

30 July 2020

ASX ANNOUNCEMENT (ASX:LCK)



Quarterly Report – June Quarter

Leigh Creek Energy Limited (“LCK” or “the Company”) provides this operations update for the three months to 30 June 2020.

Company Highlights

- **Oversubscribed Capital Raising**
- **PRL granted for the Leigh Creek Energy Project**
- **Successful Cooper Basin gazettal bid**

Successful Capital Raising

In June, the Company completed a successful capital raising. This consisted of an underwritten Share Purchase Plan (SPP) and a placement to institutional and professional investors. The SPP, underwritten to the value of \$1m, was an outstanding success and raised \$4.1m. Following the SPP, a placement was made to institutional and professional investors, which was also oversubscribed and was scaled back to \$1.5m. Total proceeds from the SPP and institutional placement were \$5.6 million before costs.

Leigh Creek Energy Project PRL granted

LCK was granted a Petroleum Retention Licence (PRL) for the Leigh Creek Energy Project (LCEP), providing security of tenure and a direct pathway to a Petroleum Production Licence (PPL) the final approval that LCK will need for the LCEP to produce syngas in commercial quantities. Hence, the PRL represents an important step forward to commercialising the LCEP.

LCK is now progressing through the legislative requirements to convert the PRL to a PPL.

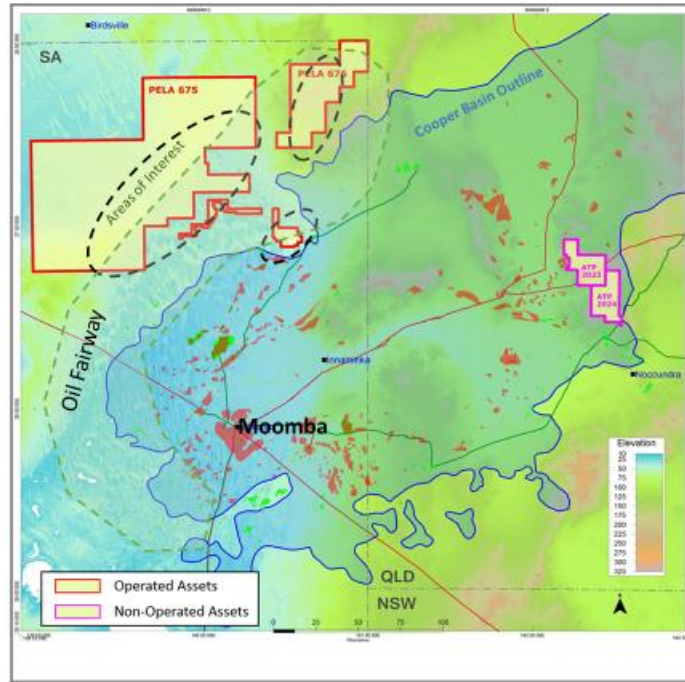
New acreage granted in the Cooper Basin

LCK competed for tenements in the South Australian government’s 2019 Cooper Basin Acreage Release and was awarded two of the five tenements offered (PELAs 675 and 676). These permits plus ATPs 2023 and 2024, which LCK is in the process of farming into with a subsidiary of Bridgeport Energy Limited, comprise the Company’s growing portfolio of Cooper Basin oil and gas exploration permits.

PELAs 675 and 676 are located in the Cooper Basin’s potential Northern Oil Fairway and are proximal to historic hydrocarbon discoveries, as illustrated in the map below.

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Progression of LCEP as a Fertiliser Producer

As well as the progress in approvals with the Department for Energy & Mining (DEM), LCK is forging ahead with its Pre-Feasibility Study (PFS) and Environmental Impact Statement (EIS) required studies.

As we have previously stated, fertiliser is the main game, with the production of granular urea as the key product.

Initial modelling based on studies from thyssenkrupp indicates that the LCEP can market urea into the domestic and import markets at or below import price parity from the dominant lowest quartile producers from the Gulf States.

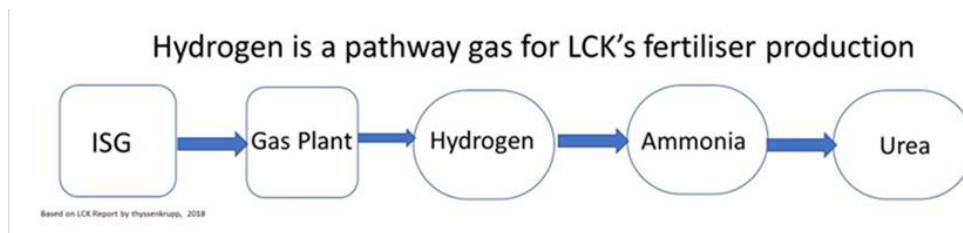
Further work on development costs including completion of outbound logistics studies will be undertaken during the December quarter.

