

Leigh Creek Energy Limited

INTERIM FINANCIAL REPORT

31 December 2021



CONTENTS

DIRECTORS' REPORT.....3

AUDITOR'S INDEPENDENCE DECLARATION.....5

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME6

CONSOLIDATED STATEMENT OF FINANCIAL POSITION.....7

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY.....9

CONSOLIDATED STATEMENT OF CASH FLOWS.....10

NOTES TO THE FINANCIAL STATEMENTS.....11

DIRECTORS' DECLARATION.....26

INDEPENDENT AUDITOR'S REPORT.....27

CORPORATE DIRECTORY.....29

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DIRECTORS' REPORT

Leigh Creek Energy Limited is a public company incorporated and domiciled in Australia and listed on the Australian Securities Exchange.

The directors present their report together with the financial statements of the consolidated entity, being Leigh Creek Energy Limited ("the Company" or "Leigh Creek Energy" or "LCK") and its controlled entities ("the Group") for the half-year ended 31 December 2021.

DIRECTORS

The names of the directors in office at any time during or since the end of the half-year are:

- Daniel Justyn Peters
- Phillip Staveley
- Murray Chatfield
- Zheng Xiaojiang
- Zhe Wang

REVIEW OF OPERATIONS AND FINANCIAL RESULTS

Leigh Creek Urea Project:

The Company and its Engineering, Procurement, Construction, Commissioning (EPCC) Contractor DL E&C Co. Ltd (Daelim) continued to progress their activities associated with the Leigh Creek Urea Project (LCUP). Key activities during the period include:

- The mobilisation of a full engineering team from Daelim and the commencement of employment of Australian engineers to ensure the project remains on track for a Final Investment Decision (FID) by Q4 2022
- The appointment of NexantECA, an independent third party, to conduct the Bankable Feasibility Study (BFS) for the project
- Supply of the Siemens power generators to supply power for LCUP Stage 1 operations is on track for completion in early 2022
- The continued progress by Daelim on the work activities associated with the Front-End Engineering and Design (FEED) for Stage 2 of the project
- Secured the rigs required for the LCUP by awarding the drilling contract for the LCUP Stage 1 works from Silver City Drilling, an experienced Australian provider of professional drilling services. Silver City Drilling will conduct drilling services for Stage 1, including drilling wells for gasification operations, investigation, monitoring and water supply.
- EMM Consulting Pty Ltd (EMM) appointed to assist with the downstream development approval process of the LCUP. EMM will ensure the project remains on schedule and manage the necessary documentation.
- The approval of the Company's Section 23 application under the *Aboriginal Heritage Act 1988*, complementing the previous Petroleum Production Licence (PPL) received in November 2020.
- The company announced that it had entered into a Heads of Agreement with Daelim for an offtake of a minimum of 500,000 metric tonnes of granular urea per year for a minimum of five years.

Leigh Creek Oil & Gas Activities:

Leigh Creek Oil and Gas Pty Ltd (“LCOG”) has been awarded Petroleum Exploration Licence 676 (“PEL”) in key South Australian Cooper Basin oil and gas acreage. LCOG has a diversified portfolio of assets, including oil and gas interests in the Cooper and Eromanga Basins. LCK selected the Cooper Basin as an area to invest in as it provides a low cost of entry, is relatively low risk, has potential for near-term revenue, and has a favourable and stable regulatory regime in the South Australian and Queensland governments.

Finance and Corporate:

The consolidated operating loss of the half year to 31 December 2021 was \$8,068,669 (2020: \$4,036,356). This includes share-based payments expenses of \$2,545,075 (2020: \$1,556,809). Expenditure incurred on the LCUP capitalised as Exploration expenditure was \$5,657,225 (2020: \$1,218,578).

In December 2021, the company announced it had entered into an Institutional Share Placement agreement with Energy Exploration Capital Partners, LLC (EECP). The financing agreement consists of phased payments of up to \$20,000,000 in four tranches. The initial tranche of \$7,500,000 less fees was received in December 2021. The company will determine whether to exercise the Second Investment or the Third Investment or both, at its sole discretion, with the fourth tranche requiring additional agreement with EECP.

The company maintains its commitment to be Carbon Neutral from FY22 and that the LCUP will also be Carbon Neutral once operational.

AFTER REPORTING DATE EVENTS

On 11 January 2022, the company announced a Share Purchase Plan, offering eligible shareholders an opportunity to apply to purchase shares, with the intent to raise up to \$5m.

On 17 January 2022, the company announced the signing of a Memorandum of Understanding to exclusively negotiate the potential acquisition of the Mulpun ISG Project in Chile with Antofagasta Mineral SA, subject to further due diligence, and agreement of final terms and conditions, with targeted completion by April 2022.

