

Quarterly report for the 3 months to March 31, 2019

Highlights

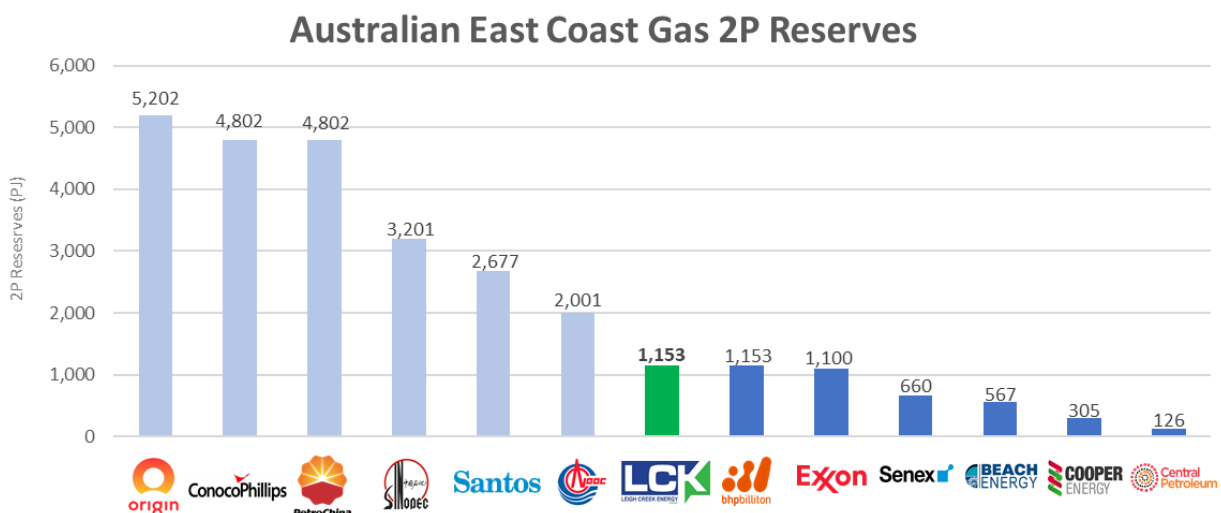
- ✓ **Maiden 2P Reserve certification of 1,153PJ**
- ✓ **Pre-Commercial Demonstration Success**
- ✓ **Funding initiatives completed**
- ✓ **African Carbon Energy and LCK Heads of Agreement**

Leigh Creek Energy Limited (“LCK”, or “the Company”) is pleased to provide its shareholders and the market with an update on the development of the Leigh Creek Energy Project (LCEP) in South Australia for the three months to 31 March 2019.

Maiden 2P Reserve Certification

LCK announced (27 March 2019) that it has received a PRMS certification of 1,153 PJ 2P at the Leigh Creek Energy Project (LCEP) from MHA Petroleum Consultants, based in Denver, USA.

This classification is a direct result of the success of the Pre-Commercial Demonstration Plant (PCD) at the LCEP, where the PCD produced all targeted commercial gases with commercial flow rates from a single gasifier. This 2P reserve certification confirms that the gas at the LCEP is of considerable value and has been independently certified as suitable for a commercial project. The LCEP now unequivocally represents one of Eastern Australia’s largest undeveloped and uncontracted gas reserves.



Source: Australian Energy Regulator 2018

NB: Light blue colour denotes that gas reserves for Origin Energy, ConocoPhillips, PetroChina, Sinopec, SANTOS and CNOCC are contracted to LNG export projects

Pre-Commercial Demonstration Success

The Pre-Commercial Demonstration facility (PCD) a success with the research and commercial objectives of the PCD having been met.

The PCD confirmed that the syngas produced is of sufficient quality and quantity to support a commercial project. The peak flow achieved was 8,913sm³/h or 7.5mmcf/day. The Company also confirmed that the PCD achieved a gas heating value (energy) of 6.6 MJ/Sm³, which is one of the highest for air-blown syngas achieved anywhere in the world.

The successfully achieved commercial objectives of the PCD were:

1. Produce syngas comprising Methane (CH₄), Hydrogen (H), Carbon Monoxide (CO) and Nitrogen (N)
2. Produce syngas at over 1 million cubic feet per day
3. Capture information required to upgrade the existing SPE-PRMS of 2,964 PJ 2C resource to 2P reserve
4. Demonstrate that LCK can operate the In-Situ Gasification (ISG) gasifier safely and in an environmentally responsible manner
5. Provide key data and information for the development of the commercial project

Pre-Commercial Decommissioning

Subsequent to the end of the March 2019 quarter, LCK commenced the decommissioning of the PCD. This, once completed over the next month, will significantly reduce the level of cash burn. The environmental monitoring will remain ongoing until successful decommissioning has been demonstrated.

Following the PCD's success, General Manager of Technical, Justin Haines has moved to a consulting role.

African Carbon Energy and LCK Heads of Agreement

LCK signed a Heads of Agreement (HoA) with South African based African Carbon Energy Pty Ltd (Africary) for the negotiation of one or several of the Lease Agreement, Sale and Purchase Agreement and the Service Agreement, to enable LCK's PCD to be in the first instance leased by Africary and the granting of an option for Africary to purchase the PCD for use at its Theunissen underground coal gasification project in South Africa, and for LCK to provide advisory services to Africary.