Hydrogen as a product option

Hydrogen is currently enjoying unprecedented political and business momentum, with the demand expanding rapidly. The world market for hydrogen is estimated as \$100Bn⁺ with an annual growth rate of 6%-8%.

LCK successfully produced significant quantities of hydrogen at its flagship Leigh Creek Energy Project (LCEP) Pre-Commercial Demonstration (PCD) in early 2019.

Hydrogen production from LCK's operations will be a primary feed gas product produced during the urea manufacturing process. LCK recognises the commercial potential of its LCEP project to produce large quantities of ultra-low-cost hydrogen. Initial modelling indicates the LCEP plant could produce up to 200,000,000 kg per annum at a price well below the Federal government's aspirational target of \$2/kg, outlined in the government's "Technology Investment Roadmap Discussion Paper".



LCK will continue to explore the potential available markets as they mature to compliment urea manufacturing from its LCEP project.

Environmental Monitoring

12 months of site monitoring completed after PCD operations resulted in:

- No detected migration of COPCs from the gasifier chamber into the surrounding formation.
- No detections above air quality criteria were measured.
- No ground surface subsidence.

These results prove Leigh Creek Energy's capability to manage *in situ* gasification within the environmental boundaries approved in accordance with the Statement of Environmental Objectives required under the *Petroleum and Geothermal Energy Act 2000*.

Joint Venture with China New Energy

During the quarter LCK and its largest shareholder, China New Energy Group Limited progressed the development of the Joint Venture Agreement (JV) for In-Situ Gasification (ISG) operations in China. This has been agreed in principle and the joint venture documents are currently being translated.

Finance

As of 30 June 2020, the Company's total cash balance was AUD\$7.4 million. The SPP and institutional placement, which raised \$5.6 million which will be used to develop the LCEP, evaluate conventional oil and gas assets, undertake business development and for general working capital.

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 30 June 2020, LCK holds interest in the licences listed below:

	Ownership
Leigh Creek Energy Project permits:	
PRL 247	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

Managing Director's Commentary

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

"Recent times have been dominated by the personal health and economic impacts of COVID-19. Despite these necessary restrictions, LCK has continued to make sound progress against its business plan. Several notable achievements, being the results of annual monitoring from PCD operations, acreage release success, Hydrogen optionality progressing, and especially, advancing the LCEP in terms of licensing and funding."

For further information, contact:

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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](#)

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")

June 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 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	(728)	(3,039)
(e) administration and corporate costs	(359)	(2,875)
1.3 Dividends received (see note 3)		
1.4 Interest received	53	76
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Government grants and tax incentives		6,387
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(1,034)	549

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities		
(b) tenements		
(c) property, plant and equipment	(1)	(47)
(d) exploration & evaluation (if capitalised)	(647)	(2,359)
(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 (12 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	(648)	(2,406)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	5,619	10,519
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(449)	(753)
3.5	Proceeds from borrowings	84	553
3.6	Repayment of borrowings	(23)	(3,989)
3.7	Transaction costs related to loans and borrowings	(12)	(151)
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	5,219	6,179

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,842	3,057
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,034)	549
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(648)	(2,406)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	5,219	6,179

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 (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	7,379	7,379

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	5,293	1,512
5.2	Call deposits	1,273	1,517
5.3	Bank overdrafts		
5.4	Other (Term deposits)	813	813
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	7,379	3,842

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**

297

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.

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 or oil and gas exploration entity quarterly cash flow report

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>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.</i>		
7.1 Loan facilities	750	360
7.2 Credit standby arrangements		
7.3 Other (please specify)		
7.4 Total financing facilities	750	360

7.5 **Unused financing facilities available at quarter end** 390

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.

R&D working capital facility with Commonwealth Bank of Australia. The facility remains available until December 2020.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(1,034)
8.2 Capitalised exploration & evaluation (Item 2.1(d))	(647)
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(1,681)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	7,379
8.5 Unused finance facilities available at quarter end (Item 7.5)	390
8.6 Total available funding (Item 8.4 + Item 8.5)	7,769
8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	4.62

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?

Answer: N/A

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?

Answer: N/A

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

Answer: N/A

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:30 July 2020.....

Authorised by: ..Justyn Peters (Executive Chairman).....
(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.