On 3 February 2022, the company announced that it had achieved its Carbon Neutral status, as its FY22 carbon emissions have been offset from accredited international carbon farming projects.

On 23 February 2022, the company called a General Meeting for shareholders to approve a company name change. The Directors believe that the new name, “NeuRizer Ltd”, will better reflect the company's dominant business purpose and strategy.

On 28 February 2022, the company announced that it had received a settlement notice from EECP to issue 11,627,907 shares in settlement of obligations under its existing funding arrangement.

In the Directors opinion, no other events or circumstances have arisen since the end of the reporting period that have significantly or may significantly affect the operations of the Company or the Group.

A copy of the Auditor’s Independence Declaration as required under s 307c of the Corporations Act 2001 is included below and forms part of this Director’s Report.

Signed in accordance with a resolution of the Directors.



P Staveley – Managing Director

Dated at Adelaide, South Australia this 3rd day of March 2022.



**Building a better
working world**

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Auditor's independence declaration to the directors of Leigh Creek Energy Limited

As a lead auditor for the review of the half-year financial report of Leigh Creek Energy Limited for the half-year ended 31 December 2021, I declare to the best of my knowledge and belief, there have been:

- a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review;
- b. No contraventions of any applicable code of professional conduct in relation to the review; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

This declaration is in respect of Leigh Creek Energy Limited and the entities it controlled during the financial period.

Ernst & Young

L A Carr
Partner
3 March 2022

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Consolidated Statement of Profit or Loss and Other Comprehensive Income for the half-year ended 31 December 2021

	Notes	31 December 2021 \$	31 December 2020 \$
Other income		-	50,501
Other expenses		(1,959,568)	(1,879,954)
Depreciation of property, plant, and equipment		(96,892)	(88,623)
Employee benefits expense		(4,209,616)	(2,098,912)
Operating loss		(6,266,076)	(4,016,988)
Finance income		78	1,741
Finance costs	11	(1,802,671)	(21,109)
Loss before income tax		(8,068,669)	(4,036,356)
Income tax		-	-
Loss for the year after income tax		(8,068,669)	(4,036,356)
Total other comprehensive income		-	-
Total comprehensive (loss) for the year		(8,068,669)	(4,036,356)
Earnings per share		Cents	Cents
Basic (cents per share)	9	(0.97)	(0.62)
Diluted (cents per share)	9	(0.97)	(0.62)

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position for the half-year ended 31 December 2021	Notes	31 December 2021 \$	30 June 2021 \$
Assets			
Current			
Cash and cash equivalents		8,315,620	22,812,361
Trade and other receivables		242,256	257,204
Prepayments		351,968	200,195
Other Financial Asset	11	1,195,706	-
Total Current Assets		10,105,550	23,269,760
Non-Current			
Other Financial Asset		-	565,339
Property, plant, and equipment	5	1,329,785	412,975
Exploration and evaluation expenditure	5	36,480,622	30,823,397
Other assets	10	11,681,331	-
Right-of-use Asset		43,953	111,350
Total Non-Current Assets		49,535,691	31,913,061
Total Assets		59,641,241	55,182,821
Liabilities			
Current			
Trade and other payables		1,606,538	1,233,712
Borrowings	6	93,465	97,324
Employee entitlements		697,840	559,255
Lease Liabilities		57,128	127,517
Other Financial Liabilities	11	5,619,571	1,757,143
Provision for restoration, decommissioning and make good	5	495,000	-
Total Current Liabilities		8,569,542	3,774,951
Non-Current			
Employee entitlements		127,769	105,135
Total Non-Current Liabilities		127,769	105,135
Total Liabilities		8,697,311	3,880,086
Net Assets		50,943,930	51,302,735

	Notes	31 December 2021 \$	30 June 2021 \$
Share capital	7	112,772,257	107,607,468
Share option reserve		10,805,494	8,260,419
Retained losses		(72,633,821)	(64,565,152)
Total Equity		50,943,930	51,302,735

The accompanying notes form part of these financial statements.

Consolidated Statement of changes in equity for the half-year ended 31 December 2021

	SHARE CAPITAL \$	RETAINED LOSSES \$	SHARE OPTION RESERVE \$	TOTAL EQUITY \$
BALANCE 1 July 2021	107,607,468	(64,565,152)	8,260,419	51,302,735
<u>Total comprehensive income</u>				
Total profit or (loss)	-	(8,068,669)	-	(8,068,669)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	(8,068,669)	-	(8,068,669)
<u>Transactions with members in their capacity as owners:</u>				
Issued of share capital (net of costs)	5,164,789	-	-	5,164,789
Issue of share-based payment options	-	-	2,545,075	2,545,075
Total transactions with owners	5,164,789	-	2,545,075	7,709,864
BALANCE AT 31 December 2021	112,772,257	(72,633,821)	10,805,494	50,943,930
	SHARE CAPITAL \$	RETAINED LOSSES \$	SHARE OPTION RESERVE \$	TOTAL EQUITY \$
BALANCE 1 July 2020	81,094,167	(50,990,979)	4,053,915	34,157,103
<u>Total comprehensive income</u>				
Total profit or (loss)	-	(4,036,356)	-	(4,036,356)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	(4,036,356)	-	(4,036,356)
<u>Transactions with members in their capacity as owners:</u>				
Issued of share capital (net of costs)	44,000	-	-	44,000
Issue of share-based payment options	-	-	1,556,809	1,556,809
Total transactions with owners	44,000	-	1,556,809	1,600,809
BALANCE AT 31 December 2020	81,138,167	(55,027,335)	5,610,724	31,721,356

