


Thursday, 17 December 2020: ASX ANNOUNCEMENT



## LCK's First Overseas Joint Venture Agreement Executed

Leigh Creek Energy Limited (LCK or the Company) announces that it has executed its first overseas Joint Venture Agreement (JVA) with China New Energy Group Limited (CNE).

### Highlights

- LCK has entered into its first JVA under which it will provide *In-Situ Gasification* (ISG) project management and consultancy services to CNE
- The JVA is focussed on ISG operations in China and formalises LCK's relationship with CNE
- CNE brings funding, access to coal and knowledge and familiarity with the Chinese regulatory system which will accelerate the commercialisation of ISG in China
- LCK will supply knowledge and operational experience of ISG technology and commercialisation processes as demonstrated by the successful operation of its pre-commercial demonstration facility in South Australia

### LCK Managing Director, Phil Staveley commented:

*"The joint venture with CNE provides a pathway for LCK to generate a revenue stream while the Company focusses on the development of our key Leigh Creek Energy Project (LCEP). Our proven ISG operations have several environmental, safety and economic advantages. CNE sees several opportunities to work with us to maximise the return from its own and third parties' mining assets by using ISG to convert its coal into gas for the production of hydrogen, power, pipeline quality gas or ammonia based fertilisers."*

### Context of JVA

CNE has large commercial interests in significant underground coal resources in northern China's Shanxi Province. The purpose of the JVA is for LCK to provide technical knowledge to assist CNE in developing these interests as well as third party coal interests in China as ISG projects.

LCK's knowledge and operational expertise has been gained while developing the Leigh Creek Energy Project (LCEP), including successfully commissioning and operating the Pre-Commercial Demonstration (PCD) facility in 2018 and 2019 and the recently awarded Petroleum Production Licence (PPL).

## Joint Venture Agreement structure

The JVA outlines the relationship of the parties and provides LCK with access to revenue without requiring any further capital funding from the Company. The JVA guides the operations of the partnership across multiple ISG projects in mainland China.

LCK's responsibilities and remuneration for each stage of JVA ISG projects are as below:

### 1. Initial Review

- Site suitability assessment and investigation
- Reporting of findings
- *Remuneration: Consulting fees*

### 2. Evaluation Phase

- Evaluation work program
- Project budgeting and scheduling
- Design of environmental baseline monitoring
- Planning seismic acquisition and/or exploration drilling
- Reporting of findings
- *Remuneration: Consulting fees*

### 3. Demonstration Phase

- Design and Engineering
- Work under and if required assist in development of ISG regulatory framework
- Drilling management
- Provision of ex LCK PCD or assist CNE to construct a plant
- Provision of operators and operator training
- Initiation and operation of the plant
- Provision of data to enable a reserves estimate to be completed
- Decommissioning advisory services
- *Remuneration: Consulting fees*

### 4. Reserves Upgrade

- Demonstration Phase results in the booking of 2P Reserves
- *Remuneration options:*
  - *A success fee and if syngas is produced in the future a royalty; or*
  - *A success fee and participating interest in the producing asset*

## Next Steps

LCK will commence evaluation of potential ISG sites in collaboration with CNE.

LCK's major focus is to progress with the commercial stages of its namesake LCEP - the construction and operation of an initial 1 million tonne per annum urea fertiliser plant at Leigh Creek whilst developing opportunities overseas.

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](#)

## About China New Energy

China New Energy Group Limited (CNE) is a Hong Kong domiciled company with large asset holdings in China. It jointly owns with Shanxi Meijin Energy Group Limited:

- Steel Mills producing 2Mt of steel each year;
- Three Gas Fired Powers Stations;
- Four Coking Coal and PCI Mines; and
- Urea production facilities.

The total asset value of the Company is 31.7B RMB (AUD\$7.4B).

CNE has been established to partner with overseas companies with demonstrated growth prospects, strong project and commercial management expertise, and having commercial opportunities that align with its strategic investment objectives.