provide details if material)		
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>1,885</b>	<b>960</b>
<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	3,880	3,057
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,353)	1,583
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(570)	(1,758)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,885	960

## Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date ( 9 months) \$A'000
4.5	Effect of movement in exchange rates on cash held		
4.6	<b>Cash and cash equivalents at end of period</b>	<b>3,842</b>	<b>3,842</b>

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	1,512	307
5.2	Call deposits	1,517	2,806
5.3	Bank overdrafts		
5.4	Other (Term deposits)	813	767
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>3,842</b>	<b>3,880</b>

**6. Payments to related parties of the entity and their associates**

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter  
\$A'000**

376

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

**Explanation:**

Executive and Non-Executive Directors fees.

Piper Alderman lawyers were paid for legal services rendered to the Group. Non-Executive Director Mr 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.

For personal use only

## Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7. <b>Financing facilities</b> <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1 Loan facilities	1,500	360
7.2 Credit standby arrangements		
7.3 Other (please specify)		
7.4 <b>Total financing facilities</b>	1,500	360

7.5 **Unused financing facilities available at quarter end** 1,140

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

R&D working capital facility with Commonwealth Bank of Australia. The facility remains available until December 2020.

8. <b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (Item 1.9)	(1,353)
8.2 Capitalised exploration & evaluation (Item 2.1(d))	(511)
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(1,869)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	3,842
8.5 Unused finance facilities available at quarter end (Item 7.5)	1,140
8.6 Total available funding (Item 8.4 + Item 8.5)	4,982
8.7 <b>Estimated quarters of funding available (Item 8.6 divided by Item 8.3)</b>	2.617

8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/A

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

**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.

Date: 30 / 04 / 2020

Authorised by: ..By the Board.....  
(Name of body or officer authorising release – see note 4)

**Notes**

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.