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows for the half-year ended 31 December 2021

	Notes	31 December 2021 \$	31 December 2020 \$
Cash flows from Operating Activities			
Sundry income received		-	501
Cash flow boost stimulus grant income		-	50,000
Interest received		78	1,741
Payments to suppliers and employees		(4,174,350)	(2,415,662)
Net Cash (used in) Operating Activities		(4,174,272)	(2,363,420)
Cash flows from Investing Activities			
Purchase of property, plant & equipment		(32,807)	(25,295)
R&D rebates received offset against E&E asset		-	518,432
Capitalised exploration costs	5	(16,811,503)	(1,218,578)
Investment in long-term bank deposits		(630,367)	-
Net Cash (used in) Investing Activities		(17,474,677)	(725,441)
Cash flows from Financing Activities			
Proceeds for unissued share capital	11	7,500,000	-
Issue of shares		-	58,000
Proceeds from exercise of options		30,000	-
Share issue transaction costs	7	(78,544)	(14,000)
Proceeds from borrowings		-	146,795
(Repayments) of borrowings/borrowing costs		(228,859)	(586,938)
Payment of principal of lease liabilities		(70,389)	(63,879)
Net Cash from Financing Activities		7,152,208	(460,022)
Net change in cash and cash equivalents		(14,496,741)	(3,548,884)
Cash and cash equivalents, beginning of year		22,812,361	6,814,387
Cash and Cash Equivalents, end of year		8,315,620	3,265,503

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Nature of operations

The principal activity of the Group was pursuing the development of its Leigh Creek Urea Project.

2. General information and statement of compliance

The condensed interim consolidated financial statements have been prepared under the Corporations Act 2001, AASB 134 *Interim Financial Reporting*, and other authoritative pronouncements of the Australian Accounting Standards Board (AASB). They do not include all the information required in annual financial statements in accordance with Australian Accounting Standards and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 June 2021 and any public announcements made by the Group during the half-year in accordance with continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and the Corporations Act 2001. The financial report has been presented in Australian dollars.

The interim consolidated financial statements for the period were approved and authorised for issue by the Board of Directors 3rd March 2022.

3. Changes in significant accounting policies

The financial statements have been prepared under the same accounting policies adopted in the Group's last annual financial statements for the year ended 30 June 2021. The accounting policies included in the Group's previous annual financial statements for the year ended 30 June 2021 are the relevant policies for comparatives.

There were no new standards adopted as at 1 July 2021 that had a significant impact.

4. Going Concern

The financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. In the six months ended 31 December 2021, the Group incurred a loss of \$8.1 million, and this brought accumulated losses to \$72.6 million. At 31 December 2021, the Group's current assets exceeded its current liabilities by \$1.5 million. The Group had net operating and investing cash outflows of \$21.6 million, which is forecast to continue. The Group had net assets of \$50.9 million.

The financial report has been prepared on a going concern basis on the expectation that the Group can raise additional debt or equity as required. The Directors are aware that additional debt or equity will be required within 12 months to continue as a going concern and that the Group's ability to raise equity will rely on investor confidence in the development of the Leigh Creek Urea Project. The Director's cash flow forecasting assumes receipt of \$3 million in equity funding in March 2022, in line with the Leigh Creek Energy Limited Share Purchase Plan Offer, launched on 17 January 2022 and closed on 28 February 2022, and assumes prudent cash management and scaling back of corporate, LCUP and other costs beyond minimum commitments in the event that further debt or equity raising does not occur within 12 months of the date of this financial report.

The Directors note that the matters outlined above indicate a material uncertainty, which may cast significant doubt on the ability of the Group to continue as a going concern and therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business. At the date of this report, the Directors believe that the Group will have access to adequate resources and funding to continue to develop the Group's areas of interest and will ensure the company has sufficient funds to meet its obligations.

