

21 April 2021, ASX ANNOUNCEMENT (ASX:LCK)

Quarterly Report - March 2021

Leigh Creek Energy Limited (“LCK” or “the Company”) provides this operations update for the three months to 31 March 2021.

Highlights

- Institutional placement for up to \$18 million
 - Allows for accelerated commencement of Stage 1 commercial works
 - Provides ongoing financial security to LCK
- Final Investment Decision for Stage 1 of Leigh Creek Energy Project (LCEP)
 - Operational activities to commence with procurement of long lead time items
 - Subsurface and facilities engineering commenced
- Stage 1 Engineering Procurement Contract Management (EPCM) contracts awarded
 - Drilling services contract awarded to inGauge Energy Pty Ltd (inGauge)
 - Engineering and design contract awarded to Prudentia Process Consulting Pty Ltd (Prudentia)
- Commitment to zero carbon by 2030
 - LCK a signatory to the United Nations Global Compact
 - Urea production process consumes carbon
 - Plan for remaining carbon to be sequestered underground or offset
- Offtake discussions progressing
- Recruitment programme commenced for Stage 1 commercial development

LCK Managing Director Phil Staveley commented on the March 2021 quarter’s activities:

“Following the pre-feasibility study (PFS) and award of our Petroleum Production Licence (PPL) in the December 2020 quarter, we commenced the planning and execution of Stage 1 of the LCEP commercial development. This included awarding EPCM contracts, recruitment of key staff and ongoing negotiations for procurement of long lead infrastructure needed for drilling and power production.

“It’s exciting to be planning for operational work to start in the near future. Stage 1 commercial development of the LCEP, which incorporates drilling several new gasifiers and installing a small scale power plant, will move LCK closer to our primary goal of becoming Australia’s first fully integrated urea producer with an initial capacity of 1 million tonnes per annum.

“The LCEP will be the largest infrastructure project of its type in the country and stimulate the South Australian regional and state economy and underpin Australia’s agricultural supply chain security by producing nitrogen-based fertiliser and potentially hydrogen products for local and international markets.”

Progress with Commercial Development

The charts below show the Company's progress towards Stage 1 and Stage 2 of the LCEP's commercial development.

Stage 1 Commercial Development



Stage 2 Commercial Development



Final Investment Decision and Stage 1 EPCM Contracts Awarded

During the March quarter the Final Investment Decision (FID) was approved for Stage 1 of the LCEP.

Stage 1 comprises drilling further wells, generating syngas and installing a small power plant to use the gas.

Once the Stage 1 wells have been drilled, the gasifiers will be initiated and developed to produce syngas. The syngas will be fed into the small power plant and the electricity generated will be used to power electric driven compressors and the balance will be monetised. This process will avoid using diesel generators and flaring ramp up gas which will minimise CO₂ generation and reduce operating costs.

Following FID approval, the Company commenced its EPCM work program and procurement of long lead time items, such as electricity generators casing and compressors.

As part of Stage 1 work programs, drilling services have been awarded to inGauge, Australia's largest onshore drilling and completions project company. The scope of inGauge's engagement includes:

- Investigating options for well design and integrity measures based on the LCK gasifiers design
- Managing approval requirements in conjunction with LCK
- Procurement (tender scope, specifications, recommendation and assistance) of drilling contractors
- On site drill operations management

Prudentia has been awarded the engineering and design contract and will manage selection, engineering, construction and commissioning of above ground facilities. The scope of Prudentia's engagement includes:

- Technology selection, engineering and design development
- Development of project documents, specifications, and drawings for use with procurement and construction activities
- Development and tracking of project controls including schedule and budget
- Development of scope of work packages and management of procurement activities
- Construction and commissioning support

LCK has an established relationship with inGauge and Prudentia, as both companies worked on the 2018 pre-commercial demonstration project.

Institutional Placement

On 5 January, LCK announced a placement of shares to US-based institutional investor, Energy Exploration Capital Partners LLC. The funding commitment consists of three tranches, totalling up to \$18 million. These funds will enable LCK to progress investment in Stage 1 of commercial development.

The first payment of \$6 million was received in January 2021 and an initial 6.75 million placement shares were issued. The remaining phase one placement shares will be issued within 24 months and will be valued at the average of the five daily volume weighted average prices selected by the investor during the 20 consecutive trading days immediately prior to the date that the investor elects to receive the shares. As a shareholder, the investor is incentivised to support the Company's share price, however, the subscription agreement also includes strict provisions regarding the investor's ability to trade LCK shares. LCK can progress with tranches 2 and 3 of the placement at its absolute discretion.

Zero Carbon by 2030

LCK has an established plan and is committed to being carbon neutral by 2030. As well as CO₂ being consumed during the conversion from ammonia to urea phase, programs are underway for:

- Geological sequestration (storing CO₂ in depleted gasifiers)
- Biological sequestration (through offsets by land use and revegetation)
- Use of renewable energy to power operations
- Converting CO₂ into useable products

Urea Offtake Agreements

LCK is in ongoing discussions with ten major fertiliser trading companies in the domestic and export urea market and has issued Heads of Agreements (HoA) to six of them. Fertiliser companies are looking favourably at domestic production, but will rarely sole source products, generally having around three providers of each main product. LCK is well placed to become a provider to several of these companies as discussions progress.