If the agreements are signed, this will mean that LCK will be able to recover the majority of its engineering and plant costs of the PCD and to also have an early path to revenue.

Rights Issue Completed

LCK closed its pro-rata 1-for-15 non-renounceable rights issue on 28th February 2019). The Offer was strongly supported and was oversubscribed. In accordance with the offer document the Company allocated the available Shortfall Shares applied for after scaling back the oversubscription.

Funds totalling AUD \$3.86 million were raised through the issue of 15,535,591 Entitlement Shares and 16,610,133 Shortfall Shares for \$0:12 per share.

Convertible Note

LCK undertook capital raising activities by offering 25,000,000 Convertible Notes with a face value of AUD\$3.0 million with a fixed conversion price of \$0:12/note, to existing Top 20 LCK shareholder, Crown Ascent Development Limited.

Finance

As at 31 March 2019, the Company's total cash balance was \$6.6 million. During the quarter the CBA Research and Development working capital debt facility was extended to \$4.0 million. As at 31 March, the total debt drawn under this facility was \$3.6 million, leaving \$0.4 million available to be drawn upon as

needed. A summary of the actual cash flows for the quarter and forecast cash receipts from financing activities for the June 2019 quarter are attached in the Appendix 5B.

Tenements

As of 31 March 2019, LCK had a 100% interest in the licences listed below, all in South Australia, through LCK's wholly owned subsidiary Leigh Creek Operations Pty Ltd:

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

Leigh Creek Operations Pty Ltd also has the following licence applications in progress:

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

The agreement entered into during the December 2018 quarter regarding Petroleum Exploration Licence Application 644, was not completed and has now been terminated without any costs being incurred by LCK.

Managing Director's Commentary

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

"The independent confirmation and certification of the 2P energy reserve will allow LCK to advance with its negotiations with potential joint-venture partners on investment structures and the full-funding solutions for a commercial facility at the Leigh Creek Energy Project."

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About Leigh Creek Energy

Leigh Creek Energy Limited is an emerging energy company focused on developing its Leigh Creek Energy Project (LCEP), located in South Australia. The LCEP will produce synthetic natural gas and/or ammonium nitrate products (fertiliser and industrial explosives) from the remnant coal resources at Leigh Creek, utilising In Situ Gasification technologies, and will provide long term stability and economic development opportunities to the communities of the Upper Spencer Gulf, northern Flinders Ranges and South Australia.

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

Resource Compliance Statement

The PRMS resources estimates stated herein are based on, and fairly represent, information and supporting documentation prepared by Timothy Hower of MHA Petroleum Consulting, Denver USA. Mr Hower is a member of the Society of Petroleum Engineers and has consented to the use of the Resource estimates and supporting information contained herein in the form and context in which it appears. A copy of the report by Mr Hower is attached to the company's announcement dated 27 March 2019.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

LEIGH CREEK ENERGY LIMITED

ABN

31 107 531 822

Quarter ended ("current quarter")

March 2019

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	(2,959)	(13,888)
(b) development		
(c) production		
(d) staff costs	(732)	(1,931)
(e) administration and corporate costs	(622)	(2,233)
1.3 Dividends received (see note 3)		
1.4 Interest received	24	116
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Research and development refunds		5,010
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(4,289)	(12,926)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(12)	(196)
(b) tenements (see item 10)		
(c) investments		
(d) other non-current assets		

Mining exploration entity and oil and gas exploration entity quarterly 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) property, plant and equipment		
	(b) tenements (see item 10)		
	(c) investments		
	(d) 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	(12)	(196)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	6,798	11,090
3.2	Proceeds from issue of convertible notes		
3.3	Proceeds from exercise of share options		
3.4	Transaction costs related to issues of shares, convertible notes or options	(141)	(332)
3.5	Proceeds from borrowings		(230)
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings	(62)	(171)
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	6,595	10,357

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	4,265	9,324
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(4,289)	(12,926)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(12)	(196)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	6,595	10,357
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	6,559	6,559

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	1,088	1,808
5.2 Call deposits	4,789	1,775
5.3 Bank overdrafts		
5.4 Other (Term deposits)	682	682
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	6,559	4,265

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter
\$A'000**

334

Item 6.1 includes Directors fees

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter
\$A'000**

31

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

Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	3,600	3,600
8.2 Credit standby arrangements		
8.3 Other (please specify)		
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

R&D working capital facility with Commonwealth Bank of Australia. Facility limit Increased to \$4.0m from March 2019. The term of the facility remains unchanged and is available until December 2019.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	2,745
9.2 Development	
9.3 Production	
9.4 Staff costs	1,094
9.5 Administration and corporate costs	385
9.6 Other (Interest Expense)	45
9.7 Total estimated cash outflows	4,269

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced				
10.2 Interests in mining tenements and petroleum tenements acquired or increased				

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.



Sign here:
(Director/Company secretary)

Date:30 April 2019.....

Print name: .Damien Connor.....

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.