The initial Bankable Feasibility Study (BFS) for Stage 2 of the LCUP is expected to be received in Q1 2022. In determining the Group's ability to continue as a going concern, management has assessed that it is reasonable that this initial BFS, coupled with binding offtake agreements, will assist the Group in raising capital to complete the BFS and Front-End Engineering Design (FEED) to then proceed to the Final Investment Decision (FID). The formal completion of the BFS and FEED will allow the Group to commence negotiations to secure the 70% finance for the project. The company currently has a letter of support from a Korean financial institution to fund 70% of the upstream component of the project, being approximately \$1.5b, subject to the agreement of commercial terms and a positive FID. A strategic partner and/or capital raising will provide the funding for the balance of the project once FID has been made.

If the company is unable to secure the funds to complete the BFS and FEED, the company has sufficient access to \$7.5 million in funding in Tranches 2 & 3 of its agreement with Energy Exploration Capital Partners (EECP), with an option to drawdown \$5 million at Tranche 4 if it is agreed between EECP and the Company. In the event only the \$3 million through the Share Purchase Plan discussed above is received, expenditure would be significantly reduced on the LCUP until funding is secured to progress to final BFS.

The Directors are satisfied that there are reasonable grounds to conclude that the company will be able to raise funds by way of debt and/or equity to fund anticipated activities and meet financial obligations. For the reasons outlined above, the Board has prepared the Financial Report on a going concern basis.

The financial statements do not include adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

5. Exploration and Evaluation Expenditure

Accounting policy – Exploration and evaluation expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that the right of tenure is current, and those costs are expected to be recouped through the successful development of the area (or by its sale). These costs are also carried forward where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves, and operations concerning the area are continuing.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area at the rate of depletion of the economically recoverable reserves. Accumulated costs concerning an abandoned area are written off in full against profit in the period in which the decision to abandon the area is made.

	Six months to 31 December 2021 \$	Year to 30 June 2021 \$
Balance at opening	30,823,397	27,221,061
Licence fees	24,408	31,088
Costs capitalised for Joint Operation	86,236	243,504
Costs capitalised for LCUP	5,546,581	3,506,097
Less R&D tax concession rebates	-	(178,353)
Total exploration and evaluation expenditure	36,480,622	30,823,397

The company applied for R&D Tax Incentives through AusIndustry for eligible research expenditure incurred during 2020/21 for the Leigh Creek Urea Project. Costs capitalised for LCUP include \$495,000 relating to the estimated expenditure for restoration, decommissioning and make good, for which there is also a provision. These costs may include the dismantling and removal of plant, equipment and building structures, and other activities. In determining these costs, there is uncertainty regarding the nature and extent of the work.

Costs capitalised for LCUP also include indirect costs, such as depreciation and amortisation expenses for PPE used for Exploration activities.

Property, Plant and Equipment

At 31 December 2021, there was a PPE balance of \$1,329,785, which includes \$945,551 in Capital Works-in-Progress for the construction of the Siemens Engines with Drivetrain for use in Stage 1 of the LCUP.

6. Borrowings

Accounting policy – Borrowings

Borrowings are recognised initially at fair value, less attributable transaction costs. After initial recognition, borrowings and loans are stated at amortised cost. Any difference between cost and redemption value is recognised in the profit or loss over the loan period on an effective-interest basis. Loans with a determinable payment due less than twelve months from reporting date are classified as current liabilities. Transaction and finance costs include ancillary costs incurred in the arrangement of loans, interest payable and facility line fees payable on the loan.

	2021 \$	2020 \$
Current		
Loan – Motor Vehicle	93,465	97,324
Total current borrowings	93,465	97,324
Non-current		
Loan – Motor Vehicle	-	-
Total borrowings	93,465	97,324

7. Issued Capital

Accounting policy – Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

ORDINARY SHARES

Ordinary shares participate in dividends and the proceeds on winding up the parent entity in proportion to the number of shares held. At the shareholders' meeting, each ordinary share is entitled to one vote when a poll is called. Otherwise, each shareholder has one vote on a show of hands. All issued shares are fully paid. All unissued shares are ordinary shares of the company.

	2021 \$	30 June 2021 \$
Total issued capital - Ordinary shares 866,212,410 (2020: 658,180,049)	112,772,257	107,607,468

Additional shares were issued during the financial year relating to capital raising activities listed below.

DETAILED TABLE OF CAPITAL ISSUED DURING THE PERIOD

Type of share issue	Date of issue	No' of ordinary shares on issue	Issue price \$	Share capital \$
Opening balance 1 July 2021		813,482,798		107,607,468
Options exercise	1/07/2021	2,005,123	-	-
Options exercise	1/07/2021	12,024,727	-	-
Options exercise	17/11/2021	3,620,000	-	-
Options exercise	1/12/2021	125,000	-	-
Options exercise	2/12/2021	250,000	0.12	30,000
Energy Exploration Capital Partners	8/12/2021	15,619,048	0.175	2,733,333
Energy Exploration Capital Partners	21/12/2021	19,085,714	0.15	2,471,000
Share issue costs				(69,544)
Issued capital		866,212,410		112,772,257

SHARE BASED PAYMENTS

Accounting policy – Share based payment plans

The Group operates equity-settled share-based remuneration plans for its employees and some consultants. The Group's plans are not cash-settled, in order to minimise cash outflow. All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees or consultants are rewarded using share-based payments, the fair value is determined indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets and performance conditions). All share-based remuneration is ultimately recognised as an expense in profit or loss with a corresponding credit to share option reserve. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. The expense recognised during the period in relation to employees was \$2,424,760 and \$120,315 to consultants.