Recruitment Programme Commenced

During the March quarter LCK recruited seven new employees to support Stage 1 commercial development and the growth of the company. Among these are the following key operations appointments:

- Jim Zhang, Chief ISG Technologist
- Ed Styles, Senior Mechanical Engineer
- Mahmoud Soliman, Senior Instrument & Electrical Engineer
- Nick Gopsill, Construction Quality Manager
- Bill Bailey, Operation Contract Manager

Finance

As of 31 March 2021, the Company's total cash balance was AUD\$7.6 million. The rise from the previous quarter's balance (\$3.27 million) is due to the \$6 million placement in January 2021, netted against operating costs.

The accompanying Appendix 5B (Quarterly Cashflow Report) includes a summary of cashflow inflows and outflows for the quarter, including amounts in item 6.1 which were executive and non-executive director fees paid as salaries and wages.

Tenements

As of 31 March 2021, LCK held interests in the licences listed below:

Leigh Creek Energy Project permits:	Ownership
PPL 269	100%
PEL 650	100%
GSEL 662	100%
PELA 582	100%
PELA 643	100%
PELA 644	100%
PELA 647	100%
PELA 649	100%
Cooper Basin gazettal permits:	
PELA 675	100%
PELA 676	100%
Bridgeport farm-in permits 1:	
ATP 2023	0% ¹
ATP 2024	0% ¹

¹ LCK has the option for a 20% participating interest at the end of the farm in obligations under its agreement with Bridgeport Energy (QLD) Pty Limited

The Board of Leigh Creek Energy Limited authorised this announcement to be provided to the ASX.

Further information:

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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.

About Leigh Creek Energy

The Leigh Creek Energy Project (LCEP) is Leigh Creek Energy's (ASX:LCK) flagship project, developing low-cost nitrogen-based fertiliser for local and export agriculture markets. Located in South Australia, 550 kilometres north of Adelaide, the LCEP will initially produce 1Mtpa (with potential to increase to 2Mtpa) of urea using LCK's 1,153PJ 2P gas reserves.

The \$2.6 billion LCEP will be one of the biggest infrastructure projects of its type in Australia, providing long term economic development and employment opportunities for the communities of the Upper Spencer Gulf region, northern Flinders Ranges and South Australia.

The LCEP will be the only fully integrated urea production facility in Australia, with all inputs for low carbon urea production on-site. Average nominal operating cost are forecast to be \$109 per tonne which is within the lowest cost quartile of the global urea production cost curve. Pre-tax leveraged Net Present Value (NPV) is A\$3.4 billion, with an Internal Rate of Return (IRR) of 30%.

LCK has a comprehensive environment, social and governance strategy. It has produced syngas within all approved environmental parameters set by the regulator and will be carbon neutral by 2030.

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 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation (if expensed)		
(b) development		
(c) production		
(d) staff costs	(717)	(2,170)
(e) administration and corporate costs	35	(1,302)
1.3 Dividends received (see note 3)		
1.4 Interest received	1	3
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Government grants and tax incentives	-	50
1.8 Other – R&D rebates received	25	493
1.9 Net cash from / (used in) operating activities	(656)	(2,901)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities		
(b) tenements		
(c) property, plant and equipment	(79)	(37)
(d) exploration & evaluation (if capitalised)	(1,246)	(2,196)
(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)		
2.6	Net cash from / (used in) investing activities	(1,325)	(2,233)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	6,000	6,000
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options	570	628
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(205)	(219)
3.5	Proceeds from borrowings	-	147
3.6	Repayment of borrowings	(47)	(568)
3.7	Transaction costs related to loans and borrowings	(3)	(69)
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	6,315	5,919

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,265	6,814
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(656)	(2,901)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,325)	(2,233)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	6,315	5,919

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	Cash and cash equivalents at end of period	7,599	7,599

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	6,077	1,743
5.2 Call deposits	1,522	1,522
5.3 Bank overdrafts		
5.4 Other (Term deposits)		
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	7,599	3,265

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
332

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.

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

7. Financing facilities

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.

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000

7.1 Loan facilities

7.2 Credit standby arrangements

7.3 Other (please specify)

7.4 **Total financing facilities**7.5 **Unused financing facilities available at quarter end**

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.

8. Estimated cash available for future operating activities**\$A'000**

8.1	Net cash from / (used in) operating activities (Item 1.9)	(656)
8.2	Capitalised exploration & evaluation (Item 2.1(d))	(1,246)
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)	(2,077)
8.4	Cash and cash equivalents at quarter end (Item 4.6)	7,599
8.5	Unused finance facilities available at quarter end (Item 7.5)	-
8.6	Total available funding (Item 8.4 + Item 8.5)	7,599
8.7	Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	3.67

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?

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?

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

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: 21 April 2021

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.