



Chairman's Address

2020 Annual General Meeting

It is with great pleasure that I take this opportunity to update you and inform you of our achievements over the last year and the steps we are taking at Leigh Creek Energy Limited (Company or LCK) in the coming year.

Leigh Creek Energy has used the past year to reposition the Company and set it up for a great future, both as a leader in ISG technology at our flagship Leigh Creek Energy Project (LCEP) and also by diversifying into traditional oil and gas plays in the Cooper Basin.

Despite tough business conditions for all this year, when we grappled with the uncertainties and disruptions to the world markets due to COVID-19 our Company has made significant strides forward, setting the scene for an outstanding 2021.

Our flagship LCEP moves closer to commercialisation and the obtaining of Petroleum Retention Licence 247 and the recently announced Pre-Feasibility Study (PFS) are fundamental steps for us to move to commercial production at Leigh Creek. Obtaining the requisite licences to be able to progress the LCEP to the commercial phase is extremely important as it gives LCK certainty of tenure and gives our strategic partners and investors the confidence that we now have the licences needed to produce gas. Despite COVID-19 the LCK team progressed the project and cleared some significant regulatory hurdles through dedicated persistence and the ongoing support of the South Australian Government.

LCK recently announced the results of the LCEP PFS which confirmed the positive project economics for the development of a urea production facility supported by syngas feedstock.

The release of the LCEP PFS reflects and supports the chosen pathway to commercialise the 1,153PJ of in situ gas 2P reserves at the LCEP. The construction of a 1Mtpa urea processing facility provides the most value-accretive pathway for the development of the project. Urea at an average nominal production cost of \$109/tonne places the LCEP in the lowest cost quartile of the global urea cost curve. The Pre-tax leveraged Net Present Value (NPV) is A\$3.4 billion and the Internal Rate of Return (IRR) is 30%.

The ability for urea produced from the LCEP to displace imported urea fertiliser will provide the Australian agricultural sector with locally sourced urea in a cost-effective and more timely manner and will help improve national food security and I encourage people to read the PFS announcement and presentation for more detail (refer ASX release 2 November 2020).

Australia is a small player in the global fertiliser market, with a nitrogen fertiliser demand of just under 2Mtpa, the bulk of which is sourced from imports. The Gulf states (Saudi Arabia, Qatar and Oman collectively) provide almost 60% of Australia's import supply. A further 25% is provided from within the Asian region (Malaysia

and China). The lack of domestic and even broader regional production of urea presents an attractive strategic opportunity for the LCEP to produce urea. The two main benefits of domestic Australian production are the ability to produce urea below import price parity; and to improve security of supply of a key ingredient needed in the Australian agricultural sector.

As a Company we also made an important decision during the year that given the uncertainties in the financial markets and the impact of COVID-19 that the LCK directors, management and staff would take temporary pay cuts. Directors would instead of being paid a monthly fee take that fee in options. I am very proud of the support of both the directors and staff on this decision, as this along with the capital raise and the successful Share Purchase Plan has ensured the Company is in a strong financial position.

We took the strategic position to diversify our business from only being an ISG producer and did so for two reasons. The first was that by doing so, the Company would have the potential to be producing revenue earlier. The second was that it was simply prudent from a risk mitigation point of view to have more than one project. However, we also recognised that this diversification had to be both low cost, and most importantly non distracting to our core business.

During the year, we established Leigh Creek Oil & Gas (LCOG). Through this vehicle we have entered into a Joint Venture with Bridgeport (who is the operator) to develop a traditional oil and gas project in the Cooper Basin. Additionally, LCK was granted new greenfield tenements within our LCOG. With more activity planned in the coming year the Company is well under way to execute the diversification strategy and begin to develop near term revenue streams through these complimentary projects to our flagship LCEP.

The hydrogen (H₂) market in Australia will become important and has significant future potential but is currently immature with no commercial users currently identified. However, LCK successfully produced significant quantities of H₂ at the LCEP. The LCEP has the proven potential to produce over 200 million kg of hydrogen per year at less than \$1/kg, which compares favourably to the Federal Government's aspirational production target for H₂ of \$2/kg.

In 2021 and 2022 LCK will be focussed on moving towards production. Following the PFS, the LCEP plans to advance to a Bankable Feasibility Study that will define and progress the critical path activities including funding, urea production technology selection, offtake and site activity preparation.

Now that the downstream stage PFS is complete LCK will commence the downstream stage feasibility study in early 2021, and, in parallel, progress the upstream field development plan. We will also be conducting 3D seismic surveys to determine the most prospective coal seams in which to drill further ISG wells and the gathering of all the data required for an EIS submission for operation in the second half of 2021. Upon the completion of the seam identification process, the Company intends to drill up to five additional gasification wells that will supply a 5MW power station.

LCK has achieved a lot over the last 2 years. We have successfully completed the demonstration facility. We have formed our non-operating Joint Venture with Bridgeport in the Cooper Basin. We have been awarded additional tenements in the Cooper Basin, and we have recently completed the PFS.

Our next milestones are getting our Production Licence, an offtake agreement for urea, and securing funding for the project. These are the last boxes that need to be ticked for LCK to move to commercial production and we look forward to updating the market as each of these milestones are reached.

Finally, I would like to thank all of the LCK employees, management, the Board, our shareholders, and contractors of LCK who continue to work tirelessly in pursuit of our project's success and whom without their dedication and hard work and support our Company could not succeed. So again, I say thank you to each of you for your ongoing commitment to our Company.

The Executive Chairman of Leigh Creek Energy authorised this announcement to be given to ASX.

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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 nitrogen-based fertiliser and/or hydrogen products 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](#)

Resource Compliance Statement

The information in this announcement that relates to the 2P Syngas Reserve was detailed in an announcement lodged with ASX on 27 March 2019 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.