Non-market conditions are included in assumptions about the number of options expected to vest. Estimates are subsequently revised if any indication that the number of share options expected to vest differs from previous estimates. Any adjustment to cumulative share-based compensation resulting from a revision is recognised in the current period. The number of vested options ultimately exercised by holders does not impact the expense recorded in any period.

Grant date might occur after the employees or consultants to whom the equity instruments were granted have begun rendering services, such as grant of equity instruments to key management personnel, subject to shareholder approval. The company estimates the grant date fair value of the equity instruments (e.g., by estimating the fair value of the equity instruments at the end of the reporting period) to recognise the services received during the period between the service commencement date and grant date. Once the grant date has been established, the company revises the earlier estimate so that the amounts recognised for services received regarding the grant are ultimately based on the grant date fair value of the equity instruments.

Upon exercise of share options, the proceeds received, net of any directly attributable transaction costs, are allocated to share capital up to the nominal (or par) value of the shares issued, with any excess recorded as share premium. For Plans 4-7, 9-10, the fair value at issue date is calculated using the Black Scholes option pricing model that considers the share price at issue date, the exercise price, the term until expiry, and an implied volatility estimate. For plans 12-14 and 16, the fair value is calculated using the closing share price at the issue date. These options are issued at a zero-exercise price. For plans 1-3 and 8, the fair value at issue date is calculated using the Trinomial option pricing model that considers the share price at issue date, the exercise price, the term until expiry, and an estimate of implied volatility. Plans 11 and 15 are subject to performance conditions prior to vesting. Plan 11 options vest upon FID approval for Stage 2 LCUP. Plan 15 options will vest subject to the performance of the following conditions:

Stretch Targets ¹	Stretch Target Date ²	Executive Chairman Number of Options	Managing Director Number of Options
Operations-based	30 June 2022	358,304	520,084
Financial and approval based	30 June 2022	238,872	346,720
TOTAL		597,176	866,804

- (1) Within Operations-based and Financial and approval based targets there are a number of individual performance hurdle targets where those particular options will vest based on meeting those individual targets.

- (2) The project has a number of hurdles each with an anticipated individual target dates in FY23, however, these awards will only vest if met by the stretch target of 30 June 2022.”

(i) *Number of options granted during the period*

	As at 31 December 2021	Weighted-average exercise price
Outstanding at beginning of the year	75,283,640	\$0.20
Forfeited	(800,000)	\$0.228
Expired	(10,000,000)	\$0.298
Granted	10,233,980	\$0.00
Exercised	(18,024,850)	\$0.00
Outstanding	56,692,770	\$0.21

	As at 30 June 2021	Weighted-average exercise price
Outstanding at beginning of the year	65,039,794	\$0.26
Forfeited	-	\$0.00
Expired	(12,423,500)	\$0.38
Granted	34,005,013	\$0.10
Exercised	(11,337,667)	\$0.08
Outstanding	75,283,640	\$0.20

(ii) *Valuation assumptions – employee plans*

At each balance sheet date, the Company revises its estimate of the number of options expected to become exercisable. A volatility curve was used for plans 1-11. Options vested on issue date for plans 1-10. Plans 11 and 15 will vest subject to the achievement of performance conditions, and plans 12-14 and 16 were subject to a restriction period prior to vesting.

	Plan 1	Plan 2	Plan 3
Grant date	22 August 2018	22 August 2018	18 July 2018
Number issued	5,000,000	5,000,000	5,015,000
Share price at grant date	\$0.17	\$0.17	\$0.19
Volatility (average)	70%	70%	70%
Fair value at issue date	\$0.06	\$0.08	\$0.07
Exercise price	\$0.35	\$0.25	\$0.25
Exercisable from	18 January 2019	18 January 2019	18 July 2018
Exercisable to	17 April 2023	3 July 2022	16 July 2022

	Plan 4	Plan 5
Grant date	17 December 2019	18 August 2020
Number issued	7,600,000	6,650,000
Share price at grant date	\$0.16	\$0.09
Volatility (average)	70%	90%
Fair value at issue date	\$0.06	\$0.05
Exercise price	\$0.23	\$0.12
Exercisable from	13 December 2019	18 August 2020
Exercisable to	12 December 2023	18 August 2024

(iii) Valuation assumptions – consultant plans

	Plan 6	Plan 7	Plan 8
Grant date	17 March 2020	17 March 2020	18 July 2018
Number issued	5,494,505	5,494,505	775,000
Share price at grant date	\$0.11	\$0.11	\$0.19
Volatility (average)	70%	70%	70%
Fair value at issue date	\$0.04	\$0.03	\$0.07
Exercise price	\$0.14	\$0.18	\$0.25
Exercisable from	17 March 2020	17 March 2020	18 July 2018
Exercisable to	17 March 2023	16 March 2023	16 July 2022

	Plan 9	Plan 10	Plan 11
Grant date	15 January 2021	15 January 2021	15 June 2021
Number issued	9,800,000	800,000	2,000,000
Share price at grant date	\$0.23	\$0.23	\$0.19
Volatility (average)	90%	90%	90%
Fair value at issue date	\$0.09	\$0.09	\$0.08
Exercise price	\$0.24	\$0.23	\$0.00
Exercisable from	15 January 2021	15 January 2021	Subject to performance conditions
Exercisable to	13 January 2024	14 January 2025	28 June 2026

(iv) Other employee plans – Zero exercise price options (ZEPOs)

	Plan 12	Plan 13	Plan 14
Grant date	4 November 2020	21 June 2021	18 August 2021
Number issued	799,165	25,615	775,000
Fair value at issue date	\$0.12	\$0.12	\$0.155
Exercise price	\$0.00	\$0.00	\$0.00
Exercisable from	15 April 2021	5 August 2021	17 November 2021
Exercisable to	15 April 2025	15 June 2026	17 August 2026

	Plan 15	Plan 16
Grant date	4 November 2021	15 November 2021
Number issued	1,463,980	250,000
Fair value at issue date	\$0.11	\$0.165
Exercise price	\$0.00	\$0.00
Exercisable from	Subject to performance conditions	15 February 2022
Exercisable to	2 December 2025	17 August 2026

8. Related Party Transactions

Transactions between related parties are on standard commercial terms and conditions no more favourable than those to other parties, unless otherwise stated:

- i) Piper Alderman lawyers were paid \$313,505 (2020: \$24,981) for legal services rendered to the Group. There was \$23,162 due for payment at the end of the reporting period. Greg English is a partner at Piper Alderman lawyers and was a Non-Executive Director until June 2021.
- ii) Zheng Xiaojiang provided consulting services for \$115,000 and was reimbursed for travel expenses of \$21,697 during the period totalling \$136,697 (2020: \$134,167). There was \$19,167 due for payment at the end of the reporting period. Mr Xiaojiang is a Non-Executive Director of the Company.

9. Earnings per Share

The basic earnings per share calculation at 31 December 2021 was based on the loss attributable to ordinary equity holders of \$8,068,669 (2020: \$4,036,356) and a weighted average number of ordinary shares outstanding during the six months of 831,449,125 (2020: 654,968,121).

The diluted loss per share calculation at 31 December 2021 is the same as the basic diluted loss per share. Per AASB 133 Earning per share, as potential ordinary shares may result in a situation where their conversion decreases the loss per share, no dilutive effect has been considered. There were no dilutive potential ordinary shares in existence during the year (2020: none) as the company's share options were anti-dilutive.

10. EPCC Contract and Offtake HOA between the Company and DL E&C Co. Ltd (Daelim)

In June 2021, the company entered into an Engineering, Procurement, Construction, Commissioning (EPCC) contract for a 1Mtpa urea production plant to South Korean engineering and construction company, DL E&C Co. Ltd (Daelim).

Daelim will manage the LCUP Bankable Feasibility Study (BFS) and Front-End Engineering & Design (FEED) stages ahead of a Final Investment Decision (FID). Once FID is achieved, and all relevant key engineering data and project execution documents are finalised with LCK, Daelim will perform the engineering, procurement, construction, and commissioning of the urea production facilities.

In addition, Daelim has secured the support of a major Korean financial institution to fund 70% of the upstream component of the project, being approximately \$1.5b. This is via a letter of support by that institution that is subject to the agreement of commercial terms and a positive FID. The balance of that funding is to be secured by a combination of debt and equity to other parties once FID is reached.

Services provided under the contract require a fixed sum payment of USD 29,265,000 to Daelim, payable in four milestones, payable as follows:

- 1) the first instalment is 30% of the Services Fee to be invoiced on or after the company gives Daelim the Notice to Proceed. On 2 August 2021, the company issued a formal Notice to Proceed to Daelim under this Contract. Under the terms of the Contract, subsequent to the issue of this Notice, the company was liable to pay Daelim USD 8,779,500, which was paid by 31 December 2021. These payments were capitalised to Other assets representing amounts paid in advance of works being undertaken (\$11,681,331) and Exploration and Evaluation Expenditure (\$539,818, see Note 5).
- 2) the second instalment is 30% of the Services Fee to be invoiced on or after the first date on which the process design packages for both the ammonia (including sulphur recovery) plant and the urea plant comprised in the Works have been delivered to Daelim by the relevant Licensor.
- 3) the third instalment being 15% of the Services Fee to be invoiced on or after the date Services Completion occurs; and
- 4) the fourth instalment is 25% of the Services Fee to be invoiced on or after the date that the company's Board of directors makes an FID on the LCUP Fertiliser Project.

Milestones two to four have not yet been met, and there was no payable owing at 31 December 2021.

On 30 November 2021, the company announced that it had entered into a Heads of Agreement with Daelim for an offtake of a minimum of 500,000 metric tonnes of granular urea per year for a minimum of five years.

11. Energy Exploration Capital Partners, LLC (EECP) Funding agreements

Accounting Policy – Financial Instruments

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled, or expires.

Classification and subsequent measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price per AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

For subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- amortised cost
- fair value through profit or loss (FVTPL)
- equity instruments at fair value through other comprehensive income (FVOCI)
- debt instruments at fair value through other comprehensive income (FVOCI)

All income and expenses relating to financial assets recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables presented within other expenses.

Classifications are determined by both:

- The entities business model for managing the financial asset
- The contractual cash flow characteristics of the financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method, except for derivative and financial assets designated at FVTPL. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Financial assets designated through FVTPL are carried at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments). All

interest-related charges and, if applicable, changes in an instrument's fair value reported in profit or loss are included within finance costs or finance income.

Impairment of Financial assets

AASB 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit losses (ECL) model'. The Group's financial assets include trade and other receivables.

The Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (Stage 1) and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low (Stage 2).

Stage 3 would cover financial assets that have objective evidence of impairment at the reporting date.

12-month expected credit losses are recognised for the first category, while lifetime expected credit losses are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Classification and subsequent measurement of financial liabilities

The Group's financial liabilities include borrowings and trade, and other payables.

Financial liabilities are initially measured at fair value and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments). All interest-related charges and, if applicable, changes in an instrument's fair value reported in profit or loss are included within finance costs or finance income.

As the company's shares are traded on an active market, the ASX, the fair value of equity settled financial liabilities is calculated at the closing share price at the valuation date, with movements designated at FVTPL.

EECP FUNDING

In January 2021, the company entered into an Institutional Share Placement agreement with EECP. The financing agreement consists of phased payments of up to \$18m in \$6m tranches. The initial tranche of \$6m less fees was received in January 2021 on the execution of the funding agreement. On execution, the company recognised a Financial Liability of \$6,540,000 for the fair value of shares to be issued. The initial Placement Price of these shares was determined as 90% of the average of five daily VWAPs per share (selected by EECP) during the 20 trading days before payment, the 4th of January 2021, and that the company would be required to issue 48,805,970 Placement Shares in settlement of this Financial Liability. Until these shares were issued in full, the company carries a Financial Liability, with the movements in the Fair Value of the shares moving through Fair Value Through Profit or Loss (FVTPL). The balance of the tranche one placement shares were issued 8 December 2021, being 15,619,048 shares at a FVTPL loss of \$976,190.33 based on the closing share price at the issue date.

In December 2021, the company entered into a new agreement with EECP, terminating the prior agreement. As a result, tranches 2 and 3 under the initial agreement will not proceed. The new financing agreement consists of phased payments of up to \$20m in four tranches, the first three tranches of \$15m net proceeds to be drawn upon at the company's discretion, with the fourth tranche of \$5m net proceeds requiring subsequent agreement with EECP.

The initial tranche of \$7,500,000 less fees was received in December 2021. On execution, the company recognised a financial liability of \$7,491,000 less the fair value of the 14,800,000 initial placement shares issued to EECP totalling \$2,000,000 based on an estimate of 90% of the average of five daily VWAPs per share (selected by EECP) during the 20 trading days before settlement. As the initial placement shares relate to the overall financial arrangement and EECP may elect to satisfy payment of these placement shares by either offsetting against future calls or repaying in cash, this resulted in a net financial liability of \$5,491,000. The First Investment shares remain unissued at 31 December 2021.

On 21 December 2021, a commencement fee of \$600,000 was required to be satisfied via the issuance of 4,285,714 shares to the investor. These shares were issued on 21 December 2021 at \$0.15 per share totalling \$642,000. Given the commencement fee shares were issued as transaction costs relating to the issuance of a financial liability at FVTPL and the issuance of initial placement shares, the amount is required to be pro-rated with \$471,000 being expensed to the profit and loss in relation to this fee during the period with the remaining \$171,000 capitalised as capital raising cost of the equity issue.

A share placement fee was payable to Odeon Capital, a 3% cash fee on Tranche 1 of \$225,000. A fee of 857,143 of the company's own shares was also payable. These shares were unissued at 31 December 2021, and the Fair Value was measured at 21 December 2021 as \$0.15 per share, resulting in a financial liability and associated expense of \$128,571. Until these shares are issued in full, the company carries a Financial Liability at FVTPL.

New Agreement

Description – EECF Funding Agreement – December 2021	Funds received \$	Expense/FVTPL \$	Other Financial Liability movement \$	Other Financial Liability balance \$
Financial Liability recognition – Dec 2021	7,491,000	-	(5,491,000)	(5,491,000)
Commencement Fee – Dec 2021	-	471,000	-	(5,491,000)
Share Placement Fee – 3% cash	-	225,000	-	(5,491,000)
Share Placement Fee – 857,143 shares	-	128,571	(128,571)	(5,619,571)
Half-year ended 31 December 2021	-	824,571	(5,619,571)	(5,619,571)

Previous Agreement

Description – EECF Funding Agreement – December 2021	Funds received \$	Expense/FVTPL \$	Other Financial Liability movement \$	Other Financial Liability balance \$
Financial Liability – July 2021	-	-	-	(1,757,143)
Issue of shares on settlement 8 December 2021	-	976,190	(976,190)	(2,733,333)
Half-year ended 31 December 2021	-	976,190	-	-

Total Breakdown of financing costs for the period is as follows:

New Agreement

Description	Expense/FVTPL \$
Commencement fee expense	471,000
Share Placement Fee – 3% cash	225,000
Share Placement Fee – 857,143 shares	128,571
Other borrowing costs	1,910
TOTAL for period ended 31 December 2021	826,481

Old Agreement

Description	Expense/FVTPL \$
Fair value adjustment of Financial Liability at issue date 8 December 2021	976,190
TOTAL for period ended 31 December 2021	976,190

OTHER FINANCIAL ASSETS

Other financial assets relate to \$565,339 in term deposits with a maturity date greater than 3 months but less than 12 months from balance date. These have been reclassified from non-current to current asset as at 31 December 2021 due to the maturity dates. Additionally, \$630,367 relates to a cash-covered bank guarantee held for 20% of Drivetrain Australia contract amount with an expiry of 6 months from 31 December 2021.

12. Events after the reporting date

On 11 January 2022, the company announced a Share Purchase Plan, offering eligible shareholders an opportunity to apply to purchase shares, with the intent to raise up to \$5m.

On 17 January 2022, the company announced the signing of a Memorandum of Understanding to exclusively negotiate the potential acquisition of the Mulpun ISG Project in Chile with Antofagasta Mineral SA, subject to further due diligence, and agreement of final terms and conditions, with targeted completion by April 2022.

On 3 February 2022, the company announced that it had achieved its Carbon Neutral status, as its FY22 carbon emissions have been offset from accredited international carbon farming projects.

On 23 February 2022, the company called a General Meeting for shareholders to approve a company name change. The Directors believe that the new name, "NeuRizer Ltd", will better reflect the company's dominant business purpose and strategy. This change has not yet taken effect and is subject to shareholder approval and processing by ASIC.

On 28 February 2022, the company announced that it had received a settlement notice from EECF to issue 11,627,907 shares in settlement of obligations under its existing funding arrangement.

DIRECTORS' DECLARATION

In the opinion of the Directors of Leigh Creek Energy Limited:

- a) The consolidated financial statements and notes of Leigh Creek Energy Limited are in accordance with the *Corporations Act 2001*, including:
 - i. Giving a true and fair view of its financial position as at 31 December 2021 and of its performance of the Group for the half-year ended on that date; and
 - ii. Complying with Accounting Standard AASB 134 *Interim Financial Reporting*; and
- b) There are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:



P Staveley – Managing Director

Dated at Adelaide, South Australia this 3rd day of March 2022.



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Independent auditor's review report to the members of Leigh Creek Energy Limited

Conclusion

We have reviewed the accompanying half-year financial report of Leigh Creek Energy Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group does not comply with the *Corporations Act 2001*, including:

- a. Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and of its consolidated financial performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material uncertainty related to going concern

We draw attention to Note 4 of the half-year financial report, which describes the principal conditions that raise doubt about the Group's ability to continue as a going concern. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect to this matter.

Directors' responsibilities for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us



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believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink that reads 'L A Carr'.

L A Carr
Partner
Adelaide
3 March 2022

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CORPORATE DIRECTORY

Directors

Daniel J Peters
Executive Chairman

Phillip Staveley
Managing Director

Murray K Chatfield
Non-Executive Director

Zhe Wang
Non-Executive Director

Zheng Xiaojiang
Non-Executive Director

Company Secretary

Jordan Mehrtens

Registered & Principal Business Office

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